

Modifications to the bidding rules and the model contract of the Bid No. CNH-R01-L02/2015

On August 4th, 2015 an extraordinary meeting of the commissioners of the CNH was held in which they have agreed to make certain changes in the bidding rules for the second tender of Round One for shallow waters (Bid No. CNH-R01-L02/2015). These changes have been implemented to bring greater interest and investment, taking into account primarily two aspects: (i) the current economic situation affecting the oil and gas sector; and (ii) the disappointing results of the first tender for shallow water exploration projects in this Round One.

The changes will only be applied in the bidding rules of the second tender and do not affect, for the moment, the third tender (Bid No. CNH-R01-L03/2015), relative to mature land fields. Nevertheless, it is very likely that some of them will be adopted subsequently in order to make more flexible the terms and conditions of the third tender as well as of subsequent tenders, which include those for deep waters, extra-heavy oils and unconventional resource plays for which the issuance of the tenders has been postponed for the moment to modify them pursuant to the results of the first tender in accordance to the information publicly announced by the head of the Ministry of Energy.

In relation to the above, below you will find a summary of the relevant changes that were applied on August 4th, 2015 to the bidding rules as well as to the contract of the second tender (shallow waters):

I. Modifications to the bidding rules of Bid No. CNH-R01-L02/2015

- 1. Operators:** There is greater flexibility for the operators, given that it is now permitted, prior authorization by the CNH, for: (i) an operator to present its proposal as an individual bidder for one of the contractual areas even if it is part of a consortium that has already presented its own proposal for another different contractual area; (ii) if a consortium loses the operator, the latter may present a proposal as an individual bidder or join another consortium.
- 2. Time periods:** With regard to time periods, the one for the bidders to incorporate new not pre-qualified financial partners is expanded and they can change their structure from September 18th to the 25th. Furthermore, the date for the publication of the list with pre-qualified bidders is changed from the 14th to the 20th of August.

II. Modifications to the model contract of Bid No. CNH-R01-L02/2015

- 1. Exploration:** A new possibility is provided for contractors to request authorization from the CNH to perform exploration activities if they identify the possibility of a discovery in different horizons different to the areas evaluated by the contract.
- 2. Bid security:** The bid security which before had to be presented through a stand-by letter of credit for an

amount of USD\$2'500,000.00 for each of the proposals for each contractual area was changed so that there is now a single bid security of that amount that applies to all the proposals that any bidder wants to present.

3. Performance security: It is now possible for the performance security to be reduced each year at the request of the contractor and prior verification and authorization by the CNH.

4. Corporate guarantee: The minimum stockholders' equity was modified if the guarantors for the corporate security are not the ultimate parent companies of the companies participating in the contract. Before, the abovementioned guarantors had to have a minimum stockholders' equity of USD\$6,000'000,000.00. This was changed by a minimum stockholders' equity equivalent to 18 times the sum of the value of the minimum work program and the value of the increase in the minimum program. The guarantor of the operator must demonstrate at least 50% of the above.

5. Insurance: A minimum amount of coverage was established for the amount of USD\$1,000'000,000.00 for insurance per event involving liability for damage to third parties, same that includes environmental liability and wells' control. Furthermore, an obligation for the contractor to be signed in a mutual insurance company to provide the service of wells control in the Gulf of Mexico or evidence that it has entered into a service contract with a company specializing in the provision of those services.

6. Fraud and fault: The following concepts of fraud (dolo) and fault (culpa), which were not defined, were included in the contract:

- **Fraud:** any act or omission of the contractor or participating company with the intention to pursue an outcome directly.
- **Fault:** any act or omission of the contractor that because of negligence results in the violation of a rule or an objective duty that must be complied in accordance with best industry practices.

7. Arbitration: Regarding the arbitral proceeding, the appointing authority is changed; previously it was the President of the International Court of Justice and it is now the Secretary General of the Permanent Arbitration Tribunal of The Hague.

8. Adjustment mechanism: Finally, the thresholds for the adjustment mechanism are being modified, which is the mechanism through which the consideration of the State and of the contractor will be determined. It should be kept in mind that for this tender a shared production contract will be executed, in contrast to the third tender in which a license contract will be executed.

We emphasize again that the requirements and criteria established in the terms for the third tender (mature fields) were not changed as described above; however, it is likely that most of the above changes will be adopted and adapted to the special terms and conditions of the third and subsequent tenders.



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Sincerely,

Von Wobeser & Sierra, S.C.

Mexico City, August 6th, 2015.