

15 October 2018

**TO:**

**Lic. José Joaquín Coldwell**  
**Secretary of Energy, (SENER)**

**ATN:**

**Dr. Aldo Flores Quiroga**  
**Sub-Secretary of Hydrocarbons, (SENER)**

**RE: Permitting Regulations for Onshore Seismic Acquisition**

Dear Srs.,

On behalf of the International Association of Geophysical Contractors (“IAGC”), we would like to refer to our previous letter dated 26 June regarding the requirements that have been made effective with the interpretation given by this Secretary to the Articles 100 – 117 of the Hydrocarbons Law.

IAGC is the international trade association representing the industry that provides geophysical services to the oil and natural gas industry. IAGC member companies play an integral role in the successful exploration and development of offshore and onshore hydrocarbon resources through the acquisition and processing of geophysical data. Seismic surveys are the only feasible technology available to accurately image the subsurface before a well is drilled. Ultimately, our member companies’ technology makes possible exploration success at the same time reducing its overall footprint.

With reference to our previous letter, the application of the of Articles 100 – 117 of the Hydrocarbons Law to onshore seismic operations represents an unbalanced and heavy burden to the seismic companies. The obligations in short are to (i) negotiate surface occupation contracts (“*contratos de ocupación superficial*”) with owners of each property where surface exploration activities will occur, (ii) to submit the agreements to the Ministry of Agrarian, Territorial and Urban Development, the competent Civil District Court or to the competent Unified Agrarian Court, in order to have res judicata effect; (iii) to make the payments to the landowners through a trust title with a bank; (iv) to pay taxes on the payments (v) to publish the contracts in the local newspapers (vi) and to provide CNH with a summary of the publications are published in the local newspaper of the respective region.

In addition, as holders of ARES B, according to the “Disposiciones administrativas de carácter general en materia de autorizaciones para el reconocimiento y exploracion superficial” the seismic companies must start operations no later than 120 days after the authorization was granted, with an extension of 60 days upon request. Nevertheless, in view of the aforementioned requirements, it is impossible for the seismic companies to comply with such term.

It is worth noting that the above-mentioned articles of the Hydrocarbon Law are applicable, under the

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current interpretation, indistinctively to all activities of the O&G industry that involves surface occupation and use. However, the difference between seismic data acquisition and drilling activities is substantial and shall not be ignored or underestimated. The latter, involve the construction of infrastructure and drilling wells, remaining in the area for at least one year and potentially for decades. On the other hand, seismic activities are transitory and temporary, with average duration of a few weeks on a single property and it does not encompass any sort of drilling pads or similar long-term infrastructure. Subjecting such different activities to the same requirements is simply not feasible.

We recognize that the aforesaid measures are a mechanism to ensure transparency to the procedure. However, considering the number of surface contracts that may be involved in seismic acquisition programs, these procedures as a whole are impeding the very possibility of carrying out land seismic in Mexico. As an example, for a 3-months activity carried out by one of our member companies approximately 2,000 occupation contracts were signed. This operation was only possible because it occurred before the new requirements, which are very costly and time-consuming.

As we have mentioned in our first communication, we suggest for the Secretary of Energy to issue a reinterpretation of the articles 100 - 117 of the Hydrocarbons Law to exempt seismic companies from the discussed requirements. As occurred in the past, a contract between the seismic company and the land owner ratified before a Notary Public should be the only requirement for surface access, given the short time of interaction with the owners and the high number of contracts involved.

The IAGC and its members companies would like to emphasize that if balance is not reinstated to the requirements and associated costs to the geophysical industry, onshore seismic acquisitions possibly may not occur in Mexico any longer - whether this year or in the future. Obviously, such outcome is not desirable for either the seismic companies or Mexico. It would represent an important loss of investments in the country threatening the existence of the onshore hydrocarbon exploration in the country.

We remain hopeful that our concerns will be understood and taken into consideration seriously as soon as possible. We would welcome the opportunity to provide any further information that might be of use to you regarding onshore seismic surveys in Mexico. Please do not hesitate to contact me with any questions.

Sincerely,



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