

**Operator:** Good morning ladies and gentlemen. At this time we would like to welcome everyone to QGEP's third quarter 2013 earnings conference call. Today with us, we have Mr. Lincoln Rumenos Guardado, CEO of the Company, Mrs. Paula Costa Côrte-Real, CFO and IRO, Mr. Danilo Oliveira, Production Director and Mr. Sergio Michelucci, Exploration Director.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After QGEP's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press \*0 to reach the operator. There will be a replay facility for this call for one week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of QGEP management, and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of QGEP and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Lincoln Rumenos Guardado, QGEP's CEO, who will start the presentation. Mr. Lincoln, you may begin the conference.

**Mr. Lincoln Guardado:** Good morning everyone and thank you for taking part in the QGEP conference call. Joining me today for this call are Paula Costa Côrte-Real, our CFO and IRO, Danilo Oliveira, Production Director, and Sergio Michelucci, Exploration Director.

Our presentation will review QGEP's results for the third quarter and the first nine months of 2013 and then, as usual, we will open the call to questions.

The third quarter of 2013 was a period of continued progress for QGEP as we executed on our strategy of sustainable, balanced growth. Financial results for the period were in line with our expectations, confirming the good visibility we have on production levels in the Manati Field, which is Brazil's largest producing non-associated natural gas field.

As anticipated, production in the field returned to normalized levels following the scheduled maintenance work that occurred in the second quarter of this year. Additionally, we made progress with our development and exploratory projects, although there have been some changes in schedule, which we will discuss a little later in the presentation.

However, it is important to highlight that we ended the first 9 months of 2013 in a very strong financial position and with a robust balance sheet that give us the resources necessary to continue to explore and develop our asset portfolio.

Please move to slide 4. We will be discussing the highlights of the third quarter of 2013. Average production at the Manati Field was 6.2 million m<sup>3</sup> per day in the period, which reflects both the return of the field's full capacity and solid industrial demand in Brazil.

Based on this performance and on our visibility for the first quarter of 2013, we now expect full-year production level for 2013 to be at the high end of the 5.5 to 6 million m<sup>3</sup> range we had projected.

We moved ahead with our development activities at BS-4, where we began drilling the first horizontal well in the Atlanta Field after we received the required environmental permit in the end of October.

We are very pleased to announce that QGEP recently received an approval for a financing package of R\$266 million from FINEP, to finance a portion of our development work at the Atlanta Field. It reflects a recognition from FINEP of the technological innovation that QGEP's using to develop the field and that could potentially be replicated in other deep-water fields with similar characteristics.

With respect to our exploration activities in the third quarter, we submitted a notice to the National Agency of Petroleum, Natural Gas and Fuel – ANP - of our discovery at the Alto de Canavieiras well, which is 100% owned and operated by QGEP. While we have confirmed indications of hydrocarbons, more analysis is needed to determine the quality and size of the reservoir.

In Block BM-S-8, by the end of this year we expect drilling to begin at an appraisal well at our Carcará discovery.

As you can see, to sum up, we are moving ahead across all phases of our business; production, development and exploration, while maintaining our focus on risk management and on financial discipline.

And since we are talking about money, I will now hand the call over to Paula Costa, our CFO and IRO to review QGEP's third quarter and nine months financials. Paula, go ahead.

**Ms. Paula Costa:** Thank you Lincoln. Turning to slide 6 you can see an overview of QGEP's financial performance in the third quarter and year-to-date comparing to the same period of 2012. Keep in mind that the year-to-date comparisons are affected by exploratory expenses of R\$157 million that were incurred in the second quarter of 2012. As these figures show, QGEP's financial performance remained very positive in the third quarter with the Manati Field resuming a full quarter of production. This, combined with lower year-on-year costs, drove a 2% year-on-year improvement in the third quarter EBITDAX, compared to the same period of 2012.

Our net financial income was slightly lower in the third quarter of this year vis-à-vis the third quarter of 2012, down R\$3.4 million, which was largely the result of currency movements, which affected the balance of the provisions for abandonment at the Manati field.

Year-to-date, our EBITDAX was R\$206 million, down somewhat from the same period in 2012. This is largely the result of higher operational costs this year, due to scheduled maintenance that took place at Manati.

Please turn to slide 7. Total production at Manati in the third quarter was 6.2 million m<sup>3</sup> per day; 6% lower than in the third quarter of 2012 due to the exceptionally high 2012 production that I just mentioned.

For the year-to-date, total production was 5.9 million m<sup>3</sup> per day, in line with the same period of last year. We are quite confident that our average production here for full year 2013 will be at the high end of the 5.5 to 6.0 million m<sup>3</sup> range.

Revenues for the third quarter of 2013 were R\$128 million, in line with the same period in 2012, and in the first nine months of the year, revenues increased by 4% to R\$360 million, thanks to price readjustment, which more than offsets the slight decline in production.

For 2014, we are estimating that the Manati production will range from 5.0 to 5.5 million m<sup>3</sup> per day.

Negotiations are currently underway for the building of a gas compression plant and construction should begin in 2014. Once it is operational, the average daily production will return to the 6.0 million m<sup>3</sup> level.

Moving to slide 8, you can see the details of QGEP's costs in the quarter and year-to-date. Operating costs were R\$47 million in the quarter, similar to the third quarter of 2012. For this year's first nine months, costs increased 13% as a result of the maintenance at the Manati Field.

In the third quarter general and administrative expenses were R\$13 million, down 3% from last year's third quarter. Despite higher expenses related to the increased scope of the company's operations and higher consulting services in the quarter, this effect was partially offset by the expenses of the operator that were allocated to activities at Blocks BS-4 and BM-J-2.

Exploration expenses fell 31% to R\$6 million on the quarter and were comprised primarily of costs related to the acquisition of seismic data for the blocks that QGEP acquired in the 11<sup>th</sup> ANP bidding round in May.

Slide 9 shows our expected Capex for 2013 and 2014, excluding the compression plant to be built at Manati, for which the bidding process that is being held by the operator is still open. For 2013, we expect total Capex of U\$200 million, of which U\$140 million were already spent in the first nine months. This budget is split between Blocks BS-4, BM-J-2, BM-S-8 and the blocks won in the 11<sup>th</sup> bidding round.

For 2014, we have reduced our expected Capex to U\$215 million, to be split among the same blocks, plus BM-CAL-12, where a wildcat well is set to be drilled to target the CAM#01 prospect.

As you can see in the chart on the right, the reduction in the forecasted 2014 Capex is the result of the changes in timeline for the drilling of the appraisal well at Carcará, at Guanxuma and exploratory activities at Block BS-4. We now expect to recognize a greater proportion of these capital expenditures in 2015.

We still expect exploration to account for the largest portion of 2014 Capex, representing 127 million of the U\$215 million.

I will now turn the floor back to Lincoln to discuss the company's next steps.

**Mr. Guardado:** Thank you Paula.

I'll now take you through some of the important activities for QGEP in the coming months.

Turning to slide 11, we have an update on activities at Block BM-S-8. The drilling of the Carcará appraisal well will now be carried out in two phases, the first of which is due to begin by the end of this year and will drill up to the base of the salt layer and the second phase will begin in the second half of 2014. The schedule was changed in order to allow drilling to be carried out with the highest standards of safety and efficiency during the drilling of the reservoirs, given the available equipment MPD (Managed Pressure Drilling). The drilling and Drill Stem Test are expected to end in late 2014.

I also highlight that this is important considering that the extended well test in this well will take place by the end of 2015 and the first oil is expected by the end of 2018. All our attention will be oriented to maintain the integrity of this well for all future actions that we expect to perform.

Also, we plan to drill a well in Guanxuma prospect by the end of 2014 or beginning of 2015.

Please turn now to slide number 12. As you can see, we are on track with our activities. At BS-4, as I mentioned earlier, the drilling of the first horizontal well is underway, which should be tested early next year. Once it is concluded we will begin the drilling of the second well. We also plan to carry out production tests to define productivity. Based on preliminary analysis, we estimate that the initial production capacity will be in the range of 6 to 12 million barrels per day, per well. First oil is expected in the end of 2015, but full-scale development in 2017 or early 2018.

At Block BM-J-2, we concluded the Alto de Canavieiras well at a final depth of 4,800 meters, 750 meters below the salt layer. As I mentioned earlier, further work will be needed to determine the quality and size of the reservoir. Currently we are getting ourselves ready to submit a Discovery Evaluation Plan for the block to be submitted to the ANP next month.

Lastly, at Block BM-S-12, the Consortium is reassessing its options. One option is to reenter the Ilha Bela well in 2014, which would lead to Capex net to QGEP of around U\$25 million. The other option is to relinquish the block and in this case we will incur a write-off of approximately R\$40 million. This alternative is more likely due to other initiatives that the operator is implementing in the area and that certainly would have an impact on the decision to be made.

We have decided to postpone the release of our resources certification report until there is more data available vis-à-vis our exploratory prospect and revisions of ongoing interpretations. We are not in a position right now to give a firm date for when the report will be completed and released due to the impossibility of releasing information on assets and prospects on BM-S-8, BM-C-27 in Campos Basin and Piapara, which are the main difference to our previous certification.

In relation to the Atlanta certification, we are finishing the internal analysis of the report we received from Gaffney, Cline & Associates and we expect to publish the figures after drilling and testing the well that is being drilled. We can anticipate, however, that volumes are in line with the internal evaluation of the operator, already announced to you.

Slide 13 illustrates the timing of key activities in the short and medium-term that comprises our growth strategy.

The Manati Field gives us strong predictable cash flows and in 2014 we expect to make significant progress both in Atlanta and in Carcará. From there, we expect first oil at Atlanta in 2015, which will provide us additional cash flow as we invest in other promising assets including the important Carcará discovery.

Throughout this process we will emphasize risk management maintaining disciplined financial approach to expense management and capital deployment.

In closing, I would like to say that we are very cognizant of investors' concerns following the bankruptcy filing made by OGX eight days ago. Let me say that we are monitoring the situation very closely. We believe it is too soon for us to have an opinion at the moment because the request is still under analysis by the Judiciary.

With respect to our joint activities at BS-4, we believe that our Joint Operating Agreement protects QGEP's interest in the block. However, we also know that it is a challenge particularly due to something that is unprecedented in Brazil when it comes to exploration and production industries.

QGEP continues to be distinguished by its realistic and disciplined approach both in financial and operating activities, and we are pleased to have the resources to develop our rich asset portfolio.

Operator, I'd now like to open the floor for questions.

### **Q&A Session**

**Operator:** Excuse me, ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please, press star one. If at any time you would like to remove yourself from the questioning queue, please, press star two.

Our first question comes from Mr. Felipe Santos, JP Morgan.

**Mr. Carvalhal:** It's Caio Carvalhal, actually. Two simple questions. The first one is for Paula and Lincoln, could you give us an update in terms of the cost expectations for the appraisal well at Carcará? I know you are going to do it in two phases, but it seems the drilling time is going to be longer. Do you have a current budget?

My second question is: please, refresh my memory, how do you do gas price adjustments at Manati? Is it done annually, is it done as of the third or the fourth quarter? Could you please refresh my memory to confirm whether it's annually done and when do you normally update the price? My two questions are these. Thank you.

**Mr. Guardado:** Thank you, Caio, for the question. This is Lincoln. I understand why you are asking the question. It makes sense. You could imagine a cost increase, but so far we did not change the budget for this block because this type of equipment – MPD – allows us to have an efficiency gain in drilling.

You remember what happened in Carcará; Carcará has a very thick layer of reservoirs and sediments, so it requires more dedication. This type of equipment (MPD) allows you to drill nearly underbalanced, with more operational efficiency. So even believing that we might have two phases, with the drilling rig coming and going, we don't expect to gain only in terms of safety, we also expect to gain in terms of operational efficiency because drilling will be more dedicated, continuous and with that we will be able to drill according to the schedule.

So today we do not expect any changes because of this and we have dealt with this kind of equipment when we drilled our first well at BM-S-12 (Ilha do Macuco). This equipment was used then and it was a high pressure area – you will remember this, in the post-salt – and it worked very efficiently. Apparently this was the element that gave the operator (Petrobras) the will to continue to use it particularly in pre-salt wells. So, at the moment, we are not changing the costs that we have disclosed.

Your second question will be answered by Paula.

**Ms. Paula Costa:** Hello Caio. As for the price of Manati, the update is done annually. It happens always in the beginning of January considering the local inflation rate. So it is updated every 12 months in January.

**Mr. Carvalhal:** Thank you very much.

**Operator:** Our next question comes from Ms. Luana Helsing, GBM.

**Ms. Helsing:** Good afternoon. My question goes to Lincoln. Lincoln, could you talk about OGX and BS-4? There was a change in the schedule, first oil was expected for the beginning of 2015, and it was postponed to the end of 2015.

Does this have anything to do with OGX's bankruptcy recovery situation, or was it due to something else? Thank you.

**Mr. Guardado:** Luana, thank you for the question. No, there are no connections between the operational changes in terms of first oil and OGX's situation. Nothing like that.

We had always declared that first oil was expected for mid-2015, beginning of the second half. Now we postponed it a little forward as we are more in line with what is happening, so we expect it in the end of 2015.

That postponement is also related to operational activities and a number of auctions we have to carry, particularly for the FPSO. We have started internally the process and it is a very rich process. I can't give you a lot on that now, but we expect to hold the bid considering first oil and the future.

So that is what's happening and we wanted to be prudent and announce first oil in the end of 2015, for this reason. We are moving ahead very seriously in the process so that we can deliver the result.

**Operator:** Excuse me, our next question comes from Mr. Christian Audi, Santander.

**Mr. Audi:** Thank you. Hello Lincoln and Paula. I have 3 questions to ask. The first question; I wonder if you could give me an update vis-à-vis the dynamics of Manati's compression plant. How is the process right now?

Second question; Lincoln, coming to the point you mentioned about your decision not to release the report right now, it wasn't so clear. Could you please clarify the reasons why you decided not to do it? And in your opinion when should we expect to see any kind of report on your resources?

And the third and last question, maybe more addressed to Paula, if you think about OGX's case, if you were to cover OGX's Capex payment along with Barra, would there be a strong financial impact on the Company? I know there is no decision yet, but if OGX exits, will you gradually have to pay their Capex? To what extent will this affect you financially? Thank you.

**Mr. Guardado:** Thank you, Christian. Well, Danilo will answer your question about Manati; as he can give you more data. He will answer your question and tell you more about the compression plant, okay?

**Mr. Danilo Oliveira:** Good morning, Christian. The contracting for Manati's compression plant was not delayed in its beginning, but regarding the analysis of the proposals that we got, this is taking more time than the operator first expected.

We'd like to remind you that first we expected the contracting and beginning of construction of the plant to happen in January 2014/ end of December 2014. But there are some technical aspects to be defined and discussed considering the proposals received by the operator that haven't yet been concluded.

As a result, the time it's taking to define the contract will have an impact on the beginning of the construction work. And as soon as we have results we will be announcing the new deadline and the schedule for the start of construction.

**Mr. Audi:** So despite this delay would you say you maintain Manati's production target for 2014 and 2015?

**Mr. Oliveira:** For 2014 it remains the same, as we had nothing expected with the compression in 2014. For 2015 there will be a decrease depending on when compression will start, but we don't have any dates yet. Just as a reminder, after compression is up and running we will go back to the level of 6.0 to 6.2 million m<sup>3</sup> per day, but before compression the production level will be approximately 5.0, with a slight drop.

**Mr. Audi:** Okay. Thank you.

**Mr. Guardado:** Christian, answering your question about the report, well we really had the intention of doing it. We had new seismic studies in BS-4, Piapara, and are interpreting the data. We are being very cautious in that area. We have already talked to Gaffney about the prospective resources report that we intend to do, but there is no doubt that we should keep an eye on that and consider the outlook.

We had a first discussion with Petrobras about BM-S-8. Obviously, there is also Guanxuma, that also had a revision with the reinterpretation of Carcará, and we don't see any possibility to do any announcements yet, particularly at Carcará, as there are many things involved in these projects.

So we knew before hand and we already expected these discussions the partners are having with the operator, and it would be very hard to say anything right now without considering the drilling of the Carcará well, or to say anything else related to the other prospects, particularly Guanxuma, which is being reinterpreted by all of us, not only the operator, but also ourselves. So BM-S-8 could not be in it.

BM-C-27 is taking longer due to new players that are engaged today in the assignments, or interest transfers. So there are other players that slightly delayed the whole process of the transfer of these blocks. So, for BM-C-27 we don't have the final okay by the Agency, that will be submitted to CADE and to other levels and that's why we cannot say anything about BM-C-27.

As to Piapara, that was one of the three novelties on our radar we actually expected to say something about is having its interpretation concluded now.

So our intention is to do that, but the disclosure will depend on the pace of these processes. We cannot do anything yet. There is some sensitivity in the air that this can contribute to a delay or impairment to the processes. So we are just doing everything by the book, and then we will have a disclosure that would be a revision of the projects that we had, including BM-J-2. On BM-J-2, I can tell you, and Michelucci can add more detail, the idea is to try to reprocess seismic data and revisit them.

Thickness there was very high, there were a lot of gas or oil shows, so we are also very curious to know what will happen so we can revisit the potential, not only when it comes to the potential for the reservoir, but also volume wise.

So, to do the report considering all these facts that are still in the air that took place in the last half of the year did not seem to be proper to us – basically what we said before in terms of information – so our intention was to wait until we had these results particularly about these four assets. Maybe for BM-J-2 we won't have time because we still have to fire the request to the agency, but as for the other three, well, we have to consider not only our work, but also check with the partners if we can disclose something or not, including BM-S-8.

So this was the main driver or reason for not disclosing the report, but I can tell you there are many positive things happening now, but we decided to postpone it for a while. Maybe next year in the first semester we can do it, always with the idea that we want to provide you information so you can really come to conclusions within a desired level, something we firmly believe in. Just publishing for the sake of publishing is not in our interest, ok?

**Mr. Audi:** Lincoln, just very briefly, considering Carcará's dynamics, now it seems it was postponed to the end of 2014, would it be right to assume not to expect anything when it comes to a report for the end of next year?

**Mr. Guardado:** If we are aligned with Petrobras, once the well is drilled and tested we can do some kind of announcement. If it is not possible for Carcará, we can try to do it for some others, like Guanxuma. It would be good if we could at least disclose the prospective resources estimates for Guanxuma, but it would not be positive to do so if we have a well being drilled in the area. But because we are fully aware that we need to at least start Guanxuma in 2014, or as soon as possible, then we'd rather not say anything now.

I would just dare say, well, we had the bidding process for pre-salt this year. There are rumors that the Agency intends to have another one in 2015 or two years later, in 2015 or 2016. Carcará hasn't shown clearly where its oil limit is - we have to confirm with tests, because there is a potential that a good part of the field might be outside the block and if it really happens there is a very strong corporate sensitivity. We don't want with that to disclose something to the market that is confidential right now and at a very strong corporate level. So first we have to measure what we will do before we disclose any report.

So that's something very strong in our radar, but it has to be measured, should we have an announcement of a potential bidding process for pre-salt, we cannot say anything. It's too early to tell, we are just thinking out loud. In 2015 or late 2016 we could disclose volumes of that nature.

So we have to be very cautious and be very diligent when it comes to this information, okay?

Paula will answer your last question.

**Ms. Costa:** Christian, answering your question about OGX and our investment down the road on Block BS-4, there are important points to mention. First of all, until the bankruptcy protection date, we had no delinquency in the Consortium. Today we have cash calls that are being processed, but they are still within the timeframe to be paid by the Consortium members.

Should we have any potential carry and then you are right; it would *pro rata* with all the block partners; then, in this case we should also remember that we will try to do everything in our power in the contracts and in the legislation to maintain and continue the project.

This project is, as you know, broken down into steps and we have a first phase, which is the EPS, in which we have a slightly lower CAPEX. Total CAPEX for this phase is U\$420 million, so OGX's 40% would be around \$170 million. So that would be the total amount for OGX, and part of this investment has already been performed. The fact that we could have a *pro rata* with another partner does not make us weaker when it comes to the financial standpoint, which I think is the reason behind your question, right?

So, the Company would not be weak financially speaking.

**Mr. Audi:** Okay, thank you Paula and Lincoln.

**Operator:** Our next question comes from Luiz Carvalho, HSBC.

**Mr. Carvalho:** Good afternoon everyone, Lincoln, Danilo, Paula. I have two questions and one follow-up. Regarding Carcará, initially we had P-73 in the operator's - Petrobras' - plan located for the project. This has changed. Do you have an update regarding the FPSO that would be allocated to that prospect in 2018, since the expected first oil date has not changed?

Second question; although you've postponed the resources certification report, will it include Manati or not? You recently released a report on reevaluation of reserves, do you intend to report Manati separately? Would the timing be 12 months after the last disclosure?

And one follow-up question; what is the real reason for postponing the painting of the platform at Manati, any specific reason? Thank you.

**Mr. Guardado:** Hello Luiz, how are you doing? Thank you for your participation in this call. The designated FPSO by Petrobras was P-73, you are correct, in the very beginning. We were obviously very happy because it showed that Petrobras was concerned and attentive to the Carcará Field, to the discovery, for all of the characteristics that we have already discussed with you previously, which I'm not going to repeat. But this has been a differential and the change was for the same reason.

P-73 is one of the replicants; they were initially thought for areas that have contaminants, especially CO<sub>2</sub> and H<sub>2</sub>S. They are being prepared, as these contaminants are largely present in some of the discoveries in the pre-salt. In all discussions with Petrobras, according to what we learned, this field doesn't require anything like that.

It is a field that has a big capacity potential, as well as other characteristics, including very high quality oil. So we believe that Petrobras will have an FPSO dedicated and customized for that field. We imagine that we should have a Capex gain since we shall not need so much specialization in processing this oil, which is what would happen in the case of P-73.

That was the reason Petrobras gave us. Petrobras continues undertaking accelerated studies for this field.

As for Manati, Manati's report has already been disclosed for this year, and for next year we will be communicating another report referring to December of 2013. We will definitely report Manati. Manati is a very well controlled asset and is not going to suffer any discontinuity in the disclosure of these reports, in our opinion.

For the other ones, we also want to report them continuously. All of them, including Atlanta, but we want to disclose reports that allow you to do your modeling, your analysis and to continue to recommend QGEP purchase! That's the reason.

So you will be getting a Manati report. And as for the painting, I will give the floor to Danilo, we are also putting pressure on him for the painting to happen.

**Mr. Oliveira:** Luiz, the painting is a necessary maintenance, but it's not an emergency maintenance need. The operator proposed us to postpone it from December to some months later, probably to the end of the first quarter, beginning of the second quarter of 2014. And the reason was the contracting of the supporting vessel that will be necessary for that kind of maintenance. The operator proposed, the members of the Consortium accepted and that's why we are going to be doing it next year.

**Mr. Carvalho:** Thank you. And one follow-up question for Lincoln; as for the Manati report, we know that it was disclosed recently, but do you intend to report it 12 months after the last report or in the first semester? Do you already have a plan? I just want to know when you intend to inform.

**Mr. Oliveira:** We always report considering the 31<sup>st</sup> of December. We call the certifiers, there is a negotiation process and we should be releasing it at the end of the second quarter, always in the middle of the year.

**Mr. Carvalho:** It's clear. Thank you very much.

**Operator:** Our next question comes from Mr. André Sobreira, Credit Suisse.

**Mr. Sobreira:** Good afternoon everyone. I have 3 questions. The first is about the Carcará MPD. I would like to understand how the process was; did Petrobras decide to use the MPD later and so they did not have time to contract the equipment in time, or had they already decided to use the MPD and the supplier was not able to deliver it on time? And have you chosen a supplier - Schlumberger, Halliburton, etc.? I think it would be interesting to know.

My second question has to do with oil services. What about the procurement strategies for BS-4? Any equipment that could have a delay in the contracting, is the decision of the FPSO still contingent upon the drilling of the wells?

And the third question is a follow-up regarding OGX. If we come to a situation where OGX has to relinquish the Block to ANP and if you would like to have the right of first refusal, at what valuation would you acquire their ownership interest in the Block, at what cost? Thank you.

**Mr. Guardado:** Thank you, André, for the questions. They are not that simple to answer though, but I'll tell you more or less how we are following this. We are familiar with the MPD equipment, as, like I said before, we used it in Ilha do Macuco. The installation of the equipment requires the rig to be ready and that we have its supply.

Just to give you a brief history, that time we used Weatherford, they supplied us the equipment, through rental. It was a test, we liked the equipment. We paid the rent, but the rig had to be prepared, etc.

In this case and probably because of market reasons, Petrobras is having a broader contracting process. I don't know how many suppliers are involved. They are trying to negotiate not only with suppliers, but also with a third party, which are the services companies for the rigs.

So this is a three party negotiation that involves Petrobras, which is the interested party (the client), a supplier and the operator, which will probably include these costs in the contract. So that brings a natural delay when you seek convergence of all three parties, as the client is talking with two suppliers. That's why there was a delay.

So there is a delay, but we also see a gain because we are going to have an equipped rig so that we can continue with our full development, with our timeline.

Guanxuma is very likely to use MPD equipment as well. So, if we have a delay in the short term because of this three party negotiation led by Petrobras, we might benefit from a gain in the mid-term, in addition to having a more integrate well and most likely with a more controlled cost, which will enable us to face the pre-salt challenges.

So this is the reason why there was a delay, but we are looking at this with optimism because we will be benefiting from it later, with the installation of the rigs.

**Mr. Sobreira:** Ok, thank you.

**Mr. Guardado:** As for the procurement for BS-4, Danilo will be answering.

**Mr. Oliveira:** Good afternoon, André. The supply process for BS-4, Atlanta, is unfolding quite well. All the equipment for the first phase have been acquired. They are in the phase of being received, except for the FPSO. We continue with the same strategy.

We should start the bidding process within 15 days following the same strategy of two FPSOs – one small, one large – and the decision will be made in the end of the first quarter 2014, depending on the results of the tests that we will be performing in the horizontal well in Atlanta.

**Mr. Sobreira:** Thank you, understood.

**Mr. Guardado:** And there was another question. Your last question was regarding a potential relinquishment by OGX and how the partners would behave. I think that was the question, right, André? I think you asked about what would happen if OGX would relinquish their ownership interest...

**Mr. Sobreira:** Yes, and if you were to acquire their stake, what would be the valuation?

**Mr. Guardado:** Well, this is speculation and it would be dictated by the documents that rule our procedures in Brazil, and there are many documents, as you know, corporate documents, as well as documents involving official institutions like the ANP.

Now, if they were to commercially sell it, it is possible we would be interested. That would be assessed if this comes to happen and maybe the reference value would be what we paid – if this eventually happens – and it would be in our interest.

Now, if there is a concession loss, that kind of measure is treated differently in the concession agreement and in the Consortium agreement. All of that will need to be taken into account; in this case it wouldn't simply be a selling agreement you would have directly to the market. All the players would also be interacting in that case, but it is important to highlight that we see lots of value in this asset, but within some limits and within the legal measures that are applicable, okay?

**Mr. Sobreira:** Thank you very much.

**Operator:** Our next question comes from Mr. Gustavo Gattass, BTG Pactual.

**Mr. Gattass:** Good morning. I have three questions. The first question is about Carcará. Just to have a better understanding, if we postpone the process, are you still fully convinced that you could start a drilling process to be developed over 2016 or does it throw all the whole curve ahead? I'd like to know if there is enough time for it.

The second question is about compression. I apologize, I couldn't listen to everything that was said up to now. I would just like to know if, up to now, you can already give us at least your feeling if it will be possible to have it done by 2014, considering the delays.

And last question, about the Atlanta test, it's interesting, you're mentioning the first months of 2014. What do you see as a possibility of not having something so conclusive? Is that a possibility or is it fully unlikely that until the second or third months of 2014 we will actually come to find a conclusion? Thank you.

**Mr. Guardado:** Good morning Gattass, thank you again for being with us. Gattass, undoubtedly Carcará has all these challenges. Petrobras continues to talk about 2018 and there is a time span that is very broad. I think it's reasonable to stick to 2018. Delays certainly happen. Competition might happen, there is Libra and all that goes through our evaluation and also your evaluation about the scenario.

However, on what are we basing our beliefs, particularly, our optimism? This is because Carcará is different; there are no contaminants in the reservoir, so undoubtedly for Petrobras it also has a strategic appeal to start production.

So with this possibility of not needing specific equipment, in that case we might begin to drill in 2016. And not only that; we don't have the project discussed with Petrobras yet, but maybe we don't need so many wells to start producing in Carcará, considering the quality of the reservoir that we expect to have confirmed over tests.

Now, when we speak of first oil in 2018, it is not really that far. If it's October 2018, November 2018 or January 2019 for a process of that magnitude, it doesn't make so much of a difference, so we focused on the end of 2018, okay?

**Mr. Gattass:** Okay.

**Mr. Guardado:** And we also have to mention the EWT - Extended Well Test - in 2015. Well, maybe your question will be really clear for all of us after the EWT. It is this test that will give us what we really need for reservoir and production studies, including pressure and everything we want to know about this field with the EWT. It will come from the first test in 2014 and then from the EWT, that shouldn't be so long, and then we will clearly have a better vision. But we are very confident to be within this range that we mentioned before, Gattass.

As to compression and Atlanta, the most challenging questions, they will be answered by Danilo.

**Mr. Oliveira:** Perfect. Good morning Gattass. Answering your question about compression, we imagined in the original schedule that by now we would have the process already fully concluded and that the operator would be in the internal process of approval with the board to start construction in early 2014.

But because the process is taking longer due to technical discussions, regarding more specifically machinery, costs and other items, obviously it is no longer possible to start construction in January 2014.

We don't have an accurate date because that will exclusively depend on the completion of the decision of the bidding process. As soon as we have the process concluded we'll have an idea of when we will start construction works, and for the moment we imagine that there will be a 20-month time frame. So we expect to give you some dates soon.

As to Atlanta, we stick to the same project: we will drill the wells and test them.

Now, your question about not having anything conclusive, this is our purpose to tell you the truth. If we don't have something conclusive that allows us to come to a Definitive System, this is why we have the Early Production System.

If the test is not conclusive enough for us to come to a final decision, then we will keep on with the original project; we will be contracting an FPSO for 25,000 to 30,000 barrels for a three-year-production before we come to any conclusions, ok?

**Mr. Gattass:** Ok, thank you Danilo.

**Operator:** Our next question comes from Ms. Paula Kovarsky, from Itaú BBA.

**Ms. Kovarsky:** Good afternoon everyone. I know that our questions may sound repetitive, but it's a topic that is concerning everyone.

First, during the call, Paula mentioned that there is a procedure that, in a situation of OGX not paying one of the open cash calls, or if there were a carry in a *pro rata* basis, involving all the Consortium partners; Lincoln, you also mentioned that in a scenario in which ANP seems adequate the return of the concession, there are clear rules in the contracts for the procedures, like if there is right of first refusal or something of that nature for the Consortium members. I wonder if you could elaborate the process to us. What takes a default on a specific cash call to a return of a concession? What are the steps involved? How is the process? Maybe we can have a better idea of what might happen in the future.

And the second question has to do with Carcará again. Lincoln mentioned something about competition with other projects. Obviously, that's a concern we all have because Petrobras has Libra to develop now. Actually, I'd like to understand if, in your view, this delay in Carcará is only a technical issue involving equipment, or if it might also represent any kind of change in strategy or priorities in the wells?

And still with regards to Carcará, you mentioned the challenges and the need for two rigs in order to drill and also the use of equipment to monitor pressure. So, would it be reasonable to assume that Carcará's appraisal well will cost something similar to the first one? What about the test; how much could the test add to the numbers? It's just so we could have an idea of costs, if possible.

**Mr. Guardado:** Paula, let us start with Carcará, as this is more in the pipeline of previews questions and discussions. Maybe it would be better to all of you who are listening.

This delay, well, it could be more of a technical need, it is not due to competition. Obviously Petrobras has a series of things to do, there is a selection process and an integrated management. That's what Petrobras does and we don't know everything they do, but we ask questions and they give us answers and apparently the delay was not driven, for instance, by a need for rigs or financial difficulties.

So the real driver behind this delay in the start is the need for the MPD and gains will be seen over drilling. That's the purpose of the two rigs; one starts drilling without MPD, as it is not necessary, and the next one will conclude the process and will move forward.

I'm not excluding the fact that the process may be fast and that they might install an MPD on a rig to do it all at once. But we don't want to delay the beginning of the wells, because when we have the return at least we have half a well drilled. So this

delay is exactly due to the installation. So we imagine and we are also confident that this slight delay that is happening in the drilling of the well will be compensated with gains in the future.

And that will have an impact in your third point; if the cost will change. We don't expect the drilling costs to be the same that happened in Carcará. Carcará took us a year. We had to fight against loss due to reservoir quality by increasing mud weight to better control the weight. It was a sequence: loss, injection, return, drill slowly; that's why Petrobras started to use MPD.

So we are really betting that the cost will be U\$250 million in the well, and please remember it will be tested. So here we are just speaking of drilling costs specifically, okay?

**Ms. Kovarsky:** Okay.

**Mr. Guardado:** And Carcará was very expensive; it was US\$320 million. We believe this one will be lower and that a shorter time will be required for the conclusion of drilling. In our opinion and as far as we know, there aren't any changes in Petrobras' strategies when it comes to this asset ok? So it's just the inclusion of a technology that we see gains in the mid to long-term basis when it comes to operating costs and efficiency.

**Ms. Kovarsky:** Before moving to BS-4, Lincoln, you said that you hadn't found the oil-water contact and it might mean that there is a significant part of the reservoir outside the block. What about the perception of how relevant this part could be? Is it increasing or is just our impression?

**Mr. Guardado:** Considering all the difficulties that we faced in the end of the Carcará well, using a high mud weight, etc., we didn't have the characterization of water presence, that's what happened. We cannot say there was no contact, but so far we could not touch our fingers on it and say exactly where it is. So, the drilling of the extension well will try to solve this problem and, depending on what happens, you know that with the contact, you all know this well, that it is based on the contact that we will see the size of the structure.

And it's important to know how much is out, if it is out, and the geometry of the structure. So there is also a strategic character behind drilling this well, depending on the results we will have to measure it, particularly when it comes to the Consortium. So that's the fact. And Paula will answer you on BS-4, Paula.

**Ms. Costa:** Paula, in fact the solidarity concept of Consortium partners is something that is stated in the concession contract. Having said that, there are some measures that apply in Consortium contracts, concessions and even in the applicable law that might even lead to losses of assets.

Well, it is too early to say anything about the potential scenarios for some reasons. First of all, the filing for the bankruptcy protection has not even been approved by the Judiciary yet. It's also something unprecedented in Brazil.

So what we have seen up there and also the media has brought some news and reports designing some possible scenarios. By the way, yesterday we received a letter from CVM about an article published in *Valor* (newspaper) and a couple of minutes before the call we filed a notice related to the article published yesterday by *Valor*, and we clarified how we expect to see this process in the future.

It is important to say that our statements up to now are only assumptions. And if you want to take a look at this announcement we made, it shares a bit of our vision on the process, but it's too early to talk about any scenarios because that's an unprecedented event in Brazil.

**Ms. Kovarsky:** Can't you even share with us, for instance, the level of delinquency that might lead to more serious circumstances?

**Ms. Costa:** Today there is no delinquency. No default.

**Ms. Kovarsky:** Okay, but if they happen?

**Ms. Costa:** Then there are some measures based on the contracts, some of them even have confidentiality clauses, particularly those related to joint operating agreements, but we believe this will be protecting us should this scenario ever happen.

**Ms. Kovarsky:** Okay, thank you.

**Operator:** Our next question comes from Mr. Pedro Medeiros, Citigroup.

**Mr. Medeiros:** Good afternoon to all. Most of my questions have already been answered so I would like to know about the development and exploration plan approved by the ANP for the Oliva Field where you mentioned you would drill a well for data acquisition in 2016.

From the qualitative standpoint, what is the strategy for this well; is it contingent to the results of Atlanta and Piapara? If the well succeeds, will it encourage the drilling of other exploration wells? How should we think about this well?

My second question is more of a clarification. In this quarter you reviewed your provision for abandonment of wells. Any reason for that? Is there going to be cash for well abandonment until 2016?

**Mr. Oliveira:** Pedro, hello. Let us start with Oliva. The Oliva Plan is unchanged. Our discussion with ANP was that ANP asked for anticipation from 2021 to 2018. We were able to show that that would not be possible because Oliva is totally dependent on Atlanta. In the original plan we had offered a well, the one for 2016, and the only difference is that we offered the well now in 2018 to better reference the development project because Oliva was discovered and drilled in 1993, and since then there were no additional wells drilled in the area to acquire more data.

So we had signaled a need to have a well drilled before the fine-tuning process, and we will have to drill it earlier due to the request made by the agency. So this well is just to acquire more data to finalize the project.

**Mr. Medeiros:** And a follow-up question, Danilo, please. I don't know, you were going to talk about something. I'm sorry, I interrupted.

**Mr. Oliveira:** No, go ahead and ask the question.

**Mr. Medeiros:** I just want to understand its flexibility in terms of the commitment. For example, depending on the results that you have in Atlanta and Piapara, you

might be able to change the date of this well, is that it? Or does it have to happen until 2016?

**Mr. Oliveira:** In principle, no. It is a commitment that we took on with ANP, unless we run into something new that would lead us to renegotiate with ANP. Well, that can happen, but in principle it is a commitment that we took on with ANP to drill it by 2016.

As to the provision for abandonment that was increased for Manati. We had a forecast based on costs of services and that was done in 2009 and the Consortium always reviews its assumptions annually. We did not have any data that would lead us to revisit the cost of abandonment until this year, when we had the abandonment of the discovery well of Manati, the BAS-128.

So, with this real cost of abandonment of the BAS-128, we revisited and updated the costs for abandonment and now the Consortium will adopt the cost for abandonment for the Manati wells presented in our provision, okay?

**Mr. Medeiros:** Yes, okay, thank you. I just want to understand the dynamics of the process in your planning. Are you considering any other provision of abandonment until 2016?

**Mr. Oliveira:** No. Until 2016 we are not considering any other abandonment.

**Mr. Medeiros:** Thank you very much.

**Operator:** We are closing the question-and-answer session. I would like to invite Mr. Lincoln Guardado to proceed with his closing statements. Please go ahead Sir.

**Mr. Guardado:** Once again I would like to thank all of you for joining us, for participating in this conference call. Before closing, I would like to say that our Investor Relations Department will always be available if you need any further clarification, if you need any more details about this conference call.

And I want to reaffirm once again, in light of everything that is happening, that QGEP continues to work diligently to continue with the BS-4 project.

Undoubtedly, we expect this story to have a happy ending, but from what you could see the Company will take all applicable legal measures, will adopt all applicable legal measures so that if OGX cannot find the best way out, we will be prepared to mitigate any and all risks that might impact the Company.

These measures that could eventually be needed regarding OGX not performing their part in the concession agreement or Consortium agreement, well, we are taking care that all measures will be taken, always following ANP guidance; they are the regulators through the Consortium agreement and we will abide by the law and the applicable agreements and contracts.

This is what we can say at this point. We want to give you some peace of mind, to know that we are diligent and we are taking all precautions, at the same time hoping that the whole process will unfold in a way that will be for everyone's good.

I once again would like to thank all of you for participating in this conference call with us and we remain available through our Investor Relations Department if you need any further clarification. I hope that you all have a great day.

**Operator:** That does conclude QGEP's audio conference for today. Thank you very much for your participation and have a good day.

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