



PETRÓLEO BRASILEIRO S.A. - PETROBRAS
Public Company

Press Release

New exploration and production regulatory model

Rio de Janeiro, August 31, 2009 – Petróleo Brasileiro S.A. – Petrobras informs that the President of Brazil submitted to Congress the new proposed legislation for the oil and gas industry. The proposals are based on studies conducted by the Inter-Ministry Commission that was created to study and propose changes to the oil and gas sector regulatory model.

The proposed legislation includes the introduction of production-sharing contracts for oil and gas exploration and production in pre-salt layers and in potentially strategic areas as defined by the National Energy Policy Council (CNPE). The new production-sharing contracts introduce the concept of “profit oil,” representing the production of a certain field, after deduction of costs and expenses related to oil production. Another concept that was introduced is “cost oil,” corresponding to costs and investments made by the contracted party for the exploration and production. Under this proposal, the following are highlighted:

- Petrobras will operate all blocks under this regime;
- The Brazilian government can either exclusively hire Petrobras or conduct public bids with the free participation of any company;
- In areas subject to public bids, Petrobras will have a minimum interest of 30%, with the additional right to participate in bidding processes to increase its interest in those areas;
- The winner of the bid will be the company that offers the highest percentage of “profit oil” for the Brazilian government. In this case, Petrobras will have to offer the same percentage offered by the winning bidder to the Brazilian Government state, in the proportion of its minimum participation. In areas in which Petrobras has exclusivity, CNPE will determine the percentage of “profit oil” to be paid to the Brazilian government.
- The payment of subscription bonus (which is not a criterion for the bid) will be defined on a case-by-case basis by CNPE, and royalty payments will follow the terms of Law No. 9,478 of August 6, 1997.

There is a specific proposal for the creation of a new state-run company that will represent the interests of the Brazilian government in the production-sharing contracts. The new company will not conduct upstream activities or engage in investments, but it will participate in operational committees, with voting rights and veto powers, that will define consortium activities.

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Other legislative proposals include:

- The authorization to the Brazilian government to onerously transfer to Petrobras the oil and gas exploration and production activities in areas of the pre-salt layer that are not subject to concessions, limited to the maximum volume of 5 billion barrels of oil equivalent (“transfer of rights”).
 - According to this proposal, Petrobras and the Brazilian government will sign a contract which will determine these geographical areas, the amount to be paid for the “transfer of rights”, the conditions for the reappraisal of the transfer value and the payment conditions for Petrobras, observing the best practices in the industry.
 - Exploration and production activities in these areas will be regulated and supervised by the National Petroleum Agency (ANP). The ANP will also approve agreements concerning the unitization of production that may be required in this area.
- The authorization for the Brazilian government to subscribe for additional shares of capital stock of Petrobras.

In anticipation of a rapid congressional approval of this proposal, Petrobras will promptly initiate the following:

- Corporate proceedings necessary to approve Petrobras’ capitalization according to its bylaws and Brazilian Corporate Law, including calling an extraordinary shareholders’ meeting to approve the capitalization and granting of shareholders’ right to exercise their preemptive rights to subscribe for additional shares of the company;
- The emission resulting from the increase in capital will follow the current proportion of the different classes of shares from the company;
- The appraisal of the “transfer of rights”, focusing the negotiations with the Brazilian government related to the onerous transfer, observing the best practices in the industry.
- The negotiation with the Brazilian government of the terms of the onerous transfer of the areas.

Petrobras will use the proceeds from this capitalization for the payment for the transfer of said areas and to finance Petrobras’ investments under its business plan.

Petrobras reinforces its commitment to sustainable development in Brazil, maintenance of its national oil self-sufficiency and equal treatment of all of its shareholders.

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