

APPENDIX VIII

CONCESSION TO THE SONORA PETROLEUM CO. A MODERN MEXICAN OIL CONCESSION

MEXICAN DEPARTMENT OF INDUSTRY, COMMERCE, AND LABOR

Petroleum Section

CONCESSION granted by the Executive of the Union, represented by C. Leon Salinas, Secretary of Industry, Commerce and Labor, to the Petroleum Company of Sonora, Incorporated, for the exploration for petroleum in the zones specified in the first clause of this concession, and for the exploitation of deposits of petroleum or hydro-carbons that are discovered in the zones referred to in the second clause of the same.

FIRST—The Petroleum Company of Sonora, Incorporated, hereinafter called the concessionaire, is authorized, without prejudice to a third who may have a better right, to carry out, for a period of four years from the date of this permission, labors of surface exploration for petroleum on the subsoil of lakes, lagoons, gulfs, national territories which may be unoccupied or those whose title of property leaves the subsoil rights to the Federal Government; as well as on the beaches, maritime zone, and federal zones, margins and beds of rivers, streams, marshes and bays of federal jurisdiction: within the Districts of Hermosillo, Guaymas, Alamos, and Altar, of the State of Sonora, with the exception of a square, sixty kilometres on each side, which is in the centre of one of them, the place called Point Tepoca on the shore of the District of Altar, situated with two sides parallel to the general coast line.

SECOND—At the end of the first two years of the period mentioned in the preceding clause, the Concessionaire shall be obliged to withdraw from the Districts of Hermosillo and Guaymas, reserving the parcels of land that it may have decided to exploit; at the end of the third year, it shall have to withdraw from the District of Alamos; and at the end of the fourth year it shall have to withdraw from the District of Altar. •

At the close of each period of time of the three mentioned, the

Concessionaire must have presented to the Department of Industry, Commerce, and Labor, a statement in which shall appear all the allotments which the same Concessionaire wishes to reserve for exploitation, with their respective locations.

THIRD—The Concessionaire is authorized to elect, within each of the periods of time marked in the preceding clause, the precise places in which it proposes to drill wells, and in that case shall have the right, which is conceded it, for each place designated, to an area in the form of a square of two thousand hectares and whose centre is precisely the place designated for the well.

If any or part of the allotments of two thousand hectares should be on private property, the Concessionaire shall have the right to denounce the part of the private property which may be necessary, respecting the preferences established by the Petroleum Law.

FOURTH—Once the allotments of two thousand hectares which it intends to reserve are chosen by the Concessionaire, and their location approved by the Secretary of Industry, Commerce, and Labor, the Concessionaire may drill within each allotment the number of wells which it believes proper after the corresponding authorization has been requested for each well, of the Secretary of Industry, Commerce, and Labor.

FIFTH—For a period of twenty years from the date of this concession the Concessionaire shall have the right to carry out all kinds of petroleum exploitation in the places selected in conformance with the preceding clause.

SIXTH—The Concessionaire is obliged to begin the labor of drilling at the latest within the fifth year of the life of this concession.

SEVENTH—At the expiration of the term referred to in the preceding clause and the labor once begun, the Concessionaire shall be obliged to drill one productive well each year at the least, or to drill one thousand metres.

EIGHTH—The Concessionaire is obliged to pay the Federal Government, as its share, ten per cent of the gross production of petroleum of each one of its wells, and as long as petroleum is found in any of the wells drilled in each allotment, the Company shall pay the Federal Government five dollars annually per hectare.

The payment of this share shall be made in specie or metal, as may suit the Government, the Concessionaire holding itself subject to what the corresponding laws and regulations dispose in this matter.

NINTH—At the end of the period of twenty years referred to in the Fifth Clause, a new concession may be granted on conditions dictated by the Executive, and in this case the present Con-

cessionaire or its successor shall enjoy the right of preference provided it has fulfilled in a satisfactory manner the obligations imposed on it by this Concession.

TENTH—If the new concession should not be granted to the present Concessionaire or its successor, it may, the one or the other, as may be the case, take away its installations, leaving to the Federal Government the wells in the process of being drilled as well as the productive ones in a condition of perfect and immediate utilization.

ELEVENTH—The Concessionaire shall guarantee the fulfillment of the stipulations of this concession with a deposit of \$5000, national gold, which it shall deposit in the General National Treasury within fifteen days of the date of this concession; with the understanding that if such deposit is not made, this concession shall not go into effect.

TWELFTH—The periods indicated in this concession shall be suspended in case of accident or unforeseen circumstances which directly and positively impede the fulfillment of the stipulated obligations, the Secretary of Industry, Commerce, and Labor having the power in such cases, to prolong the periods by the time that may be considered necessary.

In order that the Concessionaire may use this privilege it shall justify before said Secretary the accident or case of unforeseen circumstances that has impeded or which impedes the fulfillment of its obligations, presenting the respective proofs. The notification and the justification before the Secretary of the case of accident or unforeseen circumstances must be made by the Concessionaire within one month of the date of such case.

THIRTEENTH—The Concessionaire is obliged to carry out its labors of exploration and exploitation subject to all the conditions dictated by the Executive through the Department of Communication and Public Works, Department of the Treasury and Public Credit, and the Departments of War and Marine, in respect to matters falling within their jurisdiction.

FOURTEENTH—The Concessionaire agrees to invest in labors of exploration within a period of seven years from the date of this concession, the sum of one million dollars, national gold, this obligation taking effect as long as no petroleum is found, and the Secretary of Industry, Commerce, and Labor having the power to recognize, through whatever medium he deems opportune, said expenditure.

FIFTEENTH—At the close of the two year period conceded for the Districts of Hermosillo and Guaymas, the Concessionaire may explore these same Districts without any preference whatsoever

for three years more; at the end of the three year period conceded for the District of Alamos, the Concessionaire may explore the same District without any preference whatsoever for two years more, and at the end of the four years conceded for the District of Altar, the Concessionaire may explore this last District without preference whatsoever for one year more. If, within any of these additional periods, the Concessionaire should find some free land suitable for its exploitation, that land shall be included in this same concession and shall be subject to all the stipulations indicated herein.

SIXTEENTH—In case the labors of exploration, or subsequently, those of exploitation, should result in the discovery of a petroleum well with a total daily production of four thousand cubic metres at the minimum, for the period of one year, the Concessionaire shall be obliged to install a petroleum refinery wherever it may itself choose within the Mexican Territory.

In matters appertaining to the installation of said refinery the Concessionaire shall send to the Department of Industry, Commerce, and Labor, for its approval, plans for its situation, and all details, accompanied by the rest of the documents which the applicable provisions require, said work being subject thereafter to all the provisions that rule such matters.

SEVENTEENTH—The Concessionaire shall have the right:

A—To have rented to it under the same conditions as the general public, the part of the beaches and federal maritime zones which it needs to carry out the labors of exploration and exploitation to which this concession refers.

B—To lay out pipe-lines which conduct petroleum from the wells to the nearest storing places.

EIGHTEENTH—The concessionaire shall also have the right of expropriation, in conformance with the dispositions of the corresponding laws.

NINETEENTH—In no case may the Concessionaire mortgage or in any way pledge this concession or any of the rights or privileges contained in it, to foreign corporations or governments, nor may it admit them as associates, any operation made in this sense being declared null and void.

The Concessionaire may transfer this concession to an individual or corporation organized in conformance with the laws of Mexico, with previous notification to this Department, this obligation being permanent for all companies that in the future or in any manner acquire this concession.

TWENTIETH—The Concessionaire is obliged to render annually to the Department of Industry, Commerce, and Labor, a report on

the production of the well or wells drilled, on the contracts that it enters into in relation to their production, as well as a general statement of the works executed during the past fiscal year, expenses of exploration and exploitation, general balance, statistics of production, and all the other data designated by said Department. This report should be rendered within two months of the close of the year to which it refers. Failure of fulfillment of this obligation shall be punished by a fine of one hundred to five hundred dollars, according to the gravity or frequency of the omissions, at the discretion of the same Department.

TWENTY-FIRST—The Executive may declare administratively the forfeit of this concession for any of the following reasons:

(a) Failure of the Concessionaire to submit to the dispositions of new laws or regulations on petroleum;

(b) Failure to begin the labors of drilling within the period indicated in the sixth clause;

(c) Failure to make the payment referred to in the eighth clause for a period of one year;

(d) Failure to submit to the conditions imposed by the Departments of Communication and Public Works, Treasury and Public Credit, and War and Marine for the execution of the work within the indicated period;

(e) Failure to make the expenditure stipulated in the fourteenth clause;

(f) Failure to comply with the nineteenth clause;

(g) Establishment of proof that the Concessionaire, or its successors, is guilty of financial irregularity, in matters appertaining to the works of exploration and exploitation referred to in this concession.

TWENTY-SECOND—In all cases of forfeiture, the Concessionaire shall lose the deposit of guarantee and the privileges that this concession grants, the productive wells and those in process of drilling passing to the ownership of the Federal Government.

If the present concession should be transferred to any foreign corporation, state or government, or if one of these is admitted as associate, the Concessionaire shall lose, besides the guarantee and its privileges, all the property which it has and all installations it may have executed in relation with the executed labors.

Before making the definitive declaration of the forfeiture of this concession, the Department of Industry, Commerce, and Labor shall indicate a period of sixty days in which the Concessionaire may present its defense.

TWENTY-THIRD—This concession is granted with the understanding that the Concessionaire shall hold itself subject to all that

new laws and regulations on petroleum may provide in regard to it.

TWENTY-FOURTH—The taxes (stamp) borne by this concession shall be for the account of the Concessionaire.

Issued in duplicate, in the city of Mexico, on March twelfth, nineteen hundred and twenty.

LEON SALINAS,

Secretary of Industry, Commerce, and Labor.

CHESTER H. WESGOLL,

for the Petroleum Company of Sonora, Inc.