



# PUBLIC HEARINGS



**Brasil Round 8**  
Oitava Rodada de Licitações

**Marilda Rosado de Sá Ribeiro**

Licensing Rounds Promotion

August 28, 2006



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# HIGHLIGHTS



**BrasilRound8**  
Oitava Rodada de Licitações

- Objectives
- Schedule
- Round 8
- Bidding Process
- Concession Agreement
- Environment
- Government Take



## CNPE Resolutions nº 2 and 3 of 2006

CONSELHO NACIONAL DE POLÍTICA  
 ENERGÉTICA

RESOLUÇÃO Nº 2, DE 6 DE ABRIL DE 2006

**Authorize studies for  
 Brazil Round 8 of  
 exploratory block  
 of Natural Gas in 2006**

CONSELHO NACIONAL DE POLÍTICA  
 ENERGÉTICA

RESOLUÇÃO Nº 3, DE 18 DE MAIO DE 2006

Autoriza a realização da 8ª Rodada de Licitações de blocos para exploração e pro-

**Authorize the realization  
 of Brazil Round 8 of  
 exploratory block,  
 in 2006**

**Article 3º: 284 exploratory blocks will be offered  
 in 14 sectors into 7 sedimentary basins**



# OBJECTIVES

- **HIGH POTENTIAL**

Focus on Natural Gas, resetting the national reserves and supply the increase of the internal demand.

- **NEW FRONTIER**

Incentive to the technological development to sprout the new producing basins and to attract investments for areas with few geological data.

- **MATURE BASINS**

Opportunity to small and medium size companies, to enable continuing the exploration and production of oil and gas in already exploited basins.



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# SCHEDULE



**BrasilRound8**  
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## SCHEDULE OF BRASIL ROUND 8

<b>Brasil Round 8 offered blocks announcement</b>	<b>August 7, 2006</b>
<b>Publication of Initial Tender Protocol and Draft Concession Agreement</b>	<b>August 25, 2006</b>
<b>Public hearings (Rio de Janeiro)</b>	<b>August 28, 2006</b>
<b>Data Package available</b>	<b>August 30, 2006</b>
<b>Legal-Tax Seminar / Technical Workshop</b>	<b>September 15, 2006</b>
<b>Publication of Final Tender Protocol and Concession Agreement</b>	<b>October 13, 2006</b>
<b>Deadline for submission of Expression of Interest and presentation of Documents</b>	<b>October 27, 2006</b>
<b>Deadline for payment of Participation Fees</b>	<b>November 13, 2006</b>
<b>Deadline to present bid bonds</b>	<b>November 21, 2006</b>
<b>Bidding Conference</b>	<b>November 28 &amp; 29, 2006</b>
<b>Signature of the Concession Agreements</b>	<b>March 14, 2007</b>



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# ROUND 8



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- Similar procedures to the ones adopted in previous rounds
- Brazilian or foreign companies may participate in the process
- Special Licensing Committee (CEL)





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## ROUND 8



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- Improvement of the licensing round rules due to society suggestions
  - Public Hearing, letters, fax, phone
  - Workshops, meetings, bid conference
  - Forum, etc...



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# BIDDING PROCESS



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- **Expression of Interest**
- **Participation Fee**
- **Data Package**
- **Qualification (Legal, Technical and Financial)**
- **Habilitation**
- **Rules to present offers**
- **Bid Round (November 28, 2006)**
- **Execution of the Concession Agreements**



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# **BIDDING PROCESS (Expression of Interest)**



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- **Presentation Letter**
- **Power of attorney to the Accredited Representative**
- **Confidentiality Agreement**
- **Selection of Areas of Interests**



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# BIDDING PROCESS (Data Package)



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## Requirements:

- Payment of Participation Fee
- Confidentiality Agreement

## Data Package include:

- General Information
- Maps
- Seismic Data
- Well Data





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# **BIDDING PROCESS (Legal Qualification)**



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## **Documentation for Legal Qualification:**

- Control of company affiliation
- By laws
- Certificate of tax registration
- Declaration concerning legal status



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# BIDDING PROCESS (Technical Qualification)



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**Based in the experiences proven in activities of exploration and production of oil and natural gas**

- **Non-Operators**

- For companies outside the E&P sector

- **Operators**

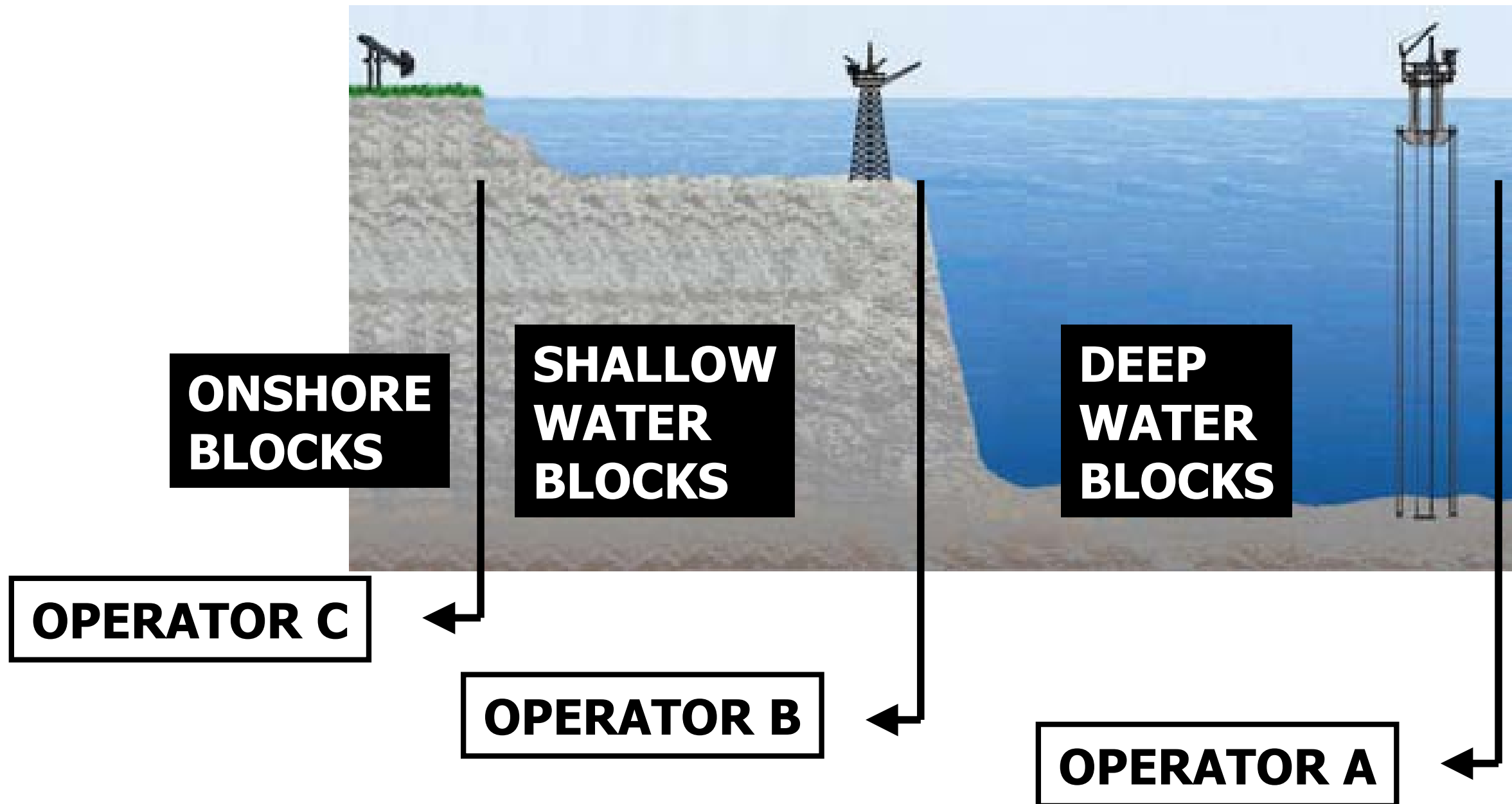
- For companies of the E&P sector
- Classified as
  - **Operator “A”**
  - **Operator “B”**
  - **Operator “C”**



# BIDDING PROCESS (Technical Qualification)



## Technical Qualification - Operators





# BIDDING PROCESS (Financial Qualification)

## Documentation for Financial Qualification

- Consolidated financial statements
- Banking reference
- Relevant obligations and mid-term planning
- Minimum Shareholder Equity

**OPERATOR A – R\$ 22.000.000,00**

**OPERATOR B – R\$ 20.000.000,00**

**OPERATOR C – R\$ 1.000.000,00\***

\* Total of consortium



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# **BIDDING PROCESS (CEL Qualification)**



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## **SPECIAL LICENSING COMMITTEE**

- Assigned for the direction of the ANP
- Composed by representatives of the Petroleum Agency, the Government Attorneys (AGU) and two representatives of society
- Responsible for the whole process
- Periodic meetings
- Final qualifications of companies



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# BIDDING PROCESS (Bidding offer)



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- Presentation of the bid bond
- Sequential offers in sealed up envelope





# BIDDING PROCESS (Bidding offer)



## Sequence of offers and Limitation to number of offers per sectors

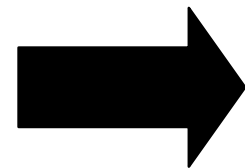
Order	Basin	Sector	Comment	Limitation
1	Santos	SS-AP3	new frontier	3
2	Santos	SS-AP3	high potential	3
3	Tucano	STUC-SUL	new frontier	4
4	Barreirinhas	SBAR-AR2	new frontier	4
5	Santos	SS-AR2	new frontier	4
6	Santos	SS-AR2	high potential	4
7	Barreirinhas	SBAR-AP1	new frontier	3
8	Sergipe-Alagoas	SSEAL-AP1	new frontier	3
9	Espírito Santo	SES-AP2	new frontier	3
10	Espírito Santo	SES-AP2	high potential	2
11	Santos	SS-AP2	high potential	3
12	Pará-Maranhão	SPAMA-AP1	new frontier	3
13	Sergipe-Alagoas	SSEAL-T2	mature	4
14	Pelotas	SP-AP3	new frontier	3
15	Pará-Maranhão	SPAMA-AP2	new frontier	3
16	Espírito Santo	SES-AR2	new frontier	n/a
17	Espírito Santo	SES-AR2	high potential	3
18	Barreirinhas	SBAR-AP2	new frontier	3



# BIDDING PROCESS (Evaluation of Bids)

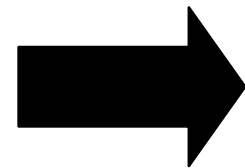


**40%**



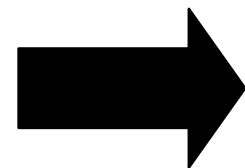
**SIGNATURE BONUS**

**20%**



**LOCAL CONTENT**

**40%**



**MINIMUM EXPLORATORY  
PROGRAM (PEM)**

**Offers immediately declared  
winner by Licensing Committee**



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# CONCESSION AGREEMENTS



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## Execution of the Concession Agreements:

- Brazilian company
- Payment of the Signature Bonus
- Financial Guarantee of PEM
- Guarantee of Performance for subsidiary\*

\* If applicable



## Highlights

- Exploratory risk of the concessionaries
- All deposits of oil & natural gas belongs to the Federal government, the concessionaries has ownership of the effectively O&G produced
- 2 phases: Exploration and Production
- Environmental Licensing



- Exploratory Phase (3 to 8 years)

Situation		Exploration phase
<b>Onshore Basins</b>	<b>mature</b>	<b>2 + 1 years</b>
	<b>new frontier</b>	<b>3 + 1 years</b>
<b>Producing Offshore Basins</b>	<b>shallow water</b>	<b>4 + 1 years / 5 + 1 years</b>
	<b>deep water</b>	<b>4 + 2 years</b>
<b>Non-producing Offshore Basins</b>	<b>shallow water</b>	<b>5 + 1 years</b>
	<b>deep water</b>	<b>6 + 2 years</b>

- Total performance of PEM
- Drill well until the depth established in the Tender
- Evaluation Plan / Declaration of Commerciality
- Total or partial surrender of the block



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# CONCESSION AGREEMENTS



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- Production Phase (27 years)
  - Development Plan
  - Annual Work Plan
  - Beginning of the Production





- **Tender**

- Companies with experience with environmental issues, with certified of SMS expertise or with outsourcing contract with SMS certified companies will receive best grades on technical qualification.

- **Agreement**

- Concessionaries will undertake all environmental risks  
Concessionaries will undertake all responsibilities for environmental damages



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# GOVERNMENT PARTICIPATIONS



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- Signature Bonus
- Fees for the occupation or retention of area  
(per km<sup>2</sup>)
- Royalties
- Special participation



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[www.brasil-rounds.gov.br](http://www.brasil-rounds.gov.br)