

**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 LUIS DANGEVILLE KERNION

I. BACKGROUND

1. My name is Luis Dangeville Kernion. I was born on December 6, 1970 and am a U.S. citizen. My address is 720 Evans Ave, San Antonio, Texas 78209.
2. For my college education, I attended San Antonio College in the United States. Afterwards, I started my first oil and gas company in Mexico.
3. I am currently the President of Prize Permanent Holdings, LLC.

II. WORK IN THE OIL AND GAS BUSINESS

4. My family has a history of working in the oil and gas business in Mexico and in the United States. In Mexico, my family worked with Pemex since its founding in 1938 (after Mexico nationalized the assets of the international oil companies working in Mexico). This work has included constructing and maintaining offshore rigs, transporting heavy oil drilling equipment, and performing various other infrastructure projects. I would estimate that over this time, the amount of work that my family performed is in the tens of millions of dollars. We are proud to be a known name in the oil and gas business in Mexico.
5. When I was a teenager, my first jobs were working for my family in the oil and gas business. In the early 1990s, I started my first oil and gas company in Mexico. We performed services for Pemex to maintain its oil refineries and other oil and gas infrastructure. In particular, I recall that Pemex needed to expand its pipeline infrastructure. We helped Pemex on this project.

III. PRIZE PERMANENT HOLDINGS, LLC

6. In the early 2000s, I established a Texas limited liability company called Prize.
7. Prize owns 50% of the shares of Bisell Construcciones e Ingeniería, S.A. de C.V. ("Bisell"), which is located in Mexico. Prize exercises managerial control over Bisell. Bisell has performed various oilfield services for Pemex over the years, including working on pipelines and well completions. Bisell also has various assets and infrastructure in Mexico necessary to perform oilfield services. This includes drilling equipment, caterpillars, trucks, rigs, and real estate where the equipment is stored and maintained.
8. Prize also has had interests in U.S. entities that own and operate oil and gas wells in Texas. We have since sold these wells at a profit.

9. Overall, I believe that Prize distinguishes itself from other oilfield services companies in two ways. First, we are experienced with performing complex oilfield services in the upstream area. Second, we have decades of experience working in Mexico, and in fact, we had been doing so when most of the other international oilfield services companies entered the Mexican market. As far as I know, there are few companies that have similar capabilities and experiences.

IV. PEMEX'S BACKGROUND

10. As noted above, my family in Mexico has been working with Pemex since its formation in 1938. As a consequence, I have known many Pemex officials throughout my life. Many of my neighbors, childhood friends, classmates, and others who I interacted with during my childhood were affiliated with Pemex. Then, when I started my first company in the early 1990s, we worked with Pemex on various projects, including upgrading its pipeline system. As such, I am familiar with Pemex and how it operates.

V. PEMEX'S ATTEMPTS TO DEVELOP CHICONTEPEC

11. In the early and mid-2000s, it was well known that Pemex's oil production was declining. To reverse this trend, there was a movement among Mexico's politicians and Pemex officials to develop a well-known, hydrocarbon-rich area called "Chicontepec." Those who have worked in Mexico are familiar with Chicontepec.
12. Around this time, I was building pipelines for Pemex so I was around Pemex officials almost every day. The high-level Pemex officials that I was in regular communication with included the Chicontepec managers at Pemex. I was also in contact with Carlos Morales Gil, the Director General of Pemex Exploration and Production (appointed by President Fox in 2004). Based on what Pemex officials were telling me, I understood that Pemex needed help to quickly raise production at Chicontepec. The Pemex officials told me that they thought that I would be a good person to assist with developing Chicontepec. I had a long and successful history in the oil and gas business in both Mexico and in the U.S. The Pemex officials further told me that I would be treated fairly and valued as a partner and that working with them would be mutually beneficial. Pemex would be able to increase their production, and we would have the opportunity to make a significant profit.
13. The Pemex officials asked if I knew any other U.S. oil companies who might be interested in working in Mexico. Mr. Jim Finley, who I had met through a mutual acquaintance, came to

mind. He owns Finley Resources, Inc. (“Finley”) and MWS Management, Inc. (“MWS”) located in Fort Worth, Texas. I knew these companies had a good reputation for performing complex oilfield services. As such, I arranged an introductory call among Mr. Finley, myself, and Pemex.

14. We had multiple calls with Pemex officials. They explained their predicament. Mexico’s oil production was declining and Pemex was having difficulties developing Chicontepec. These officials encouraged us to invest in Mexico and help Pemex reverse the decline. They also told us that we would be treated fairly by Mexico’s legal system.
15. I vividly recall the Pemex officials repeating “Pemex pays, Pemex pays.” This seemed legitimate to me. I understood that Pemex had allocated a significant budget to develop Chicontepec (over US\$ 10 billion). Moreover, it was well-known that, around this time, Pemex was requesting more work — and paying their contractors more — than the maximum value of their contracts. This was because of Pemex’s various initiatives to increase production. In fact, I recall that Key Energy Services, an oilfield services company that Pemex had contracted with in the early 2010s, had originally contracted with Pemex to perform around US\$ 90 million in work. I understand that Pemex ended up requesting around US\$ 150 million in work from them.
16. Because of my various conversations with Pemex officials about investing in Mexico, I actively monitored Pemex’s announcements for a formal public tender. In late 2011, Pemex announced it was inviting companies to participate in an international public tender for reworking wells. The tender would be in accordance with free trade agreements that Mexico had entered into. Pemex posted the details of the bidding rules on its website, including the technical and financial requirements for the contractor, the details of the work that would be performed, and the proposed material terms of the service contract with Pemex. To submit a formal bid, we would have to show that we were technically and financially capable to perform the proposed work.
17. Before beginning the qualification process, I remember discussing the proposed terms of our investments with Jim Finley. They seemed reasonable to us. We understood that we would have to invest capital to perform the work. For example, we would be required to purchase equipment and import it to Mexico, purchase other equipment in Mexico, lease and purchase

real estate, and build warehouses on the real estate. We would also be required to hire and train employees.

18. Despite the fact that our initial capital expenditures would be significant, I believed that we had a reasonable opportunity to recoup our investments and earn a profit. Pemex would be agreeing to request a certain amount of work from us under the contract. Before, Pemex had also repeatedly told us that it pays and promoted the fairness of its legal system. I also understood that our contracts would be subject to NAFTA's protections.
19. Based on Pemex's representations and what appeared to be reasonable terms, we submitted a bid. Pemex reviewed our proposal and awarded us our first contract. In the following years, Jim and I entered into three contracts with Pemex.
20. As explained in more detail below, none of our contracts went according to plan. Pemex had repeatedly told us "Pemex pays, Pemex pays." However, Pemex never met any of its work obligations under our contracts. This was unusual. As noted above, it was well-known that Pemex had been exceeding the maximum values of its contracts because it was trying to increase production. The Pemex officials that I was in close contact with told me that they knew Pemex's conduct was wrong and inconsistent with its promises. However, they blamed Pemex's decision not to request work from us on budget cuts after we signed our contracts. Based on what I have read in the press and what my contacts within Pemex have told me, Mexico and Pemex apparently changed their strategy regarding Chicontepec.
21. Ultimately, for our first two contracts with Pemex we entered into settlement agreements called "finiquitos." This accommodated Pemex by ending its obligation to issue work orders to us. In return, Pemex agreed that we would be able to seek damages for amounts that we believed we were owed under the contracts. We pursued our rights in Mexico's court system and encountered undue delays and were not given a reasonable opportunity to present our case.
22. For our last contract, we initiated legal proceedings because Pemex was not performing as agreed. It had been months since Pemex requested work and Pemex had requested only around 10% of the contract value (approximately US\$ 370 million under the contract was remaining). Again, based on Pemex's representations and actions, I believed that Pemex would meet or exceed the maximum contract value. Pemex fought our legal action and then

administratively rescinded the contract, claiming that we did not perform work for a work order it supposedly issued after our legal action. Ultimately, the Mexican legal system did not protect us in this regard either and affirmed Pemex's rescission of our contract for one purportedly unperformed work order. Our contract requires fifteen unperformed work orders before Pemex can invoke its right to rescind the contract. Since commencing this arbitration, which required us to discontinue our domestic legal action, Pemex has sought to call the US\$ 41.8 million guarantee that we had to provide for work that Pemex was required to request from us.

23. Below, I elaborate more about our investments in Mexico and what happened afterwards under each of our three contracts with Pemex.

VI. FIRST CONTRACT: THE 803 CONTRACT

24. My company, Bisell, and one of Jim's companies, MWS, bid and were awarded the rights to enter into Contract No. 424042803 with Pemex. I refer to this as the "803 Contract."
25. Under the 803 Contract, Pemex agreed to request us to perform US\$ 48 million worth of work over a twenty-two month period. This contract was to reestablish wells that Pemex had previously drilled but had shut in for various reasons. To make sure we performed the requested work, Pemex required us to provide a performance guarantee of US\$ 4.8 million.
26. In order to perform under this contract, we needed to establish another company in Mexico. I formed Drake-Mesa, S. de R.L. de C.V. Prize owns 50% of Drake-Mesa. Prize, along with Finley, exercised managerial control over Drake-Mesa during the events relevant to this arbitration. Pemex also required us to purchase new equipment for this contract. We purchased new workover rigs of different capacities and imported them into Mexico. Below is a picture of one of the rigs:



Importing the equipment into Mexico was both difficult and expensive. We had to complete various customs forms, hire logistics companies to transport the equipment, and pay taxes to Mexico. This process cost us millions of dollars. In addition to equipment, we also had to purchase various materials — steel piping, for example — that we would use to workover the wells.

27. Moreover, we needed to build infrastructure to be able to work in Chicontepec. We found land in the town of Poza Rica to establish as our base for operations. Poza Rica is near Chicontepec:¹

¹ **C-0063**, *Well Construction and Field Development in Mexico*, OILFIELD REVIEW (Winter 2003-2004) https://web.archive.org/web/20060502065056/http://www.slb.com/media/services/resources/oilfieldreview/ors03/win03/p46_53.pdf.



28. We initially leased the land in Poza Rica. Later, we purchased it. The following picture shows the land before we developed it:



29. We called this land the “yard.” We cleared the yard and used it to store, assemble, and disassemble our equipment (i.e., workover rigs, tank pumps, gauges, wirelines, and mobile offices, etc.).
30. In addition to the yard, we also leased a warehouse near the yard to store various tools. The picture below depicts the inside of the warehouse along with some of our equipment and employees:



- The green tubing is fishing equipment that we purchased ranging from around US\$ 10,000 to US\$ 20,000 apiece. Overall, I estimate that we had around US\$ 1 million to US\$ 2 million in equipment in the warehouse. To perform work under the contract, we would transport our equipment to the work site.
31. In addition to the yard in Poza Rica, we also purchased land in the town of Tamos, which is in the north of Mexico and close to Tampico. We purchased this property to store some of our equipment.²

² We also used it as security for the 803 Contract performance bond and for the performance bonds required under our subsequent two contracts with Pemex.

32. We also had to hire and train employees in preparation to perform under the 803 Contract. To do so, I used my existing contacts in the oil industry in Mexico to find locals as potential employees. Overall, we hired over a hundred employees for the 803 Contract.
33. For training, I had to find a company in Mexico capable of training our local employees with respect to safety and other matters. This process not only benefitted us by giving us access to qualified employees, but also benefitted Mexico's economy generally. Once we finished our project, these employees would be equipped to work for Pemex or other companies in the oil industry.
34. Our 803 Contract investments in Mexico were significant. We made these investments expecting that we would have a fair opportunity to recoup our investment and earn a profit. As mentioned above, Pemex repeatedly told us "Pemex pays, Pemex pays" when it was recruiting us to come to Mexico. Second, Pemex had agreed to request US\$ 48 million in work over 22 months. Based on Pemex's representations and its conduct in other contracts, we believed that Pemex would far exceed this amount. I understood from the Pemex officials that I was in contact with someone at Pemex who said that they had budgeted US\$ 90 million for this contract. Again, this was consistent with Pemex's representation that they needed to workover at least 13,000 existing wells.
35. Third, under Clause 1.4 of the 803 Contract, Pemex said it had allocated sufficient funds to request the work under the contract. Based on my other interactions with Pemex, I understood this to mean that the Mexican government had earmarked certain funds for this project before executing the 803 Contract with us. Fourth, Pemex represented that it would pay its invoices within 20 days. Finally, because Pemex had encouraged us to pursue this contract, I expected Pemex to treat us fairly by complying with its contractual obligations. We agreed with Pemex to litigate any dispute in Mexican courts, and I expected Mexico to provide a fair legal system.
36. We started work in the early part of 2012. We would receive a work order from Pemex. Then, the workers and appropriate equipment would be transported from the yard to the site where Pemex wanted us to perform the work. We followed this process for the first few months. Below is a picture of work that we performed for Pemex, using a rig that Pemex required:



37. In 2012, Pemex discussed wanting to expand the scope of the project, which would require hiring and training more workers. Similarly, in September 2012, Pemex asked if we would be able to import additional equipment into Mexico on short notice. In mid-2013, Pemex would formally ask us to add four new workover rigs to the ones we were already required to provide under the contract. Pemex's requests to expand the project appeared to be mutually beneficial. At this point, Pemex had been issuing work orders, we were performing the work, and Pemex was paying timely. As such, we hired and trained additional employees and would import additional equipment into Mexico, as requested.
38. Not long after Pemex first inquired of our ability to import additional equipment in Mexico (September 2012), Mexico's president-elect Enrique Pena Nieto was sworn into office. He worked to reform many sectors of the Mexico economy, and in particular, the oil industry. This was significant for Pemex because Mexico's President appoints Pemex's CEO. Mr. Lozoya would be Pemex's CEO from 2012 to 2016. In 2019, it was reported that he was

arrested based on accusations of taking more than US\$ 10 million in bribes. Mr. Lozoya is in jail awaiting trial.

39. In addition to Mr. Lozoya becoming Pemex's CEO in late 2012, Mr. Froylan Gracia became the head of Pemex's General Directorate Office. Mr. Gracia was Mr. Lozoya's childhood friend and was known as his right-hand man at Pemex. Mr. Gracia is well-known in Mexico's political and social circles. I also recall there being a shakeup of many other managers as well. Many of the persons that I was in day-to-day communication with at Pemex changed with the new administration.
40. President Pena Nieto and Mr. Lozoya had a new vision for Pemex and Mexico's entire energy sector. They wanted to reform Mexico's hydrocarbon sector to allow international oil and gas companies rights to explore for and produce hydrocarbons. Up until this time, private companies like us were limited to providing services to Pemex.
41. For the first ten months of President Pena Nieto's presidency, Pemex generally performed as agreed under the 803 Contract. It had requested US\$ 26 million of its US\$ 48 million work obligation. By the fall of 2013, Pemex had approximately US\$ 22 million outstanding to request.
42. Without explanation, Pemex notified us that it would not be issuing any further work orders. To understand what was happening, I went to Pemex's office in Poza Rica. I spoke with José López ("Pepe"). At the time, Pepe was managing the workover operations of Pemex's wells in Chicontepec. Pepe told me that Pemex lacked the budget to request further work under the 803 Contract.
43. Pepe then told me not to worry. He told me that at any moment Pemex's budgetary issues could change and Pemex would begin issuing work orders again. He asked us to keep our equipment and workforce on standby for when matters returned to normal. While we were on standby, Pemex would pay us a day rate. Although that rate was less than the amount we would have received for actually doing work, he said that Pemex would "make it up to us." He mentioned Pemex possibly extending the term of our contract for the period that it had not been issuing work orders to us.
44. In addition to Pepe, I was in communication with Pemex officials in various sectors, including (a) operations, (b) contracts, (c) legal, (d) financial, and (e) local officials responsible for

Chicontepec (e.g., Plácido Gerardo Reyes Reza and Antonio Narváez). During this time, I was getting mixed messages about the situation for the 803 Contract (and the 804 and 821 Contracts as well). However, in general, Pemex officials were telling us not to worry and that they would comply with their obligations to start requesting work.

45. From my experience, it did not make sense for Pemex to claim that it did not have the budget to request work from us. Before executing the 803 Contract with us, Pemex first had to secure the funds for the amount of the contract. Based on the representations of Pemex officials before we signed the 803 Contract, we understood that they had allocated US\$ 90 million for the 803 Contract, which far exceeded the contract price (US\$ 48 million). Pemex would not have executed the 803 Contract without getting the funds for the contract budgeted or earmarked. Pemex even represented in the 803 Contract that “*Ha previsto los recursos para llevar a cabo los trabajos objeto de este contrato*” or “[Pemex] has provided the resources to carry out the work covered by this contract.”
46. Because of Pemex’s promises, we did not believe that Pemex’s budgetary issues would take long to resolve. Unfortunately, as weeks began to pass, we were losing significant amounts monthly to keep our equipment and employees on standby. Every day I was contacting Pemex officials to get Pemex to resume operations. I cannot remember every communication, but I do recall generally interacting with several officials, including Antonio Narváez, Salvador Quero, Oscar Bartoluchi, and Nicolas Rodríguez Saucedo. In varying degrees, these gentlemen oversaw operations under our contract. They told me things similar to Pepe López: Pemex did not have the budget, things could change at any time, keep our equipment and personnel on standby, and Pemex would eventually make us whole.
47. Next, Pemex told us that it was extending the term of the contract for the days that it had not been issuing work orders. I believe Pemex did this again, resulting in the term of the contract ultimately extending from December 21, 2013 to June 30, 2014. However, Pemex did not issue any work orders. In fact, in early 2014, Pemex told us that it did not believe it would be requesting any further work under the contract. Pemex ignored our repeated requests to reconsider their position.
48. Pemex’s decision not to issue any more work orders put us in a difficult position. Per Pemex’s request, we had been keeping our equipment and personnel on standby. We were paying our

employees with the expectation that Pemex would resume performance and “make us whole” as it had promised. We were bleeding money.

49. We had little choice but to agree to Pemex’s decision to terminate the contract. To this end, we began the “finiquito” process under which we agreed to wind down the contract and resolve any outstanding amounts owed. We asked Pemex about its promise to pay us a day rate for keeping our equipment and personnel on standby. However, Pemex told us that we should pursue such a claim in court. This is why we insisted that our finiquito settlement include a reservation of rights to pursue outstanding amounts against Pemex. It owed us for the US\$ 22 million of outstanding work that it never requested and the day rate for the equipment and personnel that it promised to us to remain on standby.
50. It was very important for us to sign the finiquito. If we did not do so, Pemex would pursue a unilateral finiquito. Based on my experience, I knew exactly what would happen during this process. Pemex would “invent” an issue under the contract and attribute it to us (e.g., claiming they had a well blow out and that it was our fault). Thereafter, Pemex would attempt to call on the bond that we obtained for 10% of the contract value (US\$ 4.8 million). This is despite the fact that it was Pemex who did not meet its work obligations under the contract. Over the next couple years, we were in this same predicament with the 804 Contract and the 821 Contract. In fact, with the 821 Contract, Pemex has continued trying to finalize the finiquito and call upon our performance bond into 2022.
51. We pursued our rights under the 803 Contract in the Mexican court system. This did not go as planned either. We sued Pemex in October 2015 in the district court of Veracruz. I am not a lawyer, however, I was in regular communication with our lawyers and generally understood what was transpiring. There was delay after delay, and as best I understand, these were procedural delays that kept us from concluding the merits of the case.
52. After nearly five years in court, Jim Finley and I did not believe that the Mexican court system would treat us fairly. They certainly were not providing us with adequate access to justice or a fair opportunity to be heard. We decided to ask our attorneys in Mexico to terminate this litigation and commence this arbitration.

VII. SECOND CONTRACT: THE 804 CONTRACT

53. In March 2013, MWS and Bisell entered into another contract with Pemex to perform oilfield services in the Chicontepec region. This was called the “804 Contract.”
54. To provide some context, at the time we entered into the 804 Contract, we had been performing under the 803 Contract for approximately one year. We were operating as expected. Pemex was issuing work orders, we were doing the requested work, and Pemex was paying us. It was not until the latter part of 2013 when Pemex began to stop issuing work orders. When we entered into the 804 Contract, we had no indication that Pemex would stop paying us.
55. The process of entering into the 804 Contract differed from our tender process for the 803 Contract. We entered into the 804 Contract directly with Pemex. Even though Pemex had new senior officials because of the 2012 election, its strategy to develop Chicontepec remained largely the same. We had been discussing Chicontepec with Pemex officials, and there was a sense of urgency to increase production in Chicontepec. They asked for our help.
56. Pemex was also seeking different work under the 804 Contract. Pemex wanted us to drill new conventional wells, horizontal wells, and directional wells. For this contract, Pemex agreed to request up to US\$ 55 million in work, over six months (March 30, 2013 to September 30, 2013). To secure our performance, we were again required to post a guarantee for 10% of the US\$ 55 million work obligation. This is one of the reasons why we expected Pemex to request the maximum amount of work from us.
57. Because of the 804 Contract’s expanded scope of work, we were required to make additional preparations. We had to purchase additional equipment and hire and train dozens of new employees. We also had to expand the warehouse on our yard in Poza Rica.
58. Although this was capital-intensive, we believed that we had a reasonable shot to recoup our investment and earn a profit. Pemex repeatedly told us, “Pemex pays, Pemex pays.” Our contract also stated that Pemex had sufficient funds to pay for the work under the contract. As stated above, I understood this to mean that the Mexican government had already obtained the funds for this contract before Pemex executed it. The 804 Contract also had a new provision. In this contract, we agreed with Pemex that both sides would comply with their

obligations based on principles of good faith and equity. Finally, the contract referenced NAFTA's protections even though this contract was not awarded through a tender process.

59. Pemex did not perform under the 804 Contract as expected. From the outset, Pemex did not request any work. After a month or so had passed without receiving any work orders, we raised the issue with Pemex's top officials, including the number two official at Pemex, Froylan Gracia.
60. Only after the first three months of the six-month term had passed, in July of 2013, did Pemex finally request work. To do the work, I recall that we had to transport our equipment from the yard in Poza Rica to the work site. However, after we had assembled our equipment on the work site, on September 2, 2013, Pemex notified us that it was suspending the project. Pemex told us that it would not be proceeding with the requested work. Pemex also asked us to remove our equipment from the work site and transport it back to the yard. As a result, we had to disassemble our equipment from the work site and transport it back to the yard.
61. In October 2013, we heard from Pemex. It did not request work. Instead, it told us that it was extending the term of the contract by three months (from the end of September 2013 to the end of December 2013). Around this same time, Pemex had stopped issuing work orders under the 803 Contract. As explained above, I was in contact with Pemex officials who told me not to worry about the work stoppage. At this point, we had two options. We could have sued Pemex or we could continue under the contract. We had already made a significant investment in Mexico in both equipment and labor based on Pemex's representations to us, so we chose to agree to the extension. Based on their representations to me and in the contract, we continued to believe that Pemex would act in good faith and request at least US\$ 55 million under the contract. If Pemex needed an extension to request the work, we reluctantly agreed.
62. In early 2014, Pemex told us that it was extending the 804 Contract for an additional three months. Now, the 804 Contract would expire on March 31, 2014. Again, we could have sued Pemex. However, we had made significant investments and our monthly costs were mounting. If we wanted a chance perform the expected work and recover our expenses, and hopefully earn a profit, we had to agree to the extension.
63. In March 2014, Pemex told us that it would not be requesting any further work under the 804 Contract. It said that it was initiating the finiquito process to terminate the 804 Contract. We

tried to persuade Pemex to reconsider its position. We wanted to continue working and recover our mounting losses. However, Pemex refused. Its intransigence forced us to agree to terminate the contract. To protect our claims, we reserved our rights to seek damages through litigation. Again, it was important for us to sign the finiquito and reserve our rights. Otherwise, Pemex was sure to pursue a unilateral finiquito and call upon our performance bond (US\$ 5.5 million under the 804 Contract).

64. This litigation was similar to what we experienced with the 803 Contract. We had expected the Mexican court system to hear the merits of our claim and issue a judgment about whether we were entitled to payment for Pemex's unfulfilled promises. Instead, we experienced a confusing and protracted process. After nearly five years and spending a significant amount of money in legal fees, Jim and I concluded that the Mexican judicial system was simply not interested in resolving the merits of our dispute. We asked the court to discontinue this lawsuit, and we pursued our rights in this investment arbitration.

VIII. THIRD CONTRACT: THE 821 CONTRACT

65. Around the time that Pemex had asked us to increase the number of workover rigs under the 803 Contract and had issued work orders under the 804 Contract in mid-2013, we learned that Pemex was planning another international tender for contracts to drill and complete wells in Chicontepec. I had been having meetings with Froylan Gracia (the right-hand man of Pemex's CEO), and Carlos Morales Gil (the Director General of Pemex Exploration and Production), and José Serrano, who was in charge of service contracts nationwide for Pemex Exploration and Production. We call him "Pepe." I met with them in Villahermosa and in Mexico City. I also met with Nicolás Rodríguez Saucedo and Juan Lorenzo González Montemayor, who were managers for the region encompassing Chicontepec.
66. During these meetings, they told me about the importance of Chicontepec to Mexico's goal to increase its oil production. They also explained that the new Mexican administration wanted to have private investment in the hydrocarbon sector. They told me that these new contracts were a part of those efforts.
67. Froylan and Pemex's then-CEO Emilio Lozoya invited me and Jim to a meeting at the Offshore Technology Conference (OTC) in Houston in May 2013. Pemex had a booth at the OTC and was soliciting investment. Pemex's booth had a private room, and that is where we

met. In addition to Froylan, Emilio, Jim, and me, Carlos Morales Gil attended the meeting. At the time, he was the head of Pemex Exploration and Production.

68. At the meeting, Emilio talked to us about the opportunities in Mexico. Pemex appreciated that we had invested in Mexico and wanted us to invest more. However, Pemex lacked the experience to develop Chicontepec to its potential because it did not have the experience that private operators had with directional drilling and hydraulic fracturing in the unconventional formations. He explained that Pemex was focusing on private operators because it needed their experience for this type of work. It is important to note that around this time, the new Mexican government was pushing to open the Mexican market to private investors.
69. This was not the first time that I had met with Emilio Lozayo. The first meeting that I remember was at a private house in Mexico City. I met Emilio along with Froylan and one other person, perhaps Froylan's brother. Emilio and I have a mutual friend who arranged this meeting.
70. Emilio was new to his position, but he knew that we were working under the 803 and 804 Contracts. He was polite and told me that our work was important to Pemex and Mexico and that we were valued as a partner. He wanted to talk about the Mexican oil market and opportunities for companies to work with Pemex. He said that Pemex was interested in international companies that could provide services and those that could own an exploration/exploitation block in Mexico.
71. Emilio and I also talked about the upcoming tender. He said that Pemex had a plan for this tender of 10 new packages. Pemex planned to put operators to work and have them bring equipment and personnel to the assigned areas. The operators who performed satisfactorily would then have some sort of option to that particular area or block once the Senate approved the hydrocarbon reforms. I recall Emilio using the example of Grupo Diavaz. One of its affiliates DS Servicios Petroleros does service operations for Pemex.
72. I had one or two other meetings with Emilio. One was at the same private house in Mexico City and another at his office in Mexico City. The meeting at the private house was more of a social meeting, and we discussed offshore and general issues. The meeting at his office in Mexico City arose from a meeting that I was having with Froylan. He and I met to discuss Pemex's performance under the 803 and 804 Contracts. Froylan checked if Emilio was in the

office, and when confirmed, we met with him. Emilio was understanding of our concerns about Pemex not performing as agreed, told me that he would look into the situation, and told us that he appreciated our investment in Mexico.

73. Not long after our meeting with Pemex at the OTC in Houston, in August 2013, Pemex formally announced its international tender. Similar to the 803 Contract, Pemex would have to prequalify any company interested in submitting a bid. Companies had to show they had the financial capacity, technical ability, and experience in projects with similar complexity as the ones being offered.
74. During the qualification process, I continued to be in frequent contact with Froylan and Pepe. The qualification process and subsequent bidding process took a while. During the discussions leading up to submitting our bid, Pepe told me that Pemex already had the funds to cover the entire project. He also told me that “Pemex pays, Pemex pays.” Moreover, the contracts awarded under this tender would be big, meaning Pemex would be requesting a large amount of work and spending a lot of money. Both Pepe and Froylan told me that if we performed well under one of these contracts, this would open the door for us to obtain a block to explore/exploit hydrocarbons. To explain this comment, he was referring to the new administration’s agenda to promote legislation that would open the Mexican hydrocarbon sector to foreign investment.
75. Because of Pemex’s assurances, we decided to submit a bid for the 821 Contract. We submitted a bid expecting US\$ 418 million worth of work. As noted above, Pemex had been exceeding the maximum value of the contracts it had entered into around this time (2012-2014). The bid round for the 821 Contract was similar to that for the 803 Contract. As part of this process, we understood that our investments would be protected by NAFTA. As the bid evaluations progressed, I was in frequent contact with Froylan. In addition, Froylan was also contacting Jim to meet with him. I assume this was about our future investments in Mexico. Ultimately, we won our bid on February 12, 2014.
76. The 821 Contract was much larger in scale than the 803 and 804 Contracts. We had to purchase additional equipment and hire and train more employees in preparation to perform. We also incurred other out of pocket expenses. For example, under the 821 Contract, we were required to deliver a financial guarantee to Pemex equivalent to 10% of the maximum contract price, or approximately US \$41.8 million. We opened this bond through Dorama Bond

Company in Mexico City. Finally, for this contract, we had to establish an enterprise in Mexico called Drake-Finley, S. de R.L. de C.V., which partnered with Finley Resources to submit the bid. Prize owns 80% of the shares of this entity. Prize and Finley exercised managerial control over Drake-Finley at all relevant times in this arbitration.

77. We started work under the 821 Contract in May 2014. For the next few months, Pemex submitted work orders to us and we performed the work. For example, the picture below is a fracking well that we drilled for Pemex:



78. Unfortunately, Pemex did not issue a work order from November 2014 to March 2015. This was over 100 days of having our equipment and employees on standby, waiting to perform. We were spending money without revenue from doing the work.
79. In March 2015, Pemex began requesting work again. We performed the work as agreed. However, throughout 2015 and early 2016, Pemex began trying to renegotiate the contract. *First*, it demanded a 5% discount from us on all invoices. Pemex officials called me and explained that they were having budget issues. At this point, oil prices fell to US\$ 45 in March 2015 and were over US\$ 100 when we executed the contract in 2014. Regardless, Pemex's behavior was inconsistent with them having told us repeatedly about having resources allocated to this project before tendering it out for contract and its repeated promises of "Pemex pays."
80. *Second*, Pemex imposed conditions that made it more difficult for us to perform. Instead of moving our equipment from one job site to the next, Pemex demanded that we return all of

our equipment back to the yard between each work order. This would have added more costs (based on my experience in the industry, this would cost around US\$ 300,000 each trip), which was not our agreement when we expanded our investments in Mexico and entered into this contract. Consequently, we opposed Pemex's request.

81. *Third*, Pemex would tell us that it was changing the time by when it was going to pay for invoices. Under the 821 Contract, Pemex agreed to pay our invoices within 20 days. Pemex unilaterally extended this time to six months. This made our ability to work in Mexico even more difficult. Among other issues, we coordinated our subcontracts with our payments from Pemex. Pemex's unilateral change had a negative ripple effect on our subcontracts. As a result, instead of working as agreed, we were tending to disputes with our subcontractors that arose because of Pemex's non-compliance to us. These disputes were both expensive and distracting.
82. To make matter worse, Pemex did not issue a work order from August 2015 to November 2015. Although it started issuing work orders again in November 2015, Pemex was not issuing work orders for long. It stopped again in January 2016. Pemex then told us that it was suspending the contract. We protested, but Pemex made a new excuse. This time Pemex claimed that it was not obligated to issue any work orders under the 821 Contract. We could have sued Pemex, but we experienced the Mexican judicial system in connection with the 803 and 804 Contracts and we were concerned that Pemex might well retaliate against us for enforcing our rights. Because Pemex had restarted issuing work orders in the past, we remained hopeful that it would resume again, which would help slow the bleeding.
83. Unfortunately, by April 2016, over 100 days had passed since Pemex requested work. Since we entered into the 821 Contract, there was now over 300 days of inactivity. This was similar to what Pemex did to us under the 803 and 804 Contracts: go extended periods without requesting work.
84. Under the 821 Contract, Pemex agreed to comply with its obligations based on principles of good faith and equity. At this point, we no longer believed that Pemex intended to uphold its end of the bargain. We had been given no indication otherwise. Moreover, our losses were mounting rapidly. Because Pemex was not performing as agreed, we initiated legal action against it in a Mexican court. We were clear with Pemex. We wanted it to comply with its contractual obligations and request work, but its behavior forced us to seek judicial relief.

85. In response to our lawsuit, Pemex officials from the contract and legal department told us that it would not pay us anything while our lawsuit remained pending. Pemex further complicated matters by challenging our lawsuit. It was clear to me that Pemex had other objectives and was planning to use the legal system to further avoid its commitments to us. This was consistent with Pemex's conduct in our ongoing lawsuits involving the 803 and 804 Contracts.
86. Pemex's failure to uphold its commitments to request US\$ 418.3 million in work took a serious financial toll. We were forced to terminate many of our employees and change our operations. Because of the mounting costs, we were no longer able to have our equipment and employees remain on standby pending Pemex issuing a work order (that Pemex told us in no uncertain terms that it had no intention of issuing any further work orders). We had no revenue, so it was not sustainable to maintain workers and equipment ready to perform.
87. In fact, we moved much of our equipment from our yard in Poza Rica to store it at our yard in Reynosa. Our equipment remains in the yard in Reynosa today. The last time I checked, our equipment was rusting:



88. I told Pemex that we were moving our equipment and laying off our employees. I explained that our costs were mounting, and because they told me that they would not be requesting any more work, we did not have any revenue. Pemex knew that we were moving our

equipment because they had an inspector who would regularly visit our yard to ensure that our equipment was in compliance with Pemex's specifications under our contracts. Importantly, we had to lay off our employee who served as our representative in Pemex's office in Poza Rica.

89. Each company with a Pemex contract had a representative in Pemex's office. The company representatives attended a daily meeting early in the morning. At these meetings, Pemex would discuss the work being carried out, new work orders, and strategies to complete the work. The representatives would also accept new work orders. As we had not received a work order in many months and Pemex unequivocally advised that we would not be receiving any further work orders, we terminated our representative. Pemex accepted the termination of our representative without complaint.
90. By November 2016, Pemex had not issued any work orders for approximately 11 months. Pemex then started to claim that it had issued a work order requesting that we drill a well. This well would cost approximately US\$ 1 million.
91. I knew this work order was not legitimate for several reasons. First, Pemex had told us that it would not issue another work order (or pay for work) because of the lawsuit that we filed against it. Second, eleven months had passed since Pemex issued its last work order.
92. Third, Pemex had repeatedly told us that it did not have the budget to issue any further work orders. At that point, Pemex already had outstanding obligations of US\$ 369 million. However, Pemex issued a US\$ 1 million work order to us.
93. Finally, we had not been not involved in the preparation of this work order. To my knowledge, we had been involved in the preparation of all of the other work orders issued under the 803, 804, and 821 Contracts. Preparing a work order without our involvement was contrary to the practice of joint collaboration that we had established for the development and finalization of work orders.
94. To provide context, I describe the process to prepare a work order under the three contracts. In general, a work order specifies the work to be completed, the location of the work, the timeframe to complete it, and the cost. As noted above, our representative based in Pemex's office would assist Pemex with the preparation of work orders and receive the work orders.

95. This latter point is important. Preparing the Pemex's work orders was a very technical process. Pemex held daily meetings about the technical aspects of each project, the work needed, and the best way to complete this work. Pemex led the meetings. Each company was required to have a technical representative on site, and Pemex would seek technical advice from them on the work that was needed and the strategies to complete the work. We would often liaise with our representative at Pemex's office on how to approach certain technical issues. It would sometimes take weeks of dialogue with Pemex before it would prepare and issue a work order. Given the sophisticated nature of drilling a well combined with the safety and environmental risk, we would work with Pemex to jointly design and approve the operation. Our representative at Pemex's office is who formally received work orders, and the receipt was acknowledged with his signature along with those of the Pemex officials responsible for the contract.
96. Unlike all of the previous work orders that we had prepared, the November 2016 work order issued by Pemex was a complete surprise. Pemex did not alert us that it was preparing a work order. It also did not involve us in its preparation. Our representative was no longer at Pemex's offices, so he did not receive it. Below is the work order, and his signature should be at the center, bottom under "acepta" or "accepted":

PEMEX
EXPLORACIÓN Y PRODUCCIÓN

DIRECCIÓN DE DESARROLLO Y PRODUCCIÓN
SUBDIRECCIÓN DE SERVICIOS A LA EXPLOTACIÓN
GERENCIA DE SERVICIOS DE INTERVENIONES A POZOS
COORDINACIÓN DE SERVICIOS DE INTERVENIONES A POZOS ZONA NORTE
RESIDENCIA DE CONTRATOS ATG

ORDEN DE TRABAJO DE PERFORACIÓN: 028-2016

CONTRATO No. 421004821

FINLEY RESOURCES, INC./ DRAKE MESA, S. de R.L. DE C.V./ DRAKE-FINLEY, S de R.L. de C.V. (PROPUESTA CONJUNTA)

TRABAJOS INTEGRALES DE PERFORACIÓN Y TERMINACIÓN DE POZOS TERRESTRES EN LAS REGIONES NORTE Y SUR DE DE PEP, PAQUETE A.

ATENCIÓN:
ING. JOSÉ MIGUEL HERNÁNDEZ NAVIGAL
CARGO: SUPERINTENDENTE DE CONSTRUCCIÓN

AGRADECERÉ A USTED, ORDENE A QUIEN CORRESPONDA EJECUTE EL SIGUIENTE TRABAJO:

POZO: COAPECHACA 1245

FECHA Y HORA DE SOLICITUD: 25 de noviembre de 2016

FECHA Y HORA DE INICIO DE MOVIMIENTO: 10 de diciembre de 2016 08:00 HRS

FECHA Y HORA DE INICIO DE LA PERFORACIÓN: 17 de diciembre de 2016 12:00 HRS

TRABAJO A EFECTUAR:

PARTIDA	DESCRIPCIÓN DE LA PARTIDA	UNIDAD	CANTIDAD
SA.1.2	TRABAJOS INTEGRALES PARA LA PERFORACIÓN EN ETAPA SUPERFICIAL DE 14 3/4" Y TR DE 10 3/4". POZOS DIRECCIONALES DE 1.894 A 3.485 MDSMR	M	50
SA.2.2	TRABAJOS INTEGRALES PARA LA PERFORACIÓN EN ETAPA INTERMEDIA DE 9 1/2" Y TR DE 7 3/4". POZOS DIRECCIONALES DE 1.894 A 2.495 MDSMR	M	500
SA.3.8	TRABAJOS INTEGRALES PARA LA PERFORACIÓN EN ETAPA EXPLOTACIÓN DE 6 3/4" Y TR DE 5 1/2". POZOS DIRECCIONALES DE 2.194 MDSMR	M	1215
3.1	MOVIMIENTO DE EQUIPO DE PERFORACIÓN ENTRE PLATAFORMAS. INCLUYE EQUIPO Y PERSONAL.	SERVICIO	1
3.1	REGISTRO SÓNICO DE CEMENTACIÓN Y DE DENSIDAD VARIABLE EN ETAPA INTERMEDIA O DE EXPLOTACIÓN.	SERVICIO	1
3.26	CUADRILLA DE PERFORACIÓN DE PEP	JORNADA	25

NOMBRE: DAVID ANGEL PEREZ ORTIZ
FECHA: 5/3/2016
FIRMA: 
Supervisor de Contrato

NOMBRE: LUIS GOMEZ HERNANDEZ
FECHA: 4/3/2016
FIRMA: 
Residente de Contrato

ACEPTA
NOMBRE: JOSÉ MIGUEL HERNÁNDEZ NAVIGAL
FIRMA: 
SUPERINTENDENTE DEL CONTRATO 421004821

NOTA: ESTE ORDEN DE TRABAJO DEBE REFERENCIAR A LA SOLICITUD INTERNA SAP: 0001010001, COLUMNA DE CONTROL PRESUPUESTAL: 0001010001-NOV-2016, PEDIDO SAP: 4000000001 Y PEDIDO SAP: 4000000002-NOV-2016

Activo de Producción Aceite Terciario del Golfo
energía con eficiencia para alcanzar la excelencia 

97. Shortly after I learned about the supposed work order, I called my contacts at Pemex. One of them was Luis Gomez, the manager for the 821 Contract. Luis apologized. He said that Pemex was “a mess” and that many Pemex employees were not happy with what was transpiring within the company. He further explained that Pemex issued that work order in order to have a reason to administratively rescind the contract. I asked why Pemex needed to cancel the contract. He told me that he had received orders telling him that Pemex did not have the budget to continue asking us to perform work.
98. According to Luis, there was an extensive effort internally to prepare and approve this work order. He told me that Pemex wanted the work order to appear legitimate if we attempted to challenge it during the rescission process. According to Luis, drafting the work order was a close collaboration between Pemex’s commercial department and its legal department. He explained that Pemex’s commercial department did something to make it appear that Pemex had the budget to perform work under this contract. This is in stark contrast to what Pemex was repeatedly telling us — that it lacked the budget — to request work under the 821 Contract.
99. Above, I noted why I do not think that this work order was legitimate. In addition, Luis’s explanation of Pemex’s effort in preparing this work order is consistent with Pemex’s reputation. It is well known that Pemex and the Mexican government retaliate if you initiate a lawsuit against Pemex. This strategy has protected Pemex. This is why many use extreme caution before suing Pemex.
100. In my experience, it is also very rare for Pemex to cancel contracts. I know that they have cancelled contracts when a contractor did not perform or there was a major accident. Before this arbitration, I had heard of only one time when Pemex cancelled a contract because of a budgetary issue. Once this arbitration began, I asked my attorneys to make numerous requests to Pemex for information related to this arbitration under Mexico’s transparency law. Pemex refused to respond to most of our requests because of this arbitration. However, it did disclose that it had only rescinded five contracts between 2006 and 2016. This confirmed my understanding that rescissions of Pemex’s contracts are very rare. Taking this into consideration and that Pemex never worked with us to prepare this work order, my conversations with Luis gave me the strong impression that Pemex sent this work order as a means to get out of the 821 Contract.

101. However, the 821 Contract does not allow Pemex to rescind it for one unfulfilled work order. This contract is different from our first two contracts with Pemex. We negotiated with Pemex to include a limitation of Pemex's ability to rescind because of unfulfilled work orders. Under the 821 Contract, Pemex cannot rescind our contract unless we accumulate 15 unfulfilled work orders. This protection was important to us when we were making this additional investment in Mexico because it constrained Pemex's ability to rescind a contract with very significant and sizeable commitments on its part (US\$ 418 million).
102. In addition to accusing us of not performing this one work order, Pemex also accused us of not complying with an obligation to pay a certain fee under the contract to support the community and the environment. In short, Clause 48 of the 821 Contract required us to establish a program to support the local communities and environment. The amount of the program was to be 2% of the contract value. When Pemex was issuing work orders to us, we paid into this program. However, when Pemex stopped issuing payments, which choked off our revenue, we stopped paying for this program.
103. In July 2017, Pemex told us that it was rescinding the contract based on this one allegedly unfulfilled work order and the suspension of the community and environmental payments. Because of the falling oil prices at the time, it was not surprising that Pemex was trying to terminate the contract. What was surprising is that Pemex was attempting to use the rescission process instead of entering into a "finiquito" with us as it had done with our first two contracts. Perhaps, Pemex's financial exposure under this contract (compared with our first two contracts) caused it to seek to manufacture a justification allowing for rescission to avoid having to pay compensation under a "finiquito."
104. After we received the rescission notice, I went to Mexico City to have an in-person meeting with Rodrigo Hernandez, who was a senior Pemex official (Subdirector of Services at Pemex Exploration and Production). Rodrigo's explanation to me was similar to that of Luis Gomez above: they sent the November 2016 work order so that they could cancel the contract. Rodrigo provided additional details about the effort. He explained that Pemex knew we had commenced a lawsuit, that Pemex had told us they would not be paying us, and that we had moved our equipment and laid off our employees. However, according to Rodrigo, they had to send us the work order to have a "legitimate reason" to terminate our contract and avoid

- paying us. He also said that Pemex wanted to get paid and that their ultimate objective was to go after our US\$ 41.8 million bond (10% of the maximum contract value for the 821 Contract).
105. We challenged Pemex's rescission in Mexico's administrative court system in September 2017. As the case appeared to be coming to a close at the trial court level in the fall of 2018, a Mexican lawyer, Rob Keoseyan contacted me. Rob was a former attorney for Pemex. He told me that he had been in contact with a high-level attorney for Pemex named Rodrigo Loustaunau Martínez.³
106. Rob told me that our lawsuit against Pemex was one of Pemex's top three legal priorities. This was because of the high value of the 821 Contract (US\$ 418 million). He further told me that Pemex had appointed a special representative to help "end" the lawsuit so that Pemex could proceed with calling on our US\$ 41.8 million bond. Shortly thereafter, Rob Keoseyan and I had a meeting in Mexico City with Rodrigo. Rodrigo told me "your companies are done" and that Pemex was intervening in our court proceeding challenging the rescission of the 821 Contract.
107. Specifically, I understand from my conversations with Rob and Rodrigo that Pemex's representative apparently met with the judge deciding whether to uphold Pemex's administrative rescission. Based on their conversations, the judge had told Pemex that he was going to decide in Pemex's favor.
108. Shortly thereafter, in October 2018, the Mexican court found that Pemex could rescind the contract. This is exactly what Rob and Rodrigo told me would happen. The court refused to respect the contract provision that does not allow Pemex to rescind the 821 Contract unless and until there are 15 unfulfilled work orders. The court did not treat us fairly and its decision allowed Pemex to avoid its commitments to us. It was also consistent with Rob's warning a few weeks before the decision was issued. Thereafter, Pemex began proceeding with its plan to call upon the US\$ 41.8 million bond. Pemex's efforts to collect the bond have continued throughout 2021 and 2022.
109. Unfortunately, Pemex's efforts to collect the bond has not only put Jim and me at risk for paying US\$ 41.8 million. It has also put my companies in Mexico in a difficult position. Because of Pemex's efforts to collect the bond, no bond companies in Mexico will issue a

³ I understand that he is a Legal Manager for Pemex.

bond to my companies (Bisell and Drake-Mesa). As a consequence, my companies are unable to do any further work in Mexico and are now essentially worthless. Beyond this, Pemex's false accusations have tarnished both our companies and us personally.

IX. PEMEX'S COMPROMISE WITH DOMESTIC SERVICES COMPANIES

110. By the Spring of 2018, we had spent around three years in Mexico's court system litigating the 803 and 804 Contracts. For those contracts, we had not received a substantive ruling from Mexico's courts. Likewise, we were challenging Pemex's decision to rescind the 821 Contract. We had not received a substantive decision in that litigation either.
111. Pemex did not treat us fairly nor similar to how it treated similarly-situated Mexican oilfield services companies owned by Mexican nationals. For example, Mexico entered into Contract No. 424043809 with Integradora de Perforaciones y Servicios, S.A. de C.V. and Zapata Internacional, S.A. de C.V. Both of these companies are owned by Mexican oilfield services companies. Similar to our contracts, Pemex entered into this contract to further develop Chicontepec. As I understand, Pemex agreed to a minimum work obligation of US\$ 24 million under the 809 Contract.
112. Based on a settlement agreement between Pemex and these Mexican companies, it appears that Pemex requested around US\$ 8 million worth of work but did not meet its minimum work obligation. This is exactly what happened to us under our three contracts.
113. However, contrary to what happened to us, Pemex did not: (1) force these Mexican oilfield services companies to endure five-plus years in Mexico's court system as we did with the 803 and 804 Contracts or (2) employ a scheme to rescind the contract as it had done with the 821 Contract through the improper work order. Instead, Pemex agreed to compromise with these companies. In fact, Pemex paid them around US\$ 15 million.
114. Pemex treated us differently than these domestic companies. We were all oilfield services companies with similar contracts with Pemex to perform oilfield services in Chicontepec. Under all of our contracts, Pemex did not issue work orders to fulfill its minimum work obligation. Pemex compromised with these Mexican oilfield services companies (and perhaps others).
115. In closing, we went to Mexico in good faith to help develop Chicontepec and increase production in Mexico. In doing so, we invested around US\$ 35 million and hired and trained

hundreds of local employees. Based on Mexico's unequivocal representations in the contracts and to us personally, we expected Pemex to request over US\$ 521 million for the three contracts. Pemex did not do so.

116. Even though Pemex was not treating us fairly, we did our best to make the project work. We accommodated Pemex's requests to extend the terms of the contract and the deadlines to pay our invoices. Once it became clear that Pemex would not uphold its contractual obligations, we agreed with Pemex that we could mitigate our financial bleeding, unwind our operations, and seek compensation in Mexico's court system. Thereafter, despite spending hundreds of thousands of dollars in Mexico's court system, we fell victim to judicial and extra-judicial processes that stymied our ability to recover what we were due. We were then forced to watch as Pemex compromised with oilfield services companies owned by Mexican nationals. In all, Pemex acted arbitrarily and unreasonably towards, us and their conduct did not comport with our legitimate investment-backed expectations. Thus, we believe that Mexico breached its investment treaty obligations that it owed to us as U.S. investors.

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 2, 2022

Place: SAN ANTONIO, TX



Luis Dangeville Kernion