

Houston's Baker Energy Consultancy Publishes Essential Chronology of Mexico's Energy Sector

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HOUSTON, TX, UNITED STATES, December 31, 2024 /EINPresswire.com/ -- In contrast to the



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George Baker

short-term need for market understanding by commodity traders, who are focused on transactional details, investors in Mexico's energy sector require a long-term understanding of inflection- and pressure-points, ignorance of which exposes them to the risk of being blindsided by actions of the legacy oil and power utilities, regulators, and even the president of Mexico.

Since 2018, with the presidency of Andrés Manuel López Obrador, foreign investors in the electricity and oil markets have been thus blindsided, among them investors in renewable power generation, and, in oil markets, [Talos](#)

[Energy](#), [Monterra Energy](#) and [Air Liquide](#), among others.

Table 1 of this report provides a basic chronology of infliction points in the electricity and oil markets in Mexico. [The starting date is 1783](#), which marks the final revision of the Spanish mining code. The report calls attention to the mineral lease that the Crown offered to miners: The miner risks his capital in exchange for the right to continuously produce and profit from his mine, paying a royalty established by regulation (commonly 1/5th). This model in its philosophy and essential features is found today in the licenses issued by the U.S. Bureau of Energy Management (BOEM) in federal waters in the Gulf of Mexico and elsewhere.

When, in 1917, a new constitution restored public ownership of the mineral estate, the Spanish regime of concessions was not adopted. Instead, in 1940, after the oil expropriation of 1938, the government offered "risk-service contracts" to oil companies. By this contract, the state (aka, the nation) would remain owner of production and reserves, and the lease (or license) holder would not (as with the Spanish regime) have the right to sublease portions of his property.

"For the oil and gas investor, what is missing is a modern mineral lease, insists George Baker, principal author of the report, "one which retains public ownership but conveys full commercial rights and with the area divisible by farmouts."

"A chronology," he cautions, "only provides dots which the investor must connect to be able to weigh the likelihood of state disruptions of his business model and expectations. A chronology helps in providing successive screen shots of how the government and its legacy energy companies have acted in the past."

Appended to the report is an annotated title list of ten prior reports that examine economic and contractual features of a farmout.

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Table 1
 Mexico's energy sector in the era of fossil fuel: Essential chronology

1783 Spanish Mining Ordinances: Mineral ownership held by the Crown (May 22); indivisible mineral leases to private parties (concessions)	2012 Transboundary Hydrocarbon Agreement is negotiated, requiring Pemex operatorship on Mexico's side
1884 Mining Code: Mineral ownership conveyed to the surface owner (Nov. 23); resale Ordinances	2013 Constitutional amendments (Dec. 18). The 1958 petroleum law is abrogated; risk-service contracts are allowed. CRE is repurposed as a leasing agent for oil and gas auctions; Pemex and CRE are allowed joint ventures; foreign brands for gas stations, private importation and storage of fossil fuels; a wholesale market in power generation; CRE to hold long-term power auctions; Pemex's pipelines spun off to a natural gas transportation regulator; a hydrocarbon safety agency is created.
1910 Revolution and civil war through 1920	2014 Legislation to enact constitutional amendments of 2013. Oil properties assigned to Pemex in "Round 2a"
1917 New constitution: Mineral ownership is nationalized by Article 27	2015 First CMH-managed oil property auction (Round 1.1); 2 of 14 blocks were awarded (Jul. 15)
1935 National syndicate of oil workers is created, merging local refinery unions	2016 First Pemex farmout auction (Trion)
1937 Comisión Federal de Electricidad (CFE) is established as a national power company	2017 BHP assigned Trion farmout (Mar. 3); Zama reservoir discovered (July 17)
1938 Foreign oil companies are expropriated over a mega dispute; Pemex is created	2018 Unification Guidelines authorize the energy minister to rule on equity and ownership where disputes re reservoir equity are not resolved by the parties (Mar. 15); Andrés Manuel López Obrador is inaugurated president (Dec. 1), initiating the rollback of the 2013 reforms
1940 Petroleum law (Nov. 9) allows for risk-service contracts by the state (Art. 6-8)	2019 Oil and power auctions are suspended; permits to reexport U.S.-sourced natural gas from Mexico
1958 Petroleum Law (Nov. 26) creates "primary" chemicals and state pricing (Art. 3); disallows risk-service contracts (Art. 6)	2020 USMCA takes effect (Jul. 1)
1960 Electric industry is nationalized	2021 Electric law updates dispatching rules for power generated by renewables (Mar. 9); SENER names Pemex the operator of Zama with 50.4% (Jul. 2); Monterrey's fuel mill closed by CRE (Sept. 14)
1972 Discoveries in the SE Basin: Cactus & Soto Grande (7.2), Cantarell (7.6), Ku (8.0), Malcoob (8.4)	2022 Pemex acquires ownership of Deer Park refinery (Jan. 23); USFIR compliance re violations (Jul. 29); lithium industry nationalized and LitCoMX founded as a state-owned company (Aug. 23)
1990 Units of Laguna Verde nuclear power plant is commissioned (Unit 2 in 1995)	2023 Woodside Energy makes final investment decision (FID) to proceed with the Trion block (Jun 20); Pemex occupies Air Liquide's hydrogen plant (Dec. 29)
1994 North American Free Trade Agreement (NAFTA) takes effect (Jan. 1); replaced by USMCA (Jul. 1, 2020)	2024 Hydrogen plant re-expropriated (Feb. 8); Claudia Sheinbaum assumes the presidency (Oct. 2); constitutional status of CFE and CRE is revoked; judicial system is overhauled
1995 Energy Regulatory Commission (CRE) is established; private ownership of natural gas pipelines and local distribution systems	
1996 CRE begins auctions for natural gas distribution franchises: Mexicali, Monterrey, Guadaluajara	
2001 Pemex unveils its model for a "Multiple Service Contract" (Dec. 6), a work-around of constitutional Art. 27	
2004 Pemex peak oil production at 3.2 million BOE/d	
2008 Limited energy reform; National Hydrocarbon Commission (CNH) established as Pemex oversight body; independent members of Pemex's board of directors; Pemex allowed risk-service contracts	
2009 Luz y Fuerza del Centro (LFC), the electric utility for Mexico City, is dissolved, sparking labor protests	
2011 Pemex auctions Santuario block under a risk-service contract (Aug. 18). Petrofac wins	

Table 1 - A list of key inflection points in the oil and electricity markets

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