

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE STATES OF NEW MEXICO AND ARIZONA OF THE UNITED
STATES OF AMERICA, AND THE STATE OF SONORA OF THE
UNITED MEXICAN STATES
TO SATISFY GROWING ENERGY DEMAND IN ASIA WITH CLEAN-
BURNING NEW MEXICO NATURAL GAS VIA EXISTING AND YET TO
BE DEVELOPED TRANSMISSION NETWORKS AND LIQUEFIED
NATURAL GAS FACILITIES IN ARIZONA AND SONORA.**

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AMERICA,
AND
THE STATE OF SONORA
OF THE UNITED MEXICAN STATES**

In accordance with the shared vision of international cooperation and commitment to promoting interstate relations, and recognizing the opportunity to satisfy growing energy demand in Asia with clean-burning New Mexico natural gas via existing and yet to be developed transmission networks and Liquefied Natural Gas facilities; the State of New Mexico of the United States of America, the State of Arizona of the United States of America, and the State of Sonora of the United Mexican States (collectively the Parties) have agreed to enter into this Memorandum of Understanding (Memorandum) to facilitate continued economic development in New Mexico, Arizona, and Sonora.

This Memorandum represents a commitment to collaborate based on the following:

1. New Mexico has an abundant natural gas supply, which exceeds current domestic demand, thereby, resulting in the underutilization of this commodity;
2. New Mexico ranks among the top ten natural gas-producing states of the United States of America, currently producing 3.7 Billion cubic feet per day (104.8 million cubic meters per day) and is on track to reach 4.0 Billion cubic feet per day (113.3 million cubic meters per day) or 30.4 Million tons per annum liquefied natural gas by 2022 and is the leading United States natural gas producer amongst states with ready access to Pacific ports;
3. New Mexico is among the top ten states in the United States in proven natural gas reserves, with 14,372 Billion cubic feet (406.9 billion cubic meters) of proven reserves at the end of 2016 and top five in proven reserves among western United States;
4. New Mexico Governor Susana Martinez proposed in her 2015 Energy Policy & Implementation Plan identifying new markets for the export of New Mexico natural gas as well as developing the infrastructure necessary for transport;
5. Asian nations are engaged in a robust effort to acquire a continuous supply of clean-burning natural gas;
6. Asian nations are leading importers of liquefied natural gas (LNG);
7. Transit to Asia from ports located in Sonora provides a logistical advantage over transit from ports located in the Gulf of Mexico because Sonoran ports are over 3,000 nautical miles closer to Asian ports and furthermore transit from Sonora avoids the delays and expense associated with passage through the Panama Canal;

8. Consistent with Mexico's *Plan Quinquenal de Expansión del Sistrangas 2015-2019, Primera Revisión Anual*, which calls for efforts to provide a continuous supply of clean-burning natural gas to communities across the United Mexican States, Sonora has and continues to develop a robust natural gas transport system, which establishes the State of Sonora as a leader in the pursuit of economic development opportunities associated with natural gas transmission and utilization for current and future energy needs;
9. Governor Claudia Pavlovich has supported the development of additional transport infrastructure for clean-burning natural gas, including the *Sásabe-Guaymas* line, which stretches from the Sonora-Arizona border to Guaymas, supplying clean-burning natural gas to the *Puerto Libertad* and *Empalme I and II* electric generation facilities;
10. Arizona is home to a robust network of natural gas pipelines and associated infrastructure that are essential to the sustainable growth and development of the Region;
11. Arizona is among the fastest growing states in the United States of America, both in terms of economic growth, job gains and population increases;
12. Asia's burgeoning demand, New Mexico's abundant supply, and Arizona and Sonora's strategic location and transport networks all combine to present an opportunity for continued regional growth;

Through this Memorandum, the Parties express their intent to collaborate for the promotion of investment, research and innovation and their intent to collaborate on the planning, management, promotion and execution of projects that develop the Parties' respective economies facilities in the region for the sale of LNG to various global markets.

The parties also express their will to encourage continued engagement for the purpose of transporting New Mexico natural gas via Arizonan and Sonoran infrastructure and LNG facilities to Asia, and further commit to the following:

New Mexico:

New Mexico will encourage the facilitation and delivery of New Mexican natural gas to Asia via existing and if necessary new infrastructure in New Mexico, Arizona, and Sonora.

Sonora:

Sonora will encourage and facilitate the development of the natural gas and LNG infrastructure and facilities necessary to transport natural gas from New Mexico to ports located in Sonora.

Arizona:

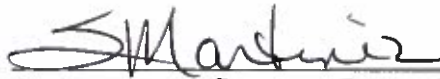
Arizona will encourage the development of the natural gas infrastructure and facilities necessary to transport natural gas from New Mexico to ports located in Sonora.

This Memorandum of Understanding is intended to memorialize the Participants' commitment to explore ways to promote collaboration between them, but it is non-binding and does not create any legal or binding obligation between the states. Nothing in this Memorandum of Understanding should be read to conflict with the laws and regulations of the United States of America or the United Mexican States (or any state or local jurisdiction), or with any relevant international agreements. There are no third-party beneficiaries to this Memorandum of Understanding.

This Memorandum of Understanding will be effective on the date of its signature and will be valid for 4 years. Termination of this Memorandum of Understanding can be made by any Party, through written notification directed to the other state thirty (30) calendar days in advance of the termination. Termination of this Memorandum should not affect the completion of cooperation activities initiated while it was in force, unless otherwise jointly decided in writing by the states. Each Party will be responsible for its own expenses in the implementation of this Memorandum of Understanding.

IN WITNESS WHEREOF, the Parties hereto have executed this MOU in the city of Phoenix Arizona of the United States of America on Wednesday December 19 of 2018.

THE STATE OF NEW MEXICO



Governor Susana Martinez

THE STATE OF SONORA

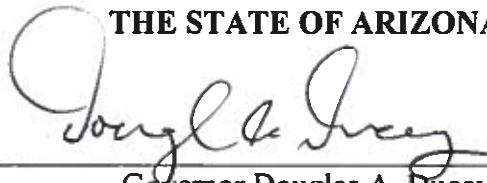


Governor Claudia Pavlovich



CONSEJO JURÍDICO
DEL PODER EJECUTIVO
DE SONORA

THE STATE OF ARIZONA



Governor Douglas A. Ducey