

Recent developments in the Oil & Gas industry in Mexico: 1) Announcement of prequalified companies for Round 2.1; 2) Final version of Bidding Terms and PSC for Round 2.1; 2) Amendments to Rounds 2.2 & 2.3 Bidding Terms and License Contract

On May 26, 2017, the Mexican National Hydrocarbons Commission (CNH) published the final version of the Bidding Terms and Production Sharing Contract (PSC) for Round 2.1 "Exploration and Extraction of Hydrocarbons in Shallow Waters", as well as some amendments to the bidding terms of Round 2.2 and 2.3.

Below is a summary of the most important modifications of the aforementioned documents. These documents are published and accessible to the public in the CNH's webpage (<http://rondasmexico.gob.mx/>)

Lastly, CNH announced the official list of prequalified companies that will be participating in the bidding for Round 2.1. From 27 initial interested parties, just one of them did not continue with the prequalification process.

Modifications to Round 2.1

Production Sharing Contract

- ▶ Local Content percentages of Contract Areas 7, 8, 9, 10, 11, 12 and 13 were adjusted. The modification derived from the fact of its location and its proximity to deep waters. Thus, established percentages are depicted in the following table:

Phase	Blocks 7, 8, 9, 10, 11, 12 y 13	Rest of the blocks
Exploration Period	13%	15%
Appraisal Period	13%	17%
Development period (first year)	12%	26%
Minimum percentage from year 2025	17%	35%

Bidding Guidelines

- ▶ Contractual Areas' size was modified in order to present it with three decimals
- ▶ The wording of the bidding guidelines was amended in order to reflect the minimum and maximum values regarding to the Economic Bid, which were published by the Mexican Ministry of Finance on May 17.

List of prequalified parties

Please find below the prequalified parties: 22 Operators and 4 Financial Partners; distributed in 20 individual bidders and 5 consortiums:

	Individual Bidders	Countries
1	Chevron energia de México S. de R.L. de C.V.	USA
2	China Offshore Oil Corporation E&P México, S.A.P.I de C.V	China
3	ConocoPhillips Mexico, B.V.	USA
4	Dea Deutsche Erdoel AG	Germany
5	Ecopetrol S.A.	Colombia
6	ENI México, S. de R.L. de C.V.	Italy
7	Hunt Overseas Oil Company	USA
8	Inpex Corporation	Japan
9	LLC RN-SHELF SOUTH	Russia
10	Murphy Sur, S. de R.L. de C.V.	Russia
11	LUKOIL International Ups tream Holding B.V.	USA
12	Noble Energy México, S. de R.L. de C.V.	USA
13	ONGC Videsh Limited	India
14	Ophir Mexico Limited	United Kingdom
15	PanAmerican Energy LLC	Argentina
16	PC Carigali Mexico Operations, SA de C.V.	Malaysia
17	Petróleos Mexicanos	Mexico
18	Repsol Exploración México, S.A de C.V.	Spain
19	Shell Exploracion y Extraccion de Mexico S.A. de C.V.	Netherlands
20	Total E&P México S.A de C.V.	France

	Consortiums	Countries
1	Capricorn Energy Limited Citla Energy E&P S.A.P.I. de C.V.	United Kingdom - Mexico
2	Dea Deutsche Erdoel AG Diavaz G y P S.A.P.I. de C.V.	Germany – Mexico
3	ENI México, S. de R.L. de C.V. Capricorn Energy Limited en Consorcio Citla Energy E&P S.A.P.I. de C.V.	Italy – United Kingdom – Mexico
4	Murphy Sur, S. de R.L. de C.V. Talos Energy Offshore México 7 S. de R.L. de C.V.	USA – USA
5	Premier Oil Exploration and Production Mexico, S.A. de C.V. Sierra Perote E&P, S. de R.L. de C.V.	United Kingdom – Mexico

Modifications to Round 2.2. and Round 2.3

License Contract

- ▶ Regarding to the Transition Stage provided by the Contract, CNH clarified that the
- ▶ Contractor will have the obligation to report the conditions of existing of wells and discharge lines (if applicable). In addition, the Contractor will have the obligation to submit to the CNH a technical and economic study regarding the feasibility of the projects that will be carried out in the Contractual Area.
- ▶ The following terms of the Contract were modified:

Topic	Item	Prior term	Amended Term (05/26/2017)
Appraisal Period	Term to submit the plan for its approval	Within 60 days following the notification of a Commercial Discovery	Within 90 days following the notification of a Commercial Discovery
	Term	12 months from the day of its approval	24 months from the day of its approval

- ▶ Annex 6 (Contract's Appraisal Report), 7 (Minimum Scope of the Appraisal Activities) and 8 (Minimum Content of the Development Plan), as well as, the detail of Contractor's insurances policies required for Petroleum Activities, were deleted from the Contract. Its fulfillment is referred to the Applicable Laws (i.e. regulations already published), which are the same as was provided by said appendixes.
- ▶ It was clarified that there will be no limitation with respect to the geologic formation for purposes of carrying out exploration and extraction activities.

Bidding guidelines

- ▶ Given the amendments to the Contract, the CNH approved the amended the following dates of the calendar:

Topic	Prior date	Amended date (05/26/2017)
Publication of final documents	June 14, 2017	June 22, 2017
Pre-qualification phase (review of documents by CNH)	From May 15, 2017 to June 9, 2017	From May 15, 2017 to June 16, 2017
Publication of list of prequalified bidders	June 14, 2017	June 22, 2017
Modification to the Bidders structure	From June 15 to 21 June, 2017	From June 23 to 28 June, 2017
Limit to request authorization to modify the bidder's structure	July 5, 2017	July 5, 2017
On – site visits to the Contract Area*	From April 26, 2017 to June 9, 2017	From April 26, 2017 to July 7, 2017
Proposal opening	July 12, 2017	July 12, 2017

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