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Oil discovery rocks Brazil

- Story Highlights
- Petrobras president: Oil found would give Brazil the world's eighth largest reserves
- Petrobras: Tupi field has equivalent to 40 percent of all oil ever discovered in Brazil
- Brazil became a net oil exporter only last year
- Presidential chief of staff: Oil find will put Brazil on level of Venezuela, Arab nations

RIO DE JANEIRO, Brazil (AP) -- A huge offshore oil discovery could raise Brazil's petroleum reserves by a whopping 40 percent and boost this country into the ranks of the world's major exporters, officials said.

The government-run oil company Petroleo Brasileiro SA, or Petrobras, said the new "ultra-deep" Tupi field could hold as much as 8 billion barrels of recoverable light crude, sending Petrobras shares soaring and prompting predictions that Brazil could join the world's "top 10" oil producers.

Petrobras President Sergio Gabrielli said Thursday the oil from ultradeep areas, including the Tupi field, would give Brazil the world's eighth-largest oil and gas reserves.

"Brazil's reserves will lie somewhere between those of Nigeria and those of Venezuela," Gabrielli said at a news conference.

Petrobras says the Tupi field, off Brazil's southeastern Atlantic coast, has between 5 billion and 8 billion barrels -- equivalent to 40 percent of all the oil ever discovered in Brazil.

Brazil's total oil reserves currently rank 17th in the world, with 14.4 billion barrels of oil equivalent, Gabrielli said.

Thursday's news of the discovery rocked a country that became a net oil exporter only last year but must still import light crude oil for the refined products it needs. Brazil produces -- and exports -- mostly heavy crude oil, which has to be mixed with the light oil in refineries.

Petrobras' American depository shares jumped \$24.03 to \$116.77 on the New York Stock Exchange to close at a 52-week high. In Brazil, Petrobras shares ended 14.1 percent higher Thursday at 80.17 reals (\$45.94) in Sao Paulo.

"If this is confirmed, we will no longer be a 'medium' country, pursuing self-sufficiency and exporting a little. It will transform the nation to another level, with exporting properties like Venezuela, Arab nations and others," said Dilma Rousseff, presidential chief of staff.

For a country that went deeply into debt buying foreign oil in the 1970s and '80s, "this has changed our reality," she said.

Rousseff also announced that Brazil was withdrawing 41 blocks of underwater territory from an auction of 312 prospective oil blocks to be held this month. The country still will put the remaining 261 blocks up for auction but will reserve the most promising areas around the Tupi field for itself.

The Tupi field lies under 2,140 meters (7,060 feet) of water, more than 3,000 meters (almost 10,000 feet) of sand and rocks, and then another 2,000-meter (6,600-foot) thick layer of salt. The company drilled test wells that lie under 2,166 meters (7,100 feet) of water, 286 kilometers (177 miles) south of Rio de Janeiro.

Getting that oil out of the Earth's crust is a formidable challenge, but most of Brazil's oil lies off its Atlantic coast, and Petrobras has become a global leader in ultradeep offshore oil extraction.

Felipe Cunha, an oil analyst with the Sao Paulo-based brokerage Brascan, said the Tupi field guarantees Brazil's oil output will continue to grow.

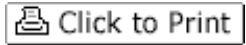
"If the best-case scenario happens, this discovery would make Petrobras' reserves overcome those of Shell and Chevron and put Petrobras behind only Exxon and British Petroleum," Cunha said.

Petrobras has a 65 percent operating stake in the field, Britain's BG Group PLC holds 25 percent, and Petroleos de Portugal holds the remaining 10 percent.

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