

**Operator:**

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

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

**José Augusto Fernandes Filho:**

Thank you. Good afternoon, everybody. Thank you for joining us for this conference call on such short notice. We scheduled the call to clarify the two notices that we filed with the Bovespa this morning. As you know we are in our quiet period in advance of the release of our 4Q and full year result, which is scheduled for March 29<sup>th</sup>. So, we are limiting the information we can provide at this time.

However, we want to make sure that the investment community fully understands the context of the two items that we filed today, and we are prepared to provide you with as much detail as possible, given the quiet period restrictions.

With me here today are Mrs. Paula Costa, our CFO, Lincoln Guardado, our Exploration Officer, and Danilo Oliveira, our Production Officer.

First of all, we filed notices indicating that we found no potential productive zones in the Enseada well, in block 76, in the southernmost region of the Santos basin, which we drilled to a depth of 4,405 meters. As a result we have decided to return the adjacent blocks, 75 and 77 to the ANP.

The drivers of this decision were primarily financial reasons than geological, as we believe that we can more effectively deploy our capital expenditures in other prospects where the return will be greater.

Of course this does not at all diminish our enthusiasm of the Santos basin. As you know we have already announced two discovered in block BMS-12, which is located in the south part of the Santos basin, and we are moving ahead with our exploration programs there, with the exploratory well that will be drilled end of April, early May. And this will be an appraisal well for two of these discoveries, and at the same time it will be

an exploratory well to test two new prospects. One of them is very important because it is a pre-salt prospect.

The second notice concerns additional preventive maintenance in the Manati field. We should have closed three additional wells for maintenance. As a result, the field is only produced through one of the existing six wells at this time.

The good news is that two wells in the field are scheduled to come back online within the next seven days. It is important to keep in mind that this is a service maintenance that is being performed on these two wells, and that these wells are strategically important to Petrobras's commitment to delivery gas to the Northeast.

Our portion of the maintenance cost is estimated to be about US\$9 million of the approximately US\$20 million of the total estimated cost.

It is important to notice that neither of these new items are expected to impact full year 2011 prospects in terms of the production estimate for Manati, which remains at the 6 million m<sup>3</sup>/day, being 2.7 million m<sup>3</sup> net to us, nor with respect to our forecasted drilling exploration activity. In fact, we will have significant resource to redeploy those promised prospects now, and we have determined to return blocks 75 and 77.

I would like to emphasize that our exploratory drilling program is maintained as it was predicted. We are going to start the important wells in BMS-12 and also in BMJ-2, as was predicted by the end of April, beginning of May.

Ladies and gentlemen, at this point we would like to open the call to the questions that will be answered for our people that are present here. Thank you for your attention.

**Frank McGann, Bank of America:**

Good afternoon. Just two questions; one just in terms of the drilling program. BMS-12, as you said, should start drilling the end of April, early May; could you provide the timing for BMJ-2, when you expect that to start?

And in terms of the areas that are being turned back, I believe you are keeping some areas. I was just wondering if you could discuss what you saw there that might be interesting, in the BMS-76, I believe.

**José Augusto Fernandes Filho:**

Can you repeat the second question, please, because we understand the first one, where you asked about the drilling program to be... But the second, can you –

**Frank McGann:**

Sure. Just the second one, in terms of the BMS-75, BMS-76, and BMS-77 as you are turning back BMS-75 and BMS-77, BMS-76, what is the status of that?

**Lincoln Guardado:**

All right. All the schedule for the drilling is maintained and we plan to start BMS-12 by April/May, it is already on timing with the rig, and the same for the BMJ-2, which will be by the end of April, May. This is completely 100% scheduled for us.

Regarding the BMS-76, for sure we are just finishing the well and all the activities there. We have to reanalyze what we got from the drilling, and to remap something, but anyway, probably we will have to relinquish this one too. But we will have to keep this after our analysis about the result of the well already drilled.

**Frank McGann:**

OK. So that decision is probably the same as for the others but just not final yet.

**Lincoln Guardado:**

Yes, probably yes. That is not the final but probably yes; it is our feeling so far.

**Frank McGann:**

OK, great. Thank you.

**Paula Kovarsky, Itaú:**

Good afternoon, everyone. I also have two questions; the first one related to the lack of materiality of the discovery of the BMS-76. Does that change any other views around other things that you might be thinking of doing around the area or future investments in the Santos basin? And if so, what happens? And if by any chance does this have anything to do with the BMS-12? That is question number one.

And question number two, regarding the issue in the Manati field, we have been seeing other requests from ANP to increase maintenance in several platforms from Petrobras. So, is this maintenance stoppage a result of any requests from the ANP, or is this more of a natural thing that was somehow scheduled or expected as part of normal operations of the field?

**Lincoln Guardado:**

OK, Paula. I would like to highlight that there is no link with the result with BMS-12. We are planning to drill BMS-12 already two discoveries, and they are of a different prospect than the one that we are drilling in BMS-76, and that is linked just with BMS-77. It means that there is no change there whatever happens with BMS-12.

**Paula Kovarsky:**

But Lincoln, would you say by chance that this is somehow, maybe even thinking beyond Queiroz Galvão, I mean is this a bit of a killer on the shallow water play of Santos? Or is it just specific to that block?

**Lincoln Guardado:**

No, it is specific for this small cluster area that is more focused on the upper Cretaceous. Those interchange so much, these shallow water trends and where we have plenty of discoveries related to upper Cretaceous. This is something that is related with the seal in the area that is one of our biggest challenges there. We know that and because of that we have 18% geological chance of success.

It means it does not change too much for the shallow water, does not change just for this cluster area where we have a potential probable sealing. Just that and no more than that.

**Paula Kovarsky:**

OK.

**Danilo Oliveira:**

OK, Paula. Good afternoon. About the Manati question, the answer is no. There is no request from ANP. By the end of 2010 during the normal campaign of inspection that should be around each four years, subsea inspection with X-ray inspection.

Petrobras noticed that there were two wells with probability of leakage. So, we decided to shut these wells for maintenance. And continuing with the inspection upper in the platform, other three wells were observed that have problems too in the risers, and again for safety and for maintenance we decided to shut these wells.

So, we are now in the campaign for restoring production capacity. The three wells in the upper part of the platform will be quicker than the other ones and the schedule is related in the notes we released, but if we have any details we will be pleased to clarify.

**Paula Kovarsky:**

And in terms of the potential catch up of these volumes, you mentioned that there is no expectation that the 6 million m<sup>3</sup> a day average will be affected. Does that mean you expect the field to be producing more close to 8 million m<sup>3</sup> throughout the rest of the year?

**Danilo Oliveira:**

In fact, the average for the year accordingly to the prediction from Petrobras to restore the production will be 6 million, based on that when we restore the full capacity the field will be able to produce close to 8 million m<sup>3</sup>. Maybe not 8 million m<sup>3</sup> exactly, it will never reach this point, but we expect it to be very close to that, 7.9 million m<sup>3</sup>, very close to 8 million m<sup>3</sup>.

**Paula Kovarsky:**

OK. Thank you very much.

**Vicente, Santander:**

Hi, guys. You made clear to us that the return of these blocks to ANP would not affect your conviction in BMS-12 or other basins. So, just speaking quickly of other basins, do you have prospects on Jequiti 1, Jequiti 2, and Santos 4, which might have oil instead of gas; which of these three do you guys have the most conviction you should find oil instead of gas? Thanks.

**Danilo Oliveira:**

Well, again, Christian, we do not have leakage about the prospect. Santos 4 is a pre-salt prospect; BJ is a pre-salt prospect too. Meaning all the prospects, all the reserves

that we test in this area are post-salt prospects, all of them. All of them are post-salt prospects. We have some gas shows, hydrocarbon shows there, meaning that we have a generation of hydrocarbon in that area and we do not have any leakage. The problem is more related to the structure that we are testing and not related with the potential petroleum system in this area.

BJ is in the Northeast area; there is nothing related with tested right now in BMS-76, meaning they are completely different. We continue very optimistic for sure with the own risk for each one of the prospects, but it did not change any expectation regarding the forthcoming drilling that we planned for this year.

**Vicente:**

OK. Thanks.

**Operator:**

I am showing no further questions at this time. So, I would like to turn the conference back over to QGEP management for any final remarks they may have. Please, go ahead.

**José Augusto Fernandes Filho:**

OK, ladies and gentlemen. Thank you very much for your attention time. And if you have any additional question in the near future, we are at your disposal here to answer any questions that you have. Thank you very much for joining us once more. Thank you.

**Operator:**

Thank you for attending today's presentation. This concludes today's call. You may now disconnect your lines at this time.

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