

Abandonment, Resigning and Return Guidelines

Mexico City, September 6, 2023

On August 24, 2023, the Mexican National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos*) (“CNH”) published in the Federal Official Gazette (*Diario Oficial de la Federación*) (“DOF”) the “Decree CNH.30.06/2023 by means of which the Guidelines for Abandonment, Resigning, and Return were issued” (the “Guidelines”). The Guidelines entered into effect on the business day following its publication (i.e., August 25, 2023).

In terms of the Guidelines, the “Decree CNH.12.002/18 by means of which the National Hydrocarbons Commission instructs the Assignments and Contracts Technical Administration Unit to process and solve, through the General Director of Technical Administration of Contracts, the requests for the disposal of goods, assets and/or materials of the contracts for the exploration and/or extraction of Hydrocarbons”, dated August 30, 2018, is abrogated (the “Goods Disposal Agreement”). Likewise, the contractual area resigning or return procedures initiated prior to the publication of the Guidelines, will be resolved in accordance with the Goods Disposal Agreement and other applicable regulation.

Below you may find a brief summary of the Guidelines:

I. General Provisions.

The purpose of the Guidelines is to regulate, amongst others, (i) the procedures and obligations the Petroleum Operators shall follow in the abandonment, resigning and disposal of the materials associated to petroleum activities, (ii) the resigning, return and delivery procedures for exploration and extraction assignments (*asignaciones*) and contractual areas (*áreas contractuales*), and (iii) the financial mechanisms to address abandonment obligations. The Guidelines are applicable to all petroleum operators that perform exploration and extraction activities, either under exploration and extraction contracts or under assignments.

II. Abandonment Obligations.

Pursuant to the Guidelines, the petroleum operators shall comply with the following obligations for the abandonment of the contractual areas:

1. Financial Mechanisms. In terms of their respective contracts or assignments, the Petroleum Operators must set up a funding reserve to comply with the abandonment obligations. This reserve -unless stated otherwise under the corresponding contract or assignment- shall be created after the approval of the development plan for the extraction and prior to the commencement of production. For assignments, an abandonment reserve must be set up, whereas, in the case of the exploration and extraction contracts, the funding reserve shall be set up through the creation of an abandonment trust with an authorized trustee institution.

For the creation of such trust, the Petroleum Operators shall comply with the requirements established in the Guidelines, as well as submit the trust for CNH's approval.

2. Plugging Activities and material removal. Pursuant to the Guidelines, the Petroleum Operators who intend to suspend the activities of any well, shall carry out the plugging and notify the CNH regarding such activities. In the event that the suspension becomes definitive, the applicable laws for definitive plugging shall be followed. At all times, the Petroleum Operators will continue to be responsible for the contractual and assignment areas, until a return procedure for such affected area is carried out.

The Guidelines state that the CNH shall be notified at least 60 days prior to any removal and dismantling of materials. The Petroleum Operator will be responsible of any damages caused to the area or to the materials located in such during the process.

With respect to contractors that carry out such plugging activities under Exploration and Extraction Contracts, the plugging and material removal costs shall be detailed under the budget for their plans and programs.

III. Material Disposal.

The Guidelines state that, at any time during the term of the corresponding contract or assignment, the Contractor may alienate, lease, lien, give as warranty or dispose of in any other way of the goods, assets, or Materials related to the object of the Contract, provided that the corresponding contract allows it and an authorization from the CNH has been obtained.

In the same way, the Guidelines state a specific procedure to encumber the Materials -in accordance with the new Assignment Guidelines, whereby the possibility to encumber contractual rights in favor of lenders is regulated.

IV. Resigning, Return and delivery of areas.

In accordance with the Guidelines -just like under contracts and assignments- the Petroleum Operators may partially or totally resign from their exploration and extraction areas. In the same way, in the event of early termination or contractual termination, the CNH may order the return of the contractual area. In any of these cases, the Petroleum Operator shall return the area to the CNH.

The Guidelines establish the requirements for the procedures of Resigning, Return, and delivery of contractual or assignment areas. In such cases, the Petroleum Operators -in compliance with the Guidelines- will be held responsible of their obligations, without any of the return assumptions understood as a reduction of their obligations (for example, compliance with the minimum of work programs).

In the Guidelines, it is stated that, once the effective resignation or return date is reached -that is, when the corresponding process is concluded, and the contract or assignment is modified or terminated- the Contractor will stop having rights and must cease its petroleum activities (including any exploration and extraction activities). Meanwhile, during the whole process that takes place between the resigning request and until the conclusion of the process, the Contractor shall be responsible for the damages caused in the contractual or assignment area.

Notwithstanding the foregoing, the Contract will continue to be bound to (i) maintain its records at the CNH's disposal for the next 5 years and (ii) comply with the confidentiality obligations with respect to the petroleum activities it carries out.

V. Supervision and sanctions.

The CNH, at any time, may request to review the information related to the contract or assignment of the Petroleum Operator and its abandonment, resigning and return activities, to ensure compliance with the Guidelines. In such case, the Petroleum Operator must deliver such information. In the event of non-compliance with the content of the Guidelines, the CNH may determine the sanctions provided in the Hydrocarbons Law (*Ley de Hidrocarburos*) for such purposes for failure to comply with its obligations of abandonment, resigning, and return.

We remain available in case you have any additional questions.

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