

May 21, 2019

## MME opens public hearing for Co-participation agreement to be executed in the context of the mega bid round for Transfer of Rights Surpluses

The Brazilian Ministry of Mines and Energy (“**MME**”) submitted to public hearing the draft of the MME Resolution that will rule the Co-participation Agreement (“**CPA**”) to be executed by the winners of the bid round for the Transfer of Rights (“**ToR**”) Surpluses. See below a summary of the main provisions of the draft released by the MME:

<b>Parties</b>	(i) Petrobras (as the holder of ToR Contract) and (ii) the winning bidder (as the holder of a PSC). PPSA will execute the CPA as intervening party.
<b>Minimum Content</b>	The CPA shall contain at least the following: (i) the identification and definition of the Coparticipated Area. (ii) the definition of the Operator of the Coparticipated Area. (iii) the division of rights and obligations of the parties that involve or impact the Federal Union and the public interest. (iv) the participating interest of the parties in the CPA. (v) the possibility of redetermination. (vi) the obligations of the parties related to government take. (vii) the Coparticipated Area Development Plan. (viii) the effectiveness of the Coparticipation Agreement. (ix) the rules for the payment to the compensation due to Petrobras for previous investments in the area. (x) the dispute resolution mechanism.
<b>Negotiation</b>	The parties will have 18 months as from the execution of the PSC to negotiate and submit the CPA for the ANP approval.
<b>Lack of Agreement</b>	In case the parties are not able to reach an agreement on the CPA, they shall inform it to the ANP prior to the end of the negotiation period and provide (i) details of the disputed items, (ii) respective proposals to solve the disputes and (iii) all data, information, interpretations and static and dynamic models of reservoirs necessary for the evaluation and elaboration of a technical appraisal.  The ANP will then prepare a technical report to support how the rights and obligations of the CPA will be allocated among the parties.  Such report shall be submitted for approval of the ANP board. Once the CPA is approved by the ANP, the parties will have 60 days to execute the CPA.

<b>Lack of Agreement</b>	<p>If Petrobras refuses to sign the CPA, the current draft provides that the ToR Contract will be terminated. Notwithstanding, it does not further detail what will happen then.</p> <p>If any PSC holder refuses to execute the PSC, such contract will be terminated in relation to such party and its participating interest will be shared among the remaining contractors, which may lead a company to increase its exposure to the project.</p>
<b>Effective Date</b>	<p>The CPA is conditioned to the ANP approval.</p> <p>ANP has 60 days to (i) approve or (ii) request adjustments or additional information, which may delay the approval.</p> <p>The CPA will be effective on the day following the date the operator of the coparticipated area is informed of the ANP approval.</p>
<b>Predetermination Option</b>	<p>It is granted to the PSC holder the option to have immediate access to one of the following preliminary percentages of production from the Coparticipated Area: (i) 10%; (ii) 20%; (iii) 30%; or (iv) 40%.</p> <p>In consideration for such immediate access, the PSC holder will have to anticipate part of the compensation due to Petrobras for past investments in the areas.</p>

Contributions to the resolution shall be submitted until May 25, 2019. Please see links to the draft of [resolution](#) and the [technical note](#) supporting the draft.

The bid round for ToR Surpluses is currently scheduled to be held on October 28, 2018. The preliminary tender protocol is expected to be released in early June. We point out that such schedule may be affected by discussions related to the approval of the revision of the ToR Contract by the board of directors of Petrobras and TCU and political debates over the necessity of law supporting such revision.

Our Oil & Gas team remains available to provide any further clarification on this or any other matter.

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**CONTACTS:**

For further information, please contact:

**Felipe Boechem**

felipe.boechem@lefosse.com  
Tel.: (+55) 21 3263 5481

**Louise West**

louise.west@lefosse.com  
Tel.: (+55) 21 3263 5485

**Bernardo Fontes**

bernardo.fontes@lefosse.com  
Tel.: (+55) 21 3263 5479

**Lefosse Advogados**

Rua Tabapuã, 1227 - 14<sup>th</sup> floor  
04533-014 São Paulo SP Brazil

Avenida Presidente Wilson, 231 office 2703  
20030-905 Rio de Janeiro RJ Brazil