

Updates and Highlights in the Mexican Energy Sector, September-October 2017

November 3, 2017

PRACTICES Downstream, Mexico, Energy, Power and Natural Resources, Mexico Energy Reform, Oil and Gas

During the months of September and October 2017, new regulations and administrative guidelines in the Mexican energy sector were issued. These are of particular importance to oil and gas producers, midstream companies, power generators, traders, developers and others looking to invest or expand operations in Mexico's dynamic energy sector.

I. Hydrocarbons

September 5, 2017. NOM-167-SEMARNAT-2017. The Ministry of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*) ("SEMARNAT") published NOM-167-SEMARNAT-2017 as the technical standard to establish the maximum limits for emissions compliance for cars that use gasoline, diesel, LPG or natural gas. Likewise, NOM167 establishes the mechanisms, technologies and tests that Verification Units shall use when certifying that cars comply with the maximum limits. This NOM is applicable for the states of Mexico City, Hidalgo, Mexico State, Morelos, Puebla and Tlaxcala.

September 8, 2017. Modifications to the Commercial Statistic Transactions Registry ("SIRETRAC") General Administrative Provisions. The Energy Regulatory Commission ("CRE") published the modifications to SIRETRAC, which is CRE's information system that registers operations of the permit holders and users in order to record transactions undertaken by them throughout the value chain for Transport, Storage, Distribution, Marketing and Retail of fuels in Mexico. These provisions establish that SIRETRAC and its Guidelines will be enforceable as of March 30, 2018 and establishes that all permit holders shall be registered in SIRETRAC by March 30, 2018.

September 18, 2017. Bidding Process CNH-A5-NOBILIS-MAXIMINO-C4-2017. The National Hydrocarbons Commission ("CNH") published the Call for the Nobilis-Maximino Farmout Bidding Process. This new bid round comprises three deepwater blocks for exploration and production in the Cinturon Plegado Perdido area, under a License Contract, covering collectively 1,524 km². The estimated resources are approximately 715 million barrels of crude oil equivalent. The submission and opening of proposals is scheduled for January 31, 2018.

September 28, 2017. National Center for Natural Gas Control ("CENAGAS") Organizational Guidelines. CENAGAS published its new Organizational Guidelines containing the objectives, functions, authorities and responsibilities of each of its administrative units and public officers.

September 29, 2017. Bidding Process CNH-R03-L01/2017. CNH published the Call for the Bidding Process of Round 3.1. This new bid round comprises 35 shallow water blocks for exploration and production in the Burgos Region, the Tampico-Misantla-Veracruz Region, and the Southeastern Gulf of Mexico area, under a production-sharing contract, covering collectively 26,265

km². The prospective resources are approximately 1,988 billion barrels of crude equivalent. The submission and opening of proposals is scheduled for March 27, 2018.

October 5, 2017. Methodology to determine the value of assets destined for hydrocarbon E&P projects as well as for electric public service transmission and distribution. The National Assets and Administration Assessment Institute (*Instituto de Administración y Avalúos de Bienes Nacionales*) (“INDAABIN”) published the methodology to calculate the value of assets and lands destined for hydrocarbon exploration and production projects in the contractual areas designated by The Ministry of Energy (“SENER”) and the entitlements (*asignaciones*) awarded to the State Productive Entities, as well as the assets and lands destined for electric public service transmission and distribution.

October 12, 2017. Hydrocarbons Marketing Bidding Process. CNH published the Call for the Hydrocarbons Marketing Bidding Process. The purpose of this process is to substitute PMI International as the sole State Marketer. The duration of the contract to be awarded will be for three years. The submission and opening of proposals is scheduled for October 27, 2017.

October 17, 2017. CNH published the results of Bid Rounds Ayin Batsil, Cardenas-Mora and Ogarrio. The awarded parties are as follows:

Ayin Batsil

AREA	WINNER	SECOND PLACE
The Bid Round was declared deserted		

Cardenas-Mora

AREA	WINNER	SECOND PLACE
Cardenas-Mora	Cheiron Holdings Limited	Gran Tierra in consortium with Sierra Blanca P&D

Ogarrio

AREA	WINNER	SECOND PLACE
Ogarrio	DEA Deutsche Erdoel AG	California Resources Corporation in consortium with Petrobal

October 13, 2017. Oil Fields Unitization Guidelines. SENER has published for notice and comments to the Federal Commission for Regulatory Improvement (“COFEMER”) a draft of the Oil Fields Unitization Guidelines which establish the procedure to instruct the unitization of shared oil fields and approve the terms and conditions of unitization agreements.

October 17, 2017. Cases in which the Preventive Report is necessary during the application for environmental impact authorization. SEMARNAT published the order that establish the

cases in which the submission of a preventive report is necessary during the application for environmental impact authorization for installing a gas station. Gas stations located in urban, suburban and industrial areas, highways, federal or state freeways must comply with NOM-005-ASEA-2016 for the design, construction, emissions, wastewater discharges and environmental impact and thus they may submit a preventive report to comply with the process to obtain environmental impact authorization.

October 20, 2017. SENER announced the first bidding process for natural gas storage in the subsoil. This project is located in the “Brasil” oil field in Tamaulipas. CENAGAS will be the authority responsible for carrying out the bidding process. It is expected that this bid round will take place during the first few months of 2018.

October 25, 2017. The Extractive Industry Transparency Initiative (“EITI”) Board approved Mexico’s application to join EITI at its meeting in Manila held on October 25, 2017. The EITI is the global standard for the good governance of oil, gas and mineral resources. Mexico's candidature application was received on September 1, 2017.

October 30, 2017. Unique Natural Gas Distribution Zone. CRE published a draft of the Unique Natural Gas Distribution Zone Order for notice and comments by COFEMER. The Mexican national territory is declared as a Natural Gas Distribution Zone in order to promote natural gas industry development.

October 31, 2017. NOM-EM-005-ASEA-2017. SEMARNAT published NOM-EM005-ASEA-2017, which established the criteria to classify special management hydrocarbon wastes and determine which ones require a Management Plan, as well as the procedures for carrying out such Management Plans for hydrocarbon hazardous and special management wastes.

October 31, 2017. PROY-NOM-NOM-009-ASEA-2017. SEMARNAT published PROY-NOM-NOM-009-ASEA-2017 which establishes the requirements for the administration of pipelines for transportation and distribution of hydrocarbons, oil products and petrochemicals, to ensure industrial safety, operational safety and environmental protection.

II. Power

October 5, 2017. Guidelines for the dispatch and unbundling of power for the joint property units in the Wholesale Electricity Market (“WSEM”). SENER published for notice and comments to COFEMER a draft of the Guidelines for the dispatch and unbundling of power for the joint property units in the WSEM. The purpose of these Guidelines is to detail the possible combinations for the joint property units in the WSEM as well as set the guidelines and criteria in order to register the dispatch orders and the power assignment for the joint property units.

October 10, 2017. Opportunity Cost Guidelines. SENER published the Opportunity Cost Guidelines which establish the calculation principles, instructions, rules, guidelines, examples and procedures to be observed by Market Participants and CENACE for the determination of Opportunity Costs related to Limited Energy Resources.