

## APPENDIX VII

### MEXICAN OIL CONCESSION

#### A Diaz Concession-Contract with the Huasteca Petroleum Co.—Doheny Group.

Secretary of Fomento, Colonization and Industry of the Republic of Mexico. Second Section.—The President of the Republic has been pleased to direct to me the decree which follows: "Porfirio Díaz, Constitutional President of the United States of Mexico, to its people, know ye: That the Congress of the Union has held it well to decree the following:

The Congress of the United States of Mexico decrees: Sole Article.—The contract is approved which was executed on the 22d day of May, 1908, between the Attorney, Olegario Molina, Secretary of State of the Department of Fomento, Colonization and Industry, representing the Executive of the Union, and Mr. Harold Walker, representing the Company called the Huasteca Petroleum Company, for the exploration and exploitation of the deposits of petroleum or gaseous carburets of hydrogen existing in the lands held in the name of the same Company, located in the five northern cantons of the State of Vera Cruz, and in the districts or counties immediately adjacent to the States of Tamaulipas and of San Luis Potosi.—(Signed, Fernando Vega, Deputy President; Luis G. Curiel, Senator; Vice-President, Daniel García, Deputy Secretary; Carlos Flores, Senator Secretary.

Therefore I command that it be printed, published, circulated and that the law be fulfilled.

Given in the Palace of the Executive Power of the Union, in Mexico, on the fourth of June, 1908.—Porfirio Díaz.

To the Attorney Olegario Molina, Secretary of State of the Department of Fomento, Colonization and Industry. And I communicate it to you for your consideration and suitable action.—Mexico, June 4th, 1908.—O. Molina.

The contract to which the preceding decree refers is as follows: Bearing stamps to the value of 2520 pesos, duly cancelled.

#### CONTRACT

Executed between the attorney Olegario Molina, Secretary of State of the Department of Fomento, Colonization and Indus-

try, representing the Executive of the Union, and Mr. Harold Walker, representing the Company called "Huasteca Petroleum Company," for the exploration and exploitation of the deposits of petroleum and gaseous carburets of hydrogen and their derivatives existing in the lands which the same Company owns in the five northern cantons in the State of Vera Cruz, and in the districts or counties immediately adjacent to the States of Tamaulipas and San Luis Potosi.

Article I.—The Company called Huasteca Petroleum Company is authorized to undertake exploitations of the surface and of the subsoil which belong to it and in those in which it is able to carry on such works by proper legal title, with the object of discovering springs or deposits of petroleum or mineral asphalt, of carburets or hydro-carburets of hydrogen, of natural combustible gas and their derivatives. The authorization to which this article refers deals exclusively with the lands located in the five cantons most northerly of the State of Vera Cruz and of the districts or counties immediately adjacent to the States of Tamaulipas and San Luis Potosi.

Art. 2.—The concessionaire company shall exploit freely the springs and deposits to which the previous article refers, and shall dispose of the products of the same either in their natural state or manufactured or changed in nature; but it shall be obliged to invest in the works of exploration or exploitation a minimum sum of 500,000 pesos within the period of five years reckoned from the promulgation of the present contract. The Company shall be obliged to give evidence before the Secretary of Fomento, and to his satisfaction, that the investment mentioned has been made.

Art. 3.—The concessionaire Company is authorized to establish pipe lines, above or below ground, to conduct where it pleases petroleum or mineral asphalt and the combustible gases, natural or manufactured, and to connect the producing wells with the installations.

Art. 4.—Within the term of two years, reckoned from the date of the promulgation of this contract, the concessionaire Company shall begin the necessary surveys to lay a pipeline for carrying petroleum, asphalt or combustible gases from the points of production of the concessionaire company to a convenient place in the Central Plateau. The concessionaire company shall give notice to the Secretary of Fomento fifteen days in advance of the day and the place in which they begin the surveys of the land.

Art. 5.—Within the term of one year, reckoned from the date in which they have begun the surveys to which the previous article refers, the concessionaire Company shall present to the Secretary

of Fomento, the plans and profiles of the work, in duplicate, and drawn to a decimal metrical scale, accompanied by a descriptive memorandum. If the Secretary of Fomento approves of said plans, he shall return one copy of the same to the concessionaire Company with a corresponding notification, but if in the judgment of the Secretary the plans ought to be modified, he shall come to an agreement by a conference with the engineer of the concessionaire Company.

Art. 6.—Within the term of six months, reckoned from the date of the approval of the plans, the concessionaire Company shall be obliged to begin works of construction of the pipeline to the Central Plateau, being under obligation to construct 20 kilometers at least during the first year, and 50 kilometers in each of the subsequent years.

Art. 7.—For the installation of the pipeline to which the preceding articles refer, there is granted to the Company a right-of-way of a width of 20 meters as a maximum, this being determined in each instance by the Secretary of Fomento. In view of the circumstances, the Secretary shall be empowered to authorize the occupation of a greater extent of ground, when necessity occurs, for establishing depots, gasometers, stations, pump plants and other accessories for the service of the pipeline.

Art. 8.—The Company shall be empowered to construct in such time and place as is convenient to it, other lines parallel to that mentioned in the previous article, always provided that those lines are laid within the right-of-way of 20 meters set down in the same article. Moreover the same Company shall be empowered to establish other pipelines parallel to those which are indicated above, outside the right-of-way of 20 meters, but in this case, they shall be installed at a minimum distance of 100 kilometers from each other. In every instance, the plans relating to these, shall be submitted for the approval of the Secretary of Fomento.

Art. 9.—The concessionaire Company is obliged to construct such ways and bridges as the traffic, whether general or elsewhere, requires, whenever this traffic is in any manner disturbed by the course of the pipeline. For this reason, the concessionaire Company shall be obliged to present plans of the said ways and bridges for the approval of the Secretary of Communications and Public Works, or of the local competent authority.

Art. 10.—For the establishment and conservation of the pipeline to the Central Plateau, the concessionaire Company shall have the right of establishing ways or roads which are necessary, and of constructing and operating a light railroad line confined exclusively to the proper necessities of the enterprise.

Art. 11.—During the period of the execution of the works referred to in Article 6, the Secretary of Fomento shall have the right to order inspections of them whenever he considers it advantageous, for which purpose, from the beginning of the work until the completion of the line, the concessionaire Company shall deposit each month in the Treasury General of the Republic, the sum of 300 pesos on account of the expenses of inspection.

Art. 12.—Every time that the concessionaire Company, in conformity with this contract, desires to modify its systems of pipelines, or to extend them, it shall have the right to do it by previous authorization of the Secretary of Fomento and his subsequent approval of the respective plans.

Art. 13.—For the execution of the works and the establishment of the services to which Articles 3, 4, 6, 7, 8, 10 and 12 of the present contract refer, the concessionaire Company shall have the right to occupy national lands, paying for them the price which the respective tariff has fixed for alienation of unoccupied lands according to the terms in force at the time for the transfer. The same Company is authorized to expropriate for the purposes indicated lands owned by individuals, observing for this purpose the following regulations:

A.—The concessionaire Company shall present to the Secretary of Fomento a plan of works with which the lands are to be occupied whose expropriation is desired, accompanied by all the necessary data to show the necessity of said works.

B.—The Secretary being informed by the Inspector what is intended, and taking account of the data which he has the right to demand from the authorities, from the concessionaire Company and from the proprietors of the lands which it is desired to expropriate, shall base his decision upon his approval of the plans presented.

C.—If the decision of the Secretary should be in the sense that he does not approve of the plans, he shall make to the concessionaire Company suggestions to the end that the plans may be duly modified, if that should be possible, and in view of the reply of the concessionaire Company, the Secretary shall determine definitely upon the propriety or impropriety of the expropriation.

D.—If the plans are approved, with or without modification, it shall be considered that for this case alone the expropriation of the lands described in the plan or plans approved is declared and established.

E.—With these plans and the final verdict of approval, the concessionaire Company shall apply to the District Judge within whose jurisdiction the lands are which are being expropriated. The con-

cessionaire Company in the legal capacity which, according to the Code of Federal Procedure, is granted to the expropriation authority, and to the Public Minister on his part, shall proceed to arrange the procedure proper for expropriation in accordance with what is laid down in said code.

F.—If the owner of the property to be expropriated is absent, or ignorant of the proceedings, he shall receive notification in the manner provided in Article 194 of the Code of Procedure already cited. If he does not present himself, the judgment shall proceed nevertheless and the amount of the indemnification determined upon shall be deposited in accordance with the decision of the court.

G.—If the owner of the land is unknown or doubtful for whatever cause, the judgment shall proceed with the person or persons who present themselves in opposition, and the amount of indemnification shall be deposited in the same manner as is set down in the other case, the deposit shall be paid over for him who shall later show right to it.

H.—For the initiation of this kind of suit it shall not be necessary that the concessionaire Company previously attempt to reach an agreement with the owner or owners of the land to be expropriated.

Art. 14.—The concessionaire Company shall enjoy, for a term of ten years reckoned from the promulgation of the present contract, the following exemptions:

1.—The capital invested in the enterprise to which this contract refers, as well as the products which the Company obtains or manufactures, so long as they do not pass into the ownership of a third person, shall be exempt from every Federal tax with the exception of those which are paid in the form of stamps.

2.—The concessionaire Company shall have the right to export, free of all dues and charges, the natural products, crude, refined, or manufactured, which are obtained from the exploitations to which the present contract refers.

3.—The same Company shall be permitted to import, free of taxes, the machinery and accessories for boring wells, for producing, refining, or manufacturing every kind of products which have petroleum as a base, natural combustible gas, carburets or hydro-carburets of hydrogen or their derivatives, the necessary pipes for these industries and for the lines of communication with the Central Plateau, as well as the accessories for one and all; pumps and their accessories; tanks and barrels of iron, steel or wood; gasometers; materials for buildings intended for the exploitation, and the fixed material and rolling stock for the light railroad of the enterprise.

Art. 15.—For the enjoyment of the exemptions which are mentioned in the third paragraph of the previous article, the concessionaire Company shall present in every case to the Secretary of Fomento, complete detailed lists of the materials which it is proposed to import, specifying the number, quantity and quality of said materials, and accompanying them with drawings and explanatory notes. The Secretary of Fomento shall reach his decision in the premises in the understanding that the concessionaire Company shall subject itself in making its importations to the dispositions and regulations which the Secretary of Hacienda shall lay down.

Art. 16.—The materials imported for the aid of the concession which is the object of this contract, may not be sold by the Company without a previous authorization by the Secretary of Hacienda, and the failure by the Company to observe this requirement shall incur condemnation for the crime of smuggling and shall subject it to the penalties which the laws prescribe.

Art. 17.—The concessionaire shall guarantee the fulfilment of its obligations by a deposit of 20,000 pesos in bonds of the Public National Debt. This deposit shall be made in the National Bank of Mexico within eight days following the date of the promulgation of this contract, and while the deposit remains the Company shall have the right of disposing of the matured coupons attached to the bonds.

Art. 18.—The deposit to which the previous article refers shall be forfeited by the concessionaire Company in case the present concession is declared forfeit. For the return of the same deposit, the following rules shall be observed:

1.—On the proof by the Company that it has invested the sum of 500,000 pesos in the period stated in the second article, there shall be returned 50% of the said deposit.

2.—The remaining 50% shall be returned when the Secretary of Fomento declares that the Company has fulfilled all the stipulations of this contract.

Art. 19.—If the Company shall not complete the construction of the pipeline to the Central Plateau in the period stipulated, it shall lose 50% of the deposit and the authorization which is granted under this contract to construct the said pipeline shall expire.

Art. 20.—The obligations which the concessionaire Company undertakes in respect to the terms fixed in this contract, shall be suspended in case of accident or of force majeure which prevents the fulfilment of such obligations. The suspension shall endure for the time that the interruption lasts and two months longer, the concessionaire Company being obliged, however, to give notice to

the Secretary of Fomento when the occasion for suspension occurs.

Art. 21.—The concessionaire Company shall maintain always in this capital a representative duly authorized, to treat with the Government upon all the matters dealt with in the present concession.

Art. 22.—The concessionaire Company shall have the right to transfer, in whole or in part, the concessions granted in the present contract, to one or more companies organized in conformity with the laws of the Mexican Republic, but in every instance the previous approval of the Secretary of Fomento will be required in order to effectuate any such transfer. In no case shall transfer be made to a foreign government or State, nor shall they or their agents be admitted as associates, and any such transfer, stipulation or agreement to this effect shall be null and void.

Art. 23.—The concessionaire Company shall be considered as Mexican, being subject, both as to the Company itself and as to the foreigners who have part in its business in the character of stockholders, employes, or in whatever other character, to the laws and courts of the Republic. Never can it allege in respect of the property and business of the enterprise any right of extra-territoriality, under whatever pretext, and it shall have solely the right and means of making them valid which the laws of the Republic concede to Mexicans. It shall consequently not be able to make any appeal under the said business to foreign diplomatic agents.

Art. 24.—This contract shall be forfeit by failure to deposit the guarantee within the time fixed in the 17th Article and shall be made void by any of the following reasons:

1.—By failure to invest the sum of 500,000 pesos in accordance with the second article.

2.—By selling or hypothecating any or all of the concessions granted by the present contract in violation of the stipulation of Article 22.

3.—By employing the railroad which is constructed in accordance with Article 10 for uses different from those which the said article authorizes.

4.—By transferring this contract or hypothecating any of its concessions to any foreign government or State or agent for the same.

Art. 25.—If the forfeit is declared, for any of the reasons given in paragraphs 1, 2 and 3, the Company shall lose the deposit as well as the concessions and franchises which this contract grants. If the forfeit is declared for the reasons which are given in the 4th paragraph, the Company shall incur a total loss of its rights,

goods, and properties of whatever kind referred to in this contract. The forfeit shall be declared administratively by the Secretary of Fomento, but before making such declaration of forfeit there shall be granted to the concessionaire Company a reasonable period for setting forth its defense.

Art. 26.—This contract shall last ten years, reckoned from its promulgation. When the said term is completed the Company shall have the right to continue the exploitation of its installations and other properties in conformity with the general law of the Republic.

Art. 27.—This contract shall be submitted for the approval of the Congress of the Nation.

Art. 28.—The stamps of this contract shall be paid for by the concessionaire Company.

Done in the city of Mexico, on the 22d day of the month of May, 1908.

O. MOLINA.

HAROLD WALKER.

(Rúbricas.)

A true copy.—Mexico, June 4, 1908.—The Sub-Secretary, A. Aldasoro.<sup>1</sup>

<sup>1</sup> "Mexican Review," v. III, p. 32 ff.