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Pemex's 2013-14 Mega-Tender for Onshore Wells

Statistical analysis of submitted bids

ON AUGUST 28, 2013, THE PROJECT SERVICES DEPARTMENT **Pemex Exploración and Producción** (PEP) published International Tender No. 18575088-542-13, the ambitious scope of which contemplated as many as 1,500 onshore wells in ten areas in the Northern and Southern Regions. The scope of work to be carried out embodied the model of the Integrated Project Management (IPM) that had been pioneered by **Schlumberger** for the oil-producing country with a National Oil Company (NOC).

The major international and Mexican oilfield service companies bought all of the bidding documents; and with a few exceptions they submitted bids on most of the packages. Several other companies bid on just a few of the packages. The bids were opened by Pemex in Villahermosa on January 14. Unlike earlier award ceremonies, the one for this tender, scheduled for January 10th, was not webcast (and we have yet to learn the results).

In this report, we identify winning bids by three criteria: lowest price, next-to-lowest price and closest to the mean (Table 1). We examine patterns of bidding of the several contractors (Table 2). We undertake a statistical analysis of the bids submitted for each package (Tables 3-10). Each bid is compared to the others in relation to the total dollar amount and index rank (where the lowest is 100). We also compare each bid in relation to the average utilizing the statistical measure called Z-Score ("Standardize" in Excel).

Contents

We ask about how close were the bids (Table 11) and about the large disparities between the lowest and highest bidders (Table 12). The disparities, among other considerations, led us to conclude that all of these packages (or at least Packages 3-5 in Chicontepec) should be cancelled or declared void, pending the outcome of Round Zero and the restructuring of Pemex as a State Enterprise.

Embedded in our discussion of the bidding for this mega-tender is a critique of Pemex's use of lowest price as the primary, and often sole, criterion for making an award. This criterion, we note, is employed not to seek the best value, but to protect procurement managers against any questions that could be raised months or years in the future about why an award was made to a particular bidder. Unless these issues are resolved, the outlook for value-driven procurement in Pemex will remain in doubt.