

MEXICO'S FIRST OIL & GAS AUCTION: FOURTH PHASE

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Legal Briefings

On 17 December 2015, Mexico's Hydrocarbons Commission (CNH) published the terms and conditions for the fourth phase of the country's first oil & gas round¹, in this case to award license agreements² for exploration and production in the deep-waters in the Gulf of Mexico.

This phase of the tender will auction 10 contractual areas - six exploratory blocks in the Salina basin of the Gulf of Mexico and four exploratory blocks in the Perdido belt. These fields will contain resources 22% larger than in previous stages of the auction and prospective resources of 3.557 billion barrels of oil. The area of the blocks offered - a total of 8,250 Km - is substantially higher than offered previously; between 1,600 and 3,000 km and at depths ranging from 500 to 3,000 metres.

The E&P license agreements in the deep waters of the Gulf of Mexico will have terms of between 35 to 50 years, double the terms of previous auctions.

1. TECHNICAL REQUIREMENTS

1.1 The operators must prove that they have:

a) Experience as operator between 2011 and 2015 in at least one exploration project and/or extraction project in deep waters at a depth of 1,000 metres, and

b) Investments in exploration and/ or extraction projects which overall amount to at least US\$2 billion.

1.2 The operators also provide evidence of experience in industrial safety and environmental protection for the preceding five years, experience in the implementation and operation of industrial safety, operational safety and environmental protection management systems in extraction facilities or projects.

2. FINANCIAL REQUIREMENTS

2.1 The operators must provide evidence that:

a) Book capital of US\$2 billion or

b) Total assets of at least of US\$ 10 billion and also an investment grade credit rating from Fitch, Moody's or Standard & Poors.

2.2 The non-operating companies must certify guarantees for US\$250 million.

The companies may participate individually or in more than one consortium, but may not submit two bids for the same block.

3. TIMELINE

Tender and terms and conditions

- 17 December 2015: Publication of the call to tender and the tender rules
- From 6 January 2016 until a date yet to be defined based on the date of the bid opening: Publication of updated tender rules (including the contract)

Data room

- From 6 January to 15 April 2016: Period to apply for access to the data room and to pay the required fee
- 6 January until scheduled day of the presentation and opening of proposals: Access to

the data room

Clarifications to the terms and conditions and the contract

- 17 December 2015 - 1 April 2016: First stage of clarifications (access to the data room)
- 6 January 2016 - 3 June 2016: Second stage of clarifications (pre-qualification)
- 6 January 2016 - 26 October 2016: Third stage of clarifications (submission and opening of bids, award, decision and contract)

Prequalification

- 6 January - 13 May 2016: Period to pay the registration and make an application to prequalify
- 14 June - 1 July: Reception of pre-qualification documents
- 4 July - 22 August: Prequalification (review of the documents by the bidding committee)
- 24 August: Publication of the prequalified list of parties interested in participating in the bidding

Presentation and proposals opening

- The date of the presentation and opening of proposals and declaration of the winning bidders will be defined in the third quarter of 2016 and the event will take place at least in the 90 days later

Subscription contracts

- The deadline for signing contracts will be within 90 calendar days after the publication of the decision in the DOF (Official Journal of the Federation)

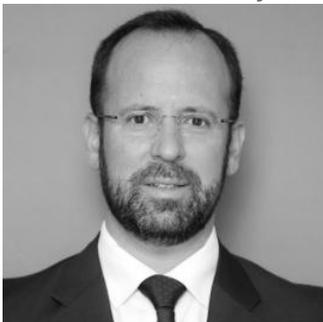
The content of the bidding rules were published on the official website ronda1.gob.mx on 17 December and the most recent consultation was on 26 January.

¹ The process of the Round 1 will be conducted in five different auctions, of which the three first auctions have already concluded, and the fourth auction is recently published. The oil and gas auction includes the auction of 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 to explore for and produce hydrocarbons from a specified area and for a specified term.

KEY CONTACTS

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



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