

## **Mexico: Farmout Bidding Round 2018**

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The National Hydrocarbons Commission (“CNH”) announced on April 26, 2018, the so-called “farmout” bid process CNH-A-C6-7 *Asociaciones*/2018. This new bid round comprises seven onshore conventional blocks for exploration and production that are located in the states of Veracruz, Tabasco and Chiapas, covering collectively 4,580.8 km<sup>2</sup>. CNH estimates these blocks have conventional prospective resources of approximately 405.1 million barrels of crude oil equivalent. The blocks in this bid round will be awarded based on a license contract.

The contract areas are the following:

1. Artesa.
2. Bedel Gasifero.
3. Bacal Nelash.
4. Cinco Presidentes.
5. Giraldas Sunuapa.
6. Juspi Teotleco.
7. Lacamango.

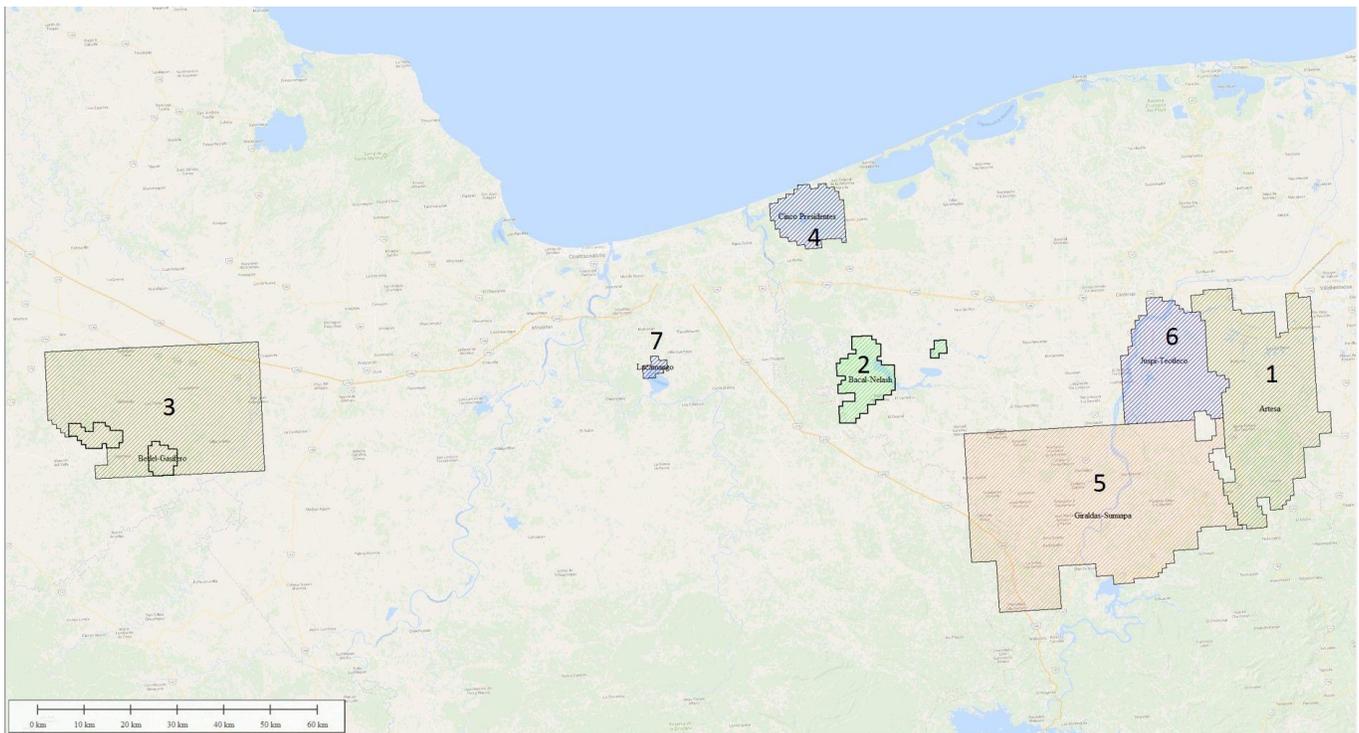
Contract areas Artesa, Bedel Gasifero, Giraldas Sunuapa, and Juspi Teotleco are primarily exploration blocks and their license contracts have a maximum term of 40 years. Contract Areas Bacal Nelash and Lacamango are primarily production blocks with some potential for exploration, and their license contracts have a maximum term of 35 years. Likewise, the license contract for the Cinco Presidentes contract area foresees only production activities and has a maximum term of 35 years. In all cases, the maximum term of the license contracts includes two extensions of five years each.

The deadline to access the data room is October 30, 2018. Prequalified companies will be announced on October 2, 2018, and the final versions of the bid documents (and related license contract and joint operating agreement) will be announced on October 5, 2018. The presentation and opening of proposals is scheduled for October 31, 2018. These dates may be modified.

1. **Size of the Blocks.** The total area of the blocks to be auctioned is 4,580.8 km<sup>2</sup>.

	Block	State	Surface (km <sup>2</sup> )
1.	Artesa	Chiapas, Tabasco	893.134
2.	Bacal Nelash	Tabasco-Veracruz	156.197
3.	Bedel Gasifero	Veracruz	1,168.112
4.	Cinco Presidentes	Tabasco	167.118
5.	Giraldas Sunuapa	Chiapas, Tabasco	1,726.376
6.	Juspi Teotleco	Tabasco, Chiapas	449.951
7.	Lacamango	Veracruz	16.265

2. Location of the Blocks/Contract Areas



### 3. **Bid Information:**

#### a. **Type of Exploration and Production Contract.** License Contracts.

#### b. **Term of the Contract.**

- Artesa → 40 years.
- Bedel Gasifero → 40 years.
- Bacal Nelash → 35 years.
- Cinco Presidentes → 35 years.
- Giraldas Sunuapa → 40 years.
- Juspi Teotleco → 40 years.
- Lacamango → 35 years.

The term of the contract may be extended for two additional terms of five years each.

#### c. **Periods:**

- Initial exploration period of up to two years, with three additional periods. The Bacal Nelash, Cinco Presidentes, and Lacamango license contracts do not specify an exploration period because exploration is optional.
- Appraisal period of up to 24 months.
- Development period will depend on the term of each contract area.

#### d. **National Content.**

- Artesa → 30 percent during the exploration and development periods until it reaches 38 percent in 2025.
- Bedel Gasifero → 30 percent during the exploration and development periods until it reaches 38 percent in 2025.
- Bacal Nelash → 30 percent during the exploration and development periods until it reaches 38 percent in 2025.
- Cinco Presidentes → 27 percent during the development period until it reaches 38 percent in 2025.
- Giraldas Sunuapa → 30 percent during the exploration and development periods until it reaches 38 percent in 2025.

- Juspi Teotleco → 30 percent during the exploration and development periods until it reaches 38 percent in 2025.
  - Lacamango → 30 percent during the exploration and development periods until it reaches 38 percent in 2025.
- e. **Performance Guaranty.** A letter of credit to guarantee work units committed by the contractor during the exploration period.
- f. **Corporate Guaranty.** Granted by the contractor's ultimate parent or a duly-capitalized affiliate to guaranty the due performance of the contract.
- g. **Governing Law.** Hydrocarbons Law (*Ley de Hidrocarburos*), Regulations to the Hydrocarbons Law (*Reglamento de la Ley de Hidrocarburos*), the Administrative Rules for the Tender of E&P Contracts (*Disposiciones Administrativas en materia de Licitaciones de Contratos para la Exploración y Extracción de Hidrocarburos*), the 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 (*Reglamento Interior de la Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos*).
- h. **Language of the Proposal.** Spanish.
- i. **Bid Bond.** 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.
- j. **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 for data room access.
- k. **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. Two or more companies may submit a joint bid, acting as a Consortium, pursuant to the following:
- Any of the companies of the Consortium may pay the fee to access the Data Room and be registered in the Bid.
  - Only joint bids from a Consortium that obtains a prequalification certificate will be accepted. Any new company that desires to join an existing Consortium will not be accepted, unless it previously prequalified as a non-operator or operator, the Consortium timely files its application for the addition, and the Consortium obtains prior consent from CNH.
  - There are certain restrictions on bidding; for example, an Individual Bidder that is also a member of a Consortium, or two Consortia having a member in common, may not bid on the same Contract Area.

- All members of a Consortium must execute, among themselves, a Consortium Agreement in accordance with Form CNH-2, which is included in the Bidding Guidelines.

- i. **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:

**Experience.** The Individual Bidder or Consortium designated operator must evidence:

- i. Experience as an operator in at least one onshore exploration and production project in the past five years.
- ii. That the Operator or the personnel proposed for management positions who will be in charge of the operation, have participated in at least one project where they have implemented, or one study where they have investigated, secondary or enhanced recovery.
- iii. For the contract areas of Artesa, Bacal Nelash, and Lacamango, the Operator must evidence it has operated fields with production of at least 2,000 barrels of crude oil equivalent per day. This level of production must have been reached in any year of the last five years.
- iv. For the contract areas of Bedel Gasifero, Cinco Presidentes, Giraldas Sunuapa, and Juspi Teotleco the Operator must evidence it has operated fields with production of at least [5,000] barrels of crude oil equivalent per day. (There is a typographical error in the bid documents on the level of required production to qualify for these three blocks.) This level of production must have been reached in any year of the last five years.

**Financial.** The Individual Bidder or Consortium designated operator must evidence:

- i. A net equity (assets minus liabilities plus reserves) of at least US\$100 million.
  - ii. Assets totaling US\$500 million and an investment-grade credit rating (per Fitch Ratings, S&P, or HR Ratings).
- m. **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.
  - n. **Timeline of Award Process.**
    - **Date of the Invitation to Bid and Publication of the Bid Rules:** April 27, 2018.



- **Registration Payment and Request Prequalification Meeting:** April 27, 2018 to August 15, 2018.
- **Access to the Data Room:** From April 27, 2018 to October 30, 2018.
- **First Clarification Stage (Data-Room Access):** From April 27, 2018 to August 10, 2018.
- **Second Clarification Stage (Prequalification and Bidder Integration):** From April 27, 2018 to October 4, 2018.
- **Third Clarification Stage (Submission and Opening of Bids, Award and Contract):** From April 27, 2018 to October 5, 2018.
- **Delivery of Prequalification Documents:** From August 20, 2018 to August 22, 2018.
- **Prequalification Document Review by Bid Committee:** From August 23, 2018 to September 28, 2018.
- **Publication of the List of Prequalified Bidders:** October 2, 2018.
- **Application for Authorization for Integration of Bidders:** From October 8, 2018 to October 9, 2018.
- **Final Version of the Bidding Guidelines:** August 3, 2018.
- **Final Version of the License Contract:** October 5, 2018.
- **Date for the Submission and Opening of Bids, and Declaration of Winning Bidders:** October 31, 2018.
- **Issuance of the Award and Request for its Publication:** November 5, 2018.
- **Deadline for Contract Signing:** Within 90 calendar days of the publication of the award of the contract in the *Federal Official Gazette*.