

BRIEFING UPDATE: MEXICO'S FIRST OIL & GAS AUCTION

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Legal Briefings

On 20 November, Mexico's Hydrocarbons Commission (CNH) published the definitive rules and standard models for phase 3 of the Round One¹, which includes 26 onshore blocks to award license contracts. The auction is due to be held on 15 December 2015.

The main changes to the tender process aimed at ensuring the success of the rounds, are the following:

- Establishment of minimum values for the awarding of each contractual area, which have been determined by the finance ministry (SHCP)
- Reduction of the amount to be paid as a guarantee by bidders
- Allow the winning contractor to carry out exploratory activities in addition to the production activities stipulated in the contract
- More flexible conditions for submitting guarantees
- Definitions regarding contract termination to provide greater certainty to contractors
- Extension of the time limit for the identification of environmental liabilities in the contract area

The final regulations were published on the official website ronda1.gob.mx and the most recent consultation was on 4 December.

STATUS OF THE DIFFERENT PHASES OF THE FIRST OIL ROUND:

PHASE 1: The first phase of the tender, already concluded, included the international auction of 14 shallow water blocks for production sharing contracts. The CNH awarded two blocks – the 2nd and 7th blocks – to a consortium including Mexico-based Sierra Oil & Gas, UK-based Premier Oil and Dallas-based Talos Energy. The areas not awarded in this phase will be auctioned in future auctions.

PHASE 2: The second phase of the first oil & gas auction, already concluded, included nine blocks in the shallow waters of the Gulf of Mexico for production sharing contracts. The CNH awarded three blocks the 1st, 2nd and 4th, the blocks awarded are:

- 1st - ENI International
- 2nd - Pan American Energy LLC and E&P Hidrocarburos y Servicios
- 4th - Fieldwood Energy and the local company Petrobal

The areas not awarded in this phase will be auctioned in future auctions.

PHASE 3: The third phase of the tender, which includes 26 onshore blocks to award license contracts, is ongoing and about to take place.

- Pre-qualified companies: Of 96 companies that have shown interest in participating in the auction: 90 have asked for access to the data room, 84 have been authorised, 64 have paid the data room fee and 60 have started the pre-qualified process.
- Auction: 15 December 2015

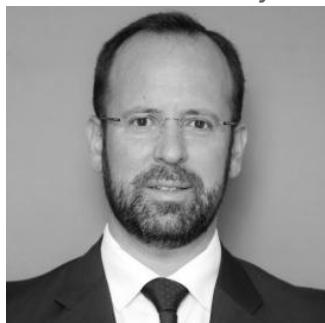
PHASE 4: The fourth phase, which has not yet been auctioned, will include deep water blocks in the Gulf of Mexico, shallow waters and "farm outs" with PEMEX, Energy Minister has said. The auction will be held in 2016 and the terms and conditions will be published in the coming months.

PHASE 5: The fifth phase, which has not yet auctioned, will include Gulf of Mexico deep-water blocks in the Chicontepec basin and unconventional areas. This auction is due to take place in 2016 and will bring an end to Mexico's first oil round.

¹ Mexico's first round is scheduled in five stages. Three auctions have already been called, and the first and second have already been awarded. The third auction will be held on 15 December 2015 and the two remaining auctions, for deep water blocks in the Gulf of Mexico, are due to be published in the coming months.

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



IGNACIO PAZ
PARTNER, MADRID

+34 91 423 4005
ignacio.paz@hsf.com

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