

The National Hydrocarbons Commission released a draft of interpretation criteria for the modification of exploration and development plans

Mexico City

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On January 23, 2020, the National Hydrocarbons Commission (“CNH” per its Spanish acronym) released a draft of interpretation criteria for modification of exploration and development plans (the “Draft”) for public consultation in order to clear the regulatory improvement proceedings for administrative regulations.

In summary, the Guidelines regulating the Hydrocarbons Exploration and Extraction Plans (Lineamientos que regulan los Planes de Exploración y Extracción de Hidrocarburos) published in the Federal Official Gazette (Diario Oficial de la Federación) on April 12, 2019 (the “Guidelines”) contain different hypothesis on which Operators are required to modify their exploration or development plans (“Plans”).

In this regard, in the interest of clarifying some of the hypothesis laid down therein, the CNH set out the Draft detailing the criteria to determine if an event of modification is triggered under the Guidelines.



Interpretative Criteria

Based on the foregoing, the Draft sets forth three interpretative criteria, which elaborates the following modification scenarios broadly described in the Guidelines:

Variation of the number of wells contemplated in the Development Plans

Pursuant to Article 62, section II, of the Guidelines, Operators should request the modification of their Development Plans if the number of wells to be drilled varies from the number previously approved (either increasing or decreasing).

In this regard, the Draft provides a procedure to calculate the number of planned wells and the timeframe to regard them. In addition, CNH sets forth a criteria to construe the chart of wells variation laid down in Article 62 of the Guidelines in order to assess whether the event of modification is triggered.

Variation of the planned investment amount

Several provisions of the Guidelines provide for modification events when the investments approved for the Plans or provisional programs are increased or decreased in certain rates.

Thus, the Draft provides the premises and formulas to be used by CNH to assess the variations of the planned investments amount in real terms. The assessment will be made by the CNH on an annual basis using the periodic information reported by the Operators throughout the year and issue the corresponding observations when necessary. If the Draft is officially released, a first assessment will be made in June 2020.

Variation in volume of production

In accordance with the Guidelines, if the volume of production for a specific year varies in thirty percent or more against the forecasted production for the same year, the CNH will assess whether a modification event has been met. To that end, the Draft provides that: (i) the assessment of variation will consider liquid hydrocarbons and natural gas separately; and (ii) in the lack of information on actual hydrocarbons production within a year, CNH will take the number registered in the relevant work program.

Additionally, the CNH set forth a formula to calculate the relevant values in real terms. Thus, an event of modification will be triggered when the absolute value of the deviation, as calculated with the formula, is equal to or greater than the threshold set forth in the Guidelines.



Final remarks

The Draft is currently available for public consultation at the official website of the National Commission of Regulatory Improvement (“**CONAMER**” per its Spanish acronym). Once the regulatory improvement procedure is cleared, the interpretation criteria will be published in the Federal Official Gazette and, pursuant to the current provisions established thereunder, will come into force in the following business day.

For further information related with this document, please contact your regular contact in Cuatrecasas.

Marco Antonio de la Peña

Partner

marco.delapena@cuatrecasas.com

Av. Paseo de la Reforma 483, 50 Fl.

06500, Mexico City

Elías Gallardo Palma

Associate

elias.gallardo@cuatrecasas.com

Av. Paseo de la Reforma 483, 50 Fl.

06500 Mexico City

Rafael Rodríguez Curiel

Associate

rafael.rodriguezcuriel@cuatrecasas.com

Av. Paseo de la Reforma 483, 50 Fl.

06500 Mexico City

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