

PEP issues the Exploration and Production Integral Services Contract for public consultation

One of the strategic objectives of Pemex's 2019-2023 Business Plan is to strengthen the financial situation of the company. For this purpose, business schemes that attract external investment for the development of infrastructure projects and thus increase hydrocarbon production will be implemented. One of these business schemes is the update of the Exploration and Production Integral Services Contract model ("CSIEE", for its initials in Spanish).

The CSIEE had previously been implemented for the San Ramón and Blasillo assignments. Now, Pemex Exploración y Producción ("PEP") will seek to implement it to reactivate non-associated gas projects in the Burgos and Veracruz Basins and to increase the associated oil and gas recovery factor in mature fields of the Southeast and Tampico-Misantla Basins.

In an effort to incorporate opinions that would strengthen the CSIEE, on August 19, PEP issued through its website the terms and conditions of the new version of the CSIEE for public consultation. The most relevant terms and conditions included are:

- The award procedure will be by open tender in terms of the Pemex Law.
- PEP may carry out exploration activities simultaneously with the services of the service provider (the "SP").
- The SP will have to obtain, on behalf of PEP, all the permits that are required for the execution of the services (except for those specifically carved-out in the CSIEE).
- The CSIEE will include a transition stage, during which the contractual area and the facilities will be made available to the SP, who will take control of the field. It is not clear under which permits the SP will be operating during such stage and what activities may be carried out.
- Consideration will be **(i)** paid in cash, **(ii)** equivalent to the rate per barrel of crude oil or for non-associated gas fields, per million cubic feet, **(iii)** subject to the net delivery of hydrocarbons produced in the field and the availability of cash flow.
- PEP may early terminate the CSIEE if the oil barrel price is below a certain amount and for the period established in the CSIEE.
- The CSIEE will be subject to an annual performance evaluation. Failing such evaluation for 2 consecutive or 3 aggregate years, will be grounds for CSIEE termination.

- Each of the parties will be responsible for the environmental damages that arise from activities related to the production of hydrocarbons. There is no statement as to the liability for reservoir damage or for loss of hydrocarbon.
- The maximum total contractual liability of the SP for damages and losses shall not exceed the amount established in the CSIEE.
- Disputes will be resolved by arbitration subject to the Rules of the International Chamber of Commerce.

Interested parties can find the CSIEE terms and conditions sheet in the following link:

<https://www.pemex.com/nuestro-negocio/pep/Paginas/csiee-encuesta.aspx>

PEP will receive comments on said terms and conditions sheet until August 30, 2019 in the following link:

<https://www.pemex.com/nuestro-negocio/pep/Paginas/csiee-encuesta-respuestas.aspx>

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Sincerely,

Von Wobeser & Sierra, S.C.

Mexico City, August 23, 2019.