# The U.S.-Mexico Transboundary Hydrocarbon Agreement: View of the Mexican Regulator

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**OVERVIEW**

The U.S.-Mexico Transboundary Hydrocarbon Agreement poses as many challenges for the National Hydrocarbons Commission (CNH), the Mexican government’s upstream regulator, as it does for Pemex, Mexico’s national oil company (NOC).

The Agreement calls on each of the parties (that is, the governments) to designate an Executive Agency as its representative in the governance structure that will be created for each cross-border oilfield. This agency is supposed to be the authority that grants licensing permits for the exploration and exploitation of mineral rights that are under federal jurisdiction. In the U.S. case, that authority is vested in the Department of Interior and its subordinate agencies.

On the Mexican side, the Energy Ministry that gives Pemex authorization to carry out E&P activities in a given area (which is seldom, if ever, in the shape of a square, as in federal waters on the U.S. side). Beyond this authority, Pemex has the right to farm-out, through public bids, hybrid risk contracts to private operators. In 2011, such licenses were given to Petrofac and Schlumberger.

The presentation will explore ways in which future policies and regulations could evolve to in order to provide co-responsibility for the governance of the Agreement.

## METHODOLOGY

Since 2009, there has been a debate regarding Pemex investment plans in deep water exploration in the Gulf of Mexico.

In general I have argued that Pemex should focus its efforts in shallow water and joint venture with IOC in the exploration and development of deep water. Of course, this would require a Constitutional Reform.

## RESULTS

Up to now, Pemex has drilled 20 wells in deep water. Most recently, two wells were drilled in the Perdido Fold Belt; one was successful, the other is still being drilled.

## CONCLUSIONS

Pemex, as all oil companies, has its strengths and weaknesses; we have to encourage its strengths by means of international agreements and reforms.

## REFERENCES

The CNH commissioners have been in frequent meetings with counterparts in the U.S. and other countries where we have been exposed to the regulatory philosophies and instruments that are in force outside of Mexico.

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