

ASIA-LAC: Trade Investment Forum

October 30-31, Tokyo, Japan

The Oil & Gas Sector

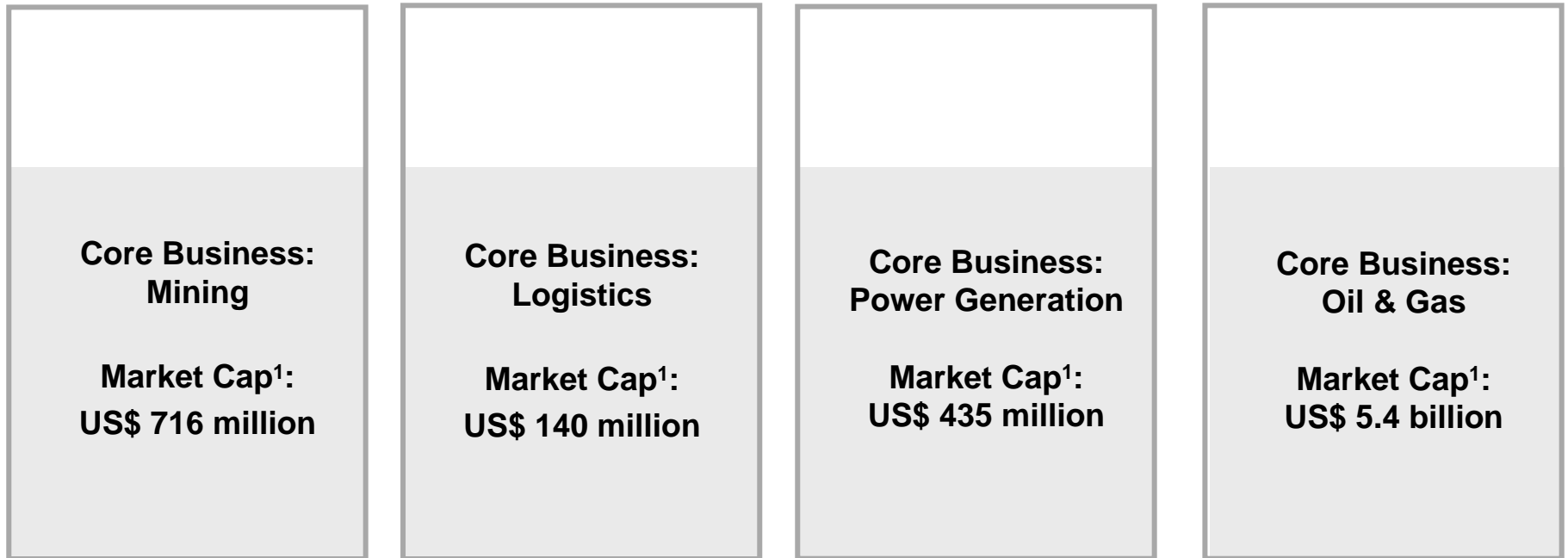
Francisco Gros

Vice-Chairman of OGX



EBX Group: listed companies

Focus on natural resources and infra structure, with a market cap¹ of approximately US\$ 6.7 billion



EBX Group: listed companies

After raising close to US\$ 7.2 billion, the Group has the funding in place to implement its projects

**IPO: July 2006
US\$ 500 million
raised**

**Private Placement
September 2007
US\$ 185 million**

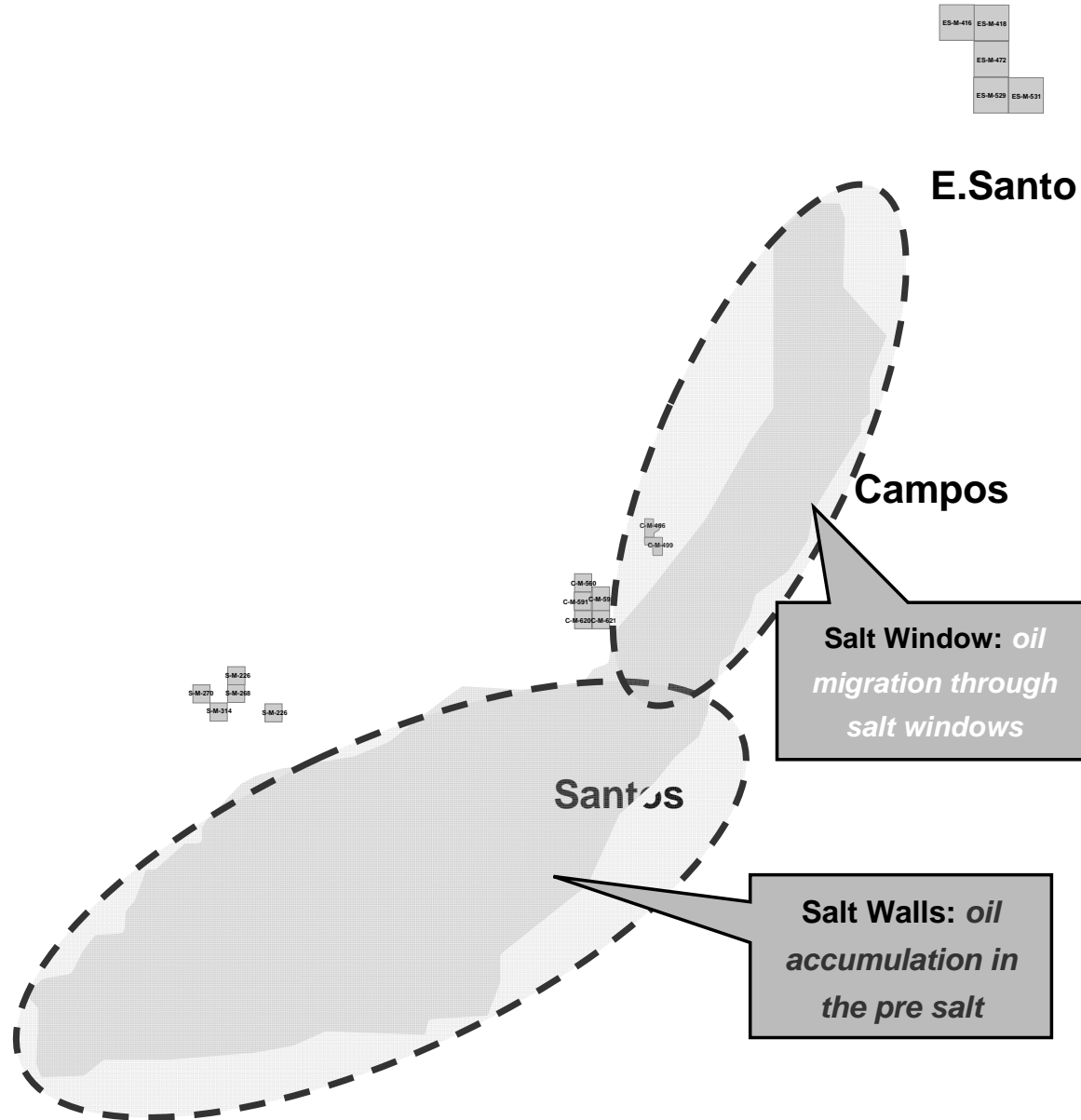
**Spin off from MMX
July 2008**

**IPO: December 2007
US\$ 1.1 billion
raised**

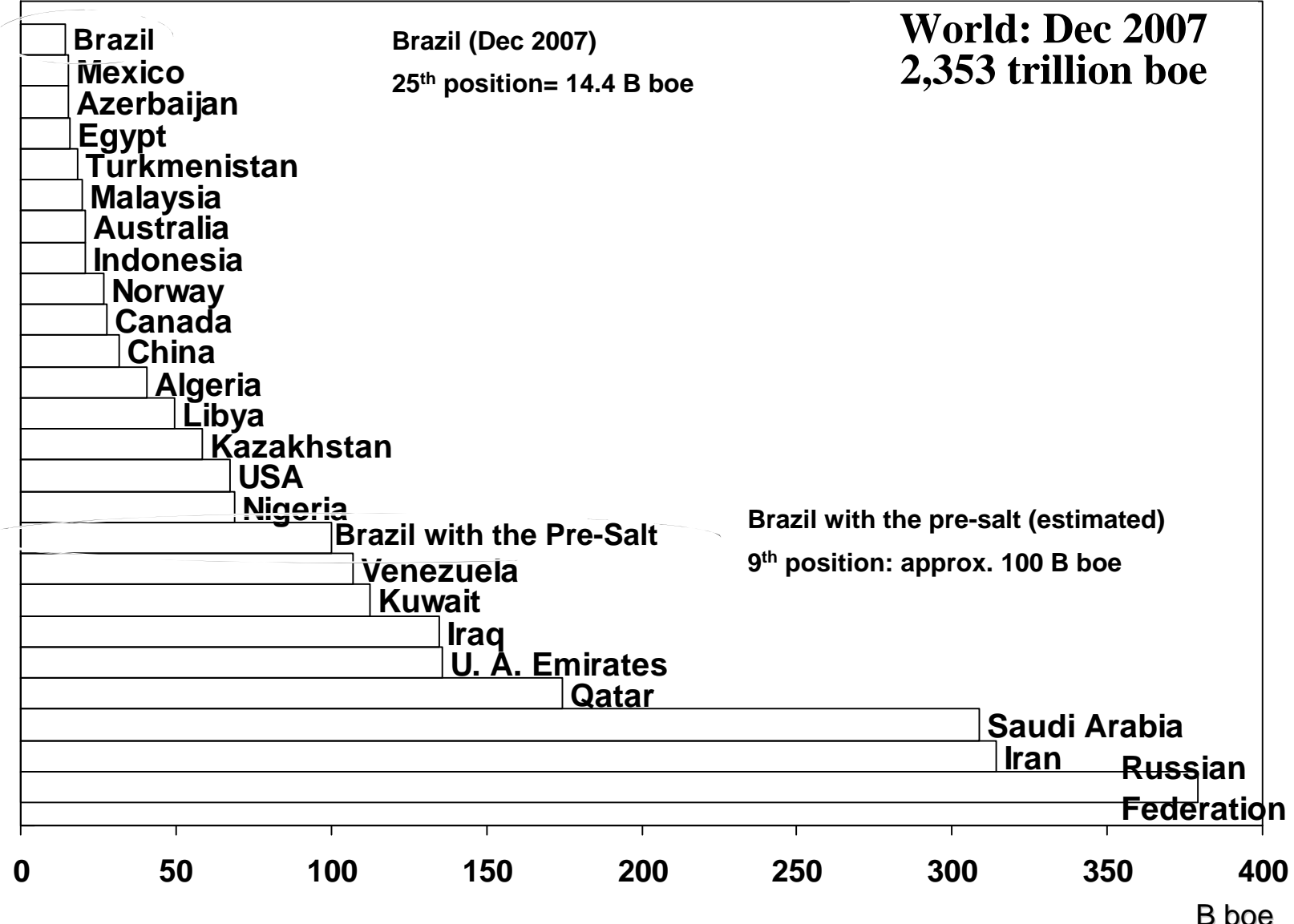
**Private Placement
November 2007
US\$ 1.3 billion**

**IPO: June 2008
US\$ 4.1 billion
raised**

The limits of the pre-salt: Government view



Largest Oil and Gas Reserves by Country



Source: BP Statistical Review 2008 + analysts estimates for the pre-salt

The limits of the pre-salt – HRT¹

Decisions to be made

I - Should we try to develop our new resources as quickly as possible, or should we try to keep the oil for further generations?

II - Under what regulatory framework should we develop our resources?

III - How much should the Government Take be?

Decisions to be made

I - Should we try to develop our new resources as quickly as possible, or should we try to keep the oil for further generations?

II - Under what regulatory framework should we develop our resources?

III - How much should the Government Take be?

Decisions to be made

I - Should we try to develop our new resources as quickly as possible, or should we try to keep the oil for further generations?

II - Under what regulatory framework should we develop our resources?

III - How much should the Government Take be?

Decisions to be made

II - Under what regulatory framework should we develop our resources?

- **Maintain the current concession/royalties system?**
- **Introduce a new production sharing scheme?**
- **Create a new 100% Government owned oil co?**

Most common E&P Contractual Models

I – Concession contracts: Brazil (art. 23, Law 9.478/97)

- . The holder of the concession can:**
 - explore and produce**
 - assume all exploratory risk**
 - pay all taxes and government participations**
 - own the oil and gas it produces**
- . The US, Canada, UK and Norway adopt this model**

II – Production Sharing Agreements

- . The E&P company assumes the technical and financial risks, and the production is shared between the company and the government**
- . Nigeria, Angola and Lybia adopt this model**

III – Risk or Service Contracts

- . The E&P company is subcontracted by the government to carry out E&P services.**
- . It gets paid for its services**
- . Mexico, Venezuela and Iran adopt this model**

How proposals are Judged

Signing bonus

Local content

**Minimum Exploratory
Program**

Government Take Summary Decree nº 2.705, 03/08/1998

Signatures Bonuses

- Committed at the bidding round for each block offered
- One-time payment, must be paid upon the signature of the concession agreement
- Minimum bonuses are established in the bidding rules, signature bonuses varies according to each company's bid

Royalties

- Generally correspond to a range of 5% to 10%, applied to the realized oil or gas price
- ANP takes into consideration, among other factors, the geological risks involved and the production levels expected; high potential areas usually pay 10%

Special Participation

- An extraordinary charge, calculated separately for each oil or gas field, clearly defined in a governmental decree, and payable on a quarterly basis for each field, from the date on which extraordinary production occurs. This could represent up to 40% of the operational profit
- Varies by water depth, years of production, production rate and profitability, among others

Rentals for the occupation or title of areas

- Values are determined in the related bidding rules, and are paid annually
- For purposes of calculating these fees, the ANP takes into consideration factors such as the location and size of the relevant concession block, the sedimentary basin and its geological characteristics

What are the Pre-Salt Reserves Today?

- **October 31, 2008: ZERO!**
- **For these resources to become proven reserves, we need:**
 - Declaration of commerciality
 - Approved projects in the investment plan of ALL the companies participating in the concession consortia
 - Approval of development plans
 - Obtaining all of the necessary licenses
- **Multi billion dollar investments**

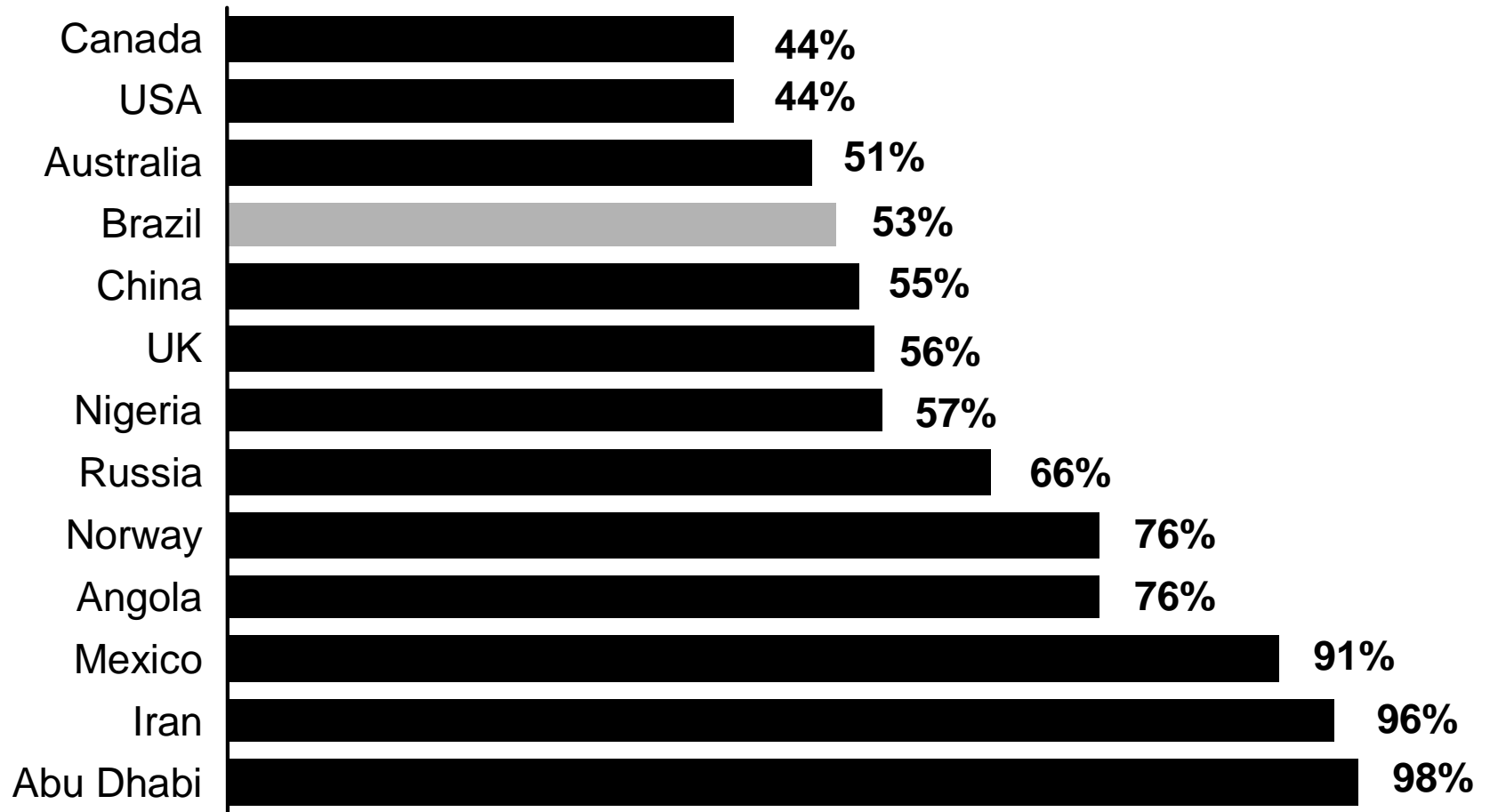
Decisions to be made

I - Should we try to develop our new resources as quickly as possible, or should we try to keep the oil for further generations?

II - Under what regulatory framework should we develop our resources?

III - How much should the Government Take be?

Government Take



Source: Itaú Corretora, Woodmac