

# MEXICO'S OIL & GAS AUCTION: ROUND 2 | PHASE 3

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Legal Briefings

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On 15 November 2016, Mexico's Hydrocarbons Commission (CNH) published the terms and conditions for the third phase of the country's second oil & gas round<sup>1</sup>, to award Exploration and Extraction (E&P)<sup>2</sup> License Agreements corresponding to 14 onshore fields.

This phase of the tender will auction 14 contractual areas in the Burgos basin (Nuevo León and Tamaulipas), and the Sureste basin (Chiapas and Tabasco). The auction is gas-focused and covers an area of 2,595km<sup>2</sup> with prospective resources totalling 251Mboe<sup>3</sup>, plus potential for a further 328Mboe. Production is expected to begin in 2018 and reach 65,000b/d of crude by 2023 and 112Mf3/d of gas by 2025. Average field size is 185km<sup>2</sup>, which will allow contractors to extract gas from any depth. Nine of the 14 fields have already-discovered hydrocarbon reserves, and the majority have 2D and 3D seismic data available.

The auction aims to boost the country's crude and dry and wet gas output, the latter being the main feedstocks for the petrochemical and manufacturing industries. The contracts will be awarded for 30 years with the possibility of two five-year extensions.

## 1. TIMELINE OF THE ROUND 2: PHASE 3

### DATA ROOM

- 15 December 2016 - 15 March 2017: Period to apply for access to the data room and to pay the required fee
- 15 December - 11 July 2017: Access to the data room

## **CLARIFICATIONS TO THE TERMS AND CONDITIONS AND THE CONTRACT**

- 15 November 2016 – 3 March 2017: First stage of clarifications (access to the data room)
- 15 December 2016 – 21 March 2017: Second stage of clarifications (pre-qualification)
- 15 December 2016 – 14 June 2017: Third stage of clarifications (submission and opening of bids, award, decision and contract)

## **PREQUALIFICATION**

- 15 December 2016 – 17 March 2017: Period to pay the registration and make an application to prequalify
- 27 March – 31 March 2017: Reception of pre-qualification documents
- 3 April – 9 June 2017: Prequalification (review of the documents by the bidding committee)
- 14 June 2017: Publication of the prequalified list of parties interested in participating in the bidding

## **SUBMISSION AND OPENING OF OFFERS**

- 12 July 2017 – Submission and opening of offers and announcement of awardees
- 14 July 2017 – Decision of the Government body regarding the award. Decision and request for publication of the award in the DOF (Official Journal of the Federation).

## **CONTRACTS**

- The deadline for signing contracts will be within 140 calendar days after the publication of the decision in the DOF (Official Journal of the Federation)

## 2. SUMMARY OF THE STATUS OF THE ROUNDS

A brief summary of the status of the Mexico Oil & Gas Rounds: Round 1 is near to completion; the final auction will be held on 5 December 2016. The first three phases of Round 2 have already been launched.

### ROUND 1

**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.

Please, click [here](#) to see our e-bulletin on the results of the Round 1, Phase 1

**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; as follows: 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.

Please, click [here](#) to see our e-bulletin on the results of the Round 1, Phase 2

**PHASE 3:** The third auction for onshore fields was held in December 2015 and dominated by local juniors, obeying the CNH's aim to promote the participation of Mexican companies and bolster a domestic, private oil industry. The auction awarded all 25 available fields.

Please, click [here](#) to see our e-bulletin on the results of the Round 1, Phase 3

**PHASE 4:** The fourth phase of the tender, which includes 10 contractual areas to award license agreements for exploration and production in the deep-waters in the Gulf of Mexico.

**Pre-qualified companies:** So far, 26 firms have prequalified to participate, including BHP Billiton, BP, Chevron, ExxonMobil, Hess, Shell, Statoil and Total, as well as Mexico's Pemex.

**Auction:** 5 December 2016

Please, click [here](#) to see our e-bulletin on the Round 1, Phase 4

### ROUND 2

**PHASE 1:** The first auction of Round 2, published on 20 July, will auction 15 exploratory shallow water blocks, to award shared production contracts, of which four are located in the Tampico-Misantla basin, one in the Veracruz oil region and 10 in the south-eastern basin. The total surface area of the blocks is 8,908 km<sup>2</sup>, with about 1.58 Bboe of prospective resources and an original volume of around 869 Mboe.

**Pre-qualified companies:** 14 companies have shown interest to date, of which two have accessed to the databases and one has started the pre-qualified process

**Auction:** The auction is scheduled for 22 March 2017

**PHASE 2:** The second phase of Round 2, published on 24 August, will auction 12 onshore exploration and production contracts. Nine of the contracts are located in the Burgos basin (Nuevo León and Tamaulipas states) and the remaining three in the Sureste basin (Chiapas, Tabasco). The total surface area of the 12 contractual areas is approximately 5,066 km<sup>2</sup>, with prospective reserves of around 643.2 Bboe.

**Pre-qualified companies:** Only seven companies have shown interest in the auction to date.

**Auction:** The auction is scheduled for 12 July 2017

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1) Round 2 will be conducted in five different auctions, of which the first two have already been published; the third auction has been published recently. This oil and gas auction includes blocks and fields in different oil producing areas of Mexico: deep-water blocks, unconventional field blocks, extra-heavy crude and mature fields.

2) E&P licence contracts allow the exploration and production of hydrocarbons from a specified area and for a specified term.

3) Mboe: Million Barrels of Oil Equivalent

*The content of the bidding rules were published on the official website [ronda1.gob.mx](http://ronda1.gob.mx) on 15 November and the most recent consultation was on 29 November 2017*

## 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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