

Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico

BUREAU OF WESTERN HEMISPHERE AFFAIRS
February 20, 2012

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The United States of America and the United Mexican States (hereinafter, "the Parties");

Considering that the maritime boundaries between the Parties were delimited by the Treaty to Resolve Pending Boundary Differences and Maintain the Rio Grande and Colorado River as the International Boundary signed on November 23rd, 1970 (hereinafter, "the 1970 Treaty") and the Treaty on Maritime Boundaries between the United Mexican States and the United States of America signed on May 4th, 1978 (hereinafter, "the 1978 Treaty on Maritime Boundaries");

Recalling that the continental shelf in the Western Gulf of Mexico beyond 200 nautical miles was delimited by the Treaty between the Government of the United Mexican States and the Government of the United States of America signed on June 9th, 2000 (hereinafter, "the 2000 Treaty on the Continental Shelf");

Bearing in mind that the 2000 Treaty on the Continental Shelf recognizes the possible existence of hydrocarbon reservoirs that may extend across the continental shelf boundary established in that Treaty;

Recalling also that Article 5, paragraph 1, subparagraph (b) of the 2000 Treaty on the Continental Shelf provides that the Parties shall seek to reach agreement for the efficient and equitable exploitation of such transboundary reservoirs;

Desiring to establish a legal framework to achieve safe, efficient, equitable and environmentally responsible exploitation of transboundary hydrocarbon reservoirs that may exist along the maritime boundaries established between the United Mexican States and the United States of America in the Gulf of Mexico;

Recognizing principles that promote equitable and reasonable utilization of transboundary resources, and desiring to maximize the long term benefits from their exploitation, as well as to protect the resources of both Parties; and

Recognizing that this framework is intended to encourage the establishment of cooperative arrangements based primarily on principles of unitization, and *further recognizing* that additional cooperative arrangements may be developed

outside of the framework of this Agreement and that such arrangements may also promote efficient, equitable, and environmentally responsible exploitation of transboundary reservoirs,

Have agreed as follows:

CHAPTER 1 GENERAL PRINCIPLES

Article 1 Scope

This Agreement shall apply to cooperation between the Parties with regard to the joint Exploration and Exploitation of geological Hydrocarbon structures and Reservoirs that extend across the Delimitation Line, the entirety of which are located beyond 9 nautical miles from the coastline.

If any provision in this Agreement would require a Party to alter the terms of any License existing as of the date of the last notification provided under Article 22, such provision shall not apply in such case. Notwithstanding the foregoing, the Parties recognize that it is in their interest that such Licenses be subject to all terms of this Agreement, and shall undertake good faith efforts to bring those Licenses under this Agreement.

Article 2 Definitions

For the purposes of this Agreement:

"Confidential Data" means any information or data, including Geological Information, of any type, kind or character, whether written or oral, disclosed by one Party to the other that is not publicly available and which information or data has been identified by the disclosing Party as confidential;

"Construction and Operation" means the fabrication, installation, laying, use, modification, maintenance, repair and decommissioning of Facilities and/or Pipelines;

"Delimitation Line" means the maritime boundaries in the Gulf of Mexico delimited in the 1970 Treaty, the 1978 Treaty on Maritime Boundaries and the 2000 Treaty on the Continental Shelf, and any future maritime boundary in the Gulf of Mexico delimited between the Parties, as agreed;

"Development" means those activities that take place following discovery and delineation of commercial quantities of Hydrocarbons, including, but not limited to, geophysical activities, drilling, platform design, fabrication and transportation, and installation of all Facilities, whether onshore or offshore, surface or subsea, and which are for the purpose of producing the discovered Hydrocarbons, whether on or off the Unit Area, excluding any activity related to Exploration or Production;

"Executive Agency" means the Agency of the Party designated to carry out the functions specified in this Agreement, as each Party may designate from time to time;

"Expert Determination" means the resolution of a dispute by an expert in accordance with Article 16 of this Agreement;

"Exploitation" means Development, Production, and all associated activities, including, but not limited to, workover, servicing, completion, maintenance, and decommissioning of wells in a Transboundary Unit, including treatment and processing of gas or liquids from and/or the injection, reinjection or storage of any substance used for or derived from the aforementioned processes;

"Exploration" means the search for Hydrocarbons including, but not limited to, activities such as: (1) geological and geophysical marine and airborne surveys where magnetic, gravity, seismic reflection, seismic refraction, gas sniffers, coring, or other systems are used to detect or imply the presence of Hydrocarbons; and (2) any drilling conducted for the purpose of searching for commercial quantities of Hydrocarbons or needed to delineate any Reservoir to decide whether to proceed with Development and Production;

"Facility" means any equipment, infrastructure or installation used for Exploration or Exploitation including, but not limited to, drilling vessels, fixed or floating platforms, platform installed drilling rigs, floating production systems, storage units, Hotels, surface or seafloor well heads, intra-field gathering Pipelines, intra-field cables, and all the accessories necessary for well drilling, well logging, well intervention, well repair and well testing and includes any vessel used to transfer production from an offshore facility while it is physically attached to the Facility;

"Facilities near the Delimitation Line" means any Facility under the jurisdiction of either Party within a distance of 15 statute miles from the Delimitation Line or further for transboundary Pipelines, but excluding supply and support vessels;

"Geological Information" means geological, geophysical or geochemical information and data resulting from Exploration or Exploitation, including, but not limited to, information from drilled wells and interpretations derived from such data, and which, subject to its national law, may be disclosed by a Party.

"Hydrocarbon" means all oil and natural gas, regardless of form, including any mixture thereof, existing in or derived from natural strata;

"Hydrocarbon Occurrence near the Delimitation Line" means a detection of Hydrocarbons during drilling operations within 3 statute miles on either side of the Delimitation Line;

"Inspector" means any person authorized by the competent authority of either Party to carry out inspection activities relating to:

- (a) the Construction and Operation of Facilities related to a Transboundary Unit;
- (b) any metering system relating to production associated with a Transboundary Unit;
- (c) health and safety; or
- (d) protection of the environment.

"License" means the authorization issued by an Executive Agency to carry out Exploitation or Exploration in a given area, and for the Construction and Operation of a Facility. The term License includes a "lease" issued by the U.S. Executive Agency;

"Licensee" means any person or entity holding a License;

"Permit" means any permit, authorization, consent or approval issued under the law of either Party, relating to the Exploration or Exploitation of Hydrocarbons and/or the Construction and Operation of Facilities and/or Pipelines;

"Pipeline" means a continuous conduit, complete with such equipment as valves for flow control, transmission platforms, compressor stations, and communications systems, for transporting Hydrocarbons, produced waters or other fluids and gases from one point to another, usually from a point in the producing field or processing plant to another Pipeline or to points of utilization or storage;

"Production" means those activities, excluding Exploration and Development activities, for the removal of Hydrocarbons from a Transboundary Reservoir, including, but not limited to, treatment and processing of Hydrocarbons or other substances, the injection, reinjection or storage of any substance used for or derived from such activities, enhanced Hydrocarbon recovery activities, transfer and export of Hydrocarbons to shore, and all operations associated with well intervention, repair, maintenance, servicing, re-completion, and workovers;

"Reservoir" means a single continuous deposit of Hydrocarbons in a porous and permeable medium, trapped by a structural or stratigraphic feature;

"Transboundary Reservoir" means any Reservoir which extends across the Delimitation Line and the entirety of which is located beyond 9 nautical miles from the coastline, exploitable in whole or in part from both sides of the Delimitation Line;

"Transboundary Unit" means a single geological Hydrocarbon structure or Reservoir which extends across the Delimitation Line the entirety of which is located beyond 9 nautical miles from the coastline, approved by the Executive Agencies for joint Exploration and/or Exploitation pursuant to the terms of a unitization agreement;

"Unit Area" means the geographical area described in a Transboundary Unit, as set out in the unitization agreement; and

"Unit Operating Agreement" means an agreement made between the Licensees and the unit operator that, among other things, establishes the rights and obligations of the Licensees and the unit operator including, but not limited to, the allocation of costs and liabilities incurred in and benefits derived from operations in the Unit Area.

Article 3 Jurisdiction

Nothing in this Agreement shall be interpreted as affecting the sovereign rights and the jurisdiction which each Party has under international law over the continental shelf which appertains to it.

Article 4 Activity Near the Delimitation Line

1. Within 90 days following the entry into force of this Agreement and annually thereafter, the Parties shall consult on Exploration and Exploitation activities carried out within 3 statute miles of the Delimitation Line. Such consultation shall include the exchange of all relevant and available Geological Information associated with and derived from such activities.

2. Notwithstanding the consultation set forth in paragraph 1 of this Article, and subject to its national law:

a. if either Party is aware of the likely existence of a Transboundary Reservoir, that Party shall provide written notice to the other Party within 60 days of the date on which such Party became aware of such likely existence;

b. if either Party has approved or its Licensee has submitted for approval a plan for the collection of seismic data in an area within 3 statute miles of the Delimitation Line, that Party shall provide written notice of such plan to the other Party within 30 days of the submission and, as applicable, approval of such plan;

c. if either Party has approved or its Licensee has submitted an exploration plan applicable to an area within 3 statute miles of the Delimitation Line, that Party shall provide written notice to the other Party within 60 days of the submission and, as applicable, approval of such plan;

d. if either Party is aware of a Hydrocarbon Occurrence near the Delimitation Line, that Party shall provide written notice to the other Party within 60 days of the date such Party becomes aware of such Hydrocarbon Occurrence;

e. if either Party's Licensee has submitted a plan to drill a well, the wellhead or borehole any portion of which will be within 3 statute miles of the Delimitation Line, that Party shall provide written notice of such fact to the

other Party within 30 days of the date such Party becomes aware of such plan; and

f. if any Licensee has submitted a plan for the Development or Production of an area within 3 statute miles of the Delimitation Line, the receiving Party shall provide such plan to the other Party within 30 days of the acceptance of the submission by the receiving Party of such plan.

Article 5 Determination of Transboundary Reservoirs

1. Within 30 days following receipt of a communication under paragraph 2 subparagraphs a or d of Article 4, the Parties, through their Executive Agencies, shall initiate consultations with a view to determine whether a Transboundary Reservoir exists. The Executive Agencies shall request their Licensees to provide all Geological Information relevant to such determination and shall submit to each other all available Geological Information in their possession.

2. If the Parties have not reached a determination on the existence of a Transboundary Reservoir within 60 days of the deadline for initiating consultations in paragraph 1 of this Article, either Executive Agency may submit the issue to the Joint Commission.

3. During the consultations referred to in paragraph 1 of this Article and the pendency of further proceedings under Articles 14 through 17 of this Agreement, the relevant Executive Agency shall, subject to its national law, deliver quarterly reports to the other Executive Agency on Exploration and Exploitation activities or operations carried out by Licensees within its jurisdiction in relation to the potential Transboundary Reservoir.

CHAPTER 2 EXPLORATION AND EXPLOITATION OF A TRANSBOUNDARY RESERVOIR OR UNIT

Article 6 Unitization Agreement

1. Any joint Exploration and/or Exploitation of a Transboundary Reservoir or Unit Area pursuant to the terms of a unitization agreement must be approved by the Parties. Such joint Exploration and/or Exploitation shall be conducted pursuant to the terms of a unitization agreement negotiated and proposed by the Licensees and approved by the Executive Agencies. The Executive Agencies should develop one or more model unitization agreements for use under this Agreement.

2. The unitization agreement shall include, *Inter alia*:

- a. The identification of the limits of the Unit Area and that of any Transboundary Reservoir;
- b. The identity of the Licensees and their respective participating interests;
- c. The methodology used to calculate the allocation of production;

d. A development plan for the Exploration or Exploitation of the Unit Area, including the estimated number and timing of wells, and a mechanism for delivery and approval of subsequent changes to such plan;

e. The effective date and term of the unitization agreement;

f. The identity and appointment of the unit operator, the process for resignation and removal of the unit operator, and the process for appointment of a successor unit operator;

g. Provisions regarding the transfer of interests;

h. Provisions for an accurate measurement of production;

i. Procedures for ensuring accurate payments of royalties and other proceeds;

j. Safety and environmental measures to be taken under the national laws of each Party;

k. Provisions for appropriate information sharing between the unit operator and each Party;

l. Procedures for the redetermination of the allocation of production, including a timetable or the events that trigger such redetermination.

3. Each Party shall require that, together with the submission of a proposed unitization agreement, its Licensee or the Licensees acting together through the unit operator, shall provide all available data required by a Party in order for it to review the proposed unitization agreement, and each Party shall ensure that such files and data are available to the other Party.

4. Each Executive Agency shall approve, approve with modifications or reject the proposed unitization agreement within 120 days of its receipt. Either Executive Agency may extend this period, provided that the total additional period for consideration shall not exceed 120 days. If after the end of the latest period applicable for consideration by an Executive Agency either Executive Agency has not approved, approved with modifications, or rejected the proposal, the unitization agreement shall be deemed to be rejected. At any point during the period contemplated under this paragraph either Executive Agency may refer the issue to the Joint Commission for its consideration within the remaining portion of the period.

5. Any amendment to an approved unitization agreement shall be subject to approval by the Executive Agencies. Each Executive Agency shall approve, approve with modifications or reject any proposed amendment within 30 days of its receipt. Either Executive Agency may extend this period provided that the total additional period for consideration shall not exceed 30 days. If after the end of the latest period applicable for consideration by an Executive Agency either Executive Agency has not approved, approved with modifications, or

rejected the proposal, the unitization agreement shall be deemed to be rejected. At any point during the period contemplated under this paragraph either Executive Agency may refer the issue to the Joint Commission for its consideration within the remaining portion of the period.

Article 7 Management of a Transboundary Reservoir Prior to the Formation of a Transboundary Unit

1. If it is determined as a result of consultations pursuant to paragraph 1 of Article 5 or following further proceedings under Articles 14 to 17 of this Agreement that a Transboundary Reservoir exists, and a unitization agreement has not been approved by the Parties, each Party shall take steps to facilitate Exploitation of the Transboundary Reservoir as a Transboundary Unit. Such facilitation shall include a prohibition by each Party on the commencement of production of such Transboundary Reservoir for a period from the date of determination of the Transboundary Reservoir to the end of the final period for consideration contemplated in paragraphs 2 through 5 of this Article, as applicable. If production of a Transboundary Reservoir has already commenced, the relevant Party shall take steps it deems appropriate under national law to provide that ongoing production does not unduly prejudice implementation of this Agreement.

2. If, six months following the date of determination of a Transboundary Reservoir or, alternatively, an earlier date on which the relevant Licensees have each notified the Executive Agencies that they have decided not to enter into a unitization agreement or a subsequent date agreed by the Executive Agencies in order to provide additional time for the Licensees to pursue a unitization agreement, a unitization agreement has not been approved:

a. each Party shall require its Licensee, within 60 days, to submit a proposed unitization agreement and associated Unit Operating Agreement to each Executive Agency; and

b. the Executive Agencies shall, within 30 days, jointly determine an estimate of the recoverable Hydrocarbons in the Transboundary Reservoir, under the original conditions of such Reservoir, on each side of the Delimitation Line, and jointly determine the associated allocation of production.

3. If the Executive Agencies are unable to reach the determination set out in paragraph 2 subparagraph b of this Article, such determination shall be referred to Expert Determination.

4. Following the receipt of both unitization agreements and associated Unit Operating Agreements under paragraph 2 subparagraph a of this Article, or the expiration of such period without the receipt by the Parties of both unitization agreements, and determination of the allocation of production under paragraph 2 subparagraph b or paragraph 3 of this Article, the Executive Agencies shall have 90 days to approve one of the submitted unitization agreements and associated Unit Operating Agreement, or an alternative unitization agreement

and Unit Operating Agreement developed by the Parties. If no unitization agreement and associated Unit Operating Agreement has been approved at the end of this 90-day period, the issue shall be referred to the Joint Commission for consideration. If no unitization agreement and associated Unit Operating Agreement has been approved within 90 days of submission of the issue to the Joint Commission, Exploitation of the Transboundary Reservoir may proceed pursuant to paragraph 5 of this Article.

5. Should any Party or Licensee fail to sign a unitization agreement or Unit Operating Agreement, as applicable, approved by the Executive Agencies or the Joint Commission within 60 days of its approval, or should the Executive Agencies or the Joint Commission fail to approve a unitization agreement and an associated Unit Operating Agreement, each Party may authorize its Licensee to proceed with Exploitation of the relevant Transboundary Reservoir subject to the determination of the recoverable Hydrocarbons pursuant to paragraph 2 subparagraph b or paragraph 3 of this Article and any plan for joint management of the Transboundary Reservoir, including any provisions agreed governing redetermination and metering, as may be agreed between the Parties. Such plan may contain provisions for the resolution of disputes pursuant to Article 16. In the event of such Exploitation, Parties will exchange production data on a monthly basis.

6. The Joint Commission shall endeavor to resolve issues related to the allocation of production of a Transboundary Reservoir not otherwise addressed in this Article.

Article 8 Allocation of Production

1. The Executive Agencies shall require the unit operator, on behalf of the Licensees and 60 days prior to the commencement of production from a Transboundary Reservoir, to initiate consultations on the allocation of production to each side of the Delimitation Line by submitting a proposal for the allocation of production for approval by the Executive Agencies to be applied from first production. The Executive Agencies shall, prior to any decision not in agreement with the proposal, jointly consult with the unit operator.

2. Each Executive Agency shall ensure that all relevant and available information from the Unit Area related to the proposal is made available in a timely manner to the other Executive Agency.

3. If the Executive Agencies are unable to reach agreement on this initial allocation of production within 30 days from the date of the initiation of consultations in accordance with paragraph 1 of this Article, the matter shall be addressed by the Joint Commission.

Article 9 Redetermination of the Allocation of Production

1. Any redetermination of the allocation of production of a Transboundary Reservoir shall be conducted pursuant to the unitization agreement or as agreed pursuant to Article 7 paragraph 5. The Parties shall endeavor to ensure

that provisions for redetermination shall provide for fair and equitable allocation of production of each Transboundary Reservoir. Such terms shall be contained in the unitization agreement and shall be applicable over its full term.

2. Each Executive Agency shall ensure that, subject to national law, all relevant and available information related to a redetermination of allocation of a Transboundary Reservoir is made available in a timely manner to the other Executive Agency. The Executive Agencies shall, prior to any decision not in agreement with a redetermination proposal from a unit operator, jointly consult with the unit operator.

3. If the Executive Agencies are unable to reach agreement on any redetermination of the allocation of production within 60 days following the initiation of a process for redetermination as contemplated under paragraph 1 of this Article, the matter shall be addressed by the Joint Commission.

CHAPTER 3 OPERATING AGREEMENT

Article 10 Unit Operator

1. The Executive Agencies shall ensure that a unit operator for a Transboundary Unit is designated by agreement between the Licensees. The designation or change of the unit operator shall be subject to the approval of the Executive Agencies.

2. The unit operator will act on behalf of the Licensees.

Article 11 Unit Operating Agreement

1. Each Executive Agency shall require its Licensees to enter into a Unit Operating Agreement for the Exploration or Exploitation of a Transboundary Unit in accordance with this Agreement.

2. The Executive Agencies shall require that the Licensees submit an executed Unit Operating Agreement prior to the approval of the unitization agreement.

3. In case of a conflict between the Unit Operating Agreement and the unitization agreement, the unitization agreement shall prevail, or between the unitization agreement and this Agreement, the provisions of this Agreement shall prevail.

Article 12 Facilities near the Delimitation Line

1. The Parties shall use their best efforts to facilitate cooperation between Licensees in activities related to the Exploration and Exploitation of a Transboundary Unit, including the facilitation of access to and use of Facilities near the Delimitation Line, and shall not prevent or impede such cooperation by unreasonably withholding necessary Permits.

2. The use of Facilities near the Delimitation Line may include, *inter alia*, access to and interconnection with a Pipeline and physical access to Pipeline capacity and, where appropriate, to Facilities supplying technical services incidental to such access.

3. The Parties shall facilitate, subject to their respective national law, access to Facilities for workers engaged in any activities related to a Transboundary Unit.

Article 13 Fiscal Terms

Income arising from the Exploitation of Transboundary Reservoirs shall be taxed in accordance with the legislation of the United Mexican States and the United States of America respectively, as well as the Convention between the Government of the United States of America and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital, signed on September 18th , 1992, as amended (and as may be amended in the future), or any Convention superseding that Convention as the Parties may enter into in the future.

CHAPTER 4 INSTITUTIONAL ARRANGEMENTS

Article 14 Joint Commission

1. A Joint Commission shall be established no later than 90 days after entry into force of this Agreement to assist the Executive Agencies in administering this Agreement.

2. Each Party, through its Executive Agency, shall appoint one representative and one alternate representative to the Joint Commission. Each Party may provide assistance, including experts, to its representative as it deems necessary.

3. In exercising its functions, the Joint Commission may establish working groups or expert groups, seek the advice of non-governmental groups or individuals, and take such other actions as the Parties may agree.

4. The Joint Commission should endeavour to adopt its rules of procedure no later than 90 days after it is established.

5. The Joint Commission shall be the competent body to examine any dispute or other matter referred to it by either Executive Agency relating to the interpretation and implementation of this Agreement, or any unforeseen issues arising under this Agreement.

6. If the Joint Commission is unable within 60 days to resolve all differences concerning the allocation of production pursuant to Article 8, or the reallocation of production pursuant to Article 9, either Party may submit the dispute for Expert Determination. If the Joint Commission is unable within 60 days to resolve all differences related to the determination of a Transboundary

Reservoir pursuant to paragraph 2 of Article 5, and relevant data is available from a well in the prospective Transboundary Reservoir on each side of the Delimitation Line, either Party may submit the dispute for Expert Determination.

7. If the Joint Commission is unable within 60 days to resolve all differences concerning any dispute referred to it by the Executive Agencies relating to the interpretation and implementation of this Agreement that is not addressed in paragraph 6 of this Article or referred to it under paragraphs 4 or 5 of Article 6 or paragraph 4 of Article 7, either Party may resort to the dispute settlement provisions in Articles 15 or 17. The Joint Commission will have 30 days in which to consider the final recommendation in any arbitration instituted pursuant to Article 17. If the Joint Commission is unable to resolve any remaining differences within that time, the dispute will be returned to the Parties.

8. The Parties will refrain from action with regard to any dispute referred to the Joint Commission or to Expert Determination or dispute resolution under this Agreement where it is reasonably foreseeable that such action would prejudice the implementation of any decision related to the dispute until the dispute resolution procedures are complete.

CHAPTER 5 SETTLEMENT OF DISPUTES

Article 15 Consultations and Mediation

1. The Parties shall make every effort to resolve any disagreement relating to the interpretation and implementation of this Agreement through consultations as rapidly as possible. Either Party may initiate consultations through a written request to the other Party. Unless the Parties otherwise agree, the Parties shall consult within 20 days of delivery of the request.

2. If the Parties do not resolve a disagreement that is not subject to Expert Determination within 120 days of the delivery of the request for consultations, either Party may refer the disagreement to arbitration pursuant to Article 17 within 30 days.

3. The Parties may also agree to submit any disagreement relating to the interpretation and implementation of this Agreement to non-binding mediation by a neutral third party in addition to, or in lieu of, the procedures set out in this Article and in Article 17.

Article 16 Expert Determination

1. The Joint Commission shall, within 180 days of the adoption of its rules of procedure, establish arrangements for the appointment of the expert and terms of engagement, including, in particular, provisions governing compensation and the protection of confidentiality.

2. In the event a dispute is submitted to Expert Determination and the Joint Commission has not established the arrangements set out in paragraph 1 of this Article:

a. each Party shall, within 30 days of the date of submission of the dispute and at its own expense, choose an appointing expert.

b. the appointing experts shall, within 30 days, appoint the expert and determine the terms of engagement of the expert, including compensation, according to prevailing standards and strict protections of Confidential Data.

c. in such circumstances the costs of Expert Determination shall be shared equally by the Parties.

3. Each Party shall promptly provide all information in its possession, or that it has the legal authority to obtain from its Licensees, that exists and is required by the expert in order to reach a decision.

4. The Parties shall ensure that the expert will maintain the strictest impartiality and transparency. All communications between a Party and the expert, in any form, other than Confidential Data, shall be provided to the other Party.

5. The Parties shall provide that, within 90 days of the expert's appointment, the expert will provide a preliminary decision to the Joint Commission together with a detailed explanation of how the decision was reached. Thereafter, there will be a period of 60 days, or such other period as the Joint Commission may agree, from the date that the preliminary decision is communicated to the Joint Commission during which either Party may seek clarification and/or make further submissions to the expert for his consideration. The final determination of the expert along with a detailed explanation shall be communicated in writing to the Joint Commission within 30 days of the end of this period.

6. Notwithstanding paragraph 5 of this Article, the Parties shall provide that referrals to the expert under Article 7 paragraph 3 shall be resolved within 30 days of their receipt by the expert and that the expert's determination shall be provided directly to the Executive Agencies.

7. Expert Determination proceedings will be confidential. Except as required by either Party's domestic law, the Parties shall treat, and shall ensure that the expert treats, any information provided for the determination, any written and oral communications related to the determination, and both the preliminary decision and final decision as confidential.

8. Notwithstanding paragraphs 4 and 7 of this Article, upon any preliminary determination by the expert that a Transboundary Reservoir exists, all information used by the expert in reaching such determination and all information provided to the expert after such date with respect to such Transboundary Reservoir shall be provided to both Parties. Such information shall be maintained as confidential by the Parties pursuant to the terms of this Agreement, subject to national law.

9. Determinations of the expert shall be final and binding on the Parties.

Artide 17 Arbitration

If any dispute regarding the interpretation and implementation of this Agreement that is not subject to Expert Determination cannot be resolved by the Joint Commission or through consultations, either Party may submit the dispute to arbitration.

The Joint Commission shall, within 180 days of the adoption of its rules of procedure, establish an arbitration mechanism for the implementation of this Article.

CHAPTER 6 INSPECTIONS, SAFETY, AND ENVIRONMENTAL PROTECTION

Article 18 Inspections

1. Subject to applicable national law, each Party shall, under procedures to be developed and agreed under this Agreement, have the right to inspect Facilities in a Unit Area approved pursuant to this Agreement.

2. To enable Inspectors of each Party to safeguard their respective interests with respect to safety, environmental and fiscal matters, the Executive Agencies shall develop specific procedures, subject to national law, for:

(a) consultation among Inspectors of each Party;

(b) timely access to information relevant to inspection activities; and

(c) physical access to Unit Areas for the purpose of inspecting activities therein under a joint inspection regime, including access to metering systems, wherever located.

3. The Inspectors of each Party shall act in cooperation and consult with Inspectors of the other Party to achieve compliance with applicable safety and environmental standards.

4. An Inspector of one Party may, with regard to Facilities located in the Unit Area, request an Inspector of the other Party to exercise his or her powers to ensure compliance with the applicable safety and environmental standards and requirements whenever it appears that circumstances so warrant. In the event of any disagreement between the Inspectors of the Parties, or the refusal of the Inspector of one Party to take action at the request of the Inspector of the other Party, the matter shall be referred to the Executive Agencies.

5. If it appears that it is necessary for the purpose of averting risk to life or serious personal injury or significant damage to the environment, and that circumstances do not permit the Inspectors to consult with the Executive Agencies, the Inspector with jurisdiction over the activities giving rise to such risk shall, as authorized under national law, order the immediate cessation of any or all operations upon the request of the other Inspector. Immediately thereafter, but not more than 4 hours following the ordered cessation of activity, the Inspectors shall notify the Executive Agencies of such action and the

reasons therefore, and the Executive Agencies shall immediately consult regarding actions necessary to address the risk. Nothing in this paragraph shall prevent the right of each Party to authorize the resumption of operations of the relevant Facilities.

Article 19 Safety and Environmental Protection

1. 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.

2. The Executive Agencies shall develop procedures for the implementation of this Article.

3. The Parties recognize the importance of their existing international obligations with respect to oil pollution preparedness, response, and cooperation, and are to review their implementation of such obligations in light of the activity contemplated under this Agreement in order to ensure an appropriate framework for ongoing cooperation.

CHAPTER 7 FINAL CLAUSES

Article 20 Confidentially

To the extent consistent with their national laws, the Parties shall maintain confidential, and obligate their Licensees to maintain confidential, all Confidential Data and other information obtained from the other Party or its Licensees in accordance with this Agreement.

Article 21 Amendments

1. This Agreement may be amended at any time by mutual written agreement of the Parties.

2. Amendments shall enter into force in accordance with the procedure established under Article 22 of this Agreement.

Article 22 Entry into force

The Parties shall so notify each other in writing when the necessary internal procedures have been completed to bring this Agreement into force. This Agreement shall enter into force 60 days after the date of the later notification.

Article 23 Termination

1. This Agreement may be terminated by mutual written agreement or by either Party at any time upon 180 days written notice to the other Party.

2. Notwithstanding termination of this Agreement, unless otherwise agreed by the Parties:

a. the provisions of this Agreement shall continue to apply to any unitization agreement, Unit Operating Agreement, or other agreement entered into under this Agreement and in effect at the time of termination, for the duration of such agreement, and to any such agreement submitted to or otherwise under review by the Parties pursuant to this Agreement at the time of termination, for the duration of such agreement;

b. the provisions of this Agreement shall continue to govern the relationship between the Parties with respect to any unitization agreement, Unit Operating Agreement, or other agreement entered into under this Agreement and in effect at the time of termination for the duration of such agreements;

c. the provisions of this Agreement shall continue to apply to any License issued by a Party after entry into force and prior to termination of this Agreement;

d. the provisions of this Agreement shall continue to apply to the Exploitation of any Transboundary Reservoir undertaken pursuant to paragraph 5 of Article 7; and

e. the obligations of the Parties set forth in Article 20 concerning confidentiality shall continue to apply.

3. Upon any notice provided under paragraph 1 of this Article, the Parties shall initiate consultations for the development of a new agreement to address the joint exploration and exploitation of transboundary reservoirs.

Article 24 Termination of the Moratorium on Hydrocarbon Activity in the Boundary Area in the Western Gap of the Gulf of Mexico

Upon entry into force of this Agreement, the period of any moratorium on the authorization or permitting of petroleum or natural gas drilling or exploration of the continental shelf within the boundary "Area" as established by Article 4, paragraph 1, of the 2000 Treaty on the Continental Shelf and extended by any subsequent exchanges of notes shall be terminated.

Article 25 Relationship with other Agreements

With the exception of Article 24, nothing in this Agreement shall affect the rights and obligations of the Parties with respect to other international agreements to which they are both party.

Done at Los Cabos on the twentieth day of February of two thousand and twelve, in the English and Spanish languages, both texts being equally authentic.