UNDER THE CONVENTION ON THE SETTLEMENT OF INVESTMENT DISPUTES BETWEEN STATES AND NATIONALS OF OTHER STATES AND THE INSTITUTION RULES AND ARBITRATION RULES OF THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES, CHAPTER 11 OF THE NORTH AMERICAN FREE TRADE AGREEMENT, AND CHAPTER 14 OF THE UNITED STATES-MEXICO-CANADA AGREEMENT

FINLEY RESOURCES, INC.
MWS MANAGEMENT, INC.
PRIZE PERMANENT HOLDINGS, LLC

Claimants

v.

THE UNITED MEXICAN STATES

Respondent

WITNESS STATEMENT OF JIM D. FINLEY

I. Background

1. My full name is James D. Finley. I go by Jim. I was born in Austin, Texas in 1956.

2. I am currently the CEO of Finley Resources, Inc. ("Finley") and President of MWS Management, Inc. ("MWS"). My business address is 1308 Lake St., Fort Worth, TX 76102.

3. In 1979, I received a degree in accounting from the University of Texas in Austin, Texas. Upon graduation, I joined the accounting firm Arthur Anderson & Co., and worked as an auditor. Most of my clients were in the oil and gas business.

4. In 1981, I joined an independent oil and gas company called Duer Wagner & Co. as their Chief Financial Officer. During my nearly 17-year career there, I advanced to the rank of managing partner. In that role, I guided the company in acquiring various oil and gas assets.

5. In 1997, I left Duer Wagner & Co. and established Finley. My children and I own 100% of the shares of Finley.

6. Finley is an energy company headquartered in Fort Worth, Texas with operations in six U.S. states: Texas, Oklahoma, Utah, Wyoming, Mississippi, and New Mexico. We specialize in providing oilfield services. We also have our own exploration and production operations in several U.S. states, predominantly in Texas. Our investment in Mexico that is the subject of this arbitration has been our only international oil and gas investment.

7. In 2000, we started Mesa Well Servicing or "MWS." Like Finley, MWS is an oilfield services company. MWS operates primarily in a region called the Permian Basin — an area rich in hydrocarbons located in west Texas and in eastern New Mexico. I am the majority owner of MWS with 49% of the shares. I am also on MWS's board of directors. Later on in the 2000s, we acquired another company called Mesa-Southern Well Service. It operates in the Eagle Ford shale play in Texas.

8. In addition to managing Finley and MWS, I am active on the boards of various public and private companies and nonprofit organizations. I serve on the board of the following entities: Cooper Natural Resources, Cristo Rey Fort Worth College Preparatory High School, Uinta Wax, LLC, the McDonald Observatory, and the Longhorn Foundation of the Boy Scouts of America.

9. As a company, we are dedicated to giving back to the communities in which we live and work. We are very active in local charitable events and programs, donate generously to many local charities, and participate as event sponsors to support the community. One of our core philosophies is giving back where we operate and have employees.

II. OVERVIEW OF OUR BUSINESS

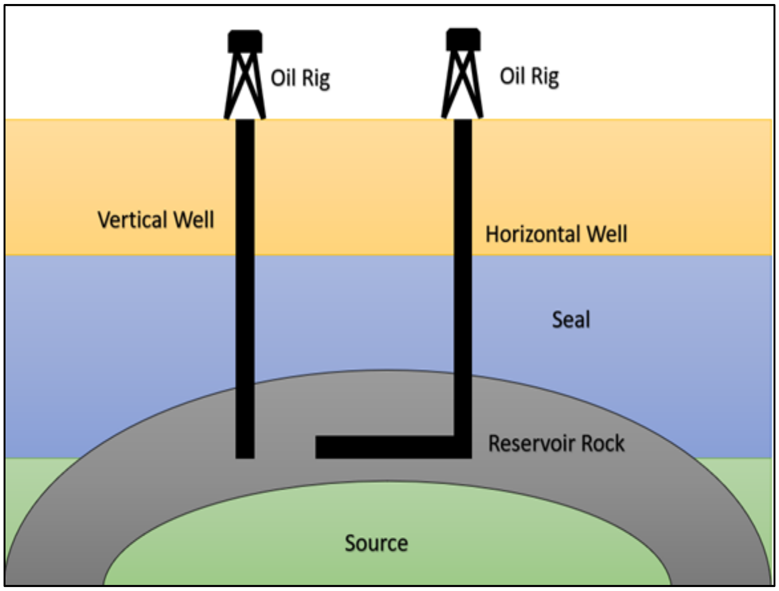
10. Generally speaking, an oilfield services company assists in exploring for, developing, and producing oil and gas. Companies with the rights to explore for, develop, and produce oil and gas engage entities such as us to provide the products and services to achieve such objectives, including to drill and complete wells that allow for the production of oil and gas. We also re-work or recomplete existing wells, which means the recompletion of an existing well within the existing wellbore or by deepening or sidetrack operations (which do not materially extend the existing wellbore). Re-working existing wells can also involve replacing well liners or casings.

11. Our work is often complex and capital intensive. Drilling wells miles beneath the surface requires significant preparation, the mobilization of huge equipment, the preparation of the surface area, the operation of a myriad of safety equipment, all while cycling "mud" through the wellbore. Assuming the well is successful and oil and gas is discovered, we complete the well by lowering and cementing pipe into the wellbore. Thereafter, we open holes in the pipe to allow the oil and gas to flow to the surface, where it is contained and transported to a point of sale. These activities are dangerous and cost many millions of dollars.

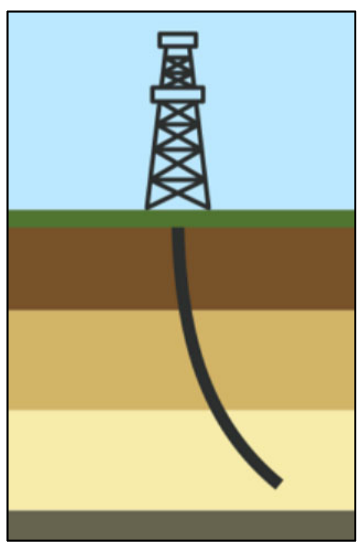
12. There are two additional considerations. *First*, our work can require us to construct infrastructure and purchase property to support our service operations. We may require facilities to store our equipment used in providing our services. We also might have to construct access to the job site by clearing land and building roads. We have also had to purchase hotels or other lodging to house our workers. *Second*, we might need to purchase equipment and specialized products, depending on the work to be performed.

13. The following diagram illustrates simplistically the types of wells that we drill as an oilfield services company:[1]

[1] *Horizontal Well*, KALKINE MEDIA, https://kalkinemedia.com/definition/h/horizontal-well/.



14. For the Vertical Well on the left, we drill straight down until we reach the reservoir where we can produce oil and gas. The Horizontal Well on the right is a well with one or more sections drilled at an angle from the vertical well. There is one other type of well — a directional well — that, broadly speaking, shares certain characteristics of both vertical and horizontal wells. A directional well is simplistically depicted as follows:[2]



[2] *Why Directional Drilling Projects Can Be Solid Oil and Gas Investment Opportunities*, ENERGYFUNDERS.COM (May 8, 2019), https://medium.com/@EnergyFunders/why-directional-drilling-projects-can-be-solid-oil-and-gas-investment-opportunities-6274be37ae43.

Our primary focus in Mexico was drilling vertical wells and directional wells.

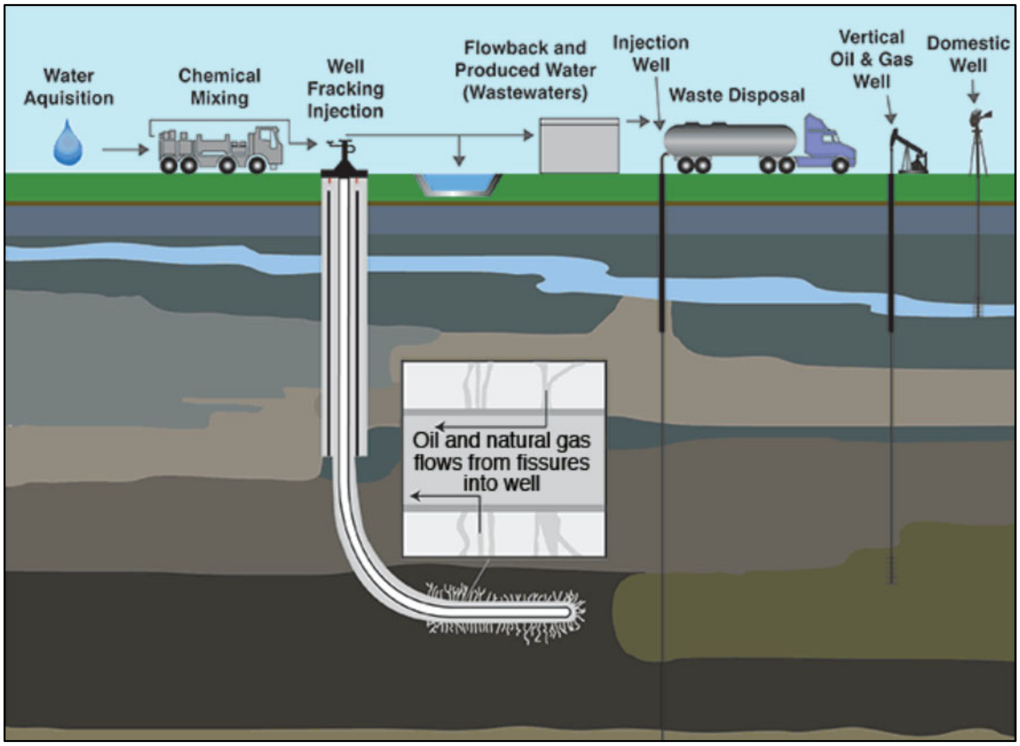
15. Drilling oil and gas wells is a complex, dangerous, and expensive operation. In general, it requires:

- Coordinating and positioning teams of employees (depending on the project, the number of employees can be in the hundreds);
- Preparing the wellsite by clearing, bulldozing, and leveling the land;
- Mobilizing the drilling rig (transporting it to the site to drill the borehole). This involves loading the rig onto a convoy of trucks to take it to the site. This often requires coordinating with local governments, depending on the location;
- Assembling the rig to drill the wellbore;
- Drilling the borehole to reach the target zone (where hydrocarbons are believed to exist) by penetrating through the subsurface, which can include various layers of rock and sediment. To provide perspective, the borehole can be many miles deep;
- Removing and disposing of the displaced rock and sediment; and
- Inserting casing (steel pipe) and cementing it to complete the wellbore.

16. In addition, oil and gas is not always located in reservoirs that have fluid characteristics that allow the oil and gas to flow readily into a wellbore. Oil and gas is also located in geologically complex formations with tight, porous rock characteristics where the oil and gas does not readily flow into the wellbore. In this case, more complex and expensive techniques are required to produce oil and gas from these reservoirs.

17. One of these techniques is hydraulic fracturing. After drilling the well, we pump engineered fluids at a high pressure into the wellbore. This causes vertical fractures or fissures to open. We then inject grains of sand mixed with a treatment fluid to keep the fracture open so the oil and gas can be extracted. The following diagram from the University of Pennsylvania provides a general overview of hydraulic fracturing:[3]

[3] *Northeast Pennsylvania Communities with Hydraulic Fracturing*, UPENN, https://ceet.upenn.edu/target-communities/northeast-pennsylvania-communities-with-hydraulic-fracturing/.



18. In addition to drilling new wells, we perform workovers of existing wells. This means that we repair or stimulate an existing production well to restore, prolong, or enhance its production. Such work requires a workover rig to be placed on site, and it typically involves removing and replacing the production tubing string or replacing downhole equipment.

19. It is not uncommon for us to hire or subcontract hundreds of people for certain projects. Most of our employees are skilled to work in an oilfield. However, we also hire truck drivers who transport the heavy equipment and supplies to and from the project. This includes transporting water and other fluids for hydraulic fracturing. In some projects, we have employed cooks and catering crews. Hiring local qualified workers has the added benefit of leaving the community with a skilled and trained workforce when the project is completed.

20. Finley and MWS are not the only companies with oilfield services capabilities and experience with unconventional resources. Halliburton, Baker Hughes, Schlumberger, and Weatherford also perform this work, including in Mexico. In addition, there are domestic companies in Mexico that we compete against.

III. Background: Investing in Mexico

21. In the early and mid-2000s, it was well known in the oil and gas industry that Mexico was facing declining oil and gas production. During this period, Mexico announced a number of initiatives to maintain and enhance its oil and gas production.

22. Around this same time, the trade press reported Mexico's desires to increase production in an area called "Chicontepec." The industry has long known that Chicontepec has significant reserves. The issue with Chicontepec is that it is remote and geologically complex. Much of Chicontepec's reserves are compartmentalized and challenging to produce. After decades of trying, the development of the Chicontepec field has, and continues to, challenge Pemex.

23. I recall that in the mid-2000s, Mexico's politicians and Pemex heavily promoted Chicontepec. In an announcement reported in the trade press, President Vicente Fox proclaimed that Mexico would invest nearly US$ 37 billion in Chicontepec over a period of 20 years. Mexico was aiming to substantially increase its oil and gas production and Chicontepec played a primary role in Mexico's strategy to increase production.

24. Mexico and Pemex spent a significant amount of money, but they were unable to develop Chicontepec to come close to meeting their objectives. In my view, Pemex did not have the resources necessary to develop Chicontepec. To do so, it would need the assistance of private energy companies, including international energy companies. Private companies could almost certainly develop Chicontepec more efficiently than Pemex, due to Pemex's size and bureaucratic structure.

25. Finley was not actively seeking to invest in Mexico. Mr. Luis Kernion, who I met through a mutual acquaintance, had been talking with Pemex officials about opportunities for U.S. companies to invest in the Chicontepec area. We made the connection with Pemex through Luis. We would later partner with Luis's companies in our contracts with Pemex.

26. After the connection was made, we began communicating regularly with Pemex about working in Mexico. I recall discussing our initial investments — and later expanding our investments — with numerous officials, but a few names stand out to me:

- **Juan José Suárez Coppel**. He was Pemex's CEO from 2009 to late 2012. Mexico's President appoints Pemex's CEO.

- **<u>Froylan Gracia</u>**. He was the second in command behind Pemex's CEO, Emilio Lozoya, who replaced Mr. Coppel as Pemex's CEO in late 2012.
- **<u>Sergio Guaso</u>**. He was the President of Finance and Administration at Pemex. Sergio, along with other Pemex officials, came and met with us at our offices in Fort Worth on multiple occasions about investing in Mexico.
- **<u>Carlos Morales Gil</u>**. He was the Director General of Pemex Exploration and Production.

We were also in contact with other high-ranking Pemex officials. During some of these meetings, I recall that we gave PowerPoint presentations to Pemex officials that introduced us and our capabilities.

27. Pemex worked hard to recruit us to Mexico. They told us that they needed our help. They explained the predicament of their declining production and how they needed us to increase production through the further development of Chicontepec. They also told us that we would be treated well and valued as a partner. I also vividly recall the Pemex officials repeating "Pemex pays, Pemex pays."

28. At some point in 2011, we received information about an international tender that Pemex was holding for oilfield services contracts for Chicontepec. It contained the technical requirements for the contractor, described the work that would be performed, and provided the terms of the agreement with Pemex. Before submitting an official bid, Pemex vetted us to make sure that we qualified and met all their technical and financial standards. We were approved without issue. We were more than capable of performing the work — Pemex needed the same type of work that we had been doing in the U.S.

29. Before we could perform work in Mexico, we would be required to make a significant initial capital investment. We did not have a presence in Mexico. In addition, we would be required to purchase equipment required under the proposed contract and import it into Mexico. We would also need to lease and purchase real estate, lease warehouses, etc.

30. We appreciated that there were risks associated with entering into the Mexican market. However, I felt that we had a reasonable opportunity to recoup our investments and earn a profit because Pemex agreed that it would be requesting a sizeable amount of work from us and the work requested was fully funded. Moreover, I understood that around this time,

Pemex was regularly exceeding the maximum values of its contracts because of its need to increase production. Finally, Pemex had repeatedly told us that it pays and promoted the fairness of its legal system by promoting the rule of law. I also understood that our investments would be protected by NAFTA.

31. In early 2012, Pemex awarded us our first contract to workover wells (this was known as the "803 Contract"). We later entered into two other contracts with Pemex. One was in early 2013 to drill wells in Chicontepec (this was the "804 Contract"). We entered into our final contract with Pemex in early 2014 — where Pemex claimed that it would be requesting nearly half a billion dollars in work from us (this was the "821 Contract"). Under our final contract with Pemex, we were to perform various drilling services, including fracking. Below, I provide an overview of our investments in Mexico and what happened thereafter.

IV. OUR INVESTMENTS

32. Once my companies, along with Luis's companies, entered into our first contract with Pemex, we began preparing to perform. I recall that under our first contract with Pemex, they were going to request that we workover wells that it had previously drilled.

33. In order to prepare to workover wells for Pemex, we had to purchase all new equipment. I recall that we started with three workover rigs of different capacities and imported them into Mexico. In addition, we had to purchase all of the equipment, tools and materials needed to workover the wells, such as steel piping. Overall, I recall spending several million dollars on equipment before Pemex started requesting work from us. Our equipment included pumps, tanks generators, power swivels (turns the pipe in a well bore), wellhead control, electrical/light towers, fishing tools, wireline, and numerous trucks and trailers.

34. In addition, we needed a place to store our equipment and materials and to assemble and disassemble the equipment. Initially, we leased land in Poza Rica, Mexico. We later purchased it, calling it the "yard." We also leased a warehouse near the yard to store other equipment and materials. Overall, we spent about several hundred thousand dollars clearing and upgrading the yard and warehouse.

35. Moreover, we had to bring some of our employees to Mexico and we had to hire and train local employees. We also had to purchase other equipment such as vehicles to transport our workers to the job sites.

36. We also started a Mexican company called Drake-Mesa. I own an interest in Drake-Mesa and, along with Luis's company, exercised managerial control over Drake-Mesa during the events relevant to this arbitration. Later, at some point between 2012 and 2014, I recall that we started another company in Mexico called Drake-Finley in connection with our work in Chicontepec. Finley owns shares of Drake-Finley and exercised managerial control over it during the events relevant to this arbitration (along with MWS and Luis's company).

37. Finally, I recall that we had to provide a financial guarantee to Pemex for 10% of the contract value.

38. Around the summer of 2012, shortly after we started working in Mexico, I recall a meeting with Juan José Suárez Coppel, Pemex's CEO at the time, and some other Pemex officials. They were asking us to invest in Mexico further in order to expand the scope of our operations in Mexico. In particular, Mr. Coppel explained that they wanted to further develop Chicontepec and were interested in attracting companies that would provide services to Pemex.

39. Following our meeting with Mr. Coppel, we continued to expand our work in Mexico. I recall that we entered into another contract (the 804 Contract) with Pemex in early 2013 and purchased a few more workover rigs (in addition to the rigs we had already purchased and imported into Mexico). Overall, I recall that we purchased and imported nine workover rigs and one drilling rig into Mexico. Like with our first contract, we were required to provide a financial guarantee to Pemex for 10% of the contract value.

40. In early 2013, after we entered into our second contract with Pemex, I recall meeting with Froylan in Dallas about further investing in Mexico. However, the pace of Pemex's work orders began to slow and Pemex began to fall behind on its payments to us. As such, Luis and I raised our concerns with top Pemex officials. They appreciated our concerns. Froylan, the number two official at Pemex, told us,

> I just got the news about your decision to cease further investments in Mexico. I understand and share your concerns about your past experiences with regards to bids and payments in [Chicontepec]. It is a very disturbing situation that the new Pemex administration is fixing. . . I will personally address your concerns with my CEO as we do not want to [lose] further investments coming into Mexico.
>
> As you know we have been looking for a favorable solution to the contract

> that was awarded to your partners and you, and to the completion of some payments that are past due.
>
> ***
>
> I hope your decision is not final as we would really benefit from your company's expertise, if it is, I would request if we can continue our discussion regarding how to detonate development of shale exploration and production activities in Mexico.

41. Pemex's top officials continued encouraging us to invest in Mexico. We met with Froylan and Pemex's then-CEO Emilio Lozoya at the Offshore Technology Conference (OTC) in Houston. Pemex's booth at the OTC had a private room, where Luis and I met with Froylan, Emilio, and Carlos Morales Gil (the head of Pemex Exploration and Production).

42. During the meeting, I spoke with Emilio about expanding our investments in Mexico. He knew that we had already invested in Mexico and wanted us to invest more. Emilio explained that Pemex was targeting private companies because it needed their experience for directional drilling and hydraulic fracturing in Chicontepec.

43. A few months after our meetings with the top Pemex officials, Pemex opened the bid round for our final contract with Pemex (i.e., the 821 Contract). This is the contract, previously referenced, where Pemex requested nearly half a billion dollars in work and we were required to perform various services, including fracking. We prequalified for the bid round, meaning that Pemex determined we had the financial and technical resources to perform the work. Thereafter, I continued to discuss investing in Mexico with Froylan and other Pemex officials. Eventually, we entered into our final contract with Pemex.

44. As with our other two contracts, I recall that Pemex required us to provide a financial guarantee to our performance of the work that Pemex was required to request. Pemex set the amount at 10% of the contract price. We complied and provided Pemex with a performance guarantee for US $41.8 million.

45. As a consequence of our final contracts with Pemex, we made significant additional investments in purchasing and transporting the additional equipment necessary for drilling, fracking, and completion of wells. This equipment included a 1000 horsepower rig, two 1000 horsepower drilling pumps, tanks, mixing units, shakers, generators, turntable, wellhead control, light towers, fuel tanks, drill pipe, numerous portable office trailers, and housing

trailers. Moreover, we had to mobilize employees from the U.S. as well as hire and train local employees.

V. PEMEX DID NOT PERFORM AS AGREED UNDER OUR CONTRACTS

46. As best I recall, we invested approximately US$ 35 million into Mexico to perform under these contracts. These were predicated on our expectation that we would have a reasonable opportunity to recoup our investment and earn a profit. As noted, Pemex repeatedly told us, "Pemex pays, Pemex pays" when it was encouraging us to enter the Mexican market. Second, Pemex agreed to request at least a certain amount of work from us under our three contracts. Third, based on Pemex's representations before our investments, I understood that the Mexican government had earmarked certain funds for our contracts before we had signed them. Fourth, Pemex represented in our contract that it would pay its invoices within a reasonable time. Fifth, I understood that our investments would be protected by NAFTA. Finally, after Pemex had encouraged us to enter the Mexican market, I expected to be treated fairly with Pemex complying with its contractual obligations. I also expected Mexico to provide a fair legal system by upholding the rule of law.

47. Ultimately, none of our contracts went according to plan. Despite Pemex's representations that it would pay us, it did not pay. Instead, it made excuses not to pay by claiming it did not have the budget to do so (despite having told us that it allocated budgets for us). Although there were numerous instances of Pemex engaging in conduct that was inconsistent with its representations before our investments, a few come to mind.

48. *First*, Pemex went long periods under our contracts without requesting work. Pemex attributed this to not having a sufficient budget to request work. This was problematic for us. Our equipment was sitting idle, and we were incurring significant economic costs while we were unable to use this equipment for other work. Moreover, we had a significant payroll. We were paying workers who were not working, because Pemex was not sending work orders. I estimate this cost us around US$ 200,000 per month. Without Pemex's work orders, we were not generating revenue. To be blunt, we were bleeding money. Nonetheless, we continued to bleed money for a few years because Pemex officials repeatedly told us not to worry and that these hiatuses were temporary.

49. *Second*, Pemex demanded that we discount our work to them. Specifically, it demanded a 5% discount from us. I recall Pemex explaining that this was due to their budget issues.

50. *Third*, Pemex outright refused to pay for other work orders. This further caused us problems. For example, at some point between 2014 to 2016, Pemex issued a work order that resulted in us having to subcontract with Halliburton to complete the work. We subcontracted with Halliburton and Haliburton performed the work. Pemex did not pay for this work, and consequently, we could not pay Halliburton. Halliburton then sued us in the U.S. Ultimately, we settled with Halliburton for approximately US$ 800,000. This came out of our own pockets. Pemex requested work and benefitted from that work, but we were the ones who ended up paying for that work.

51. *Fourth*, Pemex imposed unfavorable conditions on us. For example, Pemex demanded that we return all of our equipment back to the yard between each work order. Moving the equipment between each work order is complicated and costly. Based on my experience in the industry, the typical round trip to and from the work site and the yard would cost approximately US$ 300,000.

52. *Fifth*, Pemex did not come close to requesting the amount of work that it had promised. We believed that Pemex would request over half a billion in work under our contracts; however, Pemex requested less than US$ 75 million overall. When we entered into these contracts, we had to make the necessary investments for Pemex to request the maximum amount of work from us under each contract. Because we had to make such a significant upfront investment, we expected that Pemex would routinely request work from us. If Pemex did not request work regularly, we relied on Pemex's agreement to request a minimum amount as a floor to make us whole. In other words, Pemex's minimum amount protected us if Pemex did not request work from us either ratably or at all. To put into perspective the importance of the amounts that Pemex agreed under our contracts, these types of projects in the U.S. at the time had margins of approximately 35% of a contract's value. For our three contracts, we expected an overall return of approximately US$ 182 million if Pemex requested the maximum amounts.

53. *Finally*, Pemex sought to terminate all three of our contracts. With respect to our last contract, Pemex engaged in a scheme to rescind it. I briefly describe my understanding of what transpired. As a result of Pemex going months without issuing a work order, we sued Pemex in a Mexican court. In response to our lawsuit, Pemex told us that it would not pay us anything

so long as the lawsuit remained pending. In light of our mounting costs, Pemex's statement that it would not be requesting work from us, and the prolonged period of Pemex not requesting any work, we made the decision to layoff our workers in Mexico. To be clear, our decision to layoff our workers was not due to any failure on their part. Rather, we made this decision because Pemex had stopped requesting work from us, so there was no work for them to perform.

54. Months later, despite their statement that no further work orders would be issued (we laid off our workers as a result), Pemex surprisingly claimed that it had issued a work order to drill a well at a cost of approximately US$ 1 million. This was particularly strange for several reasons. First, Pemex had not issued a work order for around a year. Second, Pemex had repeatedly told us that it did not have the budget to issue any further work orders. Yet, it issued a US$ 1 million work order for us to drill a well. Third, Pemex had not included us in the preparation of this work order as contemplated by the contract. To my knowledge, we were involved in preparing all of the other work orders, which is understandable because we assumed all the risks under the contract when performing the work. Preparing a work order was a highly technical process and I recall that Pemex would solicit the advice of its contractors before issuing a work order. Beyond the sophisticated engineering required in the design and drilling of a well, the enterprise needs to be carefully organized to protect the safety of the workforce and the environment. Given the dangerous nature of such work, our written approval is required before accepting a work order. I am not aware that Pemex ever alerted us that it was preparing this work order. I would have expected Pemex to tell us that it was resuming performance under the contract (and compromise our pending legal action).

55. Later, I learned that, in mid-2017, Pemex said that it intended to use this allegedly unfulfilled work order to rescind our final contract. Although I did not understand the details at the time, I generally understand that our contract does not allow Pemex to rescind it because of one unfulfilled work order. Instead, there needed to be 15 unfulfilled work orders.

56. We challenged Pemex's rescission in Mexico's court system. To our surprise, the court said Pemex was able to rescind the contract based on a general provision in our contract about us not complying with our obligations. The court did not respect the contract provision that does not allow Pemex to rescind the contract unless and until there are 15 unfulfilled work orders. This contract was for approximately four years, and it does not make any sense that a court

would approve Pemex rescinding the contract because of one work order that Pemex claimed we did not perform. In my view, the court did not treat us fairly and its decision was wired to allow Pemex to escape its commitments.

57. Relatedly, we had other lawsuits in Mexico's court system under our other contracts. Although I was not involved in the day-to-day details of the lawsuits, I understand that years have passed without any meaningful progress. When I invested in Mexico, I believed that we would be treated fairly by Mexico's court system and that the rule of law would be upheld. Based on my understanding of our lawsuits, this was not the case.

VI. PEMEX'S CONDUCT

58. Based on my understanding of Mexico's oil industry, it appears that at some point Mexico (and Pemex) decided to shift their strategy away from Chicontepec and reallocate their resources towards finding oil and gas elsewhere.

59. A few factors were in play. First, the work that Pemex was performing in Chicontepec was not generating the production increases that Mexico and Pemex were expecting. Second, Chicontepec is a geologically complex and expensive field to extract hydrocarbons. Third, as explained further below, oil prices began to fall precipitously in the latter half of 2014. I believe that the combination of these factors caused our investment to fall victim to Mexico's decision to refocus its strategy from Chicontepec to other areas.

60. As noted above, the changing oil prices at the time seemed to affect Mexico's attitude towards Chicontepec and Pemex's conduct towards us. When oil prices are low, the development of geologically complex and expensive operations like Chicontepec are examined.

61. We first started doing business in Mexico in the early 2010s. At that time, oil prices were generally between US$ 90 per barrel and US$ 110 per barrel:[4]

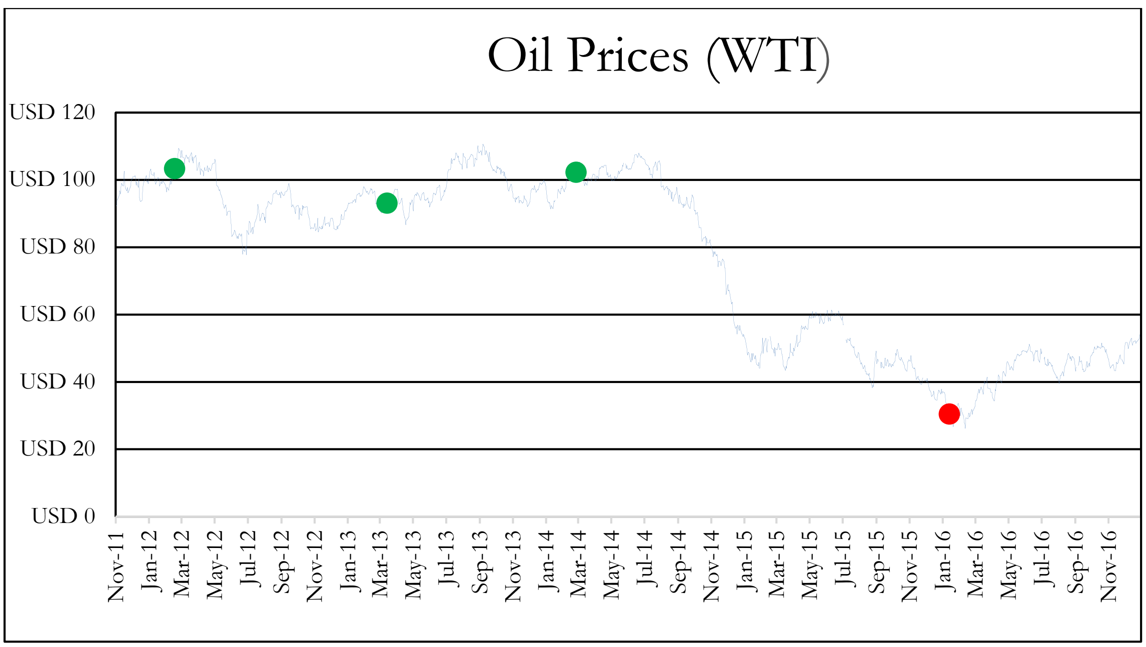
- 803 Contract (February 20, 2012): approximately **US$ 107**.
- 804 Contract (March 20, 2013): approximately **US$ 97**.
- 821 Contract (February 28, 2014): approximately **US$ 102**.

[4] **C-0110**, *Crude oil - 2022 Data - 1983-2021 Historical*, TRADING ECONOMICS, https://tradingeconomics.com/commodity/crude-oil.

62. Depending on Mexico's cost of production, these prices likely make it economical to develop a field like Chicontepec. However, after we invested in Mexico, the price of oil halved. Between June 2014 and January 2015, the price of oil decreased from US$ 103 to US$ 46. In February 2016, the price dropped to US$ 26, less than a quarter of what it was when we first went to Mexico.

63. Additionally, I understand that Pemex was not achieving the production targets that Mexico had set for Chicontepec. Our contracts were part of Mexico's campaign to reverse the declining production trend from the depletion of its major oilfield called Cantarell. At the time, it was reported in the trade press that the production from Chicontepec was not rendering the results that Pemex had forecast (through no fault of our own).

64. Pemex's actions toward us is easily explained with the following chart of oil prices (West Texas Intermediate) between November 2011 and November 2016:



The first three green dots are when we executed the 803 Contract, 804 Contract, and the 821 Contract. The red dot is when Pemex stopped performing altogether under the 821 Contract in January 2016. Pemex's wells were not producing at the volumes that Pemex was expecting, and Pemex was complaining about not having a budget while oil prices were hovering between US$ 80 and $110. In my experience, the fall of oil had to have only made matters worse for Pemex's production plans for Chicontepec. Looking back on Pemex's actions, it is clear that a contributing factor to its behavior was the price of oil. By default, we were taking the risk of the price of oil, which was never the intent for us under the contract.

65. Although I understand the problems that resulted for Pemex and Mexico from the above, we had invested tens of millions of dollars based on clear contract terms and statements from Pemex officials. We expected that our investments would be respected. We further expected that Mexican officials and the Mexican courts would treat us fairly in the context of the applicable contract terms and laws. Instead, apparently due to changed economic circumstances, Mexico arbitrarily decided to ignore the applicable rules and laws and let us incur significant losses.

66. I believe it would be beneficial for this arbitration to have testimony from officials in the Mexican government who were involved in (a) the decision to develop Chicontepec, (b) the budgets provided to Pemex to do so, (c) Pemex's strategy regarding the development of Chicontepec, and (d) Pemex's conduct under our contracts (e.g., why Pemex stopped issuing work orders and why it was telling us that it no longer had the budget to do so). It is clear to me that officials within the Mexican government decided to "pull the plug" on Chicontepec and that we were a victim of this decision, which continued into the Mexican court system as a way to absolve Pemex from any liability.

This Witness Statement was originally prepared in English. I affirm that these statements are true and correct to the best of my knowledge and belief. I further affirm that the content of this Witness Statement reflects my own account of the facts.

Date: June 10, 2022

Place: Dallas County, Texas

James D. Finley