

**QGEP Participações S.A.
CNPJ/MF nº 11.669.021/0001-10
Publicly Held Company**

NOTICE TO THE MARKET

QGEP Provides Update on Carcará at Block BM-S-8

Rio de Janeiro, January 2, 2013 – QGEP Participações S.A. (BMF&Bovespa: QGEP3, “Company”) today announced the conclusion of the Carcará well at Block BM-S-8, located in the pre-salt area of the Santos Basin. This was the third well drilled in the Bem-Te-Vi Evaluation Plan area.

As previously reported, drilling at the Carcará well showed an expressive column of at least 471 meters of good quality oil (31° API) exclusive of any contaminants such as CO₂ or H₂S and 402 meters of carbonate reservoirs, which exhibited excellent characteristics of permeability and porosity. Additionally, pressure data obtained along the entire column indicate that the reservoirs are connected.

After reaching a final depth of 6,671 meters at the Carcará well, operational issues were experienced during the testing phase, and as a result, further evaluation of the well, including the performance of the scheduled drill stem test (DST), was not feasible. The consortium at Block BM-S-8 decided that a DST for the Carcará discovery will be performed at an appraisal well, which is expected to be drilled in the second half of 2013. Data obtained from drilling, along with historical information from formation and long duration tests performed by the operator at similar microbial reservoirs in the pre-salt of the Santos Basin, allow the consortium to estimate that reservoirs at the Carcará discovery have a high potential flow rate. Further confirmation of the flow rate will be substantiated by additional exploratory activities in the area.

“The consortium’s decision to perform a drill stem test at an appraisal well does not affect the drilling schedule of the delineation wells or the production development plan for Carcará,” said Sérgio Michelucci, QGEP’s Exploration Director. “The development phase for this important prospect, as previously outlined by the Block’s operator, calls for the drilling of production wells in 2016-2017 using the Grumari and Bracuhy rigs, with first oil expected by 2018 using FPSO P-73.”

The consortium at Block BM-S-8 submitted revisions to the current Evaluation Plan which calls for an extension of the exploration timeline, as well as additional commitments at the block. The consortium is now awaiting approval from the ANP.

Located 232 km off the coast of São Paulo, the Carcará prospect is in water depth of 2,027 meters. Queiroz Galvão Exploração e Produção S.A. holds a 10% participating interest in this block, which is operated by Petrobras (66%). Other consortium members include Petrogal Brasil (14%) and Barra Energia do Brasil Petróleo e Gás Ltda. (10%).

There will be a brief conference call tomorrow morning, which will be hosted by QGEP’s CFO and IRO, Paula Costa, and Director of Exploration, Sérgio Michelucci to address analyst and investor questions.

Conference Call Information:

Portuguese (with simultaneous translation to English)

January 3, 2013

09h00 a.m. (US EST)

12h00 p.m. (Brasília Time)

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About Queiroz Galvão Exploração e Produção

QGEP Participações S.A. is Brazil's largest producing company in the Brazilian Exploration and Production (E&P) private sector, and the first and only private Brazilian company to operate in the premium pre-salt area in Brazil. QGEP is qualified by the ANP in the last two auctions in 2007 and 2008 to act as "Operator A" in Deep and Ultra-Deep Waters. The Company has a diversified portfolio of high quality and high potential exploration and production assets. Furthermore, it owns 45% of the concession for the Manati Field located in the Camamu Basin, which is one of the largest non-associated natural gas fields under production in Brazil. Manati Field has been in operation since 2007, and has average production capacity of approximately 6 million of m³ per day. For more information, access www.qgep.com.br/ri