

THOMPSON & KNIGHT LLP

ATTORNEYS AND COUNSELORS

ANDREW MELSHEIMER
DIRECT DIAL: 214.969.1305
EMAIL: Andrew.Melsheimer@tklaw.com

ONE ARTS PLAZA
1722 ROUTH STREET, SUITE 1500
DALLAS, TX 75201
214.969.1700
FAX 214.969.1751
www.tklaw.com

AUSTIN
DALLAS
FORT WORTH
HOUSTON
NEW YORK
ALGIERS
LONDON
MEXICO CITY
MONTERREY

August 14, 2020

Dirección General de Consultoría Jurídica de Comercio Internacional
Secretaría de Economía
Pachuca #189, piso 19
Col. Condesa
Demarcación Territorial Cuauhtémoc
Ciudad de México
C.P. 06140

Re: Notice of Intent to Submit a Claim to Arbitration under Annex 14-D as modified by Annex 14-E of the United States-Mexico-Canada Agreement

Dear Secretary:

MWS Management, Inc., a U.S. company, is one of two private companies holding rights and interests of the Contractor in Contract No. 424042803, a contract with Pemex Exploración y Producción for the performance of services at fixed prices (the “803 Contract”). Bisell Construcciones e Ingeniería, S.A. de C.V., a Mexican company, is the other private company holding rights and interests of the Contractor in the 803 Contract. Prize Permanent Holdings, LLC is a U.S. company that owns 50% of the equity of Bisell Construcciones e Ingeniería, S.A. de C.V. For purposes of this letter, Prize Permanent Holdings, LLC’s interest will be called Bisell.

The 803 Contract is a result of Pemex’s Request for Proposal No. 18575051-582-11. Under this competitive bidding process, Pemex and the Mexican government invited oilfield service companies like MWS and Bisell to submit bids for contracts to drill onshore wells for Pemex on select blocks. MWS and Bisell submitted a competitive bid based on Pemex’s model contract for certain acreage. Notably, the guidelines governing this bidding process promoted that investments under these contracts would be protected by Mexico’s free trade agreements such as the North American Free Trade Agreement (“NAFTA”). Pemex accepted MWS and Bisell’s competitive bid and awarded the 803 Contract to MWS and Bisell.

On February 20, 2012, Pemex executed the 803 Contract with MWS and Bisell. Under the 803 Contract, Pemex agreed to request work from MWS and Bisell, including providing equipment and drilling oil wells on behalf of Pemex. Pemex agreed to request US\$ 48 million of such work. The work was to begin on February 20, 2012 and last until December 21, 2013. The parties later extended the term of the contract until June 30, 2014. Pemex explained that it needed this extension because it did not have sufficient finances to fund the work it was required to request under the contract.

Under the 803 Contract, Pemex assured MWS and Bisell that it would have sufficient resources to request and pay for the agreed work to be performed. Pemex declared that “It has allocated the

August 14, 2020

Page 2

resources to carry out the Works under this Contract.” Relying on Pemex’s representation and its agreement to request US\$ 48 million of work, MWS and Bisell invested significant amounts in Mexico, including importing drilling equipment to comply with Pemex’s work orders. Ultimately, Pemex would not live up to its representation of having sufficient funds to request work or its obligation to request US\$ 48 million of work under the 803 Contract.

In response to Pemex’s work orders, MWS and Bisell conducted and were paid for work amounting to approximately US\$ 26.5 million. However, Pemex did not comply with its obligation to request the US\$ 48 million of work as agreed under the 803 Contract. Instead, Pemex chose to suspend its performance under the 803 Contract.

Even though Pemex declared under the contract that it had sufficient funds to support issuing work orders for its US\$ 48 million commitment to MWS and Bisell, Pemex admitted that the Mexican government had not sufficiently funded Pemex’s budget. For example, in October 2013, Pemex announced that it lacked the budget to request any more work under its contracts for certain areas, including the 803 Contract. Two months later, on December 26, 2013, Pemex told MWS and Bisell that it would not be issuing another work order under the contract. Instead, Pemex initiated a process to terminate the contract without requesting the remaining US\$ 21.5 million in work from MWS and Bisell.

On October 13, 2015, MWS and Bisell initiated a civil lawsuit against Pemex in the federal district court in Veracruz for breach of its obligations under the 803 Contract. MWS and Bisell seek recovery of their damages, including among other things, approximately US\$ 21.5 million that Pemex owes for work that it failed to request as agreed. Nearly five years later, the Mexican court has not rendered any decision.

Mexico has violated MWS and Bisell’s investment protections under the United States-Mexico-Canada Agreement (“USMCA”). Mexico has failed to provide fair and equitable treatment to this investment through a denial of justice. Although MWS and Bisell initiated their lawsuit in October 2015 regarding damages they have suffered because of Pemex’s breaches of the 803 Contract, to date, the Mexican court has taken no action to render a decision. Five years is an undue delay, and the Mexican court has failed to administer justice regarding this investment in an adequate way. Indeed, the USMCA contemplates that investors should be able to obtain a final decision from a Mexican court of last resort within thirty (30) months of initiating a lawsuit. Accordingly, fifty-eight months of inaction by the Mexican district court in rendering a decision regarding MWS and Bisell’s investment is by definition an undue delay.

MWS and Bisell have instructed Thompson & Knight to send this letter to provide MWS and Bisell’s notice that a dispute has arisen under the USMCA with respect to the 803 Contract. Article 14.D.3 requires MWS and Bisell to submit this notice ninety (90) days before submitting its claim to arbitration. Before initiating a formal arbitration proceeding, MWS and Bisell propose to attempt to resolve this dispute with the appropriate authorities within the Mexican government. We would prefer to commence such consultations immediately and would appreciate you advising us as to who is the proper designee for the Mexican government.

For purposes of Article 14.D.3, the names and addresses of the disputing investors are as follows:

August 14, 2020

Page 3

MWS Management, Inc.
1308 Lake St., Ste. 200
Fort Worth, Texas 76102

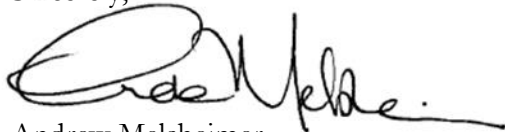
Prize Permanent Holdings, LLC
182 E. Edgewood Place
San Antonio, Texas 78209

Please direct all future communications regarding these disputes to my attention. My contact information is as follows:

Thompson & Knight
Andrew Melsheimer
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Telephone: +1.214.969.1305
Email: andrew.melsheimer@tklaw.com

MWS and Bisell reserve their rights to supplement this notice in all aspects.

Sincerely,



Andrew Melsheimer

Attachments:

Articles of Incorporation of MWS Management, Inc.
Certificate of Formation of Prize Permanent Holdings, LLC
Power of Attorney for Thompson & Knight, LLP from MWS Management, Inc.
Power of Attorney for Thompson & Knight, LLP from Prize Permanent Holdings, LLC

cc:

Mtro. Arturo Herrera Gutiérrez, Secretario de Hacienda y Crédito Público

secretario@hacienda.gob.mx
Insurgentes Sur 1971 Torre 3, Piso 6
Col. Guadalupe Inn
Alcaldía Álvaro Obregón
C.P. 01020, Ciudad de México, México

Dra. Luz María Zarza Delgado, Directora Jurídica de Petróleos Mexicanos y Titular de la Unidad de Transparencia

luz.maria.zarza@pemex.com
Av. Marina Nacional 329, Piso 9 Torre Ejecutiva

August 14, 2020

Page 4

Col. Verónica Anzures
Alcaldía Miguel Hidalgo
C.P. 11300, Ciudad de México, México

Alberto Velázquez García, Director Corporativo de Finanzas, Petróleos Mexicanos

alberto.velazquez@pemex.com
Av. Marina Nacional 329, Piso 38 Torre Ejecutiva
Col. Verónica Anzures
Alcaldía Miguel Hidalgo
C.P. 11300, Ciudad de México, México

Juan José Paullada Figueroa, Consejero Independiente de Petróleos Mexicanos

juan.paulladaf@pemex.com
Av. Marina Nacional 329, Piso 38 Torre Ejecutiva
Col. Verónica Anzures
Alcaldía Miguel Hidalgo
C.P. 11300, Ciudad de México, México

Dra. Graciela Márquez Colín, Secretaria de Economía

graciela.marquez@economia.gob.mx
Pachuca #189, Piso 19
Col. Condesa Demarcación
Territorial Cuauhtémoc
C.P. 06140, Ciudad de México, México

Alfonso C. Romo Garza, Jefe de la Oficina de Presidencia

alfonso.romo@presidencia.gob.mx
Palacio Nacional
Plaza de la Constitución S&N
Patio de Honor 4 to Piso, Centro
Delegación Cuauhtémoc
C.P. 06066, Ciudad de México, México

Abel Hibert Sánchez, Coordinador de Innovación y Análisis Económico de la Oficina de la Presidencia

Abel.hibert@presidencia.gob.mx
El Oro No. 17
Col. Roma Norte, entre Plaza Villa Madrid y Monterrey
Alcaldía Cuauhtémoc
C.P. 06700, Ciudad de México, México

Julio Scherer Ibarra, Consejero Jurídico de Ejecutivo Federal

Palacio Nacional S/N
Centro
C.P. 06020, Ciudad de México, México

August 14, 2020

Page 5

Lázaro Cardenas Batel, Coordinador de Asesores

Palacio Nacional S/N

Centro

C.P. 06020, Ciudad de México, México

Consejo de la Judicatura Federal

Dirección del edificio SEDE

Insurgentes Sur 2417

San Ángel. Álvaro Obregón

C.P. 01000, Ciudad de México, México