

Repsol Jumps After Potential Oil discovery in Brazil

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By Todd White*

Repsol YPF SA, which owns a quarter of the Carioca oil field offshore Brazil, had a record gain in Madrid trading after the Brazilian government said the field may be the third-largest ever drilled.

Repsol rose as much as 3.25 euros, or 14 percent, to 26.75 euros, the biggest increase since the company sold shares to the public in January 1990. It was trading at 25.60 euros at 9:57 a.m. local time. The Carioca field may hold 33 billion barrels of oil, said Haroldo Lima, director of Brazil's National Oil Agency, at a seminar in Rio de Janeiro yesterday.

Today's price increase erased Repsol's stock losses for 2008 and ranked the company second on the 20-company Bloomberg Europe Energy Index for the period, behind ERG SpA, Italy's biggest exporter of refined oil products.

“The Carioca well on Block 9 had been tested last year, with reserves put at around than 500 million barrels,” UBS AG wrote today in an e-mailed report.

“We believe that this is misunderstanding of the names used and that the official was referring to the large ‘Sugar Loaf’ structure on which Blocks BM-S-9, 21 and 22 are located.”

Petrobras, as the company is known, yesterday said it's still drilling Block 9 in the Santos Basin.

“More investments are required to drill new wells,” the Rio de Janeiro-based company said yesterday in an e-mailed statement. “More conclusive data on the discovery's potential will only be known after the other phases involved in the assessment process have been completed, and they will be announced to the market in a timely manner.”

Petrobras holds 45 percent of the project, and BG Group Plc, the U.K.'s third-largest natural-gas producer, holds a 30 percent share.

BG shares gained as much as 103 pence, or 8.4 percent, to record 1,325 pence in London trading. It traded at 1,286 pence at 8:55 a.m. local time.