

PROJECT DEVELOPMENT & FINANCE | AUGUST 1, 2016

Oil & Gas Sector in Mexico: Comisión Nacional de Hidrocarburos Announces Petróleos Mexicanos' First Offer to Farmout

On July 28, 2016, the Mexican government, through the Comisión Nacional de Hidrocarburos (National Hydrocarbons Commission) (“CNH”), commenced an international tender process by publishing in the Diario Oficial de la Federación (the Federal Official Gazette) the Bidding Guidelines for the Granting of a Deep-Water Exploration and Extraction License Agreement in partnership with Pemex Exploración y Producción, a subsidiary of Petróleos Mexicanos (the productive state-owned enterprise) and accompanying Joint Operating Agreement, addressed to domestic (private) and foreign companies. The international tender process is identified as CNH-A1-Trion/2016 and additional information on this process is available at <http://rondasmexico.gob.mx/a1-l01-bloques/>.

The purpose of the invitation to bid is to identify a partner for Petróleos Mexicanos' subsidiary, Pemex Exploración y Producción, for the first time following the Mexican energy reform, in what is commonly known in the oil & gas industry as a “Farmout Agreement.” A PowerPoint presentation prepared by the CNH, the Ministry of Energy and the Ministry of Finance on this process and additional information on the Farmout Agreement may be viewed at <http://rondasmexico.gob.mx/a1-l01-presentaciones/#>.

The international tender process comprises the auctioning of Bloque Trión, a 1,285 sq. km field located in the Gulf of Mexico. Companies interested in this process may consult the Bidding Guidelines at <http://rondasmexico.gob.mx/wp-content/uploads/2016/07/20160726-Proyecto-bases-de-licitacion-Trion-publicacion-002.pdf> and the Prequalification Criteria at <http://rondasmexico.gob.mx/wp-content/uploads/2016/07/REQUISITOS-PARA-ACREDITAR-EXPERIENCIA-Y-CAPACIDADES-TECNICAS-Y-DE-EJECUCION-y-FINANCIERA.pdf>, respectively. The form of Deep-Water Exploration and Extraction License Agreement to be awarded is now available at <http://rondasmexico.gob.mx/wp-content/uploads/2016/07/Contrato.pdf> and the Joint Operating Agreement is available at <http://rondasmexico.gob.mx/wp-content/uploads/2016/07/20160727-Acuerdo-de-Operacion-Conjunta-Trion.pdf>.

Bids are due, and the opening of offers will take place, on December 5, 2016.

This invitation to bid for the Farmout Agreement with Pemex Exploración y Producción, along with the processes regarding Round 1 and Round 2, are part of the historic reforms made by the Mexican government to open the oil & gas sector to private and foreign investment.

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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