Institute of the Americas Webinar: Round One Update  
October 30, 2015

Q&A Answers

1. **Is the plan to launch the Deep Water and Farm-Out bidding rounds at the same time or is it going to be a staged process? If it will be staged, what is the planned sequence?**

While Round One’s 4th Bid, to include deep waters and extra heavy oil, and the farm-outs are independent processes, launching some farm-outs in parallel to the 4th Bid makes technical and economic sense. We expect to launch the 4th Bid by mid December, and are working to determine whether the launch of the first farm-outs is also feasible but this doesn’t depend exclusively on the Ministry of Energy, as Pemex needs to support its request for migration with all the technical and economic information that has been requested.

2. **Are the final contract models for the farm-outs and CIEP/COPF Migrations also to be determined?**

Yes. SENER and the CNH are working along with the Ministry of Finance and Pemex on the final details of the farm-outs’ join operation agreements models and non-negotiable terms and conditions, as well as the terms and conditions for the migration of CIEPs and COPFs whereby requested by Pemex.

3. **How much have low oil prices impacted Round 1? What impact will Iran’s oil barrels return to the market and the crisis in Syria have on Mexico’s oil price forecast and budget (50 USD per barrel in 2016)?**

Must analysts observe that we are entering a period of low oil prices and that even when prices recover, volatility will remain due to factors such as Iran’s return to the market and the potential conflicts in the Middle East. While these external factors cannot be controlled, Mexico’s Energy Reform improves the country’s position and contributes to the development of a more resilient industry and economy by allowing private participation in exploration and production projects and with the establishment of the Mexican Petroleum Fund, under strict transparency conditions. Mexico’s new regime improves our position as an E&P investment destination at a time of limited resources throughout the industry.

Nonetheless, low oil prices have forced us to review the feasibility of developing projects of unconventionals resources, as well as the terms and conditions set for Round 1 bidding rounds to ensure the contracts are competitive and attractive for the industry, without compromising the Nation’s best interest.
Moreover, the E&P Five Year Plan 2015-2019 issued on October 21st, includes a comprehensive economic analysis of current market conditions and the proposed fields’ materiality to ensure ongoing and future bidding rounds are attractive for global players.

4. Does the SENER have an approximate date to launch an unconventionals bidding round?

The current price environment led to the postponement and further evaluation of the unconventionals and Chicontepec bidding rounds. Nonetheless, the E&P Five Year Plan 2015-2019 survey and feedback process shows that these areas are still of interest for the private sector so we are considering to include them in the first quarter of 2016.

5. Should we expect some of these 11 heavy oil fields on offer to be grouped together? Some of them seem too small to be independently developed. Would the blocks be ring-fenced for tax purposes?

There are currently only 3 cluster heavy oil fields considered for farm-outs. The 4th Bid’s final list of fields and exploration areas hasn’t been published yet. However, in the case of farm-outs the grouping of blocks is feasible and is being considered by Pemex to improve the materiality of the fields to develop. In terms of the fields and areas included in Round One, SENER and the CNH define the final grouping of blocks based as well on materiality principles. Ring-fencing will be used for tax purposes for each contractual area, covering all the blocks this contract might include.

6. What will happen with the areas that were not awarded in Phases 1 and 2, and even with those that are left in phases 3 and 4?

All the non-awarded areas belong to the State and can be considered in future bidding rounds. SENER will perform a yearly evaluation of the E&P Five Year Plan to adjust it to the market needs and conditions. In this process we will consider non-awarded areas from previous bids, and the potential adhesion of these to larger blocks, as well as nominated areas.

7. What is your forecast of domestic production as a result of oil rounds in 2019?

The E&P Five Year Plan 2015-2019 lists the reserves and prospective resources contained in the included fields and areas. Production levels at the end of 2019 will depend on the outcomes of ongoing and future bidding rounds and the success of ongoing
and expected exploration projects that will take over 5 years show first oil. It is therefore still early to determine the expected increase in production.

8. Will minimum royalties expected for the 25 onshore fields be made available when the final terms are presented in November 20th?

The disclosure date for the expected minimum bidding variables of the 3rd Bid is still to be determined by the Ministry of Finance. The final version of the Contract, as well as the Bidding Guidelines, were published on November the 20th and are available for consultation at www.ronda1.gob.mx.

9. What is the definition of deepwater for Mexico in terms of depth?

According to CNH\(^1\), in Mexico, deep waters range from 500m to 1500m, and ultra deepwaters have depths beyond 1500m. Pemex has performed exploration in areas of up to 2919 m deep (Maximino well). The Five Year Plan survey process showed that there are still technological limitations to carry out exploration projects in fields beyond 3000 m, so most of the areas included in Round One are less deep.

10. Could you provide the link to the 5 year plan?
