

Farmouts under Mexican law

July 10th, 2017

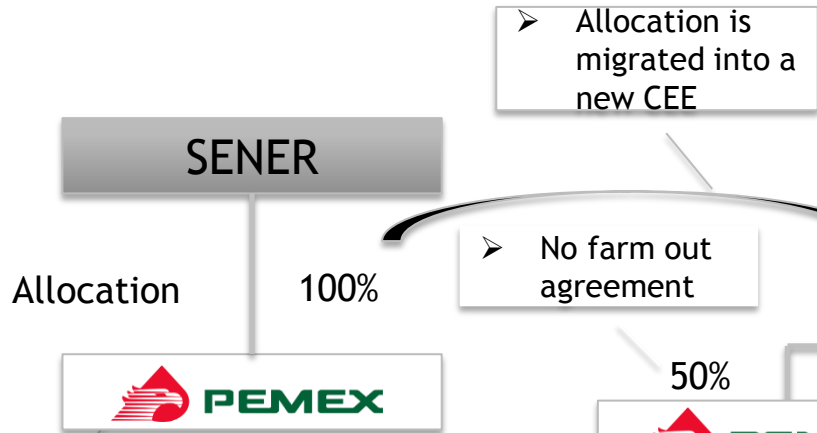
Jorge E. Kim

General Counsel

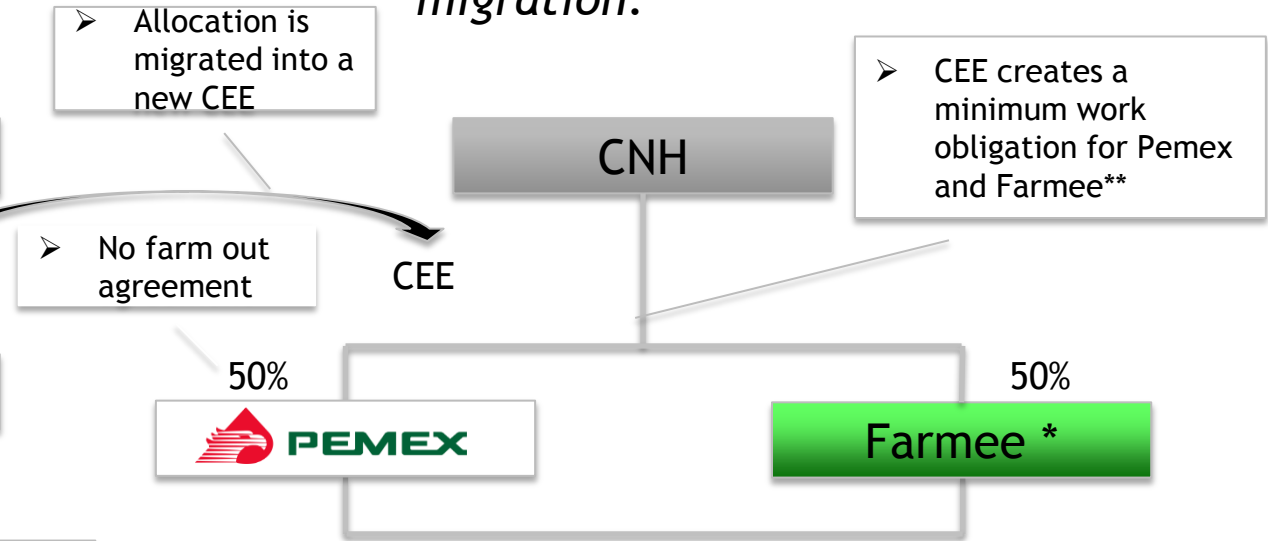
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“Farmouts” under Mexican Law

Before migration:



After bid round and migration:



➤ Pemex holds 100% interest in an Allocation, but Pemex cannot assign it because only a state productive entity can have an interest in an Allocation

➤ Farmout provisions (i.e carry) are included in the JOA

*The farmee is assigned an interest in the government contract prior to performing any work obligations

**if Farmee does not perform PEMEX may lose its interest in the CEE

Farmouts by Pemex Differ from Typical US/Canada Farmouts

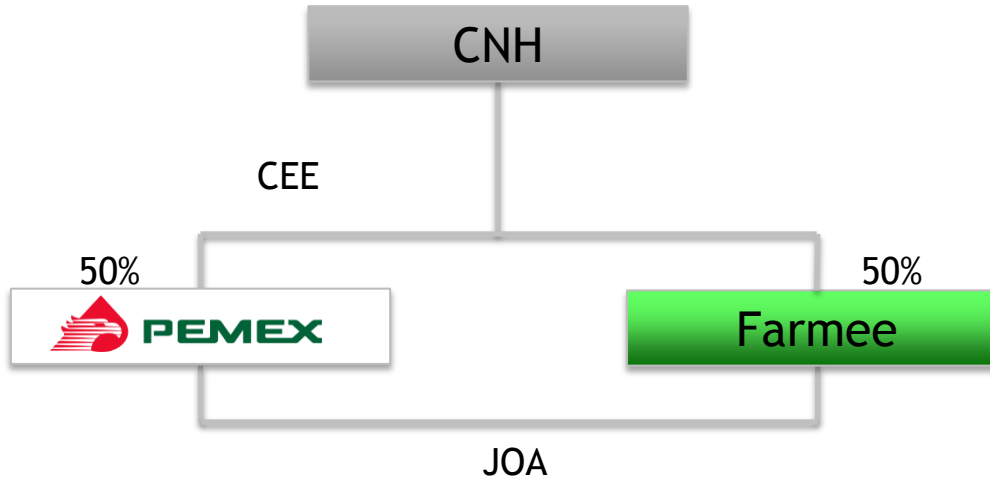
How is a Pemex Art. 13 Farmout Unique?

- This is a 'farmout without a farmout agreement'. The bidding process, CEE and JOA contain what would typically appear in a farmout agreement

- The Farmee acquires its interest BEFORE it has performed the work obligation

- If Farmee fails to perform its obligation, Pemex may also lose its interest

- CNH manages the bid process and selects Pemex's farmee



What impact does that have on the JOA?

- The JOA, though based on AIPN model, has some unique provisions to incorporate typical farmout features into the JOA-- such as, the carried interest (if any)

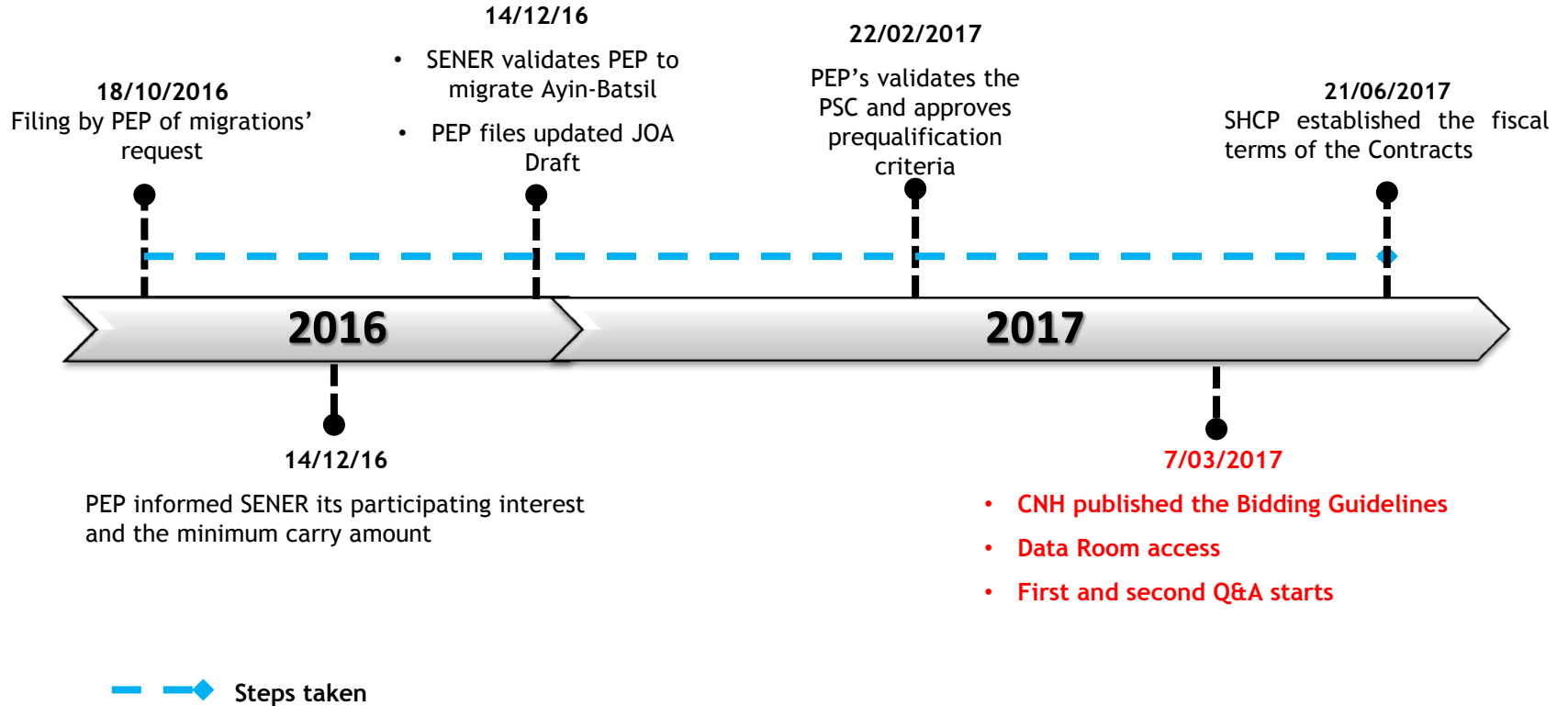
- Contains provisions protecting Pemex in case the Farmee does not perform its work obligation

- This further justifies provisions described in the box above

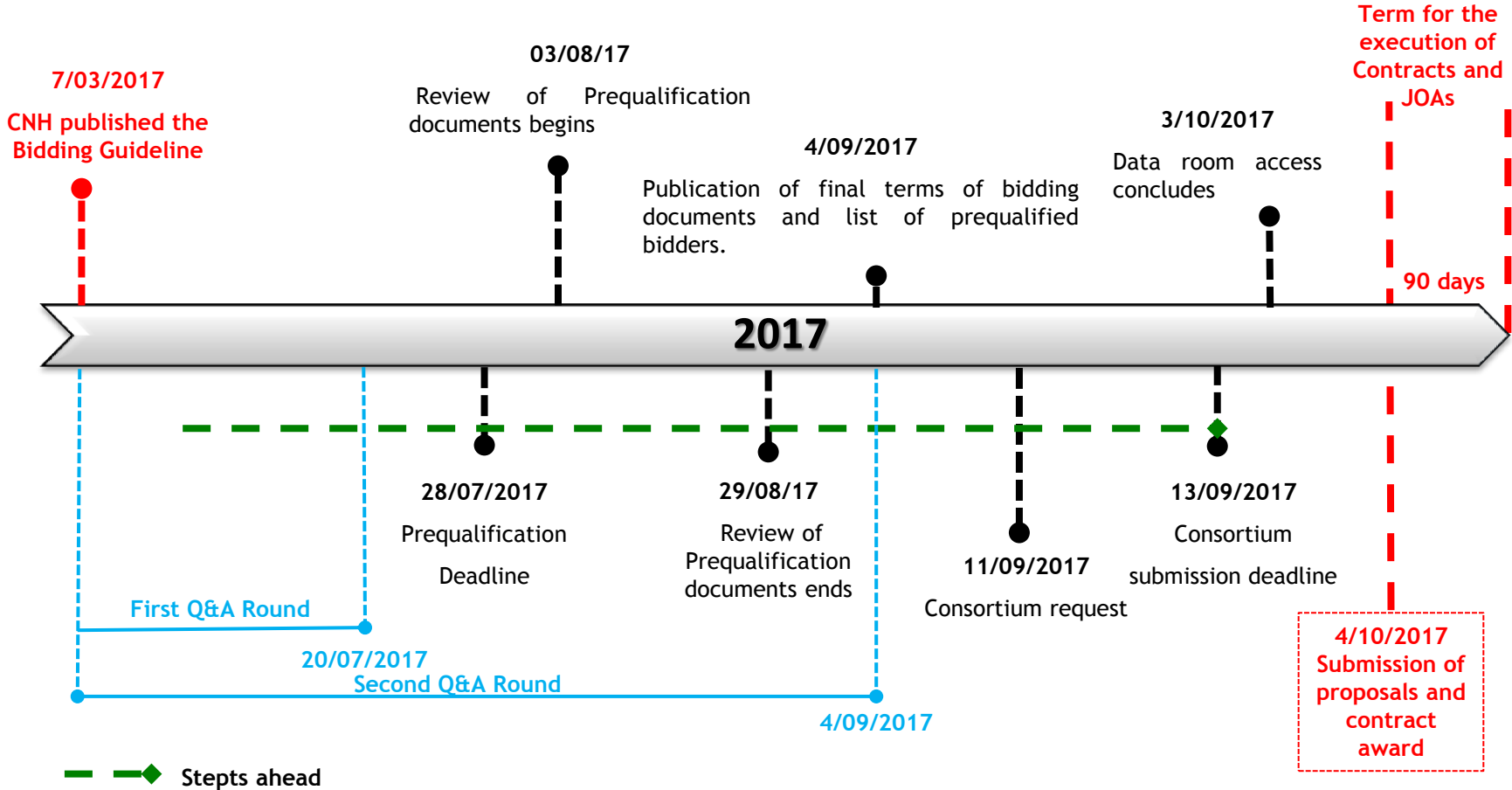
- CNH manages the bid process and selects Pemex's farmee

**Ayin-Batsil: Shallow waters
Production Sharing Contract**

Timeline

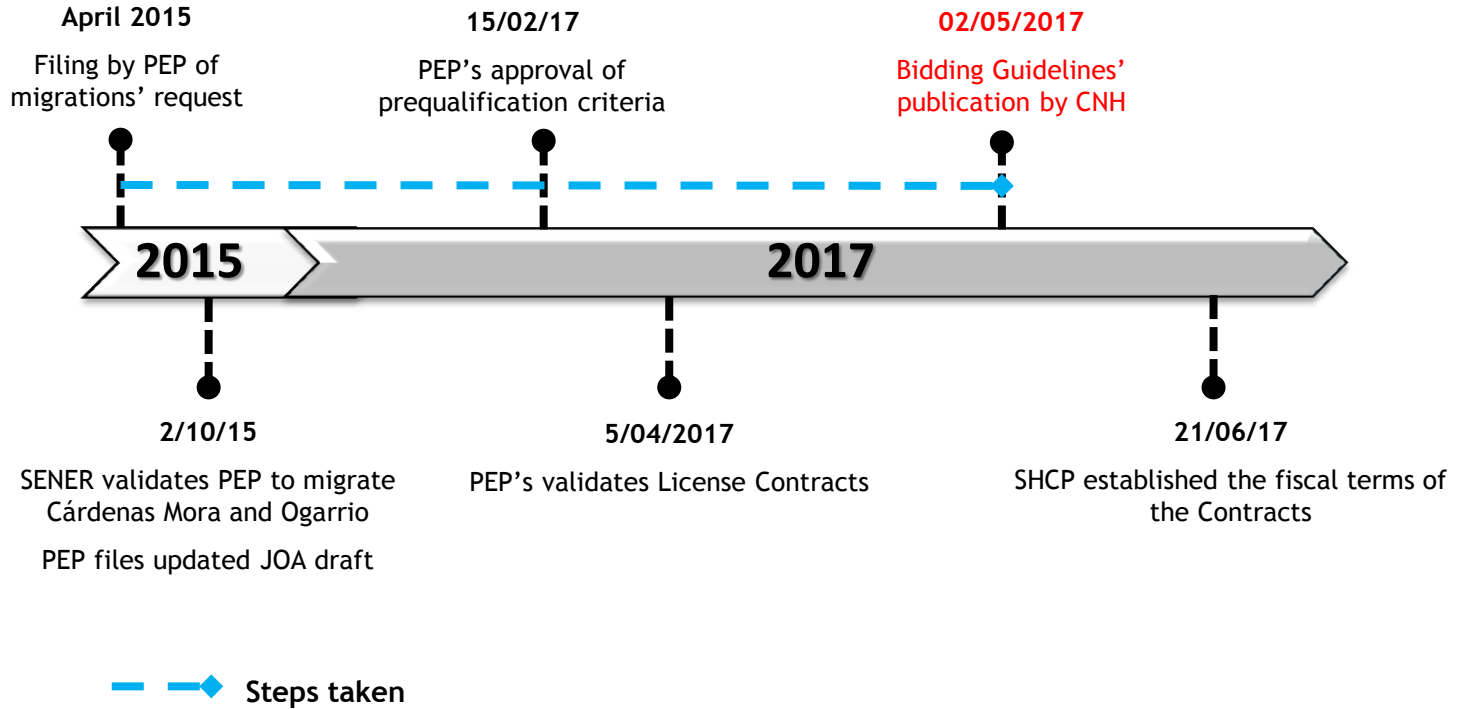


Timeline

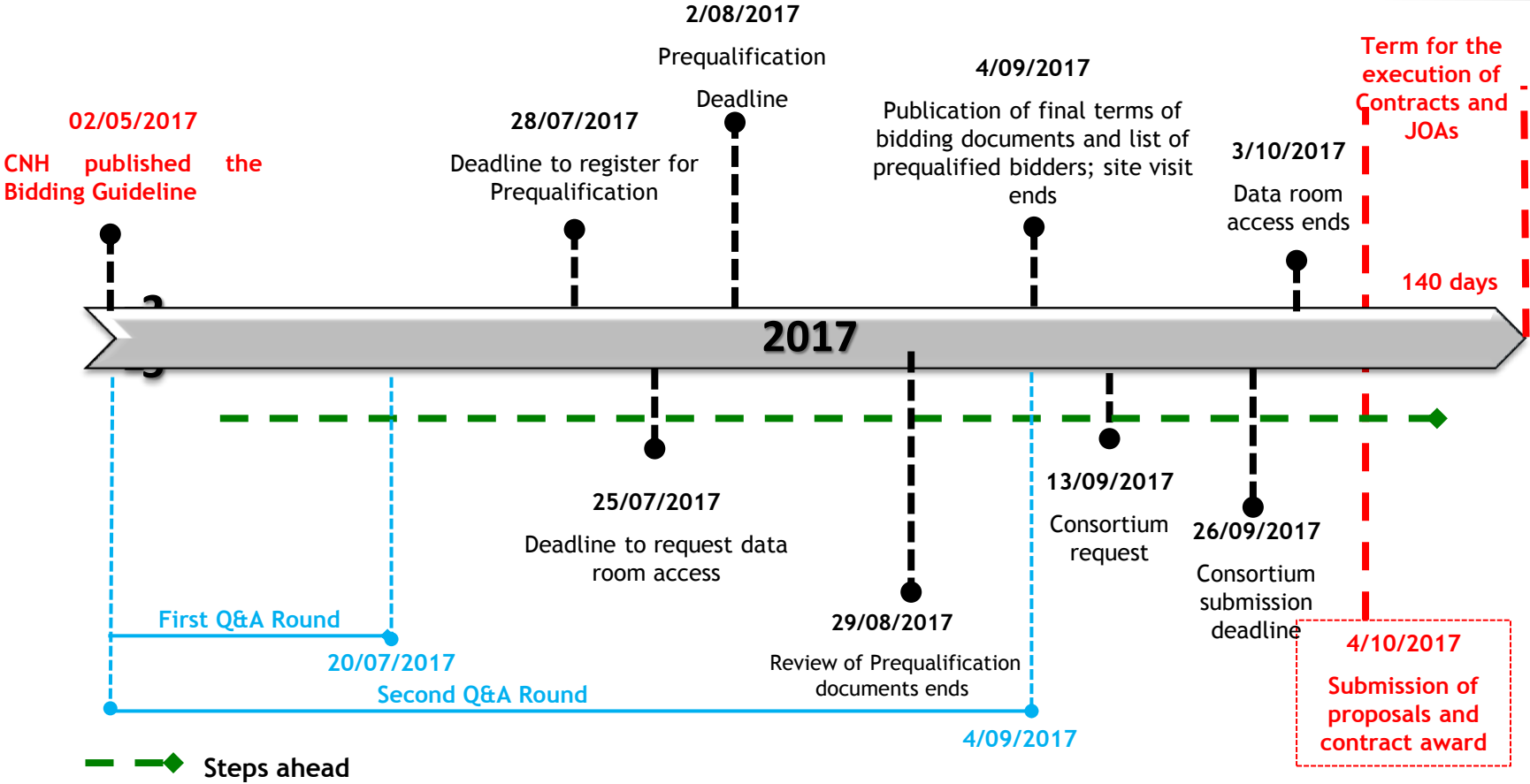


Ogarrio and Cárdenas Mora: Terrestrial License Contract

Timeline



Timeline



Gracias!