



Newsletter



González Calvillo, S.C.
Environment and Sustainable
Development

Montes Urales # 632
3er. Piso
Col. Lomas de Chapultepec
Delg. Miguel Hidalgo
11000 México D.F.
Tel. (55) 52-02-76-22
Fax (55) 55-20-76-71

www.gcsc.com.mx

Newsletter Number 9
July 2006

Contents

- 1 COALBED METHANE:
DECREE THAT REFORMS
THE REGULATIONS OF
LAW THAT REGULATES
CONSTITUTIONAL ARTICLE
27 ON MATTERS OF
PETROLEUM, AS WELL AS
THE MINING LAW**

As a consequence of the explosion occurred on February 19, 2006, at the “*Pasta de Conchos*” coal mine due to the accumulation of coalbed methane¹ gas, on March 7, the Energy Commission of the Chamber of Representatives of the Mexican Congress of the Union expedited the approval of the initiative filed before said sovereignty on December 6, 2005, which contains the Decree that Reforms Diverse Provisions of the Mining Law, as well as the Law that Regulates Constitutional Article 27 on Matters of Petroleum.

On June 26, 2006, in the Mexican Federal Gazette appeared published the Decree that Reforms the Regulations of Law that Regulates Constitutional Article 27 on Matters of Petroleum, as well as the Mining Law.

Decree that Reforms the Regulations of Law that Regulates Constitutional Article 27 on Matters of Petroleum, as well as the Mining Law

According to the initiative “...*the extraction of mineral carbon from its*

¹ Coalbed methane gas is a compound mostly made up of methane (CH₄) a green house gas with a caloric potential 21 times higher than Carbon dioxide (CO₂). When its mixed with air, it creates explosive mixes, and in specific conditions generates rarefying of air due to the lack of oxygen.

deposits is subject to the presence of coalbed methane gas however, even when from an economical stand point, this energetic is potentially profitable, it is not being recovered nor exploited”. In this manner, the objective of the document we are analyzing is to adequate the legal frame in force in order that both, the environmental and concession title coal mine holders may obtain benefits by:

- Preventing the irrational, uncontrolled venting of coalbed methane gas to the atmosphere;
- Preventing squandering of a non-renewable natural resource by recovering and using it;
- Preventing that due to concentrations of gas in mineral carbon mines insecure conditions are generated;
- Encouraging the recovery of gas.

The reform also presents a modification to section II of article 3 of the Law that Regulates Constitutional Article 27 on Matters of Petroleum. It confers the regulation of the recovery and use of gas associated to mineral carbon deposits to the Mining Law; hence, excluding what was previously foreseen in the sense that the Nation was the only competent entity to perform activities related to the petroleum industry, while adding a paragraph that excludes gas associated to mineral carbon deposits from the petroleum industry, and reserving the regulation of its recovery and use to the mining law.

In addition, the modification to six articles of the Mining Law has been approved, these are:

Modification to **Article 4** sets forth the addition of a sentence: "and gas associated to its deposits". The same thing occurs in **Article 5**, where it has been established that from the Mining Law's governance is not excluded in reference to the regulations of gas associated to mineral carbon deposits.

Additionally, contents of **Article 7** have been modified in sections XIII and XIV, and the addition of sections XV, XVI, and XVI is set forth. This compilation provides shared faculties for the Ministries of Energy and Economy in matters of recovery and exploitation of gas associated to mineral carbon deposits.

It stands out for the purposes of this document that section XIII was added to **Article 19**, granting the right to obtain a permit from the Ministry of Energy for the recovery and exploitation of gas associated to mineral carbon deposits, materializing the latter (the exploitation) by means of self supply or by supplying PEMEX, who in return would pay the price set in a gas transportation and delivery contract.

The requirement to notify the Ministry of Economy respecting the commencement and suspension of activities related to the recovery and use, as well as of the discovery of gas not associated to mineral carbon deposits is contained in sections XI, XII, XIII, and XIV of **Article 27**.

Finally, **Article 55** is also modified to this current context by establishing new cases for the cancellation of mining concessions; these are: recover, store, transport, or provide associated gas transportation and delivery services without the corresponding permit, to transfer gas associated to mineral carbon deposits, and the omission to inform in regards to the finding of gas not associated to mineral carbon deposits discovered during exploration

or exploitation phases of the deposits of said mineral.

- The reform intends, with the modification of the legal frame in force, to grant concessionaries an incentive to perform activities tending to the recovery, use, and self consumption of coalbed methane gas contained in carbon deposits, while guaranteeing safety conditions for mine workers.
- It seeks to use non renewable energy sources encouraging their use in the generation of electricity, or by the delivery to PEMEX, in order to ascertain a rational and regulated use.
- Under the Clean Development Mechanism (created under the Kyoto Protocol), projects for the use and capture of fugitive emissions can be implemented to be presented before the Executive Board of the CDM to thereafter obtain benefits from the Reduced Emissions Certificates.

The Environment and Sustainable Development practice area at Gonzalez Calvillo, S.C. has broad experience in the obtainment of authorizations and permits applicable to this type of project; as well as in what refers to CDM's that could be associated to them, including the obtainment of approval letters from the Ministry of the Environment and Natural Resources as designated authority.

This document is not intended to solve any related issue; it is only a personal consideration from its author regarding the aforesaid modifications.

For further information please contact us in:

Leopoldo Burguete Stanek
lbarguete@gcsc.com.mx
González Calvillo, S.C.
Socio
Área Ambiental

GONZÁLEZ CALVILLO S.C.
Montes Urales 632
Piso 3
Lomas de Chapultepec
Delg. Miguel Hidalgo
11000, México D.F.
Tel. (55) 52-02-76-22
Fax (55) 55-20-76-71
www.gcsc.com.mx