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September, 5 2008.

Comments on SEC File nº S7-15-08: **"Modernization of the Oil and Gas Requirements"**
Release Nos. 33-8935; 34-58030; File No. S7-15-08

Petróleo Brasileiro S.A. appreciates the opportunity to contribute with comments on the SEC proposed rule for the modernization of oil and gas requirements.

Petróleo Brasileiro S.A. is Brazil's national oil company and, directly or through its subsidiaries is engaged in the exploration, exploitation and production of oil from reservoir wells, shale and other rocks, and in the refining, processing, trade and transport of oil and oil products, natural gas and other fluid hydrocarbons, in addition to other energy related activities.

Additionally, Petrobras may promote the research, development, production, transport, distribution and marketing of all sectors of energy, as well as other related or similar activities.

The principal issues are answered in this document but there are much information that the SEC staff has proposed to be included in the oil and gas disclosure that will promote several work and adaptations in our process.

The Petrobras comments will be detailed as follow.

II. B. Year-End Pricing

1. 12-month average price

The economic producibility of a company's oil and gas reserves could be based on a 12-month historical average price, only if the financial reports follow the same requirement, and the FASB pronouncements have to be revised to harmonize these two processes.

We understand that the average price for the 12 months prior to the end of the company's fiscal year should be used to calculate reserves. This methodology mitigates any anomalous or possible distortions that may occur when a single year end price is used.

In addition we emphasize that any change regarding the valuation of the reserves must amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. In addition any change should be accounted for and disclosed prospectively without any retroactive revision due to impracticability of reprocessing such information in prior years.

2. Trailing year-end

We encourage the use of a pricing period based on 30th November only if this period is adopted by the accounting process.

We understand that the use of a pricing period based on 30th November would expedite closing and allow registrants to use best available data and more accurately information without distorting the reserve amounts. The anticipation in preparation of financial data provided by pricing period based on 30th November will result in more time to analyze data and will be a huge contribution to provide better information to our investors.

In addition we emphasize that any lag time between the close of the pricing period and the end of the company's fiscal year if adopted must amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. In addition any change should be accounted for and disclosed prospectively without any retroactive revision due to impracticability of reprocessing such information in prior years.

3. Prices used for accounting purposes

We understand that any change regarding the prices and proved reserves definition must amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. In our opinion we should have just one set of high quality disclosures and definitions. Different definitions, price models and depreciation calculations regarding the same items, even if reconciled, would cause misinterpretations of financial statement users, increase complexity and impose an unnecessary burden on Companies.

The proposed changes to the definitions of proved reserves and proved developed reserves for accounting purposes would have a material impact on current depreciation amounts and net income.

C. Extraction of Bitumen and Other Non-Traditional Resources

The inclusion of non-traditional resources as oil and gas producing activities is positive because this kind of resource is consumed just like oil derivatives and it is aligned with the PRMS definitions.

D. Reasonable Certainty and Proved Oil and Gas Reserves

The reasonable certainty definition is aligned with the PRMS definitions and we agree with this definition.

1. New technology

The use of new technologies to prove reserves is positive and must be used to prove undeveloped reserves.

2. Probabilistic methods

The deterministic methodology should be the official oil and gas proved reserves used for disclosure. The probabilistic methodology should be optional and if used, should be used only to the unproved reserves disclosure.

3. Other revisions related to proved oil and gas reserves

We encourage the use of these technologies for reservoir fluid contacts limits. Additional requirements are not necessary to define proved reserves.

E. Unproved Reserves—“Probable Reserves” and “Possible Reserves”

We suggest alignment with the PRMS definitions for unproved reserves. We also suggest the disclosure of the total reserves, that is the arithmetic sum of proved, probable and possible reserves. The unproved reserves disclosure should be optional.

The probabilities thresholds of 50% and 10% to the unproved reserves definition are appropriated to the probabilistic methodology.

F. Definition of “Proved Developed Oil and Gas Reserves”

We agree with the proposed definitions.

G. Definition of “Proved Undeveloped Reserves”

1. Proposed replacement of certainty threshold

The expression "drilling unit" has to have explanation, examples and some correlation with the previous definition of drainage area and offset. These previous definitions are useful to prove reserves in new discoveries.

The limit of five years should be a reference and this period is reasonable when the field is not developed in phases or is located in remote areas. When the field is complex, developed in phases and located in remote areas the period to consider has to be longer than five years to fully develop the reserves.

We encourage to not defining a period to develop reserves due to all the explanations above.

2. Proposed definitions for continuous and conventional accumulations

The definitions proposed to continuous and conventional accumulations are necessary and clear. We suggest that these definitions should be disclosed separately.

3. Proposed treatment of improved recovery projects

We encourage that the analog definitions include the rock and fluid data to clarify the criteria.

We understand that "immediate area" means analog field in the same sedimentary basin.

H. Proposed Definition of Reserves

We agree with the proposed definition.

I. Other Proposed Definitions and Reorganization of Definitions

The additional definitions are important but the analogous reservoir definition should be revised as described in II.G.3.

III. Proposed Amendments to Codify the Oil and Gas Disclosure Requirements in Regulation S-K

A. Proposed Revisions to Items 102, 801, and 802 of Regulation S-K

We encourage the proposed amendments due to this revisions are results of the proposals detailed in Section II of this document.

B. Proposed New Subpart 1200 to Regulation S-K Codifying Industry Guide 2 Regarding Disclosures by Companies Engaged in Oil and Gas Producing Activities

1. Overview

2. Proposed Item 1201 (General instructions to oil and gas industry-specific disclosures)

We encourage to be defined a standard table to reserves disclosure and the conventional and unconventional reserves should be disclosed separately.

3. Proposed Item 1202 (Disclosure of reserves)

i. Oil and gas reserves tables

We encourage the disclosure of unproved reserves and this disclosure should be optional. The unproved reserves number should be a 3P vision (proved plus probable plus possible reserves with an arithmetic sum).

The disclosure of a risk factor regarding the relative uncertainty associated with the estimation of probable and possible reserves is not feasible due to these volumes have a lot of variability in time.

ii. Optional reserves sensitivity analysis table

We suggest that the reserves sensitivity analysis table should not be disclosed, due to each company will define a different price scenario, and could establish misleading information to the investors.

And reinforcing the comments in item II.B.1, we encourage defining the same prices to the reserves disclosures and accounting process.

We understand that any change regarding the year end price to estimate reserve must be amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. Different price models to estimate reserves, even if reconciled, would cause misinterpretations of financial statement users, increase complexity and impose an unnecessary burden on Companies.

iii. Geographic specificity with respect to reserves disclosures

We encourage that the reserves disclosure should be made by country and by sedimentary basin when a particular country contains 15% or more of the company's global oil and gas proved reserves and when a sedimentary basin contains 10% or more of the company's global oil and gas proved reserves.

Changes in Geographic areas disclosures must amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. Different definitions, even if reconciled, would cause misinterpretations of financial statement users, increase complexity and impose an unnecessary burden on Companies.

iv. Separate disclosure of conventional and continuous accumulations

Reinforcing what we have suggested in item II.G.2, we agree with the separately disclosure of conventional and continuous accumulations.

v. Preparation of reserves estimates or reserves audits

We encourage to be disclosed the reserves estimates process of each company, even when the reserves is made in-house or by third party.

In this process should be detailed the qualification of each person or entity that conduct the reserves process and the management model.

In this management model should be included the Policies, Guidelines and the Procedures Manual for the reserves estimates, the Qualification Plan and the Internal Audit Plan.

We suggest that all companies should do a third party estimates in a three year bases.

vi. Contents of third party preparer and reserves audit reports

Petrobras has a policy of external audit with a third party. We use to audit 90% of your SEC proved reserve, in fields that Petrobras is the operator.

Petrobras discloses your in-house proved reserves and the number estimated from the third party.

vii. Solicitation of comments on process reviews

Petrobras has a policy of external audit with a third party. We use to audit 90% of your SEC proved reserve, in fields that Petrobras is the operator.

Petrobras discloses your in-house proved reserves and the number estimated from the third party.

4. Proposed Item 1203 (Proved undeveloped reserves)

We do not encourage the proposed table, considering that part of proved developed reserves don't come from proved undeveloped reserves. This table could provide misleading information to investors.

Besides, the undeveloped reserves disclosure from the last five years would be a high costly implementation to ours reserves and accounting systems.

We suggest that a requirement to discuss the quantity of undeveloped reserves and any material changes in the current year should be made instead of the proposed table.

Reinforcing what was discussed about the period of five years to develop reserves, please refer to our comments in section II.G.1.

5. Proposed Item 1204 (Oil and gas production)

We understand that any change regarding the disclosures must amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. In our opinion we should have just one set of high quality disclosures. Different definitions regarding the same items, even if reconciled, would cause misinterpretations of financial statement users, increase complexity and impose an unnecessary burden on Companies.

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We propose to modify this table to disclose aggregated information of oil and gas equivalent instead of having oil and gas separated

The reason for our proposal is that our gas production is mainly from associated gas in oil fields and therefore to separate the production costs of gas from the production cost of oil would require the use of a subjective criteria for cost split between these two products.

10. Proposed Item 1209 (Discussion and analysis for registrants engaged in oil and gas activities)

We believe that the level of details proposed implies in several changes in our reserves system, to be made with quality. And besides, the revisions on the previous reserves estimate is more realistic than the detailed proposal including disclosure the revisions that came from changes in prices, technical revisions and changes in the status of concessions.

We suggest specifying which criteria are to be used to define the material changes in proved reserves.

V. Impact of Proposed Amendments on Accounting Literature

A. Consistency with FASB and IASB Rules

B. Change in Accounting Principle or Estimate

Question: “Are the proposed changes more properly characterized as a change in accounting principle or a change in estimate under SFAS 154?”

We understand that the proposed changes regarding the definition of proved reserves that incorporate the permission to use new technologies, and, also establish a uniform standard of reasonable certainty that could be applied to all proved reserves, is a result of a change in the estimate of future benefits of the reserves.

In accordance with SFAS-154, a change in accounting estimate is a necessary consequence of the assessment, in conjunction with the periodic presentation of financial statements, of the present status and expected future benefits and obligations associated with assets and liabilities.

Notwithstanding that the proved reserves are not considered an asset in the balance sheet, we considered that the proposed changes reflects a change in the estimate future benefits inherent in the reserves, therefore the proposed changes would be more properly characterized as a change in accounting estimate.

Question: “Would it be appropriate to consider the changes as a change in accounting principle, but specify that no retroactive revision of past years would be required?”

In accordance with SFAS 154, we do not consider the proposed changes aligned with a change in accounting principle definition.

Question: “If we required retroactive revision of past years, would companies have the historical engineering and scientific data to make such revisions? If not, are there alternatives to retroactive revision that we should consider?”

We understand that the proposed changes should be treated prospectively. Retroactive revisions would require reprocessing data and gathering additional information that we consider impracticable to run.

C. Differing Capitalization Thresholds Between Mining Activities and Oil and Gas Producing Activities

Take into consideration that some mining activities, like bitumen, are proposed to be considered as oil and gas activities, we understand that any existing inconsistencies between mining and oil and gas accounting rules should be converged to the existing oil and gas accounting rules. Inconsistencies in accounting rules would lead that the activities are not similar and the classification as oil and gas activities for extracted materials that can produce oil and gas would be inappropriate.

D. Price Used to Determine Proved Reserves for Purposes of Capitalizing Costs

We consider inappropriate to require the use of the year-end price for purposes of determining reserves for purposes of amortization expense while using a different price for purposes of disclosing reserves.

We understand that any change regarding the prices and proved reserves definition must amend the current guidelines prescribed by FASB, resulting in harmonized requirements, prior to the effectiveness of the Rule 33-8935 proposed amendments. In our opinion we should have just one set of high quality disclosures and definitions. Different definitions, price models and amortization calculations regarding the same items, even if reconciled, would cause misinterpretations of financial statement users, increase complexity and impose an unnecessary burden on Companies.

The proposed changes would have a material effect on our amortization levels, which enforce the use of a single methodology for accounting purposes and Commission filings.

VI. Impact of the Proposed Codification of Industry Guide 2 on Other Industry Guides

We encourage codifying Industry Guide 2 separately from the other industry guides, even when the others have been updated.

VIII. Proposed Implementation Date

Take into consideration the major changes proposed and the necessary adaptations in the IT systems and data processing, we understand that the proposed disclosure requirements, if adopted, should be effective for annual reports on Forms 10-K and 20-F for fiscal years ending on December 31, 2010, and after. Early adoption would mislead investors since the comparability between Companies would be impractical.

This period of time will be necessary to enable adaptations in our processes with the new proposed concepts, new disclosures and to disseminate the new rules.

IX. General Request for Comment

We recognize that SEC is aiming an alignment of disclosures related to reserves with the state-of-art in technologies, to provide a best quality of information to investors. However, it should be considered the effort in adaptation can compromise the quality of information. Besides, any retrospective data reprocessing is not feasible due to impacts in information systems and all the processes based on accounting information.

X. Paperwork Reduction Act

The initial adaptation effort will be very time consuming and will take a lot more time than the primarily estimated in the Proposed Rule.

Relating to the additional disclosure and non-conformity with FASB statements, will require an increase in the amount of resources.