

October 11, 2017

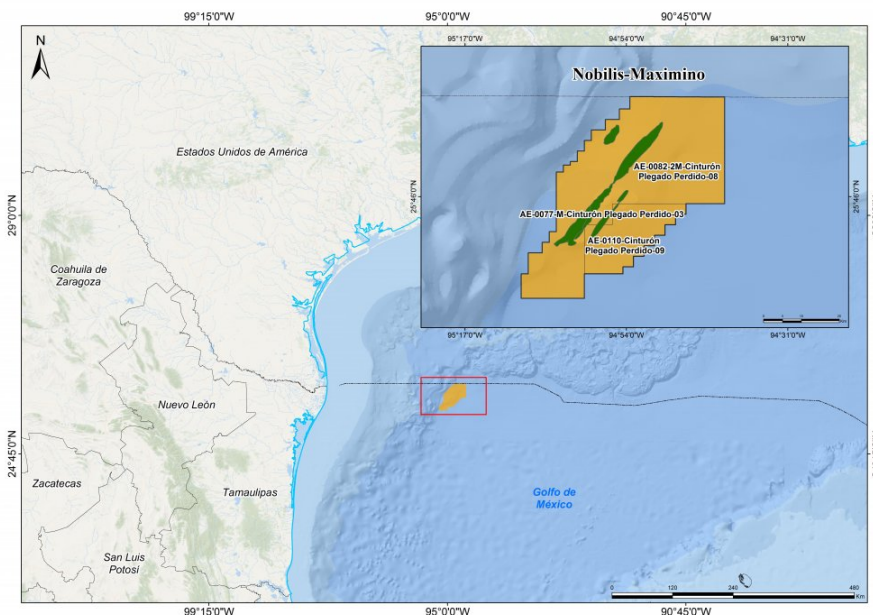
Nobilis-Maximino – Fifth Pemex Farmout Public Bid

By William H. (“Hunt”) Buckley and Thomas E. Heather

On September 18, 2017, the National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos*) (“CNH”) called an international public bid for the selection of a partner for Pemex Exploración y Producción (“Pemex”) to pursue exploration and production activities in the Nobilis-Maximino field, located in deep waters in the Perdido Belt in the Gulf of Mexico. This process is the result of the migration of Pemex Entitlements AE-0077-M-Cinturón Plegado Perdido-03, AE-0110-Cinturón Plegado Perdido-09, and AE-0082-2M-Cinturón Plegado Perdido-08 to a license contract. This is the fifth public bid called by CNH to enable Pemex to develop hydrocarbon fields with the participation of the private sector as working interest venturers. The public bids for the onshore Cárdenas Mora (CNH-A3-Cárdenas Mora/2017) and Ogarrio (CNH-A4-Ogarrio/2017) fields and the shallow water Ayin-Batsil field (CNH-A2-Ayin-Batsil/2017) are currently in process. License contracts will be awarded for the Cárdenas Mora and Ogarrio fields, while a production sharing contract will be awarded for the Ayin-Batsil field.

The exploration and production contract to be awarded in this bid is a license contract. As in the prior four public bids for exploration and production contracts with Pemex, CNH has included a model joint operating agreement (“JOA”). The winning bidder must carry Pemex, who will hold a participating interest of up to 49 percent, for the amounts provided in the JOA. Pemex will be exempt from making any contributions to the joint account under the JOA until the totality of the contributions to the joint account reaches US\$815,000,000. The amount of the carry may change in the final version of the model JOA.

Location of the Block:



Source: CNH

Technical Bid Information:

- (a) **Type of Exploration and Production Contract.** License contract.
- (b) **Term of the Contract.** 35 years from the date of execution of the contract. The term of the contract may be extended for two additional terms of 10 and five years each, for a maximum total of 50 years.
- (c) **Governing Law.** Hydrocarbons Law (*Ley de Hidrocarburos*), Regulations to the Hydrocarbons Law (*Reglamento de la Ley de Hidrocarburos*), Administrative Rules for the Tender of E&P Contracts (*Disposiciones Administrativas en materia de Licitaciones de Contratos para la Exploración y Extracción de Hidrocarburos*), Law of the National Industrial Safety and Environmental Protection Agency for the Hydrocarbons Industry (*Ley de la Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*), and Regulations of the National Industrial Safety and Environmental Protection Agency for the Hydrocarbons Industry.
- (d) **Carry:** The current minimum investment to be assumed by the awarded bidder on behalf PEP will be US\$815 million.
- (e) **Location of the Block.** The Nobilis-Maximino field is located in the Perdido Belt on the Mexican side of the Gulf of Mexico, bordering US territorial waters, and has an area of 1,509 km² and depths ranging from 2,760 to 3,380 meters. According to reports, the 3P reserves are estimated to be approximately 715 million barrels of crude oil equivalent.
- (f) **Language of the Proposal.** Spanish.
- (g) **Bid Bond.** Participants must provide a standby letter of credit for a total amount of US\$3 million for a term of 100 calendar days from the date of submission of proposals.
- (h) **Requirements of the Bidder to Access the Data Room.** Interested parties must obtain a license for the use of data from the National Hydrocarbons Information Center, and pay a fee of MX\$3.7 million.
- (i) **Registration Fee.** Unlike the Bid Rules for prior CNH public bids, which establish a Mexican-peso amount, the current Bid Rules for the Nobilis-Maximino Bid do not establish an amount.
- (j) **Form of Participation.** Companies may prequalify (see below) as operators or non-operators. A prequalified operator may participate in the Bid as an individual bidder (an “**Individual Bidder**”) or as a party to one or more consortia with another operator or with a non-operator (a “**Joint Bidder**” and jointly with an Individual Bidder, a “**Bidder**”). A prequalified non-operator may only participate in the Bid as a party to one or more Joint Bidders, as long as each of these has at least one operator. All Joint Bidders must have at least one designated operator, which must have a minimum participating interest of 30 percent in the corresponding consortium. If an operator is an Individual Bidder, it must have a 51 percent participating interest under the JOA. Each Bidder, whether as an Individual Bidder or a Consortium, must create a Mexican entity to sign the License Contract and the JOA. The members of a Consortium may either jointly create a single Mexican entity to sign such Contracts, or may individually create their own Mexican entities to sign the Contracts, in which event they would designate one of them as the operator.

- (k) **Prequalification Requirements.** Participants in the Bid must satisfy certain financial and experience requirements to prequalify for the Bid. Some of the requirements are applicable only to the operator, others to non-operators, and in both cases, some of the requirements may be satisfied through an affiliate. The requirements, in general, include the following:
- a. **Experience.** The operator must evidence:
 - a. Experience as an operator in at least one exploration and/or production project in ultra-deep waters with a minimum depth of 1,500 meters during the past 10 years
 - b. A production equivalent of or in excess of 50,000 daily barrels of crude oil equivalent in deep-water and ultra-deep-water projects between 2012 and 2016
 - c. That it has experience in industrial and environmental safety in exploration and/or production projects during the past five years
 - 2. **Financial.** The operator must evidence:
 - a. A net equity (assets minus liabilities plus reserves) of at least US\$5 billion or assets totaling US\$25 billion with an investment-grade credit rating
 - b. Investment in hydrocarbons exploration and/or production products cumulatively totaling at least US\$2 billion
- (l) **National Content.** It will increase from 3 percent to 8 percent in the Exploration Phase, and from 4 percent to 10 percent in the Development Phase.
- (m) **Participation in the project:** Prior to executing the License Contract, Pemex and the winning bidder will enter into a JOA, in the form published by CNH and attached to the Bid Rules as Form CNH-11, in accordance with the following distribution of participating interests:
- a. If a Joint Bidder:
 - i. Pemex: 49 percent
 - ii. Designated operator: At least 30 percent
 - iii. Other operator or non-operator, if any: The remainder
 - b. If an Individual Bidder:
 - i. Pemex: 49 percent
 - ii. Operator: At least 30 percent
- (n) **Timeline of Award Process**
- **Date of the Invitation to Bid and Publication of the Bid Rules:** September 18, 2017
 - **Registration Payment and Request Prequalification Meeting:** From September 18, 2017 to November 3, 2017
 - **Registration for Data-Room Access:** From September 18, 2017 to November 3, 2017

- **Access to the Data Room:** From September 18, 2017 to January 1, 2018
- **First Clarification Stage (Data-Room Access):** From September 18, 2017 to October 10, 2017
- **Second Clarification Stage (Prequalification and Integration of Bidders):** From September 18, 2017 to October 26, 2017
- **Third Clarification Stage (Submission and Opening of Bids, Award, License Contract, and JOA):** From September 18, 2017 to December 20, 2017
- **Final Version of the Bid Rules, License Contract, and JOA:** December 20, 2017
- **Delivery of Prequalification Documents:** From November 6, 2017 to November 10, 2017
- **Prequalification Document Review by Bid Committee:** From November 13, 2017 to December 15, 2017
- **Publication of the List of Prequalified Bidders:** December 20, 2017
- **Application for Authorization to Structure Bidders:** January 1, 2018 to January 12, 2018
- **Date for the Submission and Opening of Bids, and Declaration of Winning Bidder:** January 31, 2018
- **Issuance of the Award and Request for its Publication:** February 2, 2018
- **Deadline for Contract Signing.** Within 90 calendar days after the publication of the award of the License Contract in the *Federal Official Gazette*.