

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
January 14, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of January, 2011

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS
(Translation of Registrant's name into English)

Avenida República do Chile, 65
20031-912 - Rio de Janeiro, RJ
Federative Republic of Brazil
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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This report on Form 6-K is incorporated by reference in the Registration Statement on Form F-3 of Petróleo Brasileiro -- Petrobras (No. 333-163665).

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

Public Company

Material Fact

Petrobras Proved Reserves in 2010

Rio de Janeiro, January 14, 2011 – Petróleo Brasileiro S.A. - Petrobras, announces its proved reserves of oil, condensate and natural gas in 2010 according to the Society of Petroleum Engineers – SPE and Security and Exchange Commission – SEC criteria.

Petrobras Proved Reserves in 2010 (Brazil and International)

As per as ANP/SPE criteria:

On December 31st, 2010 Petrobras' Proved Reserves of oil, condensate and natural gas amounted to 15,986 billion barrels of oil equivalent (boe), an increase of 7.5% in relation to last year figures, distributed as shown:

| Proved Reserves – SPE | Volume (billion boe) | % |
|------------------------------|-----------------------------|------------|
| Brazil | 15.283 | 96 |
| International | 0.703 | 4 |
| Total | 15.986 | 100 |

During 2010, 1.990 billion boe were appropriated to the Proved Reserves, while 869 million boe were produced, resulting in an increase of 1.121 billion boe compared to the 2009 reserves (14.865 billion boe). The increase in Petrobras' reserves is the outcome of the incorporation of the new areas discovered in the Pre-Salt in the Santos and Campos Basins, of the new discoveries made in the remaining Basins, and of

the projects deployed in the mature fields in both the Basins in Brazil and abroad.

| Proved Reserves Breakdown SPE | Volume (billion boe) |
|---|-----------------------------|
| A) Proved Reserves in December, 2009 | 14.865 |
| B) 2010 Production | (0.869) |
| C) Incorporation of Proved Reserves in 2010 | 1.990 |
| D) Variation (B + C) | 1.121 |
| E) Proved Reserves in December, 2010 (A + D) | 15.986 |

For each barrel of oil equivalent produced in 2010, 2.29 barrels of oil equivalent were appropriated, resulting in a Reserve Replacement Index of 229%. The Reserve/Production (R/P) ratio was 18.4 years.

www.petrobras.com.br/ri/english

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This document may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that merely reflect the expectations of the Company's management. Such terms as anticipate, believe, expect, forecast, intend, plan, project, seek, should, along with similar expressions, are used to identify such forward-looking statements. These predictions evidently involve risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers must not base their expectations exclusively on the information presented herein.

According to SEC criteria:

On December 31st, 2010, Proved Reserves were 12.748 billion boe, representing an increase of 5% in relation to 2009, distributed as shown:

| Proved Reserves SEC Criteria | Volume (billion boe) | % |
|-------------------------------------|-----------------------------|------------|
| Brazil | 12.138 | 95 |
| International | 0.610 | 5 |
| Total | 12.748 | 100 |

During 2010, 1.472 billion boe were incorporated into Proved Reserves during 2010 and 867 million boe were produced, resulting in an increase of 0.605 billion boe in relation to 2009 reserves (12.143 billion boe).

| Proved Reserves Breakdown SEC | Volume (billion boe) |
|---|-----------------------------|
| A) Proved Reserves in December, 2009 | 12.143 |
| B) 2010 Production | (0.867) |
| C) Incorporation of Proved Reserves in 2010 | 1.472 |
| D) Variation (B + C) | 0.605 |
| E) Proved Reserves in December, 2009 (A + D) | 12.748 |

For each barrel of oil equivalent produced in 2010, 1.70 barrels of oil equivalent were appropriated, resulting in a Reserve Replacement Index of 170 %. The Reserve-Production Ratio was 14.7 years.

In addition to the volumes mentioned above, Petrobras has the right to produce, in pre-salt areas, 5 billion barrels of oil equivalent, acquired in 2010 with the Transfer of Rights Agreement.

Petrobras Proved Reserves in Brazil

According to ANP/SPE criteria:

On December 31st, 2010 the Proved Reserves of oil, condensate and natural gas in the fields under concession of Petrobras in Brazil amounted to 15.283 billion boe, representing an increase of 8% in relation to 2009.

| Proved Reserves - SPE | Volume | % |
|---------------------------------------|---------------|------------|
| Oil and Condensate (billion bbl) | 12.909 | 84 |
| Natural Gas (billion m ³) | 377.365 | 16 |
| Oil Equivalent (billion boe) | 15.283 | 100 |

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During 2010, 1.911 billion boe were incorporated into Proved Reserves, with production over the same period amounting to 797million boe, as shown in the following table:

| Proved Reserves Breakdown SPE Criteria | Volume (billion boe) |
|---|-----------------------------|
| A) Proved Reserves in December, 2009 | 14.169 |
| B) 2010 Production | (0.797) |
| C) Incorporated as Proved Reserves in 2010 | 1.911 |
| D) Annual Change (B + C) | 1.114 |
| E) Proved Reserves in December, 2009 (A + D) | 15.283 |

For each barrel of oil equivalent produced in 2010, 2.40 boe were incorporated into Proved Reserves, resulting in a Reserve Replacement Index (RRI) of 240%. According to SPE criteria, Petrobras' Reserve/Production (R/P) ratio in Brazil was 19.2 years.

The highlights in 2010, in terms of Proved Reserves incorporation, were:

§ Lula and Cernambi discoveries, at the Santos Basin Operational Unit UO-BS

§ Discoveries in the Marlim and Pampo fields, at the Campos Basin Operational Unit UO-BC; in the Barracuda, Caratinga, and Marlim Leste fields, at the Rio de Janeiro Operational Unit UO-RIO; and in the Socorro Extensão Norte field, at the Bahia Operational Unit UO-BA;

§ Projects designed to increase oil recovery from the Roncador, Marlim Sul, Albacora Leste, and Marlim Leste fields, at the Rio de Janeiro Operational Unit UO-RIO; Marimbá and Maromba, at the Campos Basin Operational Unit UO-BC, and Leste de Urucu, at the Amazonas Operational Unit UO-AM.

§ 1.071 billion boe were appropriated from the Santos Basin Pre-Salt, and 0.210 billion boe from the Campos Basin Pre-Salt as proved reserves.

According to SEC criteria:

On December 31 2010, the Proved oil, condensate, and natural gas Reserves in the fields under concession to Petrobras in Brazil rose to **12.138** billion barrels of oil equivalent (boe), 5 % more than in 2009.

| Proved Reserves SEC Criteria | Volume | % |
|---------------------------------------|---------------|------------|
| Oil and Condensate (billion bbl) | 10.380 | 86 |
| Natural Gas (billion m ³) | 279.673 | 14 |
| Oil Equivalent (billion boe) | 12.138 | 100 |

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During 2010, 1.372 billion boe were appropriated to the Proved Reserves, compared to a cumulative production of 797million boe, as shown below:

| Proved Reserves Breakdown SEC Criteria | Volume (billion boe) |
|---|-----------------------------|
| A) Proved Reserves in December, 2009 | 11.563 |
| B) 2010 Production | (0.797) |
| C) Incorporation of Proved Reserves in 2010 | 1.372 |
| D) Variation (B + C) | 0.575 |
| E) Proved Reserves in December, 2010 (A + D) | 12.138 |

For each barrel of oil equivalent produced in 2010, 1.72 barrels of oil equivalent were appropriated, resulting in a Reserve Replacement Index (RRI) of 172%. The Reserve-Production ratio was 15.2 years.

Eight hundred million boe of proved reserves are being appropriated from the Santos Basin Pre-Salt, while 100 million boe of proved reserves from the Campos Basin Pre-Salt.

The main differences between the SEC and ANP/SPE estimates stem from differences in the criteria: oil valorization price and concession term.

International Proved Reserves

According to SPE criteria:

On December 31 2010, Petrobras Proved oil, condensate, and natural gas Reserves abroad, as per the SPE criterion, reached 0.703 billion barrels of oil equivalent (boe), 1.0% more than 2009.

| Proved Reserves SPE | Volume | % |
|-------------------------------------|---------------|------------|
| Oil and Condensate (billion bbl) | 0.468 | 67 |
| Natural Gas (billion m3) | 39.802 | 33 |
| Oil Equivalent (billion boe) | 0.703 | 100 |

During 2010, 0.079 billion boe were appropriated to the Proved Reserves, compared to a cumulative production of 72 million boe, as shown below:

| Proved Reserves Breakdown SPE Criteria | Volume (billion boe) |
|---|-----------------------------|
| A) Proved Reserves in December, 2009 | 0.696 |
| B) 2010 Production | (0.072) |
| C) Incorporation of Proved Reserves in 2010 | 0.079 |
| D) Variation (B + C) | 0.007 |
| E) Proved Reserves in December, 2009 (A + D) | 0.703 |

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For each barrel of oil equivalent produced in 2010, 1.10 barrels of oil equivalent were appropriated, resulting in the reserve reposition index of 110%. The Reserve/Production (R/P) ratio was 9.8 years.

The main reserve incorporations were made at Block 57, in Peru, and at the Saint Malo and Cascade projects, both in deep Gulf of Mexico waters.

SEC criteria:

On December 31 2010, Petrobras Proved oil, condensate, and natural gas Reserves abroad, as per the SEC criterion, were 0.610 billion boe, 5 % more than a year earlier (0.580 billion boe).

| Proved Reserves - SEC | Volume | % |
|-------------------------------------|---------------|------------|
| Oil and Condensate (billion bbl) | 0.378 | 62 |
| Natural Gas (billion m3) | 39.290 | 38 |
| Oil Equivalent (billion boe) | 0.610 | 100 |

During 2010, 0.100 billion boe were appropriated to the Proved Reserves, compared to a cumulative production of 70 million boe, as shown below:

| Proved Reserves Breakdown SEC Criteria | Volume (billion boe) |
|---|-----------------------------|
| A) Proved Reserves in December, 2009 | 0.580 |
| B) 2010 Production | (0.070) |
| C) Incorporation of Proved Reserves in 2010 | 0.100 |
| D) Variation (B + C) | 0.030 |
| E) Proved Reserves in December, 2010 (A + D) | 0.610 |

For each barrel of oil equivalent produced in 2010, 1.43 barrels of oil equivalent we appropriated, according to the SEC criteria the Reserve Replacement Index RRI in 2009 was of 143% and the Reserve/Production (R/P) ratio was 8.7 years.

The main reserve incorporation took place at Block 57, in Peru.

Petrobras clarifies that the hydrocarbon reserve properties belong to their respective National States.

Almir Guilherme Barbassa
CFO and Investor Relations Officer
Petróleo Brasileiro S.A. Petrobras

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 14, 2011

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ Almir Guilherme Barbassa

Almir Guilherme Barbassa
Chief Financial Officer and
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) that are not based on historical facts and are not assurances of future results. These forward-looking statements are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this press release. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.
