

Subject: Comments on SEC File n° S7-29-07: **"Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves"**

In general terms, Petrobras considers that the Securities and Exchange Commission (SEC) should adopt the Petroleum Resources Management System provided by SPE/WPC/AAPG/SPEE.

The SPE/WPC/AAPG/SPEE definitions was revised last year and received the approval of the oil and gas technical community. This revision incorporated most of the technical advances in the industry over the past decades. We also recommend that all future revisions in the SPE/WPC/AAPG/SPEE guidelines shall be automatically adopted by the commission.

We also suggest that current rules should not be applied for particular areas. They should be general and considered in all places.

For example:

- In the Gulf of Mexico, volumes can be classified as proved reserves without flow test, because the environmental and geological characteristics of the area and its associated costs. This criteria should be generalized to consider the cases where the flow test can find difficulties¹ to be performed. It could include, for example, high pressure or temperature wells or environmental restricted areas. It should also establish an alternative way to use techniques and/or processes of analyses to prove reserves in such areas, like well logs, core analyses and/or seismic.

Petrobras understands that the definition for petroleum reserves terms shall be enhanced. As an example, there are terms that can be used in different situations, like "offset": How to apply an offset in horizontal wells?

The questions defined on *SEC File n° S7-29-07* are presented below:

1. Should we replace our rules-based current oil and gas reserves disclosure requirements, which identify in specific terms which disclosures are required and which are prohibited, with a principles-based rule? If yes, what primary disclosure principles should the Commission consider? If the Commission were to adopt a principles-based reserves disclosure framework, how could it affect disclosure quality, consistency and comparability?

Petrobras recommends the SPE-PRMS to be adopted and all the future revisions to the SPE-PRMS should be automatically incorporated. These criteria are widely diffused in the industry which allows a more effective comparison.

2. Should the Commission consider allowing companies to disclose reserves other than proved reserves in filings with the SEC? If we were to allow companies to include reserves other than proved reserves, what reserves disclosure should we consider? Should we specify categories of reserves? If so, how should we define those categories?

The disclosure of non proved reserves allows the investor to have a more complete view of the asset evaluation, since there are investments and future expenditures associated to these volumes.

¹ Difficulties like environment restrictions and high operational costs.

3. *Should the Commission adopt all or part of the Society of Petroleum Engineers – Petroleum Resources Management System? If so, what portions should we consider adopting? Are there other classification frameworks the Commission should consider? If the Commission were to adopt a different classification framework, how should the Commission respond if that framework is later changed?*

Petrobras recommends the SPE-PRMS to be fully adopted by the Commission.

4. *Should we consider revising the current definition of proved reserves, proved developed reserves and proved undeveloped reserves? If so, how? Is there a way to revise the definition or the elements of the definition, to accommodate future technological innovations?*

Petrobras recommends the SPE-PRMS to be fully adopted by the Commission.

5. *Should we specify the tests companies must undertake to estimate reserves? If so, what tests should we require? Should we specify the data companies must produce to support reserves conclusions? If so, what data should we require? Should we specify the process a company must follow to assess that data in estimating its reserves?*

Petrobras recommends that it is not necessary to impose new rules, since there is a standardized classification framework adopted and fully used by the industry.

6. *Should we reconsider the concept of reasonable certainty? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?*

The definition of reserves estimate terms is fundamental for a larger comprehension and larger uniformity in the application.

7. *Should we reconsider the concept of certainty with regard to proved undeveloped reserves? Should we allow companies to indefinitely classify undeveloped reserves as proved?*

The SPE-PRMS framework has already a very well defined timeframe, including non-proved reserves.

8. *Should we reconsider the concept of economic producibility? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?*

The SPE-PRMS framework has already this concept incorporated and this would not affect the quality of the information.

9. *Should we reconsider the concept of existing operating conditions? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?*

The SPE-PRMS framework characterizes the economic viability of the project.

10. *Should we reconsider requiring companies to use a sale price in estimating reserves? If so, how should we establish the price framework? Should we require or allow companies to use an average price instead of a fixed price or a futures price instead of a spot price? Should we allow companies to determine the price framework? How would allowing companies to use different prices affect disclosure quality and consistency? Regardless of the pricing method that is used, should we allow or require companies to present a sensitivity analysis that would quantify the effect of price changes on the level of proved reserves?*

Petrobras suggests that the economic criteria for evaluation reserves shall continue using a fixed price and WACC. These statements allow investors to compare industries on the same basis.

11. *Should we consider eliminating any of the current exclusions from proved reserves? How could removing these exclusions affect disclosure quality?*

12. *Should we consider eliminating any of the current exclusions from oil and gas activities? How could removing these exclusions affect disclosure quality?*

13. *Should we consider eliminating the current restrictions on including oil and gas reserves from sources that require further processing, e.g., tar sands? If we were to eliminate the current restrictions, how should we consider a disclosure framework for those reserves? What physical form of those reserves should we consider in evaluating such a framework? Is there a way to establish a disclosure framework that accommodates unforeseen resource discoveries and processing methods?*

Adopting the SPE-PRMS definitions and classification framework would eliminate the actual restrictions and allow all types of petroleum accumulations to be disclosed. Therefore, allowing more complete reporting of a company's portfolio.

14. *What aspects of technology should we consider in evaluating a disclosure framework? Is there a way to establish a disclosure framework that accommodates technological advances?*

The SPE-PRMS framework has already technological considerations.

15. *Should we consider requiring companies to engage an independent third party to evaluate their reserves estimates in the filings they make with us? If yes, what should that party's role be? Should we specify who would qualify to perform this function? If so, who should be permitted to perform this function and what professional standards should they follow? Are there professional organizations that the Commission can look to set and enforce adherence to those standards?*

The reserves certification allows companies to be independently evaluated. Petrobras considers certification as a very positive contribution, and suggests that the certification should be periodic and include the principal assets of the company.