

Amendments to Hydrocarbons Reconnaissance and Superficial Exploration Regulations

May 28, 2018

Further to our newsletter dated February 23, 2018, yesterday the National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos*) (CNH) published the amendments to General Administrative Provisions on Authorizations for Reconnaissance and Superficial Exploration (*Disposiciones Administrativas de Cácter General en Materia de Autorizaciones para el Reconocimiento y Exploración Superficial de Hidrocarburos*) (the “Amendments to ARES Regulations”) in the Federal Register (*Diario Oficial de la Federación*).

Broadly, the Amendments to ARES Regulations simplify and provide clarity on the requirements and proceedings that shall be carried out before the CNH to undertake Reconnaissance and Superficial Exploration activities (ARES Activities). As applicable, the amendments will apply to **(i)** Authorized Titleholders, and **(ii)** OICs and NOCs within their contract area under an E&P contract executed with CNH (E&P Contractors, and jointly with the Authorized Titleholders, the Regulated Parties).

The amendments that were introduced contemplate, among others, the following:

(i) E&P Contractors: The Amendments to ARES Regulations clarify the steps to be followed for obtaining both, the enrollment for undertaking ARES Activities before the CNH, and the authorization to develop ARES Activities.

In this regard, E&P Contractors’ enrollment will be achieved through the filing of prior notice on commencement of ARES Activities, which shall be submitted in accordance with the new official form ARES B-AV. E&P Contractors shall provide and maintain an updated work plan for each ARES project to be developed.

(ii) Quarterly Reports: Regulated Parties shall prepare and submit on a quarterly basis, **(a)** a report of their activities, **(b)** a dossier with the marketing information of the data transactions, and **(c)** a report of the consideration received from said data transactions.

(iii) Modifications to Projects: CNH shall render its express approval for modifications to projects’ work plan that entail >30% change to key elements thereof. In addition, those changes related to the purpose, scope, technology, or modality of the Project may be deemed to be a new Project, in which case, a new authorization shall be secured.

(iv) Assignment of ARES Authorizations: The Amendments to the ARES Regulations introduce the possibility to assign an authorization title granted by the CNH, for the development of ARES Activities.

(v) Marketing of Data: Further, Regulated Parties will be entitled to hire to third parties with the purpose to obtain assistance on the development of marketing activities. The foregoing on the understanding that such marketing activities shall be developed on behalf of the Regulated Party, who will keep the marketing rights arisen from the ARES Activities.

While the Amendments to ARES Regulations have become effective today, the use of the official forms introduced thereby will come mandatory as of July 9, 2018.