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In November 2014, the State of Rio Grande do Norte hosted the "Brazil Onshore" trade show. ANP's Director José Gutman made a presentation on Brazil's oil and gas sector encouraging more small to medium-sized enterprises (SMEs) to enter the onshore exploration market. He outlined the criteria the agency would use to define what would be considered small and medium-sized. Mr. Gutman also described a number of steps the agency has taken to make it easier for smaller firms to enter the market. The announcement was received positively by the industry, particularly the Brazilian Independent Oil Producers. Currently, Petrobras still dominates the market, with a total of 182 of the total 220 onshore fields.

ANP is the federal regulatory agency for Brazil's oil, natural gas, and biofuel sectors. It is responsible for the implementation of oil sector policy in accordance with Brazilian law. Its functions include establishing directives, ordinances, resolutions and normative statements, promoting bidding rounds and entering into contracts with oil firms on the Federal Government's behalf and monitoring the activities of regulated industries, directly or through agreements with other public agencies. In addition, it is charged with stimulating research, encouraging domestic industry to participate with the oil sector, protecting consumers, and guaranteeing public use of national fuel supply.

Oil and Gas Data
During Mr. Gutman's presentation, he reported that Brazil has proven reserves of approximately 15.6 billion barrels of oil (bbl) and 458 billion m^3 of natural gas, and it further reports that proven reserves will double in the near future. Onshore proven resources include approximately 885.6 million bbl of oil and 69.7 billion m^3 of gas. Total Brazil's production reached 2.4 million bbl/day for oil and NGL and 88.9 million m^3 of gas with 220 onshore fields out of 306 total; and 8,196 onshore wells out of 9,019 total (September 2014 data).   The average onshore production accounted for 167,560 bbl/d of oil and 21,772 Mm3/d of gas - - 7% of Brazil's total oil production and 25% of Brazil's total gas production, respectively.

Encouraging More SMEs
Due to declining oil onshore production over the last years, Director Gutman indicated that ANP has been working on new resolutions to encourage more participation from SMEs. ANP will now use two criteria to define the size of an enterprise: average annualized production by Company or Corporate group (in country or abroad) and Technical qualification (B,C, or D) as Operator based on Technical and Economic-Financial requirements.

To be defined as a small size ("Pequeno Porte") enterprise, a firm's production must be less than or equal to 1,000 bbl/d and the qualification must be C or D. To be defined as a medium size ("Médio Porte") enterprise, a firm's production must be less than or equal to 10,000 bbl/d and the qualification must be B or C. Enterprises with qualification level C will be assigned as small or medium enterprises based on average annualized production. Based on these new criteria, ANP is working with the Brazilian National Energy Policy Council to propose specific policies to improve the investment scenario for SMEs in Brazil.

ANP is planning a new resolution to simplify the bureaucratic requirements to approve the oil development plans of small oil producers. ANP also offers business opportunities connected with seismic contracts. During Mr. Gutman's presentation, he noted that the ANP plans to invest US$ 80 million in contracts in order to acquire 12,000 line km of 2D seismic data in Paraná and Parecis basins.

During the show, the Director of the Brazilian Independent Oil Producers (ABPIP http://abpip.org.br/) requested the government to take more concrete steps to help SMEs operate in Brazil. He advocated for Petrobras to release its mature oil onshore fields, those with a current output of up to 1,000 bbl/d. Petrobras would still remain a partner with 49% ownership of those fields while small oil producers would take over 51%, presumably in a PPP model.

According to ABPIP, it would be a win-win situation. However, a Petrobras official argued that these small oil fields have a fast turnaround production and are profitable because of Petrobras's infrastructure investments. The firm also noted that it plans to invest US$ 13 billion through 2018 in onshore fields.

Oil and Gas Players
ANP's records show that 87 Oil and Gas companies currently operate in Brazil's offshore and onshore segments, including 39 national companies and 38 foreign companies. The table below shows the companies that are currently producing oil and gas in Brazil:

No.	Operator	Petroleum (bbl/d)	Natural Gas (Mm³/d)	Total Production(boe/d)
1	Petrobras	2,140,004	84,158	2,669,358
2	Shell Brasil	80,297	911	86,026
3	Statoil Brasil	80,465	104	81,121
4	Chevron Frade	26,709	287	28,511
5	Paranaíba Gas	101	3,327	21,028
6	OGX	17,556	71	18,001
7	HRT O&G	9,586	30	9,773
8	Gran Tierra	1,034	18	1,146
9	Sonangol Starfish	739	3	759
10	Petrosynergy	554	8	602
11	Nova Petróleo Rec	383	1	391
12	UTC Óleo e Gás	260	6	297
13	Partex Brasil	274	0.4	276

14	Petrogal Brasil	196	4	221
15	Recôncavo E&P	149	1	157
16	Santana	96	1	104
17	EPG	25	1	30
18	Severo Villares	25	1	29
19	UP Petróleo Brasil	16	0.4	18
20	Central Resources	10	0.01	11
21	Alvopetro	99	0.1	9
22	Guto & Cacal	1	0.005	2
23	Vipetro	0.3	0.001	0.3
TOTAL	*PRODUCTION*	*2,358,489*	*88,931*	*2,917,868*

The table below lists the oil operators with onshore production in Brazil:

No.	Operator	Petroleum (bbl/d)	Natural Gas (Mm³/d)	Total (boe/d)	# of fields
1	Petrobras	163,703	18,401	279,448	182
2	Parnaíba Gás	101	3,327	21,028	1
3	Gran Tierra	1,034	18	1,146	1
4	Sonangol Starfish	739	3	759	2
5	Petrosynergy	554	8	602	8
6	Nova Petróleo Rec	383	1	391	3
7	UTC Óleo e Gás	260	6	297	6
8	Partex Vrasil	274	0.4	276	2
9	Petrogal Brasil	196	4	221	2
10	Recôncavo E&P	149	1	157	5
11	Santana	96	1	104	1
12	EPG	25	1	30	1
13	Severo Vilares	25	1	29	1
14	Central Resources	10	0.01	11	2
15	Alvopetro	9	0.1	9	1
16	Guto & Cacal	1	0.005	2	1
17	Vipetro	0.3	0.001	0.3	1
TOTAL PRODUCTION		*167,560*	*21,772*	*304,508*	*220*
% of BRAZIL TOTAL		*7%*	*25%*	*10%*	*72%*

Conclusion

ANP is both the government agency required by law to regulate Brazil's E&P sector and a valuable source of information for companies operating in Brazil. As the official figures show, Brazil's petroleum and natural gas reserves are plentiful and the government is taking steps to create a more attractive framework for SME's by reducing bureaucracy. ANP's information can help U.S. companies interested in operating in or trading with Brazil's E&P sector better understand complex regulations and the ongoing development of Brazil's production system. It is yet to be determined whether the Brazilian government efforts are enough to attract more SMEs to invest in the onshore segment.

Sources

"Incentive and Regulation Policies: ANP's experience" presented by José Gutman, Director of the ANP, Brazil Onshore 2014 Conference, 25 November 2014. The ANP website is only available in Portuguese, except for the Brazil Rounds section: http://www.brasil-rounds.gov.br/index_e.asp

For additional oil and gas market research reports and information on USCS services, please visit: http://www.export.gov/brazil/industryhighlights/energy/eg_br_051813.asp
http://www.export.gov/brazil/industryhighlights/energy/eg_br_023986.asp

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