

Mr. Lincoln Guardado, QGEP's CEO:

Good morning. We will soon start our presentation on Atlanta's Early Production System, but before that I would like to thank you for being here with us either personally or through the web.

It is a great pleasure to be able to speak with you, to present to you and show you the work we have done in this important area for QGEP and our partners.

I would like to say we are about to complete two years from our IPO. It took place in the beginning of February 2011, and at that time it was very clear the intention we had with the IPO, to change our footprint in the Brazilian E&P Industry and to collaborate to recompose our portfolio.

We are very happy with the results we have achieved so far, that includes the acquisition of BM-S-8, where we have drilled two wells with two discoveries, and one of them is a big one, as you know, Carcará. The Block continues to be active and will continue to be so for quite a while, and as will Block BS-4.

We have always tried to be physically present in the media, to hold meetings with all of you. We try to bring you more information.

Block BS-4 has had intense efforts by QGEP and partners during this last year and all the increments we have had were not passed completely to you for one reason: we were awaiting ANP's positioning, the Brazilian Petroleum Agency, regarding the new positioning our partners had for this Block. We were working with a development plan that came from Shell that was modified, simplified and advanced a lot in the past year.

That is why we are holding this meeting today, as we had the approval of this plan by ANP in the end of last year, we would like to share with you this increment and everything we have been able to do.

Are we done? No, we are just in the beginning of a long journey, but it is going to be very satisfactory for all of us in the coming years. It is something quick that is going to diversify QGEP's revenues sources and we would like to share this knowledge with you.

We have the technical team here, we are going to present to you some elements which are fundamental for your analysis regarding CAPEX, and along this journey, now in a more accelerated pace, we plan to give you the information that you deserve and we want to share with you.

So, without further ado, I am going to give the floor to Danilo, who is going to speak with you about our agenda for the next hour or so. Again, thank you very much for joining us today. Danilo.

Mr. Danilo Oliveira, QGEP's Production Director:

Good morning, everyone. We are here to fulfill our promise, as we were questioned incessantly by you about the Atlanta development during last year. We said that as soon as we had the approval of the plan by the ANP we would speak to you to give you the most complete information we have available, so that you could work on your analysis in a more accurate way.

Before we begin, I would like to introduce the key people for this project, our managers, I would like them to stand up. Paulo Rocha is our Reservoir and Flow System Manager, Jacques Salies, our Drilling and Subsea Manager, and Roberto Goulart is our coordinator of the Atlanta Field Project and FPSO of the Company.

Very well, BS-4, Atlanta Field, that is the object of our conversation today. Here on slide 2 is our traditional disclaimer, which you are well aware of. We are going to talk about block BS-4, we are going to give you a complete overview of the Early Production System for the Atlanta Field. We will not talk about the definitives right away, we are just going to mention it, but the focus is the EPS for Atlanta.

We are going to talk about the reservoir and the flow systems, the difficulties and challenges involved, how to overcome the challenges and difficulties; we are going to talk about drilling and completion, we are going to talk about surface facilities. Again, we are going to talk about the idea, the strategy for this facility and then we are going to present to you estimates for the production curve and investments for this Early Production System phase.

Here at slide 4 we can see the consortium of Block BS-4 Atlanta: 30% for QGEP, the operator, 30% for Barra, and OGX, recently acquired from Petrobras, 40% stake. This is still under analysis by ANP for approval, but we believe it will not have any problem as OGX is a traditional operator in the market.

Here at slide 5, let me give you an overview of the Atlanta Field, at Block BS-4. We submitted the Atlanta and Oliva development plan to ANP. Together they have an oil in place volume of 2.1 billion barrels of oil equivalent, water depth of 1.550 meters, which is an ultra-deep water, and yet on this block we have a pre-salt exploratory potential.

I would like to highlight that this slide is the only one you are going to see mentioning Oliva and the pre-salt. Although Oliva's Development Plan was submitted to ANP along with Atlanta's, it has not been approved yet. During our conversations with the agency we were able to know exactly what was not approved about Oliva. The plan was submitted with production estimated for 2021 and most probably ANP is going to ask for us to anticipate production. So, we are waiting for ANP's formal answer to redo the study.

As for the pre-salt exploratory prospects, we have at least one identified, which is Piapara. We intend to drill it just after the Atlanta wells.

Moving to slide 6, let me give you a little bit of history, the major milestones. The Oliva Field was discovered in 1993 at the Santos Basin, at a time when Petrobras was extremely focused on the discovery of the giant fields of the Campos Basin, so it was discovered, reported and abandoned, as it had heavy oil.

For eight years nothing was done. When the monopoly was broken, Petrobras already had the discovery of Oliva, but Petrobras did not have any conditions to explore that field at that time, as they did not have equipment, they were totally focused on the Campos Basin and they searched for strategic partners that could bring equipment and money to continue the exploration, and that is why they partnered with Shell and Chevron, previous operators and Shell continued with the activities.

In 2001, they discovered the Atlanta Field with heavy oil of 14° API, at the time, deep waters again, and Shell drilled another appraisal well to confirm the discovery and it took five years studying this field. In other words, all the exploratory phase studying the Atlanta field, so there was a huge collection of studies and reports produced on Atlanta.

They put together an evaluation plan, drilling three wells in 2006, and with that evaluation plan they submitted to ANP a field development plan. Since 2006 nothing has been done in that Field.

Now, at slide 7 we can see the historical timeline of our participation in the Block. In August 2011 we acquired the 30% ownership as did Barra Energia, and while ANP analyzed the transfer of concession rights to us and to Barra we sat with Petrobras, Chevron and Shell, we put together another Field Development Plan, which was ANP's condition for the extension of the Block and in December 2011 we submitted the new DP to ANP, the revised one, because the original development plan did not include the FPSO as a production unity, it included a TLP.

In February 2012 we had the approval of our acquisition, received ANP's comments on our plan, we resubmitted in August and we had the approval in December by The ANP. All of that happened with a lot of interaction with the ANP, they questioned us, made a lot of additional requests and we responded.

Now, here on slide 8, for the geologists delights, we have a seismic line, we can see East-West in the Atlanta Field, showing clearly these two failures, this low block down here, and this is the Atlanta reservoir.

According to the geologists, this is a seismic line, although this yellow line that shows you the top of the reservoir and these two wells are painted. The seismic line shows clearly the oil water contact, a flat spot. So we see a massive block, in this area two wells were drilled plus the three others by Shell in 2006. It is an homogenous massive, sandstone, very defined, with high porosity and permeability, with good and perfect definition of the oil water contact.

Moving to slide 10, let us talk about the Early Production System. What is an EPS? What is its goal? The Early Production System aims to collect data to allow better design of the final project of production. We do not think that the EPS is a go/no go, it is just a go or a go better. The EPS is indicating that we can make some adjustments to improve production.

What is the EPS all about? We are going to drill one vertical well in the contingent situation, as we are analyzing all the data from the old operator, including the samples, if they meet our requirements. If they do not, we are going to drill a horizontal well to have a complete sampling of the 110 meters' thickness of this reservoir.

After the vertical pilot well, we are going to drill and complete two horizontal wells. We will run a production test with the drilling rig, then we will install a pump so we can perform a production test for an accurate evaluation, because we want to have a correct analysis of what kind of equipment we are going to be using.

When I talk about correct equipment, I mean the size of the pumps that we are going to use. The oil will be produced through flexible lines at the soil and will then go to an FPSO.

On slide 11, we can see the schedule. We will start drilling in the second half of 2013. Drilling, completion of these two wells and the vertical well are estimated to take about nine months. Production is expected to start in the beginning of the second half or along the second half of 2014.

We are estimating this period for the mobilization of the FPSO, when it will arrive, be commissioned, pass all environmental requirements, do the anchoring and interconnects the lines so that we can start production. And the definitive system would be started in the second half of 2017. This is what we submitted in the Field Development Plan to the ANP.

During our studies in 2012, our confidence in the Atlanta has grown a lot. Our partners and us have studied the possibility of changing a little the plan that was submitted to the Agency. How? For the FPSO to come here we should be contracting it now because the period for building and chartering takes 18 months. We realized that there is a very big probability of accelerating production in Atlanta Field. How? If we decide to wait for the results of the first well to be drilled here in the first line, we have the possibility to contract, instead of the FPSO programmed for 25.000 barrels a day, move straight on to an FPSO of 100.000 barrels a day.

So, what was the decision made by the partners? We are not going to contract any FPSO until we have the result for the first horizontal production well in Atlanta. This will probably happen in the last quarter of 2013. Only then we will contract the FPSO. We are monitoring the market. There are FPSOs available, or which contracts will end along 2013, and the adaptation for Atlanta can be done very quickly.

We have put this blue bar here to indicate that this start of production could happen in the end of the first half of 2015 if we take all this time to build or prepare the FPSO, but our market monitoring indicates that we can, that it is possible to maintain first oil for second half of 2014, coming in with the full size FPSO for the definitive system.

What will define that? The result of the first well to be drilled. The partners are optimistic in terms of satisfactory results so that we can contract a big FPSO, which would allow us to bring production forward, because this way we will be able to drill wells in a row, without having to wait for the end of the early production in a period of three years to use another FPSO. We will be able and interconnect along the period of these three years.

Now, let us talk about the reservoir and flow system. How the oil flows in the reservoir and how we are going to have the flow system for this 14° API oil.

Moving to slide 13 we can see the characteristics of the reservoir, with oil density of 14° API and a low GOR, but the reservoir is a sandstone formation with very high porosity, average permeability of 5 Darcys, meaning it is superior to any other good reservoir in the Campos basin in terms of sandstone, better than the existing fields in Brazil and has an ultra-deep water depth. It is also a very thick reservoir with high viscosity.

Again, this is theoretic, the samples of all the wells drilled show this massive area of sandstone full of oil. There is no doubt for the partners of the consortium regarding the expected oil in place volume. The contours are well defined; there is no doubt about this oil in place volume.

A great advantage of our oil is that it is non-paraffinic and non-asphaltenic, which is the terror of subsea production, as it blocks lines. In terms of facilities and production it does not have CO₂ or H₂S. So, these are good advantages of this oil.

I will just make an observation here: reservoir engineers divide this reservoir into five sections (W, C1, C2, E2, E1), and we will be focusing on these three (C2, E2, E1) ..

Here on slide 14 we have another great advantage of the Atlanta Field: we have an aquifer. There is a well-defined oil/water contact as I said in the seismic, and we can see it here in our modeling. This is a huge aquifer acting on the flank of the reservoir, against the failure pushing the oil. It is practically a guarantee that we can maintain pressure. All of the simulations that we have run indicate that this pressure is going to be constant throughout the production period. Will there be water? Yes, but it will maintain the oil volume or the guarantee of a high reservoir pressure.

Here at slide 15, we have the oil volumes for Atlanta and Oliva Fields. We see 1.5 billion barrels for Atlanta, 350 million barrels for Oliva. We are considering a recoverable volume of 260 million barrels in total for the system with a recovery factor of 17%.

I was already asked by Gattass, he was worried about the fact that the ANP determined in their approval that we should resubmit the plan in 2017, but ANP is doing this for two reasons. They believe we were too conservative in our Development Plan, both in terms of the recovery factor and in terms of the well productivity index.

We discussed and came to an agreement that we will maintain this data for a while until we can prove the possibility of a greater recovery factor on the EPS, so that in 2017 we will resubmit the definitive system, considering new productivity volumes and recovery factors.

This volume of 1.5 billion represents only these three compartments here on slide 16, E1, E2 and C2. These other two sections are not object of our Development Plan, at least not the ones submitted to the Agency.

These are less thick sandstones, no wells have been drilled. Although it appears in the seismic, it is less thick, they have no wells there. So, we said we could maintain these two compartments on the ring fence for a later decision, and in case the result of these three blocks are as expected, we will consider it an upside for Atlanta Field. So, we are focusing again only on these three compartments here: E1, E2 and C3, that were already identified.

Here on slide 17, this is our production system, typical with one subsea well, 1,500 meters of water depth, a 650 meters horizontal well, an an open well, producing from a christmas tree through flexible lines connected to the FPSO. The average distance from the well to the FPSO is 4 km, which mitigates the risks of low temperatures and blocking of the lines during the outflow.

Here on slide 18 we show you what would be our Field looking back at 2001, when it was discovered. What did we have in the Campos Basin in 2001? What was the Brazilian experience? Producing wells, naturally, or gas lift. For Atlanta Field, using the best possible productivity indexes -there are others that are higher, but 30 is

considered a very good one -we would produce a maximum of 7,000 barrels a day. Using the gas lift experience, we could reach 11,000 barrels a day.

But in Atlanta we do not have gas. This Atlanta Field was doomed to be forgotten because we did not have the right conditions to produce. However, in the past 11 years new technologies came up for horizontal wells, that gave us an increase in the productivity index, and there was also the arrival of electrical submersible pumps, ESP.

I was at CENPES (Petrobras) and was responsible for a project that used the first ESP in the world, in the year of 1996. It was the first test with an electrical submersible pump in a subsea well.

Since then the ESPs consolidated their developments, the power increased quite a lot and now we are able to place ESPs, electrical submersible pumpson the field, that, depending on the PI, can reach flow rates this high.

What are we using in our projects? We are using this PI of 20, and this performance is perfectly achievable. IP 20 means that a certain well can produce 20 m³ for every differential of 1 kg in the well.

What is this pressure differential we can have in this well? It is like this this water bottle could be considered a well. I could give this water bottle this aperture, that is this glass, so the water can flow, or I can offer this other glass, so it can flow to another well. This is the pressure differential we can offer for the field, and we are going to offer a bigger aperture, which is the pump, ESP, that can deal with 120 kg of pumping heading. We offer the maximum possible, so the field can have an opportunity to outflow this oil.

This is everything that an engineer, or a field developer, dreams about, a field that is able to produce with its own power and energy and the ideal thing would be to put the oil on the refinery. In this case, we cannot, so we send it straight to the FPSO, we have to use a pump. So we are always adding something, and this makes the whole system more expensive, or reduces the project.

Everyone's dream is to have a Manati Field where you drill the well, the oil flows out through the columns, through the lines, goes to the platform, from the platform it goes to the treatment station 125km away and there to a Petrobras station where we sell the gas, then to Bahia Gás and from there to the consumer, with no pumps along the way. That would be the ideal thing, everyone's dream. Unfortunately, it is not possible and we are going to do everything in our power to make this Atlanta Field profitable, very profitable with what we have planned.

Moving to slide 19, we will talk about flow assurance, which is always a worrisome item, but they are issues that are common to any oil field; emulsion, hydrates, naphthenates, incrustation, corrosion, erosion, foam, all of these issues are very common in an oil field. And the mitigation methods are well known and commonly used.

For the electrical submersible pump, we are now using a known operator in Brazil and we are using gas lift as a backup. What does that mean? Although we have a small volume of gas, we would be producing from 12 wells in the definitive system. When an electrical submersible pump is down we have to replace it, during that period the well is not producing. We are a using gas lift as a backup.

So, even if the well pumps breaks down or if there is any problem in the well, the well will continue to produce. We will use the gas produced in all the wells and will do a closed cycle gas lift and will maintain the well in production. It will not be the same level of production like when we are using the pump, but the well not be inactive.

For shutdown of production, which is the great fear, when the oil is stuck in the line, we will have a system that whenever there is a production shutdown, there will be an immediate replacement of the field's production fluid, which is oil, by diesel That eliminates the possibility of lines blocked.

On slide 21 we discuss drilling and completion. We already have the rigs, it is Ocean Star from Diamond. So the rig has already been negotiated, we already have the price for it, we already have the slot guaranteed to us, and it will go from OGX to us. We will have an assignment from OGX's contract and the rig will be available for us in order to drill these three wells in Atlanta. So, it is already drilling with the operator, and then it will be transferred to us. It will not drill Piapara. It can drill Atlanta, but not Piapara.

Now, moving to slide 22, to environmental licensing. The agency approved in February our participation in the block and then we submitted the documentation to the IBAMA, we already received The Reference Term. We are concluding the Drilling Environmental Report because it depended on the rig and as it is nearly contracted, we just need to sign, we are already concluding the Drilling Environmental Report. That way, on February, maximum, we will send it to the ANP and our estimate is to have the drilling license as soon as we are ready to drill, which is what often happens with IBAMA. So, Ibama only releases when the rig is in place already, this is when they give the license.

On slide 23 we can see the pilot well scheme. It is a very simple, shallow well, 900 meters plus the reservoir and the objective is to gather all the data of the reservoir with the continuous coring. This week Paulo Rocha will be going to Houston for an audit of the samples that we have there, the cores, to check if they meet our requirements. Depending on the result we will be able to cancel the drilling of this horizontal well, after the samples are analyzed, it is a well to gather more information.

Moving to slide 24, this is the scheme of well that will produce. It starts to bend just as it leaves the surface shoe here, then you get into the reservoir with 650 meters at open pit. We will not case the well, we will have a sand contention system, the Gravel Pack, as the sand is very friable and it releases itself. If we do not have protection we will have sand coming in and it will cause erosion in the equipment, including the surface equipment.

So, this Gravel Pack is done very commonly by the contracting party, and we are also signing this contract, and Petrobras and other operators have already drilled about 100 wells here in Brazil with this same kind of drilling, horizontal, in friable sandstones and with the Gravel Pack System.

Moving to slide 25, this is the Christmas Tree that we will be using, it is not a common tree, it is not a simple one. Only a few manufactures in the world already had it designed when we consulted with them and one of them was not able to supply to us, so we negotiated directly with the supplier. This is a very strong

equipment, weights almost 70 tons and the rig has to have the right capacity. It has already been acquired and the delivery is scheduled for the second half of 2013.

On slide 26 we can see flexible lines, It is not very common to use rigid lines in Brazil, so the technology was developed for the flexible lines and this is a common item right now.

What is not so common but we do have in the market, many have already been sold, and Petrobras uses it constantly are these 1,500 HP Electro-Hydraulic Umbilicals, through which the electricity comes to reach the pumps, and all the umbilicals for the injection of the anti-corrosive and defoamer and all the products that fight probable problems.

Moving to slide 28, as I said before, we stopped our contract of the FPSO but we continued to carry out all the necessary studies. And what is important in this study? The correct positioning of this unit, so that it can produce both, leave space for the drilling of the other ten and also leaving the necessary space for the drilling of the Piapara exploratory well.

So we already have the position more or less defined and now we must define what kind of anchoring system the FPSO that we will be contracting will have.

On slide 29, we can see that, in principle, the FPSO for the EPS is small, with that three-year contract total capacity of 30.000 barrels per day, 25 of oil and 8 of water. And the anchoring is for Spread Mooring.

And for this specific case, if the ship is small, we will add one additional slot, the third slot, because, in case Piapara is successful, we will be able to incorporate immediately this production to the FPSO, the Atlanta FPSO. In this case we would have to submit this to the Agency, but the slot is already prepared for this FPSO.

Now, on slide 31, we have production and investments. This is what you are most interested in, that is our expected production profile. As I said before when I presented the PI, we are considering a PI of 20, that is, 20 m³ per day for each kilo of pressure differential that we put into the formation.

And why do we believe that 20 is perfectly achievable? We have a test from the previous operator in a 90 meters vertical well. and he was able to get 1,500 barrels per day with a PI of 4. And the well was damaged.

So, if we remove the damage according to an equation that reservoir engineers frequently use when they analyze their tests, this IP would reach 11. So in a 90 meters vertical well, with 1,500 barrels per day, the IP without damage is 11.

So in our and our partners' simulation for a 650 meters well with minimum damage, - because zero damage is ideal and it practically is non-existing, it is a condition that is more an hypothesis than anything else - what we consider commonly is 2/3 of that as being a well with usual damage.

So in our simulation, with the damage of 8, lead us to an IP of 30 to 35. However, we are considering for the EPS the average case, neither 35, nor what was obtained in the vertical well, which is this one.

So, for our EPS, in the worst hypothesis, it will be the same as we had in the test that was carried out by the previous operator, with 12.000 barrels per day of production. For our average case, a production of 12.000 barrels per well bringing the production on the EPS up to 24.000 barrels per day.

And the question that our staff asked is the following: what if the well produces more? Well, no problem, we can conduct this test by decreasing the production of one well and we can get to the maximum production for this other well. That way we can reach the limit of the production of this well. We can protect ourselves and we will be ready for an average production, but we will have the opportunity to test each well in its real and maximum capacity.

And all the studies that we have been carrying out during the year of 2012 led us to choose the 30.000 barrels per day capacity FPSO, with 25.000 barrels per day capacity of oil. We can have something better, we can wait for the first oil in order to have the full development brought forward and with a higher return.

So, this is the expectation that we work with, we are waiting for the result of the test on the first well to define which FPSO will be placed.

I repeat, we will have the opportunity and we are following the market very closely. There are FPSOs available to be placed almost immediately in 2014. Will they need some adaptation? Yes, sometimes the FPSO is adapted for heavy oil but is not prepared for 1.500 anchoring, sometimes it is prepared for 1.500 anchoring, but is not prepared to handle water. So each FPSO has a certain item for adjustment and we believe that from six to eight months after the contract is signed, the adaptation will be ready and these FPSOs will be available with the necessary adaptation for application in our Field.

On slide 32, we can see the CAPEX approved by the partners and estimated by us is US\$420 million, and it is very well settled, especially because everything has already been contracted or is being contracted, all the CAPEX phase has already been defined.

What could vary? This part here, the drilling, for less, because in case we do not have the vertical well for coring, then we would have to remove the necessary days here, or if there is a problem with the drilling of the horizontal well, it could take longer. So, it is only the drilling time that could have some kind of change here or some variation, because everything has been contracted for or is being negotiated, in its final phase. That's what's in our CAPEX.

Moving to slide 33, what kind of challenges do we have for the Atlanta Field? It is the bringing together of many known technologies in, that will be the first ultra-deep water field, with heavy oil, 14°C API, producing in a horizontal well with Gravel Pack, with a high power pump. All these elements separately are very well-known already and very often utilized. What has not been done yet is the bringing together of all these technologies, and we already have the companies and technicians that have the necessary skills to bring this all together.

Our manager Paulo Rocha dealt with heavy oil at Petrobras, our manager Goulart practically coordinated the replicated projects; replicant FPSOs, and our manager Jacques Salies, drilled in ultra-deep waters in the Gulf of Mexico, and was the International Director of Petrobras. So, we have all these people with all these skills in the Company.

Also, the Company that will be drilling, Baker Hughes, is among the three biggest ones in the world, and it has all the necessary technology for horizontal drilling, for Gravel Pack, they have the pumps that are used here in Brazil, especially, they are widely used.

So, we are surrounded by people who have the necessary competences. We think we are competent, we reckon our partners believe we are competent, and they are giving us all the support to develop this field in the manner we are proposing.

Just to conclude, on slide 34 I would like to show you an advertising that we published in an American magazine last year, that translates very well our feeling towards the Atlanta Field: the tougher the challenge, the further we will go. It is a challenge, but we will overcome it, in the best way possible.

Now I would like to open for questions, and I would like to ask you the following: when you ask your question, could you please identify yourself, state your name and the Company you work for.

Gustavo Gattass, BTG Pactual:

Danilo, I have many questions. You have a very good view of the well of the PI of the well. And how certain are you or the level of comfort you have regarding sustainability of production and replacement of the reservoir? Why do you believe you will achieve this level of production?

Danilo Oliveira:

The reservoir simulations show the following: in no reservoir here in Brazil do we have what we have here, that is a field compressed by a huge aquifer, with volumes 20 times superior than the volume in the field, and all the simulations indicate that all the injections are nothing. It has enough strength to maintain the pressure with this aquifer, and all the studies show that, not our studies, but the former operators' studies, and the previous partners' and current partners'.

This aquifer is unique, it has 40 billion barrels of water. In this transition, it does not have what some heavy oil fields have, which is tar, it does not show in the reservoir or in our coring. So, we believe this water flow will be coming and we will have the opportunity to prove this very soon, the volume of production we are estimating is about 10% to 12% of the total reserve. Then we will have a clear idea of that.

Gustavo Gattass, BTG Pactual:

And what is the water saturation in this oil?

Danilo Oliveira:

Water saturation?

Gustavo Gattass, BTG Pactual:

Oil saturation, yes. How much water are you producing for each barrel in your tests?

Danilo Oliveira:

I believe, zero. Can you please confirm, Paulo?

Gustavo Gattass, BTG Pactual:

I would just like to understand how much water is coming in the tests that were performed?

Danilo Oliveira:

Nothing, zero.

Paulo Rocha:

We have the 8 test and in the position it is, it did not produce any water. But with the production, we will most certainly have a large quantity of water. We will have to live with this high production of water, and we have known this since the beginning. It is heavy oil. Producing from injections or from the aquifer, it will lead to high flows of water, to high water cuts.

Gustavo Gattass, BTG Pactual:

One last question, please. We are working at the data of the old operator, and you have mentioned several times that the level of conviction of the Company has been growing strongly, as everything was being restudied or seen for the first time. Could you share with us what was your previous concern and what has changed?

I just want to understand why do you have such growing conviction?

Danilo Oliveira:

The answer is: we did not have our own geological model, the geological model that we did have came from the previous operator. So we redid the geological model. It is very similar to the previous operator's model, but we refined the geological study, and we ran a number of simulations using the concepts we are applying.

For example, the previous operator's concept was the concept of TLP, six barrels for each TLP. We removed this model and put individual wells and our reservoir studies do not leave doubt regarding the field's high potential for production.

We refined it with studies by other companies, and they all indicate that the pressure is going to be maintained, the aquifer is going to play in our favor, the PI will be high, and the 120 kg differential we intend to apply with this pump, the twell will produce a lot more than the 1,500 barrels we produced in the horizontal well.

What do we want to confirm with this EPS? Why is it that we cannot guarantee and contracte the FPSO straight away? The reason is that the studies point to everything we mentioned, but the question is: is the reservoir going to respond as expected, as we are simulating?

So, we have to wait a little to run the drill stem test on the first well, to see if with the horizontal well, it will correspond to the expected productivity, and that is why

we prefer to wait. But the partners, the new ones and the old ones are all convinced this well is going to be highly productive.

Secondly, in the field development plan that was previously presented in 2006, the 1,500 hp pump did not exist, what we had by then were 800 hp pumps, it was the best we had. When we presented the field development plan, the FDP, by the end of August, we did not change much. The only thing we did change, for the partners sake, was the substitution of the TLP for the FPSO.

As soon as we ran the simulations with high power pumps we realized that with the 6,500 barrels wells, with the 75,000 capacity FPSO, the FPSO would need more oil, so we changed the FPSO for 100,000 capacity. So, we have a certain degree of certainty that this is going to be a highly productive well.

Paulo Rocha:

Another important thing, the timeline of our early production system of three years allows us to have an accumulated flow rate that proves the performance of the aquifer. So, we will move to the definitive system having checked that condition, which is important. We not need to have a water injection system, we can ignore it in the definitive system.

Luana, GBM:

Danilo, thank you for the presentation. I would like to understand the contingent well, the vertical well. As far as I remember there were formerly two horizontal wells, and this would be a data gathering well. What kind of data are you looking for is not included in the DP?

Danilo Oliveira:

We have this reservoir. The previous operator drilled the wells. When you do not have knowledge about the reservoir you cannot really program a test for gathering data. You can do it if you have the knowledge that there is a reservoir there. They did this data gathering. This is what we call coring.

What is coring? If you use a normal drill, you drill it with a hollow drill. It starts drilling, it goes in the column and it gathers samples to take to the lab to run the simulations. So, we analyze the flow of rock we are drilling, the mobility, everything else.

So, what happened? A good deal of these samples that we took were lost, the sandstones seemed to be so friable and they were not prepared for that, that when you plan to collect a nine meters sample of the reservoir, in the end they ended up with only one meter or two meters because the rest was lost.

So, we were checking exactly this: if the samples that were preserved can be taken to the lab so that we can run our simulations we have planned. That is, compatibility of the rock to some chemicals and products that we use in drilling, in completion, anti-incrustation, for example.

Now, if the samples are not satisfactory to us, we will go down a shoe here and we will core the reservoir, but with the previous lessons learned; we will drill continuously, which is in principle a new technique, that cores and freezes

immediately the samples so they will not be lost, to preserve them so that we can use this later in the lab.

Luiz Otávio Broad, Ágora Corretora:

Do you know what would be the discount of this oil relative to the Brent?

Danilo Oliveira:

Yes, that was a concern we had. As soon as we received the confirmation by the ANP, to our surprise we did not look for anyone, but people approached us. There are at least three big mainstream financial traders that we are in contact with, we have a non-disclosure agreement with them, we even have a contract model, and what they have indicated to us is quite good, and it leads us to numbers of 10% to 15% discount, depending on the way it sells.

I can sell this oil three ways. What is important about the heavy oil? It has to be blended, to be mixed with light oil. So, what is the best case scenario? To discover Piapara, drill a well in Piapara, blend the oil ourselves and sell it. The second possible way is to sell it to a trader that already exports from Brazil to abroad, where they come in with a ship full of lightoil, and our oil is mixed in there. And the third possibility, with no blend, is to sell directly to the refineries and the refineries will do all the blending. So, for each sale modality we will have a different discount rate.

But here in Brazil there is a producer producing oil similar to ours with less than 10% discount. Our oil is very good. It is an oil that is needed in the world that is used to produce high quality lubricants, premium lubricants.

This was clearly mentioned to us. We have been told: "we have an eye on your oil, it is high-quality oil; it is non-paraffinic, non-asfaltenic, and despite being heavy it is high quality.

Luiz Otávio Broad, Ágora Corretora:

I have another question. In the definitive or final system, the FPSO would be operated by yourself or by company contracted?

Danilo Oliveira:

It will be leased. It will be operated by the contracted company.

Pedro Medeiros, Citigroup:

Danilo, you talked about recoverable volumes. I have a specific question. You present all five reservoir zones, but one of them has not yet been tested. Do you have any particularities in it that gives you conviction in order to include it in the recoverable volumes? In the Atlanta part, specifically, I think it is the C2 compartment.

Danilo Oliveira:

Yes. This one has some similar characteristics to this other: E2. The field development plan includes all three compartments (C2, E2, E1).. The EPS includes only these two wells, but the field development plan includes other wells.

The development plan includes these three areas, while the EPS includes only these two wells for these two areas (E2, E1).. The volume of these three areas would be of 1.5 billion. We do not have much data, as we did not drill any wells there. Again, I stress this would be an upside to the plant.

Pedro Medeiros, Citigroup:

So, the 280 million is the E1 and E2 only, does it include the C2?

Danilo Oliveira:

No, what we consider is for the three, E1, E2 and C2. Those 260 million barrels would be considering what could be produced in these three areas. These three areas would give us the recoverable volume of more than 200 million barrels.

Paulo Rocha:

Again, the blocks in the west are in the lower part of the fault. They are close to the aquifer that is very strong. We need to understand a little bit how the water would behave to see what would be the economic feasibility of drilling wells there.

The first simulations that we ran showed clean water that outflows very quickly, and the wells were not economically viable. But I need to understand how the reservoir is going to behave in terms of the vertical barrier that I would come across on the east side to see whether we can also expand the production to the two blocks in the west area.

Pedro Medeiros, Citigroup:

Continuing the question, in the seismics you showed that, if I am not mistaken, in E1 or E2 the oil/water contact is very well defined, but you extrapolate a bright spot underneath. Are you considering volumes below the contact area?

In page 8 you showed that the yellow line, if I am not mistaken, would be the continuity of the reservoir below the oil/water contact.

Paulo Rocha:

Yes. Because if you look at the section, it does not include the oil part. In the low block we have the aquifer that is very large. If we had that section a bit more towards the north we would also get the oil piece. Is this your question?

Pedro Medeiros, Citigroup:

No, on the east side, in the reservoir, you are showing the iteration of the contact, the flat spot with the top of the reservoir, but you present that as if the reservoir continued downwards. Is this volume included in the recoverable volume?

Paulo Rocha:

No. We are not showing here the bottom of the reservoir, this is the oil/water contact. We did not show the base, if you observe, the bottom of the reservoir will reach more or less here. So, all of this sand will be here, and we have the

importance of the aquifer. All of this oil is mapped with a lot of certainty, because you can see clearly the flat spot, that is a real 3D. Is it clear now?

Pedro Medeiros, Citigroup:

Yes. One last question. I do not know if you can answer it, but let us try. You have PI indications. How could you compare them to Parque das Conchas and Peregrino? If you have data, could you elaborate?

Paulo Rocha:

How do I characterize my PI, that I know. I do not know about these other blocks you mentioned, they are from other operators, the first Shell and the other, Statoil. But we use the test in well 8 as a comparison. Simple studies point that we would easily reach 30, 35 PI in the horizontal area, as mentioned.

This well is reasonably damaged. Salies told me I will get clean, good wells. If he gives me these wells, we will have pretty high PIs, especially in this big massive area, in the top of the reservoir. We should expect reasonable PIs, and a little bit less on this side. But we always compare to well 8's production. We have a test in this reservoir.

Danilo Oliveira:

So, during our data room at the acquisition, the previous operator showed us all the comparative studies with the fields where they operated, not only in Brazil but elsewhere as well, like Perdido, that is very similar. He did not give us his studies, because he obviously could not.

So, we have a good idea, but we did not have the core of the study. But we have some of the results that they presented to us from their own studies, while they awaited the approval of the development plan from the Agency.

Gustavo Gattass, BTG Pactual:

Danilo, if you decide not to drill the vertical pilot well, will there be any change in the CAPEX?

Danilo Oliveira:

The change in CAPEX will be the number of days of drilling times the taximeter we counted there. Drilling involves drilling itself and all the support logistics, such as the ship and helicopters.

Salies, could you please inform us how many days of drilling are estimated for the vertical well?

Jacques Salies:

65 days.

Danilo Oliveira:

65 days. We would take out 65 days...

Gustavo Gattass, BTG Pactual:

From a period of nine months?

Danilo Oliveira:

From a period of nine months, exactly.

Gustavo Gattass, BTG Pactual:

So, I should take 65 days from nine months, OK.

And let me ask you from the standpoint of the definitive system, do you have any reason to think that the well would have some very different characteristics that would make it more expensive or cheaper?

Danilo Oliveira:

No. We do not expect it to be a cheap well.

Gustavo Gattass, BTG Pactual:

Just to understand, when you think about a horizontal well, is the horizontal well similar to the well you are going to have in the definitive system?

Danilo Oliveira:

Today, it is the well for the definitive system, 12 wells, exactly the same. Unless new technologies appear, or most importantly, that I did not want to mention here, because you will say that I am being too optimistic, but still... If we go back to slide 18, if I have a very good well, the difference in production will be very small, placing the pump inside or outside the well.

But what we can have is an improvement. If I have a very good well, I can choose to use a pump outside the well. What does it mean? In our case, since the water depth is the preponderant factor, rather than the sediment that I have underneath, I lose very little in productivity, but I gain a lot in OPEX because to change a pump outside the well takes five days maximum. If it is a pump inside the well, we have to mobilize the rig, bring it up and then place it back, and that is estimated to take about 45 days. And we have the meantime between pump failures. We are estimating our OPEX based on that.

So, what we could have is upside. If the well turns out to place the oil well on the seabed, we could use a seabed pump. So, we have a lot of flexibility here for the definitive system, and that is why I am saying that our calibration system with these two wells is not a no go, it is a go better. We are not thinking about the EPS for a go or no go. We are thinking about a go or go better.

Gustavo Gattass, BTG Pactual:

And another question about the FPSO, you mentioned that the development plan is considering 100,000 or 75,000? I did not get it.

Danilo Oliveira:

Let me clarify. The revision we submitted in August to the Agency considers the 100,000 capacity FPSO.

Gustavo Gattass, BTG Pactual:

You have said you have a lot of equipment available, right? I know it is impossible to specify, but could you give us at least a range of what would be the daily rate for that, or if you intend to buy?

Danilo Oliveira:

No, we will not buy anything. We will lease everything. We have nothing contracted for the OPEX, so we did not want to provide any indication of prices, and we do not want to disclose that because we do not want to impact the market. We will go to market, and the market will give us the prices. Anyway, we do have an estimate. We do not want to disclose it for you now because we believe we would be disclosing too much.

Gustavo Gattass, BTG Pactual:

Ok, and all of the equipment will be made outside Brazil?

Danilo Oliveira:

This block does not have any requirements of local content, so we can hire equipment abroad, as we will consider availability. Most probably we will have everything come in from abroad. We might have some adaptations made, for example the anchoring system, include heating in the tanks, small, minor things, or prepare a smaller plant to process 15,000 barrels per day of lighter oil. These kind of things can be commissioned here, but the FPSO will probably be contracted from abroad.

Gustavo Gattass, BTG Pactual:

OK.

Danilo Oliveira:

I would like to thank all of you for joining us. I hope we have given you the necessary clarifications so that you can do all your analysis and simulations. Anything else you need, please feel free to contact our IR department, and we will be glad to entertain your questions. I will give the floor to Paula to close.

Paula Costa:

Once again I would like to thank you very much for being here, present in the auditorium, and also I would like to thank all of you who are following us on the webcast. And we are available to you at all times through our IR area. In case you still have any questions that have not been answered, please contact us. Once again, thank you very much and have a very good afternoon.

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