

IMI: Brazil's 12th Bidding Round for Oil and Gas Exploration and Development

October 4, 2013

Summary

The 12th round of bid submissions will be held November 28 and 29, according to the Brazilian National Agency for Petroleum, Natural Gas, and Biofuels (“ANP”). This round of bidding will grant concession contracts for oil and natural gas exploration in 240 onshore blocks in the sedimentary basins of Acre-Madre de Dios, Paraná, Parecis, Parnaíba, Recôncavo, São Francisco, and Sergipe-Alagoas. In order to participate, a company must express interest via formal paperwork, pay the participation fee, and prove technical, financial, and legal qualification along with proof of fiscal and labor compliance. This IMI highlights the bid submission process and requirements for entry into this round.

Process of Submission and Selection

There are three types of operators than may submit bids for Blocks: A, B, and C

A - Qualified to operate in ultra-deep water Blocks

B - Qualified to operate in shallow water and onshore Blocks

C - Qualified to operate only onshore

A and B can operate in any block offered in 12th bidding round

According to ANP, “the blocks offered in the 12th Bidding Round were selected in basins of new exploratory frontiers and mature basins, with the goals of expanding the Brazilian reserves and the Brazilian natural gas production, expanding the knowledge of the sedimentary basins, decentralizing the exploratory investment in the country, developing the small oil industry and

securing national and foreign companies in the country, giving continuity to the demand for local goods and services, the generation of jobs and the income distribution.”

The following is a brief highlight of the submission rules and requirements:

1. Standard forms are submitted in a sealed envelope and delivered to the Special Bidding Commission (CEL) at the time and location of bidding.
2. The envelope should contain the bid forms signed by the Accredited Representative of the company and the version of the forms in digital format. The printed version is considered the official version.
3. If there is any discrepancy between the written and digital part, or, technical problems in the digital version, a printed document will be used.
4. One bid per Block per company. Bid will not be accepted for groups of Blocks.
5. A company or other companies in the same corporate group may participate in other consortia to submit bids for different Blocks.
6. Bids may be presented by any company qualified as Operator in the minimum required category or by any consortium in which all member companies have been individually qualified, and the leader of the consortium has been qualified as Operator in the minimum required category for the Sector where the subjected Blocks are located.

The selection and allocation of Blocks will be based on scores and weights

The following are the Criterion for determination of bids:

1. The Signing Bonus (bid amount for obtaining concession of the Block) will weigh 40% in the calculation of the final score

2. The Minimum Exploratory Program (set of exploratory programs performed by bidder) will weigh 40% of the final score

3. Local Content (LC) will weigh 20% in the calculation of the final score. The 20% weight of LC is divided into sub-weights: 5% Exploration Phase and 15% Development Phase of Production.

The final result of the bidding of each Block will be part of the Judgment Report in which the CEL will propose the award of the purpose of the bidding to the company or consortium of companies declared as winner. The Judgment Report will be submitted to the Board of Directors of ANP. Once the Judgment Report is approved, ANP will publish the outcome of the selections in the Official Gazette and in large-circulation newspapers. Once the outcome of the judgment of the bidding is published, ANP shall convene the successful companies for the signing of the Concession Contracts.

(For further and more specific information on bidding rules, please refer to

www.brasil-rounds.gov.br)

The following table shows Local Content Requirements (LCR):

Location of the Block	Exploration Phase		Development Phase	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
Shore Areas	70	80	77	85

A A break-down of the LC requirements by subsystems (e.g. Geology, drilling, completion, process plant, etc.) is available at Annex III – “Table of Items with minimum LCR”, published at the ANP website www.brasil.rounds.gov.br. A reproduction of ONE of such tables is noted below, in Portuguese. Each oil company will have to attach a table like this one, filling in its LCR within the minimum percentages established below, when submitting its bid to ANP:

Planilha 4 - TERRA			SETOR:	BLOCO:	
Sistemas	CL sistema (%)		Subsistemas	Item	CL mínimo item (%)
	Mínimo	Máximo			
Exploração	70	80	Geologia e Geofísica	Interpretação e Processamento	40
				Aquisição	20
			Perfuração, Avaliação e Completação	Afretamento Sonda	90
				Perfuração + Completação (obs 1)	30
				Sistemas Auxiliares (obs 2)	55
			Apoio Operacional	Apoio Logístico (Marítimo/Aéreo/Base)	90
Desenvolvimento	77	85	Perfuração, Avaliação e Completação	Afretamento Sonda	90
				Perfuração + Completação (obs 1)	50
				Sistemas Auxiliares (obs 2)	55
				Apoio Logístico	90
				Árvore de Natal	90
			Sistema de Coleta da Produção	Sistemas de Bombeio	80
				Manifolds	90
				Dutos de Escoamento da Produção	95
				Engenharia Básica	95
				Engenharia de Detalhamento	95
			Planta de Processo	Gerenciamento, Construção e Montagem	95
				Engenharia Básica	95
				Engenharia de Detalhamento	95
				Gerenciamento de Serviço	95
				Construção & Montagem	95
				Materials (obs 3)	75

The following are participation fees by Basin, in Real currency:

Basin	Sector	Participation Fee
Acre-Madre de Dios	SAC	15,000.00
Paraná	SPAR-CS	30,000.00
	SPAR-CN	
Parnaíba	SPN-O	30,000.00
Parecis	SPRC-L	30,000.00
	SPRC-O	
Recôncavo	SREC-T2	30,000.00
	SREC-T4	30,000.00
Sergipe-Alagoas	SSEAL-T2	15,000.00
	SSEAL-T3	15,000.00
	SSEAL-T4	15,000.00
	SSEAL-T5	30,000.00
São Francisco	SSF-N	30,000.00
All Sectors		270,000.00

<http://www.brasil-rounds.gov.br>

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

For more information about export opportunities in this sector, please contact
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