

## Mexico Intelligence Report – 22nd July 2016

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**GRUPO ATALAYA**

### Energy update: Round 2 kick-off

Mexico's Ministry of Energy and the National Commission for Hydrocarbons launched the first tender for oil blocks of Round 2. The first phase of Round 2 will consist of a total of 15 shallow water exploration blocks (see figure 1) with prospective resources of 1,585 MMBO located in the Gulf of Mexico. The Mexican government expects the tender will generate 11.2 billion USD worth of investments.

Figure 1: Round 2.1 oil blocks



Source: National Commission for Hydrocarbons

Four blocks are located in the Tampico-Misanlita province with 480 MMBOE of prospective resources and surface of 2,196 km<sup>2</sup>, one in the province of Veracruz with 133 MMBOE of prospective resources and 824 km<sup>2</sup> of surface and the remainder in the Southeast basin of the Gulf of Mexico, amounting to 973 MMBOE of prospective resources and 5,887 km<sup>2</sup> surface.

Much like most of the tenders for Round 1, the Mexican government will award the 15 blocks through production sharing contracts. The contracts will have a 30-year duration, with the option to extend them twice by five-year periods.

The contracts call for a four-year exploration period (with the possibility to extend it by another two years), followed by an evaluation period of two years after making a discovery and finally a 22 to 32 year period for the development of the block (depending on on-going production).

In terms of national content, the minimum requirements range from 15 to 35% depending on the project's maturity.

Participating firms must be backed by their parent company or a sufficiently well capitalised affiliate firm and must present the National Commission for Hydrocarbons with an irrevocable letter of credit, in order to guarantee the work commitment during the exploration phase of the project.

In regards to administrative rescission of contracts, the grounds for termination will be those stipulated in the Law for Hydrocarbons, following an investigation carried out by a third and independent party. In terms of contractual rescission, this will apply whenever the contracting firm fails to uphold the terms in the agreement with the state, yet there will be space for alternative mechanisms to resolve disputes such as arbitration.

It should be noted that firms interested in participating in the tender can do so individually or in consortiums. Those firms interested in having an operating role must have a track record in an operating role during the 2011-2015 period, they should have participated in at least exploration and extraction projects. Additionally, they must have made at least one billion USD investments in such projects, they should hold 10 billion USD in assets and must have investment grade credit rating.

As in previous Bids, there will be a system available for inquiries and the Guidelines and Contracts can be subject to modifications and adjustments.

The timeline for Round 2.1 is scheduled as follows:

Publication of Guidelines	July 20 <sup>th</sup> , 2016
Request for Access to Data Room	August 1 <sup>st</sup> – December 2 <sup>nd</sup> , 2016
Submission	December 15 <sup>th</sup> , 2016 (Limit Date)
Appointment request and delivery of pre-qualification documents.	From the 19 <sup>th</sup> to the 23 <sup>rd</sup> of December, 2016
Publication of Prequalified companies for Bid	March 3 <sup>rd</sup> , 2017
Act of submission and Opening of Proposals	March 22 <sup>nd</sup> , 2017

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