Deepwater regulation
on the Mexican side of the GOM

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Deepwater E&P activities

Currently Pemex has drilled 23 wells in deepwater, 2 of them have been successful commercial oil discoveries.

Source: CNH
Deepwater E&P Activities

Deepwater drilled wells 2003-2011

Source: CNH
Deepwater E&P Activities

Wells to be drilled in the near future

Source: CNH
CNH Regulatory Philosophy

CNH has a hybrid regulatory approach of prescriptive and performance-based systems, based on a three-tier strategy:

• Review of Pemex's internal standards;
• Design of specific regulation;
• Technical assessment of E&P projects.

By the end of 2010, CNH issued the first E&P deepwater regulation in Mexico, which has had three main achievements:

• Update of Pemex internal standards;
• Acquisition of containment capabilities.
• Improvement of E&P projects financial insurance;

**CNH is committed to develop common safety standards for the oil industry in the Gulf of Mexico**
Two events would help to keep Mexico safety standards in line with international best practices:

1. The approval by the US Senate of the Agreement concerning transboundary hydrocarbons reservoirs in the Gulf of Mexico.

2. A constitutional reform in Mexico to allow Pemex to joint venture with other IOCs.
Transboundary Hydrocarbon Agreement: CNH Role

Article 19 of the Transboundary Hydrocarbon Agreement states that:

“The Parties shall adopt, where appropriate, common safety and environmental standards and requirements applicable to activity contemplated under this Agreement. In any event, the Parties shall strive to ensure that their respective standards and requirements are compatible where necessary for the safe, effective, and environmentally responsible implementation of this Agreement.”

By law, CNH has to supervise and regulate the exploration and production of hydrocarbons, ensuring that every E&P project has the best safety conditions and follows the best international practices.

CNH would be in charge of providing the technical assessment for the transboundary E&P projects, supervising safety conditions and ensuring that they followed best international practices.
Why does Mexico need to complement Pemex investment efforts in exploring and developing hydrocarbons fields in the deepwaters of the Gulf of Mexico?
If Pemex, by itself, were to discover and develop the deepwater hydrocarbon potential in the Perdido Fold Belt Area (13,000 MMBoe) in the next 10 years, it would need to invest 27,300 million dollars per year. In 2012, Pemex invested 18,500 million dollars in all E&P activities.
If Pemex, by itself, were to explore and develop the deepwater hydrocarbon potential in the Perdido Area in the next 10 years, it would have to drill 77 deepwater wells per year.

In 2011, Pemex drilled 4 wells in deepwater and 39 in shallow water.
Conclusions

• Pemex has engaged in an ambitious exploratory and development program in the Perdido Fold Belt, closed to the border with the USA.

• CNH is committed to develop common safety standards in the Gulf of Mexico.

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  2. A constitutional reform in Mexico to allow Pemex to joint venture with other IOCs.
Thank You

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