

IMI: Results of Brazil's 11th Bid Round for Conventional Oil Exploratory Blocks

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The following is an IMI based upon a report submitted by the U.S Department of State Economic Section of the U.S. Consulate General in Rio de Janeiro on May 22, 2013. This report contains additional inputs regarding commercial opportunities, which were added by the U.S. Commercial Service at the U.S. Consulate General in Rio de Janeiro.

Summary: On May 14, 2013, the Brazilian National Petroleum Agency (ANP) held its 11th bid round for conventional oil exploratory blocks in Rio de Janeiro. The round generated a record BR 2.8 billion (USD 1.4 billion) in signature bonuses and a guaranteed minimum of BR 7 billion (USD 3.5 billion) in new E&P investment spending, which is expected to translate into substantial business opportunities for the suppliers of oil and gas equipment and services. ANP declared the round a harbinger of the likely interest in upcoming pre-salt, conventional and non-conventional gas rounds. National content regulations do not appear to have deterred interest in the 11th bid round. End Summary.

142 of 289 Blocks Sold to 30 Brazilian and International Companies and 0 Generated USD 1.4 Billion

ANP offered 289 blocks in the 11th oil bid round (123 onshore and 166 offshore), in an area encompassing over 155,000 square kilometers (approximately 60,000 square miles), including eleven sedimentary basins located principally in Brazil's north and northeast. Of the 289 blocks, 142 were awarded and they covered an area of over 100,300 square kilometers (some 39,000 square miles). Of the 64 companies that registered, 30 submitted successful bids on 142 blocks awarded. There were nine companies that failed to win any blocks. The winning bidders included 12 Brazilian companies and 18 non-Brazilian companies and they cumulatively paid record signature bonuses of BR 2.8 billion (USD 1.4 billion), which are up-front payments for the right to develop blocks commercially. The bonuses for this round surpassed the BR 2.1 billion (USD 1 billion) paid during the last conventional oil bid round in 2007.

The following table indicates the 30 companies that won concession rights, the area of their blocks, their operational role, and a notation of their joint-ventures partners in each block:

Company Ranking in the 11th oil bidding round:

Company	Total # of oil blocks won	# of blocks as operator	Blocks in partnership/jv
Petrobras	34	12	22
Petra	28	24	4
OGX	13	10	3
BG	10	10	3
Total	10	6	4
Petrogal	9	2	7

BP	8	2	6
QGEP (Queiroz Galvão)	8	5	3
Geopark	7	7	-
Imetame	7	7	-
Cowan	6	6	-
G3	6	6	-
Statoil	6	4	2
Nova Petróleo	5	5	-
Brasoil Manati	4	4	-
Chariot	4	4	-
Alvopetro	3	3	-
Ecopetrol	3	2	1
Gran Tierra	3	3	-
Ouro Preto	3	3	-
Pacific	3	-	3
Premier Oil	3	2	1
Sabre	3	3	-
UTC	3	3	-
BHP	2	2	-
Cepsa	2	-	2
Exxon Mobil	2	2	-
Iarati	2	2	-
Niko	2	2	-
Chevron	1	1	-

Source: Brasil Energia magazine edition #391 citing ANP data

Industry contacts believe that a number of farm-in and farm-out operations among the winners will take place between now and foreseeable future.

The link below shows the ANP list of all concessionaires that are currently undergoing oil and gas exploratory activities in Brazil. This list was updated in August 2012 (e.g. before the 11th oil bidding round): http://www.brasil-rounds.gov.br/ingles/lista_de_concessionarios.asp

Local Content Bids Average 62% in Exploratory Phase, 75% in Development Phase

Both the Brazilian Government (GOB) and ANP declared the auction a success. It generated a guaranteed minimum of BR 7 billion (USD 3.5 billion) in new investments by winning companies under the Minimum Exploratory Work Program. The average local content offered by bidding companies was 62% during the exploratory phase and 75% during the development phase.

Petrobras Adopts Partnership Strategy To Meet Pre-Salt Obligations

Petrobras bid successfully on 34 blocks, most of which were bid in partnership with other companies. In contrast to the pre-salt framework in which Petrobras must be the sole operator under a production-sharing contract model, under these 11th round oil concession agreements, Petrobras' partners can be the operators. Industry sources believe that this will free the company to devote greater resources to the pre-salt projects that it must operate. Petrobras paid BR 1.4 billion (USD 700 million) for the blocks, which Petrobras President Maria das Gracas Silva Foster characterized as "exactly what the company had sought" - offshore in deep waters.

The first pre-salt bid round is scheduled for October 21st, 2013 http://www.brazil-rounds.gov.br/round_p1/portugues_p1/cronograma.asp , http://www.brazil-rounds.gov.br/round_p1/ingles_P1/areas_oferecidas.asp, and a conventional and non-conventional gas round is tentatively planned for November this year.

The 11th round also served as the debut for several new players in the Brazilian oil industry. Newcomer "Ouro Preto," owned by Rodolfo Landim, former Petrobras and OXG director, took three of the thirteen blocks it had bid on, focusing on gas exploration in onshore blocks, and oil offshore. Another newcomer was "Petra Energia," owned by Pernambuco businessman Roberto Viana. The company, which already operates natural gas blocks onshore, took 27 blocks, 15 in the Tucano Sul Basin in the state of Bahia and nine in the Parnaiba Basin in Brazil's northeast, paying signature bonuses of BR 112 million (USD 56 million).

ANP Says Bid Round's Success Shows Companies are Eager to Work in Brazil

João Carlos Franca de Luca, President of the Brazilian Institute of Petroleum, Natural Gas and Biofuels (IBP) and ANP President Magda Chambriard told media the results showed companies' appetite to work in Brazil was strong, and predicted strong interest in the upcoming pre-salt and conventional gas bid rounds.

In view of many challenges in the Brazilian oil and gas sector, CS Rio encourages U.S. suppliers to seek partnerships with local Brazilian companies. The US Commercial Service offers a series of services to assist US companies begin or expand their operations in Brazil. Please contact your nearest US Export Assistance Center - <http://export.gov/usoffices/index.asp> - to learn how the Commercial Service can assist you to do business in Brazil and around the world.

Additional information on the Brazilian oil and gas sector, including upcoming trade shows in Brazil and power point presentations that detail best sales prospects by Petrobras, can be viewed at:

http://export.gov/brazil/industryhighlights/energy/eg_br_051813.asp

http://export.gov/brazil/industryhighlights/energy/eg_br_023986.asp