

### GAINS AND LOSSES FROM SALE OR EXCHANGE OF PROPERTY

200 5

Taxable year beginning on 1 / 1, 2005 and ending on 12 / 31, 2005

**D**

Taxpayer's Name  
Petrobras America, Inc. - Puerto Rico Operations

Employer Identification Number  
76-0235183

**Part I** Short-Term Capital Assets Gains and Losses (Held 6 months or less)

Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
1. Net short-term capital gain (or loss) .....					(1)	0 00
2. Net short-term capital gain (or loss) from investment funds (Submit Schedule Q1) .....					(2)	0 00
3. Distributable share on net short-term capital gain (or loss) from Special Partnerships .....					(3)	0 00
4. Net short-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....					(4)	0 00
5. Net capital loss carryover (Submit detail) .....					(5)	0 00
6. Net short-term capital gain (or loss) (Add lines 1 through 5) .....					(6)	0 00

**Part II** Long-Term Capital Assets Gains and Losses (Held more than 6 months) (Property located in PR - Section 1121(c)(2)(A) and 1121(c)(4)(A))

Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss	(G) Gain or Loss (Act No. 226 of 2004)
			00	00	00	00	00
			00	00	00	00	00
			00	00	00	00	00
7. Net long-term capital gain (or loss) .....					(07)	0 00	0 00
8. Distributable share on net long-term capital gain (or loss) from Special Partnerships .....					(08)	0 00	0 00
9. Net long-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....					(09)	0 00	0 00
10. Net long-term capital gain (or loss) from property located in P.R. (Add lines 7 through 9) .....					(10)	0 00	0 00

**Part III** Long-Term Capital Assets Gains and Losses (Held more than 6 months) (Other Properties - Section 1121(c)(2)(C) and 1121(c)(4)(C))

Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss	(G) Gain or Loss (Act No. 226 of 2004)
			00	00	00	00	00
			00	00	00	00	00
			00	00	00	00	00
11. Net long-term capital gain (or loss) .....					(11)	0 00	0 00
12. Distributable share on net long-term capital gain (or loss) from Special Partnerships .....					(12)	0 00	0 00
13. Net long-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....					(13)	0 00	0 00
14. Net long-term capital gain (or loss) from other properties (Add lines 11 through 13) .....					(14)	0 00	0 00

<b>Part IV</b> Long-Term Capital Assets Gains and Losses (Held more than 6 months) (Shares from eligible Corporation or Partnership - Section 1121(c)(2)(B) and 1121(c)(4)(B))														
Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price		(D) Adjusted Basis		(E) Selling Expenses		(F) Gain or Loss		(G) Gain or Loss (Act No. 226 of 2004)			
				.00		.00		.00		.00		.00		
				.00		.00		.00		.00		.00		
				.00		.00		.00		.00		.00		
				.00		.00		.00		.00		.00		
15. Net long-term capital gain (or loss) .....										(15)	0	.00	0	.00
16. Distributable share on net long-term capital gain (or loss) from Special Partnerships .....										(16)	0	.00	0	.00
17. Net long-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....										(17)	0	.00	0	.00
18. Net long-term capital gain (or loss) of shares from eligible Corporation or Partnership (Add lines 15 through 17) .....										(18)	0	.00	0	.00

<b>Part V</b> Long-Term Capital Assets Gains and Losses (Held more than 6 months) (Act No. 40 of 2005)														
Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price		(D) Adjusted Basis		(E) Selling Expenses		(F) Gain or Loss					
				.00		.00		.00		.00				
				.00		.00		.00		.00		.00		
				.00		.00		.00		.00		.00		
				.00		.00		.00		.00		.00		
15. Net long-term capital gain (or loss) .....										(19)	0	.00	0	.00
16. Distributable share on net long-term capital gain (or loss) from Special Partnerships .....										(20)	0	.00	0	.00
17. Net long-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....										(21)	0	.00	0	.00
22. Net long-term capital gain (or loss) under Act. No. 40 of 2005 (Add lines 19 through 21) .....										(22)	0	.00	0	.00

<b>Part VI</b> Long-Term Capital Assets Gains and Losses (Held more than 6 months) Realized under Special Legislation														
Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price		(D) Adjusted Basis		(E) Selling Expenses		(F) Gain or Loss					
				.00		.00		.00		.00				
19. Net long-term capital gain (or loss) under Act: _____ (Decree No. _____)										(23)	0	.00	0	.00

Taxpayer's Name Petrobras America, Inc. - Puerto Rico Operations	Employer Identification Number 76-0235183
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<b>Part VII</b> Summary of Capital Gains and Losses										
Gains or Losses	Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	
	Short-Term	Prop. Located in P.R.	Property Located in P.R. (Act No. 226 of 2004)	Other Properties	Other Properties (Act No. 226 of 2004)	Shares Eligible Corporation or Partnership	Shares Eligible Corporation or Partnership (Act. No. 226 of 2004)	Under Act No. 40 of 2005	Under Special Legislation	
24. Enter the gains determined on lines 6, 10, 14, 18, 22 and 23 in the corresponding Column ..... (24)	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
25. Enter the losses determined on lines 6, 10, 14, 18, 22 and 23 in the corresponding Column ..... (25)	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
26. If one or more of Columns B through I reflect a loss on line 25, add them and apply the total proportionally to the gains in the other Columns (See instructions) ..... (26)		0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
27. Subtract line 26 from line 24. If any Column reflected a loss on line 25, enter zero here .... (27)		0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
28. Apply the loss from line 25, Column A proportionally to the gains in Columns B through I (See instructions) ..... (28)		0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
29. Subtract line 28 from line 27 ..... (29)		0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
30. Add the total of Columns B through I, line 29. However, if line 24 does not reflect any gain in Columns B through I, you must enter the total amount of line 25, Columns A through I ..... (30)										0 00
31. Net capital gain (or loss) (Add line 24, Column A and line 30) ..... (31)										0 00
32. Enter excess of net short-term capital gain over net long-term capital loss (See instructions) ..... (32)										0 00
33. Enter excess of net long-term capital gain over net short-term capital loss (See instructions) ..... (33)										0 00
34. Net capital gain (Add lines 32 and 33. Enter here and on Form 480.10 or 480.20, Part IV, line 9 or on the appropriate line of other returns) ..... (34)										0 00

**Part VIII** Determination of Alternative Tax - Capital Gain

35. Net income	(a) Form 480.10 or 480.20, Part II, line 5 (b) Schedule P Incentives, Part I, line 7 (c) Others - Enter the amount from the appropriate line of the return .....	(35)	(3,239,331)	00
36. Enter the amount from line 29, Column B .....		(36)	0	00
37. Enter the amount from line 29, Column C .....		(37)	0	00
38. Enter the amount from line 29, Column D .....		(38)	0	00
39. Enter the amount from line 29, Column E .....		(39)	0	00
40. Enter the amount from line 29, Column F .....		(40)	0	00
41. Enter the amount from line 29, Column G .....		(41)	0	00
42. Enter the amount from line 29, Column H .....		(42)	0	00
43. Enter the amount from line 29, Column I .....		(43)	0	00
44. Net income for purposes of alternative tax - capital gain (Subtract lines 36 through 43 from line 35) .....		(44)	0	00

COMPUTATION OF NET INCOME TO DETERMINE ALTERNATIVE TAX

45. Net income for purposes of partial normal tax (Enter the amount from line 44) .....	(45)	0	00
46. Less: Credit for purposes of surtax (From the appropriate line of the return) .....	(46)	0	00
47. Net income subject to partial surtax .....	(47)	0	00

COMPUTATION OF ALTERNATIVE TAX

48. Partial normal tax (Multiply line 45 by 20%) .....	(48)	0	00
49. Surtax .....	(49)	0	00
50. Amount of recapture .....	(50)	0	00
51. Special Tax .....	(51)	0	00
52. Total tax (Add lines 48 through 51) .....	(52)	0	00
53. Plus: 12.5% (property located in Puerto Rico) of the amount on line 36 .....	(53)	0	00
54. Plus: 6.25% (property located in Puerto Rico (Act No. 226 of 2004)) of the amount on line 37 .....	(54)	0	00
55. Plus: 25% (other properties) of the amount on line 38 .....	(55)	0	00
56. Plus: 12.5% (other properties (Act No. 226 of 2004)) of the amount on line 39 .....	(56)	0	00
57. Plus: 7% (shares from eligible corporation or partnership) of the amount on line 40 .....	(57)	0	00
58. Plus: 3.5% (shares from eligible corporation or partnership (Act No. 226 of 2004)) of the amount on line 41 .....	(58)	0	00
59. Plus: 20% (Act No. 40 of 2005) of the amount on line 42 .....	(59)	0	00
60. Plus: ____% (under special legislation) of the amount on line 43 (enter applicable percent) .....	(60)	0	00
61. Alternative Tax - Capital gains (Add lines 52 through 60. Enter the total here and transfer to Form 480.10 or 480.20, Part III, line 13 or to the appropriate line of other returns) .....	(61)	0	00

**Part IX** Gains (or Losses) from Property Other than Capital Assets

Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
62. Net gain (or loss) from property other than capital assets (Enter here and on Form 480.10 or 480.20, Part IV, line 10 or on the appropriate line of other returns) .....						0 00

Taxable year beginning on 1 / 1, 2005 and ending on 12 / 31, 2005



Taxpayer's Name  
Petrobras America, Inc. - Puerto Rico Operations

Employer Identification Number  
76-0235183

**Part I** Estimated Tax Required

1. Tax liability (Add lines 14, 15, 18 and 20 of Part III, page 1 of the return) .....	(1)	0	00
2. Credits and overpayments (See instructions) .....	(2)	243,582	00
3. Estimated tax (Subtract line 2 from line 1. If it is zero or less, do not complete this Schedule) .....	(3)	(243,582)	00
4. Line 1 multiplied by 90% .....	(4)	0	00
5. Subtract line 2 from line 4 (If it is zero or less, enter zero) .....	(5)	0	00
6. Tax to be paid based on the income tax return from previous year (See instructions) .....	(6)	0	00
7. Tax to be paid based on the income tax return from previous year determined according to the rates corresponding to the current taxable year (See instructions) .....	(7)	0	00
8. Enter the smaller of lines 5, 6 and 7 .....	(8)	0	00

**Section A - Estimated Tax to Be Paid per Installment Placing the Net Income on an Annual Basis**

		(a) First _____ months	(b) First _____ months	(c) First _____ months	(d) First _____ months
9. Basis period (See instructions) .....	(9)				
10. Enter the net income for each basis period .....	(10)	0	0	0	0
11. Divide line 10 between the number of months of the basis period on line 9 .....	(11)	0	0	0	0
12. Net income placed on an annual basis (Multiply line 11 by 12) .....	(12)	0	0	0	0
13. Determine the normal tax on the net income placed on an annual basis of line 12 (Line 12 by 20%) .....	(13)	0	0	0	0
14. Determine the surtax on the net income placed on an annual basis of line 12 .....	(14)	0	0	0	0
15. Determine the recapture on the net income placed on an annual basis of line 12 .....	(15)	0	0	0	0
16. Determine the Alternative Tax - Capital Gains .....	(16)	0	0	0	0
17. Tax Determined (Enter the smaller between the sum of lines 13 through 15, or line 16) .....	(17)	0	0	0	0
18. Enter the recapture of credit not claimed in excess or others .....	(18)	0	0	0	0
19. Determine the alternative minimum tax on the net income placed on an annual basis of line 12 .....	(19)	0	0	0	0
20. Total annual basis tax (Add lines 17 through 19) .....	(20)	0	0	0	0
21. Multiply line 20 by 90% .....	(21)	0	0	0	0
22. Enter the credits and other payments per period (See instructions) .....	(22)	0	0	0	0
23. Estimated Tax to be Paid (Subtract line 22 from line 21. If it is less than zero, enter zero) .....	(23)	0	0	0	0
24. Add the amounts of all previous columns of line 31 (See instructions) .....	(24)		0	0	0
25. Subtract line 24 from line 23 (If it is less than zero, enter zero) .....	(25)	0	0	0	0
26. Number of installments .....	(26)	4	3	2	1
27. Estimated Tax to be Paid per Installment Placing the Net Income on Annual Basis (Line 25 divided between line 26) .....	(27)	0	0	0	0

**Section B - Estimated Tax Required**

28. Subtract line 24 from line 8 .....	(28)	0	0	0	0
29. Number of installments .....	(29)	4	3	2	1
30. Line 28 divided between line 29 .....	(30)	0	0	0	0
31. Installment of Required Minimum Estimated Tax (Enter the smaller of line 27 and 30. Transfer to line 33) .....	(31)	0	0	0	0

Part II Failure to Pay		(a)	(b)	(c)	(d)
		First installment	Second installment	Third installment	Fourth installment
32. Due date (See instructions)					
<input checked="" type="checkbox"/> CALENDAR YEAR					
<input type="checkbox"/> FISCAL YEAR (Enter the corresponding dates) -----	(32)				
33. Amount of minimum estimated tax per installment (If you completed Section A and B of Part I, enter line 31. Otherwise, see instructions) -----	(33)	0 00	0 00	0 00	0 00
34. Amount of estimated tax paid per installments (See instructions) ---	(34)	0 00	0 00	0 00	0 00
35. Payment date (See instructions) -----	(35)				
36. Line 42 from previous column -----	(36)		0 00	0 00	0 00
37. Add lines 34 and 36 -----	(37)	0 00	0 00	0 00	0 00
38. Subtract line 33 from line 37 (If its zero or less, enter zero) -----	(38)	0 00	0 00	0 00	0 00
39. Failure to Pay (If line 38 is zero, subtract line 37 from line 33. Otherwise, enter zero) -----	(39)	0 00	0 00	0 00	0 00
40. Add lines 39 and 41 from previous column -----	(40)		0 00	0 00	
41. If line 40 is equal or larger than line 38, subtract line 38 from line 40 and go to line 36 of next column. Otherwise, go to line 42. ---	(41)				
42. Overpayment (If line 38 is larger than line 40, subtract line 40 from line 38, and go to line 36 of next column. Otherwise, enter zero) -----	(42)	0 00	0 00	0 00	

Part III Addition to the Tax for Failure to Pay		(a)	(b)	(c)	(d)
43. Multiply line 39 by 20% (See instructions) -----	(43)	0 00	0 00	0 00	0 00
44. Number of days from the due date to the payment date (See instructions) -----	(44)	0	0	0	0
45. Line 44		0 00	0 00	0 00	0 00
365 X Line 43 (See instructions) -----	(45)				
46. Addition to the Tax for Failure to Pay (Add the amounts from columns of line 45. Transfer to page 1, Part III, line 24 of the return) ---	(46)				0 00

Part IV Tables to Calculate the Addition to the Tax for Failure to Pay the Installment of Estimated Tax					
TABLE 1 - Payments to Meet the First Installment Made After its Due Date ( )					
Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by (d) (e)	365
00	00				00
00	00				00
00	00				00
Total: Add Column (e) and transfer to Part III, Line 45, Column (a) -----					00
TABLE 2 - Payments to Meet the Second Installment Made After its Due Date ( )					
Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by (d) (e)	365
00	00				00
00	00				00
00	00				00
Total: Add Column (e) and transfer to Part III, Line 45, Column (b) -----					00
TABLE 3 - Payments to Meet the Third Installment Made After its Due Date ( )					
Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by (d) (e)	365
00	00				00
00	00				00
00	00				00
Total: Add Column (e) and transfer to Part III, Line 45, Column (c) -----					00
TABLE 4 - Payments to Meet the Fourth Installment Made After its Due Date ( )					
Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by (d) (e)	365
00	00				00
00	00				00
00	00				00
Total: Add Column (e) and transfer to Part III, Line 45, Column (d) -----					00

<b>Form AS 2879</b> Rev. 12.96 Rep. 05.02	<b>Foreign Corporations and Partnerships          Tax on Dividend Equivalent Amount          and Effectively Connected interest          (Branch Profits Tax)</b>	<b>200</b> <u>5</u>
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<b>Taxpayer's Name</b> Petrobras America, Inc. - Puerto Rico Operations	<b>Employer Identification Number</b> 76-0235183
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**NOTE TO THE TAXPAYER:** This schedule applies to foreign corporations and partnerships that derived less than 80 percent of their combined total gross income, during the taxable year and the preceding two taxable years, from sources within Puerto Rico or from income treated as effectively connected with the operation of a trade or business in Puerto Rico (see instructions). If the corporation or partnership derived 80 percent or more of its combined total gross income as described here, do not complete this schedule.

1. Enter regular income before any net operating loss deduction (Income Tax Return Forms 480.1, 480.10, 480.2; 480.20, Part I, line 1 or Forms 480.3(II) and 480.30(II), Schedule P, line 17) ----- (1)	(896,082)	00
<b>2. Additions:</b>		
a) Enter excess of flexible depreciation over straight-line depreciation ----- (2a)	00	
b) Exempt interest income under Section 1022(b)(4) of Puerto Rico Internal Revenue Code of 1994, as amended (Code), net of related expenses ----- (2b)	00	
c) Other additions (See Section 1119 of the Code): _____ _____ _____ (2c)	00	
<b>3. Total additions. (Add lines 2(a) through 2(c)) ----- (3)</b>		<b>00</b>
<b>4. Deductions:</b>		
a) Taxes paid (Enter the sum of normal tax, surtax, and alternative minimum tax). ----- (4a)	00	
b) Previous year Branch Profits Tax ----- (4b)	00	
c) Enter interest deduction attributable to interest derived from exempt obligations ----- (4c)	00	
(Applicable to financial institutions only. See instructions) ----- (4d)	34	00
d) Meals and entertainment (Non-deductible) ----- (4f)	00	
<b>5. Total deductions (Add lines 4(a) through 4(f)) ----- (5)</b>	34	<b>00</b>
<b>6. Effectively connected earnings and profits (subtract line 5 from the sum of lines 1 and 3)----- (6)</b>	(896,116)	<b>00</b>
<b>7. Enter Puerto Rico net equity at the end of the current taxable year.----- (7)</b>	(1,639,139)	<b>00</b>
<b>8. Enter Puerto Rico net equity at the end of the previous taxable year.----- (8)</b>	(743,023)	<b>00</b>
<b>9. Increase/decrease in Puerto Rico net equity (Subtract line 8 from line 7. See instructions).----- (9)</b>	(896,116)	<b>00</b>
<b>10. Dividend equivalent amount (Subtract line 9 from line 6. See instructions) ----- (10)</b>		<b>00</b>
<b>11. Branch profits tax liability (Multiply line 10 by 10%)----- (11)</b>		<b>00</b>

PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS  
ACCOUNT NO.: 76-0235183

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF OTHER DEDUCTIONS  
PAGE 2, PART V, LINE 47

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Freight	\$ 387,644
Storage Expense	129,734
Inspection Expense	108,643
Duties	23,573
Bond Issuance	750
Other Miscellaneous Expenses	<u>4,549</u>
<b>TOTAL OTHER DEDUCTIONS</b>	<b><u>\$ 654,893</u></b>



**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2005

**CHARITABLE CONTRIBUTIONS CARRYFORWARD**

YEAR	AMOUNT	AMOUNT USED	BALANCE	EXPIRATION DATE
12/31/2004	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>	12/31/2009
	<u>\$ 14</u>	<u>\$ -</u>		
<b>TOTAL CHARITABLE CONTRIBUTIONS CARRYFORWARD 2006</b>			<u>\$ 14</u>	

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2005

STATEMENT OF OTHER DECREASES  
PAGE 3, PART IX, LINE 6

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Return on investment from PAI	\$ 13,672,300
<b>TOTAL OTHER DECREASES</b>	<b>\$ 13,672,300</b>

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF NET OPERATING LOSS CARRYFORWARD FOR REGULAR TAX PURPOSES**

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<b>YEAR CREATED</b>	<b>LOSS CREATED</b>	<b>AMOUNT USED</b>	<b>BALANCE</b>	<b>EXPIRATION YEAR</b>
2004	\$ 2,343,249	\$ -	\$ 2,343,249	2011
2005	<u>896,082</u>	<u>-</u>	<u>896,082</u>	2012
<b>TOTAL NOL CARRYFORWARD AVAILABLE FOR DECEMBER 31, 2006</b>			<u><u>\$ 3,239,331</u></u>	

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2005

**SCHEDULE OF NET OPERATING LOSS CARRYFORWARD FOR AMT PURPOSES**

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YEAR CREATED	LOSS CREATED	AMOUNT USED	BALANCE	EXPIRATION YEAR
2004	\$ 2,343,249	\$ -	\$ 2,343,249	2011
2005	<u>896,082</u>	<u>-</u>	<u>896,082</u>	2012
TOTAL AMT NOL CARRYFORWARD AVAILABLE FOR DECEMBER 31, 2006			<u>\$ 3,239,331</u>	

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO. 76-0235183**

**STATEMENT TO BE ATTACHED TO AND MADE PART OF THE**  
**AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**REASON FOR AMENDMENT**

The taxpayer hereby amends the Corporation Income Tax Return for the year ended December 31, 2005 in order to reflect the balances from the 2005 Audited Financial Statements. Additionally, the taxpayer amends the return to properly reflect the amended Net Operating Loss of \$2,343,249 and Overpayment of \$243,582 as agreed in the Executed Closing Agreement of February 5, 2010 enclosed herein for your reference.

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO. 76-0235183**

**STATEMENT TO BE ATTACHED TO AND MADE PART OF THE**  
**AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**CLOSING AGREEMENT**

The taxpayer entered into a Closing Agreement (enclosed for your reference) pursuant to Section 6126 of the Puerto Rico Internal Revenue Code of 1994, as amended, in which The Puerto Rico Income Tax Return for the years ended December 31, 2003 and 2004 were deemed to be amended to reflect the 2003 and 2004 audited numbers, retroactively use the income tax overpayment for the year ended December 31, 2004 against the 2003 income tax liability and properly carryforward the revised overpayment of \$243,582 and the amended Net Operating loss of \$2,343,249 for the year ended December 31, 2005.

**CLOSING AGREEMENT PURSUANT TO**  
**THE PUERTO RICO INTERNAL REVENUE CODE OF 1994, AS AMENDED**

This CLOSING AGREEMENT, made in quadruplicate, is entered into pursuant to Section 6126 of the Puerto Rico Internal Revenue Code of 1994, as amended.

**APPEAR**

**AS PARTY OF THE FIRST PART:** HONORABLE JUAN CARLOS PUIG, in his capacity as Secretary of the Treasury of the Commonwealth of Puerto Rico (hereinafter referred to as the "Secretary") represented herein by Mr. Pablo Hymovitz Cardona, in his capacity as Assistant Secretary for Internal Revenue, who has been designated by the Secretary to act on his behalf; and

**AS PARTY OF THE SECOND PART:** PETROBRAS AMERICA, INC.-PUERTO RICO OPERATIONS (a division of Petrobras America, Inc.) (hereinafter referred to as the "Taxpayer"), represented herein by its authorized representative Mr. Gustavo Tardín Barbosa, Chief Financial Officer, who has been designated by the Taxpayer to act on its behalf and to represent it before the Puerto Rico Treasury Department (hereinafter referred to as the "Treasury Department").

**WITNESSETH**

The parties state that, in accordance with the provisions of the Puerto Rico Internal Revenue Code of 1994, as amended (hereinafter the "Code"), they have full legal capacity to enter into this CLOSING AGREEMENT, and they further state that;

**GENERAL REPRESENTATIONS**

1. Taxpayer represents to the Secretary that:
  - a. It is a corporation organized and existing under the laws of the State of Delaware;
  - b. Its employer identification number is 76-0235183;
  - c. It is duly authorized by the Puerto Rico Department of State to conduct business in Puerto Rico;
  - d. It keeps its books of accounting on the accrual basis and its taxable year-ends on December 31<sup>st</sup> of each year;
  - e. It is not under review or audit by the Secretary regarding the matters covered under this CLOSING AGREEMENT.



REPRESENTATIONS CONCERNING THIS CLOSING AGREEMENT

2. Taxpayer further represents to the Secretary that:
- a. It filed its Puerto Rico Corporation Income Tax Return for the years ended December 31, 2003 and 2004 based on preliminary and unaudited figures since the audited financial statements were not issued by the extended due date prescribed by the Code to file the returns;
  - b. As a result of the issuance of the audited financial statements for the taxable year ended December 31, 2003, the Taxpayer's taxable income increased, resulting in an increase in the Taxpayer's total tax liability of \$273,918, including interest computed until April 15, 2005;
  - c. As a result of the issuance of the audited financial statements for the taxable year ended December 31, 2004, the Taxpayer's net operating loss increased, resulting in an amended net operating loss of \$2,343,249;
  - d. The taxpayer has an overpayment for the taxable year ended December 31, 2004 in the amount of \$517,500, based on audited figures for taxable years ended December 31, 2003 and 2004;
  - e. Taxpayer wishes to use the income tax overpayment for the year ended December 31, 2004 in the amount of \$517,500 to offset the income tax liability in the amount of \$273,918 related to the taxable year 2003.

DETERMINATIONS AND AGREEMENTS

Based on the facts and representations made above, which are considered material facts, Taxpayer and the Secretary agree as follows:

1. Taxpayer and the Secretary agree that the overpayment as of December 31, 2004 in the amount of \$517,500 will be used retroactively to offset the income tax liability of \$273,918 (including interest computed until April 15, 2005) for the year ended December 31, 2003;
2. Taxpayer and the Secretary agree that the revised overpayment available as of December 31, 2004 should be \$243,582;





3. Taxpayer and the Secretary agree that the amended net operating loss available to carry forward as of December 31, 2004 should be \$2,343,249;
4. Taxpayer and the Secretary agrees that, upon execution of this agreement, the Taxpayer's Puerto Rico Income Tax Returns for the years ended December 31, 2003 and 2004 will be deemed as being amended to reflect the 2003 and 2004 audited numbers, retroactively use the income tax overpayment for the year ended December 31, 2004 against the 2003 income tax liability and to properly carry forward the revised overpayment of \$243,582 and amended net operating loss of \$2,343,249 for the year ended December 31, 2004;
5. Taxpayer and the Secretary agree that the taxable years ended December 31, 2003 and 2004 are hereby closed for examination purposes;

GENERAL PROVISIONS

6. Pursuant to Section 6126 of the PRIRC this CLOSING AGREEMENT once executed, shall be final and conclusive, and except when fraud, deceit or misrepresentation of a material factor is shown, shall not be reopened for any matters, nor shall this CLOSING AGREEMENT be reviewed or modified by any officer, employee or agent of the Commonwealth of Puerto Rico, and this CLOSING AGREEMENT shall not be annulled, modified, set aside or disregarded in any suit, action or proceeding.

IN WITNESS WHEREOF, the parties hereto subscribe and execute this CLOSING AGREEMENT in San Juan, Puerto Rico this 5 day of February 2010.

SECRETARY OF THE TREASURY

BY: Pablo Hymovitz Cardona  
Pablo Hymovitz Cardona  
Assistant Secretary for Internal Revenue

PETROBRAS AMERICA, INC.-PUERTO RICO OPERATIONS (a division of Petrobras America, Inc.)

BY: Gustavo Tardin Barbosa  
Gustavo Tardin Barbosa  
Chief Financial Officer

Liquidator:	Reviewer:	<b>2006</b>	COMMONWEALTH OF PUERTO RICO DEPARTMENT OF THE TREASURY	<b>2006</b>	Serial Number
Field audited by:		<b>Corporation Income Tax Return</b>			
Date: ___/___/___		<input checked="" type="checkbox"/> AMENDED RETURN			
R   M   N		TAXABLE YEAR BEGINNING ON 1/1, 2006 AND ENDING ON 12/31, 2006			
Payment Stamp					

Taxpayer's Name <b>PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS</b>		Employer Identification Number <b>76-0235183</b>	
Postal Address 10777 Westheimer Road  Suite 1200  Houston TX Zip Code 77042		Department of State Registry No. <b>12233-F</b>	
"Place Label here" Location of Principal Industry or Business - Number, Street, City 10777 Westheimer Road Suite 1200		Industrial Code   Municipal Code  Merchant's Registration Number  Telephone Number - Extension (713) 917 - 3700	
Type of Principal Industry or Business (i.e. Hardware, Cafeteria, etc.) <b>Unfinished Crude Oil Importer</b>		Date Incorporated Day <u>15</u> / Month <u>10</u> / Year <u>1987</u>	
Check the corresponding box, if applicable <input type="checkbox"/> First return <input type="checkbox"/> Last return <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		CHANGE OF ADDRESS <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Contracts with Governmental Entities <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		2007 RETURN <input type="checkbox"/> Spanish <input checked="" type="checkbox"/> English	
		E-mail Address Receipt No. Amount:	

Part I	1. Net operating income (or loss) (From Part V, line 49) .....	(1)	(863,246)	00
	2. Less: Net operating loss deduction from preceding year (Submit detail) .....	(2)	3,239,331	00
	3. <b>Net income (or loss)</b> .....	(3)	(4,102,577)	00
Part II	4. Less: Dividends or profits received from domestic corporations or partnerships .....	(4)	0	00
	5. Net income subject to normal tax (Subtract line 4 from line 3) .....	(5)	(4,102,577)	00
	6. Less: Surtax net income credit .....	(6)	0	00
	7. Net income subject to surtax (Subtract line 6 from line 5) .....	(7)	(4,102,577)	00
Part III	8. Normal tax (Multiply line 5 by 20%) .....	(8)	0	00
	9. Surtax (See instructions).....	(9)	0	00
	10. Amount of recapture (See instructions).....	(10)	0	00
	11. Special tax (See instructions) .....	(11)	0	00
	12. Special tax to entities operating under the "Puerto Rico Banking Act" (See instructions).....	(12)	0	00
	13. Total Tax (Add lines 8 through 12) .....	(13)	0	00
	14. Alternative Tax - Capital Gains (Schedule D Corporation and Partnership, Part VIII, line 38) .....	(14)	0	00
	15. Tax Determined (Line 13 or 14, whichever is smaller) .....	(15)	0	00
	16. Recapture of credit claimed in excess (Schedule B Corporation and Partnership, Part I, line 3) .....	(16)	0	00
	17. Tax credits (Schedule B Corporation and Partnership, Part II, line 25) .....	(17)	0	00
	18. Tax liability before alternative minimum tax (Subtract line 17 from the sum of lines 15 and 16).....	(18)	0	00
	19. Alternative minimum tax (Schedule A Corporation and Partnership, Part V, line 33) .....	(19)	0	00
	20. Branch profits tax (Form AS 2879, line 11) .....	(20)	0	00
	21. Tax on eligible interest (See instructions) .....	(21)	0	00
	22. Total Tax Liability (Add lines 18 through 21) .....	(22)	0	00
	23. Less: Other Payments and Withholdings (Schedule B Corporation and Partnership, Part III, line 8) .....	(23)	243,582	00
	24. Balance of tax due (If line 22 is larger than line 23, enter the difference here, otherwise, on line 26)			
	a) Tax .....	(24a)	0	00
	b) Interest .....	(24b)	0	00
	c) Surcharges .....	(24c)	0	00
	d) Total (Add lines 24(a) through 24(c)) .....	(24d)	0	00
	25. Addition to the Tax for Failure to Pay Estimated Tax (Schedule T Corporation and Partnership, Part III, line 4B) .....	(25)	243,582	00
	26. Excess of tax paid or withheld (See instructions) .....	(26)	0	00
	27. Amount paid with this return (Add lines 24(d) and 25 less line 26) .....	(27)	0	00
	28. Amount overpaid (Subtract lines 23 from the sum of lines 22 and 25. Distribute line 26 between line A or B):			
	A. To be credited to estimated tax for 2007 .....	(28A)	243,582	00
	B. To be refunded .....	(28B)	0	00

		1. Net sales ..... (1)	271,495,393	00			
		Less: Cost of goods sold or direct costs of production					
Part IV		2. Inventory at the beginning of the year <input type="checkbox"/> "C" <input type="checkbox"/> "C" or "MV"					
		(a) Materials ..... (2a)	0	00			
		(b) Goods in process ..... (2b)	0	00			
		(c) Finished goods or merchandise ..... (2c)	0	00			
		3. Purchase of materials or merchandise ..... (3)	271,569,912	00			
		4. Direct wages ..... (4)	0	00			
		5. Other direct costs (Detail in Part VI) ..... (5)	0	00			
		6. Total cost of goods available for sale (Add lines 2 through 5) ..... (6)	271,569,912	00			
		7. Less: Inventory at the end of the year <input type="checkbox"/> "C" <input type="checkbox"/> "C" or "MV"					
		(a) Materials ..... (7a)	0	00			
		(b) Goods in process ..... (7b)	0	00			
		(c) Finished goods or merchandise ..... (7c)	0	00			
		8. Gross profit on sales or production (Subtract the result of line 6 less line 7, from line 1) ..... (8)		(74,519)	00		
		9. Net capital gain (Schedule D Corporation and Partnership, Part IV, line 22) ..... (9)		0	00		
		10. Net gain (or loss) from the sale of property other than capital assets (Schedule D Corporation and Partnership, Part VI, line 39) ..... (10)		0	00		
		11. Rent ..... (11)		0	00		
		12. Interest ..... (12)		0	00		
		13. Commissions ..... (13)		0	00		
		14. Dividends from corporations and profits from partnerships: (a) Domestic <u>0</u> (b) Foreign <u>0</u> ..... (14)		0	00		
		15. Distributable share on net income from special partnerships (Schedule R, Part II, line 8) ..... (15)		0	00		
		16. Distributable share on net losses from special partnerships (Schedule R, Part II, line 13) ..... (16)		0	00		
		17. Taxable farming profit (Schedule S Corporation and Partnership, Part I, line 9) ..... (17)		0	00		
		18. Freight and fares ..... (18)		0	00		
		19. Miscellaneous income ..... (19)		0	00		
		20. Total gross income (Add lines 8 through 19) ..... (20)		(74,519)	00		
		Part V		21. Compensation to officers (See instructions for Part X) ..... (21)	0	00	
				22. Salaries, commissions and bonuses to employees ..... (22)	207,765	00	
23. Commissions to businesses ..... (23)	0			00			
		24. Social security tax (FICA) ..... (24)	13,379	00			
		25. Unemployment tax ..... (25)	592	00			
		26. State Insurance Fund premiums ..... (26)	0	00			
		27. Medical or hospitalization insurance ..... (27)	23,500	00			
		28. Insurances ..... (28)	504	00			
		29. Interest (See instructions) ..... (29)	0	00			
		30. Rent ..... (30)	11,349	00			
		31. Property tax: (a) Personal <u>0</u> (b) Real <u>0</u> ..... (31)	0	00			
		32. Other taxes, patents and licenses (See instructions) ..... (32)	0	00			
		33. Losses from fire, storm, other casualties or theft ..... (33)	0	00			
		34. Motor vehicle expenses ..... (34)	0	00			
		35. Meal and entertainment expenses (Total <u>5,520</u> ) (See instructions) ..... (35)	2,760	00			
		36. Travel expenses ..... (36)	29,656	00			
		37. Professional services ..... (37)	109,062	00			
		38. Contributions to pension or other qualified plans (See instructions) ..... (38)	6,543	00			
		39. Flexible depreciation (See instructions. Submit Schedule E) ..... (39)	0	00			
		40. Accelerated depreciation (See instructions. Submit Schedule E) ..... (40)	0	00			
		41. Current depreciation and amortization (See instructions. Submit Schedule E) ..... (41)	0	00			
		42. Bad debts (See instructions) ..... (42)	0	00			
		43. Charitable contributions (See instructions) ..... (43)	0	00			
		44. Repairs (See instructions) ..... (44)	0	00			
		45. Deduction for employers who employ handicapped persons (See instructions) ..... (45)	0	00			
		46. Contributions to educational contribution accounts for the employees' beneficiaries (See instructions) ..... (46)	0	00			
		47. Other deductions (See instructions) ..... (47)	383,617	00			
		48. Total deductions (Add lines 21 through 47) ..... (48)		788,727	00		
		49. Net operating income (or loss) for the year (Subtract line 48 from line 20. Enter here and in Part I, line 1) ..... (49)		(863,246)	00		
		Part VI		Item <b>26</b>	Amount	Item	Amount
1. Salaries, wages and bonuses ..... (1)	0			00	8. Repairs ..... (8)	0	00
		2. Social security tax (FICA) ..... (2)	0	00	9. Utilities ..... (9)	0	00
		3. Unemployment tax ..... (3)	0	00	10. Flexible depreciation (Submit Schedule E) ..... (10)	0	00
		4. State Insurance Fund premiums ..... (4)	0	00	11. Accelerated depreciation (Submit Schedule E) ..... (11)	0	00
		5. Medical or hospitalization insurance ..... (5)	0	00	12. Current depreciation (Submit Schedule E) ..... (12)	0	00
		6. Other insurance ..... (6)	0	00	13. Other expenses (Submit detail) ..... (13)	0	00
		7. Excise taxes ..... (7)	0	00	14. Total other direct costs (Add lines 1 through 13. Same as Part IV, line 5) ..... (14)	0	00

Corporation - Comparative Balance Sheet

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Assets		Beginning of the Year		Ending of the Year	
		Total		Total	
1. Cash on hand and in banks	(1)		0 00	(1)	0 00
2. Accounts receivable	(2)	293,510 00		(2)	67,071,995 00
3. Less: Reserve for bad debts	(3)	( 0 00)	293,510 00	(3)	( 0 00)
4. Notes receivable	(4)		0 00	(4)	0 00
5. Inventories	(5)		0 00	(5)	15,018,183 00
6. Investments	(6)		0 00	(6)	0 00
7. Depreciable assets	(7)	0 00		(7)	0 00
8. Less: Reserve for depreciation	(8)	( 0 00)	0 00	(8)	( 0 00)
9. Land	(9)		0 00	(9)	0 00
10. Other assets	(10)		0 00	(10)	243,582 00
11. Total Assets	(11)		293,510 00	(11)	82,333,760 00
Liabilities and Stockholder's Equity					
Liabilities					
12. Accounts payable	(12)	129,734 00		(12)	121,211,542 00
13. Notes payable	(13)	0 00		(13)	0 00
14. Accrued expenses	(14)	0 00		(14)	0 00
15. Other liabilities	(15)	0 00		(15)	0 00
16. Total Liabilities	(16)		129,734 00	(16)	121,211,542 00
Stockholder's Equity					
17. Capital stock					
(a) Preferred stocks	(17a)	0 00		(17a)	0 00
(b) Common stocks	(17b)	0 00		(17b)	0 00
18. Additional paid in capital	(18)	0 00		(18)	0 00
19. Retained earnings	(19)	163,776 00		(19)	(38,877,782) 00
20. Reserve	(20)	0 00		(20)	0 00
21. Total Stockholder's Equity	(21)		163,776 00	(21)	(38,877,782) 00
22. Total Liabilities and Stockholder's Equity	(22)		293,510 00	(22)	82,333,760 00

Part VII

Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return

38

1. Net income (or loss) per books	(1)	(866,006) 00	7. Income recorded on books this year not included on this return (Itemize, use schedule if necessary)		
2. Income tax	(2)	0 00	(a) Exempt interest	0	
3. Excess of capital losses over capital gains	(3)	0 00	(b)	0	
4. Taxable income not recorded on books this year (Itemize, use schedule if necessary)			(c)	0	
(a)		0	(d)	0	
(b)		0	Total	(7)	0 00
(c)		0	8. Deductions on this tax return not charged against book income this year (Itemize, use schedule if necessary)		
(d)		0	(a) Depreciation	0	
Total	(4)	0 00	(b) NOL Prior Years	3,239,331	
5. Expenses recorded on books this year not claimed on this return (Itemize, use schedule if necessary)			(c)	0	
(a) Meal and entertainment (amount not claimed)		2,760	(d)	0	
(b) Depreciation		0	Total	(8)	3,239,331 00
(c)		0	9. Total (Add lines 7 and 8)	(9)	3,239,331 00
(d)		0	10. Net taxable income (or loss) per return (Subtract line 9 from line 6)	(10)	(4,102,577) 00
Total	(5)	2,760 00			
6. Total (Add lines 1 through 5)	(6)	(863,246) 00			

Part VIII

Analysis of Retained Earnings per Books

39

1. Balance at the beginning of the year	(1)	163,776 00	5. Distributions:	(5a)	0 00
2. Net income per books	(2)	(866,006) 00	(b) Property	(5b)	0 00
3. Other increases (Itemize, use schedule if necessary)		0	(c) Stocks	(5c)	0 00
		0	6. Other decreases (Use schedule if necessary)	(6)	38,175,552 00
		0	7. Total (Add lines 5 and 6)	(7)	38,175,552 00
4. Total (Add lines 1, 2 and 3)	(4)	(702,230) 00	8. Balance at end of year (Subtract line 7 from line 4)	(8)	(38,877,782) 00

Part IX

Compensation to Officers						
Name of officer	Social security number	Percentage of time devoted to industry or business	Percentage of stocks owned		Compensation	
			Common	Preferred		
		0.00 %	0.00 %	0.00 %		0 00
		0.00 %	0.00 %	0.00 %		0 00
		0.00 %	0.00 %	0.00 %		0 00
		0.00 %	0.00 %	0.00 %		0 00
		0.00 %	0.00 %	0.00 %		0 00
Total compensation to officers (Enter in Part V, line 21)						0 00

**Questionnaire**

1. If a foreign corporation, indicate if the trade or business in Puerto Rico was held as a branch ..... (1)  Yes  No

2. If a branch, indicate the percent that represents the income from sources within Puerto Rico from the total income of the corporation: 0 %

3. Is the corporation under Section 936 of the Federal Internal Revenue Code? ..... (3)  Yes  No

4. Did the corporation keep any part of its records on a computerized system during this year? ..... (4)  Yes  No

5. The corporation's books are in care of:  
 Name The Corporation  
 Address P.O. Box 421688  
Houston TX 77042-

6. Indicate the accounting method used for book (tax) purposes:  
 Cash  Accrual  
 Other (specify): \_\_\_\_\_

7. Did the corporation file the following documents?:  
 (a) Informative Return (Forms 480.5, 480.6A, 480.6B) ..... (7a)  Yes  No  
 (b) Withholding Statement (Form 499R-2/W-2PR) ..... (7b)  Yes  No

8. If the gross income exceeds \$1,000,000, are financial statements audited by a CPA licensed in Puerto Rico included with this return? ..... (8)  Yes  No

9. Number of employees during the year: 0

10. Did the corporation claim a deduction for expenses connected with:  
 (a) Vessels? ..... (10a)  Yes  No  
 (b) Living expenses? ..... (10b)  Yes  No  
 (c) Employees attending conventions or meetings outside Puerto Rico or the United States? ..... (10c)  Yes  No

11. Did the corporation distribute dividends other than stock dividends or distributions in liquidation in excess of the corporation's current and accumulated earnings? ..... (11)  Yes  No

12. Is the corporation a partner in any special partnership? ..... (12)  Yes  No  
 Name of the special partnership \_\_\_\_\_  
 Employer identification number \_\_\_\_\_

13. Is the corporation a member of a controlled group? ..... (13)  Yes  No

14. Enter the amount of exempt interest: 0

15. Enter the amount corresponding to charitable contributions to municipalities included in Part V, line 43: 0

16. Indicate if insurance premiums were paid by an unauthorized insurer ..... (16)  Yes  No

17. Employer's number assigned by the Department of Labor and Human Resources: \_\_\_\_\_

18. Number of stockholders: 0

**OATH**

We, the undersigned, president (or vice-president, or other principal officer) and treasurer (or assistant treasurer), or agent of the corporation for which this income tax return is made, each for himself declare under penalty of perjury that this return (including schedules and statements attached) has been examined by us, and to the best of our knowledge and belief, is a true, correct, and complete return, made in good faith, pursuant to the Puerto Rico Internal Revenue Code of 1994, as amended, and the Regulations thereunder.

President's or vice-president's signature: [Signature]  
 Treasurer or assistant treasurer's signature: [Signature]  
 Agent: \_\_\_\_\_

Sworn and subscribed before me by JOSE ORLANDO M. ABEJO, of legal age, 55 (civil status), PRESIDENT (occupation), resident of U.S.A., and by PEDRO A. BOMESIO, of legal age, 56 (civil status), CFD (occupation), and resident of U.S.A., personally known to me or identified by means of \_\_\_\_\_, at HOUSTON, TX, this 30 day of NOVEMBER 2011.

[Signature]  
 Title of the person administering oath: NOTARY PUBLIC

**SPECIALIST'S USE ONLY**

I declare under penalty of perjury that this return (including schedules and statements attached) has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete return. The declaration of the person who prepares this return is with respect to the information received, and this information may be verified.

Specialist's name (Print): Hector Bernier Registration number: 0 0 5 1 2 5 Date: 3/19/10 Self-employed Specialist:

Firm's name: PricewaterhouseCoopers, LLP Employer identification number: 6 6 0 5 5 8 5 3 0

Specialist's signature: [Signature] Address: P.O. Box 363566, San Juan, PR, 00936-3566 Zip Code: 00936-3566

**NOTE TO TAXPAYER:** Indicate if you made payments for the preparation of your return:  Yes  No. If you answered "Yes", require the Specialist's signature and registration number. Retention Period: Ten (10) years

Schedule A Corporation  
Rev. 12-06  
and Partnership

ALTERNATIVE MINIMUM TAX

2006

A

Taxable year beginning on 1/1, 2006 and ending on 12/31, 2006

Taxpayer's Name  
PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS

Employer Identification Number  
76-0235183

**Part I** Adjustments in the Computation of the Alternative Minimum Net Income Before Books Adjustments and Operating Losses

1. Net income subject to normal tax without considering net operating loss from preceding years and excluding the net capital gain that you had elected to pay taxes at the special rates (See instructions) .....	(1)	(863,246)	00
2. Adjustments:			
a. Flexible depreciation .....	(2a)	0	00
b. Installment sales .....	(2b)	0	00
c. Long-term contracts .....	(2c)	0	00
d. Expenses related with exempt interest .....	(2d)	0	00
e. Accelerated depreciation .....	(2e)	0	00
f. Total adjustments (Add lines 2(a) through 2(e)) .....	(2)	0	00
3. Alternative minimum net income before the adjustments of Part II and the operating loss (Add lines 1 and 2(f)) .....	(3)	(863,246)	00

**Part II** Adjustment for the Excess of the Net Income per Books over the Alternative Minimum Net Income Before Adjustments

4. Net income (or loss) per books .....	(4)	(866,006)	00
5. Goodwill amortization expense .....	(5)	0	00
6. Income tax expense per books .....	(6)	0	00
7. Add lines 4, 5 and 6 .....	(7)	(866,006)	00
8. Exempt interest income net of related expenses .....	(8)	0	00
9. Dividends and profit distributions received from domestic corporations or partnerships, or from industrial or tourism development income .....	(9)	0	00
10. Industrial development income, exempt tourism development income or bona fide agricultural business income .....	(10)	0	00
11. Income (or loss) recognized under the equity method .....	(11)	0	00
12. Reserve for catastrophic losses .....	(12)	0	00
13. Net long-term capital gain (See instructions) .....	(13)	0	00
14. Add lines 8 through 13 .....	(14)	0	00
15. Subtract line 14 from line 7 .....	(15)	(866,006)	00
16. Subtract line 3 from line 15. If line 3 is larger than line 15, enter zero .....	(16)	0	00
17. Adjustment for the excess of the adjusted net income per books over the alternative minimum net income of line 3 (Multiply line 16 by 50%) .....	(17)	0	00

**Part III** Computation of the Alternative Minimum Net Income

18. Alternative minimum net income before the net operating loss (Add lines 3 and 17) .....	(18)	(863,246)	00
19. Net operating loss to determine the alternative minimum tax (See instructions) .....	(19)	0	00
20. Subtract line 19 from line 18 (Enter here the difference, but not less than 10% of line 18) .....	(20)	0	00
21. Exempt amount (See instructions) .....	(21)	50,000	00
22. Alternative minimum net income (Subtract line 21 from line 20) .....	(22)	0	00

**Part IV** Computation of the Alternative Minimum Credit for Foreign Taxes Paid

23. Tentative minimum tax (Multiply line 22 by 22%) .....	(23)	0	00
24. Alternative minimum net income before net operating loss deduction (Line 18) .....	(24)	(863,246)	00
25. Allowable exempt amount without considering the net operating loss (See instructions) .....	(25)	0	00
26. Subtract line 25 from line 24 .....	(26)	0	00
27. Multiply line 26 by 22% .....	(27)	0	00
28. Multiply line 27 by 10% .....	(28)	0	00
29. Credit limitation (Subtract line 28 from line 23) .....	(29)	0	00
30. Alternative minimum credit for foreign taxes paid (This amount cannot exceed the amount on line 29. See instructions) .....	(30)	0	00

**Part V** Computation of the Alternative Minimum Tax

31. Tentative minimum tax (Subtract line 30 from line 23) .....	(31)	0	00
32. Adjusted regular tax (See instructions) .....	(32)	0	00
33. Alternative minimum tax (Subtract line 32 from line 31. If line 32 is larger than line 31, enter zero, otherwise, enter the difference on Form 480.10 or 480.20, Part III, line 19) .....	(33)	0	00

Schedule B Corporation  
Rev. 12.06 and Partnership

RECAPTURE OF CREDIT CLAIMED IN EXCESS,  
TAX CREDITS, AND  
OTHER PAYMENTS AND WITHHOLDINGS

2006

Taxable year beginning on 1/1, 2006 and ending on 12/31, 2006

B

Taxpayer's Name  
PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS

Employer Identification Number  
76-0235183

Part I Recapture of Investment Credit and Conservation Easement Claimed in Excess

B1

	Column A	Column B	Column C
Name of entity:			
Employer identification No:			
Credit for:			
Tourism Development .....	1 <input type="checkbox"/>	1 <input type="checkbox"/>	1 <input type="checkbox"/>
Solid Waste Disposal .....	2 <input type="checkbox"/>	2 <input type="checkbox"/>	2 <input type="checkbox"/>
Agricultural Incentives .....	3 <input type="checkbox"/>	3 <input type="checkbox"/>	3 <input type="checkbox"/>
Capital Investment Fund .....	4 <input type="checkbox"/>	4 <input type="checkbox"/>	4 <input type="checkbox"/>
Theatrical District of Santurce .....	5 <input type="checkbox"/>	5 <input type="checkbox"/>	5 <input type="checkbox"/>
Film Industry Development .....	6 <input type="checkbox"/>	6 <input type="checkbox"/>	6 <input type="checkbox"/>
Housing Infrastructure .....	7 <input type="checkbox"/>	7 <input type="checkbox"/>	7 <input type="checkbox"/>
Construction or Rehabilitation of Rental Housing Projects for Low or Moderate Income Families .....	8 <input type="checkbox"/>	8 <input type="checkbox"/>	8 <input type="checkbox"/>
Acquisition of an Exempt Business that is in the Process of Closing its Operations in Puerto Rico .....	9 <input type="checkbox"/>	9 <input type="checkbox"/>	9 <input type="checkbox"/>
Conservation Easement .....	10 <input type="checkbox"/>	10 <input type="checkbox"/>	10 <input type="checkbox"/>
Other: .....	11 <input type="checkbox"/>	11 <input type="checkbox"/>	11 <input type="checkbox"/>
1. Total credit claimed in excess .....	(1)	0	00
2. Recapture of credit claimed in excess paid in previous year, if applicable .....	(2)	0	00
3. Recapture of credit claimed in excess paid this year (Enter on Form 480.10 or 480.20, Part III, line 16. See instructions) .....	(3)	0	00
4. Excess of credit due next year, if applicable (Subtract lines 2 and 3 from line 1. See instructions) .....	(4)	0	00

Part II Tax Credits (Do not include estimated tax payments. Refer to Part III of this Schedule)

B2

1. Credit for taxes paid to the United States, its possessions and foreign countries (Schedule C Corporation and Partnership, Part IV, line 7) .....	(1)	0	00
2. Credit for increase in investment (See instructions) .....	(2)	0	00
3. Credit for investment in Capital Investment, Tourism, other funds or direct investment (Submit Schedule Q) .....	(3)	0	00
4. Credit attributable to losses in Capital Investment, Tourism or other funds (Submit Schedules Q and Q1) .....	(4)	0	00
5. Credit for Contribution to the Educational Foundation for Free Selection of Schools (See instructions) .....	(5)	0	00
6. Credit for alternative minimum tax paid in previous years (See instructions) .....	(6)	0	00
7. Credit for the purchase of tax credits (Complete Part IV) (See instructions) .....	(7)	0	00
8. Credit for investment Act No. 362 of 1999: <input type="checkbox"/> Film Project and/or <input type="checkbox"/> Infrastructure Project (See instructions) .....	(8)	0	00
9. Credit for investment in Housing Infrastructure (See instructions) .....	(9)	0	00
10. Credit for investment in the Construction or Rehabilitation of Rental Housing Projects for Low or Moderate Income Families (See instructions) .....	(10)	0	00
11. Credit to investors in an exempt business that is in the process of closing its operations in Puerto Rico (See instructions) .....	(11)	0	00
12. Credit for purchases of products manufactured in Puerto Rico and Puerto Rican agricultural products (Submit Schedule B1 Corporation and Partnership) .....	(12)	0	00
13. Credit for contributions to Santa Catalina's Palace Patronage (See instructions) .....	(13)	0	00
14. Credit for the establishment of an eligible conservation easement or donation of eligible land (See instructions) .....	(14)	0	00
15. Credit for construction investment in urban centers (See instructions) .....	(15)	0	00
16. Credit for merchants affected by urban centers revitalization (See instructions) .....	(16)	0	00
17. Exemption for persons that operate as publisher (See instructions) .....	(17)	0	00
18. Exemption for persons that operate as printer (See instructions) .....	(18)	0	00
19. Exemption for persons that operate as bookseller (See instructions) .....	(19)	0	00
20. Credit for the Extraordinary Tax of 2006 (See instructions) .....	(20)	0	00
21. Credits carried from previous years (Submit detail) .....	(21)	0	00
22. Other credits not included on the preceding lines (Submit detail) (See instructions) .....	(22)	0	00
23. Total Tax Credits (Add lines 1 through 22) .....	(23)	0	00
24. Total tax determined (Form 480.10 or 480.20, Part III, line 15) .....	(24)	0	00
25. Credit to be claimed (The smaller of line 23 or 24. Enter on Form 480.10 or 480.20, Part III, line 17) .....	(25)	0	00
26. Carryforward credits (Subtract line 25 from line 23. Submit detail) .....	(26)	0	00

<b>Part III</b>		<b>Other Payments and Withholdings</b>		<b>B3</b>
1. Tax paid with automatic extension of time .....	(1)	0	00	
2. Estimated tax payments for 2006 .....	(2)	0	00	
3. Tax paid in excess on previous years credited to estimated tax (See instructions) .....	(3)	243,582	00	
4. Tax withheld at source .....	(4)	0	00	
5. Services rendered (Form 480.6B) .....	(5)	0	00	
6. Tax withheld at source on distributable share to partners of special partnerships (Form 480.6 SE) .....	(6)	0	00	
7. Tax withheld at source on eligible interest .....	(7)	0	00	
8. Total Other Payments and Withholdings (Add lines 1 through 7. Enter on Form 480.10 or 480.20, Part III, line 23) .....	(8)	243,582	00	

<b>Part IV</b>		<b>Breakdown of the Purchase of Tax Credits</b>		<b>B4</b>
Check the block corresponding to the act (or acts) under which you acquired the credit and enter the amount:				
1. <input type="checkbox"/> Tourism Development .....	(1)	0	00	
2. <input type="checkbox"/> Solid Waste Disposal .....	(2)	0	00	
3. <input type="checkbox"/> Agricultural Incentives .....	(3)	0	00	
4. <input type="checkbox"/> Capital Investment Fund .....	(4)	0	00	
5. <input type="checkbox"/> Theatrical District of Santurce .....	(5)	0	00	
6. <input type="checkbox"/> Film Industry Development .....	(6)	0	00	
7. <input type="checkbox"/> Housing Infrastructure .....	(7)	0	00	
8. <input type="checkbox"/> Construction or Rehabilitation of Rental Housing Projects for Low or Moderate Income Families .....	(8)	0	00	
9. <input type="checkbox"/> Acquisition of an Exempt Business that is in the Process of Closing its Operations in Puerto Rico .....	(9)	0	00	
10. <input type="checkbox"/> Conservation Easement .....	(10)	0	00	
11. <input type="checkbox"/> Urban Centers Revitalization .....	(11)	0	00	
12. <input type="checkbox"/> Other: <u>0</u> .....	(12)	0	00	
13. Total credit for the purchase of tax credits (Same as Part II, line 7) .....	(13)	0	00	

Retention Period: Ten (10) years

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Schedule D Corporation  
Rev. 12.06 and Partnership

GAINS AND LOSSES FROM SALE  
OR EXCHANGE OF PROPERTY

200 6

Taxable year beginning on 1/1, 2006 and ending on 12/31, 2006

**D**

Taxpayer's Name

Employer Identification Number

PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS

76-0235183

**Part I** Short-Term Capital Assets Gains and Losses (Held 6 months or less)

Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
1. Net short-term capital gain (or loss) .....						0 00 (1)
2. Net short-term capital gain (or loss) from investment funds (Submit Schedule Q1) .....						0 00 (2)
3. Distributable share on net short-term capital gain (or loss) from Special Partnerships .....						0 00 (3)
4. Net short-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....						0 00 (4)
5. Net capital loss carryover (Submit detail) .....						0 00 (5)
6. Net short-term capital gain (or loss) (Add lines 1 through 5) .....						0 00 (6)

**Part II** Long-Term Capital Assets Gains and Losses (Held more than 6 months)

Description and Location of Property	Fill in if you Prepaid	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss
	○			0 00	0 00	0 00	0 00
	○			0 00	0 00	0 00	0 00
	○			0 00	0 00	0 00	0 00
	○			0 00	0 00	0 00	0 00
7. Net long-term capital gain (or loss) .....							0 00 (7)
8. Distributable share on net long-term capital gain (or loss) from Special Partnerships .....							0 00 (8)
9. Net long-term capital gain (or loss) attributable to direct investment and not through a Capital Investment Fund (Submit detail) .....							0 00 (9)
10. Net long-term capital gain (or loss) (Add lines 7 through 9) .....							0 00 (10)

**Part III** Long-Term Capital Assets Gains and Losses (Held more than 6 months) Realized under Special Legislation

Description and Location of Property	Fill in if you Prepaid	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss
	○			0 00	0 00	0 00	0 00
11. Net long-term capital gain (or loss) under Act: _____ (Decree No. _____) .....							0 00 (11)

Part IV Summary of Capital Gains and Losses			
Gains or Losses	Column A	Column B	Column C
	Short-Term	Long-Term	Under Special Legislation
12. Enter the gains determined on lines 6, 10 and 11 in the corresponding Column ..... (12)	0 00	0 00	0 00
13. Enter the losses determined on lines 6, 10 and 11 in the corresponding Column ..... (13)	0 00	0 00	0 00
14. If any of Columns B and C reflect a loss on line 13, apply the total to the gain in the other Column (See instructions) ..... (14)		0 00	0 00
15. Subtract line 14 from line 12. If any Column reflected a loss on line 13, enter zero here ..... (15)		0 00	0 00
16. Apply the loss from line 13, Column A proportionally to the gains in Columns B and C (See instructions).... (16)		0 00	0 00
17. Subtract line 16 from line 15 ..... (17)		0 00	0 00
18. Add the total of Columns B and C, line 17. However, if line 12 does not reflect any gain in Columns B and C, you must enter the total amount of line 13, Columns A through C ..... (18)			0 00
19. Net capital gain (or loss) (Add line 12, Column A and line 18) ..... (19)			0 00
20. Enter excess of net short-term capital gain over net long-term capital loss (See instructions) ..... (20)			0 00
21. Enter excess of net long-term capital gain over net short-term capital loss (See instructions) ..... (21)			0 00
22. Net capital gain (Add lines 20 and 21. Enter here and on Form 480.10 or 480.20, Part IV, line 9 or on the appropriate line of other returns) ..... (22)			0 00

Part V Determination of Alternative Tax - Capital Gain			
23. Net income ..... { (a) Form 480.10 or 480.20, Part II, line 5 (b) Schedule P Incentives, Part I, line 7 (c) Others - Enter the amount from the appropriate line of the return ..... (23)			(4,102,577) 00
24. Enter the amount from line 17, Column B ..... (24)			0 00
25. Enter the amount from line 17, Column C ..... (25)			0 00
26. Net income for purposes of alternative tax - capital gain (Subtract lines 24 and 25 from line 23) ..... (26)			0 00
COMPUTATION OF NET INCOME TO DETERMINE ALTERNATIVE TAX			
27. Net income for purposes of partial normal tax (Enter the amount from line 26) ..... (27)			0 00
28. Less: Credit for purposes of surtax (From the appropriate line of the return) ..... (28)			0 00
29. Net income subject to partial surtax ..... (29)			0 00
COMPUTATION OF ALTERNATIVE TAX			
30. Partial normal tax (Multiply line 27 by 20%) ..... (30)			0 00
31. Surtax ..... (31)			0 00
32. Amount of recapture ..... (32)			0 00
33. Special tax ..... (33)			0 00
34. Special tax to entities operating under the "Puerto Rico Banking Act" ..... (34)			0 00
35. Total tax (Add lines 30 through 34) ..... (35)			0 00
36. Plus: 20% of the amount on line 24 ..... (36)			0 00
37. Plus: _____% (under special legislation) of the amount on line 25 (enter the applicable percent) ..... (37)			0 00
38. Alternative Tax - Capital gains (Add lines 35 through 37. Enter the total here and transfer to Form 480.10 or 480.20, Part III, line 14 or to the appropriate line of other returns) ..... (38)			0 00

Part VI Gains (or Losses) from Property Other than Capital Assets						
Description and Location of Property	(A) Date Acquired	(B) Date Sold	(C) Sale Price	(D) Adjusted Basis	(E) Selling Expenses	(F) Gain or Loss
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
			0 00	0 00	0 00	0 00
39. Net gain (or loss) from property other than capital assets (Enter here and on Form 480.10 or 480.20, Part IV, line 10 or on the appropriate line of other returns) ..... (39)						0 00

**ADDITION TO THE TAX FOR FAILURE TO PAY  
ESTIMATED TAX IN CASE OF  
CORPORATIONS AND PARTNERSHIPS**

**2006**

Taxable year beginning on 1/1, 2006 and ending on 12/31, 2006



Taxpayer's Name  
**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**

Employer Identification Number  
**76-0235183**

**Part I** Estimated Tax Required

1. Tax liability (Add lines 15,16,19 and 21 of Part III, page 1 of the return) .....	(1)	0	00
2. Credits and overpayments (See instructions) .....	(2)	243,582	00
3. Estimated tax (Subtract line 2 from line 1. If it is zero or less, do not complete this Schedule) .....	(3)	(243,582)	00
4. Line 1 multiplied by 90% .....	(4)	0	00
5. Subtract line 2 from line 4 (If it is zero or less, enter zero) .....	(5)	0	00
6. Tax to be paid based on the income tax return from previous year (See instructions) .....	(6)	0	00
7. Tax to be paid based on the income tax return from previous year determined according to the rates corresponding to the current taxable year (See instructions) .....	(7)	0	00
8. Enter the smaller of lines 5, 6 and 7 .....	(8)	0	00

**Section A - Estimated Tax to Be Paid per Installment Placing the Net Income on an Annual Basis**

		(a) First 0 months	(b) First 0 months	(c) First 0 months	(d) First 0 months
9. Basis Period (See instructions) .....	(9)				
10. Enter the net income for each basis period .....	(10)	0	0	0	0
11. Divide line 10 between the number of months of the basis period on line 9 .....	(11)	0	0	0	0
12. Net income placed on an annual basis (Multiply line 11 by 12) .....	(12)	0	0	0	0
13. Determine the normal tax on the net income placed on an annual basis of line 12 (Line 12 by 20%) .....	(13)	0	0	0	0
14. Determine the surtax on the net income placed on an annual basis of line 12 .....	(14)	0	0	0	0
15. Determine the recapture on the net income placed on an annual basis of line 12 .....	(15)	0	0	0	0
16. Determine the special tax on the net income placed on an annual basis of line 12 .....	(16)	0	0	0	0
17. Determine the special tax to entities operating under the "Puerto Rico Banking Act" on the net income placed on an annual basis of line 12 .....	(17)	0	0	0	0
18. Determine the Alternative Tax - Capital Gains .....	(18)	0	0	0	0
19. Tax Determined (Enter the smaller between the sum of lines 13 through 17, or line 18) ...	(19)	0	0	0	0
20. Enter the recapture of credit claimed in excess or others .....	(20)	0	0	0	0
21. Determine the alternative minimum tax on the net income placed on an annual basis of line 12 .....	(21)	0	0	0	0
22. Total annual basis tax (Add lines 19 through 21) .....	(22)	0	0	0	0
23. Multiply line 22 by 90% .....	(23)	0	0	0	0
24. Enter the credits and other payments per period (See instructions) .....	(24)	0	0	0	0
25. Estimated Tax to be Paid (Subtract line 24 from line 23. If it is less than zero, enter zero) .....	(25)	0	0	0	0
26. Add the amounts of all previous columns of line 33 (See instructions) .....	(26)		0	0	0
27. Subtract line 26 from line 25 (If it is less than zero, enter zero) .....	(27)	0	0	0	0
28. Number of installments .....	(28)	4	3	2	1
29. Estimated Tax to be Paid per Installment Placing the Net Income on an Annual Basis (Line 27 divided between line 28) .....	(29)	0	0	0	0

**Section B - Estimated Tax Required**

30. Subtract line 26 from line 8 .....	(30)	0	0	0	0
31. Number of installments .....	(31)	4	3	2	1
32. Line 30 divided between line 31 .....	(32)	0	0	0	0
33. Installment of Required Minimum Estimated Tax (Enter the smaller of line 29 and line 32. Transfer to line 35) .....	(33)	0	0	0	0

<b>Part II</b> Failure to Pay		(a)	(b)	(c)	(d)
		First Installment	Second Installment	Third Installment	Fourth Installment
34. Due date (See instructions)					
<input type="checkbox"/> CALENDAR YEAR					
<input type="checkbox"/> FISCAL YEAR (Enter the corresponding dates) .....	(34)				
35. Amount of minimum estimated tax per installment (If you completed Section A and B of Part I, enter line 33. Otherwise, see instructions) .....	(35)	0 00	0 00	0 00	0 00
36. Amount of estimated tax paid per installments (See instructions) .....	(36)	0 00	0 00	0 00	0 00
37. Payment date (See instructions) .....	(37)				
38. Line 44 from previous column .....	(38)		0 00	0 00	0 00
39. Add lines 36 and 38 .....	(39)	0 00	0 00	0 00	0 00
40. Subtract line 35 from line 39 (If it is zero or less, enter zero) .....	(40)	0 00	0 00	0 00	0 00
41. Failure to Pay (If line 40 is zero, subtract line 39 from line 35. Otherwise, enter zero) .....	(41)	0 00	0 00	0 00	0 00
42. Add lines 41 and 43 from previous column .....	(42)		0 00	0 00	
43. If line 42 is equal or larger than line 40, subtract line 40 from line 42 and go to line 38 of next column. Otherwise, go to line 44 .....	(43)		0 00	0 00	
44. Overpayment (If line 40 is larger than line 42, subtract line 42 from line 40, and go to line 38 of next column. Otherwise, enter zero) .....	(44)	0 00	0 00	0 00	

<b>Part III</b> Addition to the Tax for Failure to Pay		(a)	(b)	(c)	(d)
45. Multiply line 41 by 20% (See instructions) .....	(45)	0 00	0 00	0 00	0 00
46. Number of days from the due date to the payment date (See instructions) .....	(46)	0	0	0	0
47. Line 46		0 00	0 00	0 00	0 00
365 X line 45 (See instructions) .....	(47)				
48. Addition to the Tax for Failure to Pay (Add the amounts from columns of line 47. Transfer to page 1, Part III, line 25 of the return) .....	(48)				0 00

**Part IV** Tables to Calculate the Addition to the Tax for Failure to Pay the Installments of Estimated Tax

TABLE 1 - Payments to Meet the First Installment Made After its Due Date ( \_\_\_\_\_ )

Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by $\frac{(d)}{365}$ (e)
0 00	0 00		0	0 00
0 00	0 00		0	0 00
0 00	0 00		0	0 00
Total: Add Column (e) and transfer to Part III, line 47, Column (a) .....				0 00

TABLE 2 - Payments to Meet the Second Installment Made After its Due Date ( \_\_\_\_\_ )

Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by $\frac{(d)}{365}$ (e)
0 00	0 00		0	0 00
0 00	0 00		0	0 00
0 00	0 00		0	0 00
Total: Add Column (e) and transfer to Part III, line 47, Column (b) .....				0 00

TABLE 3 - Payments to Meet the Third Installment Made After its Due Date ( \_\_\_\_\_ )

Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by $\frac{(d)}{365}$ (e)
0 00	0 00		0	0 00
0 00	0 00		0	0 00
0 00	0 00		0	0 00
Total: Add Column (e) and transfer to Part III, line 47, Column (c) .....				0 00

TABLE 4 - Payments to Meet the Fourth Installment Made After its Due Date ( \_\_\_\_\_ )

Amount due and not paid before the payment (a)	Amount of payment or overpayment (b)	Date of payment or overpayment (c)	Days elapsed from the due date (d)	Multiply (a) by 20% by $\frac{(d)}{365}$ (e)
0 00	0 00		0	0 00
0 00	0 00		0	0 00
0 00	0 00		0	0 00
Total: Add Column (e) and transfer to Part III, line 47, Column (d) .....				0 00

Form AS 2879  
Rev. 12.96  
Rep. 05.02

**Foreign Corporations and Partnerships  
Tax on Dividend Equivalent Amount  
and Effectively Connected Interest  
(Branch Profits Tax)**

**2006**

Taxpayer's Name  
**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**

Employer Identification Number  
**76-0235183**

**NOTE TO THE TAXPAYER:** This schedule applies to foreign corporations and partnerships that derived less than 80 percent of their combined total gross income, during the taxable year and the preceding two taxable years, from sources within Puerto Rico or from income treated as effectively connected with the operation of a trade or business in Puerto Rico (see instructions). If the corporation or partnership derived 80 percent or more of its combined total gross income as described here, do not complete this schedule.

1. Enter regular income before any net operating loss deduction (Income Tax Return Forms 480.1, 480.10, 480.2; 480.20, Part I, line 1 or Forms 480.3(II) and 480.30(II), Schedule P, line 17) .....	(1)	(863,246)	00
<b>2. Additions:</b>			
a) Enter excess of flexible depreciation over straight-line depreciation .....	(2a)	0	00
b) Exempt interest income under Section 1022(b)(4) of Puerto Rico Internal Revenue Code of 1994, as amended (Code), net of related expenses .....	(2b)	0	00
c) Other additions (See Section 1119 of the Code): _____ _____ _____	(2c)	0	00
3. Total additions. (Add lines 2(a) through 2(c)) .....	(3)	0	00
<b>4. Deductions:</b>			
a) Taxes paid (Enter the sum of normal tax, surtax, and alternative minimum tax). .....	(4a)	0	00
b) Previous year Branch Profits Tax .....	(4b)	0	00
c) Enter interest deduction attributable to interest derived from exempt obligations (Applicable to financial institutions only. See instructions) .....	(4c)	0	00
d) Meals and entertainment (Non-deductible) .....	(4d)	2,760	00
e) Penalties .....	(4e)	0	00
f) Other deductions (See Section 1119 of the Code) .....	(4f)	0	00
5. Total deductions (Add lines 4(a) through 4(f)) .....	(5)	2,760	00
6. Effectively connected earnings and profits (subtract line 5 from the sum of lines 1 and 3) .....	(6)	(866,006)	00
7. Enter Puerto Rico net equity at the end of the current taxable year .....	(7)	(2,555,073)	00
8. Enter Puerto Rico net equity at the end of the previous taxable year .....	(8)	(1,639,139)	00
9. Increase/decrease in Puerto Rico net equity (Subtract line 8 from line 7. See instructions) .....	(9)	(915,934)	00
10. Dividend equivalent amount (Subtract line 9 from line 6. See instructions) .....	(10)	0	00
11. Branch profits tax liability (Multiply line 10 by 10%) .....	(11)	0	00

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2006

STATEMENT OF OTHER DEDUCTIONS  
PAGE 2, PART V, LINE 47

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Inspection Expense	\$ 376,872
Duties	167,353
Other Operating Expense	14,997
Materials & Supplies	3,029
Maintenance & Repairs	1,834
Postage & Courier	3,280
Advertising	2,981
Membership & Subscriptions	6,054
Employee Related Expenses	4,254
Telecommunication Service	10,700
Equipment Rental	9,312
Other Miscellaneous Expenses	53,328
Cost Recovery	<u>(270,377)</u>
<b>TOTAL OTHER DEDUCTIONS</b>	<b><u>\$ 383,617</u></b>

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO. 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2006

CHARITABLE CONTRIBUTIONS CARRYFORWARD

YEAR	AMOUNT	AMOUNT USED	BALANCE	EXPIRATION DATE
12/31/2004	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>	12/31/2009
	<u><u>\$ 14</u></u>	<u><u>\$ -</u></u>		
TOTAL CHARITABLE CONTRIBUTIONS CARRYFORWARD TO 2007			<u><u>\$ 14</u></u>	

PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS  
ACCOUNT NO.: 76-0235183

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2006

STATEMENT OF OTHER DECREASES  
PAGE 3, PART IX, LINE 6

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Net Investment from PAI	\$ 38,175,552
<b>TOTAL OTHER DECREASES</b>	<b>\$ 38,175,552</b>



**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

**STATEMENT TO BE ATTACHED TO AND MADE PART OF THE**  
**AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**SCHEDULE OF NET OPERATING LOSS CARRYFORWARD FOR REGULAR TAX PURPOSES**

<b>YEAR CREATED</b>	<b>LOSS CREATED</b>	<b>AMOUNT USED</b>	<b>BALANCE</b>	<b>EXPIRATION YEAR</b>
2004	\$ 2,343,249	\$ -	\$ 2,343,249	2011
2005	896,082	-	896,082	2012
2006	<u>863,246</u>	<u>-</u>	<u>863,246</u>	2013
<b>TOTAL NOL CARRYFORWARD AVAILABLE FOR DECEMBER 31, 2007</b>			<b><u>\$ 4,102,577</u></b>	

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO.: 76-0235183**

STATEMENT TO BE ATTACHED TO AND MADE PART OF THE  
AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN  
FOR THE YEAR ENDED DECEMBER 31, 2006

**SCHEDULE OF NET OPERATING LOSS CARRYFORWARD FOR AMT PURPOSES**

<b>YEAR CREATED</b>	<b>LOSS CREATED</b>	<b>AMOUNT USED</b>	<b>BALANCE</b>	<b>EXPIRATION YEAR</b>
2004	\$ 2,343,249	\$ -	\$ 2,343,249	2011
2005	896,082	-	896,082	2012
2006	<u>863,246</u>	<u>-</u>	<u>863,246</u>	2013
<b>TOTAL AMT NOL CARRYFORWARD AVAILABLE FOR DECEMBER 31, 2007</b>			<u><u>\$ 4,102,577</u></u>	

**PETROBRAS AMERICA, INC. - PUERTO RICO OPERATIONS**  
**ACCOUNT NO. 76-0235183**

**STATEMENT TO BE ATTACHED TO AND MADE PART OF THE**  
**AMENDED PUERTO RICO CORPORATION INCOME TAX RETURN**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**REASON FOR AMENDMENT**

The taxpayer hereby amends the Corporation Income Tax Return for the year ended December 31, 2006 in order to reflect the balances from the 2006 Audited Financial Statements and to properly carry forward the NOL and overpayment from the amended 2005 return.

Liquidator: Reviewer: 200 5 COMMONWEALTH OF PUERTO RICO 200 5  
 DEPARTMENT OF THE TREASURY  
 Corporation Income Tax Return  
 TAXABLE YEAR BEGINNING ON 1 / 1, 2005 AND ENDING ON 12 / 31, 2005

Serial Number  
 AMENDED RETURN  
 Payment Stamp  
 Receipt No.  
 Amount:

Taxpayer's Name  
 Petrobras America, Inc. - Puerto Rico Operations  
 Postal Address  
 P.O. Box 421688  
 Houston TX Zip Code 77242  
 "Place Label here"  
 Location of Principal Industry or Business - Number, Street, City  
 10350 Richmond Avenue, Suite 1400 Houston, TX 77042  
 Type of Principal Industry or Business (i.e. Hardware, Cafeteria, etc.)  
 Unfinished Crude Oil Importer  
 Check the corresponding box, if applicable  
 First return  Last return  
 Yes  No  
 Contracts with Governmental Entities  
 Yes  No  
 Spanish  English

Employer Identification Number  
 76-0235183  
 Department of State Registry No.  
 12233-F  
 Industrial Code Municipal Code  
 Telephone Number - Extension  
 ( 713 ) 808 - 2137  
 Date Incorporated  
 Day 15 / Month 10 / Year 1987  
 Place Incorporated  
 Delaware  
 E-mail Address

Part I	1. Net operating income (or loss) (From Part V, line 49) .....	(1)	(896,082)	.00
	2. Less: Net operating loss deduction from preceding year (Submit detail) .....	(2)	2,343,249	.00
	3. Net income (or loss) .....	(3)	(3,239,331)	.00
Part II	4. Less: Dividends or profits received from domestic corporations or partnerships .....	(4)	0	.00
	5. Net income subject to normal tax (Subtract line 4 from line 3) .....	(5)	(3,239,331)	.00
	6. Less: Surtax net income credit .....	(6)	0	.00
	7. Net income subject to surtax (Subtract line 6 from line 5) .....	(7)	(3,239,331)	.00
Part III	8. Normal tax (Multiply line 5 by 20%) .....	(8)	0	.00
	9. Surtax (See instructions) .....	(9)	0	.00
	10. Amount of recapture (See instructions) .....	(10)	0	.00
	11. Special tax (See instructions) .....	(11)	0	.00
	12. Total Tax (Add lines 8 through 11) .....	(12)	0	.00
	13. Alternative Tax - Capital Gains (Schedule D Corporation and Partnership, Part VIII, line 61) .....	(13)	0	.00
	14. Tax Determined (Line 12 or 13, whichever is smaller) .....	(14)	0	.00
	15. Recapture of credit claimed in excess (Schedule B Corporation and Partnership, Part I, line 3) .....	(15)	0	.00
	16. Tax credits (Schedule B Corporation and Partnership, Part II, line 24) .....	(16)	0	.00
	17. Tax liability before alternative minimum tax (Subtract line 16 from the sum of lines 14 and 15) .....	(17)	0	.00
	18. Alternative minimum tax (Schedule A Corporation and Partnership, Part V, line 33) .....	(18)	0	.00
	19. Branch profits tax (Form AS 2879, line 11) .....	(19)	0	.00
	20. Tax on eligible interest (See instructions) .....	(20)	0	.00
	21. Total Tax Liability (Add lines 17 through 20) .....	(21)	0	.00
	22. Less: Other Payments and Withholdings (Schedule B Corporation and Partnership, Part III, line 8) .....	(22)	243,582	00
	23. Balance of tax due (If line 21 is larger than line 22, enter the difference here, otherwise, on line 25)			
	a) Tax .....	(23a)	0	.00
	b) Interest .....	(23b)	0	.00
	c) Surcharges .....	(23c)	0	.00
	d) Total (Add lines 23(a) through 23(c)) .....	(23d)	0	.00
24. Addition to the Tax for Failure to Pay Estimated Tax (Schedule T Corporation and Partnership, Part III, line 46) .....	(24)	0	.00	
25. Excess of tax paid or withheld (See instructions) .....	(25)	243,582	.00	
26. Amount paid with this return (Add lines 23(d) and 24 less line 25) .....	(26)	0	.00	
27. Amount overpaid (Subtract lines 22 from the sum of lines 21 and 24. Distribute line 25 between line A or B):				
A. To be credited to estimated tax for 2006 .....	(27A)	243,582	00	
B. To be refunded .....	(27B)	0	.00	



KPMG LLP  
American International  
Suite 1100  
250 Muñoz Rivera Avenue  
San Juan, PR 00918-1819

## Independent Auditors' Report

Board of Directors  
Petrobras America Inc.:

We have audited the accompanying balance sheet of Petrobras America Inc.'s Puerto Rico Operations (the Division) as of December 31, 2006, and the related statements of operations, intracompany interest, and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Petrobras America Inc.'s Puerto Rico Operations as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 to the financial statements, Petrobras America Inc. ceased operations in Puerto Rico in March 2008 upon expiration on December 31, 2007 of its customer contract.

As discussed in Notes 1 and 6 to the financial statements, the Division has significant transactions with affiliated entities. The accompanying financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations if the Division had operated without these affiliate transactions.

August 31, 2009

**KPMG LLP**

License No. 21  
Expires December 1, 2010



**PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS**  
(A Division of Petrobras America Inc.)

Balance Sheet

December 31, 2006

**Assets**

Current assets:		
Trade receivables	\$	67,071,995
Inventories		<u>15,018,183</u>
Total current assets		82,090,178
Prepaid taxes		<u>243,582</u>
Total assets	\$	<u><u>82,333,760</u></u>

**Liabilities and Intracompany Interest**

Current liabilities:		
Accounts payable and accrued liabilities:		
Affiliates	\$	118,722,315
Nonaffiliates		<u>2,489,227</u>
Total current liabilities		<u>121,211,542</u>
Total liabilities		<u>121,211,542</u>
Intracompany interest		(36,322,709)
Accumulated deficit		<u>(2,555,073)</u>
Total intracompany interest		<u>(38,877,782)</u>
Total liabilities and intracompany interest	\$	<u><u>82,333,760</u></u>

See accompanying notes to financial statements.

PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS  
(A Division of Petrobras America Inc.)

Statement of Operations  
Year ended December 31, 2006

Fuel oil sales	\$ 271,495,393
Fuel oil costs	<u>271,569,912</u>
Gross loss	<u>(74,519)</u>
Operating expenses:	
Unloading inspection expense	376,872
Duties	167,353
Other operating expense	14,997
General and administrative allocation	187,265
Professional fees	<u>45,000</u>
Total operating expenses	<u>791,487</u>
Net operating loss	<u>(866,006)</u>
Loss before income tax benefit	(866,006)
Income tax expense	<u>—</u>
Net loss	<u>\$ (866,006)</u>

See accompanying notes to financial statements.

**PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS**  
(A Division of Petrobras America Inc.)

Statement of Intracompany Interest

Year ended December 31, 2006

	<u>Intracompany interest</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance – December 31, 2005	\$ 1,802,915	(1,689,067)	113,848
Net funding from PAI	(38,125,624)	—	(38,125,624)
Net loss	—	(866,006)	(866,006)
Balance – December 31, 2006	<u>\$ (36,322,709)</u>	<u>(2,555,073)</u>	<u>(38,877,782)</u>

See accompanying notes to financial statements.



**PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS**  
(A Division of Petrobras America Inc.)

Statement of Cash Flows

Year ended December 31, 2006

Operating activities:	
Net loss	\$ (866,006)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(67,071,995)
Increase in inventories	(15,018,183)
Increase in accounts payable:	
Affiliates	118,722,315
Nonaffiliates	<u>2,359,493</u>
Net cash provided by operating activities	<u>38,125,624</u>
Financing activity:	
Intracompany funding activity, net	<u>(38,125,624)</u>
Net cash used in financing activity	<u>(38,125,624)</u>
Net increase (decrease) in cash and cash equivalents	—
Cash and cash equivalents at beginning of year	<u>—</u>
Cash and cash equivalents at end of year	<u><u>\$ —</u></u>

See accompanying notes to financial statements.

**PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS**  
(A Division of Petrobras America Inc.)

Notes to Financial Statements

December 31, 2006

**(1) Organization**

Petrobras America Inc. – Puerto Rico Operations (the Division) is a division of Petrobras America Inc. (PAI or Corporate or the Company), a U.S. Corporation and a wholly owned subsidiary of Petrobras International Braspetro B.V. in Netherlands (the Parent), was formed on October 15, 1987 to acquire, own and operate rights-of-way and operating rights for the purpose of conducting oil and gas exploration and development activities on the Outer Continental Shelf of the United States of America. PAI's working capital needs are primarily funded by its Parent company and through cash flow from operations. The Division is dependent on PAI for financial support. In 1990, PAI expanded its business activities to include the purchase of petroleum industry equipment, spare parts, and similar related products (procurement activities) for sale to the Parent or its affiliates and to include the purchase and sale of crude oil and refined products from and to foreign companies and companies in the United States.

On August 7, 2002, PAI registered with Puerto Rico Department of State and was authorized to do business in Puerto Rico as a foreign corporation. In December 2002, PAI was selected as the supplier of No. 6 residual fuel oil to the Puerto Rico Electric and Power Authority (PREPA) on an one-year contract with automatic renewal of one year, which ended in December 2004. PAI concluded its Puerto Rico operations related to this contract in January 2005.

In May 2006, Petrobras International Finance Company (PIFCO), an affiliate of PAI, was selected as the supplier of No. 6 residual fuel oil to PREPA on an one-year contract with automatic renewal of one year. Since PIFCO did not register with Puerto Rico Department of State and was not authorized to do business in Puerto Rico as a foreign corporation, it assigned all of its rights and obligations under the PREPA Fuel Purchase Contract to PAI in May 2006.

PAI purchases the No. 6 residual fuel oil from its parent and/or other affiliates and stores the inventory in storage tanks located in San Juan and Palo Seco steam plants, a location designated as a Foreign Trade Zone. PAI does not maintain employees or offices in Puerto Rico.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accounts of the Company are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements present, on a historical cost basis, the assets, liabilities, revenue, and expenses related to the Division as of and for the year ended December 31, 2006. These statements are presented as if the Division had existed as a separate entity during the period presented.

The Division incurs certain common costs, which relate to both the Division and other PAI operations, and management has made allocations of these costs to the Division. These costs include general and administrative (G&A) expenses such as salaries and other administrative expenses.

PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS  
(A Division of Petrobras America Inc.)

Notes to Financial Statements

December 31, 2006

Intracompany interest reflects PAI's historical-cost-basis balances within the Division, accumulated earnings and losses of the Division, and intracompany activity with PAI that are not settled on a current basis.

The Division is part of PAI and has no separate legal status or existence. Its resources and existence are at the disposal of Corporate management. The Division's assets are legally available for the satisfactions of debts of the entire corporation, not solely those appearing on the accompanying balance sheet, and its debts may result in claims against assets not appearing thereon.

*(b) Cash*

All cash and cash equivalents are transferred to PAI through the intracompany interest account on a current basis and are excluded from assets on the accompanying statements. The Division is part of a centralized cash management system of PAI, whereby all cash disbursements of the Division are funded by, and all cash receipts are transferred to, PAI.

*(c) Allowance for Doubtful Accounts*

The Division routinely assesses the recoverability of all material trade and other receivables to determine their collectibility. The Division accrues a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of any reserve may be reasonably estimated. As of December 31, 2006, the Division had no allowance for doubtful accounts.

*(d) Concentrations of Credit Risk*

Substantially all of the Division's accounts receivable are due from PREPA. To date, this concentration has not had a material adverse effect on the financial position of the Division.

*(e) Inventories*

Inventories consist of No. 6 residual fuel oil, which is valued at the lower of cost, determined using weighted average cost, or market.

*(f) Functional Currency*

The U.S. dollar is the functional currency for the Division. All transactions are denominated in U.S. dollars.

*(g) Revenue Recognition*

Sales revenue is recognized as fuel is sold at a determinable price, when delivery has occurred, title has transferred, and the collectibility of the revenue is reasonably assured.

*(h) Use of Estimates*

The financial statements, which are prepared in conformity with generally accepted accounting principles, include amounts that are based, in part, on management's best estimates and judgments.

**PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS**  
(A Division of Petrobras America Inc.)

Notes to Financial Statements

December 31, 2006

Actual results could differ from those estimates. Significant estimates include the valuation of accounts receivable, inventory and income taxes.

**(3) Inventories**

For the year ended December 31, 2006, inventories pertaining to the Division consisted of the following:

No. 6 Residual fuel oil	\$	15,018,183
-------------------------	----	------------

The fuel oil inventories in Puerto Rico are maintained at storage facility in San Juan, which is leased and paid for by PREPA. Arrangement is made between PAI and PREPA to allow PAI to use this storage facility free of charge.

**(4) Income Taxes**

For the year ended December 31, 2006, a reconciliation of the United States statutory income tax expense (benefit) to the effective amount is shown below:

Statutory income tax benefit	\$	(173,201)
Additional taxes related to Puerto Rico statutory tax		—
Valuation allowance expense		<u>173,201</u>
	\$	<u>—</u>

The Company recorded a valuation allowance against the 2006 net operating loss carryforwards. These cumulative gross net operating losses of \$2,781,868 will expire beginning in 2011. Management has determined it is more likely than not these net operating loss carryforwards will not be realized.

The tax effects of temporary difference that give rise to significant portions of the deferred tax assets (liabilities) at December 31, 2006 are as follows:

NOL carry forward	\$	<u>556,374</u>
Gross deferred tax assets		556,374
Less valuation allowance		<u>(556,374)</u>
Net deferred tax assets	\$	<u>—</u>

The Company has submitted a closing statement with the Puerto Rican Treasury Department to correct certain overpayments and underpayments that were made during 2003 – 2005. The Company has recorded a contingency related to these amounts that is reflected at December 31, 2006, recording the \$243,582 overpayments in long term prepaid taxes on the balance sheet. The outcome is not assured as the closing statement has not yet been accepted by the taxing authority and therefore results could differ from what is recorded in the financial statements at December 31, 2006.

**PETROBRAS AMERICA INC. – PUERTO RICO OPERATIONS**  
(A Division of Petrobras America Inc.)

Notes to Financial Statements

December 31, 2006

**(5) Intracompany Interest**

The Division has been administered and fully funded by PAI. Since the Puerto Rico operations hold neither separate cash account nor identifiable cash balance, all cash related transactions are recorded through intracompany interests on the balance sheet and in the financial section of the cash flow statement on a net basis.

**(6) Related-Party Transactions**

Transactions related to Puerto Rico operations by the Company with its Parent and affiliated companies for the year ended December 31, 2006 were as follows:

Purchase of No. 6 fuel oil	\$ 286,588,095
----------------------------	----------------

Balance due to related parties is as follows:

Accounts payable to Petrobras companies	\$ 118,722,315
---	----------------

**(7) Expense Allocation**

Allocated G&A expenses included in accompanying combined statements of income are allocated to Puerto Rico operations based on monthly percentage of Puerto Rico sales to total PAI Trading sales for 2006.

Allocation percentage	7.2%
Amount allocated	\$ 187,265

The allocation percentage is based on sales that management has determined is reflective of the effort to administer the activities of the Division.

**(8) Subsequent Event**

The PREPA Fuel Purchase Contract expired on December 31, 2007 with the last delivery of fuel oil performed in March 2008. The contract was not renewed for year 2008, and the Company's operations in Puerto Rico have ceased.