

MORAES Jr., JOSE JORGE, Petrobras, Rio de Janeiro, Brazil; MONICA R.RODRIGUEZ, Petrobras, Rio de Janeiro, Brazil; EDUARDO R. ABDOUNUR, Petrobras, Rio de Janeiro, Brazil.

Petrobras Partnerships: Current Status and Future Perspectives.

Introduction

The opening of the petroleum sector in Brazil was warranted by the "Petroleum Law" enacted in August, 1997 by the Brazilian Congress, finishing a 45 years period of a state monopoly held by PETROBRAS. Reasons behind the opening considered the scenario of a state company fighting alone for all the physical and financial resources necessary to embrace an aggressive program of investments in Brazilian sedimentary basins.

The aim of this paper is to present the current status of PETROBRAS partnerships after five years playing in this new scenario, the reasons and results and the future perspectives to be achieved by PETROBRAS through developing alliances.

Current Status

The National Petroleum Agency (ANP) was created in 1998 and one of its responsibilities was to segment the sedimentary basins into E&P blocks to be offered to a starved oil industry looking to Brazil as the new "Eldorado" for the petroleum exploration. The first step of this process, known as "Round 0", granted to PETROBRAS almost 400 Concession Areas for exploration and production.

Subjected to the conditions of the new petroleum scenario – such as a three year period for the first exploratory phase – PETROBRAS was encouraged to perform a large number of partnerships involving from super-majors to small independent oil companies. Motivated by the giant fields discoveries, such as Roncador in 1996 - a 2.2 B bbl proved reserve located on water depths varying from 4500 ft to 5500 ft - the oil companies arrived to Brazil as a result of Round 0 (a wide farm-out process promoted by PETROBRAS). Most of the twenty-six partnership contracts were executed in 1999 (Figure 1), with exploration activities starting at the end of year 2000 and peaking in 2001.

Since 1999 ANP is conducting yearly a bidding process for licensing exploratory areas in Brazil attracting massive investments from petroleum players. The exploratory results until the middle of year 2002 were not as good as expected, mainly due to the heavy oil pools discoveries. Despite these general results, some factors still encourage the oil industry to focus on Brazil as a strategic area for E&P activities:

- the late 2002 giant heavy oil discoveries in Campos Basin, such as Cachalote, Jubarte and Baleia Franca;
- the 2003 gas discoveries in Santos Basin, such as block BS-400 (around 10 tcf);

- the 2003 light oil discovery in Espírito Santo Basin – Golfinho; and
- the expectation for Round 6, which includes areas relinquished by PETROBRAS from Round 0 – see Figure 2 as an example of the offered areas and location of some of the above referred fields.

The oil industry appetizer for the exploratory blocks offered since Round 0 until the last Round 5 is shown on Figure 1. For a correct analysis of the graphic, readers should have in mind the changes on ANP rules for Round 5. Previous tenders offered exploratory blocks presenting a huge variety of formats and acreage, resulting, after a partial relinquishment, in blocks with strange formats and small acreages to be considered attractive if located in deep waters for example (Figure 2). Round 5 data shown in Figure 1 are related to the new cell model adopted by the ANP, in which format and acreage of the cells are mainly related to onshore, shallow or deep waters sectors. Focusing on PETROBRAS partnerships, Figure 1 interpretation leads to a conclusion that PETROBRAS prefers to bid associated with other companies than alone. Reasons for that will be currently presented in this paper.

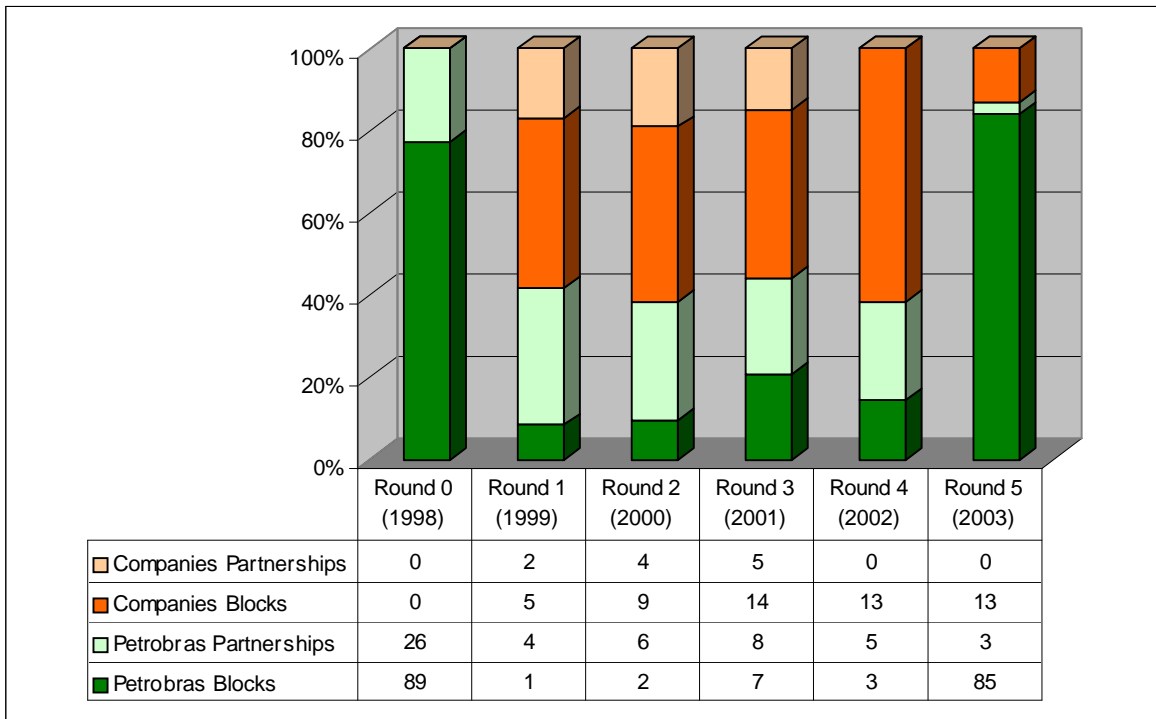


Figure 1 – Distribution of partnerships developed since Round 0, with and without PETROBRAS. The figure also shows the blocks acquisition made by PETROBRAS and other oil companies without partners. Notice: a) Round 0 data represent partnerships performed by PETROBRAS resulting from the farm-out of the granted Concession Areas; b) for Round 5 the structure of bidding for blocks was changed to a structure based on pre-defined cells with size varying according to onshore, shallow or deep water sectors. In general the cells are reduced in size comparing to the previous blocks offered before the Round 5.

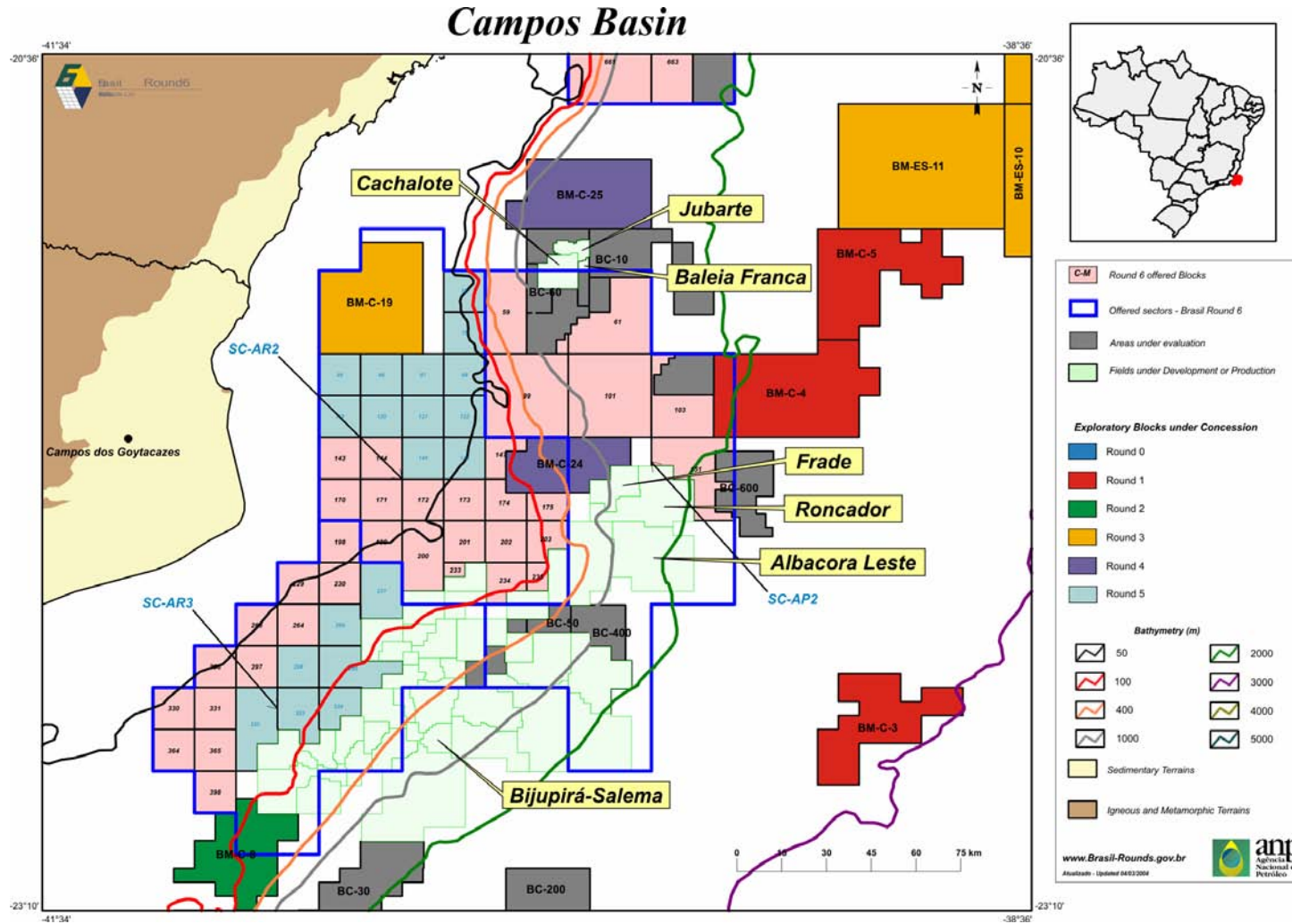


Figure 2 – Campos Basin map obtained from ANP website and updated with last PETROBRAS oilfield discoveries and partnerships on production assets. This map also shows the offered areas and sectors for Round 6, the blocks acquired from previous bid rounds and the evaluation areas retained as a result for E&P activities in Round 0 blocks.

Future Perspectives

In August 2003, after granting an extension of two years for the first exploratory period, PETROBRAS and its partners requested ANP to retain 11 areas for evaluation from a total of 39 requested areas resulting from the massive exploratory investments did on the Concession Areas of Round 0. Once approved by ANP the evaluation plan for these areas will furnish enough data to declare their commerciality enabling PETROBRAS and its partners to develop the fields.

The efforts to perform partnerships for the Concession Areas of Round 0 envisaged not only reduce the exploratory risks, but also deal with the production assets. PETROBRAS performed six partnerships on producing oilfields widespread in Brazil with super-majors and small domestic oil companies (Table 1).

PRODUCTION ASSET	BASIN	FLUID TYPE	PARTNER
Albacora Leste	Campos	oil	Repsol/YPF
Frade	Campos	oil	Chevron/Texaco
Bijupirá-Salema	Campos	oil	Shell
Coral-Estrela do Mar	Santos	light oil	Queiroz Galvão, Starfish and Coplex
Tartaruga	Sergipe-Alagoas	oil	Anadarko
Pescada-Arabaiana	Potiguar	gas	Unocal and El Paso

Table 1 – Examples of PETROBRAS partnerships as a result of a farm-out offer of the production assets of Round 0.

Positive results of these partnerships allow companies to comfortably play in Brazil, such as the Shell FPSO operating in Campos Basin with a production around 70.000 bopd in accordance with the regulatory model and the fiscal regime adopted for E&P activities.

Besides the partnerships formed by PETROBRAS' invitation for a farm-out process or a bid round offer, some of the oil companies that have acquired blocks alone or associated among themselves, for similar reasons as presented in this paper, starting selling part of their working interest in these blocks. Accordingly to PETROBRAS strategy for the particular area offered or the economical evaluation of the farm-out proposal PETROBRAS could farming into these blocks adding value to the partnership, due to its long experience on the Brazilian sedimentary basins and the considerable production infrastructure already installed onshore and offshore.

Conclusions

PETROBRAS holds today one of the greatest portfolios of E&P projects in the world demanding high investments (more than US\$20 B for the next 5 years). PETROBRAS strategy for the E&P Sector is based on the continuity of doing business through partnerships to solve this equation, which is composed by variables such as:

- Technology – to handle with challenging projects on heavy oils, tight reservoirs, and others;
- Financial resources – to implement projects on GNL, exploration and production of deep and ultra deep areas, and others;
- Material resources – to take advantages from available facilities – drilling rigs and others; and
- Risk – optimizing the risk/return ratio of PETROBRAS portfolio.

Companies with one of these skills are potential partners to be engaged with PETROBRAS into unique opportunities on E&P projects. The selection process for partners will give priority to companies committed to assume long-term investments and aligned with Brazilian governmental strategies regarding the development of the national industry contributing for the growing of Brazilian economy.