HYDROCARBONS LAW

VALID TEXT


At the margin, the National Seal, with the legend: The Mexican United States. President of the Republic.

ENRIQUE PEÑA NIETO, President of the Mexican United States, announces to its inhabitants, the following:

That the Honorable Congress of the Union has seen fit to submit to me the following

DECREE

"THE GENERAL CONGRESS OF THE MEXICAN UNITED STATES, DECRES AS FOLLOWS:

THE HYDROCARBONS LAW IS HEREBY ISSUED, AND VARIOUS PROvisions OF THE FOREIGN INVESTMENT LAW, THE MINING LAW, AND THE PUBLIC-PRIVATE ASSOCIATIONS LAW ARE HEREBY AMENDED.

ARTICLE FIRST. The Hydrocarbons Law is issued.

HYDROCARBONS LAW

FIRST TITLE

General Provisions

Article 1. This Law regulates paragraph four of Article 25, paragraph seven of Article 27, and paragraph four of Article 28 of the Political Constitution of the Mexican United States in regard to Hydrocarbons.

The Nation is the direct, inalienable, and imprescriptible owner of all the Hydrocarbons present in the subsoil of the national territory, including the continental shelf and the exclusive economic zone located outside the territorial sea and adjacent thereto, in strata or reservoirs, regardless of their physical condition.

For the purposes of this Law, cross-border reservoirs shall be deemed to be those that lie within the national jurisdiction and have physical continuity reaching beyond it.

Reservoirs or strata lying outside the national jurisdiction that are shared with other countries pursuant to treaties to which Mexico is a party or pursuant to the United Nations Convention on the Law of the Sea, shall likewise be deemed to be cross-border reservoirs or strata.

Article 2. This Law’s purpose is to regulate the following activities in the national territory:

I. Surface Surveying and Exploration, and Exploration and Extraction of Hydrocarbons;

II. Treatment, refining, sale, marketing, Transportation, and Storage of Petroleum;
III. Processing, compression, liquefaction, decompression, and regasification, as well as Transportation, Storage, Distribution, marketing, and Sale to the Public of Natural Gas;

IV. Transportation, Storage, Distribution, marketing, and Sale to the Public of Petroleum Products; and

V. Transportation through pipelines and Storage related to pipelines, of Petrochemicals.

**Article 3.** Pursuant to the provisions of paragraph four of Article 25, paragraph seven of Article 27, and paragraph four of Article 28 of the Political Constitution of the Mexican United States, the Nation shall carry out Exploration for and Extraction of Hydrocarbons, as per the terms of this Law's provisions.

Exploration for and Extraction of Hydrocarbons in the cross-border reservoirs to which reference is made in Article 1 of this Law may be conducted pursuant to the terms of the treaties and agreements to which Mexico is a party, entered into by the President of the Republic and ratified by the Chamber of Senators.

**Article 4.** For purposes of this Law, the following terms will be understood as stipulated below, whether used in the singular or the plural:

I. Agency: means the National Agency of Industrial Safety and Environmental Protection for the Hydrocarbons Sector;

II. Storage: means the deposit and retaining of Hydrocarbons, Petroleum Products, and Petrochemicals in confined storage sites and facilities that may be located on the surface, at sea, or in the subsoil;

III. Contractual Area: means the surface and depth determined by the Ministry of Energy, as well as the geological formations contained in the vertical projection on said surface for said depth, in which Exploration for and Extraction of Hydrocarbons are conducted through the execution of Exploration and Extraction Contracts;

IV. Area of Allocation: means the surface and depth determined by the Ministry of Energy, as well as the geological formations contained in the vertical projection on said surface for said depth, in which Exploration for and Extraction of Hydrocarbons are conducted through Allocation;

V. Allocation: means the legal-administrative act whereby the Federal Executive exclusively grants an Allocation Holder the right to carry out activities of Exploration for and Extraction of Hydrocarbons in the Area of Allocation for a specific period of time;

VI. Allocation Holder: means Petróleos Mexicanos or any other State-owned productive enterprise that is the holder of an Allocation and is the operator of an Area of Allocation;

VII. Authorized Party: means the holder of an authorization pursuant to this Law's provisions;
VIII. Productive Chain: means the set of economic agents that directly participate in the procurement, supply, construction, and provision of goods and services for the Hydrocarbon industry;

IX. Exploration and Extraction Contract: means the legal act signed by the Mexican State through the National Hydrocarbons Commission, whereby they agree on Exploration for and Extraction of Hydrocarbons in a Contractual Area for a specific period of time;

X. Contractor: means Petróleos Mexicanos, any other State-owned productive enterprise, or Legal Entity that signs an Exploration and Extraction Contract with the National Hydrocarbons Commission, whether individually or in a consortium or joint venture, in terms of the Hydrocarbon Revenues Law;

XI. Distribution: means the logistical activity related to apportionment, including the movement of a given volume of Natural Gas or Petroleum Products from a given location to one or more previously assigned destinations, for Sale to the Public or final consumption;

XII. Entry Pipelines: means the infrastructure whose capacity is primarily intended to connect the country with the open access Transportation or Storage infrastructure used to import Natural Gas;

XIII. Sale to the Public: means the direct retail sale to the consumer of Natural Gas or Petroleum Products, among other fuels, at installations with a specific or a multimodal purpose, including service stations, compression stations, and carburizing stations, among others;

XIV. Exploration: means the activity or set of activities that make use of direct methods, including the drilling of wells, aimed at identifying, discovering, and assessing Hydrocarbons in the Subsoil in a defined area;

XV. Extraction: means the activity or set of activities undertaken for Hydrocarbon production, including the drilling of production wells, the injection and stimulation of reservoirs, enhanced recovery, the Lifting, conditioning, and separation of Hydrocarbons, and the removal of water and sediments, within the Contractual Area or the Area of Allocation, as well as the construction, positioning, operation, use, abandonment, and dismantling of production facilities;

XVI. Liquefied Petroleum Gas: means the gas obtained from Petroleum refining processes and Natural Gas processing plants, being comprised chiefly of butane and propane gas;

XVII. Natural Gas: means the mixture of gases obtained from Extraction or industrial processing, being mainly comprised of methane. This mixture usually contains ethane, propane, butanes, and pentanes. It may also contain carbon dioxide, nitrogen, and hydrogen sulphide, among other components. It may be Associated Natural Gas, Non-Associated Natural Gas, or gas associated with mineral coal;
XVIII. Associated Natural Gas: means Natural Gas dissolved in the Petroleum from a reservoir, under the original pressure and temperature conditions;

XIX. Non-Associated Natural Gas: means Natural Gas located in reservoirs that contain no Petroleum under the original pressure and temperature conditions;

XX. Hydrocarbons: means Petroleum, Natural Gas, condensates, Natural Gas liquids, and methane hydrates;

XXI. Hydrocarbons in the Subsoil: means the total resources or the total quantities of Hydrocarbons that can potentially be extracted that are estimated to exist originally in naturally occurring accumulations before their production begins, as well as the quantities estimated to exist in accumulations yet to be discovered;

XXII. Institute: means The Institute of Administration and Appraisal of National Properties;

XXIII. Private Party: means an Individual or a Legal Entity;

XXIV. Permit Holder: means Petróleos Mexicanos or any other State-owned productive enterprise or public-sector entity, or any Private Party that holds a permit to conduct the activities provided for in this Law;

XXV. Legal Entity: means a commercial enterprise organized in accordance with Mexican legislation;

XXVI. Petroleum: means a mixture of hydrocarbons that exists in a liquid phase in reservoirs and remains there under its original pressure and temperature conditions. It may include small quantities of substances other than hydrocarbons;

XXVII. Petróleos Mexicanos: Petróleos Mexicanos and its productive subsidiary companies;

XXVIII. Petroleum Products: means products obtained from the refining of Petroleum or the processing of Natural Gas and that are directly derived from Hydrocarbons, such as gasoline, diesel fuel, kerosene, fuel oil, and Liquefied Petroleum Gas, among others, other than Petrochemicals;

XXIX. Petrochemicals: means the liquids or gases which are obtained from the processing of Natural Gas or refining of Petroleum and their transformation, which are normally used as raw materials for industry;

XXX. Natural Gas Processing: means the separation of Natural Gas from other gases or liquids in order to transform it or commercialize it;

XXXI. Lifting: means the collection of Hydrocarbons from each well in the reservoir once they have been extracted from the subsoil, through a system of discharge lines that run from the wellheads to the first separation batteries or, in some cases, to the transportation systems;
XXXII. Surface Surveying and Exploration: means all the evaluation studies that rely exclusively on activities performed on the surface of the land or the sea to consider the possible existence of Hydrocarbons in a given area; these include work done for the acquisition, processing, reprocessing, or interpretation of data;

XXXIII. Contingent Resources: means the estimated volume of Hydrocarbons at a given date that is potentially recoverable but which, under the economic conditions of evaluation prevailing on the date of the estimate, is not considered commercially recoverable due to one or more contingencies;

XXXIV. Prospective Resources: means the volume of Hydrocarbons estimated at a given date that has yet to be discovered but has been inferred and is estimated as potentially recoverable through the implementation of future development projects;

XXXV. Reserves: means the volume of Hydrocarbons in the subsoil, calculated at a given date under atmospheric conditions, that is expected to be technically and economically produced under the applicable fiscal regime, through any of the Extraction methods and systems applicable as of the date of evaluation;

XXXVI. Integrated System: means the interconnected pipeline Transportation and Storage systems, grouped together for tariff purposes and which have the general conditions required to provide the services that enable operational coordination among the different facilities;

XXXVII. Open Season: means the procedure regulated by the Energy Regulatory Commission which, with the aim of providing equity and transparency in the allocation or acquisition of available capacity of a system or a new project to third parties or as the result of a permanent waiver of reserved capacity, must be carried out by a Hydrocarbon, Petroleum Product, or Petrochemical Transportation, Storage, or Distribution Permit Holder with a view to placing it at the public's disposal, in order to reassign the capacity or determine the needs for expansion or broadening of capacity;

XXXVIII. Transportation: means the activity of receiving, delivering, and, when applicable, moving Hydrocarbons, Petroleum Products, and Petrochemicals from one place to another through pipelines or other means, not involving the sale or marketing of said products by the party that does so through pipelines. Lifting and transportation of Hydrocarbons within the perimeter of a Contractual Area or an Area of Allocation, as well as Distribution, are excluded from this definition;

XXXIX. Treatment: means the Conditioning of Petroleum, which encompasses all industrial processes conducted outside of a Contractual Area or an Area of Allocation and prior to refining; and

XL. Safeguard Zone: means the reserved area in which the State prohibits the activities of Exploration for and Extraction of Hydrocarbons.
Article 5. The activities of Exploration for and Extraction of Hydrocarbons referenced in Article 2, Section I, of this Law are deemed to be strategic in accordance with the terms of paragraph four, Article 28 of the Political Constitution of the Mexican United States. Only the Nation shall conduct these activities, through Allocation Holders and Contractors, pursuant to the terms of this Law.

The activities of Surface Surveying and Exploration, as well as the activities referenced in Article 2, Sections II to V, of this Law, may be conducted by Petróleos Mexicanos, any other State-owned productive enterprise or public-sector entity, or any person, on the basis of an authorization or permit, as applicable, and pursuant to the terms of this Law and the regulatory and technical provisions, as well as any other regulations that may be issued.

SECOND TITLE

Exploration for and Extraction of Hydrocarbons and Surface Surveying and Exploration

Chapter I

Allocations

Article 6. The Federal Executive, acting through the Ministry of Energy, may award Petróleos Mexicanos, or any other State-owned productive enterprise, on an exceptional basis, Allocations to conduct Exploration for and Extraction of Hydrocarbons, and may modify said Allocations.

For the award of an Allocation, the Ministry of Energy must provide reasons that this is the most appropriate mechanism for the State’s interests in terms of the production and guarantee of supply of Hydrocarbons, and that the potential Allocation Holder has the technical, financial, and operational capacity to extract the Hydrocarbons in an efficient and competitive manner.

Before awarding Allocations, the Ministry of Energy must have a favorable opinion from the National Hydrocarbons Commission, which shall be issued through a technical opinion.

The Allocations awarded by the Ministry of Energy shall include, among others, the following components:

I. The Area of Allocation;

II. The terms and conditions that must be observed in the Exploration for and Extraction of Hydrocarbons;

III. The conditions and mechanisms for the reduction or return of the Area of Allocation;

IV. The duration, as well as the conditions, for its extension;

V. The acquisition of security and insurance;

VI. The minimum percentage of national content; and
VII. The term within which the Allocation Holder must submit the Exploration plan or the development plan for Extraction, as the case may be, to the National Hydrocarbons Commission, for approval.

The terms and conditions may be modified by the Ministry of Energy, prior opinion of the National Hydrocarbons Commission.

If the Ministry of Energy modifies Allocations titles, and exclusively if said modification in turn impacts or modifies the Exploration plan or the development plan for Extraction, the Allocation Holder shall submit the modified plan in question to the National Hydrocarbons Commission for approval.

Article 7. In regard to Allocations, the National Hydrocarbons Commission shall be responsible for the following:

I. Providing technical support to the Ministry of Energy in the selection of the Area of Allocations;

II. Technically administering and supervising compliance with the terms and conditions of Allocation; and

III. Approve the Exploration plans and development plans for Extraction, as well as their modifications.

Article 8. Petróleos Mexicanos or other State-owned productive enterprises may assign an Allocation they hold only when the assignee is another State-owned productive enterprise and the assignment has been previously authorized by the Ministry of Energy.

When the Allocation Holder decides not to continue with its work in Exploration for or Extraction of Hydrocarbons, it may renounce the respective Allocation. To do so, it must have approval from the Ministry of Energy and must give notice thereof to the National Hydrocarbons Commission.

In the event provided for in the preceding paragraph, the Area of Allocation shall be returned to the State with no charge, payment, or indemnification whatsoever being made by the State, and the Ministry of Energy may determine its operation under the conditions it deems appropriate pursuant to this Law.

The Allocation title shall prescribe the conditions for return and the obligations imposed on the Allocation Holder.

Article 9. To achieve the purpose of the Allocations awarded by the Federal Executive, Petróleos Mexicanos and the other State-owned productive enterprises may only execute service contracts with Private Parties for the activities related to said Allocations under schemes that would grant them the highest productivity and profitability, as long as the compensation is paid in cash.

Said contracting must be carried out pursuant to the provisions of the Petróleos Mexicanos Law or the legislation that regulates the respective State-owned productive enterprise.
Article 10. The Federal Executive, acting through the Ministry of Energy, may revoke an Allocation and recover the Area of Allocation when any of the following serious causes arises:

I. The Allocation Holder does not start or suspends the activities provided in the Exploration plan or the development plan for Extraction in the Area of Allocation for more than one hundred and eighty uninterrupted calendar days without justified cause or authorization from the National Hydrocarbons Commission pursuant to the terms of the Allocation title;

II. The Allocation Holder fails to comply with the minimum work undertaking pursuant to the terms and conditions of the Allocation awarded to it, without justified cause;

III. A serious accident caused by the Allocation Holder’s willful misconduct or negligence occurs, causing damage to the facilities, death, or loss of production;

IV. The Allocation Holder, more than once, intentionally or unjustifiably submits false or incomplete information or reports to, or hides them from, the Ministries of Energy, Finance and Public Credit, or Economy, or the National Hydrocarbons Commission, or the Agency, regarding the production, costs, or any other relevant aspect of the Allocation; or

V. The other grounds contained in the terms of the Allocation title.

Prior notification of revocation must be sent to the Allocation Holder detailing the ground or grounds being invoked and the process will be governed by this Law and its Regulations. After the grounds have been notified, the Allocation Holder will have a maximum of thirty calendar days from the date of notification to state whatever best suits its interests and provide, where appropriate, the evidence it deems relevant.

After the period referred to in the preceding paragraph has elapsed, the Ministry of Energy shall have a term of ninety calendar days to issue a resolution considering the arguments and evidence, if any, that the Allocation Holder may have asserted. The decision to revoke or not the Allocation must be properly justified, substantiated, and notified to the Allocation Holder.

If the Allocation Holder solves the grounds for revocation applicable to it before the Ministry of Energy issues the relevant decision, the proceeding will become void, once the remedy has been accepted and verified by the Ministry of Energy, and the penalties provided in this Law, as required, will be applied.

As a consequence of the revocation, the Allocation Holder shall transfer the Area of Allocation to the State in good condition, with no charge, payment, or indemnification whatsoever. Furthermore, the parties shall proceed to prepare the appropriate settlement in terms of the applicable legal provisions and of the provisions established in the Allocation title.

In any event, the Allocation Holder shall maintain ownership of the assets and facilities that are not exclusively connected or accessory to the recovered area.
The revocation provided for in this Article does not relieve the Allocation Holder of the obligation to pay indemnification for any applicable damages pursuant to the applicable provisions of law.

Chapter II
Exploration and Extraction Contracts

Article 11. The Federal Executive, acting through the National Hydrocarbons Commission and observing the guidelines established to that end, within the scope of its competence, by the Ministry of Energy and the Ministry of Finance and Public Credit, may execute Exploration and Extraction Contracts. The Exploration and Extraction Contracts shall invariably stipulate that the Hydrocarbons in the Subsoil are the property of the Nation.

Article 12. Petróleos Mexicanos and the other State-owned productive enterprises may ask the Ministry of Energy to convert the Allocations which they hold into Exploration and Extraction Contracts. The Ministry of Energy shall decide what is appropriate with technical assistance from the National Hydrocarbons Commission.

In the event a conversion is legally applicable, the Ministry of Finance and Public Credit shall prescribe the economic conditions relating to the fiscal terms that apply, pursuant to the provisions in the Hydrocarbon Revenues Law.

Article 13. In the cases of Allocations which are converted into Exploration and Extraction Contracts, Petróleos Mexicanos and the other State-owned productive enterprises may create partnerships or joint ventures with Legal Entities.

For the partnerships or joint ventures referred to in this Article, the partner for Petróleos Mexicanos or the State-owned productive enterprise in question shall be selected by competitive bidding representing the best possible selection conditions that are most beneficial to the Nation, in keeping with the best practices as regards transparency. Said competitive bidding shall be conducted by the National Hydrocarbons Commission pursuant to the technical guidelines and the economic conditions regarding the fiscal terms prescribed to that end by the Ministry of Energy and the Ministry of Finance and Public Credit, respectively.

In the formulation of the technical guidelines for the competitive bidding process provided for in this Article, the Ministry of Energy shall request a favorable opinion from Petróleos Mexicanos or the State-owned productive enterprise in question regarding the technical, financial, and operational aspects and the experience which the Legal Entities that participate in the competitive bidding process must satisfy.

The competitive bidding procedures provided for in this Article shall be subject, as applicable, to this Law’s provisions for the award of Exploration and Extraction Contracts, except as provided for in Article 24, Section III, of this Law.

As part of the prequalification process conducted during the competitive bidding procedure to select the partner for Petróleos Mexicanos or the relevant State-owned productive enterprise, the National Hydrocarbons Commission must request the opinion of Petróleos Mexicanos or the relevant State-owned productive enterprise.
Once the partner has been selected as provided for in this Article, the National Hydrocarbons Commission shall proceed to sign or amend the Exploration and Extraction Contract that is established to that end. The provisions of Article 15 of this Law shall be applicable to said contracts.

**Article 14.** Petróleos Mexicanos and the other State-owned productive enterprises may create alliances or associations to participate in the competitive bidding processes for Exploration and Extraction Contracts pursuant to the provisions of the Petróleos Mexicanos Law or the law which regulates the respective State-owned productive enterprise. The alliances or associations to which reference is made in this Article shall be governed by civil law.

The alliances or associations may be created under schemes which permit the greatest productivity and profitability, including modalities in which it is possible to share costs, expenses, investments, and risks, as well as profits, production, and other aspects of Exploration and Extraction.

To conduct Hydrocarbon Exploration and Extraction activities, Petróleos Mexicanos and the other State-owned productive enterprises may not execute public-private association agreements with Private Parties as provided for in the law governing the subject matter.

**Article 15.** Only the Mexican State, acting through the National Hydrocarbons Commission, may award Exploration and Extraction Contracts. The Contractor shall be selected through a competitive bidding process as provided for in Article 23 of this Law.

The National Hydrocarbons Commission must authorize in advance the creation of alliances or associations in which the following is assigned:

I. The Contractor’s corporate and managerial control, or

II. Control over operations in the Contractual Area, in whole or in part.

To authorize the assignment of control over operations as provided for in Section II, the National Hydrocarbons Commission will assess, among other things, whether the Exploration and Extraction Contract’s operator has the experience and the technical and financial capability to direct and conduct the activities in the Contractual Area, and assume the responsibilities inherent in the Exploration and Extraction Contract.

The National Hydrocarbons Commission will notify the Ministry of Energy of the request submitted by the Contractor, within two days after it is submitted. The Ministry of Energy may send its duly reasoned disagreement to said Commission, regarding the assignment mentioned in the second paragraph of this Article, within 20 days of receipt of the notification.

The National Hydrocarbons Commission must issue its decision within 10 days of expiration of the deadline given to the Ministry of Energy to submit its opinion. If the National Hydrocarbons Commission does not issue an answer to the request within the aforementioned 10-day term, it shall be deemed to be favorable.
As a result of the contracts or agreements to which reference is made in this Article, the National Hydrocarbons Commission shall adapt the Exploration and Extraction Contract; this adaptation shall not imply any change in all other contractual terms.

Any assignment of rights which does not abide by the provisions of this Article and the contractual terms shall be null and void as a matter of law.

In the event of a change in the structure of the Contractor’s capital stock which does not imply a change in its corporate control or management, notice must be given to the National Hydrocarbons Commission within the thirty calendar days subsequent thereto. In the case of companies listed on the Mexican Stock Exchange, the notice referred to herein shall be made in accordance with the provisions of the Securities Market Law.

**Article 16.** Guidelines governing competitive bidding for Exploration and Extraction Contracts approved by the Ministry of Energy may include an equity holding by the Mexican State through Petróleos Mexicanos, any other State-owned productive enterprise, or a specialized financial vehicle of the Mexican State, in the following cases:

I. When the Contractual Area covered by the competitive bidding process coexists, at a different depth, with an Area of Allocation;

II. When there are opportunities to foster transfer of knowledge and technology for the development of the capabilities of Petróleos Mexicanos or another State-owned productive enterprise; or

III. For projects which are desirable to foster through a specialized financial vehicle of the Mexican State.

In the cases provided for in Sections II and III above, the participation held by Petróleos Mexicanos, any other State-owned productive enterprise, or the specialized financial vehicle which is prescribed in the relevant Exploration and Extraction Contract may not exceed thirty percent of the investment in the project.

The Mexican State’s participation through Petróleos Mexicanos or any other State-owned productive enterprise must be approved by its respective Board of Directors.

The Ministry of Energy’s resolution must in all cases be duly reasoned, be supported by the technical opinion of the National Hydrocarbons Commission, and be communicated to the interested parties in the bidding conditions for the competitive bidding process and award of the contract, which must prescribe the form, terms, and conditions under which the participation referenced in this Article may be structured.

**Article 17.** The Ministry of Energy, acting with technical assistance from the National Hydrocarbons Commission, shall prescribe a mandatory participation by Petróleos Mexicanos or another State-owned productive enterprise in Exploration and Extraction Contracts in Contractual Areas where there is a possibility of finding cross-border reservoirs.

In the event to which reference is made in this Article, the mandatory participation shall amount to at least twenty percent of the investment in the project. The Ministry of Energy’s resolution must be communicated to the interested parties in the bidding conditions for the competitive bidding process and the award of the contract in question.
If the existence of a cross-border reservoir in the Contractual Area is confirmed, the respective operating agreements agreed-upon on the basis of the international treaties signed by Mexico shall be applied.

Article 18. The Ministry of Energy shall establish the appropriate contract model for each Contractual Area that undergoes a bidding process or is awarded pursuant to this Law, to which end it may choose, among other forms, between service, profit-sharing or production-sharing, or licensing contracts.

The compensations prescribed in the Exploration and Extraction Contracts shall be subject to the provisions of the Hydrocarbon Revenues Law.

Article 19. Exploration and Extraction Contracts must contain, at the least, clauses governing these items:

I. The definition of the Contractual Area;
II. The Exploration plans and the development plans for Extraction, including the time limit for their submission;
III. The minimum work and investment program, if any;
IV. The Contractor’s obligations, including the economic and fiscal terms;
V. The duration, as well as the conditions for its extension;
VI. The acquisition of securities and insurance;
VII. The existence of a system of external audits to oversee the effective recovery, if any, of the costs incurred and other accounting involved in the contract’s operation;
VIII. The grounds for the contract’s termination, including early termination and administrative rescission;
IX. The transparency obligations which permit access to the information derived from the contracts, including disclosure of the compensations, contributions, and payments provided for in the contract itself;
X. The minimum percentage of national content.
XI. The conditions and mechanisms for reduction or return of the Contractual Area;
XII. Resolution of disputes, including alternative dispute-resolution forms;
XIII. The applicable penalties in case of a breach of contractual obligations;
XIV. The Contractor’s and the operator’s responsibility and liability pursuant to international best practices. In the event of an accident, the Contractor’s or operator’s liability shall not be limited if misconduct or negligence on their part are demonstrated; and
XV. Observance of international best practices for operation in the Contractual Area.
Article 20. The Federal Executive, acting through the National Hydrocarbons Commission, may administratively rescind Exploration and Extraction Contracts and recover the Contractual Area only when any of the following serious causes is present:

I. The Contractor fails to commence, or suspends the activities stipulated in the Exploration plan or development plan for Extraction for more than one hundred and eighty uninterrupted calendar days in the Contractual Area without just cause or authorization from the National Hydrocarbons Commission;

II. The Contractor fails to comply with the minimum work commitment, without just cause, pursuant to the terms and conditions of the Exploration and Extraction Contract;

III. The Contractor transfers all or part of the operation or rights conferred in the Exploration and Extraction Contract without having been authorized in advance as prescribed in Article 15 of this Law;

IV. A serious accident occurs due to the Contractor’s misconduct or negligence, which causes damage to the facilities, death, or loss of production;

V. The Contractor, more than once, maliciously or unjustifiably submits false or incomplete information or reports to, or hides them from, the Ministry of Energy, the Ministry of Finance and Public Credit, or the Ministry of Economy, or the National Hydrocarbons Commission or the Agency, regarding the production, costs, or any other relevant aspect of the Contract;

VI. The Contractor breaches a final resolution of the federal courts which constitutes res judicata; or

VII. The Contractor unjustifiably fails to make any payment to the State or to deliver Hydrocarbons to it in accordance with the time limits and terms stipulated in the Exploration and Extraction Contract.

The Exploration and Extraction Contract shall prescribe the grounds for its termination and rescission, without prejudice to the grounds for administrative rescission contained in this Article.

A declaration of administrative rescission shall require prior notification to the Contractor of the ground or grounds invoked for it, and shall be governed by this Law and its Regulations. After the ground has been notified, the Contractor will have a maximum of thirty calendar days from the date of notification to state whatever best suits its interests and provide, where appropriate, the evidence it deems relevant.

After the period referred to in the preceding paragraph has elapsed, the National Hydrocarbons Commission shall have a term of ninety calendar days to issue a resolution considering the arguments and evidence, if any, that the Contractor may have asserted. The resolution to administratively rescind the contract or not must be duly grounded, reasoned, and communicated to the Contractor.

If the Contractor solves the grounds for rescission that it has incurred before the National Hydrocarbons Commission issues the relevant resolution, the proceeding will terminate,
once the remedy has been accepted and verified by the National Hydrocarbons Commission and the relevant penalties provided in this Law, as required, will be applied.

As a result of the administrative rescission, the Contractor shall transfer the Contractual Area to the State with no charge, payment, or indemnification whatsoever. Furthermore, the parties shall proceed to prepare the appropriate settlement in terms of the applicable legal provisions and of the provisions established in the contract.

The Exploration and Extraction Contract shall prescribe the conditions for said transfer and the Contractor’s obligations.

In any event, the Contractor shall conserve ownership of the properties and facilities which are not exclusively connected or accessory to the recovered area.

The administrative rescission provided for in this Article does not relieve the Contractor of the obligation to pay indemnification for damages due pursuant to the applicable provisions of law.

**Article 21.** In regard to disputes referring to Exploration and Extraction Contracts, except as provided for in the preceding Article, alternative dispute resolution forms may be set forth, including arbitration agreements as provided for in the Fifth Book, Fourth Title, of the Commercial Code and the international arbitration and dispute resolution treaties to which Mexico is a party.

The National Hydrocarbons Commission and the Contractors shall under no circumstances be subject to foreign laws. The arbitration procedure shall be adjusted to the following conditions in every case:

I. The applicable laws shall be Mexican federal laws;

II. They shall be conducted in Spanish; and

III. The award shall be strictly at law and shall be binding and final for both parties.

**Article 22.** Exploration and Extraction Contracts shall be regulated by the provisions of this Law and its Regulations. For enforcement purposes, commercial legislation and civil law shall be applicable subsidiarily, provided they are not inconsistent with this Law and its Regulations.

**Article 23.** Exploration and Extraction Contracts shall be awarded by competitive bidding conducted by the National Hydrocarbons Commission. The bidding conditions will establish that the Exploration and Extraction Contract may be entered into with Petróleos Mexicanos, other State-owned productive enterprises, and Legal Entities, either individually, as a consortium, or as a joint venture, pursuant to the Hydrocarbon Revenues Law.

A bidding process shall commence with the publication of the call for bids in the Federal Official Gazette.

The bidding process shall encompass the acts and stages prescribed in the guidelines and provisions issued by the Ministry of Energy and the National Hydrocarbons Commission, respectively, for that purpose. Parties interested in submitting bids must comply with the prequalification criteria regarding the technical, financial, operational, and experience
aspects as prescribed in the guidelines established by the Ministry of Energy for that purpose.

At least ninety calendar days must elapse between the date of publication of the call for bids in the Federal Official Gazette and the date on which the bids are submitted. The awarding mechanism may be, among others, an ascending auction, descending auction, or first-price auction in a sealed envelope, in which case the envelopes will be submitted and opened at the same public hearing. The bidding process must provide tiebreaker criteria, which will be included in the corresponding bidding conditions.

In any case, the bidding process must be carried out under the principles of transparency, maximum publicity, equality, competitiveness, and simplicity. The bids may be submitted and analyzed through electronic means, as per the terms established by the Regulations.

The decision thereon must be published in the Federal Official Gazette.

The procedures for awarding Exploration and Extraction Contracts shall be governed by this Law, but the Public Works and Related Services Law, the Public Sector Procurement, Leases, and Services Law, and the provisions of law derived from those laws shall not be applicable.

Article 24. The bidding conditions for the competitive bidding procedure and award of Exploration and Extraction Contracts shall be at the interested parties’ disposal. Requirements for these terms shall:

I. Comply with the technical guidelines and economic conditions relating to the fiscal terms established for each case by the Ministry of Energy and the Ministry of Finance and Public Credit, respectively;

II. Stipulate, among other aspects, the type of contract, the criteria and time limits for the prequalification and clarification of bidding terms processes, the award variables, the mechanism for determining the winner, and where applicable, the amendment of its terms and conditions; and

III. Have a favorable opinion from the Federal Commission of Economic Competition which shall focus exclusively on the prequalification criteria and the awarding method referred to in Article 23 of this Law. The Federal Commission of Economic Competition’s opinion must be submitted within a term not exceeding thirty days from the date of the respective request, if the opinion is not issued within the established term, it shall be deemed to be favorable.

Article 25. Only an indirect amparo (action for judicial protection of constitutional rights) may be brought against resolutions for determination of the winner or voiding of the competitive bidding process for Exploration and Extraction Contracts.

The legal acts relating to the competitive bidding procedure and the award of Exploration and Extraction Contracts are deemed to be of a public order and social interest nature.

Article 26. The National Hydrocarbons Commission shall refrain from considering bids or entering into Exploration and Extraction Contracts with these parties:
I. Those who are barred by a competent authority from contracting with federal authorities, pursuant to applicable provisions of law;

II. Those who have serious breaches pending remedy in regard to prior awarded Exploration and Extraction Contracts;

III. Those who make use of third parties to evade this Article’s provisions;

IV. Those who submit false or incomplete information. In the latter case, the National Hydrocarbons Commission shall issue a single warning to the parties concerned for them to remedy the breach within the time period established for that effect; and

V. Any other reasons established in the bidding conditions.

The National Hydrocarbons Commission may revoke the decision to award an Exploration and Extraction Contract if it is demonstrated that the information submitted by the winning bidder during the competitive bidding process is false. In that event the resulting contract shall be deemed null and void as a matter of law.

Article 27. It shall not be necessary to conduct a bidding process, and the Exploration and Extraction Contract may be directly awarded, to holders of mining concessions exclusively for Exploration for and Extraction of Natural Gas contained in coal seams and produced thereby. The awarding of the exploration and extraction contract may be requested for each mine in which carbon extraction activities are underway or are going to start, pursuant to the terms of this paragraph.

The National Hydrocarbons Commission shall sign the contract in question, provided the mining concession holders demonstrate to the Ministry of Energy, supported by a favorable technical opinion of the National Hydrocarbons Commission itself, that they have the necessary economic solvency and technical, administrative, and financial capability to carry out the Exploration for and Extraction of Natural Gas produced and contained in a coal seam.

The Exploration and Extraction of Hydrocarbons existing in the area of a mining concession which are not associated with coal, may be conducted only through an Exploration and Extraction Contract awarded by the National Hydrocarbons Commission as a result of a competitive bidding process as provided for in this Chapter or through an Allocation. The foregoing is on the understanding that a mining concession does not grant rights for Hydrocarbon Exploration and Extraction, with the exception of the Natural Gas produced and contained in the coal seam which is in process of extraction, to which the first paragraph of this Article refers.

The Exploration and Extraction of Natural Gas associated with coal that is conducted without exploiting the coal, can only be conducted through an Exploration and Extraction Contract awarded by the National Hydrocarbons Commission through a bidding process pursuant to the terms of this Chapter or through an Allocation.

If, after the bidding process conducted by the National Hydrocarbons Commission to award a Contract for the Exploration and Extraction of Hydrocarbons has ended, or once an Allocation has been awarded, there is a possibility of affecting the rights of a mining
concession regarding the surface that is under concession in which the extraction of minerals is actually taking place, a period of ninety days shall commence during which the Contractor or the Allocation Holder and the mining concessionaire shall conduct negotiations and shall reach an agreement that allows the development of the project by the Contractor or Allocation Holder.

The negotiation and agreement referred to in the preceding paragraph must be conducted in a transparent manner and be subject to the provisions established in the Regulations and the following rules:

I. The Contractor or Allocation Holder must notify the National Hydrocarbons Commission of the start of the negotiations with the mining concessionaire;

II. The compensation that is agreed should be proportional to the Contractor's or Allocation Holder's requirements pursuant to the activities that are conducted under the Contract or Allocation;

III. Payments of the compensations that are agreed may be made in cash or, where applicable, through a commitment to join the Hydrocarbon extraction project, or a combination of the above. In no case may they agree to compensation associated with part of the project's Hydrocarbon production by the Contractor.

IV. The compensation, as well as the other terms and conditions that are agreed between the Contractor or the Allocation Holder and the mining concessionaire, should invariably be recorded in a written contract, which must contain, at the least, the rights and obligations of the parties, as well as the possible dispute resolution mechanisms.

If the Contractor or the Allocation Holder and the mining concessionaire do not reach an agreement within the ninety-day term referred to above, the National Hydrocarbons Commission, with the assistance of the competent authorities, will determine if both extraction activities can coexist and whether or not it affects the rights of a mining concession as regards the surface of the concession in which minerals are actually being extracted.

In the event that no agreement is reached and the National Hydrocarbons Commission determines that the rights of a mining concession as regards the surface of the concession in which minerals are actually being extracted are affected, the Commission will determine the amount and the terms within which the appropriate compensation should be paid by the Contractor or Allocation Holder, in favor of the mining concessionaire, in accordance with the relevant appraisal, or where applicable, based on the severity of the adverse effect, the Commission may set a compensation in favor of the mining concessionaire which may vary from point five percent up to two percent of the Contractor's profit after payment of the contributions.

The National Hydrocarbons Commission may authorize the holders of mining concessions to conduct specific Hydrocarbon surface exploration activities in areas in which their rights coexist in accordance with the provisions of this Law and the relevant Regulations.
In the event that the mining concessionaires are conducting exploration works in accordance with their concession, the provisions of this Article shall apply as regards the agreement with the Contractor or Allocation Holder; if there is no agreement, the National Hydrocarbons Commission will determine the amount and terms of the compensation in accordance with the relevant appraisal. In order for the provisions of this paragraph to be applicable in relation to the agreement with the Contractor or Allocation Holder and, as needed, the compensation, the mining concession’s exploration work must be recorded in the audit report referred to in Article 28 of the Mining Law, submitted the year before the Ministry of Energy publishes the areas that may undergo a bidding process for the Exploration and Extraction of Hydrocarbons. The aforementioned audit report must also be notified to the Ministry of Energy and the National Hydrocarbons Commission.

A mining concession holder that conducts the Exploration for or Extraction of Hydrocarbons as referenced in this Article without having the appropriate Exploration and Extraction Contract shall be penalized as prescribed in this Law, and the Ministry of Economy, after giving notice to the National Hydrocarbons Commission, shall penalize said concession holder by cancelling the respective mining concession as provided for in the Mining Law.

**Article 28.** The National Hydrocarbons Commission may, at the request of the Mexican Petroleum Fund for Stabilization and Development, retain Petróleos Mexicanos, any other State-owned productive enterprise, or a Legal Entity, by public competitive bidding, to provide the services to the Nation of marketing the Hydrocarbons obtained by the State from the Exploration and Extraction Contracts, in exchange for compensation.

Regardless of the provisions of the previous paragraph, the powers of the Banco de México provided in Article 34 of the Banco de México Law will be applicable to any person who markets Hydrocarbons obtained as a result of Exploration and Extraction Contracts and Allocations and introduces foreign currencies in the country, as well as to Petróleos Mexicanos, its productive subsidiary companies, and any other Allocation Holder.

**Article 29.** In regard to Exploration and Extraction Contracts, the Ministry of Energy is responsible for the following:

I. Selecting the Contractual Areas pursuant to the criteria it establishes with technical assistance from the National Hydrocarbons Commission.

Petróleos Mexicanos, any other State-owned productive enterprise, or a Legal Entity may propose to the Ministry of Energy areas in which there is interest in conducting Exploration for and Extraction of Hydrocarbons. Said proposal shall not be binding, nor shall it confer preferential rights in relation to Exploration and Extraction Contracts;

II. Approving and issuing the five-year competitive bidding plan for Contractual Areas, which must be public. The plan may be added to or modified subsequent to its publication, as provided for in the respective Regulations;

III. Establishing the contracting model for each Contractual Area that is best suited to maximizing revenues for the Nation, based on the opinions of the Ministry of Finance and Public Credit and the National Hydrocarbons Commission;
IV. Formulating the technical terms and conditions for Exploration and Extraction Contracts;

V. Establishing the technical guidelines which must be observed in each competitive bidding process for Exploration and Extraction Contracts;

VI. Planning and conducting the promotional and informational events, at the national and international levels, for the competitive bidding rounds; and

VII. Performing all other functions provided for in the Exploration and Extraction Contracts themselves and the applicable laws.

Article 30. In regard to Exploration and Extraction Contracts, the Ministry of Finance and Public Credit is responsible for these tasks:

I. Prescribing the economic conditions relating to the fiscal terms of the competitive bidding processes and the contracts so as to enable the Nation to obtain, over time, revenues that will contribute to its long-term development, pursuant to the provisions of the Hydrocarbon Revenues Law;

II. Determining the award variables for the competitive bidding processes, in keeping with the Hydrocarbon Revenues Law;

III. Participating in the account management and auditing pertaining to the fiscal terms of the Exploration and Extraction Contracts as per the provisions of the Hydrocarbon Revenues Law. The foregoing may be done with the support of external auditors or inspectors, by contracting for the services in question; and

IV. Performing other functions provided for in the Exploration and Extraction Contracts themselves and the applicable laws.

Article 31. In regard to Exploration and Extraction Contracts, the National Hydrocarbons Commission is responsible for these tasks:

I. Providing technical assistance to the Ministry of Energy in the selection of Contractual Areas;

II. Proposing the five-year competitive bidding plan for Contractual Areas to the Ministry of Energy;

III. Issuing the bidding conditions to be observed in the competitive bidding procedure and the award of Exploration and Extraction Contracts. The former shall be done in accordance with the technical and economic guidelines relating to the fiscal terms issued by the Ministries of Energy and Finance and Public Credit, respectively;

IV. Conducting the competitive bidding processes for the award of Exploration and Extraction Contracts. For the conduct of the contracting process, the National Hydrocarbons Commission shall be responsible for developing, managing, and publicizing the technical information on the Contractual Areas subject to competitive bidding;

V. Signing the Exploration and Extraction Contracts;
VI. Managing and overseeing the technical terms of the Exploration and Extraction Contracts. The technical management and oversight of the contracts may be conducted with the support of external auditors and inspectors, by contracting for the services in question;

VII. Approving, where applicable, the amendment, cancellation, or termination of Exploration and Extraction Contracts, pursuant to the clauses of the respective contract and in accordance with the technical guidelines and economic conditions relating to the fiscal terms established to that end by the Ministry of Energy and the Ministry of Finance and Public Credit, respectively;

VIII. Approving the Exploration plans or development plans for Extraction, so as to maximize the Contractual Area’s productivity over time, as well as their modifications, and overseeing compliance therewith, in accordance with the regulations it issues to that effect;

IX. Providing technical support to the Ministry of Finance and Public Credit and to the Mexican Petroleum Fund for Stabilization and Development in the performance of their duties, as provided for in the Hydrocarbon Revenues Law;

X. Approving, when appropriate, the annual investment and operations programs for the Exploration and Extraction Contracts;

XI. Approving the transfer of corporate or operations control, according to the provisions of Article 15 of this Law and the guidelines issued to that effect; and

XII. Performing other functions provided for in the Exploration and Extraction Contracts themselves and the applicable laws.

Chapter III

Information obtained from Surface Surveying and Exploration, and Exploration for and Extraction of Hydrocarbons

Article 32. The geological, geophysical, petrophysical, and petrochemical information, and in general the information which is obtained or has been obtained from Surface Surveying and Exploration, as well as Exploration and Extraction, carried out by Petróleos Mexicanos, any other State-owned productive enterprise, or any person, belongs to the Nation.

The National Hydrocarbons Commission is responsible for the collection, safeguarding, use, management, and updating, as well as the publication, of the information to which this Article refers, through the National Center of Hydrocarbon Information.

Petróleos Mexicanos, any State-owned productive enterprise, as well as Private Parties cannot publish, deliver, or appropriate the information referred to in the preceding paragraph, by any means other than those provided by this Law or without prior consent from the National Hydrocarbons Commission. The above notwithstanding the commercial use of the information that is obtained by Allocation Holders, Contractors, or Authorized Parties, pursuant to the provisions in Article 33 of this Law.
Article 33. The information obtained from the activities of Surface Surveying and Exploration must be submitted to the National Hydrocarbons Commission. This information includes:

I. Acquisition, processing, reprocessing, interpretation, and geological control of the 2D, 3D, and multicomponent 3C seismic data;

II. Preprocessing, interpretation of seismic data, modeling of velocities and migration, in time and in depth;

III. Magnetic, gravimetric, geoelectric, and magnetotelluric acquisition; and

IV. Any other data which are obtained by means other than those listed above.

Allocation Holders, Contractors, and all Authorized Parties that carry out activities of Surface Surveying and Exploration shall be entitled to make commercial use of the information obtained in connection with their activities within the time limit stipulated to that end in the regulations issued by the National Hydrocarbons Commission.

The National Hydrocarbons Commission shall ensure the confidentiality of the information pursuant to the time limits and criteria established in the regulations issued to that end. The interpretation of seismic data shall be treated as confidential information and shall be reserved for the appropriate time period as prescribed in the respective regulations.

Article 34. The National Hydrocarbons Commission may conduct or retain, pursuant to the applicable provisions on public contracting, Petróleos Mexicanos, any other State-owned productive enterprise, other public agencies, academic institutions, and any other person to carry out Surface Surveying and Exploration, in exchange for a compensation which must in all cases be in keeping with market conditions.

Article 35. The National Hydrocarbons Commission shall establish and manage the National Center of Hydrocarbons Information, comprised of a system designed to collect, hold, safeguard, manage, use, analyze, update, and publish the information and statistics relating to these areas:

I. Hydrocarbon production;

II. Reserves, including information from estimation reports and evaluation or quantification studies and certification;

III. The production to Reserves ratio;

IV. The Contingent and Prospective Resources;

V. The geological, geophysical, petrophysical, petrochemical, and other information obtained from activities of Surface Surveying and Exploration, as well as Exploration for and Extraction of Hydrocarbons; and

VI. Any other information needed to perform its functions, whether prescribed in this Law or in other applicable legal provisions.

The National Center of Hydrocarbon Information shall likewise safeguard, preserve, and manage the rock cores, drilling sections, and Hydrocarbon samples considered necessary as a basis for historical and prospective knowledge heritage of the country’s Hydrocarbon
production. In regard to the foregoing, the National Hydrocarbons Commission must develop and maintain a National Lithographic Library of the Hydrocarbon Industry.

In relation to the provisions in this Article, the Allocation Holders, Contractors, and Authorized Parties must deliver the respective field information and materials, as well as the processed, interpreted, and integrated information, which is obtained from the Surface Surveying and Exploration and Extraction of Hydrocarbons.

The Allocation Holders, Contractors, and Authorized Parties shall be responsible for the quality, integrity, and security of the information they deliver to the National Hydrocarbons Commission.

The National Hydrocarbons Commission shall define the confidentiality and the criteria and time limits it will apply to making public the information it receives.

The regulations established by the National Hydrocarbons Commission shall prescribe the methods required to validate the information that is delivered to it.

The Ministry of Energy and the Ministry of Finance and Public Credit shall have unrestricted access to the information held by the National Center of Hydrocarbon Information. Universities and research centers shall have access to the information pursuant to the agreements executed to that end with the National Hydrocarbons Commission.

**Chapter IV**

**Authorizations**

**Article 36.** Allocation Holders and Contractors must be authorized by the National Hydrocarbons Commission, pursuant to the regulations and guidelines issued to that end by said Commission, to drill wells in the following cases:

I. Exploration wells;

II. Deep water and ultra-deep water wells; and

III. Wells used as design models.

The authorization referred to in this Article shall comply with the time limits established under the regulation issued to that effect by the National Hydrocarbons Commission. Should the National Hydrocarbons Commission not issue a reply to the request within the period specified in the regulation, it shall be deemed to be favorable.

**Article 37.** The Surface Surveying and Exploration of areas to investigate the possible existence of Hydrocarbons shall require authorization from the National Hydrocarbons Commission. The authorization shall comply with the time limits established under the regulation issued to that effect by the National Hydrocarbons Commission. Should the National Hydrocarbons Commission not issue a reply to the request within the period specified in the regulation, it shall be deemed to be favorable.

The authorization and the Surface Surveying and Exploration do not confer Exploration rights or preferential rights in relation to Allocations or Exploration and Extraction Contracts.

Allocation Holders and Contractors shall not require authorization for Surface Surveying and Exploration of the Areas of Allocation and Contractual Areas of which they are the
holders; they must only give the National Hydrocarbons Commission notice and comply with
the information submission requirements and other obligations prescribed in the regulations
issued by the National Hydrocarbons Commission. The foregoing is without prejudice to
fulfillment of the requirements imposed to that end by other competent authorities.

Article 38. The authorizations to which reference is made in this Chapter shall terminate
for any of the causes prescribed for the termination of Permits pursuant to Article 54 of this
Law, as well as by termination of the Exploration and Extraction Contract or termination of
the Allocation, as the case may be.

The termination of an authorization does not relieve its holder of the responsibilities and
liabilities assumed during its term toward the Federal Government and third parties.

Article 39. Authorizations shall lapse for either of these reasons:

I. The holders do not exercise the rights conferred in the authorization within a
term of one hundred and twenty calendar days from the date it was granted,
except with prior authorization from the National Hydrocarbons Commission, for
just cause; or

II. The holders are subject to the grounds for lapsing prescribed in the respective
authorization.

Article 40. The National Hydrocarbons Commission may revoke authorizations for any of
the following causes:

I. The Authorized Parties fail to grant or maintain in force the securities,
insurance, or any other financial instruments required by the applicable
regulations;

II. The Authorized Parties fail to comply with the regulation issued to that end by
the National Hydrocarbons Commission, as well as with the conditions
prescribed in the authorization;

III. The Authorized Parties fail to pay the contributions and fees required by award
or renewal of authorization, as the case may be; or

IV. Others provided for in the respective authorization.

Chapter V

Regulation and obligations

Article 41. The Federal Executive shall, when proposed by the Ministry of Energy,
establish Safeguard Zones in the reserved areas in which the State decides to prohibit
Hydrocarbon Exploration and Extraction activities. The incorporation of specific areas into
Safeguard Zones and their removal therefrom shall be done by presidential decree, based
on the relevant technical opinions.

Allocations and Hydrocarbon Exploration and Extraction Contracts will not be granted in
Protected Natural Areas.

Article 42. The Ministry of Energy is responsible for the following:
I. Proposing the establishment of Safeguard Zones to the Federal Executive, based on the technical opinions;

II. Ordering the unification of fields or reservoirs for Extraction on the basis of the technical opinion issued to that end by the National Hydrocarbons Commission. The foregoing is for national reservoirs, and pursuant to international treaties for cross-border reservoirs; and

III. Giving instructions, either directly or as proposed by the National Hydrocarbons Commission or the Federal Commission of Economic Competition, within the scope of their respective competences, to the State-owned productive enterprises, their subsidiaries and affiliates to perform the necessary actions to ensure that their activities and operations do not hinder competition and efficient market development, as well as the public policy on energy.

The Ministry of Energy may conduct the studies it deems relevant in order to determine the feasibility of directly exercising the power referred to in this Section.

The powers referred to in Sections I and II above will require an opinion from the Ministry of Finance and Public Credit.

The Ministry of Energy’s activities shall be guided by national interests, including those of the country’s energy security, the sustainability of the annual Hydrocarbon Extraction platform, and diversification of markets.

**Article 43.** The National Hydrocarbons Commission is responsible for the following:

I. Issuing the regulations and overseeing compliance therewith by the Allocation Holders, Contractors, and Authorized Parties in its areas of competence, and specifically in the following activities:

a) Surface Surveying and Exploration, including the criteria of confidentiality and the right to make commercial use of the information obtained therefrom;

b) The collection, safeguarding, use, management, and updating, as well as the publication of the information to which reference is made in Article 32 of this Law, if any, through the National Center of Hydrocarbons Information;

c) Exploration for and Extraction of Hydrocarbons, including developing the respective plans for the technical opinion provided for in Article 44 of this Law, as well as abandonment and dismantling;

d) Lifting of Hydrocarbons;

e) Well drilling;

f) Quantification of Reserves and Prospective Resources and Contingent Resources;
g) Certification of the Nation’s Reserves by independent third parties, as well as the process of selection of these parties;

h) Measurement of Hydrocarbon production, considering at least the installation and verification of measurement systems in accordance with international standards and verification that they are auditable by third parties with recognized international experience;

i) Utilization of the associated Natural Gas;

j) The technical and operating standards to maximize the Hydrocarbon recovery factor; and

k) The information required from the obligated parties, as well as the guidelines for the transfer, reception, use, and publication of the information received.

The regulations issued by the National Hydrocarbon Commission shall be published in the Federal Official Gazette.

As a part of the regulations that are issued, the Commission may order the adoption and observance of international technical standards.

Where required, it shall issue official Mexican standards and oversee, verify, and evaluate compliance therewith, and it shall approve the persons authorized for their evaluation.

II. Quantifying the country’s Hydrocarbon potential, for which it must do the following:

a) Estimate the Nation’s prospective and contingent resources; and

b) Consolidate every year the national information on Reserves that is quantified by the Allocation Holders and Contractors.

III. Generating reference indicators to evaluate the efficiency of the Hydrocarbon Exploration and Extraction projects, taking account of international experience and the Exploration plans and development plans for Extraction of Hydrocarbons associated with the Allocations and the Exploration and Extraction Contracts; and

IV. Propose, within the scope of its competence, to the Ministry of Energy, to instruct the State-owned productive enterprises, their subsidiaries and affiliates to perform the necessary actions to ensure that their activities and operations do not hinder competition and efficient market development, as well as the public policy on energy.

The National Hydrocarbons Commission shall perform its functions with a view to increasing the recovery factor and obtaining the maximum volume of Petroleum and Natural Gas over the long term, with consideration for the economic viability of Hydrocarbon Exploration and Extraction in the Area of Allocation or Contractual Area, as well as their sustainability.
**Article 44.** Before implementing the Exploration plan or the development plan for Extraction, Allocation Holders and Contractors must obtain approval thereof by the National Hydrocarbons Commission.

For these purposes, the National Hydrocarbons Commission must issue a technical opinion which shall include an evaluation of the following elements:

I. In relation to the Exploration plan: observance of international best practices to evaluate Hydrocarbon potential, incorporation of Reserves, and determination of the boundaries of the area subject to the Allocation or the Exploration and Extraction Contract; and

II. In relation to the development plan for Extraction: the technology and the production plan permitting a maximized recovery factor under economically viable conditions, the Natural Gas exploitation program, and the methods for measuring Hydrocarbon production.

The National Hydrocarbons Commission shall be obligated to issue the technical opinion within a term not exceeding one hundred and twenty calendar days after receipt of the necessary information. If the National Hydrocarbons Commission does not issue an opinion within the established term, it shall be deemed to be favorable.

The National Hydrocarbons Commission is responsible for approving any modification of the Exploration plan or the development plan for Extraction.

**Article 45.** Allocation Holders and Contractors shall be entitled to report the Allocation or Exploration and Extraction Contract, as well as the benefits expected therefrom, for accounting and financial effects, provided it is expressly stated in their Allocation or Contract that the Hydrocarbons in the Subsoil are the property of the Mexican State.

**Article 46.** The set of Hydrocarbon Exploration and Extraction activities conducted in the national territory through Allocations and Exploration and Extraction Contracts must attain at least thirty-five percent national content on average.

This target shall exclude the Exploration for and Extraction of Hydrocarbons in deep and ultra-deep waters. The Ministry of Economy, with an opinion from the Ministry of Energy, must establish a national content target according to the characteristics of these activities.

Allocation Holders and Contractors must individually and progressively achieve the minimum percentage of national content in the Allocations and Exploration and Extraction Contracts stipulated by the Ministry of Energy based on an opinion from the Ministry of Economy.

Allocations and Exploration and Extraction Contracts must include a program to assure achievement of the percentage of national content provided for in the preceding paragraph, including the applicable time limits and stages. For Exploration and Extraction Contracts, the target national content must be included in the bidding conditions for the competitive bidding process and award thereof.

The Ministry of Economy shall determine the methodology for measuring the national content in Allocations and Exploration and Extraction Contracts, and shall verify compliance
with the percentage of national content in the Allocations and Exploration and Extraction Contracts prescribed by the established program, for which it may use an independent expert’s support.

In order to establish the methodology referred to in the preceding paragraph, the Ministry of Economy will use the following concepts, among others:

I. Contracted goods and services, considering their origin;
II. The skilled national labor and workforce;
III. The training of the national workforce;
IV. The investment in local and regional physical infrastructure; and
V. The transfer of technology.

If the Ministry of Economy determines that an Allocation Holder or Contractor has failed to achieve the required percentage of national content, it shall inform the National Hydrocarbons Commission, and the latter shall impose the appropriate penalties pursuant to the provisions of the Allocation or Exploration and Extraction Contract.

Application of this Article shall be without prejudice to the provisions of the international treaties and trade agreements signed by Mexico.

**Article 47.** Allocation Holders and Contractors shall be obligated to do the following:

I. Have the authorization to make drillings prior to start of the corresponding work, if any, as prescribed in Article 36 of this Law and the regulations to be issued to that end by the National Hydrocarbons Commission;

II. Give the notice prescribed in Article 37, third paragraph, of this Law before commencing Surface Surveying and Exploration work;

III. Comply with the terms and conditions prescribed in the Allocations, Exploration and Extraction Contracts, and authorizations;

IV. Refrain from assigning or transferring Allocations, or in regard to Exploration and Extraction Contracts, corporate or operating control, without the appropriate authorization;

V. Have approval from the National Hydrocarbons Commission before commencing implementation of the Exploration plan and the development plan for Extraction;

VI. Observe the applicable legal provisions on labor matters, taxes, and transparency;

VII. Permit access to their facilities and equipment, as well as facilitate the work, of the inspectors and verifiers from the Ministries of Energy, Finance and Public Credit, and Economy, the National Hydrocarbons Commission, or the Agency;

VIII. Comply with the regulations, guidelines, and administrative provisions issued by the Ministry of Energy and the Ministry of Finance and Public Credit, the
National Hydrocarbons Commission, and the Agency in their respective spheres of authority;

IX. Contractors must abide by the guidelines established by the Ministry of Finance and Public Credit and the National Hydrocarbons Commission as regards Exploration and Extraction Contracts on the basis of this Law and the Hydrocarbon Revenues Law;

In the field of industrial and operational safety and environmental protection, Allocation Holders and Contractors shall be responsible and liable for all waste materials, Hydrocarbon spills, or other damage which may occur, as prescribed in the applicable provisions of law;

X. Give notice to the Ministry of Energy, the National Hydrocarbons Commission, the Agency, and the other competent authorities in regard to any accident, event, or contingency occurring as a result of their operations which poses a danger to life, public health and safety, the environment, the security of the facilities, or Hydrocarbon production; and apply the appropriate contingency plans, emergency measures, and containment actions under their responsibility as prescribed in the corresponding regulations. Without prejudice to the foregoing, the following must be submitted to said offices:

a) Within a term not exceeding ten calendar days from the date of the accident, event, or contingency in question, a report on the facts, as well as the measures taken to control them, as prescribed in the corresponding regulation; and

b) Within a term not exceeding one hundred and eighty calendar days from the date of the accident, event, or contingency in question, a detailed report on the causes which gave rise to it and the measures taken to control it, as well as the remediation actions, if any, as prescribed in the corresponding regulations;

XI. Provide any assistance which may be requested of them by the competent authorities in cases of emergency or accidents, as established in the Allocation or Contract; and

XII. Comply in proper time and form with requests for information and reports from the Ministries of Energy, Finance and Public Credit, and Economy, the National Hydrocarbons Commission, the Mexican Petroleum Fund for Stabilization and Development, and the Agency in their respective spheres of authority.

Violations of this Title and its regulatory provisions shall be penalized as provided for in Article 85 of this Law.
THIRD TITLE

Other Hydrocarbon Industry Activities

Chapter I

Permits

Article 48. The performance of the following activities shall require a permit as described below:

I. For Treatment and refining of Petroleum, processing of Natural Gas, and the export or import of Hydrocarbons and Petroleum Products, to be issued by the Ministry of Energy; and

II. For Transportation, Storage, Distribution, compression, liquefaction, decompression, regasification, marketing, and Sale to the Public of Hydrocarbons, Petroleum Products, or Petrochemicals, as the case may be, as well as the management of Integrated Systems, to be issued by the Energy Regulatory Commission.

Article 49. A permit shall be required to perform activities of marketing Hydrocarbons, Petroleum Products, and Petrochemicals, in the national territory. The terms and conditions of said permit shall include only the following obligations:

I. Hire, either directly or through third parties, the Transportation, Storage, Distribution, and Sale to the Public services which they may require in order to carry out their activities solely as Permit Holders;

II. Comply with the supply safety provisions which are established as needed by the Ministry of Energy;

III. Submit the information requested by the Energy Regulatory Commission for energy-sector supervision and statistical purposes; and

IV. Abide by the guidelines applicable to Permit Holders for the regulated activities in regard to their relations with persons who are members of their own corporate group or consortium.

Article 50. Parties interested in obtaining the permits referenced in this Title must submit an application to the Ministry of Energy or the Energy Regulatory Commission, as appropriate, specifying the following:

I. The applicant's name and domicile;

II. The activity it wishes to perform;

III. The project's technical specifications;

IV. The document, if any, in which the undertaking to grant the securities or insurance required by the competent authority is stated; and

V. All other information required in the applicable regulations.
Article 51. The permits to which reference is made in this Chapter shall be granted to Petróleos Mexicanos, to other State-owned productive enterprises, and to Private Parties on the basis of this Law’s Regulations. The permits shall be granted if the interested party demonstrates that it has the following, as applicable:

I. A design for the facilities or equipment pursuant to the applicable standards and best practices; and

II. Appropriate conditions to ensure an appropriate continuity of the activity covered by the permit.

Article 52. In the evaluation, and if appropriate, granting of a permit for Transportation through pipelines or for Storage of Hydrocarbons, Petroleum Products, or Petrochemicals, the Energy Regulatory Commission may analyze its impact on the efficient performance of said activities and the common infrastructure needs in the region in question, and it may require a modification of the nature and scope of the facilities by imposing conditions such as open access, interconnection with other authorized systems, and tariff regulation.

Article 53. Assignment of permits or of performance of activities regulated by them may be carried out only with prior authorization from the Ministry of Energy or the Energy Regulatory Commission, as appropriate, provided the permits are current, the assignor has fulfilled all its obligations, and the assignee satisfies the requirements to be a Permit Holder and undertakes to comply with the obligations prescribed in said permits.

The Ministry of Energy or the Energy Regulatory Commission, depending on the permit in question, must decide on a request for assignment within a term of ninety calendar days from the day following receipt of the request. If the Ministry of Energy or the Energy Regulatory Commission, as appropriate, does not issue an opinion within the established term, it shall be deemed to be favorable.

Any assignment made in violation of this Article’s provisions shall be null and void as a matter of law.

Article 54. Permits may be terminated for any of the following causes:

I. Expiration of the originally stipulated term of the permit or its extension;

II. Waiver by the Permit Holder, provided this does not impair third parties’ rights;

III. Lapsing;

IV. Revocation;

V. Disappearance of the permit’s objective or purpose;

VI. Dissolution, liquidation, or bankruptcy of the Permit Holder;

VII. A judicial resolution or final order by a competent authority; or

VIII. The other causes provided for in the respective permit.

A permit’s termination does not relieve its holder of the responsibilities and liabilities toward the Federal Government and third parties assumed during its term.
Depending on the grounds for the permit’s termination, the amount of the security that had been granted shall be applied, as prescribed in the permit in question.

**Article 55.** Permits shall lapse if the Permit Holder:

I. Fails to exercise the rights conferred under the terms of the permit in accordance with the following:
   a) Within the term prescribed to that end in the permit; or
   b) In the absence of any term, for a consecutive period of three hundred sixty-five calendar days.

II. Falls into any of the other grounds for lapsing prescribed in the permit in question.

**Article 56.** The Ministry of Energy and the Energy Regulatory Commission may, in their spheres of competence, revoke the permits issued in the manner prescribed in this Law.

Permits may be revoked for any of the following causes:

I. Failure to comply with the permit’s purpose, obligations, or conditions without just cause and authorization from the Ministry of Energy or the Energy Regulatory Commission, as appropriate;

II. Engaging in improperly discriminatory practices to the users’ detriment;

III. Not abiding by the regulations on prices and tariffs, including the rules on regulatory accounting, as well as the terms and conditions, if any, specified by the competent authority, or the provisions which regulate them, if any;

IV. Assigning or encumbering the permits, the rights conferred therein, or the properties used for their execution, without authorization from the Ministry of Energy or the Energy Regulatory Commission, as appropriate;

V. Not submitting, or not keeping current, the necessary security or insurance, including that required to cover damages to third parties, pursuant to the regulations issued to that end;

VI. Failure to comply with official Mexican standards;

VII. Continuous failure to pay contributions and fees for the permit oversight services.

For the purposes of this Section, a noncompliance shall be deemed to be continuous when the Permit Holder omits payment for more than one fiscal year;

VIII. Suspending the activities covered by the permit for a period of at least thirty continuous calendar days without just cause in the judgment of the Ministry of Energy or the Energy Regulatory Commission, as appropriate;

IX. Failure to abide by the resolutions issued by the Federal Commission of Economic Competition within its sphere of authority;
X. Failure to abide by the resolutions issued by the Agency within its sphere of authority;

XI. Engaging in activities of Transportation, Storage, Distribution, or Sale to the Public of Hydrocarbons, Petroleum Products, or Petrochemicals, which are proven to have been acquired unlawfully as determined by a final resolution of the competent authority; and

XII. Others provided for in the respective permit.

**Article 57.** In regard to the permits referenced in this Law, the authority which has issued them may carry out a temporary occupation or intervention to assure the Nation’s interests, on the understanding that third parties’ rights will be safeguarded.

To ensure continuity in the performance of the activities covered by the permit, the authority may retain State-owned productive enterprises or third parties having the technical ability to operate and control the occupied or intervened facilities.

**Article 58.** The activities and services covered by a permit shall be deemed to be of public interest.

The temporary occupation of the properties, rights, and facilities needed for the performance of a service or their adequate operation shall be valid in the circumstances provided for in the Expropriation Law, or when the Permit Holder breaches its obligations for causes not attributable to it, such as war, natural disaster, grave disturbance of public order, or when an imminent danger to national security, energy security, or the national economy is expected.

The authority that has issued it shall compile and process the file for the temporary occupation of the properties, rights, and facilities required for the provision of the service or operation, with a view to guaranteeing the interests of the end users and consumers, with the rights of third parties being respected.

The occupation shall have the duration determined by the authority, whose original term or aggregate term in the event of extensions may not exceed thirty-six months.

The Permit Holder may submit a request to the authority that issued the permit to terminate the occupation when it demonstrates that the causes which gave rise to it were already remedied or eradicated, or have disappeared.

**Article 59.** The authority that issued the permit may intervene in the performance of the activity or the provision of the service when the Permit Holder breaches its obligations for causes attributable to it and puts the supply of the Hydrocarbons, Petroleum Products, or Petrochemicals related to the permit’s purpose at a grave risk.

In such cases, the authority must notify the Permit Holder of the cause which gave rise to the intervention and specify a term for its remedy. If the Permit Holder does not remedy it within the specified term, the authority shall proceed to the intervention, without prejudice to the penalties and liabilities which the Permit Holder may have incurred.

During the intervention, the authority that issued the permit shall take charge of the Permit Holder’s management and operation, to ensure an adequate supply and performance
of the activities covered by the permit. To that end, it may designate one or more intervenors, make use of the personnel whom the Permit Holder had been using, retain a new operator, or a combination of these actions.

The intervenors may be from the public sector, the private sector, or the social sector, provided they have technical capability and experience in the operation and control of the facilities being intervened. The authority and the intervenors shall be entitled to charge for the expenses they have incurred, as well as for the corresponding professional fees, payable from the Permit Holder’s revenues during the intervention period.

The intervention shall have the duration determined by the authority, whose original term or aggregate term in the event of extensions may not exceed thirty-six months.

The intervention shall not impair the rights acquired in good faith by third parties which are directly related to the performance of activities subject to a permit.

The Permit Holder may request a termination of the intervention when it demonstrates that the causes which gave rise to it have been remedied or eradicated.

If the Permit Holder is not in a position to fulfill its obligations upon the expiration of the intervention’s term, the authority shall proceed to revoke the permit.

**Chapter II**

**Integrated Systems**

**Article 60.** The pipeline Transportation and Storage systems for Natural Gas, Petroleum Products, and Petrochemicals that are interconnected may form Integrated Systems, in order to extend their coverage or provide systemic benefits in terms of improvements in the safety, continuity, quality, and efficiency of the services that are provided.

The Ministry of Energy, based on the public energy policy it issues to that effect, may require the performance of the analysis needed to form the Integrated Systems in order to achieve the goals outlined in the previous paragraph. Furthermore, the Ministry of Energy will be responsible for issuing the five-year expansion and optimization plan for the pipeline Transportation and Storage infrastructure, taking into consideration the proposals made by the integrated systems’ managers, after receiving technical assistance from the Energy Regulatory Commission.

**Article 61.** The Energy Regulatory Commission will be the competent authority to approve the creation of Integrated Systems, as well as to determine the incorporation of new infrastructures thereto, in accordance with the public energy policy issued to that effect by the Ministry of Energy.

The provision of services in the Integrated Systems will be subject to the general provisions that the Energy Regulatory Commission approves and issues.

**Article 62.** Each Integrated System will be operated by a manager who must have the relevant permit issued by the Energy Regulatory Commission. Managers will have the following purposes:
I. Coordinate the various pipeline Transportation and Storage Permit Holders to achieve continuity, quality, safety and efficiency in the provision of the services, ensuring open and not unduly discriminatory access;

II. Be liable for the obligation to pay the tariffs for the Transportation or Storage systems that make up the Integrated System, according to the terms determined by the Energy Regulatory Commission;

III. Facilitate the development of market centers and wholesale markets;

IV. Foster liquidity in the markets in which they participate and ensure the balance and operation of the appropriate Integrated System, in accordance with the applicable provisions; and

V. Manage the secondary market for capacity for the appropriate Integrated System.

The managers will be independent from the people engaged in Natural Gas, Petroleum Products, or Petrochemicals production, distribution and marketing activities.

The managers will operate with a prior permit granted by the Energy Regulatory Commission.

Article 63. The managers referred to in the preceding Article may be public, private, or public-private entities in which the Permit Holders that make up the Integrated System may participate. In the course of their activities, these managers may recover costs and investments, according to the terms established by the Energy Regulatory Commission.

In any case, conflicts of interest between the manager and the Transportation and Storage Permit Holders, as well as the people who sell and market Natural Gas, Petroleum Products, and Petrochemicals, should be avoided.

Article 64. The Energy Regulatory Commission will establish, through general provisions, the operating rules and codes of ethics to avoid conflicts of interest and establish the corresponding functional separation for such managers.

Article 65. The Integrated National Natural Gas Transportation and Storage System may be comprised of the following infrastructure:

I. Transportation pipelines and Storage facilities for Natural Gas; and

II. Compression, liquefaction, decompression, and regasification equipment, and other facilities linked to the Natural Gas Transportation and Storage infrastructure.

The Transportation and Storage infrastructure beginning at the point where the Lifting facilities end, Entry Pipelines to carry gas into the country, or the Natural Gas processing facilities, and running as far as the points of reception and measurement of the Distribution systems or the directly connected end users, may be integrated with the Integrated National Natural Gas Transportation and Storage System.

The Energy Regulatory Commission shall be the competent authority to determine the integration of the public infrastructure referenced in the preceding paragraph with the
Integrated National Natural Gas Transportation and Storage System. The integration of the private storage and transportation systems is voluntary in nature.

Chapter III

The National Center for Natural Gas Control

Article 66. The National Center for Natural Gas Control is the independent manager and administrator for the Integrated National Natural Gas Transportation and Storage System whose purpose is to ensure the continuity and security of the services provided in that system to contribute to the continuity of the supply of said energy across the national territory, as well as perform the other activities mentioned in this Law and in the relevant Decree from the Federal Executive.

The management and administration referred to in this Law shall be understood as the power of the National Center for Natural Gas Control to give instruction to the pipeline Transportation and Storage Permit Holders linked to the pipeline to perform the necessary actions to ensure that both the daily and the medium- and long-term operation of the authorized system are conducted in strict compliance with the obligations for open access, without in any way affecting the ownership of the capacity reserve contracts.

The National Center for Natural Gas Control should exercise its duties under the principles of efficiency, transparency, and objectivity, as well as independence regarding the Permit Holders whose systems make up the Integrated National Natural Gas Transportation and Storage System.

The Federal Executive should ensure the independence of the National Center for Natural Gas Control regarding the other Permit Holders and companies in the sector.

The National Center for Natural Gas Control will be managed by a Board of Directors and a General Director. The National Center for Natural Gas Control’s management and strategic vision will be handled by its Board of Directors, at least one third of whose directors will be independent.

The independent directors of the National Center for Natural Gas Control must have no conflict of interest, therefore they may not have any employment or professional relationship with the other members of the Natural Gas market.

The management, administration, and execution of the National Center for Natural Gas Control’s functions, in particular the allocation of the capacity of the Integrated National Natural Gas Transportation and Storage System, will be conducted exclusively by the General Director, to which end he or she shall have autonomy.

Representatives from the Natural Gas market will participate in the advisory committees which are created as needed by the Board of Directors of the National Center for Natural Gas Control.

Article 67. The National Center for Natural Gas Control cannot give privilege to the use of its infrastructure or the extension thereof in its capacity as Permit Holder, to the detriment of the integrated infrastructure which belongs to other Permit Holders.
The Energy Regulatory Commission will determine the terms which the National Center for Natural Gas Control will be governed by in order to comply with the provisions of this Article.

**Article 68.** The National Center for Natural Gas Control will provide the services of Transportation and Storage for the infrastructure which it owns as a Permit Holder.

Apart from its activity as Permit Holder for Transportation and Storage, the National Center for Natural Gas Control will be governed by the rules of operation which are issued by the Energy Regulatory Commission for the managers of the Integrated Systems.

**Article 69.** The National Center for Natural Gas Control shall propose to the Ministry of Energy, for its approval, with a prior technical opinion from the Energy Regulatory Commission, the five-year expansion plan for the Integrated National Natural Gas Transportation and Storage System.

The five-year plan referred to in the preceding paragraph will include, in addition to the indicative planning, the social coverage projects and other projects that the Ministry of Energy considers strategic to ensure efficient development of the Integrated National Natural Gas Transportation and Storage System.

Projects will be considered strategic when they meet at least one of the following criteria:

I. Have a design that includes a minimum of a diameter of thirty inches, a working pressure equal to or greater than 800 pounds, and a length of at least 100 kilometers;

II. Provide redundancy to the system, including storage;

III. Provide a new route or source of supply to a relevant market; or

IV. When it is so determined by the Ministry of Energy for duly motivated reasons of security of supply.

In the case of strategic projects, the National Center for Natural Gas Control will be responsible for their bidding processes. The bidding conditions will be approved by the Energy Regulatory Commission and the infrastructure will be developed by third parties.

The National Center for Natural Gas Control may jointly convene any bidding process, with any of the State-owned productive enterprises and Private Parties, when they contribute a significant demand capacity.

In the case of projects that are not considered strategic, State-owned productive enterprises and Private Parties may develop the infrastructure projects, subject to compliance with the applicable regulations, acting on their behalf and at their own risk. In the case of State-owned productive enterprises, the projects must be executed by third parties through bidding processes, in which they will reserve the capacity they require for their operations. The bidding conditions must be approved by the Energy Regulatory Commission.
The development of infrastructure projects referred to in this Article will include conducting Open Seasons as per the terms established by the Energy Regulatory Commission.

The Ministry of Energy, with technical assistance from the Energy Regulatory Commission, will verify that the strategic infrastructure projects referred to in this Article abide by the guidelines of the five-year expansion plan for the Integrated National Natural Gas Transportation and Storage System. Otherwise, the Ministry will order the appropriate corrective actions.

Every year, the Ministry of Energy, with technical assistance from the Energy Regulatory Commission, will conduct an assessment of the five-year expansion plan in order to check its validity as regards the evolution of the Natural Gas market and will make the necessary adjustments to ensure the efficient development of the Integrated National Natural Gas Transportation and Storage System.

Chapter IV
Open Access

Article 70. Permit Holders who provide Transportation and Distribution services to third parties by means of pipelines, as well as the Storage of Hydrocarbons, Petroleum Products, and Petrochemicals, will have the obligation of providing not unduly discriminatory open access to their facilities and services, subject to the availability of capacity in their systems, pursuant to the regulations issued by the Energy Regulatory Commission.

For the purposes of this Article, Permit Holders who have non-contracted capacity, or capacity which is contracted but not used, must publicly announce this by issuing electronic newsletters allowing third parties to make use of said available capacity, subsequent to the payment of the authorized tariff and in accordance with the conditions for the provision of the service established by the Energy Regulatory Commission.

The provision of the services under the principle of open access will be bound by the general provisions which are issued by the Energy Regulatory Commission.

The Energy Regulatory Commission will issue the regulations which the Transportation and Storage facilities will be subject to in order to be considered as their own use.

It will be the responsibility of the Ministry of Energy to issue the public policies in energy matters which are required to ensure the reliable supply and open access to the Entry Pipelines for Natural Gas. The above will be done taking into account the efficient development of the industry, the safety, quality, and continuity of supply, and the interests of users.

Article 71. The Permit Holders for Transportation by pipelines and Storage which are subject to the obligation of open access cannot sell or market Hydrocarbons, Petroleum Products, and Petrochemicals which had been transported or stored in their authorized systems, except when this is necessary to resolve emergency operational situations, unforeseen circumstances, or force majeure. In addition, these Permit Holders will be subject to the following:
I. They may only provide the transportation and storage service to those users which demonstrate ownership of the respective product or to those persons who they expressly designate;

II. They can only transport and store products they own provided that it is necessary for the operation of their systems; and

III. Regarding Petroleum, Petroleum Products, and Petrochemicals, they can assign products that they own for Transportation and Storage in the percentage of capacity that is determined for this purpose by the Energy Regulatory Commission in the respective permit.

Article 72. When Permit Holders provide the services indicated in Article 70 of this Law to third parties, the Energy Regulatory Commission can require the certification of the installed, available, and utilized capacity in the facilities for the Transportation by pipelines and Storage of Hydrocarbons, Petroleum Products, and Petrochemicals, through a duly qualified independent third party, under the terms of the provisions which the Commission itself issues.

Article 73. The persons who have reserve capacity contracts which they do not utilize must market the reserve on secondary markets, or make it available to the Integrated System’s independent manager or to the transporter responsible for the pipeline or the storage company when the facilities in question are not part of an Integrated System, said parties in turn must make this public through an electronic bulletin in order for it to be firmly contracted should there be a certainty it will not be used in an uninterrupted manner or through an Open Season, if the capacity has been permanently released.

The Energy Regulatory Commission will establish the terms and conditions to which the persons indicated in this Article will be subject.

Article 74. Permit Holders and users can execute investment agreements for the development of pipelines for the Transportation and Storage of Natural Gas, under the terms approved by the Energy Regulatory Commission. The design of the infrastructure can take into account the consumption needs of the infrastructure’s own facilities, or the marketing needs of the user in question, as well as present and future demand of the project’s area of influence.

In order to quantify the demand referred to in the previous paragraph, the project developer should carry out an Open Season, in accordance with the terms of the provisions issued by the Energy Regulatory Commission. In lieu of this, after supplying justification, the Ministry of Energy can determine the required capacity level in the respective project, and the Energy Regulatory Commission will determine the tariff methodology which will allow the respective investments to be recovered.

Article 75. For the purposes of the previous Article, Permit Holders and users can establish the conditions for the use of additional capacity, provided that they do not prevent third parties from having open access that is not unduly discriminatory to the additional unused generated capacity. These conditions must comply with the terms approved by the Energy Regulatory Commission.
When the extension or increase of the capacity of the infrastructure for Transportation and Storage of Natural Gas is financed by Permit Holders, the additional generated capacity will be made public through an electronic bulletin. Should there be interest from third parties, said capacity will be assigned to users through an Open Season.

Chapter V

Sale to the Public

Article 76. Fuels for aircraft cannot be sold directly to the public.

Individuals or entities who obtain the relevant permit issued by the Energy Regulatory Commission shall be entitled to carry out aircraft fuel Distribution activities on airfields to the following users:

I. Air carriers;

II. Aircraft operators; and

III. Third parties for activities other than aviation.

In the case of Section III of this Article, the third parties must first have a prior favorable ruling from the Ministry of Energy and the Ministry of Communications and Transportation, as well as from the Office of the Mexican Attorney General.

The Energy Regulatory Commission will issue the general rules applicable to granting the permits mentioned in this Article.

Article 77. Hydrocarbons, Petroleum Products, and Petrochemicals should be transported, stored, distributed, transferred, sold, and supplied without alteration, in accordance with the provisions of this Law and other applicable regulations.

For the purposes of this Law, fuels will be considered to have been altered when their composition has been modified regarding the specifications established in the applicable provisions.

Article 78. The quality specifications for the Hydrocarbons, Petroleum Products, and Petrochemicals will be established in the official Mexican standards which the Energy Regulatory Commission issues for this purpose. The quality specifications will apply to commercial, national, and international uses, at each stage of the production and supply chain.

Article 79. The methods for testing, sampling, and verification which apply to quality characteristics, as well as the volume of Transportation, Storage, Distribution, and, where applicable, Sale to the Public of Hydrocarbons, Petroleum Products, and Petrochemicals will be established in the official Mexican standards which are issued for this purpose by the Energy Regulatory Commission and the Ministry of Economy, in their areas of competence.

Chapter VI

Regulations and Obligations of the Other Activities in the Hydrocarbons Industry

Article 80. The Ministry of Energy will be responsible for the following:
I. Regulating and supervising, notwithstanding the powers entrusted to the Agency, as well as granting, modifying, and revoking permits for the following activities:

   a) Treatment and refining of Petroleum;

   b) Processing of Natural Gas; and

   c) Export and import of Hydrocarbons and Petroleum Products under the terms of the Foreign Trade Law and with the support of the Ministry of Economy;

II. Determining public policy on energy matters which apply to the levels of Storage and the guarantee of supply of Hydrocarbons and Petroleum Products, in order to safeguard national interests and security.

   Based on the above, the Ministry of Energy and the Energy Regulatory Commission will establish, through general provisions or in the respective permits, the measures which Permit Holders should comply with regarding said public policy.

   Management of the minimum storage levels can be carried out by the Ministry of Energy or by the department which it designates;

III. Giving instructions, either directly or as proposed by the Energy Regulatory Commission or the Federal Commission of Economic Competition, within the scope of their respective competences, to the State-owned productive enterprises, their subsidiaries and affiliates to perform the necessary actions to ensure that their activities and operations do not hinder competition and efficient market development, as well as public policy on energy.

   The Ministry of Energy may conduct the studies it deems relevant in order to determine the feasibility of directly exercising the power referred to in this Section;

IV. Issuing the five-year expansion and optimization plan for infrastructure used for the Transportation by pipeline and Storage at a national level, with the technical assistance of the Energy Regulatory Commission, and taking into account the proposals which are issued regarding it, where applicable, by the managers of the Integrated Systems and users of said systems;

V. Producing the emergency plans for the continuity of the activities of the Integrated Systems of Transportation by pipeline and Storage, for which purpose it will take into account the opinions which are issued by the Energy Regulatory Commission and the managers of these systems; and

VI. Issuing the public policy guidelines in the area of Hydrocarbons, Petroleum Products, and Petrochemicals in order for the Energy Regulatory Commission to incorporate them into regulations on these activities.

   As part of the regulation and the policy provisions which it may issue, the Ministry of Energy can instruct the adoption and observance of international technical standards.
The activities of the Ministry of Energy will be based on public policy objectives in energy matters, including those of national energy security, sustainability, the continuity of supply of fuels, and the diversification of markets.

Article 81. The Energy Regulatory Commission will be responsible for the following activities:

I. Regulating and supervising the following activities, without prejudice to the Agency’s powers:
   a) Transportation and Storage of Hydrocarbons and Petroleum Products;
   b) Transportation by pipeline and Storage, which is related to pipelines, of Petrochemicals;
   c) Distribution of Natural Gas and Petroleum Products;
   d) Regasification, liquefaction, compression, and decompression of Natural Gas;
   e) Marketing and Sale to the Public of Natural Gas and Petroleum Products; and
   f) Management of the Integrated Systems, including the Integrated National Natural Gas Transportation and Storage System;

II. Approving, with a favorable opinion from the Ministry of Energy, the creation of Integrated Systems, the conditions under which the services will be provided therein, and issuing the relevant tariff methodologies, as well as issuing the operating rules for the independent managers of such Systems;

III. Approving the bidding conditions for the bidding processes which are carried out by the National Center for Natural Gas Control, as well as the Open Season processes conducted by Permit Holders to allocate the capacity in the Natural Gas Transportation and Storage systems;

IV. Providing opinions on plans for the expansion of Transportation and Distribution of Natural Gas and Liquefied Petroleum Gas, in accordance with the guidance which is established by the Ministry of Energy for this purpose;

V. Determining, with an opinion from the Ministry of Energy, the geographic areas for the Distribution of Natural Gas by pipelines, on its own initiative or by request, taking into account the elements which allow for the profitable and efficient development of distribution systems. To do so, the Commission will listen to the opinions of the competent authorities, including urban development authorities, and interested parties;

VI. Supervising the regulated activities, in order to assess their operation in accordance with public policy objectives in energy matters, and, where applicable, taking the necessary measures, such as issuing or modifying its regulation, providing public information on the results of its analysis and the
performance of participants, and informing the Ministry of Energy or the Federal Commission of Economic Competition, within the area of its competence;

VII. Establishing guidelines which Permit Holders will be subject to for the regulated activities, regarding their relationships with individuals or entities that are part of its company group or consortium, that carry out Hydrocarbon, Petroleum Product, and Petrochemical marketing activities;

VIII. Collecting information regarding the prices, discounts, and volumes of Natural Gas and Petroleum Product marketed and Sold to the Public, for statistical, regulatory, and supervisory purposes; and

IX. Submitting proposals, within the scope of its competence, to the Ministry of Energy to instruct the State-owned productive enterprises, their subsidiaries and affiliates to perform the necessary actions to ensure that their activities and operations do not hinder competition and efficient market development, as well as public policy on energy.

Article 82. The Energy Regulatory Commission will issue general provisions to regulate the activities referred to in this Law, within the scope of its competence, including the terms and conditions which the provision of services is subject to, as well as the determination of the applicable compensation, prices, and rates, among other items.

The regulation of compensation, prices, and rates which the Energy Regulatory Commission establishes, except for activities related to the Sale to the Public of Liquefied Petroleum Gas, gasoline, and diesel, whose prices are determined in accordance with market conditions, will be in accordance with the following:

I. The regulation for each particular activity will be applicable, unless the Federal Commission of Economic Competition deems there are effective competition conditions in said activity, in which case the appropriate compensation, prices, or rates will be determined by market conditions;

II. The regulation, in addition to taking into account the taxes determined by applicable laws, will take these matters into account:

a) The compensation, prices, and rates, for the goods and services which are able to be marketed internationally will be set taking into account the opportunity cost and competitiveness conditions that prevail on the international market for these products, free of taxes, contributions, or duties, and

b) For those goods or services which are not able to be marketed internationally, the compensation, prices, and rates will be set in accordance with the generally applicable methodologies used for their calculation which the Energy Regulatory Commission issues to such effect, taking into consideration the estimate of efficient costs to produce the goods or provide the service, as well as obtaining a reasonable return that reflects the invested capital’s opportunity cost, the estimated financing cost, and inherent risks of the project, among others.
The Ministry of Energy, the Energy Regulatory Commission, or the Permit Holders may submit a request to the Federal Commission of Economic Competition to assess the existence of effective competition conditions and, where applicable, issue the appropriate declaration.

**Article 83.** The Energy Regulatory Commission, with an opinion from the Federal Commission of Economic Competition, will establish the provisions that must be followed by the Permit Holders for Transportation, Storage, Distribution, and Sale to the Public and marketing of Hydrocarbons, Petroleum Products, and Petrochemicals, as well as the users of such products and services, in order to promote the efficient development of competitive markets in these sectors. Among other things, said provisions may establish the strict legal separation between the authorized activities or the functional, operational, and accounting separation thereof; the issuing of codes of conduct, limits to participation in the share capital, as well as the maximum participation that economic agents may have in the market and, where applicable, the capacity reserve in the Transportation pipelines and Storage facilities.

The provisions referred to in the preceding paragraph will provide that the people who, directly or indirectly, own the share capital of Hydrocarbon, Petroleum Product, and Petrochemical end users, producers, or marketers that use the pipeline Transportation and Storage services subject to open access, may only participate, directly or indirectly, in the share capital of the Permits Holders that provide these services when said cross-participation does not affect competition, market efficiency, and effective open access, to which end they shall:

I. Conduct their operations in independent systems; or

II. Establish the legal and corporate mechanisms that prevent any form of intervention in the relevant Permit Holders' operations and administration.

In any case, the cross-participation referred to in the second paragraph of this Article and its amendments must be authorized by the Energy Regulatory Commission, who must have previously received a favorable opinion from the Federal Commission of Economic Competition.

**Article 84.** The Permit Holders for activities which are regulated by the Ministry of Energy or the Energy Regulatory Commission shall, as applicable:

I. Possess the respective current permit;

II. Comply with the terms and conditions established in the permits, as well as abstaining from assigning, transferring, disposing, or encumbering, in whole or in part, the rights or obligations deriving from them in violation of this Law;

III. Supply the quantity and quality of Hydrocarbons, Petroleum Products, and Petrochemicals, in accordance with the applicable provisions;

IV. Comply with the quantity, measurements, and quality in accordance with the applicable legal provisions;

V. Carry out their activities with Hydrocarbons, Petroleum Products, and Petrochemicals obtained through legal means;
VI. Provide services in an efficient, uniform, homogenous, regular, safe, and continuous manner, as well as complying with the terms and conditions of the permits;

VII. Provide a permanent service for receiving and dealing with complaints and reports of emergencies;

VIII. Obtain authorization from the Ministry of Energy, or the Energy Regulatory Commission, to modify the technical and service provision conditions of the systems, pipelines, facilities, or equipment, as applicable;

IX. Advise the Ministry of Energy, or the Energy Regulatory Commission, as applicable, of any circumstance which would result in the modification of the terms and conditions of providing the service;

X. Abstain from providing cross-subsidies in the provision of the permitted services, as well as carrying out unduly discriminatory practices;

XI. Respect the maximum prices or rates which are established;

XII. Obtain the authorization of the Ministry of Energy or the Energy Regulatory Commission, as applicable, for suspension of the services, except in cases of unforeseen circumstances or force majeure, in which case the respective authority should be informed immediately;

XIII. Comply with the applicable legal provisions in labor, fiscal, and transparency matters;

XIV. Allow access to their facilities and equipment, as well as facilitate the work of the verifiers of the Ministry of Energy and the Ministry of Finance and Public Credit, as well as the Energy Regulatory Commission and the Agency, as appropriate;

XV. Comply with the regulations, guidelines, and administrative provisions which are issued by the Ministries of Energy and of Finance and Public Credit, the Energy Regulatory Commission, and the Agency in the area of their respective competencies.

In the areas of industrial and operational safety and environmental protection, Permit Holders will be responsible for the waste and spills of Hydrocarbons, Petroleum Products, and Petrochemicals or other resulting damages, under the terms of the applicable legal provisions;

XVI. Notify the Ministry of Energy, the Energy Regulatory Commission, the Agency, and the other competent authorities of any incident, event, or eventuality that, as a result of their activities, jeopardizes public life, health, or safety, or the environment; the safety of the facilities or the production or supply of Hydrocarbons, Petroleum Products, and Petrochemicals; and implement the necessary contingency plans, emergency measures, and containment actions in accordance with their obligations, under the terms of the respective
regulations. Without prejudice to the above, they should submit to said authorities:

a) Within a time period which will not exceed ten calendar days from the date of the accident, event, or eventuality in question, a report on the events, as well as the measures taken to control it, under the terms of the respective regulations; and

b) Within a time period which will not exceed one hundred and eighty calendar days from the date of the incident, event, or eventuality in question, a detailed report on the causes which led to it and the measures taken for their control, and where applicable, their resolution, under the terms of the respective regulations;

XVII. Provide the assistance required by the competent authorities in the case of an emergency or incident;

XVIII. Annually submit, in accordance with the terms of the applicable official Mexican standards, the maintenance schedule for their systems and facilities and confirm their compliance with a technical opinion issued by a duly accredited verification unit;

XIX. Keep a logbook for the operation, supervision, and maintenance of works and facilities, as well as training their personnel in the areas of accident prevention and response;

XX. Comply in the correct time and manner with requests for information and reports from the Ministry of Energy and the Ministry of Finance and Public Credit, the Energy Regulatory Commission, and the Agency; and

XXI. Submit the information according to the terms and formats that are required by the Ministry of Energy or the Energy Regulatory Commission, within the scope of their competences, in relation to the regulated activities.

FOURTH TITLE
Provisions which Apply to the Hydrocarbons Industry
Chapter I
Sanctions

Article 85. Infractions of the Second Title of this Law and its regulatory provisions will be sanctioned taking into account the seriousness of the fault, in accordance with the following:

I. Actions sanctioned by the Ministry of Energy:

a) Lack of compliance with the terms and conditions which are established in the Allocations, with a fine of between fifteen thousand and seventy-five thousand times the value of the minimum wage;

b) The assignment, disposing, transfer, or encumbrance, in whole or in part, of the rights or obligations resulting from an Allocation in violation of the provisions of this Law, with a fine of between three hundred seventy-five
thousand and seven hundred and fifty thousand times the value of the minimum wage;

c) The Exploration or Extraction of Hydrocarbons without the current Allocation or Exploration and Extraction Contract which this Law refers to, with a fine of between five million and seven million five hundred thousand times the value of the minimum wage; plus an amount equal to the value of the Hydrocarbons which were extracted in accordance with the estimate carried out for this purpose by the National Hydrocarbons Commission; and

d) Other violations to the Second Title of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions within the competence of the Ministry of Energy, with a fine of between seven thousand five hundred and two hundred twenty-five thousand times the value of the minimum wage;

II. The National Hydrocarbons Commission will sanction these actions:

a) Not submitting in the correct time and manner the information obtained as a result of the Surface Surveying and Exploration work, as well as Hydrocarbon Exploration and Extraction, in accordance with the relevant regulations, with a fine of between seven thousand five hundred and two hundred twenty-five thousand times the value of the minimum wage;

b) Not complying with the terms and conditions which are contained in the authorizations for Surface Surveying and Exploration activities which it has issued, with a fine of between seven thousand five hundred and seventy-five thousand times the value of the minimum wage;

c) The commencement of Surface Surveying and Exploration work without the respective authorization, with a fine of between one hundred fifty thousand and four hundred and fifty thousand times the value of the minimum wage;

d) The commencement of Surface Surveying and Exploration work by Allocation Holders and Contractors, without providing the notification referred to in Article 37 paragraph 3 of this Law, with a fine of between fifteen thousand and seventy-five thousand times the value of the minimum wage;

e) The carrying out of drilling without the respective authorization in accordance with the regulations which are issued by the Commission itself for this purpose, with a fine of between one hundred fifty thousand and three hundred seventy-five thousand times the value of the minimum wage;

f) The commencement of the Exploration plan or the development plan for Extraction without the respective approval, with a fine of between seven
hundred fifty thousand and three million times the value of the minimum wage;

g) Not complying with the Exploration plan or the development plan for Extraction, with a fine of between one hundred fifty thousand and three million times the value of the minimum wage;

h) Failure to comply with the provisions in Articles 101, Sections I, II, VIII, and IX; 112 and 113 of this Law, with a fine of between two hundred fifty and one thousand seven hundred times the value of the minimum wage;

i) Failure to comply with the provisions of Articles 101, Sections I, II, VIII, and IX; 112 and 113 of this Law, with a fine of between two hundred fifty and one thousand seven hundred times the value of the minimum wage;

j) Carrying out Hydrocarbon development and production activities without the measurement system approved by the Commission, with a fine of between three million and six million times the value of the minimum wage;

k) The assignment, disposal, transfer, or encumbrance, in whole or in part, of the rights or obligations deriving from an Exploration and Extraction Contract without the respective approval, with a fine of between seven hundred fifty thousand and six million times the value of the minimum wage;

l) Carrying out any action which prevents the Exploration for and development and production of Hydrocarbons, the activities related to the execution of the geological, geophysical, or other works in violation of the provisions of this Law and the regulations issued by the Commission, with a fine of between seventy-five thousand and two hundred twenty-five thousand times the value of the minimum wage;

m) Publishing, delivering, or appropriating the information belonging to the Nation to which Article 32 of this Law refers, by means other than those referred to therein or without prior consent from the National Hydrocarbons Commission, with a fine of between seventy-five thousand and two hundred twenty-five thousand times the value of the minimum wage;

n) Failing to comply with the requirements and guidelines issued by the National Hydrocarbons Commission in order to integrate the National Center of Hydrocarbons Information with the Nation’s information that exists on the date this Law comes into force, with a fine of between three hundred thousand and one million five hundred thousand times the value of the minimum wage; and

o) Other violations of the Second Title of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions within the competence of the National Hydrocarbons Commission, will be sanctioned with a fine of between fifteen thousand and four hundred fifty thousand times the value of the minimum wage.
III. The Ministry of Energy, the Ministry of Finance and Public Credit, and the Ministry of Economy or the National Hydrocarbons Commission will sanction these actions, within their area of competence:

a) The restriction of access of inspectors and verifiers, to facilities and equipment related to the activities of the Hydrocarbons industry, with a fine of between seventy-five thousand and two hundred twenty-five thousand times the value of the minimum wage;

b) Not complying with or obstructing the obligation to notify or report, in accordance with the applicable legal provisions, any situation in relation to this Law or its regulatory provisions, with a fine of between seven thousand five hundred and one hundred fifty thousand times the value of the minimum wage.

This sanction will also apply to third parties which operate for and under the instruction of the Allocation Holders or Contractors which do not comply with or obstruct the obligation to notify or report to the respective authorities, in accordance with the provisions in the Regulations of this Law and other applicable provisions; and

c) Providing false or altered information or falsifying accounting records, in accordance with the applicable legal provisions, with a fine of between three million seven hundred fifty thousand and seven million five hundred thousand times the value of the minimum wage.

IV. The Ministry of Energy and the National Hydrocarbons Commission will penalize, within the scope of their competence, any serious or repeated violations of the provisions established in the Second Title of this Law, with a reprimand, suspension, removal, or disqualification of the staff who are providing their services to an Allocation Holder, Contractor, or Authorized Party.

The above is without prejudice to the financial penalty referred to in the preceding sections.

Article 86. The infractions to the Third Title of this Law and its regulatory provisions will be sanctioned taking into account the seriousness of the fault, in accordance with the following:

I. The Ministry of Energy will sanction:

a) Noncompliance with the terms and conditions which are established in the permits it has granted, with a fine of between seventy-five thousand and three hundred thousand times the value of the minimum wage;

b) The suspension of the services covered by a permit it has granted, without the respective authorization, except in the case of unforeseen circumstances or force majeure, with a fine of between fifteen thousand and three hundred thousand times the value of the minimum wage;

c) The allocation, disposal, transfer, or encumbrance, in whole or in part, of the rights or obligations deriving from a granted permit, without the
respective authorization, with a fine of between one hundred fifty thousand and three hundred thousand times the value of the minimum wage;

d) The carrying out of activities in its area of regulation without a current permit, with a fine of between one hundred fifty thousand and three hundred thousand times the value of the minimum wage; and

e) Other violations of the Third Title of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions within the competence of the Ministry of Energy, will be sanctioned with a fine of between seven thousand five hundred and two hundred twenty-five thousand times the value of the minimum wage.

II. The Energy Regulatory Commission will sanction:

a) Noncompliance with the provisions applying to the quantity, quality, and measurement of Hydrocarbons and Petroleum Products, with a fine of between fifteen thousand and one hundred fifty thousand times the value of the minimum wage;

b) The carrying out of activities for the Transportation, Storage, Distribution, or Sale to the Public of Hydrocarbons, Petroleum Products, and Petrochemicals, whose legal acquisition is not confirmed at the time of verification, with fines of between seven thousand five hundred and one hundred fifty thousand times the value of the minimum wage;

c) Noncompliance with the terms and conditions which are contained in the permits which it has granted, with a fine of between fifteen thousand and one hundred fifty thousand times the value of the minimum wage;

d) Noncompliance with the obligation of open access, with a fine of between one hundred fifty thousand and four hundred fifty thousand times the value of the minimum wage;

e) Suspending the services covered by a permit it has granted, without the respective authorization, expect in cases of unforeseen circumstances or force majeure, with a fine of between fifteen thousand and three hundred thousand times the value of the minimum wage;

f) Noncompliance with the regulations which it establishes on maximum prices or rates, with a fine of between fifteen thousand and three hundred thousand times the value of the minimum wage;

g) The assignment, disposal, transfer, or encumbrance, in whole or in part, of the rights or obligations resulting from a permission it has granted, without the respective authorization, with a fine of between one hundred fifty thousand and four hundred fifty thousand times the value of the minimum wage;

h) The modification of the technical conditions of the systems, pipelines, facilities, or equipment without the respective authorization, with a fine of
between one hundred fifty thousand and three hundred thousand times the value of the minimum wage;

i) The carrying out of activities in the sphere of its regulation without a current permit or authorization, with a fine of between one hundred fifty thousand and four hundred fifty thousand times the value of the minimum wage; and

j) Other violations to the Third Title of this Law and its regulatory provisions, as well as to the regulations, guidelines, and administrative provisions within the competence of the Energy Regulatory Commission will be sanctioned with a fine of between fifteen thousand and four hundred fifty thousand times the value of the minimum wage.

III. The Ministries of Energy and Economy or the Energy Regulatory Commission will sanction, in their areas of competence:

a) The restriction of access of inspectors and verifiers, to facilities and equipment related to the activities of the Hydrocarbons industry, with a fine of between seventy-five thousand and two hundred twenty-five thousand times the value of the minimum wage;

b) Failure to submit the information required from the Permit Holders, with a fine of between one hundred fifty thousand and four hundred fifty thousand times the value of the minimum wage; and

c) Not complying with or obstructing the obligation to notify or report, in accordance with the applicable legal provisions, any situation in relation to this Law or its regulatory provisions, with a fine of between seven thousand five hundred and one hundred fifty thousand times the value of the minimum wage.

IV. The Ministry of Energy and the Energy Regulatory Commission will penalize, within the scope of their competence, any serious or repeated violations to the provisions established in the Third Title of this Law, with a reprimand, suspension, removal, or disqualification of the staff who are providing their services to a Permit Holder. The above is without prejudice to the financial penalty referred to in the preceding sections.

Article 87. To apply the sanctions provided for in this Law, the administrative authority should base and justify its resolution taking into account the following:

I. The damages that were or could have been produced;

II. The intentional or unintentional nature of the action or omission which constituted the infraction;

III. The seriousness of the infraction; and

IV. Recidivism by the offender.

The application of the sanctions will be governed by the provisions of the Federal Law for Administrative Procedures. For the purposes of this Chapter, minimum wage is understood
to be the current minimum daily wage in the Federal District at the time of committing the infraction.

The sanctions indicated in this Law will be applied without prejudice to the civil, penal, or administrative liability which arises from the application of sanctions due to other regulations and, where applicable, the revoking of the Allocation, permit, or authorization, or the termination of the Exploration and Extraction Contract.

In case of repeated violations, a fine for twice the amount of the previously imposed fine will be applied. A violation will be considered to be repeated if an infraction which had been sanctioned is followed by another infraction of the same type or nature within a period of ten years from the imposition of the sanction.

Chapter II
Transparency and Anticorruption

Article 88. The Ministry of Energy will be responsible for making available to the public on a monthly basis the following minimum information:

I. The number of Allocations and permits which are current, as well as their terms and conditions; and

II. The information on the areas to be put out to bid in Exploration and Extraction Contracts, including its five-year plan.

Article 89. The National Hydrocarbons Commission will be responsible for making available to the public on a monthly basis the following minimum information:

I. The results and statistics of the bidding processes for Exploration and Extraction Contracts;

II. The conditions and rules for the bidding processes which have been used to award the Exploration and Extraction Contracts;

III. The number of Exploration and Extraction Contracts currently in force, as well as their terms and conditions;

IV. The number of authorizations which have been granted and are current, as well as their terms and conditions;

V. The information relating to the technical administration and supervision of the Exploration and Extraction Contracts; and

VI. The production volume of Hydrocarbons per Exploration and Extraction Contract.

Article 90. The Energy Regulatory Commission will be responsible for making available to the public on a monthly basis the following minimum information:

I. The number of permits which it has granted and are in force, as well as their terms and conditions;
II. The volume of Natural Gas transported and stored in the authorized systems, including the Integrated National Natural Gas Transportation and Storage System;

III. The used and available capacity in the facilities and pipelines of the Permit Holders;

IV. The statistics related to the Transportation, Storage, Distribution, and Sale to the Public of Natural Gas, Petroleum Products, and Petrochemicals, at a national level; and

V. The results and statistics of the activities of the Integrated System managers.

Article 91. The information referred to in this Title should be published in such a way as to facilitate its use and understanding, making use of electronic media and information technology.

The Allocation Holders, Contractors, Permit Holders, and Authorized Parties will be required to promptly submit the information which is necessary for the publication of the information referred to in this Chapter, using the means and terms that are established by the competent authorities.

Article 92. The activities of public officials of the Ministry of Energy and the Agency will be subject to a code of conduct which they issue to such effect, which will be public and which will contain at least:

I. The rules for carrying out hearings with regulated subjects;

II. The rules for participation in academic or informational events, as well as in public forums and events; and

III. The prohibition on accepting the following:

   a) Gifts, in accordance with the applicable legal provisions; and

   b) The payment of stipends and travel expenses, services, financing, or contributions in cash or in kind, as well as other valuable considerations.

Article 93. All of the procedures for contracting, their prior actions, and those arising from the agreement, execution, and completion of the Allocations, Exploration and Extraction Contracts, permits, and authorizations, which are carried out under this Law will be subject to the applicable provisions regarding anticorruption.

The actions of public officials in the exercise of their powers and duties resulting from the contracting procedures, their previous actions and those related to the signing and administration of Exploration and Extraction Contracts, as well as the administration and supervision of Allocations, permits, authorizations, or any other act or procedure in relation to the activities which are carried out under this Law, will be subject to the constitutional principles of legality, honesty, loyalty, impartiality, and efficiency.

Without prejudice to the specific provisions in the area of anticorruption, individuals and legal entities, national or foreign, who participate in the contracting procedures or permits regulated by this Law, will be sanctioned when they carry out any of the following actions:
I. Offering or providing money or any other type of benefit to a public official or to a third party that in any manner intervenes in any of the actions within the contracting procedure, with the intention that the public official carries out or refrains from carrying out an action in relation to his duties or those of another public official, in order to obtain or maintain an advantage, whether or not money is actually received or benefits are obtained;

II. Engaging in any conduct or omission which has the purpose or effect of evading the requirements or rules established to obtain any type of contract or simulating compliance with these;

III. Acting in his own name but in the interest of another or others who are prevented from participating in public contracts, with the purpose of obtaining, in whole or in part, the benefits resulting from the contracting procedure; or

IV. Influencing or exercising political power over any public official, for the purpose of obtaining for himself or for a third party a benefit or advantage, regardless of the willingness of the public official(s) or of the result obtained.

Article 94. The sanctions in relation to the conduct referred to in the previous Article will be determined by the competent authorities, in accordance with regulations in the area of anticorruption and can lead to the termination of the respective Allocations, contracts, permits, or authorizations.

Chapter III
Jurisdiction, Public Interest, and Procedures

Article 95. The Hydrocarbons industry is under exclusive federal jurisdiction. Consequently, only the Federal Government can produce the technical, obligatory, and regulatory provisions in the area, including those which relate to sustainable development, ecological balance, and environmental protection in the development of this industry.

In order to promote the sustainable development of the activities which are carried out under the terms of this Law, criteria which foster the protection, restoration, and conservation of ecosystems should be followed at all times, in addition to strictly complying with the laws, regulations, and other legislation applicable to the area of the environment, natural resources, water, forests, wild terrestrial and aquatic flora and fauna, as well as fishing.

Article 96. The Hydrocarbons industry referred to in this Law is of public interest. The establishment of the necessary legal easements or the occupation or affectation of the surface of lands to carry out the activities of the Hydrocarbons industry will occur, in accordance with the applicable regulations in the instances that the Nation should require them.

The activities of Exploration and Extraction are considered to be of social interest nature and public order, and as such they will have preference above any other which implies the use of the surface or the subsoil of the lands which are subject to them.

The Federation, the governments of the States, the Federal District, the municipalities, and the delegations will contribute to the development of Exploration and Extraction projects,
as well as those for the Transportation and Distribution by pipeline and for Storage, through procedures and coordination methods which streamline and ensure the granting of the permits and authorizations in their area of competence.

**Article 97.** Where not provided for in this Law, the actions of the Hydrocarbons industry are considered to be commercial, and consequently they will be governed by the Commercial Code, and, additionally, by the provisions of the Federal Civil Code.

**Article 98.** The Authorized Parties, Allocation Holders, Contractors, and Permit Holders, as well as those holding mining concessions, will not be able to oppose the laying of pipelines or cables, or the installation of any other infrastructure in the area occupied by the respective Allocation, Exploration and Extraction Contract, or permit, provided that this is technically feasible.

In the case of rights of way intended for Transportation by pipeline activities, the access and activity of service providers of any industry will be permitted in exchange for fair compensation, provided that the safety and continuity of the provision of the services is not put at risk. The Energy Regulatory Commission, with the respective opinion of the Agency, will issue the necessary instructions to allow said access and will supervise the compliance of this obligation, as well as the manner in which the rates for the permitted activities will be affected by the revenues received by the Permit Holders for the use of their rights of way by third parties.

Nevertheless, the works and infrastructure referred to in this Article should be safe, necessary, appropriate, and in proportion to the needs of the Nation in accordance with the regulations of the Ministry of Energy, after obtaining the opinion of the National Hydrocarbons Commission or the Energy Regulatory Commission, as applicable.

**Article 99.** The Allocations, Exploration and Extraction Contracts, and permits referred to in this Law do not limit the State’s right to grant concessions, licenses, or permits for exploration, extraction, and use of other natural resources apart from Hydrocarbons, within the areas included in said authorizations. Should this occur, it should not generate an unreasonable inconvenience to the Allocation Holder, Contractor, or Permit Holder.

**Chapter IV**

**Use and Occupation of Land Surface**

**Article 100.** The compensation, the terms and conditions for the use, enjoyment, or affection of the lands, goods, or rights necessary to carry out the activities of Exploration and Extraction of Hydrocarbons will be negotiated and agreed between the owners or holders of said lands, goods, or rights, including real, collective, or communal rights, and the Allocation Holders or Contractors. In the case of private property, the acquisition may also be agreed.

The provisions of this Chapter shall apply to the rights that the Constitution, laws, and international treaties signed by the Mexican State recognize for the indigenous communities.

**Article 101.** The negotiation and agreement referred to in the previous Article should be carried out in a transparent manner and in accordance with the following conditions and with the contents of the Regulations:
I. The Allocation Holder or Contractor should express in writing to the owner or holder of the land, good, or right in question, its intention of using, enjoying, affecting, or, where applicable, acquiring said lands, goods, or rights;

II. The Allocation Holder or Contractor should display and describe the project which it plans to develop under the Allocation or Exploration and Extraction Contract and respond to the queries and questions of the owner or holder of the land, good, or right in question, in such a way that the latter understands its scope, as well as the possible consequences and adverse effects which its execution could generate, and, where applicable, the personal and/or community or local benefits which would result;

III. The Ministry of Energy can plan for the participation of social witnesses during the negotiation processes, under the terms which the Regulations indicate;

IV. The Allocation Holders and Contractors must notify the Ministries of Energy and of Agricultural, Territorial, and Urban Development of the start of the negotiations referred to in this Article;

V. The form or method of the agreed use, enjoyment, affectation, or, where applicable, acquisition should be suitable for the development of the project in question, depending on its characteristics. To this effect, leasing, voluntary easements, surface occupation, temporary occupation, sale, exchange, and other mechanisms which do not violate the law can be employed;

VI. The agreed compensation should be proportional to the requirements of the Allocation Holder or Contractor, in accordance with the activities that are carried out under the Allocation or Contract.

According to the different forms or methods of use, enjoyment, affectation, or, where applicable, acquisition that are agreed, the owners of the land, goods, or rights will be entitled to have the compensation cover the following, as applicable:

a) The payment of the affectations of goods or rights other than the land, as well as the provisions for losses and damages which could be suffered as a result of the project to be developed, calculated on the basis of said property’s regular activity;

b) The rent for the occupation, easement, or use of the land;

c) For projects that reach the commercial extraction of Hydrocarbons phase, a percentage of the revenues accruing to the Allocation Holder or Contractor on the project in question, after deducting the payments that must be made to the Mexican Petroleum Fund for Stabilization and Development, subject to the provisions of the last paragraph of this Article.

The percentage to which the preceding paragraph refers may not be less than zero point five nor more than three percent in the case of Nonassociated Natural Gas, and in all other cases it may not be less than
zero point five percent nor more than two percent, in both cases for the benefit of all the owners or right-holders concerned.

The Ministry of Energy, with technical assistance from the National Hydrocarbons Commission, will prepare the methodologies, parameters, and guidelines that can serve as a reference to determine the percentage referred to in the first paragraph of this Subsection c). Said methodologies, parameters, and guidelines should consider the best international practices in the field, with special emphasis on promoting the sector’s competitiveness.

The provisions in Subsections a) and b) above shall consider the commercial value;

VII. The payments of the compensations that are agreed will be made in cash and, as applicable, by any of the following means:

a) Commitments to implement development projects to benefit the affected community or town;

b) Any other benefit not contrary to the law; or
c) A combination of the above.

Notwithstanding the types of compensations referred to in this Subsection, the Allocation Holders or Contractors may submit a proposal to the owner, right-holder or members of the community or town to which they belong, to acquire goods or supplies, or services that are manufactured, supplied, or provided by such persons, when this is consistent with the project;

VIII. The compensation, as well as the other terms and conditions which are agreed for the acquisition, use, enjoyment, or affectation of the lands, goods, or rights should invariably be recorded in a written contract, and be subject to the guidelines and model contracts issued by the Ministry of Energy with an opinion from the Ministry of Agricultural, Territorial, and Urban Development.

The contract must include, at least, the rights and obligations of the parties, as well as possible mechanisms for dispute resolution;

IX. The contracts which contain the agreements reached cannot contain confidentiality clauses regarding the terms, amounts, and conditions of the compensation which penalize the parties for disclosing them.

Hydrocarbons in the subsoil are the Nation’s property, so no compensations associated with part of the project’s Hydrocarbon production may be agreed on.

**Article 102.** When lands, goods, or rights that are subject to the schemes provided in the Agrarian Law are involved, the following shall apply, in addition to the provisions of said Law and the ones included in this Chapter:
I. The commune, communal land holders, communities, or commune members may request advice from the Agrarian Ombudsman’s Office and they may also ask them to represent them in the negotiations referred to in this Chapter;

II. The authorization for the use, enjoyment, or affectation and other permitted acts of disposal must invariably be subject to, notwithstanding other applicable provisions, the formalities provided in Articles 24 to 28, 30, and 31 of the Agrarian Law for the acts mentioned in Sections VII through XIV of Article 23 of said ordinance;

III. In the case of communal land owners or commune members who, in accordance with the applicable provisions, are the holders of individual rights, the relevant compensation for the use, enjoyment, or affectation of said rights must be given to them directly, except in the case of the compensation specified in Subsection c) of Section VI of Article 101 above, in which case the provisions in Section IV of this Article shall apply. Otherwise, they will be delivered through the Trust of the National Fund of Agrarian Development, or any other trust if so agreed by the parties; and

IV. The compensation referred to in subsection c) of section VI of Article 101 above will be delivered to the communal land or community through the agencies empowered for this purpose, in order for it to be distributed among their members in the manner determined by the members’ meeting or, where applicable, for it to be used for the projects referred to in subsection a) of section VII of Article 101 of this Law.

Article 103. The Institute will create and maintain updated scales regarding average land values, and where applicable, land accessories, for the use, occupation, or purchase of the land, depending on its characteristics, as well as the other scales and reference mechanisms which it determines. Said scales will be used as a basis for the commencement of the negotiations which are carried out in accordance with the previous articles.

The Allocation Holder or Contractor should include with the letter which is referred to in Section I of Article 101 the scales referred to in the previous paragraph, as appropriate to the proposal.

Article 104. The parties can agree on the practice of appraisals by the Institute, authorized national lending institutions, public brokers, or professionals with a post-graduate degree in valuation, provided they are part of the census that is established under the terms of the Regulations of this Law.

The referenced appraisals will take into account these, among others:

I. The knowledge that the project to be developed will generate, within its area of influence, an increase in the value of the lands, goods, or rights in question;

II. The existence of characteristics of the real estate, goods, or rights that, without being reflected in their commercial value, make them technically suited for the development of the project in question;
III. The affectation of the remaining portion of the real estate which the section to be acquired, used, or enjoyed is part of;

IV. The ancillary expenses not accounted for in the commercial value, so that the affected parties can replace the lands, goods, or rights to be acquired, when it is necessary for the affected parties to leave them; and

V. In the cases of granting the use of or enjoyment of the lands, goods, or rights, the estimate of the losses and damages, inconvenience, or affectations which their holders could suffer because of the project to be developed, including those for goods or rights other than the land or the possible damage for the time during which the property is affected, determined in relation to the normal activity of said property.

In the case of purchases, the value will in no case be lower than the commercial value.

The appraisals that are conducted may consider the other elements that the Institute believes are appropriate.

**Article 105.** The agreement reached at any time between the parties must be submitted by the Allocation Holder or Contractor to the competent District Judge for civil matters or to the Unitary Agrarian Court, in order to be validated, giving it the force of res judicata.

To this end, the Judge or Unitary Agrarian Court shall do the following:

I. Verify compliance with the formalities required by this Law and, as applicable, the Agrarian Law and other applicable provisions; and

II. Order the publication of an abstract of the agreement that was reached, at the Contractor’s or Allocation Holder’s expense, in a local newspaper and, where necessary, in the most visible places of the relevant communal land.

The District Judge or Unitary Agrarian Court will render its decision, which shall be considered to be a court ruling, within fifteen days after the first publication referred to in Section II above, provided they have no knowledge of the existence of a pending lawsuit involving the land, goods, or rights in question.

The issued ruling may only be appealed via an amparo.

**Article 106.** Should an agreement between the parties not be reached after one hundred and eighty calendar days have elapsed from the date of receipt of the letter referred to in Section I of Article 101 of this Law, the Allocation Holder or Contractor may do the following:

I. Bring before the competent District Judge for civil matters or Unitary Agrarian Court the contents of the legal hydrocarbons easement which is referred to in Article 109 of this Law; or

II. Request mediation from the Ministry of Agrarian, Territorial, and Urban Development which will rule on the forms or manners of acquisition, use, enjoyment, or affectation of the lands, goods, or rights, as well as the appropriate compensation.
**Article 107.** The mediation referred to in the previous Article will be carried out, at least, in accordance with the following conditions:

I. The Ministry of Agrarian, Territorial, and Urban Development will listen to the parties and will suggest the form or manner of acquisition, use, enjoyment, or affectation which will reconcile their interests and aspirations, according to the characteristics of the project and will seek an acceptable and voluntary settlement between the parties, seeking to improve their communication and future relationship;

II. The following will be taken into consideration in order to suggest the amount of the compensation:

   a) If prior to the mediation, the parties had carried out valuations commissioned by each of them, in accordance with Article 104 of this Law:

      1. Said valuations should be taken into account provided that they are in line with the form or method of purchase, use, enjoyment, or allocation suggested by the Ministry of Agrarian, Territorial, and Urban Development. Otherwise, the contents of point b) below will be followed;

      2. If the difference in price between the appraisals of the two experts is less than 15%, the Ministry of Agrarian, Territorial, and Urban Development will take the simple average of the appraisals and the resulting figure will serve as a basis to formulate the compensation proposal of the said Ministry; and

      3. If the difference between the appraisals of the two experts is more than 15%, the Ministry of Agrarian, Territorial, and Urban Development will request from the Institute or from an expert that it randomly selects from the list referred to in Article 104 of this Law, the carrying out of a valuation whose result will serve as the basis to formulate the compensation proposal of the said Ministry; and

   b) If the parties have not carried out valuations under the terms of Article 104 of this Law, the Ministry of Agrarian, Territorial, and Urban Development will request from the Institute or from an expert that it randomly selects from the list referred to in Article 104 of this Law, the carrying out of a valuation that will serve as the basis to formulate the compensation proposal formulated by the Ministry of Agrarian, Territorial, and Urban Development.

The development of the mediation will be subject to the provisions of Article 101, Sections V to VII, of this Law.

**Article 108.** If within the thirty calendar days starting from the suggestion of the level of compensation which is referred to in Section II of the previous Article, the parties have not reached an agreement, the Ministry of Energy can request from the Ministry of Agrarian,
Territorial, and Urban Development to approach the Federal Executive for the establishment of a legal hydrocarbons easement by administrative means.

**Article 109.** The legal hydrocarbons easement will include the following rights: for the transit of persons; for transportation, provision, and storage of construction materials, vehicles, machinery and goods of all types; for construction, installation, or maintenance of the infrastructure or carrying out of necessary construction work or tasks for the appropriate development and safeguarding of the activities included under a Contract or Allocation, as well as all of those which are necessary for said purpose. In all cases, the legal hydrocarbons easement will not exceed the term of the respective Contract or Allocation.

Legal hydrocarbons easements will be decreed in favor of the Allocation Holder or Contractor and will be governed by the provisions of federal civil law and the disputes which relate to it, whatever their nature, will be within the competence of the federal courts.

Legal hydrocarbons easements can be decreed by jurisdictional or administrative means, under the terms of this Law and the other applicable provisions.

The experts that are appointed by the jurisdictional authority should observe the provisions of Article 104 of this Law and, where relevant, the provisions of Sections V to VII of Article 101 of this Law.

**Article 110.** The compensation in relation to a legal hydrocarbons easement which is decreed by administrative means will be determined on the basis of the proposals which have been formulated in accordance with Section II of Article 107 of this Law.

In the case of the other methods of acquisitions or affectation by points of public law, the respective indemnity will be determined taking into account the provisions of Article 104 and, where applicable, the values of the valuations which are obtained in accordance with Section II of Article 107 of this Law.

**Article 111.** The provisions of the previous articles will not prevent the parties from continuing their negotiations and reaching an agreement at any time, and they should comply with the provisions of Article 105 of this Law.

**Article 112.** The Allocation Holder or Contractor should submit to the National Hydrocarbons Commission a copy of the documents which contain the agreements reached through negotiation or the measures decreed by the Federal Executive or the competent courts, in accordance with this Chapter.

The state agencies referred to in this Chapter can enter into the collaboration and coordination agreements which they require in order to comply with their duties.

**Article 113.** The appraisals which are carried out under the terms of this Chapter as well as the professional fees which, when applicable, are incurred because of the participation of social witnesses, will be paid for by the Allocation Holders and Contractors, in accordance with the indications of the Regulations.

**Article 114.** The Allocation Holders and Contractors will abstain from engaging in, directly or indirectly, conduct or practices which are abusive, discriminatory, or which seek to unduly
influence the decision of the owners or holders of the lands, goods, or rights, during the negotiations and proceedings which are referred to in this Chapter.

In the cases where it is established that the Allocation Holder or Contractor incurred in the conduct indicated in this Article on more than one occasion, the Allocation, and, where applicable, the permits and authorizations, can be revoked or the Exploration and Extraction Contract rescinded.

**Article 115.** Without prejudice to the other provisions and sanctions provided for in this Law and other applicable laws, as well as applicable legal actions:

I. The agreement reached between the parties will be void in these circumstances:
   a) Violation of the provisions of the first paragraph of Article 114 is confirmed; or
   b) Compensation is agreed in violation of the provisions of the last paragraph of Article 101 of this Law; and

II. The following will cause the contract referred to in this Chapter to be rescinded, or, where applicable, will lead to the declaration of cancellation of the legal hydrocarbons easement:
   a) The works or items to be developed do not commence within the time periods established in the Exploration and Extraction Contract or Allocation or in the authorizations from the authorities;
   b) The land subject to them are put to a use different than that which justified the allocation;
   c) The Allocation or Exploration and Extraction Contract on the basis of which the right to obtain it was exercised is declared void or cancelled; and
   d) Any of the instances are incurred which are established in the applicable provisions or in the contract clauses.

**Article 116.** The regulations issued by the Agency should govern, at minimum, the financial mechanisms which Allocation Holders and Contractors should adopt to ensure that the disassembly of their facilities and abandonment of the lands which they have occupied, used, enjoyed, or affected due to their activities, is carried out in accordance with the agreements reached with the owners of the lands, goods, or rights and best practice, re-establishing the full enjoyment of their rights.

The regulation indicated in the previous paragraph should also govern, at least, the financial mechanisms such that Allocation Holders and Contractors cover the damages and losses which were not foreseen in the compensation agreed in accordance with this Chapter, which their activities and operations could have caused to the owners or holders of the lands, goods, and rights.
Article 117. The provisions of this Chapter will apply to the acquisition, use, enjoyment, or affectation of the lands, goods, or rights necessary to carry out the activities of Transportation by means of pipelines and Surface Surveying and Exploration.

The authority that is responsible for issuing the permit or authorization should receive from the Permit Holder or Authorized Party a copy of the documents which contain the agreements reached by negotiation or the measures decreed by the Federal Executive or the competent courts, in accordance with this Chapter, and it can impose the sanctions which are established in Section II, Subsections h) and i), of Article 85 of this Law.

Chapter V
Social Impact

Article 118. The public and private sector infrastructure projects in the Hydrocarbons industry will follow the principles of sustainability and respect for human rights of the communities and towns of the regions in which they are proposed for development.

Article 119. Prior to granting an Allocation, or advertising a bidding procedure for an Exploration and Extraction Contract, the Ministry of Energy, in conjunction with the Ministry of the Interior and other competent departments and entities, will carry out a social impact study regarding the area subject to the Allocation or the Contract.

The results of the study will be made available to the Allocation Holder and the participants in the bidding processes for Exploration and Extraction Contracts, subject to the dispositions in matters of transparency, access to public information, and protection of personal data.

The Ministry of Energy should inform the Allocation Holders or Contractors of the existence of vulnerable social groups in the areas in which the activities covered by the Allocations and Contracts occur, in order to implement the necessary actions to safeguard their rights.

Article 120. In order to take into account the interests and rights of the native communities and towns where Hydrocarbons industry projects are developed, the Ministry of Energy should carry out the necessary prior, free, and informed consultation procedures and any other necessary activity to safeguard them, in coordination with the Ministry of the Interior and respective departments.

Within said consultation procedures, the Ministry of Energy can provide for the participation of the Agency, the State-owned productive enterprises, and their subsidiaries and affiliates, as well as Private Parties, in accordance with the applicable legislation.

The consultation procedures will have the purpose of reaching agreements or, where applicable, obtaining consent in accordance with applicable legislation.

The Ministry of Energy, after receiving the opinion of the Ministry of Finance and Public Credit, can include within the Allocations, as well as within the terms and conditions which it establishes for bidding processes, the amounts or the rules for their determination, which the Contractor or Allocation Holder should provide for the human and sustainable development
of the communities or localities in which they carry out their activities, in the areas of health, education, labor, among others, without detriment to the obligations of the State.

**Article 121.** The parties interested in obtaining a permit or an authorization to carry out projects in the area of Hydrocarbons, as well as Allocation Holders and Contractors, should submit a social impact study to the Ministry of Energy which should contain the identification, characterization, prediction, and valuation of the social impacts which could result from their activities, as well as the respective mitigation measures and social management plans, according to the terms indicated by the Regulations of this Law.

The Ministry of Energy will issue the applicable resolution and recommendations, in the time period and in the terms indicated by the Regulations of this Law.

The resolution indicated in the previous paragraph should be presented by the Allocation Holders, Contractors, Permit Holders, or Authorized Parties for authorization of environmental impact.

**Chapter VI**

**Social Coverage and Development of the National Industry**

**Article 122.** The Federal Executive, through the Ministry of Energy, will be responsible for promoting and ensuring the necessary energy supply across the country, for which purpose it can instruct, subsequent to the favorable opinion of the Ministry of Finance and Public Credit, Petróleos Mexicanos, the other State-owned productive enterprises, and the National Center for Natural Gas Control to carry out those projects which it considers necessary for the generation of social benefits and as mechanisms for the promotion of economic development, under the terms of this Law and of national public policy on energy matters. In the case of projects which require the permission of the Energy Regulatory Commission, the Ministry of Energy will request the opinion of said Commission.

The projects can include the following:

I. The Treatment and refining of Petroleum and Natural Gas Processing;

II. The Transportation and Storage of Hydrocarbons or Petroleum Products;

III. The Transportation by pipeline and the Storage of Petrochemicals, which is related to pipelines;

IV. The Distribution of Natural Gas or Petroleum Products; and

V. The Sale to the Public of Natural Gas or Petroleum Products.

In the case of the above, the Ministries of Energy and of Finance and Public Credit will determine the appropriate investment mechanisms, and, where applicable, the applicable compensation in relation to investment mechanisms at market prices. The above is without prejudice to the regulation of rates that, when applicable, is established by the Energy Regulatory Commission for the provision of the services subject to the permission.

The projects which the Ministry of Energy instructs to Petróleos Mexicanos, the other State-owned productive enterprises, or the National Center for Natural Gas Control, in
accordance with the provisions of this Article, will be financed on the basis of what is determined by the Chamber of Deputies within the Federal Budget.

In the case of infrastructure projects for Transportation by pipeline and for the Storage of Natural Gas which are referred to in this Article, the participation will be carried out through the National Center for Natural Gas Control.

The Energy Regulatory Commission will take into account, in the respective tariff regulation, the resources which are provided to said financing for the development of the permitted projects when these are provided from public sources.

Without prejudice to the above, the Ministry of Energy can instruct the application of public-private partnership mechanisms for the realization of the projects referred to in this Article.

**Article 123.** When the National Center for Natural Gas Control has the indication referred to in the previous Article, the State-owned productive enterprises can participate in infrastructure projects for Transportation by pipeline and Storage of Natural Gas relating to pipelines, which are subject to open access rules, through reserve capacity contracts linked to said infrastructure.

For development of the projects referred to in this Article, the Energy Regulatory Commission should issue a favorable opinion regarding the bidding conditions or process as well as the economic impact of the project, which is carried out by the National Center for Natural Gas Control, in order to ensure that conditions that increase the costs of rates to the detriment of users are not established.

**Article 124.** The Ministry of Finance and Public Credit, the Ministry of Energy, and the Ministry of Social Development will assess the need for, and where applicable, design focused support programs that have the purpose of assisting with the appropriate and timely supply, at affordable prices, of fuels for basic consumption in rural areas and low-income urban areas.

The Energy Regulatory Commission and the National Evaluation Council of Social Development Policy should provide the technical assistance that is required for the purposes of this Article.

**Article 125.** The Ministry of Economy, with the opinion of the Ministry of Energy, will define the strategies for the industrial promotion of local Productive Chains and for the promotion of direct investment in the Hydrocarbons industry, paying special attention to small and medium enterprises, in accordance with the following:

I. The strategy for the industrial promotion of local Productive Chains should do the following:

a) Identify the industrial sectors and the regions which the strategy will focus on, in line with the needs of the Hydrocarbons industry, and for this purpose it can order the performing of studies which identify the products and services existing in the market, as well as the suppliers which provide them;
b) Compile, administer, and keep updated a registry of national suppliers for the Hydrocarbons industry, which registers national companies who are interested in participating in the industry and its development needs;

c) Implement programs for the development of national suppliers and contractors, starting from the identification of business opportunities;

d) Promote the closure of gaps in the technical and quality capacities of the companies, through technical and financial assistance support programs; and

e) Establish an advisory board, chaired by the Ministry of Economy, with representatives from the Ministry of Energy, the National Hydrocarbons Commission, the Energy Regulatory Commission, academics and representatives from the private sector or the industry, including at least three representatives of the commercial chambers or organizations present at the national level.

The board will cooperate in the creation of policies, criteria, and methodologies for the analysis of the supply of products, goods, and services; the promotion of the national industry; the formation of regional and national Productive Chains, and the development of human resources talent, innovation, and technology.

II. The strategy for the promotion of direct investment should do the following:

a) Promote the direct participation of Mexican companies to carry out, on their own, activities in the Hydrocarbons industry;

b) Promote partnerships between Mexican and foreign companies, in order to carry out the activities of the Hydrocarbons industry;

c) Promote national and foreign investment for the carrying out of Mexico-based activities directly in the Hydrocarbons industry, or alternatively in the manufacture of goods or provision of services related to this industry; and

d) Promote the transfer of technology and knowledge.

It will be the responsibility of the Ministry of Economy to monitor the progress of the strategies referred to in this Article, as well as to produce and publish, on an annual basis, a report on the progress on implementing said strategies, which should be presented to the Congress of the Union at the latest on June 30 of each year.

To assist in the compliance with the provisions of this Article, the Ministry of Economy will be supported by the Public Trust for the Promotion of the Development of National Suppliers and Contractors for the Energy Industry.

Article 126. The Ministry of Economy will establish the methodology for measuring national involvement in the Hydrocarbons industry, as well as its verification, for said purpose it can obtain the assistance of an independent third party or the authorities in the sector.
The Allocation Holders and Contractors, as well as the Permit Holders which are referred to in this Law, should provide information to the Ministry of Economy on the national content of the activities which they carry out, in accordance with the contents of the provisions which it issues for said purpose.

**Article 127.** The Public Trust for the Promotion of the Development of National Suppliers and Contractors for the Energy Industry will be created in an institution of the development bank. Its purpose will be to promote the development and competitiveness of local and national suppliers and contractors, through financing mechanisms and support programs for training, research, and certification, aimed at closing the gaps in technical capacity and quality, putting particular emphasis on small and medium enterprises.

**Article 128.** The Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission, with the opinion of the Ministry of Economy, shall set forth in the conditions which are included in the Allocations and Exploration and Extraction Contracts, as well as in the permits referred to in this Law, that, under the same circumstances, including equality of prices, quality, and timely delivery, preference should be given as follows:

I. To the purchase of national goods; and

II. To the hiring of domestic services, including training and hiring, at a technical and managerial level, provided by persons with Mexican nationality.

### Chapter VII

**Industrial Safety and Environmental Protection**

**Article 129.** The Agency will be responsible for issuing the regulations and standards which apply to the area of industrial and operational safety, as well as for environmental protection in the Hydrocarbons industry, in order to promote, make use of, and develop in a sustainable manner the activities of the Hydrocarbons industry.

The Agency should provide the technical elements for the design and definition of public policy in the area of energy, protection of the environment, and natural resources, as well as for the creation of the sector’s programs in this area which are related to its purpose.

The Agency will be governed by the provisions of its own law.

**Article 130.** Allocation Holders, Contractors, Authorized Parties, and Permit Holders will carry out actions for the prevention and repair of damage to the environment or to the ecological balance which they cause because of their activities and they are obliged to pay for the costs which result from said repair, when they are declared to be responsible by a resolution of the competent authority, under the terms of the applicable provisions.

### Chapter VIII

**General Application of This Law**

**Article 131.** The application and interpretation for administrative purposes of this Law will be the responsibility of, in their areas of competence, the Ministries of Energy, of Finance and Public Credit, and of Economy, the National Hydrocarbons Commission, the Energy
Regulatory Commission, and the National Agency for Industrial Safety and Environmental Protection of the Hydrocarbons Sector.

TRANSLATORY PROVISIONS

First. The present Law will come into force on the day following its publication in the Federal Official Gazette.


Third. All of those provisions which contravene the provisions of this Law are repealed.

Until new regulations are issued or the respective regulations are modified, the legislation and regulations issued by the Ministry of Energy, the Energy Regulatory Commission, and National Hydrocarbons Commissions prior to the coming into force of this Law, will continue to have effect, without prejudice to their being amended, modified, or replaced, under the terms of the provisions of this Law and the other applicable provisions.

Fourth. The Federal Executive will issue the Regulations of this Law within one hundred and eighty calendar days following the date of its coming into force. The regulations of the Regulatory Law referred to in the Second Transitory Provision of this Law, as well as the regulations for Natural Gas and Liquefied Petroleum Gas, will continue to be in force where they do not contravene it and until the new regulatory provisions come into effect.

Fifth. Until the respective regulations are issued, the Ministries of Energy, of Finance and Public Credit, and of Economy, the National Hydrocarbons Commission, and the Energy Regulatory Commission are empowered to exercise the powers which this Law grants them starting from its coming into force.

Applications for authorization or permits that are received prior to the coming into force of this Law will be processed in accordance with the legal provisions current at the time of issuing this Law and the provisions which for said purpose have been issued by the competent regulatory agency prior to this Law.

Sixth. During the process described in the Sixth Transitory Provision of the Decree which amends various constitutional provisions in the Energy Sector published in the Federal Official Gazette on December 20, 2013, the Ministry of Energy will grant Allocations to Petróleos Mexicanos in accordance with the contents of said transitory provision. The Allocations which are granted to Petróleos Mexicanos during said process will be regulated in accordance with the provisions established in this Law.

Seventh. The holders of mining concessions which upon the coming into force of this Law have permits for the recovery and use of the Natural Gas associated with the reservoirs of mineral coal may continue the activities authorized in said permit, without this implying that they are granted additional rights for the Exploration and Extraction of Hydrocarbons.

Notwithstanding the aforementioned, the holders of mining concessions will have a term of ninety calendar days from the start of the coming into force of this Law, to request to the National Hydrocarbons Commission a direct award of the Exploration and Extraction
Contract which is located in the seam of mineral coal in the area covered by the permit. The above holds true provided that the mining concession is in production and that they accredit that they have the technical, administrative, and financial capacity to carry out the activities of Exploration and Extraction of Hydrocarbons.

The contract should be granted by the National Hydrocarbons Commission under the terms of this Law.

After a term of 180 calendar days has elapsed from the coming into force of this Law, any permit for the recovery and use of natural gas associated with reservoirs of mineral coal will become void.

**Eighth.** Starting from the coming into force of this Law, the National Hydrocarbons Commission can adjudicate directly to Petróleos Mexicanos, to any of its subsidiary productive enterprises or affiliated companies, or to another State-owned productive enterprise a contract for the marketing of Hydrocarbons, which cannot have a duration longer than December 31, 2017 and cannot be extended or renewed.

Regarding the above, the Ministries of Energy and of Finance and Public Credit will determine the respective compensation for the marketing services, which should be in line with market conditions.

As of January 1, 2018 the provisions of Article 28 of this Law will be in force and the State will contract for the necessary Hydrocarbon marketing services through a public bidding process carried out by the National Hydrocarbons Commission.

**Ninth.** To form the National Center of Hydrocarbons Information, Petróleos Mexicanos and its subsidiary entities and affiliated companies, as well as the Mexican Petroleum Institute, will transfer to the National Hydrocarbons Commission, free of charge, the totality of the information referred to in Articles 32, 33, and 35 of this Law, which has been obtained up to the date of the coming into force of this Law.

Said transfer will be carried out within a term that will not exceed two years starting from the coming into force of this Law, in accordance with the guidelines that the National Hydrocarbons Commission issues, which will instruct, among others, the creation of an inventory of the information and associated assets, which will include the contracts which have been entered into by Petróleos Mexicanos, its subsidiary agencies and affiliated companies, as well as the Mexican Petroleum Institute.

The contracts referred to in the previous paragraph include those for information technology and communications services, interpretation services, and any other related to the systems, databases, and infrastructure which generate, manage, and process information and which are used in their administration.

Immediately upon the coming into force of this Decree, Petróleos Mexicanos and its subsidiary agencies and affiliated companies and, where necessary, the Mexican Petroleum Institute, will implement the actions and execute the modifying agreements which are necessary, in order for the National Hydrocarbons Commission to directly benefit from the rights contained in the contracts referred to in the previous paragraph, in order for the National Hydrocarbons Commission to be able to require directly from suppliers or service
providers the information and services which relate to each of the contracts, in order to collect, download, or transfer the information that it requires.

In addition, immediately upon the coming into force of this Decree, the National Hydrocarbons Commission will have unrestricted access, remotely as well as from within the facilities, to the information and associated assets of Petróleos Mexicanos and the Mexican Petroleum Institute.

Should the provisions of this transitory provision not be complied by Petróleos Mexicanos or the contracting companies, the National Hydrocarbons Commission will apply sanctions in accordance with the provisions of Article 85, Section II, Subsection n) of this Law.

Tenth. The permits which had been granted by the Ministry of Energy or the Energy Regulatory Commission to carry out the activities of the Hydrocarbons industry prior to the coming into force of this Law, will maintain their validity under the granted terms. The above is without prejudice to the obligations related to open access provided for in this Law.

Eleventh. Starting from January 1, 2015, the Ministry of Energy and the Energy Regulatory Commission can provide, within the area of their respective competencies, the Permits and authorizations observing the contents of the Fourteenth and Twenty-Ninth transitory provisions of this Law.

The persons or entities who at the date of coming into force of this Law carry out activities subject to permits and which do not have one, can continue carrying them out in accordance with the following:

I. In the case of Treatment, refining, and Processing, provided that they apply for and obtain the respective permit from the Ministry of Energy, at the latest by June 30, 2015;

II. In the case of the compression, liquefaction, decompression, and regasification, Transportation, Storage, Distribution, Sale to the Public, or marketing, provided that they apply for and obtain the respective permit from the Energy Regulatory Commission, at the latest by December 31, 2015.

During the term provided for in this section, the legal and technical provisions should continue to be observed, as well as the resolutions and administrative acts or authorizations that are applicable to the transportation facilities and equipment which are used for loading, moving, depositing, receiving, and handling products, as well as for combating the black market, that are current at the date of coming into force of this Law.

The Ministry of Energy and the Energy Regulatory Commission can request from Petróleos Mexicanos and its subsidiaries the information and records that they have in their databases regarding the persons that carry out the activities indicated in the previous sections I and II.

The Ministry of Energy and the Energy Regulatory Commission will establish the mechanisms which facilitate and streamline the issuing of the permits referred to in this transitory Article.
Without prejudice to the establishments of this transitory provision, the granting of permits related to the importation and sale to the Public of gasoline and diesel fuel will be carried out in accordance with the Fourteenth Transitory Article, Sections II and III of this Law. In the same manner, the granting of permits related to the importation of Liquefied Petroleum Gas will be carried out in accordance with the provisions of the Twenty-Ninth Transitory Article, Section II, of this Law.

Twelfth. The Federal Executive will issue the Decree creating the decentralized public agency known as the National Center for Natural Gas Control, no later than within twelve months of the coming into force of this Law. This agency will be responsible for the management, administration, and operation of the National Integrated Transportation and Storage System. The Decree will establish the organization, operation, and powers of said agency.

In addition, the Decree should include the necessary provisions that enable Petróleos Mexicanos and its subsidiaries to transfer the necessary resources in order for the National Center for Natural Gas Control to acquire and administer the infrastructure for the Transportation by pipeline and the Storage of Natural Gas which they own in order to supply the respective users.

The Decree will also instruct the terms and conditions so that Petróleos Mexicanos, its subsidiaries, and companies in which it has a direct or indirect interest carry out the legal acts necessary in order for the National Center for Natural Gas Control to administer and manage, in accordance with the second paragraph of Article 66 of this Law, the following reserve capacity contracts for Transportation and Storage of Natural Gas:

I. Those which have been executed with users in their capacity of Permit Holders for Transportation of Natural Gas;

II. Those which they have signed with Permit Holders which at the date of entry into force of this Law are in operation;

III. Those which they have executed with entities which have not initiated operations, at the entry into force of this Law;

IV. Those which they have executed or will execute with Entry Pipelines; and

V. Those which they enter into until the Decree creating the National Center for Natural Gas Control comes into force.

The provisions of sections II, III, IV, and V will also be applicable to the contracts for reserve capacity for Transportation and Storage of Natural Gas of the Federal Electricity Commission in accordance with the second paragraph of Article 66 of this Law.

The legal acts which are necessary for the National Center for Natural Gas Control to administer and manage the capacity of the contracts indicated in this transitory provision will be carried out without prejudice that the State-owned productive enterprises, their subsidiary agencies, and the companies in which said subsidiary agencies have a direct or indirect stake reserve and/or maintain the contracts for the reserve capacity that they require for their operations of generation of electricity and industrial transformation of hydrocarbons, as the case may be.
For the purposes of the reserve and/or use of the excess capacity required for its operations, the State-owned productive enterprises, their subsidiary agencies, and the companies in which said subsidiary agencies have a direct or indirect stake will participate under the same conditions in regards to other users in these areas:

I. The allocation of capacity which the transporter, or where applicable, the National Center for Natural Gas Control, carry out through electronic bulletins, under the terms which are established by the Energy Regulatory Commission; and/or

II. The processes of Open Season which are carried out by the Transporter or where applicable the National Center for Natural Gas Control for the expansion of its systems under the terms which are established by the Energy Regulatory Commission.

For the purposes of the matters included in the previous sections, in each case, the necessary mechanisms should be established for the charging and payment of the compensation for the services relating to said contracts.

The processes described in this transitory provision will establish the necessary mechanisms to safeguard the rights of third parties.

The Ministry of Finance and Public Credit will issue the financial and compensation guidelines which the transfers and activities referred to in the previous paragraphs will be subject to, as applicable, and it will receive for this purpose the necessary support from the Energy Regulatory Commission.

Until such time as the National Center for Natural Gas Control obtains the necessary budgetary resources and the technical capacity to carry out the bidding processes for the infrastructure projects of the Integrated National Natural Gas Transportation and Storage System, which will not be later than twenty-four months after the emission of the Decree which creates it, the Ministry of Energy can determine that the State-owned productive enterprises carry out said bidding processes, prior technical opinion and authorization of the bidding conditions by the Energy Regulatory Commission, which should issue a decision in this regard within a maximum time period of thirty business days, or they will be understood to have been approved.

Petróleos Mexicanos and its subsidiaries will be considered to be users of the Integrated National Natural Gas Transportation and Storage System.

The Energy Regulatory Commission will provide to the National Center for Natural Gas Control a permit allowing it to operate as an independent manager of the Integrated National Natural Gas Transportation and Storage System within a maximum term of sixty calendar days starting from the issuing of the Decree which creates said Center.

**Thirteenth.** The Energy Regulatory Commission will continue to hold the firsthand sales of Hydrocarbons, Petroleum Products, or Petrochemicals to the principles of asymmetric regulation with the purpose of limiting the dominant power of Petróleos Mexicanos, until such time that a greater involvement of economic agents is achieved which promotes the efficient
and competitive development of markets, and to which end it will take into account, where applicable, the contents in the area of prices of the Hydrocarbon Revenues Law.

Firsthand sales will be understood to mean the first transfer, within the country, which is made by Petróleos Mexicanos, its subsidiaries or divisions, and any other State-owned productive enterprise, or a Legal Entity, for and on behalf of the State, to a third party or between them. Said sale should be carried out at the output points of the processing plants, the refineries, the injection points of the imported product, Entry Pipelines, or at the injection points of the Hydrocarbons emanating directly from production fields. Petróleos Mexicanos or its subsidiaries, or any other State-owned productive enterprise, or a Legal Entity, for and on behalf of the State, can market Hydrocarbons, Petroleum Products, or Petrochemicals, provided that they separate the various services which they provide and the firsthand sale price of the product in question.

The marketing that is carried out by persons controlled by Petróleos Mexicanos or its subsidiaries can be carried out at points which are different from those referred to in the previous paragraph. This activity will also be subject to asymmetric regulation in order to limit the dominant power of the referenced entities, until such time as a greater participation of economic agents is achieved which promotes the efficient and competitive development of markets.

The regulation of firsthand sales will include the approval and issuing of the general terms and conditions, as well as the issuing of the methodology for the calculation of their prices. In these matters, the standard practices of developed Hydrocarbons, Petroleum Products, and Petrochemicals markets should be followed and the prices should reflect the opportunity costs and the competitive conditions and practices in the international market of those products, among others.

In all cases, the nondiscrimination obligations included in this Law shall be observed.

Noncompliance with the regulations which the Energy Regulatory Commission establishes regarding the terms and conditions for firsthand sales and their prices will be sanctioned by said Commission with fines of up to one hundred fifty thousand days to seventy-five million days of the current general minimum wage in the Federal District.

**Fourteenth.** In relation to the gasoline and diesel markets, the following will be observed:

I. With respect to prices:

a) Starting from the coming into force of this Law and for the remainder of the year 2014, the determination of prices to the public will be carried out in line with the current regulations.

b) Starting from January 1, 2015 and at the latest up to December 31, 2017, the regulation in regards to the maximum prices to the public of gasoline and diesel fuel will be established by decision of the Federal Executive. Said agreement should take into account the relative differences due to transportation costs between regions and the various methods of distribution and sale to the public, when applicable.
In addition, the maximum pricing policy to the public which is issued should provide for adjustments in line with the expected inflation of the economy, and in the instance that international prices of these fuels experience a high volatility, the Federal Executive can establish adjustment mechanisms which allow revising upward the increase of said prices, in such a way as to be in line with the changes in the international market.

c) Starting from January 1, 2018 the prices will be determined under market conditions.

II. Starting from the coming into force of this Law and, at the latest, until December 31, 2016, permits for the importation of gasoline and diesel fuel will only be able to be granted to Petróleos Mexicanos or its subsidiary productive enterprises.

Starting from January 1, 2017, or before if market conditions allow, the permits for the importation of gasoline and diesel fuel may be granted to any interested party that complies with the applicable legal provisions.

Permits for the Sale to the Public of gasoline and diesel fuel will be granted by the Energy Regulatory Commission starting from January 1, 2016.

III. The duration of supply contracts that are agreed by Petróleos Mexicanos, its subsidiary productive companies, or its affiliated companies, will not be able to extend beyond December 31, 2016.

The above without prejudice to the fact that, starting from January 1, 2017, Petróleos Mexicanos, its subsidiary productive companies, or its affiliated companies can enter into supply contracts under the new market conditions.

The supply contracts which are entered into by Petróleos Mexicanos, its subsidiary productive companies, or its affiliated companies cannot be conditioned on the execution of franchising contracts, nor limiting the parties of the supply contract to consider it terminated in a unilateral manner, until such time as conditions of effective competition are established in the judgment of the Federal Commission of Economic Competition.

At all times, in the case that in the view of the Federal Commission of Economic Competition conditions of effective competition arise before the time periods indicated in this transitory provision, said time periods will be reduced up to the date of the declaration issued by said Commission, in which case the prices will be determined by market conditions.

Fifteenth. The Energy Regulatory Commission should issue within the three hundred sixty five calendar days subsequent to the coming into force of this Law the general criteria for open access which will apply to the infrastructure for Transportation, Storage, and Distribution of Petroleum Products.

Sixteenth. At the latest by December 31, 2015, the Agency will establish the general administrative provisions which regulate the following:

I. The design, construction, operation, and maintenance of the infrastructure used for Sale to the Public of Petroleum Products; and
II. The design, construction, operation, and maintenance of equipment and infrastructure used for carrying out the activities of Transportation, Storage, and Distribution of Petroleum Products.

As part of the regulations which it may issue, the Agency can instruct the adoption and observance of international technical standards.

Seventeenth. The Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission will develop the information system in order to comply with Articles 88, 89, and 90 of this Law, respectively, no later than twelve months after it comes into effect.

Eighteenth. In order to comply with the duties which are assigned to it in this legislation, the Ministry of Economy will create a specialized unit that will be responsible for the following:

I. Monitoring the strategies for the industrial promotion of local Productive Chains and for the promotion of direct investment in the Hydrocarbons industry and creating and publishing the report on the progress in their implementation;

II. Proposing the methodology to measure the national content in Allocations and Exploration and Extraction Contracts, as well as in the other activities referred to in Article 2 of this Law; and

III. Verifying compliance with the national content targets established in the Allocations and Exploration and Extraction Contracts.

This unit will have the necessary sections and structure to exercise the powers indicated in this Law. The Chamber of Deputies will carry out the necessary actions to provide the budgetary resources to the specialized unit referred to in this transitory provision, in order to carry out its functions. The approved budget should cover the chapters on personal services, materials, and supplies, as well as general services which are necessary for it to comply with its duties.

The necessary actions will be undertaken in order for the Ministry of Economy to issue the methodology for measuring the national content no later than within the ninety calendar days following the coming into force of this Law.

Based on this methodology, the Ministry of Economy will calculate the national content observed in the areas of Exploration and in the fields in Extraction during the first half of 2014, and will publish it no later than within the one hundred and eighty calendar days following the coming into force of this Law. The above is in order to have a baseline to establish the requirements of national content in Allocations and Exploration and Extraction Contracts according to the area or field in which said activities will be carried out.

Until such time as the Ministry of Economy issues the methodology and carries out the calculations of national content referred to in the previous paragraph, the Allocations will establish that the minimum content which they will be subject to, will be subsequently defined through a modification of their terms and conditions.
Nineteenth. The contracts for works, services, supply, or operation entered into by Petróleos Mexicanos on the basis of the Regulatory Law of Constitutional Article 27 in the Petroleum sector which are referred to in the Second Transitory Article of this Law, and the provisions referred to in the Third Transitory Article of this Law, will continue to be in force under the terms and conditions on which they were entered into.

Twentieth. The Mexican Geological Service will establish the necessary coordination with the National Hydrocarbons Commission such that within a term which is no greater than one hundred and eighty days counted from the coming into force of this Decree, all the information on the gas potential associated with coal reservoirs that it has to date, or any other information which can be of interest in accordance with its powers for Exploration and Extraction of Hydrocarbons, be transferred to the Commission.

Twenty-First. Whereas the Agency begins its functions, in accordance with the provisions of the Law in this matter, the Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission will continue to regulate and supervise, in the area of their competence, the Hydrocarbons industry in the area of industrial and operational safety.

Twenty-Second. During the two years following the coming into force of this Law, the time periods or terms provided in it which apply to the Ministry of Energy, to the National Hydrocarbons Commission, and to the Energy Regulatory Commission, will be extended for up to a third of the time provided for in this Law.

Twenty-Third. Until the transition to the State-owned productive enterprises is carried out, the provisions of this Law will apply to Petróleos Mexicanos and its subsidiary agencies, as well as the Federal Electricity Commission.

Twenty-Fourth. The minimum average percentage of national content in the areas of Exploration and Extraction of Hydrocarbons which is referred to in the first paragraph of Article 46 of this Law will gradually increase by 25% in 2015 until reaching at least 35% in 2025, and should be reviewed subsequently every five years.

Said target will exclude activities in deep and ultra-deep waters, for which the Ministry of Economy, taking into account the opinion of the Ministry of Energy, will establish the values for 2015 and 2025, based on the study that it carries out of the national content observed in said activities in the first half of 2014.

Twenty-Fifth. Within one hundred and eighty days following the coming into force of this Law, the actions necessary for the Public Trust for the Promotion of the Development of National Suppliers and Contractors for the State Petroleum Industry, established under the terms of the Fourteenth Transitory Article of the Petróleos Mexicanos Law, published in the Federal Official Gazette on November 28, 2008, to convert into the Public Trust for the Promotion of the Development of National Suppliers and Contractors for the Energy Industry which is referred to in Article 127 of this Law will be carried out.

Twenty-Sixth. When the Permit Holders increase the capacity of pipelines for the Transportation of Natural Gas subject to permits granted prior to the issuing of this Law and financed by users, whose design has been intended to satisfy their own consumption needs, as well as any possible financial outlay provided by the same user, they can recover a
percentage of the costs invested in the increase of capacity in the terms and conditions established by the Energy Regulatory Commission.

Twenty-Seventh. Starting from the coming into force of this Law and up to December 31, 2015, the regulation and permits for the Transportation, Storage, and Distribution which are not linked to pipelines, as well as for the Sale to the Public of Liquefied Petroleum Gas will be issued by the Ministry of Energy. During this term, the regulations and methodologies to determine the maximum rates applicable to said Transportation, Storage, and Distribution will be issued by the Ministry of Energy, with the technical support of the Energy Regulatory Commission.

Twenty-Eighth. The integral contracts for exploration and production or contracts for financed public works, which are currently in force or which were originally bid for and subscribed by Petróleos Mexicanos or its subsidiary agencies prior to the coming into force of this Law, will not suffer any modification whatsoever in their terms and conditions as a result of its publication.

The parties to said contracts can jointly request from the Ministry of Energy the conversion of the Allocation to an Exploration and Extraction Contract without the need to complete the bidding procedure established in this Law. This conversion will be based on the technical guidelines which are established by the Ministry of Energy and the economic conditions in regards to the fiscal terms, which in accordance with the Hydrocarbon Revenues Law, are established by the Ministry of Finance and Public Credit, provided that this does not affect the total revenues expected by the State. In the creation of the technical guidelines which are referred to in this Article, the Ministry of Energy shall request the prior opinion of Petróleos Mexicanos.

The Ministries of Energy and of Finance and Public Credit will inform the parties of the contractual and fiscal terms which they establish to this effect. If the technical guidelines and the contractual and fiscal terms are not acceptable to the parties once the conversion petition has been made, they will have the right to maintain their original contractual relationship under the integral contracts for exploration and production or contracts for financed public works, as the case may be.

If the parties state their agreement with the proposed contractual and fiscal terms, the Ministry of Energy will approve the conversion and will proceed to the formalization of an Exploration and Extraction Contract which will be signed by the National Hydrocarbons Commission and the joint venture or partnership which for this specific purpose is established by the subsidiary productive company and the respective Legal Entity, in accordance with the policies established by the Board of Directors of Petróleos Mexicanos.

Prior to the signing of the Exploration and Extraction Contract, the comprehensive contract for exploration and production or the contract for financed public works, as the case may be, should be terminated in advance, without this giving rise to any damage, losses, sanctions, or any other punitive consequence to any of the parties and in addition safeguarding the rights of third parties.

The investments carried out on the basis of execution of the respective contract can be recognized by the parties as a contribution of capital by the party that owns them to the joint
venture or partnership established among them for the execution and administration of the Contract.

Twenty-Ninth. In relation to the Sale to the Public of Liquefied Petroleum Gas, the following stipulations will be observed:

I. Until such time that a program for focused support for consumers of Liquefied Petroleum Gas is established, the maximum prices to the public will be established by the Federal Executive by agreement. Said agreement should take into account the relative differences because of transport costs between regions and the various methods of distribution and sale to the public, as the case may be. In addition, the policy of maximum prices to the public which is issued should provide for, in the instance that the international prices for these fuels experience high volatility, adjustment mechanisms which allow for the upward revision of the increases of said prices, in a manner consistent with the evolution of the international market.

The Federal Government should implement the focused support program which is referred to in this section at the latest by December 31, 2016. This program of focused support should promote the sustainable use of energy and greatest possible generation of added value and the efficient use of resources.

The prices to the public of Liquefied Petroleum Gas will be determined under market conditions starting from January 1, 2017 or before, on the date on which the focused support program for the consumers that is referred to in the first paragraph of this section has been established, and

II. Starting from the coming into force of this Law, and at the latest, by December 31, 2015, permits for the importation of Liquefied Petroleum Gas will be granted only to Petróleos Mexicanos, its subsidiaries, and affiliated companies.

Starting from January 1, 2016, or before if market conditions allow, the permits referred to in this section can be granted to any interested party which complies with the applicable legal requirements.

Thirtieth. At the latest within the twelve months subsequent to the coming into force of this Law, the Federal Executive will carry out the necessary modifications to the organization and functioning of the Mexican Petroleum Institute, in order for it to participate in a competitive and efficient manner in attending to the needs of the various participants of the Hydrocarbons sector for research, technological development, and training.

Thirty-first. During the first two years starting from the coming into force of this Law, the Ministry of Energy and the National Hydrocarbons Commission can contract the purchases, leases, and services which they require for the establishment of databases and the National Center of Hydrocarbons Information, as well as the legal consulting services which are necessary to implement the bidding processes of the Exploration and Extraction Contracts, without being subject to the procedure for competitive bidding, through the procedures for invitation to at least three parties or of direct award, accrediting at all times the criteria of economy, effectiveness, efficiency, impartiality, honesty, and transparency which are applicable to obtain the best conditions for the State.
Thirty-Second. The contracts, agreements, or instruments of analogous legal nature referred to in this Law or which are related to it by effect of law, cannot contain any clause or agreement whatsoever which grants illegal exclusivity or preference to the benefit of any corporate, social, or union organization whatsoever.

ARTICLES SECOND THROUGH FIFTH............

TRANSITORY ARTICLES

FIRST. This Decree shall come into effect on the day following its publication in the Federal Official Gazette.

SECOND. The Chamber of Deputies shall carry out the budgetary provisions necessary for the ministries and entities to be able to comply with the powers conferred in this Decree.


In compliance with the provisions of Section I, Article 89 of the Political Constitution of the Mexican United States, and for its proper publication and observance, I hereby issue this Decree at the Official Residence of the Federal Executive, in Mexico City, Federal District, on August 11, 2014.- Enrique Peña Nieto.- Signature.- The Minister of the Interior, Miguel Ángel Osorio Chong.- Signature.