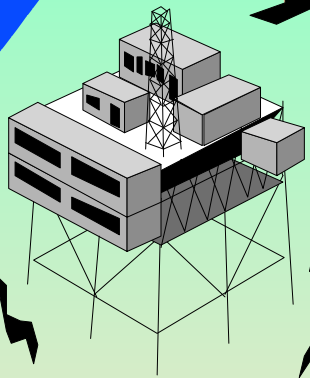


Brazil Round 1



Final Tender Protocol / Edital and Bidding Procedures

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- Round 1 Timetable
- Qualification
- Contract Signatories
- Consortia
- Bidding
- Guarantees
- Post bidding paperwork

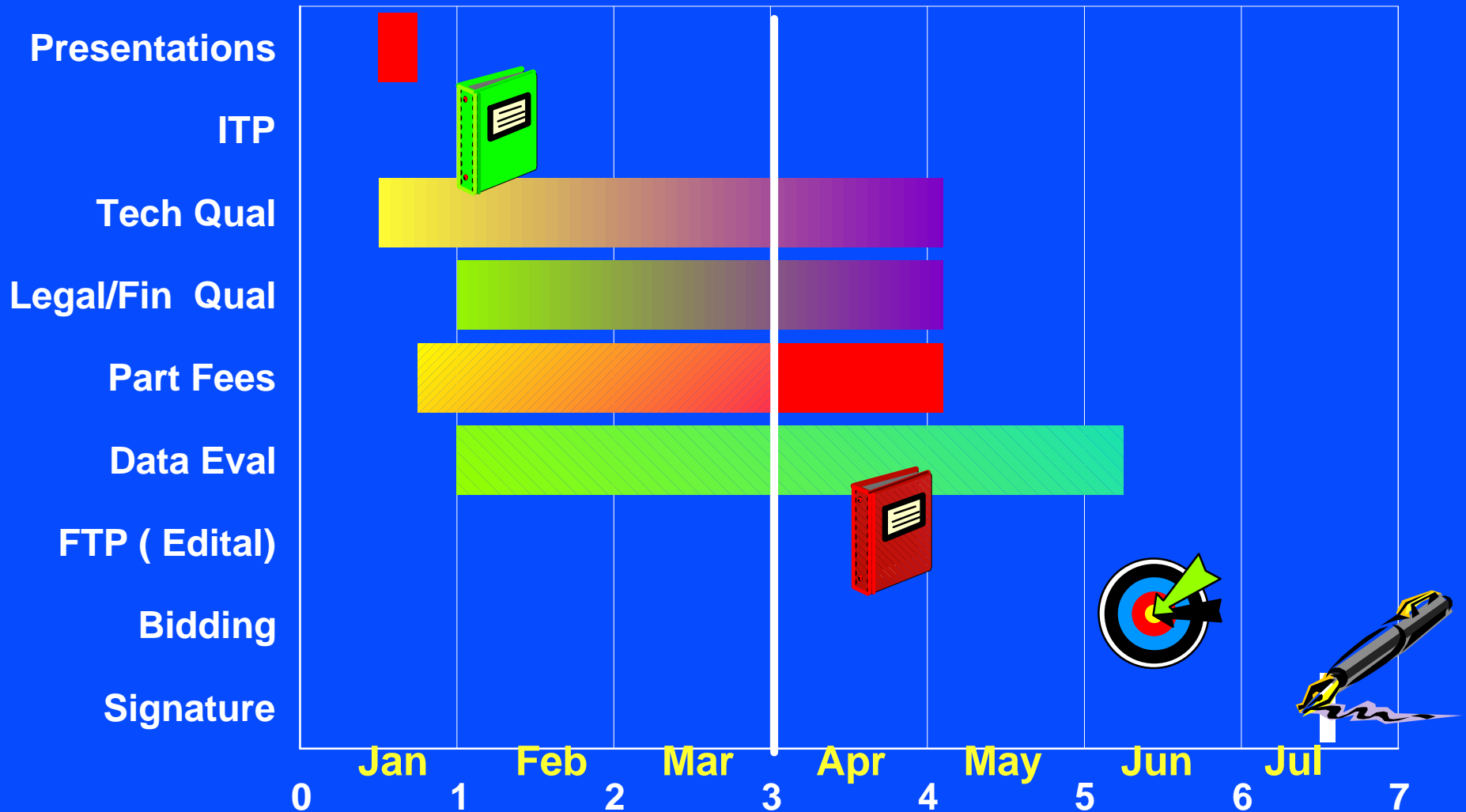
Timetable

Round 1 Process



- Two Stages
 - Qualification
 - Bidding
- Qualification Stage
 - Technical
 - Legal / Financial
- Bidding Stage
 - Sequential, competitive process

General Process Steps



Round 1 Timetable



- **Model Concession Agreement**
 - **Deadline for comments** April 9
- **Tender Protocol**
 - **Final (Edital)** Before end of April
- **Expressions of Interest**
 - **Last date for submission** 10 days after Edital
- **Participation Fees**
 - **Last date payable** 10 days after Edital
- **Awards**
 - **Bidding** Min. 45 days after Edital
 - **Contract signature** From mid July



Technical Qualification

- **Operators will be classified**
 - **Class A - may operate on all 27 Blocks**
 - **Class B - may operate 11 Blocks**
 - Onshore or shallower water areas
 - **Class C - may only operate 1 Block**
 - Onshore Potiguar BT-POT-2
- **Notifications (will be) sent to all companies who have submitted documentation**



Legal / Financial Qualification



- Required to establish ability to sign Concession Agreement, if successful
- Qualified Company will provide performance guarantee if Concession Agreement signed by affiliate
- Generally will be group parent company
 - **Very large companies may qualify with significant operating subsidiary**
- Minimum US\$ 10 million equivalent equity
 - **ANP will determine what is acceptable as equity**

Contract Signature



Concession Agreement Signatory Company



- All Concessionaires must be Brazilian companies (Petroleum Law)
- For those companies that do not at present have a Brazilian subsidiary or affiliate with which to sign the Agreement:
 - **Brazilian company must be brought onto license within 90 days**
 - Affiliated company may sign with performance guarantee from Qualified Company



Concession Agreement Signatory Company



- Consortia may form jointly-held Brazilian company to sign / hold Concession Agreement if they choose
- **Performance Guarantee must still come from each of the Qualified Companies in the consortium**



Financial / Legal Documents Required from Qualified Company



- Financials (in Portuguese or English)
 - **Last 3 years audited accounts**
 - Plus interim if more than 12 months old
 - **Credit rating, debt details**
 - **Other supporting materials**
 - **No formalization required except for auditor's opinion letter**
- Legal
 - **Constituent documents**
 - By-Laws, Articles of Incorporation, etc.
 - **Formalization required**

Consortia

Consortia



- Companies free to form consortia up to point of bidding
- Only considerations that apply are:
 - **Must have qualified Operator**
 - **Operator must hold at least 30%**
 - **No member less than 5%**
 - **Companies may only bid in one consortium on any one Block**
 - But could be in different consortia on all 27 Blocks
 - **Affiliated companies have similar restrictions**



Final Tender Protocol (FTP)

- **Definitive process document for Round 1 - "Edital"**
- **Due before end of April 1999**
- **Substantially the same as ITP**
- **Additional detail**
 - **Legal basis for Brazil Round 1**
 - **Bidding process**
 - **Bidding timetable**
 - **Form of Guarantees**
 - **Other information**
- **Will be issued a minimum of 45 days before bidding**

Bidding Process



Bidding Process



- Transparent, public process
- Blocks to be offered sequentially
- Results from one bid will be known before next bid due
 - **Allows optimization of bidding**
- Minimum bids
 - "A" - US\$ 150,000
 - "B" - US\$ 100,000
 - "C" - US\$ 50,000
- Will include cash bonus and local content components
- Bid Bond required, by consortium
 - **US\$ 500,000 (or equivalent) letter of credit for each Block**
 - May be reused if bid unsuccessful

Bidding Structure



- 8 bidding modules over 2 days
 - 9:00am, 11:00am, 2:00pm, 4:00pm
- Each module will contain 3 or 4 Blocks
- Bids for each Block will be taken sequentially
 - 5-10 minutes between Blocks being offered in each module
 - Bidders for all Blocks in module need to be on hand at start of each session
- Block sequence will be provided in Edital
- Bids must use Envelope / Form provided



Bidding Sequence (example only)



	Day 1	Day 2
9:00am	<i>Basin 1</i> <i>Basin 2</i> <i>Basin 3</i> <i>Basin 4</i>	<i>Basin 1</i> <i>Basin 3</i> <i>Basin 2</i> <i>Basin 7</i>
11:00am	<i>Basin 5</i> <i>Basin 1</i> <i>Basin 6</i>	<i>Basin 4</i> <i>Basin 6</i> <i>Basin 8</i>
2:00pm	<i>Basin 2</i> <i>Basin 5</i> <i>Basin 7</i>	<i>Basin 1</i> <i>Basin 5</i> <i>Basin 7</i>
4:00pm	<i>Basin 3</i> <i>Basin 6</i> <i>Basin 8</i> <i>Basin 5</i>	<i>Basin 4</i> <i>Basin 8</i> <i>Basin 6</i>



Bidding Envelope (Example)



Primeira Rodada de Licitações



Area: Foz do Amazonas

	Company Identification	Company Name	Performance Bond	Participation %	Signature
*					
1)					
2)					
3)					
4)					
5)					
6)					
7)					
8)					

* Designated Operator

Note:

This envelope should contain **ONLY** one Cash Amount Bid

- One envelope for each Block for which Participation Fees have been paid will be provided to every qualified operator
- All bids must be submitted inside this envelope on a form, also to be provided
- Every member of the Consortium must sign
- Signing and submitting the envelope will constitute undertaking to form Consortium



Bidding Structure

- Bid will consist of two numbers
 - **Cash bonus, payable on contract signature**
 - 80-90% weighting
 - U.S. \$
 - **Percentage local supply content (up to pre-set maximum)**
 - 20-10% weighting
- Total points calculated as weighted average of cash bonus points and local supply points
 - **Cash bonus bid / Largest cash bonus bid**
 - **Percentage local content / maximum allowed percentage**
- Points computed to 4 decimal places
 - **4th decimal rounded**

Bid Example

Bids Received



	Cash Bonus	Local Supply
Bid A	10,824,651	50%
Bid B	9,654,321	50%
Bid C	10,924,532	45%



Bid Example

Points Scored - Before Weighting



	Cash Bonus	Points	Local Supply	Points
Bid A	10,824,651	99.08572	50%	100.00000
Bid B	9,654,321	88.37286	50%	100.00000
Bid C	10,924,532	100.00000	45%	90.00000



Bid Example

Points Scored - After Weighting



Example: 90% Bonus, 10% Local Supply

	Cash Bonus	Local Supply	Points
Bid A	89.1771	10.0000	99.1771
Bid B	79.5356	10.0000	89.5356
Bid C	90.0000	9.0000	99.0000



Bid Example

Bids and Final Points



Example: 90% Bonus, 10% Local Supply

	Cash Bonus	Local Supply	Points
Bid A	10,824,651	50%	99.1771
Bid B	9,654,321	50%	89.5356
Bid C	10,924,532	45%	99.0000

Guarantees



- **Three guarantees**
 - **Bid Bond**
 - **Minimum Work Obligation**
 - **General Performance under the Concession Agreement**
- **Bid Bond**
 - **Standby letter of credit for US\$ 500,000 (or equivalent)**
 - One per consortium per bid
 - Reusable by unsuccessful bidders
 - Can be drawn on any member of consortium
 - Must be issued by Banks approved by ANP
 - Released when Concession Agreement signed and MWO guarantee is put in place



- **Minimum Work Obligation**
 - **Stand-by Letter of Credit required for each exploration period at start of period**
 - **First period US\$ 3 - 15 million, depending on Block**
 - Can be reduced every 6 months in line with completed program
 - Reduction based on amount allocated by component (seismic pro rata, wells after drilling)
 - **Second, Third periods**
 - Amount of L/C will be set at time in line with prevailing market costs
 - "Deep Well" cost allocation will be carried forward until satisfied

Guarantees



- **General Performance Guarantee**
 - **Required if Signatory is other than Qualified Company**
 - **Unconditional guarantee of performance of all obligations under the Concession Agreement**
 - **Form to be provided with Edital**

Post -Bidding



- **Specific requirements will be set out in the Edital**
- **Outline of procedures to be followed and documents produced by winning bidders prior to signature**
- **Signing approximately 30 days after bidding (to be defined at conclusion of Bidding process)**
- **Details regarding signing ceremony**