Raquel Smolka:

Welcome everyone to another Enauta’s 3Q22 earnings videoconference. My name is Raquel, I am part of the Investor Relations team and will be the host of this event.

Before we begin the presentation, I would like to make some important announcements. This event will be broadcast live with simultaneous translation into English, and the presentation will be available for download at the Company's IR website as well as here on the webcast platform. After the presentation, we will begin the Q&A session. If you want to ask an audio question, please write your name and company in the Q&A field on the platform on the bottom of the screen. If you prefer to ask your questions in writing, please write your questions also in the Q&A.

Before proceeding, let me mention that forward-looking statements that might be made during this conference call relative to Enauta's business perspectives, projections and operating and financial goals are based on the beliefs and assumptions of Enauta's management and on information currently available to the Company. Forward-looking statements are not guarantee of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors can significantly affect the future performance of Enauta and can cause results to differ materially from those expressed in such forward-looking statements.

Today with us, we have our CEO, Decio Oddone, our Chief Operating Officer, Carlos Mastrangelo and our CFO, and IRO Paula Costa.

I would like to turn the floor now to Paula, who will make the presentation. Please, Paula. Go ahead.

Paula Costa:

Good morning, everyone, and thank you for joining us today in our video conference call. We are going to comment on our results for the 3Q22 and the 9M22.

I will start the video conference by commenting on our main highlights on slide 3. This was a quarter of great achievements, great progress from the operating point of view. We completed the scheduled shutdown of Petrojarl 1 without technical impediments and mainly without any accidents. It is always good to point out that safety is a fundamental pillar for the Company. With this, we are able to maintain the capacity to generate operating cash flow between the early production system, EPS, and the Full Development System, FTS, of Atlanta Field. Later, Carlos Mastrangelo, our COO, will provide more details about this progress, these advances that we had throughout the quarter.

This week, we also announced the start of drilling of the fourth well at Atlanta in the early production system. So we took advantage of a rig contract that we signed earlier this year before the rise in commodity prices. We took advantage of the same contract to continue the Company's operational campaign and the drilling of 2 more wells despite of the Full Development System. We also had very important achievements from the commercial standpoint.

I think the biggest highlight was the signing of the contract with Shell for the sale of oil for the entire period of the EPS. So a contract that runs until 2024. As far as the Full Development System is concerned, the work is progressing on time and on budget. We have already invested US$285 million in the Full Development System of Atlanta.

This is really our major project that is ongoing. We also had a significant reduction in our operating cost as of September. And we commented on this a little in the last earnings call that as of September, we would end the portion of the FPSO charter contract that is related to the Brent. With that, we have a reduction of about US$150,000 per day in our FPSO charter contract. This greatly improves the margins and the project's capacity to generate cash.

On the financial side, in the 9M22, we posted revenues 36% higher than the same period of the previous year. This is a reflection of the Brent price, the value of the commodity coupled with the increase in the Company's stake of Atlanta Field. Our EBITDAX was R$270 million in 3Q. So we ended the quarter with a cash position close to US$300 million, which gives us the confidence to continue the investments for the Company's growth. During 3Q, we also had other achievements that I think are worth highlighting. We were nominated among the finalists for the AMP prize for technological innovation.

The first independent company, the first independent Brazilian company to receive such a nomination. We joined the Bovespa BX 100 Index, which reflects the 100 most traded assets on the stock exchange, which once again reinforces our commitment to generate value for our shareholders in a sustainable fashion. We achieved the great Place to Work seal, which demonstrates our search for continuous improvement in our work environment as well as the appreciation of our employees.

I will now turn the floor over to Mastrangelo, who will comment on the Company's operating performance over these past 3 months.

Carlos Mastrangelo:

Thank you, Paula. Good morning, everyone. Moving now to slide 4. As Paula pointed out, this 1Q was a period of investments. We stopped production to do whatever was possible and what was necessary to be able to have operating continuity in the Atlanta project, so that the period between the end of the early production system, EPS, and the beginning of the Full Development System, FDS, would not have any interruption.

So the necessary services were done for what we call life extension. Out there at sea, which is not a simple task. It is rather complex. It's a confined space with many people on board performing several simultaneous services.

In the period of production, stoppage of downtime was done during the Winter season, which makes the interruption of activities even more complicated due to the operation of boats, vessels, helicopters.

But at the end of the day, I considered the operation a great success. First, because we did not have any accidents, which is a fundamental value in our operations. We were able to carry out all the services that were necessary to give us confidence that we will be able to extend production in the early production system until the Full Development System is in place. I will talk more about this later.

So this period brought this reward, this period of investments in the Atlanta project brought this reward of not having that production gap. That period of time without production between the end of the EPS and the beginning of the FDS in mid-2024. In addition, during this downtime, we expanded the treatment capacity of water produced by more than 30% compared with the capacity of the original project.

Of course, we used the downtime for several other things, including to make all the necessary inspections to meet the regulatory standards of the Ministry of Labor. So it's to avoid having another downtime down the line. Everything was done during this quarter. In summary, in a nutshell, this was an investment period in which we sacrifice a portion of the production time of the early production system in order to extend production during the full development of the field.

Now moving on to the next slide, slide 5, let's talk about the Full Development System, FDS. We give you an update on the situation of the FDS, which is unfolding according to plan since the beginning. We have project approval in February, and the activities continue in a sequence as planned. And it's even a good moment to explain how it would be.

Now that we have this confidence to go ahead with the EPS, we can understand how this transition from the early production system to the Full Development System will play out. Well, today, we have a production system for the South Atlanta field producing with 3 connected wells. We started just yesterday, the drilling campaign of another 3 wells. And the first of the 3 wells will be used to replace well 3, which we stopped short time ago. This first well that is being drilled now will go into production in the early production system, completing 3 wells in the EPS. The other 2 wells will wait for the Full Development System to start operating later on.

When the full development is in place, it will be located more to the north with no interference between the early and the Full Development System. They will continue to work in parallel, simultaneously without the need to stop production in the early production system. With this, the wells standing by will be connected to the Full Development System. This will start production in mid-2024.

The same vessels that installed these wells in the Full Development System, which will start production, will go further south and well after well, we will take them north until production in the EPS will stop and everything will be decommissioned.

That way, we can have a smooth transition between one system and the other with minimum loss of production during this transfer. So that is the plan. In this slide, we can see some photos of the FPSO in the dry dock, the subsea Christmas tree, which are the Vault that are placed on top of the well on the seabed. It has arrived for the next well. This is the rig a few days ago, passing through Guanabara Bay heading for the Atlanta location.

The main phase of the full development is here. We finished that initial phase of detailing the project. Now we are in the construction phase, in the execution phase for equipment delivery and assembly. So we have moved on to the next phase.

We have a management system that consists of committees, which we call steering committees composed of the CEOs of the main participating companies, and we also did a peer review to make sure that there is no disconnect between all of the stages, all of the phases in order to move forward with as little uncertainty as possible.

Now moving on to slide 6. Here, we have the distribution of CAPEX that was approved when the project was approved in February of this year. As I said, it is the same CAPEX, R$1.2 billion was a little over R$100 million deferred for further ahead during the operation beyond 2024. Of the rest, R$80 million is for the purchase of the FPSO and another R$420 million are needed to adapt the FPSO for Atlanta. If you think about this amount, it is a much smaller amount than usual. This is because the adaptations are minor, small, they are not significant interventions. There are just a few new modules, which is why we can implement the Full Development System in a short period of time.

The rest of the budget, around R$700 million refers to the drilling of the new wells, subsea equipment, lines, ESPs. And here, we are going for a much more robust solution in terms of reliability and time between workovers. We have much greater operating continuity. So this completes the remaining R$700 million.

Of this total budget, 93% has already been contracted. These are firm values. The remaining 7% refers to items budgeted, but items budgeted for the following phases, for the final phases of connection, installation, installation of the anchoring system, installation of the FPSO commissioning.

So, these are the items that are still in the contracting process, but it is a very small one, which gives us great certainty regarding the project budget.

Now I thank you, and turn the floor back to Paul to present the financial results of the quarter.

Paula Costa:

Thank you, Mastrangelo. I'm going to move to slide 7 to comment on the Company's main financial indicators.

In 3Q, as we already had the opportunity to comment, we dedicated this quarter to the Company's investment in this journey of growth. So it was a quarter in which we somehow gave up on some of the production in Atlanta for a certain period of time so that we could remodel the FPSO and seek the recertification of the unit and would that have continuity of production until the Full Development System was operational and we could then continue to increase production at Atlanta.

Reflecting this, we averaged production of about 3,000 barrels of oil daily at Atlanta given that the field did not produce every day of the quarter. The field had some downtime, the main one being the scheduled shutdown for the works of the FPSO, which as I said, are extremely important for the Company's long-term financial viability.

At Manati Field production was about 15,000 barrels, which is more or less 7,000 barrels of oil equivalent, referring to Enauta’s stake, given that we have 45% working interest of the field. This production also reflects some measure of reduction, a reduction in the demand for Manati gas. Lower production clearly has an effect on net revenues. So, when we compare, we also had a reduction in net revenue, which ended the quarter at R$167 million, R$15 million coming from Atlanta and the rest from Manati.

So we had a reduction of revenue from Atlanta, Manati on the other hand, revenues grew about 1.5% year-over-year. Despite a lower production contract adjustments for the price of gas from Manati ended up providing this revenue above the same period last year. When we look at the 9 months of the year, revenues were R$1.5 billion, up more than 30% of the same period last year. We have brand appreciation in this period besides the increase in and out a stake of Atlantic field. We currently hold 100% of Atlanta Field. EBITDAX in 3Q was R$47 million.

So once again, lower than the accounted for in 2021, a reflection of all the work that was done this quarter, enabling the recertification of the unit and extension of the contract. Year-to-date EBITDAX on a recurring basis was up 15% over the previous year. It is worth remembering that the 9M of last year were impacted by the business combination. When we took over an additional 50% stake of Atlanta field in the middle of last year. This had effect on the result and effect on EBITDAX, which makes the basis not directly comparable. Net of this result, we clearly see an increase in EBITDAX the 9M22 when compared to the same period of 2021.

3Q net income was R$19 million, a reduction of 86% over the same period last year. In the 9-month comparison, we ended 3Q with R$200 million. In the year 2021, it was also impacted by the same nonrecurring effect of the business combination. So, when we exclude this nonrecurring event, net income for the 9M was very close to the same period last year.

Now, let's move to slide 8 and drill down a little bit more into the field operation. On slide 8, we can see that OPEX had a significant reduction, decreasing from US$39 million to US$20 million when we compare 3Q22 with 3Q21. This reduction is mainly the result of the captivation of costs incurred during the scheduled shutdown, considering, as we have already explained, considering that this is the investment made for future production of the field, the costs related to this period are capitalized and therefore, do not impact the OPEX.

On the other hand, we can see that the average sale Brent is still at very favorable levels above the historical average, which makes this project once again a strong cash generator. We had an important reduction in operating costs as of September, we had an opportunity to comment on this in the last earnings call.

The FPSO charter contract had a portion that was related to the brand. So with the higher brand, we had higher trade costs and when Brent fell, this cost of charter was reduced. However, this additional portion had a cap of maximum value in the year-to-date.

So that once the cap is reached, this installment is no longer due, and we do not have to buy this additional amount and we reached this gap in 3Q. In September, we already had this reduction of US$150,000 daily, which represents more or less half of the charter value of the FPSO. We have already incorporated this reduction. It is valid until the end of the unit's contract until the end of the early production system. Without this additional value, we will have an additional cash generation in the project.

On slide 9, you can see our cash position. We ended the quarter with R$1.5 billion in cash. So I think we have, once again, a very sound balance sheet to continue to invest and drive growth for the Company, to continue with our business plan with our growth journey.

During this period, we made investments of about R$464 million. The vast majority of this related to the Full Development System and a little over EUR 100 million were related to the early production system, mainly to costs incurred due to the scheduled shutdown in the works of Petrojarl of the FPSO related to recertification and extension of the unit's contract.

As part of our hedge policy and given that a large part of our investment is dollarized, the Company has, today, more than 90% of its cash in dollars. This has an impact on the result. So, this quarter, we had a positive impact from the exchange rate variation. The rest of the cash will be invested in conservative instruments in BRL. This generated for us a financial income of a little over R$20 million in 3Q.

Moving on to slide 10, I will comment a little bit on our strategic positioning. As mentioned, 3Q was a very important quarter for the Company. Although we had an impact on our results due to a reduction in production, 3Q was a quarter to invest for growth and to build the future of the Company. We had to stop production to do relevant works on the vessel, on the FPSO, which allows us to follow this path toward recertification of the unit and the subsequent extension of the contract. Once again, this creates this operational bridge between Atlanta’s early production system and the full development, which is the big project of Atlanta.

So I think that having had success in this scheduled shutdown, having been successful without any technical impediments, without any accidents. All this was super relevant for us to continue building Enauta’s growth.

We are very diligent in managing our assets. So we are always seeking greater efficiency in the Atlanta operation. Already in 3Q, we posted an important reduction in Atlanta's OPEX as a result of the FPSO contracting mechanism and chartering costs of this unit, which will lead to a higher cash generation for the asset.

We remain very focused on the implementation of the Full Development System. So the fact that we continue to advance on schedule and on budget. I think these are very important achievements for the Company along this path, and we keep working to optimize our capital structure to have a robust capital structure. We continue with a strong balance sheet to continue these investments, the Company's growth and to continue to execute on our strategy.

I will end the presentation here, and I will turn the floor to Decio, who will comment a little more on the Company's strategy and on our moment. Then we will open the session for questions. Thank you very much. Decio over to you.

Decio Oddone:

Good morning, everyone. Thank you for joining us today. Paula and Mastrangelo already reported what happened over and out this quarter. However, I would like to summarize by saying the following: This quarter gives signs of the success of our strategy and also reduction of our risk. If you remember well, late last year, we had this project, the early production system expected to be completed early 2023, and therefore, Atlanta would no longer generate cash for the Company starting 2023.

The Full Development System was not approved at that time. We are leading the bidding process which would enable us to come to this decision to go ahead with the Full Development System or not. We could buy or 80 million the system that would be due in February 2022. So at that time, late last year, we decided to bet on the extension of Petrojarl contract, a vessel that is in the early production system, as you all know and for that, we had to stop the unit, like Mastrangelo put it so well. We had to work very intensively on the vessel in order to allow us to have the extension of the life cycle of the vessel and stay on the field by the regulatory agency.

So it was necessary to do this downtime, which is critical to determine the possibilities to extend the agreement. If you were not successful in extension, you would have to stop production in Atlanta in 2023.

So, downtime was successful, not only in terms of safety, like we said before, but also operational-wise. The information that we collected show there is no problem to extend the contract yet, and it greatly increases the chance of managing to have this extension, which we expect to happen by mid-December. We are depending on the certifying agency.

But the good side is that during the inspection phase of the vessel, which was led this quarter, we have not found any circumstance yet that prevents us from having recertification. This is great news, greatly lowering the risk of the Company. We still have a slight risk until we have the formal response being sure that the certification will come. Anyway, we are increasingly decreasing the risk that it will happen and certification is critical.

This was also a significant quarter in terms of the success of the strategy and to lower the risk of the Full Development System because we led our contracts and agreements over 2021, and we were getting ourselves ready to sign the agreements early this year. And these agreements were favorable to us because these contracts were made when prices were still better in the service environment.

The increase of oil prices last year had an impact on cost increase, particularly for drilling purposes. So, we made the decision as well, as we speak, to anticipate drilling of these 2 wells, additional wells in the beginning of the Full Development System by using the most favorable contracts we had, we made a decision to go ahead with the Full Development System.

Like Mastrangelo said, we changed faces in FDS from engineering into execution. One of the huge risks in these phases, in this type of project is that we do not stop engineering, and you have to make a revision in the budget and also to review the schedule, the time frame. So, we overcome this first door without review on budget nor review on the timeline.

So we can say that the system, the Full Development System at a time is on time and on budget at Atlanta, greatly improving the chance of being successful in the certification of Petrojarl for another 2 years. With that, we have greater chances of our strategy to keep on producing in Atlanta about 20,000 barrels in 2023 and increasing production over 2024. This is closer to us. So that's the big great news this quarter. This quarter was necessary, like we said before, a quarter of sacrifices. But for those who follow the Company carefully, this was a quarter of huge success.

In addition, we also had some other fortunate events. Getting to the index, the X100 and Enauta has a great technical team. It's the only technical team of a Brazilian independent company managing to lead development of well in deep waters independently, which is Atlanta.

This year, we had a seal of the Great Place to Work. This is evidence of our team satisfaction at Enauta, particularly in Atlanta's project. I know it does not sound so great, but this is very important to us, managing to have certification of great place to work in a team that is dedicated to such an important project as Atlanta at Enauta shows the team's engagement.

This engagement of the team is absolutely critical, so we can be successful in this project. So having the certification as we speak right now, this is also a symbol, a sign of our success by leading Atlanta's project. I want to thank our team for the performance because this is absolutely critical for all of us. And to make room for questions, I would just like to share great news, very recent news, one of them this morning. It's not even in the release yet. I'm referring to sustainability efforts at Enauta.

For the first time, a Brazilian company, an independent Brazilian company is a finalist of the Technological Innovation Award at ANP for Mangroves and Costa Norte. This project was a finalist for E&P Award. This morning, we are also told that we were also finalists of Firjan Sustainability Award. It's a similar award. So we are focusing on studies of mangrove areas. So the fact that we were finalists in 2 awards in these projects shows that our contribution efforts to the environment are being recognized, and this is very important for us right now.

So with that, I would like to thank you all. Thank you for being with us and now we can open for the Q&A session.

Tasso Vasconcelos, UBS:

Good morning. Coming back to the topic of funding, you mentioned in the beginning of the presentation, and maybe I got here late, so I apologize, but recently, you had an advisory reporting that you might consider having more additional funding. We know you have robust investment for the coming months to continue developing the Full Development System in Atlanta. So I would like to understand your mindset about this funding. Could you give us an order of magnitude and timing estimated for any need of more liquidity to move forward with your investments in Atlanta. Second question.

Recently, we have seen some news about Shell's divestment. So and out in this scenario is a potential buyer for this asset. Would you mind sharing a little bit more about our mindset as well about these investments for M&A of the Company? We know that you are looking for alternatives for new projects. So in this project more specifically, Parque das Conchas, are you interested in assessing if considering the size of the check close to US$1.5 billion? If you might consider being a loan or in a consortium or considering investments in Atlanta. If it's not the time to assess this project more specifically, that would give us more color. Thank you very much.

Decio Oddone:

Thank you for the question. I will answer the second part, and I will also ask Paula to help. Yes, we are keeping an eye on Parque das Conchas. This is part of our desire to embark an acquisition to diversify our portfolio. So the answer is yes. We will keep it an eye on this.

As for funding, Paula is going to help me with the answer.

Paula Costa:

Tasso, good morning. Thank you for the question. About funding, I believe that over recent years, particularly after the approval of the FID, the Company is making comments on our strategy to optimize our capital structure. Today, we are a cash generation company. Our balance sheet is very robust. Traditionally, we always were more conservative with our balance sheet. We also had a cash position very significant in the balance sheet and with Atlanta's investment, the cash had a specific destination for the project.

So because we are a cash-generating company with 2 production assets and carrying a robust cash for a while, it makes sense for the Company to consider alternatives to optimize the capital structure.

So at the end of the day, I began the recent advisory with that strategy in mind, broadly announced by the Company, to constantly keep an eye and pursue opportunities and assess them and we work with several alternatives, but also considering alternatives for a potential improvement in the capital structure.

Decio Oddone:

Just adding to the comments about Parque das Conchas, this asset is very similar to what we know how to do. Our team, we were the first independent Brazilian company to develop an oil project in deepwater, heavy oil with subsea pumps, exactly what is used at Parque das Conchas. So we have the know-how and a lot of capacity to have a proper analysis and evaluation. And if we are successful, we can be successful in our operations in this asset.

Tasso Vasconcelos:

Perfect, thank you. Thank you, Decio and Paula.

Caroline (via webcast):

About the recent technical problems in Atlanta, owing to recurrence, how does it affect the living cost and flow lines of the Company, cash flow of the Company? And the current schedule, is it maintained to the Full Development System, or any potential delay?

Decio Oddone:

Let me begin by answering the second question. As we reported, we do not have any expected delay quite the opposite. FDS is on time, on budget, and we are very happy with what we see in terms of performing the agreements and the works.

As for operations in Atlanta, I would like to remind you the following: We decided very mindfully to extend the life of the early production system, allowing the Company to keep on generating cash with Atlanta's production until 2024 when the FDS will arrive, which definitely will be robust and ready to last for a long time in the location.

In the meantime, we have to live with constraints of the decision to work on this extension. It would have been a lot easier when it comes to reputation and operations to give up the early production system once we had the necessary information to be certain and confident of the FDS. And we would not be living with these difficulties that we face right now. These are daily difficulties in a system as the one we have today.

So it's only normal based on the circumstances we are to have these interruptions. These stoppages happen, by the way, in all production facilities. They are more visible at Enauta because Enauta has just one platform and 3 wells. The average duration time of the pumps that we use, which are the same type of pump used in Parque das Conchas with Shell, for instance, this is 2 years on average. So there are failures and faults when we have 3 pumps, they are visible. And in our case, they require this announcement to the market.

In the FPSO, we normally have stoppages. These facilities do not work with a 100% operating rate. They are around 90% operation rate, which means that usually 10% of the times, they are idle. In a company with a diversified portfolio, this is diluted in a company like Enauta, which only owns an FPSO in Atlanta's EPS, these downtimes are more visible more easily. The last material fact that we reported was about a downtime stemming from a small leak, a small leakage in a 10-inch line or 4-inch. 10 centimeters of diameter and it happened and it's being repaired.

These things are normal. In operations, the problem that we are working to solve and fix finally having a Full Development System reliable and designed for that purpose in Atlanta and diversify our portfolio. This is the solution for our Company. The thing is that it's time consuming, everything we do in our business requires time. Having an FDS in Atlanta in 2 years, it's outstanding.

There is nothing parallel to that, but we only managed to do that because we had the early production system which allowed us to do it fast. And we managed to buy an existing FPSO working on a project that slightly changed the FPSO like Mastrangelo said but such a pump. It takes 6 months to be fixed. We have 3 pumps. So if we had 20 pumps like this, if one of them stopped, the impact on production would be minimal. So this is our problem. Early production system designed to be for a short time and which is convenient now to be extended. That's why we are doing that and a concentrated portfolio and we are working to make it not so concentrated.

Eduardo Rosa 4UM Investimentos:

Good morning. I have 2 questions. The first one, I think perhaps it was answered, but I missed it. In terms of the timeline, when can we expect confirmation of renewal of the early production system?

And my second question is, last quarter, I think you were considering some kind of partner in the Full Development System. Do these conversations continue? And what is the Company's expectation regarding that?

Decio Oddone:

For the purpose of your question, it was about the timeline for recertification. The deadline is by December. By December, we will have an answer by the certifying body, whether we will have a recertification or not. We are confident that we will get it, but we can only be sure when we get their answer, which is expected for December.

The second part was related to divestment in Atlanta. In 2021, before we made the decision to try and extend the early production system and before we approved building in the Full Development System, we were looking for partners for Atlanta because the risk back then was higher.

The process dragged on and we chose to not move forward with divestment in the plant. So we are standing alone now. We will not be divesting from our working interest in Atlanta. Now of course, we are always open to unsolicited offers. If there is interest, there is an attractive proposal, we can consider it. It's not in our plans, though Atlanta today is the project that we have and in which we are using our shareholders' resources. The returns are very attractive, and we are betting hard on this project.

Participant (via webcast):

Good morning. I would like you to comment on the Company's expectations for the exploration portfolio, and what do you have planned for these fields?

Decio Oddone:

The exploration portfolio of Enauta consists of high premium and high-risk assets in the equatorial margin in Sergipe-Alagoas, Espírito Santo, and Pará-Maranhão and Foz do Amazonas. And high risk and low cost assets in Panama Basin. In 2022, we drilled, Exxon drilled 1 well in Sergipe. The first well. It was a dry hole. But it does not reduce our optimism regarding the Alagoas because the consortium led by Exxon is studying the data to proceed regarding the next steps.

And I imagine that eventually, they should drill another well in Sergipe-Alagoas, but this is not scheduled for 2023, for example. And we do not have any forecast to drill in the equatorial margin. In Para-Maranhão and Foz do Amazonas, the contracts have been suspended for environmental reasons.

Petrobras is informing that they should be drilling in that region starting at the end of the year. And I think this is going to be a positive indication for us in terms of obtaining the environmental license and in terms of activity in the region. We also have the blocks with Petrobras in Espírito Santo. For those, we are discussing the next steps.

What matters in all that is that the commitment of Enauta with E&P, if we decide not to drill the wells that are planned, would be R$300 million. So that's the cost of option for Enauta R$300 million.

And we will see how other players' drillings play out and will consider our own analysis to decide whether we are going to be drilling any additional exploration well. There's nothing planned for now. We are also evaluating other opportunities to see whether we can find exploration alternatives for the long run to drilling that goes beyond the end of this decade in lower risk areas.

We have a robust team. Every barrel that is produced today was discovered before. So we do not have any plans to drill high-cost wells in the short term unless it is more attractive to drill a well than paying a fine for not doing it.

But we are studying, we are looking into options for the long term. I always like to say that an E&P company that is healthy, has to have a balanced portfolio, a strong cash generation in the short term to be able to invest a small part of the EBITDA 5%, 10% in risk, and we have to have production growth projects in the midterm.

And we have to use the EBITDA for discoveries in the long term. What we want for Enauta today is to increase production in the short term. This is why we are talking about M&A deals to generate more cash. We already have contracted production increase for Atlanta as of 2024. And we have to open the way for this production increase to also come in the long term, not just in the midterm as is the case today. The portfolio of an upstream company needs to continue to grow permanently. And there are 2 ways to grow, either through M&A, acquisition inorganically or organically with some exploration ideally with low-risk exploration activities.

Operator:

This concludes the Q&A session. We would like to give the floor back to Decio for the closing remarks. Over to you, Decio.

Decio Oddone:

Thank you, all. Thank you all for joining us today, this quarter, this year because this is the last earnings to conference call of 2022. I wish you all agreed end of the year. I hope that in our next earnings conference call, which will be in 2023. I hope we have already the confirmation that Atlanta's EPS will be running by 2024 and that the well that we are drilling now will already be connected to the EPS, and we have a significant increase in production and robust production so we can have a backup for our pumps like we had before and Atlanta's FDS on time, on budget.

So 2023 is way better than 2022, and we can have an even better year in 2024.

Thank you all once again. See you next time.

Operator:

This concludes Enauta's earnings conference call. Thank you all for being with us. Have a great day.