



Operator: Good morning ladies and gentlemen. At this time we would like to welcome everyone to the QGEP's 1Q12 earnings conference call. Today with us, we have Mr. José Augusto Fernandes Filho, CEO of the Company, Mrs. Paula Costa, CFO and IRO, Mr. Lincoln Rumenos Guardado, Exploration Officer and Mr. Danilo Oliveira, Production Officer.

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. José Augusto Fernandes, QGEP's CEO, who will start the presentation. Mr. José Augusto, you may begin the conference.

Mr. José Augusto Fernandes: Thank you very much. Good morning everyone and thank you for participating in this conference call. Joining me today to review 1Q12 financial and operating performances are Paula Costa, our CFO; Lincoln Guardado, our Exploration Officer and Danilo Oliveira, our Production Officer.

We will provide an overview of our results and then open the call for questions.

Here, on slide 3 are the overall highlights of this year's 1Q performance which have started this stage for a much improved 2012. First, we produced from all six of our Manati Field wells, which is important progress from last year, when some of these wells were undergoing maintenance work. This enabled us to report significant increase in revenues and profitability with our EBITDAX



margin recovering from those 67% from 39% last year, and the cash flow from the operation of R\$ 56 million for the quarter.

During the quarter we announced the initial results of our Carcará oil discovery in block BM-S-8, and we continued drilling activities at other important prospects. As you know, we have significantly diversified our asset portfolio over the past years and Lincoln will present an update on our key blocks in just a moment.

After making full payment for the two farm-ins we completed last year, our net cash position at the end of 1Q was R\$ 892 million, which provides QGEP with the resource to continue to execute on our strategic plan to build, diversify and develop our asset portfolio.

On slide 4 you can see updated data on the Manati Field, where we have a 45% ownership position. Daily production capacity for the 1Q12 reached 5.2 MMm³ per day, significantly ahead of the 4.1 MMm³ per day we produced last year's 1Q and for full year 2011. Production increased in April reaching an average of 6.4 MMm³ per day. For 2012 we expect average production capacity to move up to 6MMm³ of natural gas per day, which would bring us back to the 2010 level. While there will be some minor maintenance performed in the fields this year it is not expected to be material. As you know, we have a take-or-pay contract here with Petrobrás for the total reserve of the field.

Now I would like to turn the call over to Lincoln Guardado, our Exploration Officer, to go over our exploratory activities. Lincoln, please.

Mr. Guardado: Thank you, José Augusto, good morning for all. Continuing, on slide 5 is a drilling update on Block BM-S-12, located in Santos Basin. Operational activities are proceeding as expected and we expect to reach the Santos 4 prospect at a total depth of approximately 6,400 meters by the end of 2Q12.

Although preliminary results released up to now did not come in as expected, you should keep in mind that each prospect is independent of one another and the data compiled to the date does not affect our expectation for Santos 4 pre-salt targets. Results from this prospect will be released to the market once final evaluation has been conclusive. We expect final log-in to take about three to four weeks and after analyzing the data, we will be prepared to release the results to the market sometime in 3Q.



In 2012 the total capital expenditures at Block BM-S-12 are estimated to be approximately US\$ 40 million.

On slide 6 is our first farm-in Block, BM-S-8, in which we have a 10% stake and is located inside a hot spot area of the pre-salt in Santos Basin. Three discoveries, Bem-te-vi, Biguá e Carcará have already been made and other promising independent prospects have been identified with a potential extension of a fourth discovery, Abaré West in the adjacent Block, BM-S-9.

Drilling activities are underway at Carcará prospect with the Sevan Driller rig and in the 1Q12 we discovered a high-quality oil of 31° API. We expect a final depth of 6,900 meters to be reached in the 2Q12. As usual final log-in here is expected to take three to four weeks as it is a deeper well with oil bearing zones and there will be a lot of sampling to be done. Therefore we expect to release the final results by the end of 3Q.

Once we have the final results on Carcará we will decide on the strategy for drilling additional wells in this Block. As previously announced total capital expenditures at Block BM-S-8 for 2012 are estimated to be approximately US\$ 20 million for QGEP.

Continuing, on slide 7 we provide a look on Block BM-J-2. This Block is located in Jequitinhonha Basin and QGEP owns 100% interest in it, and is the operator. In 3Q of last year we stopped the drilling at the JEQ-1 pre-salt prospect at a depth of 2,500 meters due to regulatory restrictions that prohibited drilling for a period following October 1st due to wildlife considerations. By now we are negotiating for another rig to complete the drilling in 2Q13 and we are also working with IBAMA to clarify next year's allotted time frame for drilling.

Once drilling restarts, we should be able to reach a total depth of 4,700 meters within a relatively short period of two to three months. This basin is an emerging basin where we are drilling a thick pre-salt section. It is in shallow waters, close to the market and we continue to be optimistic about the potential. We are also encouraged that Petrobrás is preparing for drilling in the same region.

Total costs associated with the drilling at the JEQ-1 prospect are projected to be US\$ 70 million for 2013.

In slide 8 we provide again a look at Block BM-S-4. This Block was our second farm-in and is located within the Blue Picanha, a region with high potential for pre-salt targets as demonstrated by the nearby discovery of

Libra, Franco and Pão de Açúcar. Petrobrás most recently announced their Dolomita Sul discovery, on the western side of the Block. BM-S-4 is in an area that encompasses the post-salt oil fields Atlanta and Oliva, and has volumes of oil in place estimated at 2 billion barrels of oil.

In February 2012 we were approved by the ANP to be the operator of this Block. QGEP, along with the blocks consortium of Petrobrás and Barra Energy revised the development plans to the Atlanta and Oliva Fields and we expect to receive ANP's approval within the next few months.

We are in the process of acquiring new seismic data which will provide an enhanced image of the area's post-salt and pre-salt reservoirs. The new seismic data may help us identify new potential prospects in the Block.

The first phase of the revised development plan of the Atlanta Field involves the drilling of one horizontal well in 2013 followed by an extended well test with the first-oil project for 2014. We have targeted one pre-salt prospect in the Block, Piapara, which is expected to be drilled in 2014.

We remain very enthusiastic about BM-S-4 and it is expected to be a positive contributor to QGEP's financial results diversifying our revenue sources over the medium term and providing free cash flow to fund capital expenditures.

Now I will turn the call to our CFO, Paula Costa.

Mrs. Paula Costa: Thank you Lincoln. I will now review the major financial highlights for 1Q12. Manati Field accounts for 100% of our revenue and as you can see on slide 10 our revenue performance for the 1Q12 was positively impacted by the return to full capacity of the Manati Field. Total gas average production for the quarter was 5.2 MMm³ per day, an increase of 28% when compared to 1Q11. This increase in production is reflected in our net revenue that reached R\$ 96 million in the period, a 35% increase over 1Q11. In addition, net revenues increase also reflected the annual price adjustment which occurs every January.

Moving to slide 11 and, as José Augusto mentioned, the Company's EBITDAX reached R\$ 64 million for the 1Q12 and our EBITDAX margin was 67%, up from 39% in last year's 1Q.

For 1Q12 net income was R\$ 69 million, a 5 times increase over the R\$ 13 million earned in 1Q11. The year-over-year EBITDAX and net income increases reflected improved production volumes from the Manati Field, lower exploration costs, and higher financial income considering recurrent levels.



Here on slide 12 is the comparison of 1Q12 and 2011 operating expenses. Higher production at Manati Field contributed to a 42% year-over-year increase in the operating costs to R\$ 38 million compared to R\$ 27 million in the last year's 1Q. G&A expenses were approximately R\$ 11 million for 1Q12, R\$ 19 million lower than reported in 1Q11, which included R\$ 23 million in incentives compensation linked to the successful completion of our IPO. Excluding these non-recurring expenses, G&A expenses increased R\$ 4.3 million year-over-year.

Total exploration costs in 1Q12 were R\$ 3 million, a decline of R\$ 12 million compared to the same period last year. These costs pertain to the acquisition, processing and analysis of seismic data, drilling plants, license and environmental studies and write-offs of costs associated with non-commercial wells and non-operating reserves.

Moving to slide 13, you will see that our net cash position at the end of 1Q was R\$ 892 million after all payments were made relating to the farm-in agreement we completed in 2011.

Now I would like to turn the call back to José Augusto for closing comments.

Mr. Fernandes: Thank you, Paula. As many of you know this will be my last call as QGEP Chief Executive Officer. Beginning June 1st Lincoln Guardado, our Director Officer, will assume the role of CEO. It has been my honor and privilege to have directed exploration and production activities at QGEP for the last 16 years, through our first year as a public company. I will still continue to participate as a member of the Board of Directors. I am pleased to leave the CEO position with everything in place for 2012 to be a year of significant progress for QGEP.

We are back to full capacity at Manati Field and we now have significant visibility, along with solid cash flow as the field's largest owner. Our asset portfolio is broader and more diversified than it was one year ago and we have two active exploratory wells underway with results expected to be announced in the near term.

In Block BM-S-4, where we are the operator, we have worked to secure a high-qualified technical team and we look forward to taking full advantage of the opportunity the Atlanta and Oliva Fields offer to be at our great production and reserves.



And our strong cash position of R\$ 979 million at the quarter end give us the resources to take advantage of the attractive opportunities available in the market, including the next ANP bidding rounds.

We remain confident that 2012 will be a promising year for QGEP and we look forward to keeping you updated on all important developments.

Before closing I want to express my appreciation to the analysts and investors who follow the Company. Thank you for your interest and support of QGEP during my tenure as CEO. Thank you very, very much. Operator, please.

Q & A Session

Operator: Ladies and gentlemen, we will now begin the Questions and Answers session. If you have a question please press the star key followed by the one key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue please press star two.

Our first question comes from Mr. Frank McGann with Bank of America Merrill Lynch.

Mr. McGann: Hello, good afternoon. Just two questions if I might. One is just in terms of expected gas production in 2Q as we look at the rest of the year. You have capacity for 6 MMm³ per day on average, I understand, for the rest of the year. Do you believe that your sales will probably be in that range? Is there potential for higher sales based on hidroconditions or whatever other demand factors that you see in the market?

And then, secondly, in terms of exploration expenses they were quite low at this quarter, obviously with the other wells you are drilling there is the potential for higher expenses later in the year. Any thoughts as to what the exploration expenses might look like for the full year?

Mr. Fernandes: Hello Frank, it is a pleasure to talk to you, as usual. The expected production for 2Q of the year is quite well. In fact, as I told during April, we will have 6.4 in a daily average, and in May we are over 6.3 approximately. So we believe that we are going in this way. Of course everything depends on the demands of the market; but the expectations that we have are very good for maintaining this average over 6 million at least during 2Q.

Now I will pass to Lincoln. Ok, Lincoln, please.

Mr. Guardado: Good morning Frank, how are you? Ok, Frank. What happens is we had this decrease in the exploration Capex due to the postponement of the JEQ-1 prospect to 2013. We are working hard to find a rig that fulfills these commitments in time that we have; but unfortunately all the availability is not that good to fulfill what we planned. It means that we have to postpone it to 2013.

And depending on what happens and the results of Carcará, for instance, maybe we could, I can say, start a new well in BM-S-8 and I cannot say that we are prepared for that because we are waiting for Carcará to see what is going on there and, depending on the results we will have, I can say, some space to probably to initiate another well. That said, for that we have to wait for final Carcará results in the beginning of 3Q12.

Mr. McGann: Ok. Just a follow up on that: in Carcará or BM-S-8 you have indicated potential for additional wells, the one you just mentioned. Would that be near the Carcará well or that is in some of the other prospects that appeared to be highlighted in the map that have not been drilled yet?

Mr. Guardado: Both of these ideas are inside our radar. It could be an extension, it could be another prospect. For sure we would like to have another prospect to be tested yet. This is possible; depends on the results. These two possibilities are very, I can say, all right for us and to take that we are just waiting for Carcará's results to decide what we have to do - with Petrobrás for sure - because probably we will have more four, five months to complete our PAG and depending on the results maybe we will need a little bit of time.

We are prepared to ask for more time to complete the evaluation in BM-S-8 and, as we disclosed before, we have, at least one more prospect to be drilled there and probably just to, I can say, make a final tuning regarding the timetable for that. It is a delineation well or a wildcat well. Carcará will be the judge for that, ok?

Mr. McGann: Ok, great. Thanks.

Operator: Our next question comes from Mr. Anish Kapadia with TPH.

Mr. AnishKapapia: Good afternoon. It is Anish Kapadia here from Tudor Pickering Holt. I would want to dig into the Carcará well in a bit more detail. Could you explain what reservoir you have found oil at so far in Carcará? What target depth you are at the moment in the well, and whether you have

seen any further oil shows as you have been drilling further down through the well in Carcará?

Mr. Guardado: Just that, Anish?

Mr. Kapadia: Yes, that is my first question.

Mr. Guardado: Regarding Carcará, yes, we disclosed a discovery three weeks ago and yesterday Petrobrás disclosed an announcement, informed another oil show in the well - but I have to highlight to you that we are drilling the same reservoir. We already entered, we already drilled the pre-salt prospect. We are inside the main reservoir there and both communications given by Petrobrás to the Agency are referring to the pre-salt reservoirs. That is it. This is the main target that we have and, for sure, we are expecting to continue having this kind of good news in the Carcará well.

Mr. Kapadia: So just to understand: so the initial discovery that you made was pre-salt in the target reservoir and you are continuing through the same target reservoir and you have continued to see oil shows. Is that a way to think about it?

Mr. Guardado: Yes, that is it. It is continuing but there is some regulation, because they stopped the drill; normal operation, normal procedures for the drilling and when they restart again they continue to identify oil shows with the LWD, and they had to communicate to ANP. We are inside the same reservoir so far.

Mr. Kapadia: And can you just say what depth you are at at the moment and what was the target there?

Mr. Guardado: Well, we are below the salt. I do not have the depth right now, but we are inside the pre-salt. The depth is not that important. We do not have the last communication from the rig, that takes time. Normally we have this just in the afternoon, communicated by the operator. But we already drilled some meters all right. That is what we have so far, Anish.

Mr. Kapadia: Just into this a bit more clarity: how many weeks do you think it is going to be until you get to the target depth?

Mr. Guardado: Well, we are drilling a very deep well, Anish. We plan to reach close to 7,000. We plan to do that and to reach that depth we will need at least more two months. We expect to have by the end of this quarter reached the total depth and to initiate the log-in for the well. That lasts more three to

four weeks, to complete the log-in, and we hope to release some results in 3Q, by the end of 3Q12.

Mr. Kapadia: Just one last question on BM-S-8: have you got any indication of the reservoir quality for the oil that you have encountered in terms of the prospect permeability, in terms of the reservoir you have encountered so far?

Mr. Guardado: Well, Anish. The data that we have, you know, is the indirect data so far. LWD is a good, a powerful tool for us; but considering the quality of the shows that we found so far we are very optimistic about the reservoir quality and compared with what we saw before in other wells. We are very optimistic, yes. That is our thought for now.

Mr. Kapadia: Ok, thank you and then the other question is just on the BM-CAL-5 Block, if you can just give an update on where you are in terms of that Block.

Mr. Guardado: Well, in CAL-5 we have two discoveries, you know: Jequitibá is one of them, Copaíba is the other. For Copaíba we already have a drilling scheduled. It was scheduled to start at the end of this year but Petrobrás moved it to the beginning of 2012, just an operational issue for that. It is an appraisal well and we plan to drill beginning next year, Copaíba. It is an oil discovery.

For Jequitibá we reprocessed, as well as for Copaíba, we reprocessed the seismic trying to identify another opportunity in that area that could enhance our economic view about the discovery and we did not identify something that could have value to complete or to fulfill our commitment with the Agency and this commitment is to drill another well.

It means that we are not seeing any potential prospect, any potential increase in the volume that justifies another well. We are asking ANP to keep the area waiting for other activity that is underway in the area, including Copaíba and including our J-2 well that is drilling next year. We are trying, with this initiative, we are trying to wait for a potential discovery in the area, either by us or by other operators that could be there.

In 2013's second semester we plan to drill a deep-water well in that area in the Block BM-CAL-12. It is very close, in the neighborhood of BM-CAL-5. It means we have some activities to be completed, to be done in 2013 that could have value, if we have a big discovery there we could tie back the potential gas discovery in Jequitibá. That is the question that we presented to

the ANP and we are waiting for their answer regarding to keep the area a little bit longer than we expected before.

Mr. Kapadia: And just a final thing. Just on Copaíba, is there any change there in terms of your view on the seismic of Copaíba, following the seismic reprocessing?

Mr. Guardado: Yes, the reprocess give us an idea about what we could do. Copaíba is an area that the image is not that good, it is normal that we make this extra effort to enhance the image of the reservoir and we chose a prospect there trying to enhance the volumes in that area. That is the case that we plan to do: to not drill a well very close to the discovery because it did not solve the problem regarding economics. And we chose a well to drill trying to incorporate more volume to that discovery and this should be done, to start the well, at 1Q13.

Mr. Kapadia: Ok. Thank you very much.

Mr. Guardado: Our pleasure.

Operator: And our next question comes from Mr. Pedro Medeiros with Citigroup.

Mr. Medeiros: Hi guys, hi Lincoln, good morning. I actually have two questions, they are fairly quick. The first one is still related to the BM-S-8 announcement yesterday or the filing done by Petrobrás. In your comment, if this second head was affected while hitting a coquina structure? And on the BM-S-8 structure, since you still have two months to go and you already have some data for oil shows, are you already lining up or planning a formation task on this prospect?

My second question is - and I apologize if you have already discussed this, but I was not in the call - can you comment on the status for the Santos 4 well or what exact depth are you and what is the new target depth or the target depth plan today?

And lastly, in the past you had mentioned to be analyzing a number of new acquisitions potentially. Can you mention a little bit on the status of it and if the approval of your buyback program changes any plans on that site?

Mr. Guardado: Regarding the BM-S-8 announcement from Petrobrás what I could tell you is that it is not the coquina so far. We are inside the normal, regular pre-salt reservoir there and in a continuous phase. We are still there

and I hope that we could find oil from this pre-salt reservoir to the coquina. We are hoping that too, but there we are not in the coquina. This is the regular pre-salt reservoir because we are very close to the other announcements.

Regarding Santos-4, yes, we are drilling, we are normally drilling. Now we are continuing drilling in that area and unfortunately we do not have the LWD working in this area because of the high temperatures that we found in the pre-salt. Normally we are expecting that, and that means the following that we are doing, it is a little bit not that rich. We are just making a kind of evaluation in the cuts and just that, because we do not have the LWD.

We continue with our expectations about Santos-4. We hope that we finish and reach the total depth 6,400 meters, about that, by June, end of this quarter, and start the log-in in this well.

So far we just had that: due to the high temperatures the LWD is not working, ok?

Mr. Medeiros: And what exactly is the depth that you are drilling right now?

Mr. Guardado: Well, I do not have the exact depth that we are in because we receive that information during the afternoon but we are 6,000 plus something.

Mr. Medeiros: Ok.

Mrs. Costa: Could you please repeat your last question regarding the share buyback? Pedro?

Operator: Excuse, me. Pedro, you may dial star one.

Mr. Medeiros: I am sorry, guys. I hope you can hear me well now.

Mrs. Costa: Please, repeat your last question regarding the share buyback.

Mr. Medeiros: Sure. My last question was, actually, if you guys can comment on in the past you said that you were analyzing a number of new acquisitions. I just wanted any comments on the status of it, if we can expect any new acquisitions throughout this year or if the approval of your buyback program changes any plans on the acquisitions side.

And lastly, Lincoln, I am sorry but I could not hear you. Are you already planning a formation task at this point in BM-S-8?

Mr. Guardado: This is possible. Yes, this is possible. As you know depending on the status of the well, the condition of the well, regarding all the security and so on. This is always possible, but it depends on the results. So far it is very, I can say, premature to say that we plan to run that, but it is possible yes, to run something in BM-S-8 if the well permits that, ok?

Regarding the acquisitions, Pedro, we continue analyzing. We have different colors on that, the progress in that. We hope that we can finalize something during this year.

And the buyback action that we plan to do, it does not change anything regarding our strategy to enhance our portfolio and to be a little bit more robust in our activities here. This does not change anything so far, ok?

Mr. Medeiros: Ok, guys. Thank you very much and I apologize for the problems on the connection here.

Mr. Guardado: Not for that, Pedro.

Operator: And our next question comes from Mr. Frank McGann with Bank of America Merrill Lynch.

Mr. McGann: Just one follow up on BM-J-2. You mentioned you are going to drill now in the 2Q next year and I understand it is just an issue of getting the rig in an acceptable time.

But in terms of environmental issues I was just wondering if maybe you could just talk about what you are hearing from the regulator, what the issues are there with the environmental agency. Is that a stumbling at the Block at this point or a potential issue, or are you not seeing that as an ongoing issue as long as you are within the timeframe that has been identified in the past?

Mr. Guardado: Well, Frank, as we postponed the drilling, you have to return to the guys there and inform that. We have a license in place to drill till June 2013 and just to be in the safe side we plan to have an extension of this license to drill in IBAMA if we decide to do something else. That is what we plan to do during this timeframe where we are looking for the rig: we plan to approach again IBAMA and get an extension.

This is just, in our opinion, an administrative action that we have to do. We have all the regulations and all the necessities that IBAMA asked for us there, and we just asked them to have an extension, just to complete the drilling in 2013. It is for a few months, few months extension in that license.

Mr. McGann: Ok, great. Thank you.

Operator: Our next question comes from Mr. Luis Pinho with UBS.

Mr. Pinho: Hi, good morning. Good afternoon, actually. Two questions: the first one, I got a problem with my connection, could you please repeat what is the expectation in terms of volumes for Manati in 2Q? And also, back to BM-J-2, I got part of the previous answer, explanation. It is my understanding that probably the environmental license extension is not an issue and so I just wanted to understand what are the potential risks for further delays as the drilling depends on securing a rig. So, in other words, what exactly are the risks of not finding a rig? Is it the cost? Is it lack of availability? It would be nice to hear more on that. Thank you.

Mr. Fernandes: Ok, Luis. In what concerns the production in Manati, as I told in April we had a 6.4 MM m³ and in May, up to now, we are over 6 to 6.3 or something else and what we expect for the 2Q is to have the average production around 6 MMm³ per day, ok? But, of course, it all depends on the demands of the market.

On what concerns the license in BM-J-2 I am quite sure that we will have no problem for extending this because it is normal just to ask this in advance. It is almost, let me say, a normal procedure that we had to fulfill and, normally, also, the extension is given by IBAMA. Ok?

About the rig, we have been looking for this rig and we believe that we have a very good chance to have this rig here next year. Ok?

Mr. Pinho: Ok. So you are pretty confident in getting this rig. Just a follow up in the first question: probably, due to the numbers that you provided I would say that you are going to perform any sort of maintenance in June or not necessarily?

Mr. Fernandes: The maintenance is predicted to be in the end of 3Q.

Mr. Pinho: Yes, but you are producing, until May 6,3... 6,4?

Mr. Fernandes: Yes. This is something that we are able to do. We cannot, of course, guarantee it because it depends on the demands of the market; but as the market seems very, let me say, very hard, because you have a low level of the water in the northeast and so we believe that we can continue with the same level that we have presently. Ok?

Mr. Pinho: Ok.



Mrs. Costa: Just to complete what José Augusto said, for the year we expect an average of 6 MMm³ daily. That is the average that we expect for the year.

Operator: Ladies and gentlemen as a reminder, if you would like to pose a question, please press the star key followed by the one key on your touch-tone phone.

This concludes today's questions and answers session. I would like to invite Mr. José Augusto Fernandes to proceed with his closing statements. Please go ahead, Sir.

Mr. Fernandes: Ok my friends, thank you very much for your support you gave us, especially for me during this year, a little bit more than one year that the Company opened to the market and I can be sure that this Company will be continuously moving up in the next years.

Thank you very, very much for your support, comprehension and consideration. Thank you.

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