

Brasil Round 5

Qualification Process

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Brasil Round 5

Event	Date
Brasil Round 5 announcement	November 5th, 2002
Roadshow - Rio de Janeiro (public hearings)	November 26th, 2002
Roadshow - Salvador	November 29th, 2002
Publication of Initial Tender Protocol	December, 2002
Roadshow – London (United Kingdom)	January, 2003
Roadshow – Houston (United States)	January, 2003
Data Package available	January, 2003
Legal/Tax Seminar and Technical Workshop (Rio de Janeiro)	March, 2003
Publication of Final Tender Protocol and Concession Agreement	May, 2003
Deadline for qualification of interested companies	May, 2003
Deadline for payment of participation fees	June, 2003
Bidding Conference	June, 2003
Signature of the Concession Agreements	Until September, 2003

Brasil Round 5 Qualification

- Qualification procedures identical to those adopted in previous Rounds
- Brazilian and foreign companies can participate in the process
 - If successful, the Brazilian company will sign the Concession Contract
- **Two stages**
 - Technical, financial and legal qualification
 - Bidding in public session

Brasil Round 5 Qualification

- Technical Qualification
- Legal Qualification
- Financial Qualification
- Payment of Participation Fee

Brasil Round 5 Qualification

- **Qualification of parent company or controlling group**
 - a successful company will provide a Performance Guarantee if it is not the signatory of the Concession Contract
 - a large operational subsidiary company can be qualified at ANP's criteria
- **Company able to assume all the responsibilities of the Concession Contract**

Brasil Round 5 Technical Qualification

- **Establishes operational capability**
 - Companies may take part in consortia for any block, provided they are associated to qualified operators
- **Operational Classification**
 - Class A - unrestricted operator
 - Class B - operator restricted to onshore and shallow waters blocks
 - Class C - operator restricted to onshore, mature basins
 - Non-operators: Can only participate when associated to qualified operators

Criteria for Technical Qualification

- Equivalent oil production volume
- Onshore, offshore, deep and ultra-deep waters E&P operations
- E&P operations in adverse environments and in environmentally sensitive areas
 - The only criteria that may disqualify a participant
- Experience in international operations
- Experience of technical staff (operators B and C)

- Minimum of R\$ 20 million net equity to operate blocks "A" and "B"
- Minimum of R\$ 3 million net equity to operate blocks "C" individually
- Companies with net equity over R\$ 1 million can participate in a consortium

Documents for Financial Qualification

- Consolidated and audited financial statements (last 3 years)
- Company risk classification (Moody's, S&P or equivalent)
- Lines of credit and other bank references
- Other documents on the financial capacity of the company
- Documents in Portuguese or English
- Only the independent auditor's opinion will be validated

Documents for Legal Qualification

- Company by-laws, articles of incorporation or equivalent
- Names of all partners or shareholders who control, directly or indirectly, 20% or more of the company
- Designation, by power of attorney, of an Accredited Representative
- Declaration on relevant pending litigation
- Documents must be validated

- All documents must be notarized (except when indicated)
 - Documents in Portuguese can be notarized in Brazil
 - Documents in a foreign language must be notarized abroad
- Documents notarized abroad must be consularized by a Brazilian consulate in the country of origin
- Some foreign language documents must be translated by a sworn translator

“C” Blocks

- **Brasil Round 5 has various opportunities for small companies**
 - Potiguar, Espírito Santo e Recôncavo Basins
- **“C” blocks allow the participation of small companies as operators**
 - Technical qualification possible if experience of technical staff is proven
 - Minimum net equity of R\$ 1 million
 - Reduced Participation Fee (US\$ 7,000)
 - Reduced Bid Bond
 - Potential methods and geochemistry surveys are accepted for compliance with the Minimum Exploration Program

Delivery of Documentation

- Documents can be delivered from December 2002, after the publication of the Initial Tender Protocol
- Documents can be delivered up to 15 days after the publication of the Final Tender Protocol (published no later than 45 days prior to the day of the bidding conference)

Participants in Previous Rounds

- Companies qualified in previous Rounds
- Documents to be delivered
 - Declaration of Interest
 - Power of Attorneys and Instrument of Confidentiality
 - Declarations on relevant pending litigation
 - Supplementary information:
 - Most recent financial statements
 - Declaration that the documents delivered remain valid
 - Report any substantial modification of information previously delivered
- Qualification is not automatic

Participation Fees

- Paid by all companies wishing to participate in Brasil Round 5
- Paid by groups of sectors
 - Twelve groups in Brasil Round 5
- Give rights to:
 - Data Package and Information
 - Present bids for blocks, if the company is qualified

Participation Fees

Basin	Sector (s)	Participation fee US\$
ONSHORE		
Potiguar	SPOT-T2, SPOT-T-3, SPOT-T-4 e SPOT-T5	7.000
Recôncavo	SREC-T2	7.000
Espírito Santo	SES-T-2, SES-T4 e SES-T6	7.000
OFFSHORE		
Barreirinhas	SBAR-AR2	20.000
Campos	SC-AR2 e SC-AR3	25.000
Campos	SC-AP1	50.000
Espírito Santo	SES-AR1 e SES-AR2	20.000
Foz do Amazonas	SFZA-AR1 e SFZA-AR2	20.000
Jequitinhonha	SJ-AP	40.000
Pelotas	SP-AP3	40.000
Santos	SS-AR3 e SS-AR4	25.000
Santos	SS-AP4	50.000

Consortia

- Formed up to the bidding conference
- Conditions:
 - Operator qualified for the Block
 - Operator participation of at least 30%
 - No participant with less than 5%
 - Companies can only participate in one consortium competing for each Block
 - They can be in different consortia for other Blocks
- Affiliates have the same restrictions

- Definitive Document with the Brasil Round 5 rules
- In addition to the information in the Initial Tender Protocol, it will contain:
 - Place, date and time of the bidding
 - Order of offering the sectors
 - Model of the Concession Contract and of the financial and performance guarantees

- Public and transparent process
- Sectors offered sequentially
- **individual** offers for each block
- Results for the blocks of one sector known before the bidding for the following blocks
- Each company or consortium must deposit a bid bond of sufficient value
 - Reusable by the losing consortia
 - Bid bond presented in flexible number and values

- **Minimum bonus:**
 - A blocks : R\$ 100,000
 - B blocks : R\$ 20,000
 - C blocks : R\$ 10,000

- **Bids evaluation**
 - 50% signature bonus
 - value in Reals
 - 30% exploration program
 - in full WUs numbers
 - value cannot be zero
 - 20% local content
 - separated for the Exploration Phase and the Development Stage

- Work Units**

WORK UNITS (WUs)							
BASINS/ SECTORS OFFERED	Exploration well (WU/well)	2D seismic (WU/km)	3D seismic (WU/km ²)	Potential fields data (WU/Bloco)	Geochemistry (WU/Block)	Minimum depth	Financial guarantee – First Exploration Period (US\$/WU)
Barreirinhas - SBAR-AR2	1.000	0,16	0,8	0	0	Gr. Canárias	6.000
Campos - SC-AR2 and SC-AR3	1.000	0,16	0,8	0	0	Fm. Macaé	6.000
Espírito Santo (offshore) – SES-AR1 and SES-AR2	1.000	0,16	0,8	0	0	Fm. Urucutuca	6.000
Foz do Amazonas - SFZA-AR1 and SFZA-AR2	1.000	0,16	0,8	0	0	Fm. Amapá	6.000
Santos - SS-AR3 and SS-AR4	1.000	0,16	0,8	0	0	Fm. Guarujá	6.000
Campos - SC-AP1	1.000	0,08	0,40	0	0	Fm. Ubatuba/Mb Tamoios	12.000
Pelotas - SP-AP3	1.000	0,08	0,40	0	0	Fm. Imbé	12.000
Santos – SS-AP4	1.000	0,08	0,40	0	0	Fm. Itajaí-açu	12.000
Jequitinhonha - SJ-AP	1.000	0,08	0,40	0	0	Fm. Urucutuca	12.000
Potiguar (onshore) - SPOT-T2, SPOT-T3, SPOT-T4 and SPOT-T5	1.000	10	50	10	10	Fm. Açú	1.000
Recôncavo - SREC-T2	1.000	10	50	10	10	Gr. Ilhas	1.000
Espírito Santo (onshore) - SES-T2, SES-T4 and SES-T6	1.000	10	50	10	10	Fm. Mariçu	1.000

Signing of Concession Contract

- Up to 90 days after the confirmation of the results
 - Until September 2003
- The Brazilian company must be formed
- It may also be signed by an Affiliate of the qualified company, against delivery of:
 - Documentation of the signatory company
 - Performance Guarantee supplied by the qualified company

- **Telephone**
 - Only basic questions
- **Fax, e-mail**
 - Questions about the company: direct reply
 - Questions of general interest: replies will be published on the website
- **Legal/Tax seminar and technical workshop**
 - For companies that pay the registration fees
 - To be held in Rio de Janeiro, in March 2003

- All information on the Round
- Regularly updated, including:
 - Initial and Final Tender Protocols
 - Concession Maps
 - Basic information / schedule
 - Pertinent legislation
 - Questions and answers
 - Results of previous Rounds
 - Information on E&P activities in Brazil

Conclusion...

- Large consumer market
- ANP is committed to the growth and diversification of the sector
- Opportunities for companies of all sizes and specialties
- Stable Concession Contract
- Good results obtained by new Concessionaires



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