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Petrobras Partnerships for E&P Projects in Brazil: Legal Framework Aspects, Main Activities and Current Status

We present here a brief description of the main events that affected the Petroleum Sector in Brazil from 1998 onwards, and how Petrobras partnerships were carried out. In August 1998, Petrobras signed 297 concessions contracts with the Agência Nacional do Petróleo (ANP), corresponding to the areas where Petrobras had already E&P activities, including all areas within the First Portfolio of Opportunities, that were under negotiation with potential partners. Soon after, in October 1998, Petrobras signed with other oil companies, the first binding farm-out agreement. In the following year, almost every ongoing negotiations were concluded, resulting in:

- partnerships in 23 exploration blocks and in 7 production development projects, mostly located in the offshore but also in the onshore portions of 10 different Brazilian basins, from Pelotas to Foz do Amazonas;
- participation of 32 new companies, 17 of which as operators, including foreign major and independent and also Brazilian companies;
- 105 000 linear km of 2D and 3D seismic to be acquired and 40 wells to be drilled

The main private documents to formalize the agreements were a Participation Agreement and a Joint Operating Agreement, both based in AIPN model forms. The choice of model forms that were well known and accepted by the international oil industry aimed to expedite the final drafting of the agreed-by-the-parties terms. Nevertheless to become a concessionaire as required by Brazilian law, the companies had also to execute public documents: a Consortium Contract and a Deed of Assignment from the Concession Contract signed between Petrobras and ANP.

In the last quarter of 1999 and again in the first half of 2000, Petrobras offered additional farm-out opportunities in exploration blocks to selected companies, resulting in the establishment of four new farm-outs.