
Call for a Comprehensive Exploration and Extraction Services Agreement for Cuitláhuac Field.

Legal Flash – Mexico City

July 2021.



On June 13th, 2021, Pemex published in the Federal Official Gazette (“DOF” by its acronym in Spanish) the Call for an international Open Competition, under the coverage of the free trade agreements, to participate in the procedure for the award of a Comprehensive Exploration and Extraction Services Agreement for Cuitláhuac Field (hereinafter the “Call”).

The Call derives from the Mexican Government’s interest in reactivating the hydrocarbons sector through Comprehensive Exploration and Extraction Services Agreements (“CSIEE” by its acronym in Spanish). Through these instruments, the awarded company shall develop hydrocarbons exploration and extraction activities as a comprehensive services provider for Pemex, in the fields operated by said State Productive Company.

The present document addresses the main considerations regarding the Call.



Call for a Comprehensive Exploration and Extraction Services Agreement for Cuitláhuac Field.

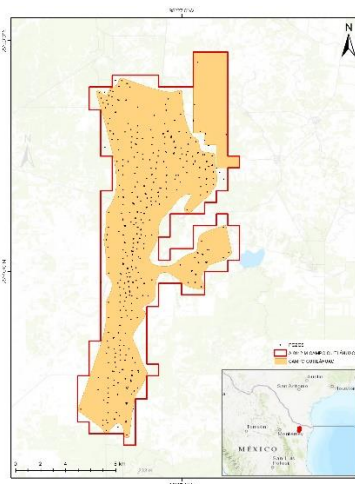
On July 13th, 2021, Pemex Exploration and Production, a productive subsidiary of Petróleos Mexicanos (“**Pemex**”), published in the Federal Official Gazette the Call for an international open competition, under the coverage of the free trade agreements, to participate in the procedure for the award of a Comprehensive Exploration and Extraction Services Agreement for Cuitláhuac Field No. PEP-CAT-S-GCP-501-91035-21-1 (the “**Call**”).

Individuals or companies of Mexican nationality or of countries with which Mexico has entered into a Free Trade Agreement with Provisions on Public Sector Procurement may participate in the Call.

The interested parties in participating shall email their intention to participate by October 14, 2021 (three business days prior to the proposal opening ceremony scheduled for October 19, 2021).

Cuitláhuac Field

Cuitláhuac field is an onshore field located within the Burgos basin in the State of Nuevo León, 60 kilometers southwest of Reynosa, Tamaulipas. It currently has about 477 wells for gas and condensate production.





Recommendations

The Call represents an interesting investment opportunity as it implies a means to reactivate the *upstream* sector and increase the Mexican oil production, through the participation of private companies under the Integral Exploration and Extraction Services contracting scheme. To participate in Pemex's Call, the interested parties shall:

- > Email their interest to participate to the following email directions:
- > email2workspace-prod+PEMEX+WS3055858427+dewj@ansmtp.ariba.com and amelia.aguirre@pemex.com
- > Present before Pemex's Production Contracting Direction the pertinent requests for clarification **before July 23rd, 2021.**
- > In case of having the interest and the technical requirements to participate in the Call, submit the documents for prequalification **on August 18th, 2021.**
- > Finally, present its proposal **before October 14th, 2021.**

In addition to this, we recommend that our clients and friends perform a detailed analysis of the agreement scheme to identify risks and ensure that the business model is profitable. According to the usual comprehensive services schemes previously used by Pemex, some of the most relevant issues to review are the following:

- > Calculation of considerations and payment mechanisms to guarantee the cash flow to the service provider;
- > Risks assumed by the service provider with respect to oil production;
- > Regulatory compliance scheme, distribution of responsibilities that correspond to Pemex in its capacity as Oil Operator before the regulatory authorities and its repercussion to the service provider;
- > Early termination clauses in favor of Pemex, as well as the calculation of non-recoverable costs;
- > Contractual obligations regarding national content;
- > Conventional penalties, events of non-compliance and contractual rescission;
- > Guarantees to be provided by the service provider; and
- > Force majeure, change of law and adjustment of contractual conditions clauses.



To obtain additional information regarding the content of this document please contact our Energy and Natural Resources team in Mexico City.

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