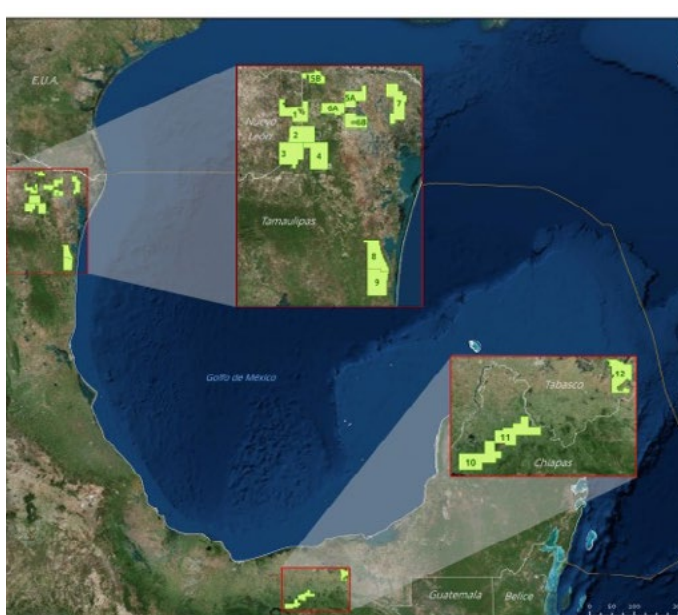


Mexico's Hydrocarbons Commission Offers Natural Gas Blocks

On August 24, 2016 the National Hydrocarbons Commission ("CNH") announced the second International Public Bid of Round 2 for E&P activities in Mexico. The CNH will award license agreements for 12 blocks located at the Burgos Basin, Cinturon Plegado de Chiapas and the Southeastern Basin, mainly containing dry and humid gas, as well as light and superlight oil in three southern areas. The size of each block ranges between 349km² and 479km².

Below please find relevant information regarding the tender process, prequalification requirements, and key contractual terms.



Source: CNH, 2016

Registration

The Data Room access fee is \$2,500,000.00 million Pesos (approximately USD \$130,000.00). Data Room access appointments may be scheduled starting September 5, 2016 until December 5, 2016. Only companies that pay for the Data Room access will be able to prequalify and submit an offer.

Prequalification

Technical Experience:

I. Experience as Operator during the period from 2012 through 2016, performing the following:

- At least three E&P projects; or
- Capital investments in E&P projects that add up to USD 250 million.

II. Experience in Safety and Environmental matters for the last 5 years.

Financial Capacity:

I. Individual Bidder: Shareholder's equity of at least USD 500 million.

II. Consortium:

- Operator: Shareholder's equity of at least USD 300 million.
- Non-Operator: Shareholder's equity of at least USD 200 million.

Economic offer submissions shall take place on April 5, 2017. Bids will be assessed based on the weighted score of an additional royalty amount and an additional investment amount. Bidders shall submit a USD \$250,000.00 stand-by letter of credit to guarantee the execution of the contract.

Restrictions

Prequalified companies may participate individually and as part of other consortiums, limited to four consortiums. In all cases, Operators shall hold at least one third of the participating interest.

License Agreement

Term:

30 years extendable to 40 years.

Phases:

- I. Initial Exploration Period of two years extendable to four years in total.
- II. Appraisal Period of twelve months.
- III. Development Period.

National Content:

- I. Exploration Period: 26%
- II. Appraisal Period: 26%
- III. Development Period: 27%
- IV. As of 2025: 38%

Fiscal Terms:

The Mexican State shall receive the following:

- I. Exploratory Phase Fee.
- II. Royalties.
- III. Percentage of the Contractual Value of the extracted hydrocarbons.

Dispute Resolution:

Disputes not resolved through conciliation shall be submitted to arbitration, which shall take place in The Hague, Netherlands, in Spanish, and in accordance with UNCITRAL Conciliation and Arbitration Rules.

The Contractor shall be entitled to the extracted hydrocarbons, provided that all government fees are timely paid.

The contract further provides for administrative rescission provisions.

Guarantees:

- I. Performance Guarantee: Stand-by letter of credit covering the total Work Units to be performed in the Initial Exploration Period.
- II. Corporate Guarantee: A parent company guarantee, or a guarantee from other guarantors, provided that a minimum equity interest is evidenced. The guidelines also provide for other alternatives.

Contact

Should you have any questions regarding this tender process or any energy related matter, please feel free to contact us.

Enrique González Calvillo
egonzalez@gcsc.com.mx

Jorge Cervantes
jcervantes@gcsc.com.mx

Homero González
hgonzalez@gcsc.com.mx

Diana Pineda
dpineda@gcsc.com.mx

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