

March 5, 2018

### First Shale Bid Round in Mexico Announced on March 1, 2018

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The National Hydrocarbons Commission (“CNH”) announced the first unconventional bid round (“Round 3.3”) on March 1, 2018. This new bid round comprises nine onshore unconventional blocks for exploration and production, which are located in the Burgos Region in Tamaulipas, covering 2,704 km<sup>2</sup> collectively, with conventional prospective resources of approximately 53 MMBOE and unconventional prospective resources of approximately 1,161 MMBOE.

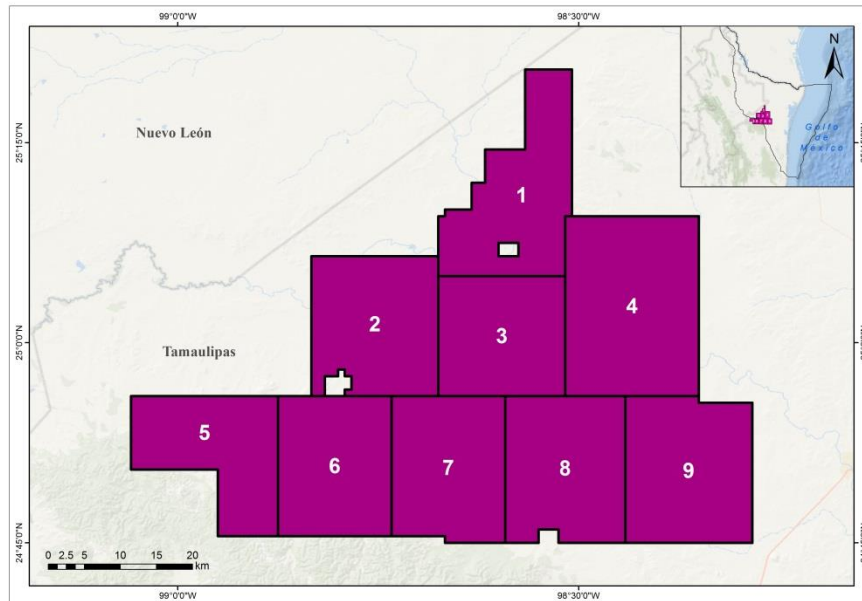
The blocks in this round will be awarded based on a license contract and include both wet and dry gas. The expected investment is approximately US\$2.3 billion if all blocks are awarded.

Prequalified companies as well as the final versions of the documents will be announced on August 3, 2018. The deadline to access the data room is September 4, 2018, and the presentation and opening of proposals is scheduled for September 5, 2018. These dates may be modified.

1. **Size of the Blocks:** The total area of the blocks to be auctioned is 2,704 km<sup>2</sup>, with conventional prospective resources of approximately 53 MMBOE and unconventional prospective resources of approximately 1,161 MMBOE, broken down as follows:

Basin	Block	Surface (km <sup>2</sup> )
Sabinas-Burgos	1	301.673
	2	297.407
	3	262.852
	4	414.920
	5	255.428
	6	274.697
	7	281.627
	8	300.096
	9	315.492

## 2. Location of the Blocks/Contract Areas:



## 3. Bid Information:

- a. **Type of Exploration and Production Contract:** License Contract.
- b. **Term of the Contract:** 30 years from the date of execution of the contract. The term of the contract may be extended for two additional terms of five years each.
- c. **Periods:**
  - Initial exploration period of up to three years, with three additional periods.
  - Appraisal period of up to 36 months.
  - Development period of up to 30 years, considering the two extensions to the term of the contract.
- d. **National Content:** 26 percent during the exploration period, 21 percent during the development period until it reaches 35 percent in 2025.
- e. **Performance Guarantee:** A letter of credit to guarantee work units committed by the contractor during the exploration period. The amount of the Performance Guarantee will be determined by multiplying the reference value of the Work Unit applicable to the date of award of the contract times 75 percent of the Number of Work Units corresponding to the Minimum Work Program and the

Increase in the Minimum Program, and, where appropriate, the additional commitment for the Additional Exploration Periods.

- f. **Corporate Guarantee:** Granted by the contractor's ultimate parent or a duly-capitalized affiliate to guarantee the due performance of the License Contract.
- g. **Bid Guarantee:** For each block, participants must guarantee their bids by providing standby letters of credit for a total amount per bid of US\$250,000.00 for a term of 150 days from the date of submission of the bids.
- h. **Requirements of the Bidder to Access the Data Room:** The interested party must obtain a license for the use of data from the National Hydrocarbons Information Center, and pay a fee of at least MX\$2,500,000.00 pesos (approx. US\$130,000.00) for data room access.
- i. **Form of Participation:** Companies may participate in the bidding round as individual bidders ("Individual Bidder") or as joint bidders ("Consortium"; jointly, a "Bidder"). Each Bidder, whether as an Individual Bidder or a Consortium, must create a Mexican entity to sign the License Contract. The members of a Consortium may either jointly create a single Mexican entity to sign the License Contract, or may individually create their own Mexican entities to sign the License Contract/

In case of participating as Consortium, the appointed Operator must have at least 30 percent of the capital stock.

- j. **Prequalification Requirements:** Participants in the Bid must satisfy certain financial and experience requirements to be prequalified. 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:
  - 1. **Experience:** The Individual Bidder or Consortium designated operator must evidence
    - a. Experience as an operator in at least one exploration and production project in the past five years, or capital investments in exploration and/or production projects for a minimum cumulative amount of US\$100 million or evidence that the CEO of the operator has at least 10 years of experience.
    - b. That it has experience in industrial and environmental safety in exploration and/or production projects for the past five years.
  - 2. **Financial:** The Individual Bidder or Consortium designated as operator must evidence:
    - a. A paid in capital stock of at least US\$100 million.
    - b. Assets amounting US\$500 million with an investment grade credit rating.
- k. **Limit to Awarding of Blocks:** There is not a limit on the number of blocks for which a Bidder may bid. A Bidder may submit bids for all blocks. However, a company may not submit more than one bid for the same block, whether individually, through direct or indirect participation in a Consortium, or individually through companies in which it has control or that belong to the same

economic group.

## I. Timeline of Award Process:

- **Date of the Invitation to Bid and Publication of the Bid Rules:** March 2, 2018
- **Registration Payment and Request Prequalification Meeting:** March 5, 2018 to June 12, 2018
- **Registration for Data-Room Access:** From March 5, 2018 to June 12, 2018.
- **Access to the Data Room:** From March 5, 2018 to September 4, 2018.
- **First Clarification Stage (Data-Room Access):** From March 2, 2018 to June 7, 2018.
- **Second Clarification Stage (Prequalification and Bidder Integration):** From March 2, 2018 to July 31, 2018.
- **Third Clarification Stage (Submission and Opening of Bids, Award and Contract):** From March 2, 2018 to August 3, 2018.
- **Delivery of Prequalification Documents:** From June 19, 2018 to June 22, 2018.
- **Prequalification Document Review by Bid Committee:** From June 25, 2018 to August 1, 2018.
- **Publication of the List of Prequalified Bidders:** August 3, 2018.
- **Application for Authorization for Integration of Bidders:** From August 8, 2018 to September 8, 2018.
- **Final Version of the Bidding Guidelines:** August 3, 2018.
- **Final Version of the License Contract:** August 3, 2018.