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National Agency of
Petroleum, Natural Gas and Biofuels

THE OIL AND GAS INDUSTRY IN BRAZIL

THE ROLE OF THE REGULATOR

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ANP Director

May 2009



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National Agency of
Petroleum, Natural Gas and Biofuels



- Potential
- Database
- Pre-salt
- Developed domestic market
- Political and Economical Stability
- Regulatory Stability
- Transparent processes
- Opportunities

- Area – 8,547,403.5 Km²
- Population -186.5 million
- GDP – US\$ 1.5 trillion
- World´s tenth largest economy
- Political and economical stability
- Over US\$ 200 billion in International Reserves
- US\$ 45.1 billion in foreign direct investments
- Investment grade



Constitutional Amendment # 9/1995

Makes the Union monopoly
flexible and establishes the
Granting System

Oil Law 9.478/1997 Creates CNPE and ANP

Gas Law 11.909/2009
Gaspipeline Concession

CNPE # 8/2003
Establishes guidelines for the
Bidding Rounds
MME
Technical Support to CNPE

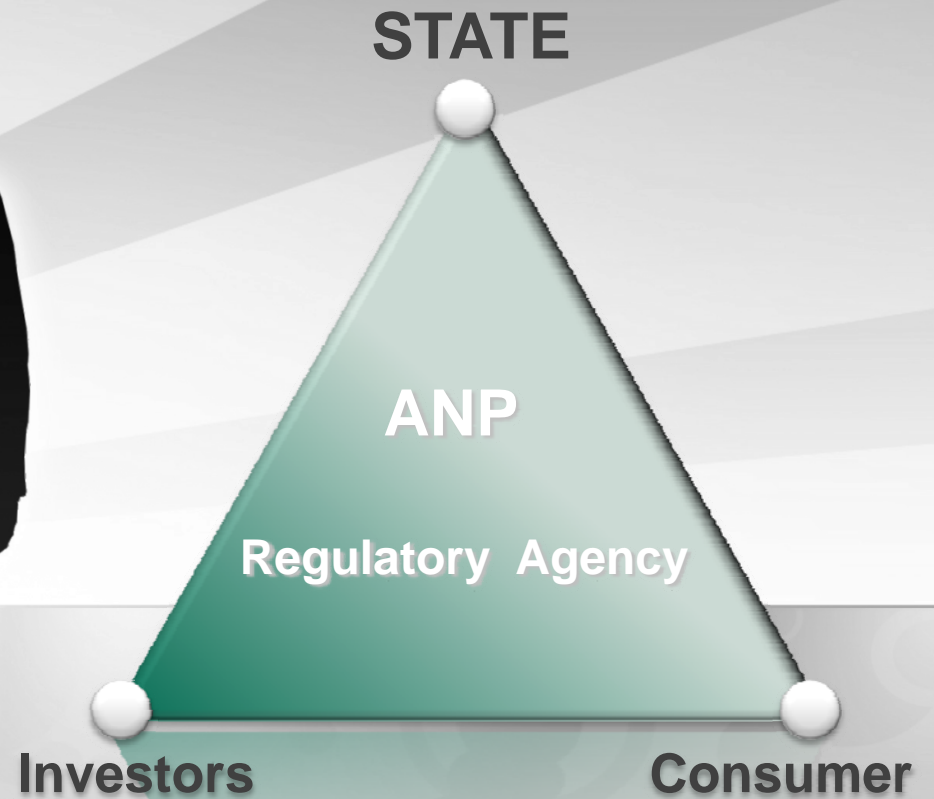
ANP's Responsibilities

REGULATION

CONTRACTING

MONITORING

- Implement CNPE's resolutions
- Define explorations blocks
- Include areas in mature, high potential and new frontier basins;
- Promote the participation of small companies and the continuity of exploration and production in mature areas
- Set criteria that encourages exploratory programs
- Set a minimum percentage for the local content
- Manage contracts

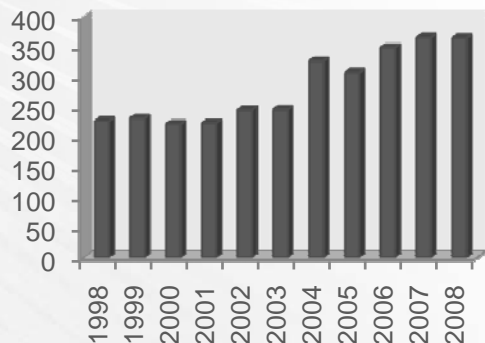
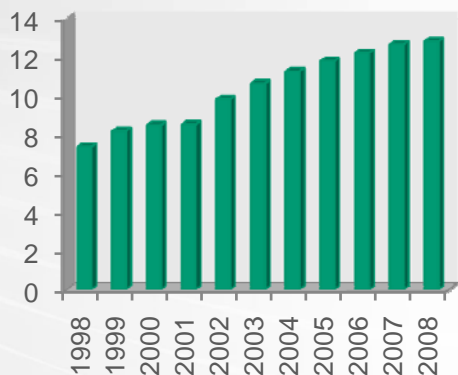


Oil and Gas Overview

- Regulatory Stability: over 10 years of *Petroleum Law* and ANP
- Brazil is amongst the countries with the highest volume of seismic data
 - (2.3 Petabytes – pre stack and 14 Terabytes – pos stack)
- Brazil is one of the countries with the highest increase of incorporated reserves in the recent years
- Recent discoveries at Pre-Salt: Santos and Campos basins
- 72 groups (36 foreign companies) involved in *E&P* activities
- Solid local industry, with large availability of materials, equipments and services
- Well-developed domestic market (more than 100 billion liters of fuel/year)
- New Legislation regarding Natural Gas

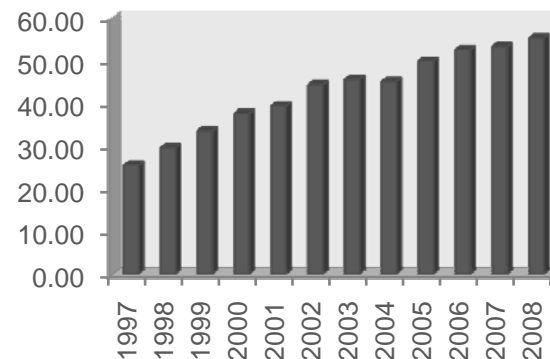
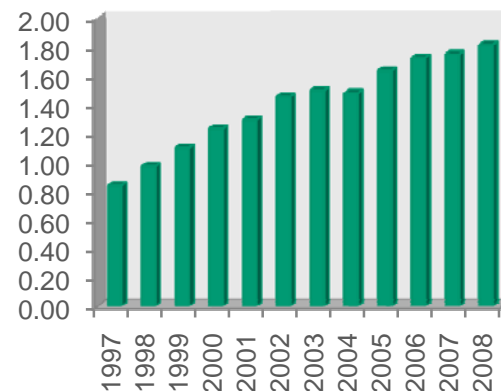
Proven reserves

Oil - 12.8 billion barrels | Gas - 365 billion m³



Production

1.83 thousand barrels/day | 55 million m³/d

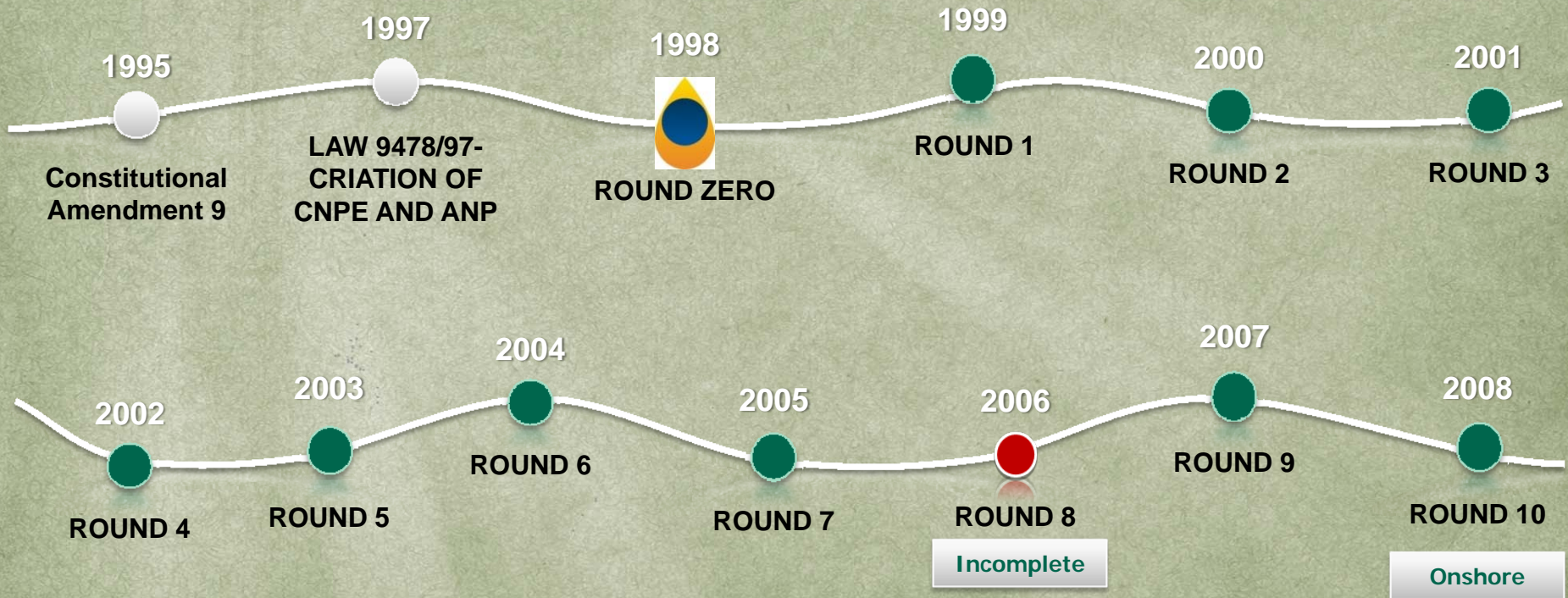


Areas under concession

- 29 sedimentary basins with oil and gas potential;
- 7.5 million Km², with 2.5 million Km² offshore;
- Around 350,000 Km² of exploratory areas under concession;
- Approximately 21,000 Km² of areas in development and production in the country

**Only 4,9%
under
concession
for activities
regarding
E&P**














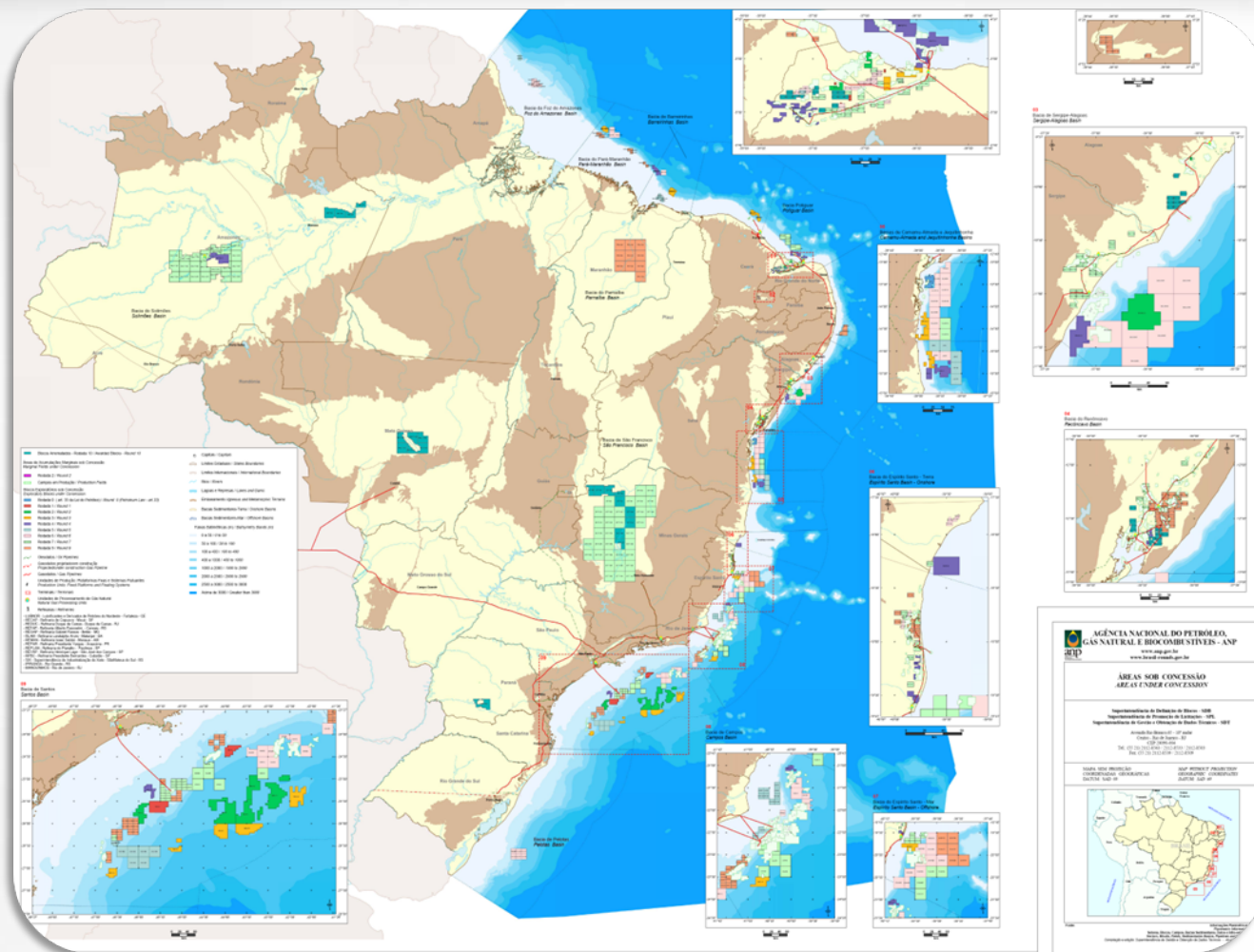


INTERNATIONAL PARTICIPATION



Exploratory Blocks under Concession

-  Round 0
(art.33 of *Lei do Petróleo*)
-  Round 1
-  Round 2
-  Round 3
-  Round 4
-  Round 5
-  Round 6
-  Round 7
-  Round 8
-  Round 9
-  Round 10
(Blocks Bought by Auction)



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**ÁREAS SOB CONCESSÃO
ÁREAS UNDER CONCESSION**

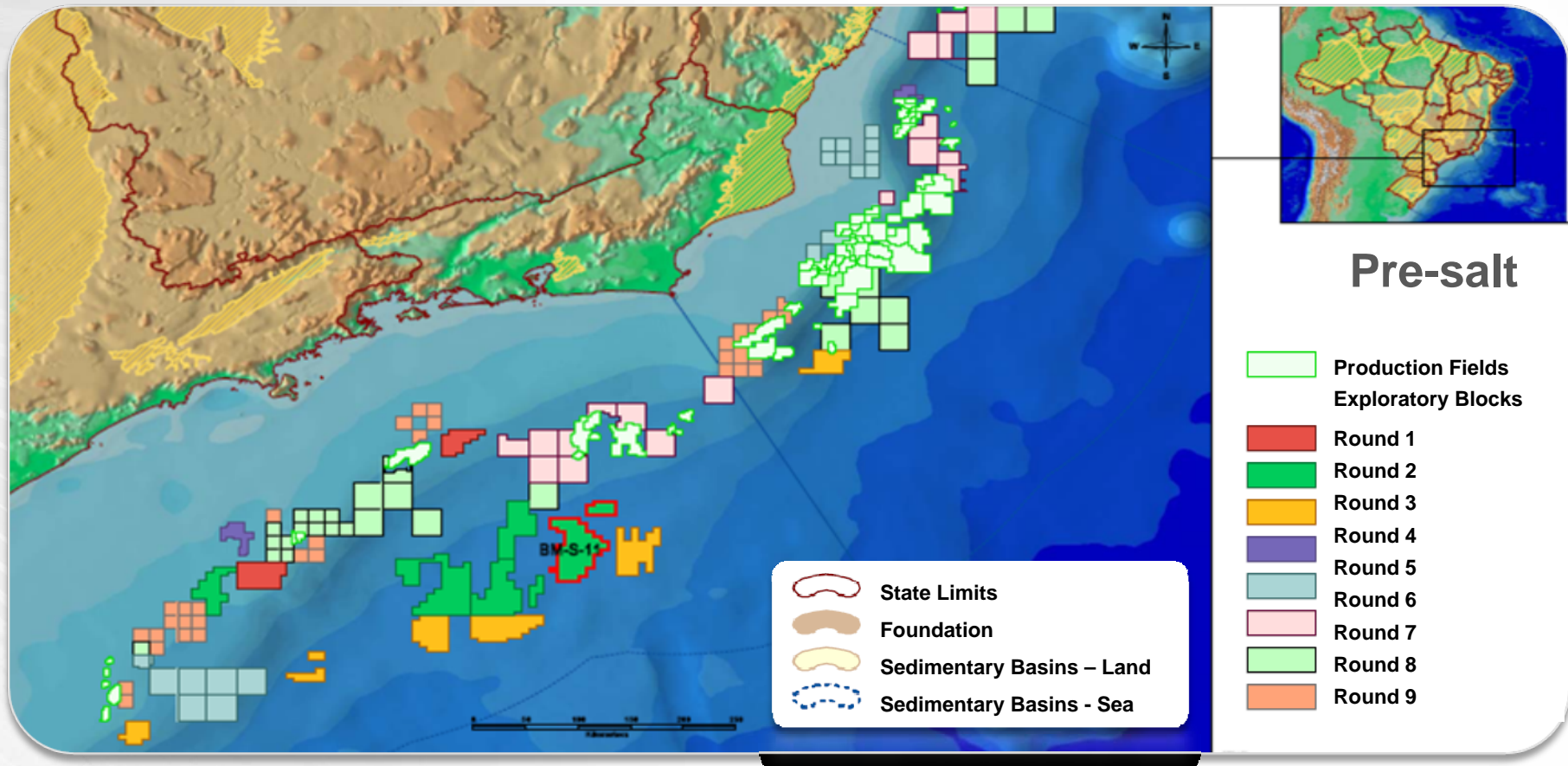
Superintendência de Defesa de Recursos - SDR
Superintendência de Produção e Exploração - SPP
Superintendência de Gestão e Operação de Bacia Sotopetrólea - SGB

Atividade: Exploração e Produção
Atividade: Produção e Refino
Atividade: Refino e Comercialização

Atividade: Refino e Comercialização
Atividade: Refino e Comercialização



Pre-Salt Santos Basin



Definition of blocks

- Development and approval of technical and environmental studies
- Definition of blocks
- Preliminary proposal
- CNPE's Resolution

Beginning of the process

- Publication of a bidding pre-notice and draft of the contract
- Public Hearing
- Technical-Environmental and Legal-Fiscal seminars
- Notice publication and Concession Contract

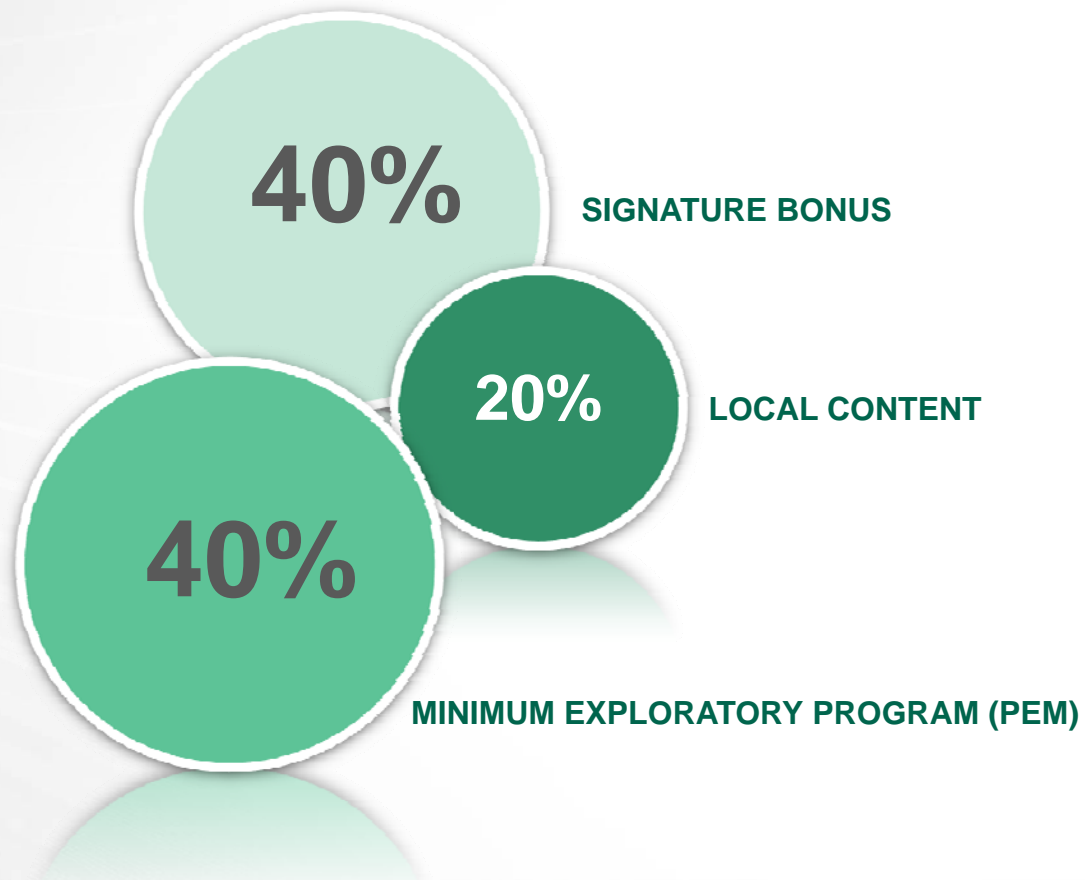
Qualification of the companies

- Collection of participation fees and offers guarantees
- Availability of data package
- Opening of qualification period
- Technical support to companies

Bidding and Concession

- Transparent process
- Sealed and multi-sequential auction
- Judging of offers through Bidding Special Committee
- Society's participation
- Approval of results
- Signing of contracts

Factors of the proposals



- **Technical (based upon the demonstrated capability of the group controlling the applicant Company)**

- **Financial**

- **Legal**

- **Qualification of companies (Technical)**

- Non-operator
- Operator

QUALIFICATION AS "OPERATOR"	AREAS OF PERFORMANCE ALLOWED
A	Deep and Ultra Deep Water
B	onshore and Shallow Water
C	Blocks Onshore

Available Information

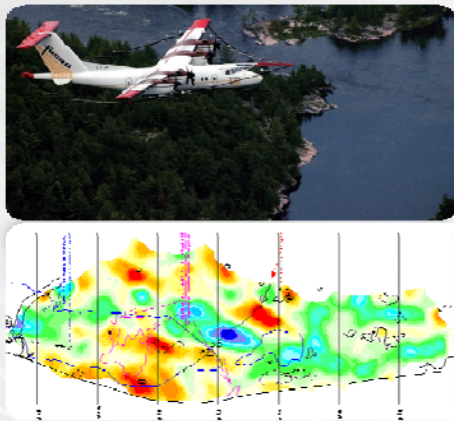
Brazilian Exploration and Production Database (BDEP)

Includes data acquired during the monopoly of Petrobras and after the opening of the Brazilian market

- **Geological Summary**
- **Seismic 2D and 3D** (*2.3 Petabytes – pre stack and 14 Terabytes – pos stack*)
- **Wells data (23,164 wells)**
- **Potential Methods (246 reports)**
- **Geological Reports from Universities**
- **ANP's Geological Interpretations**

Sequence of Activities

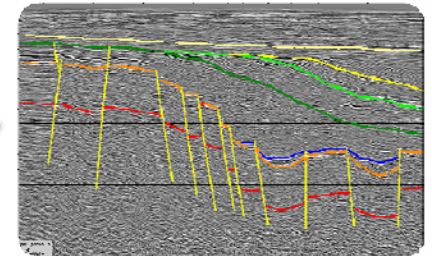
Grav/Mag Surveys



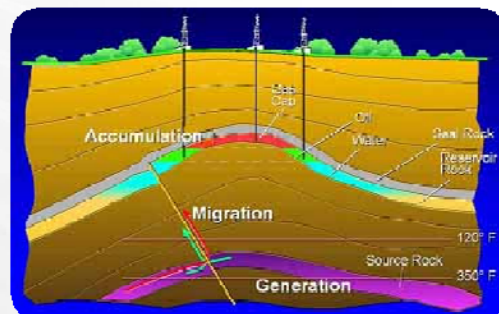
Geochemical Surveys



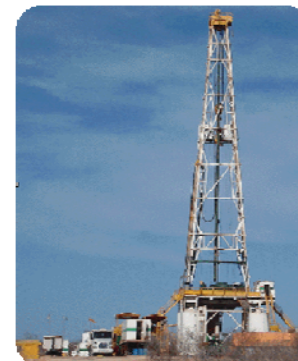
Seismic Surveys



Data Integration

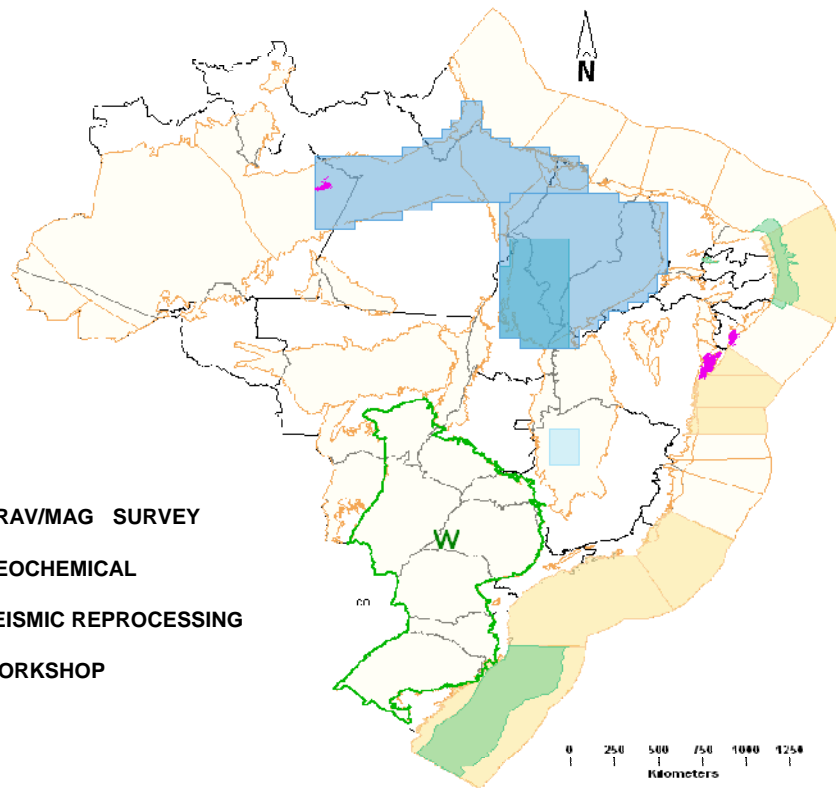


Well Drilling

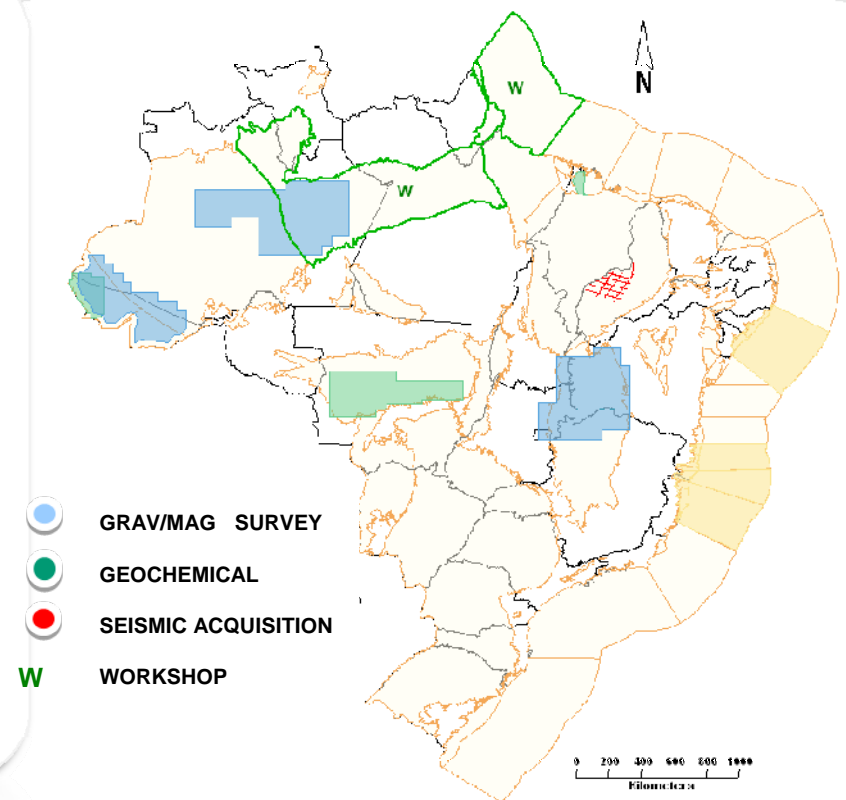


2008-2012
US\$ 700
million

Projects finished

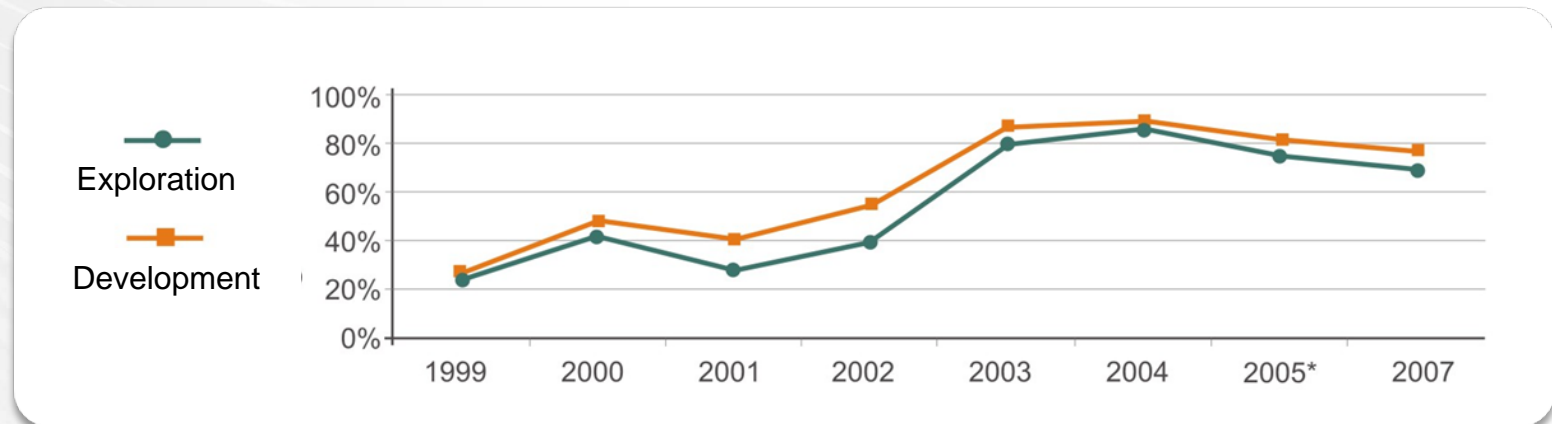


Projects undergoing



The average Local Content during the exploration stage was of 25% in *Round 1*. In Round 9, it increased to 69%. During the development stage, Local Content moved from 27% to 77% in the respective Rounds.

Aggregated Results								
Local Content average	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6	Round 7	Round 9
	1999	2000	2001	2002	2003	2004	2005*	2007
<i>Exploration Stage</i>	25%	42%	28%	39%	79%	86%	74%	69%
<i>Development Stage</i>	27%	48%	40%	54%	86%	89%	81%	77%



Source: http://www.brasil-rounds.gov.br/portugues_topo/resumo_geral.asp#

- Duration: up to 34 years, including the exploratory phase and the production phase
- The exploration phase may last from 3 to 7 years, divided in two periods
- Immediate announcement of any discovery
- Mandatory choice between the return of the area or the commitment of well drilling
- Declaration of commerciality
- Submission of the Development Plan for ANP's approval
- Maximum period of production: 27 years
- Rules of unitization

Government Take

Bonus

- Value established by block
- Not less than the minimum value set by ANP on the bid notice
- Must be paid at the signing of the concession contract

Royalties

- 5% to 10% of the production of oil and natural gas
- Monthly payment in national currency

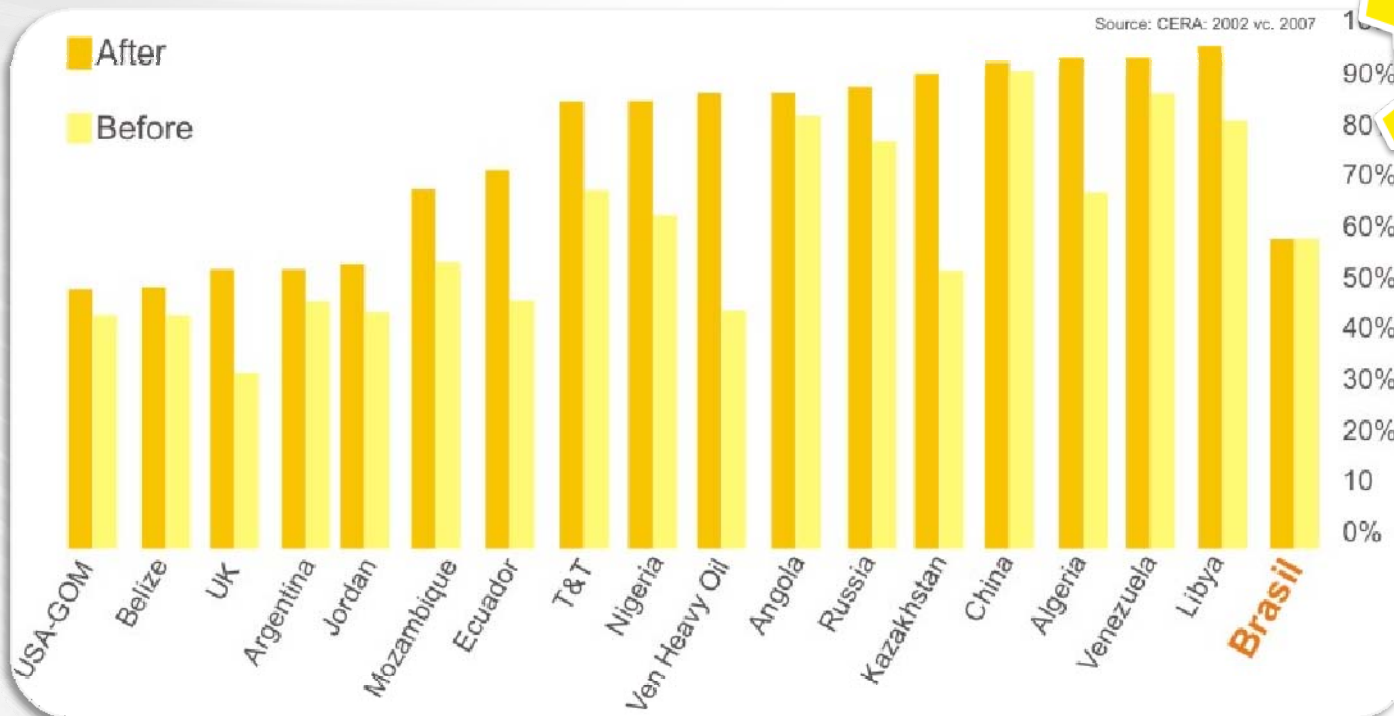
Special Participation

- Variation from 10% to 40% of net revenues of the major fields

Rental Area

- On the area granted during the exploration and production phases

Comparison of government revenues collected in the oil and gas sector



Brazil – Petroleum revenues of 60% in 2002 and 2007*

- Characteristics of the Brazilian Sedimentary Basins:
 - Different stages of exploration
 - Lots of unexplored areas
- Opportunities for different kinds of companies
- ANP's geological and geophysical studies are responsible for generating opportunities in new frontiers basins
- Excellent local capacity for provision of goods and services
- Domestic market – more than 100 billion liters of oil/year



ANP is fully committed with:

- **Stability of rules**
- **Strict contract observation**
- **Absolute transparency**
- **Investment friendly environment**



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THANK YOU!

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