

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

#### *U.S. Department of Energy*

The U.S. Department of Energy's overarching mission is to enhance national security. The priorities of the Department's energy program are to: increase domestic energy production; revolutionize the approach energy conservation and efficiency; and, promote the development of renewable and alternative energy sources.

#### *Office of Policy and International Affairs*

Vicky Bailey is the current Assistant Secretary for Policy and International Affairs (PI) and is the primary policy advisor to the Secretary, Deputy Secretary and Under Secretary on domestic and international policy development and implementation as well as DOE policy analysis and activities. PI's role is to deliver unbiased advice to the Department of Energy's leadership on existing and prospective energy-related policies, based on integrated and well-founded data and analysis. PI represents the Department in interagency discussions on energy and related policy and addresses all aspects of U.S. energy, including energy availability and reliability and the economic efficiency of the Nation's energy sector. PI has primary responsibility for the Department of Energy's international energy activities including, international emergency management, national security, and international cooperation in science and technology. PI considers the global and local environmental impacts of energy production and use. The Office also develops and leads the Department's bilateral and multilateral science cooperation and investment as well as trade activities with other nations and international agencies. The DOE cooperates with fellow governments directly and through international organizations. It also enters into a variety of bilateral and multilateral science and technology agreements with other countries and international agencies for cooperation in research and development and for energy, environmental, and technology cooperation.

#### *Deputy Assistant Secretary for International Energy Cooperation*

The Deputy Assistant Secretary is charged with managing the Office of International Science and Technology cooperation as well as the Office of European and Asian Affairs and serves as a bridge between the Assistant Secretary and staff offices to implement Administration policy.

#### *Office of American and African Affairs*

The Office of American and African Affairs is responsible for furthering the Administration's international energy agenda through Departmental participation in relevant multilateral international energy organizations. The Office provides analytical policy development and representational support for DOE participation in multilateral trade negotiations such as NAFTA and WTO. The Office of American and African Affairs is the lead office in implementing the North American Energy Working Group, Hemispheric Energy Initiative, and the African Ministerial process. It compiles and analyzes data and information on the energy sectors, national energy policies, and energy export policies and programs of major U.S. trading partners in the Americas' and Africa.

#### ***Secretariat of Energy, Mexico (SENER)***

The Secretariat of Energy (SENER), as an entity of the Federal Executive Branch of the Government of Mexico, is in charge of the coordination of the Mexican Energy Sector. It plans and conducts the energy policy of the Country. SENER looks after the nation's rights over its non-renewable resources: oil and other hydrocarbons, basic petrochemical, radioactive minerals, use of nuclear sources to generate nuclear energy, as well as the optimum use of resources which are required to generate, conduct, transform, distribute and supply electric power. The objective of the State is to carry out these strategic functions, while promoting economic development, managing the nation's heritage, and preserving national sovereignty.

SENER's structure has been subject to diverse transformations in order to assure that the energy requirements of the Mexican people are maintained. Today, its mission is to guarantee a sufficient and competitive supply of energy needed for the development of Mexico, while also addressing concerns as to its environmental and economic viability.

Through innovation, quality strategies, and modernization, coupled with rationalization and optimization of resources, SENER guides its work in the design of public energy policies and in the strategic conduct of activities in the energy sector of Mexico.

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

#### ***Alesco Consultores***

Alesco Consultores was founded in 1991 and is headquartered in Mexico City, with offices in Phoenix, Arizona. The company has four major shareholders. The majority owner is Alberto Escofet, the former Energy Undersecretary of Mexico and director general of the Mexican nationalized Federal Electric Commission (CFE). The primary business of Alesco Consultores is to provide lobbying efforts, technical assistance and advice, counseling and guidance for U.S., Japanese, Mexican and European companies seeking to undertake energy and other related projects in Mexico.

Alesco Consultores participates in a great number of projects in the Mexican gas and electric markets, developing strategies for its clients to penetrate the market and expand operations within the country. Alesco also maintains a strong presence with the regulatory authorities in Mexico, by actively participating in the legal and regulatory frameworks which have given rise to the recent proposal for restructuring the Mexican energy sector.

The mission of Alesco Consultores is to provide companies with the counsel and advice necessary to find projects in Mexico that are realistically obtainable, profitable and within the time frames and guidelines suitable to them. Should a company choose to perform extensive due diligence on a specific project suggested by Alesco, or if they break ground on such a project, Alesco Consultores will assist in developing and tracking a critical path schedule for all milestone activities. Alesco will also provide the in-country assistance required to build and sustain the necessary political and institutional support for the project.

This process requires compiling the project's requisite in-country facts and data, building the necessary relationships and coalitions, securing and facilitating the necessary meetings with appropriate in-country players and decision makers, securing all in-country permits and environmental requirements, and generally orchestrating the layers of communications and conferences between and among the various players and decision makers to ensure that the requisite in-country support is obtained. Alesco Consultores has formed strategic alliances with a number of international engineering, construction and consulting companies. They include: Power Technologies, Inc., J.A. Jones, Inc., Electric Power Technologies.

#### ***City Public Service (CPS) of San Antonio***

City Public Service (CPS) of San Antonio is one of the nation's largest publicly owned energy systems, serving more than a half-million electric customers in its 1,566 square-mile service area, and more than 300,000 urban natural gas customers. Founded in 1860 and acquired by the City of San Antonio in 1942, CPS is currently the second largest municipally-owned utility in the U.S. Proceeds from CPS remain in San Antonio and account for more than one-fourth of the City's annual operating budget for police and fire protection, street improvements, parks and other services.

The Utility's mission is to produce and deliver competitive energy products and services to meet the changing expectations of its customers. CPS not only has rates among the lowest in the nation, but also has not had an electric base rate increase since 1991. Currently, the State of Texas is in the process of deregulating its electric utility industry. As a municipally owned utility, City Public Service will not participate in the competitive retail electric market until its governing body elects to "opt in" to retail competition.

#### ***Comisión Reguladora de Energía (CRE)***

The Comisión Reguladora de Energía (CRE) was created in 1994 as an electric industry advisory body to the Energy Secretariat. Enactment of the Energy Regulatory Commission Act (CRE Act) in 1995 assigned regulatory duties to the CRE, transforming its role to that of an empowered, independent regulator with technical and operational autonomy and provided the CRE with a legislative mandate to regulate the activities of both public and private operators in the electricity and gas industries. CRE's mission therein is to promote competition, protect consumers' interests, facilitate an adequate coverage and encourage reliable, stable and safe supply and provision of services.

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

The ultimate objective of the CRE is to achieve the efficient development of the energy sector in benefit of industrial, commercial and residential users, by combining the regulation of natural and legal monopolies. The CRE executes its duties in a transparent, impartial and uniform manner, and bases its regulatory activities on five basic principles of operation: Clarity, Stability, Transparency, Consistency, and Autonomy. Decisions are made by the CRE based on the long-term vision of the industry established in legal provisions and are not subject to political considerations. Based on this foundation, the CRE has developed the structural organization and operative systems through which it carries out its regulatory activities, and is able to respond to the structural transformation of the gas and power markets in Mexico in a timely and active manner. In a short period of time, the CRE has issued various directives reinforcing regulation and has played an active role in promoting the consolidation of a new natural gas market in Mexico.

The CRE consists of five commissioners who are appointed by the President of Mexico for five-year staggered terms. The five commissioners meet as a group and decide matters on a majority vote, although the chairman has the power to veto. Projects are assigned to and overseen by each commissioner, in accordance with their field of expertise. In each case, the commissioner that leads the project must ensure that the working group created to analyze it carries out its task in agreement with the CRE's principles. Commissioners also make sure that the group's evaluations and recommendations are in compliance with the regulatory framework. Once the relevant analyses have been completed and, taking into account the working group's evaluation, the commissioner presents the project to the board of commissioners, so that a vote may be taken.

The CRE is comprised by seven areas: the Executive Secretary, the Administration Department, the Electricity Department, the Natural Gas Department, the Economic Policy Unit, the Legal Affairs Department and the Electricity Restructuring Unit. The Natural Gas and Electricity departments, backed by the Legal Affairs Department, the Economic Policy Unit and the Electricity Restructuring Unit develop the CRE's projects for their submittal to the Board of Commissioners' approval and assist the leading commissioner with the drawing up of the corresponding resolution.

#### ***Compañía Federal de Electricidad (CFE)***

Compañía Federal de Electricidad (CFE) was created in 1937 and remains one of Mexico's two state-owned electricity companies, generating about 92% of Mexican electricity. The company generates, transfers, distributes and markets electric power to 20.0 million customers, nearly 80 million Mexicans. One of the company's commitments is to provide outstanding customer service, ensuring high quality throughout its different processes, at the same level as the best electric concerns in the world. Its Mission includes the following:

- To ensure, within a technologically updated and competent framework, supply of electrical power in terms of quality, quantity and price, with appropriate diversification of power sources.
- To optimize the use of physical, commercial and human resource infrastructures.
- To provide outstanding customer service.
- To protect the environment, promote social development and respect the values of populations where electrical power is provided.

#### ***Compañía Mexicana de Gas***

Compañía Mexicana de Gas (CMG) was founded in 1927 by private investors in order to deliver natural gas to the growing industry in the city of Monterrey, Nuevo León, México. During the early 1940s, the company stopped importing gas. During the same period, a labor conflict resulted government management of the company for 22 years. In 1990 Grupo Diavaz acquired CMG, ending the government's direct management role. In September 1995, CMG received a temporary permit from CRE, and in September 1997 acquired a 30-year gas distribution permit enabling CMG to respond to any economically viable request in the Monterrey metropolitan area, regardless of the service category: industrial, commercial or residential. CMG's service area has since grown to include the municipalities of Cienega de Flores, Marin, Pesqueña, Dr. Gonzalez and Cerralvo. Currently, CMG serves 200 industrial customers, 200 commercial customers, and over 50,000 residential customers. The CMG throughput is 53 million cubic meters / month. Since 1997, CMG has invested more than 40 million dollars into the distribution

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

system, conformed by 283 kms of steel pipe and 767 kms of plastic pipe. In 1997 Texas Utilities (TXU) bought 49% of the CMG shares, later increasing its share of ownership to 60% in 1999.

#### ***ERCOT***

Founded in 1970, The Electric Reliability Council of Texas, Inc. (ERCOT) has since maintained the reliability of electric power in Texas for several decades. Today its role is expanding in response to the Texas Legislature-mandated restructuring of the electric utility industry. Under the new legislation (Senate Bill 7), ERCOT has been given the responsibility to develop market structure, infrastructure, and business processes to facilitate retail competition.

ERCOT manages a major portion of the state of Texas' electric power grid to ensure the reliability and security of electricity transmission. The corporation oversees the transactions associated with the newly restructured electric market. ERCOT represents a bulk electric system located totally within Texas, which serves about 85% of Texas' electrical demand (approximately five million customers) and manages the operation of more than 70,000 megawatts of generation and more than 37,000 miles of transmission lines.

In 1999, the Texas Legislature passed and signed into law Senate Bill 7, which effectively approved retail electric access in the ERCOT service area beginning in the summer of 2001. On June 1, 2001, ERCOT initiated a phased-in retail Pilot Program specifically designed to test the new systems prior to the start of the fully opened market in 2002. The first retail customer was officially put in the queue to be "switched" on this date. On July 31, 2001, ERCOT began operating from a single control area and customers who had submitted requests to be switched earlier in the summer began receiving power from a new provider of their choice. On January 1, 2002, ERCOT officially deregulated its retail electric market. To date, over 100,000 customers have been switched to a new provider.

ERCOT is one of ten regional reliability councils in North America, operating under the reliability and safety standards set by the North American Electric Reliability Council (NERC). ERCOT's current membership includes 136 voting and non-voting members. The member groups are comprised of 42 cooperatives and river authorities, 19 municipals, 12 investor-owned utilities, 17 independent power marketers, 11 independent generators, 13 independent retail electric providers, 14 consumers, and 1 adjunct member. As a NERC member, ERCOT's primary responsibility is to facilitate reliable power grid operations in the ERCOT region by working with the area's electric utility industry organizations. The Public Utility Council of Texas (PUCT) has primary jurisdictional authority over ERCOT to ensure the adequacy and reliability of electricity across the state's main interconnected power grid. The corporation's organizational structure includes an independent Board of Directors, a Technical Advisory Committee, three standing subcommittees, and a number of task forces and working groups (e.g., Retail Operations Subcommittee (ROS), Wholesale Market Subcommittee (WMS), Retail Market Subcommittee (RMS) and Protocol Revisions Subcommittee (PRS)).

#### ***Federal Energy Regulatory Commission (FERC)***

The Federal Energy Regulatory Commission (FERC) was created through the Department of Energy Organization Act on October 1, 1977. At that time, the Commission's predecessor, the Federal Power Commission (FPC), was abolished, and the new agency (FERC) inherited most of the FPC's responsibilities.

As an independent regulatory agency within the U.S. Department of Energy, FERC is responsible to:

- Regulate the transmission and sale for resale of natural gas in interstate commerce;
- Regulate the transmission of oil by pipeline in interstate commerce;
- Regulate the transmission and wholesale sales of electricity in interstate commerce;
- License and inspect private, municipal and state hydroelectric projects;
- Oversee related environmental matters; and
- Administer accounting and financial reporting regulations and conducts of jurisdictional companies.

The Natural Gas Act (NGA) of 1938, the Natural Gas Policy Act (NGPA) of 1978, the Outer Continental Shelf Lands Act (OCSLA), the Natural Gas Wellhead Decontrol Act (NGWDA) of 1989, and the Energy Policy Act

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

(EPA) of 1992 are the primary laws the Commission administers in order to oversee America's natural gas pipeline industry. Under the NGA, the Commission regulates both the construction of pipeline facilities and the transportation of natural gas in interstate commerce. Companies providing services and constructing and operating interstate pipelines must first submit to the Commission certificates of public convenience and necessity.

In addition, Commission approval is required to abandon facility use and services, as well as to set rates for these services. The Commission also regulates the transportation of natural gas as authorized by the NGPA and the OCSLA. The Commission oversees construction and operation of facilities needed by pipelines at the U.S. point of entry or exit to import or export natural gas.

#### ***Office of the Governor of Texas***

The Governor is the chief executive of the Texas Government. The Governor's duties are defined in the Texas Constitution and include:

- Serve as the Chief Executive Officer of the State
- Addresses the Legislature every session to report on the condition of the state, status of public money controlled by the Governor, recommend a biennial budget and money to be raised by taxation
- Conduct business with other states and/or the United States government
- Issue proclamations
- Formulate and draft legislation
- Sign or veto bills passed by both houses in the Legislature (line item and pocket veto)
- Make appointments for all state and district offices, except members of the Legislature
- Call special sessions of the legislature to consider matters specified in proclamations
- Serve as the commander-in-chief of the state's military forces
- Grant reprieves, commutations of punishment, and revoke paroles of Texas inmates

Rick Perry was sworn in as the state's 47th Governor on December 21, 2000. His priorities include: Improving Texas' public schools and institutions of higher learning; Addressing critical transportation infrastructure needs; Raising the standard of living along our border with Mexico; and Making quality health care available to more citizens.

As governor, Rick Perry has established a vision to help make Texas even better and ensure that future generations of Texans continue to prosper. Governor Perry's initiatives include, among others:

- The "Trans Texas Corridor" plan, a fiscally responsible and innovative transportation blueprint that will improve our state's transportation needs, move the transport of hazardous materials out of urban population centers, reduce air pollution and significantly improve opportunities for economic development and job creation in Texas.
- The Governor's Council on Science and Biotechnology Development to create a seamless system of innovation from the laboratory to the marketplace, harnessing the brainpower of state and regional leaders to bring the inventions of Texas universities and scientists to the marketplace for the good of our people.
- The "Controlling Our Destiny" program to ensure an abundant water supply to meet Texas' future needs. Governor Perry's plan calls for construction of the state's first large-scale ocean water desalination plant, adopting efficient methods of water use, developing financing options for water infrastructure projects, and ensuring the safety of Texas ports, dams and waterways.

#### ***IIE Energy Group***

Within the Institute of International Education (IIE), the Energy Group serves as a centralized resource base for access to highly qualified and recognized experts in all areas of energy and environmental management. Since 1981, the Energy Group has trained over 15,000 professionals worldwide, from senior policy makers to industry engineers, who now play leading roles in their nations' energy and environmental programs. The Energy Group brings the skill and experience of professional practitioners to develop the skills and knowledge of professionals in developing economies worldwide. This achievement was made possible by combining the knowledge and experience of

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

carefully selected expert practitioners, who instruct classes within field environments designed to challenge participants through interactive discussion and real-life project assignments, with specially selected site visits.

The Energy Group is comprised of professional engineers, lawyers, scientists and human resource specialists with over 100 years of combined experience designing and implementing energy & environmental projects and training programs. The staff specific knowledge is augmented by its extensive international & domestic network of corporate and resource associates who serve as instructors in well-balanced teams. The Energy Group works with IIE regional and project offices worldwide in addition to international organizations. Our extensive network of alumni and alumni associations not only support one another in their respective countries, but also provide valuable in-country resources and feedback for the design of new courses.

The Energy Group currently provides training courses designed to give participants the technical and management skills necessary to undertake energy sector restructuring and to promote the cleaner, more efficient generation, transmission, distribution and use of energy in their home countries. Currently, IIE's Energy Group implements activities in Bangladesh, Brazil, Dominican Republic, Egypt, India, Indonesia, Panama, México, Nigeria and Zambia.

#### ***Kinder Morgan Gas Natural de México – SDRL***

Kinder Morgan, Inc. (KMI), was founded in 1936 as Kansas Pipeline and Gas Company. The company's modest roots are in the utility business - its birth based on the premise that a market for natural gas service could be developed in the small communities and rural areas of Kansas and Nebraska. During the 1990s, the company grew from a \$300 million rural utility into one of the nation's largest integrated natural gas pipeline companies through a number of mergers and acquisitions. Its largest acquisition occurred in January of 1998 when it purchased MidCon Corp. This quadrupled the company's assets and created one of the largest natural gas pipeline transportation and storage operators in the country, supplying such key markets as Chicago and Houston. The key asset acquired in this transaction was the 10,000-mile Natural Gas Pipeline Company of America (NGPL), which serves the high-demand Chicago market and several midwestern states. NGPL is still the anchor of KMI's portfolio of fee-based assets today.

KMI is a leader in the national deregulation effort, launching its Choice Gas program to more than 100,000 customers in Nebraska in 1997, following a successful roll-out in Wyoming. More than 68% of eligible Nebraskans selected a natural gas supplier through Choice Gas. Today, with its headquarters in Houston, Texas, KMI is one of the largest midstream energy companies in America, operating more than 30,000 miles of natural gas and products pipelines across the United States. Principal business segments include NGPL, a large interstate pipeline; the General Partner of Kinder Morgan Energy Partners, L.P., (KMPEP); Retail natural gas distribution, which provides sales and services to approximately 240,000 residential, commercial, industrial and agricultural customers in Colorado, Nebraska and Wyoming; and Kinder Morgan Power Company, which has two 550-megawatt natural gas-fired power plants under construction near Little Rock, Arkansas and in Jackson, Michigan and owns an interest in three gas-fired plants in Colorado.

The Kinder Morgan Texas Pipeline (KMTP) is a 2,500-mile intrastate pipeline system that extends from south Texas to Houston along the Gulf Coast, serving primarily utility and industrial customers. Complementing KMTP is KM Tejas, a 3,400-mile intrastate natural gas pipeline that runs from south Texas along the Mexico border and the Texas Gulf Coast to near the Louisiana border and north from the Houston area to east Texas.

Kinder Morgan Energy Partners, L. P. is the nation's largest pipeline master limited partnership with an enterprise value of approximately \$9 billion. KMP owns and operates more than 25,000 miles of pipelines and over 70 terminals. Its pipelines transport more than two million barrels per day of gasoline and other petroleum products and up to 4.3 billion cubic feet per day of natural gas. Its terminals handle over 55 million tons of coal and other bulk materials annually and have a liquids storage capacity of more than 55 million barrels for petroleum products and chemicals. KMP is also the leading provider of CO<sub>2</sub> in the U.S., which is used in enhanced oil recovery projects.

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

#### ***Petróleos Mexicanos (PEMEX)***

From the time of its inception in June 1938, Petróleos Mexicanos (PEMEX) has played a decisive role in national development. PEMEX, the state-owned oil company and one of the world's largest oil companies, is the single most important entity in the Mexican economy. The company has provided the funds to build modern Mexico and made it one of the major producing and exporting countries of "black gold" based on its rich hydrocarbon reserves.

With the creation of PEMEX, the Mexican oil industry was nationalized and retains exclusive rights to exploration and production of Mexican oil and natural gas, according to the country's constitution. The sector began to grow in the 1940's when oil production rose from 51 million barrels to 86 million in 1950. This increasing production was due to intensive exploration work. Through the discovery and subsequent exploitation of rich oil and natural gas fields in different areas of the country, PEMEX explores, drills, produces and processes hydrocarbons that become a wide variety of everyday products. PEMEX's company activities range from exploring and exploiting hydrocarbons to producing, storing, distributing and selling oil and petrochemical products. It is the world's seventh largest crude oil producer company, ranks ninth in natural gas production, and eleventh in refining. In the domestic sphere, PEMEX is the leading company in terms of sales and the value of its assets. Its exports account for 10% of the country's total exports and it employs 137,000 people.

PEMEX is broken down into 3 primary divisions. PEMEX Exploración y Producción (PEMEX Exploration and Production) produces around 3 million 150 thousand barrels of crude oil and 4 million 557 thousand cubic feet of natural gas daily. It has 4 thousand 4 363 exploration wells, with 164 offshore structures and has the equivalent of 56.2 billion barrels of crude oil as a surplus reserve of hydrocarbons. PEMEX Refinación (PEMEX Refining) produces 1 million 537 barrels of oil products daily and has 6 refineries and 83 storage and distribution plants for oil products. PEMEX Petroquímica (PEMEX Petrochemistry) carries out industrial petrochemical processes to make products that are part of the basic petrochemistry industry and it stores, distributes and sells these products. Its production averages 11 million 501 thousand tons of petrochemical products annually, and this subsidiary has 9 petrochemical centers.

Underscoring its key position in world oil markets, Mexico has had more contact and involvement with the Organization of Petroleum Exporting Countries (OPEC) than any other non-member country. Since 1998, Mexico has made seven pledges to adhere to export targets in support of OPEC production policies. PEMEX export data from 1998-2001 show that these export targets have been kept. In November 2001, OPEC announced that it would cut its own production by 1.5 million bbl/d, in order to prop up world oil prices. OPEC's cut was contingent upon non-OPEC countries cutting production by a combined 500,000 bbl/d, of which Mexico committed to a 100,000 bbl/d reduction in exports.

Currently, private companies are permitted to provide services to PEMEX such as drilling activity. In December 2001, discussion began of multiple services contracts that would allow private companies to provide a broader range of services to PEMEX. PEMEX would retain the rights to the reserves and profits and contractors would be paid fees rather than profit shares.

#### ***Public Utilities Commission of Texas (PUCT)***

The PUCT was established by the Public Utility Regulatory Act in 1975 to represent and protect the public interest in regard to public utility rates, operations, and services. Between 1905 and 1973 Texas lawmakers attempted to regulate public utility companies-telephone, electric, water, and sewer-but with little success. Some legislators proposed measures to place utilities under the authority of already existent agencies such as the Railroad Commission, but this regulation was extended only to the gas utilities, under the 1921 Gas Utilities Law.

In the early 1970s soaring utility bills, along with a telephone company scandal, provoked public outrage. In the spring of 1975 Texas lawmakers finally passed a measure to establish a state public utility commission that would wield power over intrastate telephone rates and services as well as all utilities in unincorporated areas, except natural

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

gas utilities. The act fixed the terms of commissioners-two, four, and six years for the first three commissioners, and thereafter staggered six-year terms for each commissioner.

In 1983, as a consequence of the Texas Sunset Advisory Commission's 1982 review of the PUC, the legislature increased the commission's responsibilities. In addition to its original responsibilities, the PUC was also to conduct management audits at least every ten years of each utility under its jurisdiction; to encourage alternative energy resources; to conduct hearings on fuel cost increases that resulted from emergencies; to develop a long-range statewide electrical energy forecast to be sent to the governor every two years and to be used in certification proceedings for new generation plants; to require builders of new generating facilities to file a notice of intent and obtain commission approval; and to evaluate utility construction plans and expenditures and take timely corrective action when necessary. Also, through the actions of the PUC Energy Efficiency Division, the commission was to administer energy conservation programs funded by the federal government. In 1987 the work of the Energy Efficiency Division was transferred to the governor's office, while the legislature gave the PUC more responsibility to determine the existence, impact, and scope of competition in the telecommunications industry.

By the early 1990s the Public Utility Commission had five administrative divisions: the Electric, Telephone, and Operations Review divisions (which provided the technical expertise necessary for rate-case and management-audit analyses and for utility policy development) and the Administration and Information Systems and Services divisions.

#### ***Texas Railroad Commission***

The Railroad Commission of Texas was established in 1891 under a constitutional and legislative mandate to prevent discrimination in railroad charges and establish reasonable tariffs. It is the oldest regulatory agency in the state and one of the oldest of its kind in the nation. A pioneer in rail regulation, the Railroad Commission has four regulatory divisions that oversee the Texas oil and gas industry, gas utilities, pipeline and rail safety, safety in the liquefied petroleum gas industry, and the surface mining of coal and uranium.

The Commission considers protection of the environment and preservation of individual property rights to be two of its primary responsibilities. The Commission, through its employees, has a long and proud history of service to both Texas and the nation. The following concerns are of the highest priority to the Commission:

- Stewardship of natural resources and the environment
- Concern for personal and community safety
- Support of enhanced development and economic vitality for the benefit of Texans

#### ***Tidelands***

Tidelands Oil and Gas (TIDE) is a publicly traded diversified oil and gas company. The corporation's management has in excess of 100 years of experience in all phases of the industry. This experience relates to drilling, completion and recompletions, operating oil and gas properties, operating and managing gas processing plants, marketing oil, gas and liquid products and transportation of natural gas to markets throughout the southern United States.

TIDE is the parent company of five wholly owned Texas subsidiary corporations.

- Tidelands Oil Corporation, formed in 1985, operates all oil wells owned by TIDE
- Tidelands Gas Corporation, formed in 1996, operates all gas wells owned by TIDE
- Rio Bravo Energy LLC, formed in 1999, owns and operates a natural gas processing plant extracting propane, butane and natural gas.
- Sonora Pipeline LLC, formed in 1999, owns and operates gas pipelines which brings the gas supply to Rio Bravo's gas processing plant
- Reef International LLC, is the entity currently filing for all permits for an international pipeline crossing into Mexico.

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

Tidelands Oil and Gas Corporation was formed from the acquisition of a public trading "shell" corporation (formerly C-2 Technologies, Inc.) Tidelands Gas Corporation was primarily formed to operate natural gas wells owned by Tidelands. Tidelands Gas Corporation negotiated and purchased what was then known as the "Carrizo Springs Pipeline System". The purchase was made from Aquila Gas Transmission Company, a large interstate gas transmission company. This pipeline system extends a distance of 80 miles across three counties and provides a method for transporting gas from various properties across the Maverick County Basin.

Rio Bravo Energy LLC acquired a gas processing plant from CONOCO with a capacity to produce 12 million cubic feet of gas per day. This plant is currently processing all of the gas from the CONOCO Sacatosa Field, Merit Energy's Pena Creek Field and the exploration company. Sonora Pipeline Company LLC operates approximately 400 miles of pipeline that delivers gas into the Rio Bravo Energy LLC gas processing plant.

In addition to the CONOCO plant, TIDE has made arrangements to purchase another processing plant that has the capability to process approximately 20 million cubic feet of gas per day. This processing plant will be moved onto the site of the CONOCO plant. The plant will increase the total volume to be processed to approximately 32 million cubic feet of gas per day. The gathering and processing contracts are currently being negotiated. TIDE will be solely responsible for the operation, federal and state filings, accounting and other responsibilities for the plant.

Reef International LLC was formed to construct and operate international pipeline crossings into Mexico. The crossing first crossing will consist of a twelve-inch natural gas pipeline that will deliver gas to the Mexico gas distributor in Piedras Negras, Mexico and a six-inch pipeline crossing to transport propane and butane. In addition, Reef International is currently working several other international crossings along the Texas/Mexico border with the next crossing to be permitted being a natural gas crossing at El Paso/Juarez.

#### ***U.S. Environmental Protection Agency (EPA), Region 6***

The EPA was established in 1970 to protect human health and to safeguard the natural environment, air, water, and land, upon which life depends. EPA is led by the Administrator who is appointed by the President of the United States. EPA employs 18,000 people in Headquarters program offices, 10 regional offices, and 17 labs across the country. The agency is responsible for researching and setting national standards for a variety of environmental programs and delegates to states and tribes responsibility for issuing permits, and monitoring and enforcing compliance. Where national standards are not met, EPA can issue sanctions and take other steps to assist the states and tribes in reaching the desired levels of environmental quality. The Agency also works with industries and all levels of government in a wide variety of voluntary pollution prevention programs and energy conservation efforts. Region Six represents an ecologically, demographically, and economically diverse five-state region of Arkansas, Louisiana, New Mexico, Oklahoma, and Texas, as well as 66 Indian Tribes, the central office for which is located in Dallas, Texas.

The Region Six's vision is "To Meet the Environmental Needs of a Changing World." The Region's strategic plan addresses its priorities in the context of the EPA's seven guiding principles--ecosystem protection, environmental justice, pollution prevention, strong science and data, partnership building, environmental accountability, and reinventing EPA Management. In addition, Region 6 uses Community Outreach as an overarching approach to achieve its objectives. Currently, Region 6 is implementing various initiatives in the following areas: State/Tribal Capacity Building, MultiMedia Enforcement, U.S./Mexico Border Environment Mitigation, Southern Louisiana/Lower Mississippi River, Gulf of Mexico rehabilitation, Petrochemical Industrial Sector outreach, Watershed/Geographic Approach efforts, and Federal Facilities monitoring. The Office of the Regional Administrator is responsible for overseeing the implementation of EPA programs within Region 6. In order to best complete this responsibility, the Region 6 is broken down into eight divisions, which are: Management Division, Superfund Division, Multimedia Planning and Permitting Division, Water Quality Protection Division, Compliance Assurance and Enforcement Division, Office of External Affairs, Office of Regional Counsel, and Border Liaison Office.

## US-Mexico Cross Border Energy Trade Workshop

San Antonio, Texas

November 18-19, 2002

Westin La Cantera Resort

### Company Profiles

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