



Update and Approach to the Mexican Oil & Gas Sector May 7, 2008

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Why Mexico?

- Opening new opportunities for private investors in the oil & gas and petrochemical industries
- New administration is focused on job creation and foreign investment
- Stable economy
- Market size and opportunities with Pemex, CFE and Private Sector
- New COG areas that will require new technology
- NAFTA facilitates the process between Mexico & US
- Geographical closeness to Gulf Coast, and multiple borders reduces time and operational costs
- There exists a business culture that understands our way of doing business



Why Pemex


- Oil Prices at historical high (\$120 USD/ barrel)
- 3rd largest producer of Crude
- 11th largest reserves of Crude
- Opportunities that will require new technology
- Possibility to open down-stream markets
- Refinery modernization projects
- Clean fuel projects
- Modernization of offshore terminals
- Natural gas transportation & LNG projects
- USA is their largest export market
- Plan to invest over 19B USD in 2008



Business Culture

(Take the time to fully understand it!)

- Meaning of YES
- More Social Business Environment
- Salutation
- Dress Accordingly
- Details of formalities
- Need to adjust to the local ways of doing things
- What works in the USA does not always work abroad
- Position product with a Mexican front
- Careful not to be viewed as a threat, sell the value
- Understand you are not in the USA and adjust accordingly
- Be Patient
- Evaluate what you don't like about foreign companies you deal with in the USA
- Pemex & CFE vs Private Companies



Steps to Consider to Setup Business in Mexico

- Identify and select the Right business partner(s)/ advisor(s)
- Develop Business Plan (put it in writing)
- Select the Right Specialists
 - Legal
 - USA attorney that understands the Mexican culture
 - Corporate
 - Labor
 - Visas & Work Permits
 - Permitting
 - Financial
 - Accounting System
 - Taxes (Careful with PE issue)
 - Banking
 - Real Estate and Marketing
- Listen to the advice of the Specialists
- Give your business a Mexican image
- Identify programs that can differentiate your business (NAFTA)
- Research USA companies that have incorporated in Mexico



How to Access the Market

- Identify the market sector and potential projects
 - Pemex: www.pemex.com
 - Compranet: www.compranet.gob.mx
 - CFE: www.cfe.gob.mx
 - Aramoni: www.aramoni.com
 - USA Commercial Services
 - EPCs (USA and Mexican)
- Get in early and sell the value
- Identify the right alliance partner(s)
- Hire the right Specialists
- Have a clear local support plan
- Select strategic locations for business operations
- Use the services of the Commercial Services Group



Who are the Potential Customers?

- Pemex
- CFE
- Private Sector COG companies
- Mexican EPCs & Fabricators
 - Bay-Inelectra
 - Swecomex
 - ICA-Fluor
 - Dragados
- Foreign EPCs



Example of an EPC Project in Mexico

- Proposal Process
 - Develop basic engineering package
 - Four month effort
 - Integrated effort with key vendors
- Scope
 - EPC to build two 220 men living quarters platforms (6K tons each)
 - Modular Approach
 - Deck, jacket, piling and third party systems
 - Offshore interconnection and start-up
- Schedule
 - 22 months
- Initial Order value \$150M USD
- The Challenge



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Thank You

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