

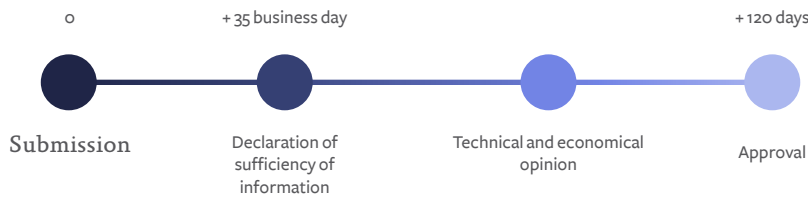
EXPLORATION PLANS

Essentials of Regulatory Compliance

19 License Contracts for Exploration and Extraction of Hydrocarbons were awarded in Round 2.4 and signed on May 7, 2018. Accordingly, the Transition Stage for Startup will come to an end for these Contracts on November 5th, 2018 in which the Exploration Plan (“EP”) shall be submitted.

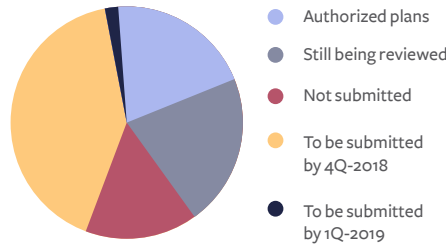
Operators have been struggling with the presentation of EP, given that only 3 contracts were authorized without delays. Since CNH starts counting the 120 days term for approval from the declaration of sufficiency of information, it seems that 35 business days is an insufficient term for most operators.

EP APPROVAL ROADMAP



With data of CNH’s Contract Administration website, we present the following historical behavior of submittal and approval of EP.

79 contracts for exploration
 29 plans submitted
 - 15 authorized plans
 - 14 still being reviewed
 13 not submitted
 36 to be submitted by 4Q-2018
 1 to be submitted by 1Q-2019



From our experience, we recommend considering the following essential elements in preparation of Exploration Plans, to avoid any requirements or delays:

- Qualitative and quantitative explanation of each exploratory activity, schedule of activities and Minimum Work Program, for the Initial Exploration Period.
- Indicative budget, estimated investment amounts to carry out each of the activities and sub-activities of the EP, broken down by year of execution.
- Estimation of percentage of national content proposed for the execution of the EP, annual and global, for the Initial Exploration Period.
- Program for technological transfer as well as training of national human resources related to the exploration project to be carried out.
- Operators shall present the work and budget programs corresponding to the first contractual year, to be evaluated in conjunction with the EP.

R.1.1

All EP were authorized by CNH on time.

R.1.4

Approval took an average of 47 days beyond the normal term.

R.2.1

4 of 10 EP were approved with 13 days of delay the contractual term and the other 6 are still pending.

R.2.2 & R2.3

8 of 21 contractors presented EP which would be approved by 4Q-2018

In Talanza, we assist our clients in the preparation of their Exploration Plans. We are a multidisciplinary group: engineering, law, energy regulation, HSE, social, finance and government. Our competitive advantage relies on our team’s very own insight and understanding of the energy reform in which each of Talanza’s members has the dual perspective, as an active key player in the design and implementation of the reform, and as actual operators of these regulations, from each of the different Mexican regulators.

ANALYSTS



FELIPE ORTUÑO ARZATE, PHD, provides high-accuracy assessment to our clients regarding their exploration and appraisal processes and the drafting of the respective plans, as well as technical advice.

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MARILU LÓPEZ PERALTA is a lawyer specialized in energy law, she is in charge of the advice, planning and application for the required permits before the different energy regulators as well as providing legal counsel to transactional documents pertaining to each project.

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Comprehensive energy regulatory consultancy given by former key officials that participated in the design and implementation of the energy reform.

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