



## Investment Opportunity in Deep Water Offshore Brazil

*Papa-Terra*

February 2020

# Investment Opportunity in Deep Water Offshore Brazil



## 1. Opportunity Description

### Summary of the Opportunity

- Petróleo Brasileiro S.A. ("Petrobras") is undertaking a process (the "Process") to assign its operated working interest in certain E&P asset located in the Campos Basin in Brazil, with full transfer of operations including all existing wells and production facilities (the "Potential Transaction"), as detailed below.

Basin	Field	Water Depth (m)	Petrobras Working Interest	Production (2019)
Campos	Papa-Terra	1,200m (average)	62.5% <sup>(1)</sup>	17,300 boe/day

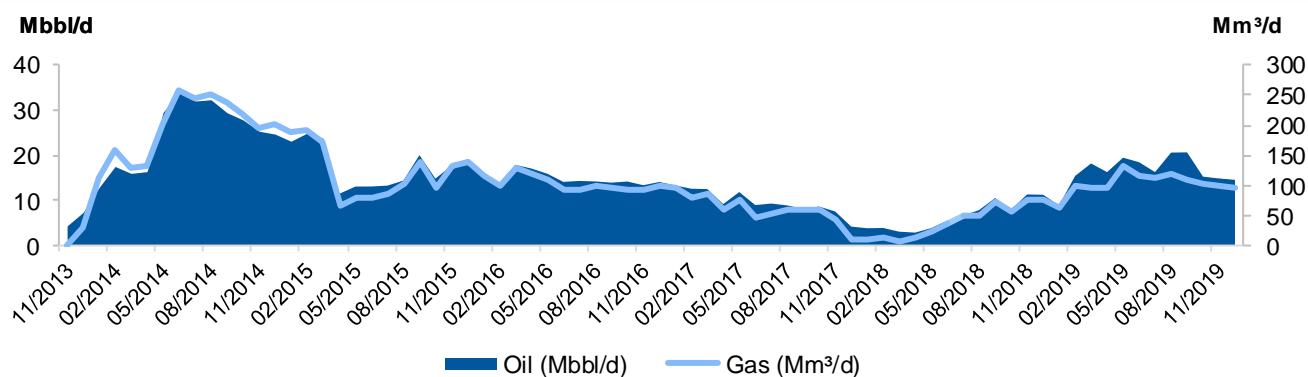
- The asset comprises an offshore concession (Block BC-20, Bid 0), located in deep water 110 km from the coast
  - ▶ Petrobras currently holds a 62.5%<sup>[1]</sup> stake and operates the concession
  - ▶ Papa-Terra field was discovered in June 2003, with 1<sup>st</sup> oil in November 2013
  - ▶ The concession contract expires in December 2032
- **Opportunity to operate** an offshore asset in Brazil, with **associated infrastructure in place**
  - ▶ **Currently producing from 3 producing wells** and 4 injection wells with 2 platforms (one FPSO and one TLWP)
  - ▶ A Tender Assist Drilling (TAD) rig, through a charter contract, is installed along with the TLWP platform, in order to perform drilling, completion and workover services to the dry tree completion wells
  - ▶ **Both platforms are included in the Potential Transaction** perimeter, as well as the flowlines and subsea equipment connecting the subsea wells to the FPSO
  - ▶ Oil is exported through tanker offloading. Produced gas is reinjected in the reservoir (no gas export)
  - ▶ The transaction may also include the assignment of other services contracts for operation of the field and also an oil purchase and sale agreement in case the Prospective Purchaser wishes to sell its production to Petrobras

*Note 1. Chevron's 37.5% working interest is not included in the Potential Transaction*

### Highlights

- Volume of original **oil/gas in place estimated at 1.98 billion barrels of oil equivalent**
  - ▶ Oil gravity of 14 to 15 °API, with low level of contaminants
- **High potential to increase production**, given the recently drilled wells PPT-50 and PPT-51 had shown good results
  - ▶ Average oil production in 2019 was 17.3 Mboe/day, mainly by PPT-50
  - ▶ Completion of the new well PPT-51 is expected to increase production by 9.4 Mbbl/day
  - ▶ Drainage plan, with new wells, to be implemented for full exploitation of the field
- **Attractive fiscal terms:** round zero concession, with no local content requirements.

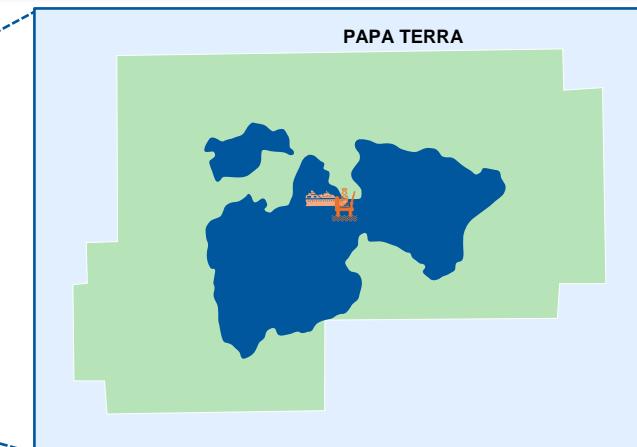
### Historical Production Overview



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## 1. Opportunity Description (cont'd)

### Location Map



### Facilities Overview & Development Plan

#### ■ P-63 platform – FPSO:

- 1<sup>st</sup> oil: November/2013
- Heavy oil processing plant designed to operate within 120°C and to process both P-63 and P-61 produced oil
- Oil processing capacity: 140 Mbbl/d
- Operated by BW Offshore from 2013 to 2015
- All power generation is made by P-63 and supplies P-61

#### ■ P-61 platform – TLWP:

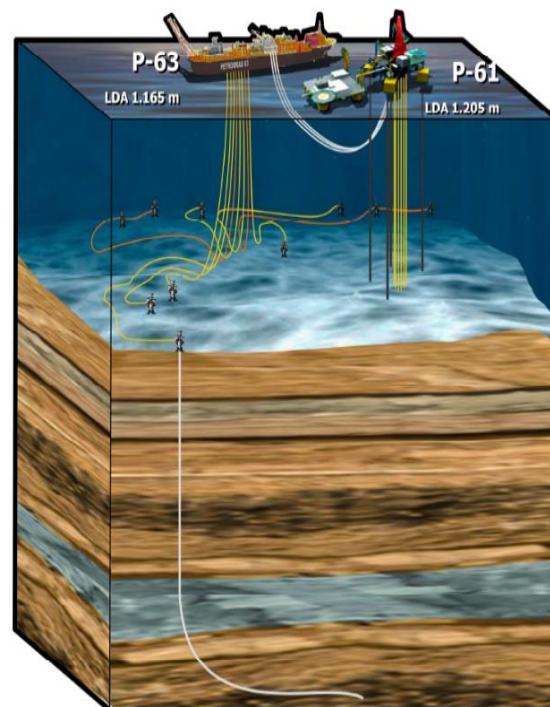
- 1<sup>st</sup> oil: March/2015
- Dry tree completion wells
- Production is exported to P-63 through multiphase pumps and fluid transfer lines; oil/gas is processed in P-63 plant
- Operated by Floatec from 2015 to 2016

#### ■ SS-88 rig – TAD:

- Rig connected to P-61 by hawsers and provides drilling, completion and workover services to dry tree completion wells of P-61
- Chartered by Bassdrill

#### ■ Petrobras' Business Plan and under assessment projects for a new development plan for Papa-Terra are supported by recently drilled wells that have shown good results

- **PPT-50 well is under production** since Jan/2019 (current production: 7.8 Mbbl/d)
- **PPT-51 well is finishing completion**, to start production in Q1 2020 (expected production: 9.4 Mbbl/d)
- **New development plan**: construction and connection of 7 new producing wells (being 4 dry tree completed wells) and 4 new injection wells, increasing oil production in the next few years, with the potential of adding other volumes
- **Exploration opportunities**, such as the Ariranha prospect



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## 2. Process Overview

### Process Overview

2.1. Petrobras has retained *Crédit Agricole Corporate and Investment Bank – Banco Crédit Agricole Brasil S.A.* ("CA-CIB") to act as its exclusive financial advisor in connection with the Potential Transaction.

- a. Should any recipient/participant who meets all the Eligibility Requirements ("Prospective Purchaser") be interested in participating in the Process, it will be required to formally notify CA-CIB up to **February 28<sup>th</sup>, 2020** of its interest through the Contact Information, described on Page 8, in order to receive the required documents to participate in the Process: (i) Confidentiality Agreement ("CA"); (ii) Compliance Certificate ("CC"); and (iii) Regulatory Requirements Certificate ("RRC").
- b. If required by Petrobras, Prospective Purchaser shall present other supporting documents.
- c. For the next phase of the process, the deadline to execute the CA, the CC and the RRC, and deliver any other required documents, will be **March 13<sup>th</sup>, 2020**.
- d. Distribution of the information package will commence after the deadline date specified on item 2.1.c, to all Prospective Purchasers who have executed the CA, the CC and the RRC, and delivered any other required documents.

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## 3. Eligibility Requirements

### Eligibility Requirements

3.1. In order to participate in the Process, a Prospective Purchaser must meet the following criteria (“Eligibility Requirements”):

- Technical Capability Criteria – Operation:

(1) Qualification as Operator “A” by the National Petroleum Agency (“ANP”);

Or

(2) In the event that the Prospective Purchaser does not hold Operator “A” status, the Prospective Purchaser must declare (as per RRC to be presented by Petrobras): (i) that it is aware of the ANP’s Qualification process; and (ii) that it meets, by the time of presentation of such declaration, or will meet, by the signing date, the most recent technical requirements of ANP to be classified as Operator “A”.

- Technical Capability Criteria – Experience:

The Prospective Purchaser must indicate that it has experience, as an operator, in exploration and/or production activities in shallow, deep or ultra deep water fields, as required by ANP to qualify as an Operator “A”; and inform the fields’ names, locations and other relevant information regarding such operating experience.

3.2. It should be noted that, in addition to the technical requirements mentioned above, ANP requires a minimum net worth for the qualification as Operator “A” to be fulfilled until the signing date. Even though it is not an Eligibility Requirement, Prospective Purchaser must present, during the required phase of the Process:

(1) Minimum net worth necessary for the qualification as Operator “A” by ANP;

or

(2) Prospective Purchasers that do not meet such condition may bid with a financial partner and should present (i) a letter from the partner stating their intention to fund the potential acquisition and to increase, until the signing date, the Prospective Purchaser’s net worth to the minimum necessary for the qualification as Operator “A” by ANP; and (ii) proof that the partner manages at least US\$ 1 billion in assets under management.

3.3. During the Process, Petrobras may request the Prospective Purchasers to provide supporting documentation of their technical and financial capabilities in accordance with (i) ANP’s technical requirements to be classified as Operator “A”; and (ii) the purchase price and financial commitments associated with the acquisition and operation of the E&P assets included in the Potential Transaction.

## 3. Eligibility Requirements (cont'd)

### Eligibility Requirements (cont'd)

3.4. The Prospective Purchaser shall not be listed in the following restrictive lists:

- a. "Cadastro de Empresas Inidôneas e Suspensas" (CEIS)  
(available at: <http://www.portaldatransparencia.gov.br/sancoes/ceis>)
- b. "Cadastro Nacional de Empresas Punitas" (CNEP)  
(available at: <http://www.portaltransparencia.gov.br/sancoes/cnep>)
- c. "Empresas impedidas de transacionar com a Petrobras"  
(available at: <http://transparencia.petrobras.com.br/licitacoes-contratos>)

3.5. In case the Prospective Purchaser, or any of its Affiliates, is identified in the abovementioned hypothesis or fails to meet any of the above mentioned requirements, it will be excluded from the Process at any time, in compliance with the rules applicable to Petrobras.

3.6. In case the Prospective Purchaser or any of its subsidiaries:

- a. is subject, owned or controlled by a person or entity subject to (i) any economic, financial or trade sanctions, (ii) regulatory sanctions, (iii) embargoes or (iv) restrictive measures that have been administered, enacted, imposed or applied by the World Bank, the United Nations Security Council, the United States of America, Canada, the United Kingdom, the European Union, the Netherlands, Brazil, and the respective governmental institutions and agencies of any mentioned previously ("Sanctioned Person").
- b. is located, have been constituted, incorporated, organized or resident in a country subject to any (i) economic, financial or commercial sanctions, (ii) regulatory sanctions, (iii) embargoes or (iv) restrictive measures that were administered, enacted, imposed or executed by the World Bank, the United Nations Security Council, the United States of America, Canada, the United Kingdom, the European Union, the Netherlands, Brazil and the respective governmental institutions and agencies of any mentioned previously ("Sanctioned Country").
- c. have the predominant part of its commercial affiliation or business with any Sanctioned Person or in a Sanctioned Country,

Petrobras will evaluate if the relations or situations described prevent the participation of the Prospective Purchaser in the Process due to non-compliance with Sanctions applicable to Petrobras, and will inform the exclusion of the Prospective Purchaser from the Process, as the case may be.

3.7. Furthermore, by participating in this Process, the Prospective Purchaser shall undertake not to take any action or omission that violates any applicable law regarding business ethics, including, but not limited to, the US Foreign Corrupt Practices Act, the UK Bribery Act, Brazilian Anti-Corruption Laws (specially the Brazilian Federal Law n. 12.846/2013) ("Anti-Corruption Laws").

3.8. In order to participate in the Process and comply with the requirements set forth above, the Prospective Purchaser shall sign a Compliance Certificate and indicate, if applicable, whether it is subject to any kind of sanction, even if it considers that the sanction does not prevent its participation in the Process. If the Prospective Purchaser is subject to sanctions, it shall describe in the Compliance Certificate the relation, the nature and the details of the sanction, as well as indicate the restrictions arising from it.

3.9. The accuracy of the declaration and the fulfillment of the requirements mentioned above will be verified by Petrobras after the acceptance, by the Prospective Purchaser, of the confidentiality obligations necessary to participate in the Process.

## 4. Joint Offer Formation

### Joint Offer Formation

4.1. A Prospective Purchaser will be allowed to form a consortium, association or jointly present an offer ("Joint Offer") with an independent party, or parties, to participate in this Process.

- a. The Joint Offer must have a leader, which is the Prospective Purchaser that will lead negotiations with Petrobras and will be the main communication channel between Petrobras and the Joint Offer ("Joint Offer Leader").
- b. In such case, the Prospective Purchaser will be required to immediately inform Petrobras of its intention to present a Joint Offer, including information such as who is the Joint Offer Leader and who are the parties involved in the Joint Offer ("Joint Offer Member(s)") according to the deadline previously set in the Instruction Letter and Process Letter.
- c. The Joint Offer must contain (i) powers of attorney granting powers to the Joint Offer Leader assigned by the other participants of the Joint Offer; and (ii) a statement by the Joint Offer Leader confirming that he is not acting as an intermediary in the Potential Transaction.

4.2. The Joint Offer must be approved at Petrobras convenience, in accordance with the legal criteria and the rules established herein and further detailed in the Instruction Letter and Process Letter. After approved by Petrobras and verified compliance with Eligibility Requirements and Joint Offer formation rules, the Prospective Purchaser will be allowed to participate in the Process.

4.3. The formation of a Joint Offer is permitted only if the Joint Offer Members meets all the Eligibility Requirements established herein, with the exception of those specifically related to the requirements to the qualification as an Operator "A" by ANP, which are applicable only to the Joint Offer Leader.

- a. With the exception of the Joint Offer Leader, other Joint Offer Member(s) may execute a regulatory requirements certificate for non-operators ("RRC – Non-Operator") in place of the RRC mentioned in item 2.1.
- b. The RRC (or "RRC – Non-Operator", as applicable) will be made available together with the CA and the CC to all Joint Offer Member(s), as each Joint Offer Member must execute its own CA, CC and RRC (or "RRC – Non-Operator", as applicable) directly with Petrobras in order to access any non-public information related to the Potential Transaction or the asset.

4.4. The rules applicable for the modification in the composition of the Joint Offer will be further detailed in the Instruction Letter (non-binding phase) and Process Letter (binding phase).

## 5. Further Considerations; and 6. Contact Information

### Further Considerations

5.1. During the Process, Petrobras may perform preventive risk analysis, in compliance with Anti-Corruption Law and the Petrobras Program for Preventing Corruption – PPPC, and may ask any Prospective Purchaser to fill out a detailed questionnaire to verify the compliance of its practices and conducts with the Anti-Corruption Law.

5.2. A Declaration of Independent Proposal shall be submitted until the submission of each offer (non-binding and binding).

5.3. In order to prevent a conflict of interest, the participation in the Process of any Prospective Purchaser that is considered an affiliated company of the financial advisor of Petrobras in the Process (CA-CIB) will not be allowed.

5.4. The Prospective Purchaser may, under its sole responsibility and bearing all related expenses, retain financial, technical and/or legal consultants to advise on the Process, provided that such advisors are institutions with an undoubted reputation, experience and are not subject to any conflict of interests related to Petrobras whatsoever, being the existence of conflict determined in accordance with criteria specified by Petrobras.

### Contact Information

6.1. Queries from Prospective Purchasers which meet the Eligibility Requirements should be addressed exclusively to the CA-CIB individuals at **papa-terra@ca-cib.com**

- This e-mail should be used only for the purposes of the Potential Transaction.
- Under no circumstances should any contact be made with the management or employees of Petrobras or any of its affiliates.

6.2. Any general questions or inquiries not specific and directly related to the Potential Transaction should be addressed to the following website: <http://transparencia.petrobras.com.br>

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