Bolivarian Republic of Venezuela
Caracas, January 2006 • # 4

Contact with the New PDVSA

A Newsletter about Venezuela's National Oil Industry

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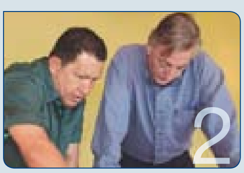
Cornerstone

page 4

Presidents of Venezuela and Brazil, Hugo Chávez and Luiz Inácio Lula da Silva, begin construction of the "Jose Ignacio Abreu e Lima" Refinery in Pernambuco, Brazil


2

Colombia, Argentina and Venezuela point South


6

Venezuela, a full member of Mercosur

32 transition agreements to Mixed Companies


12


14

East and West interconnected by gas

20

Citgo expands delivery of low price fuel to native Americans in the US


19

PDVSA, world's third largest oil company

MINISTERIO DE ENERGÍA Y PETRÓLEO

PDVSA

INTEGRATION » **Angostura and Punto Fijo Declarations reassert energy integration**

Argentina, Colombia and Venezuela foster union in the South

"We are sealing the great South-American pact that we need to be free; and, as Simon Bolivar said, let's make it true. It is possible, it is not a dream"

Hugo Chávez
President of the Bolivarian Republic of Venezuela

"We are creating alternatives for improvement that shall finally ensure regional integration"

Néstor Kirchner
President of the Republic of Argentina

"With a brotherhood concept, we shall always walk together to recover from poverty, to build solidarity upon facts"

Álvaro Uribe Vélez
President of the Republic of Colombia

Visits from Néstor Kirchner and Álvaro Uribe Vélez, Presidents of Argentina and Colombia, respectively, reasserted the Petro-American initiative promoted by the Bolivarian Government of President Hugo Chávez

"*Once again, South America is the land, where dreams come true; the land of feasible utopias, of concrete utopias as, some say. And within this map and dynamics the Caracas-Buenos Aires axis does clearly emerge. From the Orinoco River down to the Rio de La Plata, a powerful new movement has emerged fed by the will and the pain of our people, interpreted by what we modestly represent, and is taking shape, with its own claims, demands and drives. What we are doing, I think, is answering the need of our people*", stated President Hugo Chávez, during the last visit of Argentine President, Néstor Kirchner, to Venezuela last November 22nd, 2005.

In this meeting, taking one more step towards their peoples' union, both countries signed various agreements which enable the undertaking and completion of projects related to the hydrocarbon sector, as well as knowledge and technology exchanges.

"Argentina and Venezuela have no differences regarding international insertion and we are sure that every day more and more countries will share our vision, our orientation, and this strategy", stated President Chávez.

"We have taken a historical step in the bilateral relationship and I think that this is a historical step that will also set a precedent for full regional integration. We want to strengthen Mercosur, strengthen the South American countries. We want to be integrated to the rest of the world and we are interested in talking with all countries worldwide about integration, with justice, equity, no subsidies, as they are really aberrant and do significant damage to the economies of weaker countries. That is why we say that we believe in integration, but in an integration with justice, with equal opportunities", stated President Kirchner.

Presidents Chávez and Kirchner stated that the entry of Venezuela to Mercosur, is a historic step.

Fuel for the South

Rafael Ramírez, Venezuelan Minister of Energy and Petroleum and PDVSA President, informed that a mixed company will be jointly incorporated by Energía Argentina (ENARSA), the Argentine energy company and PDVSA, which will be in charge of supplying up to 5 million barrels per year of industrial and automotive gas oil to Argentine markets, as of 2006.

The possibility for PDVSA and ENARSA to undertake joint exploration and production activities in both countries was also evaluated. Among such projects we can highlight the quantification, of Orinoco Oil Belt reserves.

Julio De Vido, Argentine Minister of Federal Planning, Investment and Services, stated that joint projects *“shall be developed in the Orinoco Oil Belt and offshore and inland in Argentina, under a sort of exchange activity, for both national companies shall participate”*.

Both governments also created an organizing committee of the investments round to be held in Buenos Aires.

Open dialogue with Colombia

Venezuela and Colombia are structuring their integration, stated President Chávez after signing the Punto Fijo Declaration and the Joint Declaration by Venezuela and Colombia in December 2005 in Paraguaná Refining Centre, State of Falcón.

President Chávez described the summit with Álvaro Uribe, the Colombian President, as *“a meeting to restructure integration”*.

“Beyond trends of thought, beyond economic fluctuations, beyond circumstantial events, we keep on, making progress despite ever changing dynamics”, he said.

As the Venezuelan head of State said, *“the gas pipeline is an international project that will create jobs and works for regional (Falcón) development in the short term”*.

Likewise, with regard to energy integration and solidarity among people from different countries, the Venezuelan head of government stated *“our country is willing to extend the Petrocaribe mechanism to Colombia, as part of the Bolivarian Alternative for America (ALBA)”*.

Álvaro Uribe, the Colombian President, stated that the meeting reiterated *“the political will of Colombia to have Venezuela build the oil pipeline or poly-duct, between specified production sites and the Colombian Pacific area in order to facilitate exports from a port, with the idea of reaching Asian markets. This project shall also include fuel upgrading plants in Colombia”*.

Presidents Uribe and Chávez, reaffirm the integration will of Colombia and Venezuela.

In fact, we are currently contemplating to include a value added option through intermediate extra heavy and heavy crude oil processing at a given point along the oil pipeline in Colombian territory.

According to the document signed by both Presidents, the work meeting was aimed at assessing current status of relations between both countries, acknowledging the work and progress made on transborder fuel exchange policies, the gas interconnection project, and the Colombian-Venezuelan oil pipeline or poly-duct.

Gas pipeline construction works to begin in 2006

The Minister and PDVSA President explained *“due to the investment required, we have decided that the gas pipeline shall be built and operated by Petróleos de Venezuela”* adding that, based on that decision, engineering and work start-up activities have been scheduled for the first six months of 2006.

Ramírez also pointed out that project completion has been set for within the next 24 months. Likewise, resources to build this infrastructure where Ecopetrol, the Colombian oil company, shall also be involved have been provisioned in PDVSA’s budget and the 2006-2030 Oil Sowing Plan.

Approximate cost of the project adds up to approximately 230 million dollars and the gas pipeline corridor will go from Puerto de Ballena, in Colombia to the West Coast of the Maracaibo Lake, in Venezuela. ■

The gas-pipeline between Venezuela and Colombia is part of the PDVSA Oil Sowing Plan.

Pernambuco Refinery makes the South-South integration come true

This project is part of a regional cooperation and integration strategy based on complementarity, as well as on fair, democratic, and sovereign use of energy resources.
Operations start-up has been foreseen for 2011, with a 200 thousand barrel/day capacity

From left to right: Hugo Chávez and Lula da Silva, Presidents of Venezuela and Brazil respectively, during the cornerstone placement of José Ignacio Abreu e Lima Refinery, in Pernambuco. With them, are Jose Sergio Gabrielli, Petrobras President, Jarbas Vasconcelos, Pernambuco state governor and Rafael Ramírez, Energy and Petroleum Minister of Venezuela.

In a historical event focused on energy integration of all South American countries, Presidents Hugo Chávez, Bolivarian Republic of Venezuela, and Luiz Inácio Lula da Silva, Federative Republic of Brazil, held the cornerstone-laying ceremony of the *"Jose Ignacio Abreu e Lima"* refinery to be jointly built by Petróleos de Venezuela, S.A. (PDVSA) and Petróleo Brasileiro S.A. (Petrobras) at the Suape Industrial Port Complex, in the State of Pernambuco, Brazil.

This project is part of a regional cooperation and integration strategy based on complementarity, as well as on a fair, democratic, and sovereign use of energy resources.

In addition to the Heads of the Venezuelan and Brazilian Governments, Rafael Ramírez, Venezuelan Minister of Energy and Petroleum and PDVSA President; Vilma Roussef, head of the Civil House, and Jose Sergio Gabrielli, Petrobras President, were also present among other authorities from both countries. New facilities should be in operation by 2011 with a 200 thousand oil barrel/day (MBD) capacity, including 100 thousand barrels from a project in the Venezuelan Orinoco Oil Belt, and 100 thousand barrels from the Campus basin production, in Brazil.

Brazil Northeastern region will be self-supplied

The Pernambuco Refinery will generate more than 2,000 indirect jobs and 600 direct jobs in Venezuela.

PDVSA and Petrobras anticipate a joint investment ranging between 2.5 and 3 billion dollars, and 50% shareholding for each company. The project's main objective is to address the increasing demand for byproducts in the Northeastern region and to enable it to be self-supplied.

The *"Abreu e Lima"* refinery, under the framework of Petrosur as a mechanism for energy integration of the South has been designed to process heavy crude oils from both countries, —which have huge reserves of this oil— and shall be focused on maximizing naphtha, jet, diesel and liquefied petroleum gas (LPG) production, while reducing exports from Brazil, mainly of the last two fuels mentioned above.

2006-2030 Petroleum Sowing

Building the *"Abreu e Lima"* refinery is part of the Strategic Refining Project, a fundamental axis for the 2006-2030 Oil Sowing Plan devised last August by Hugo Chávez, the Venezuelan President, to reduce the current worldwide deficit in such process and definitively foster South American economic and social development.

Likewise, it goes hand in hand with other plans jointly undertaken by PDVSA and Petrobras in Venezuela, such as the Venezuela-Brazil-Argentina Gas Interconnection Project signed on December 9th, 2005 in Uruguay, and the exploration and production of natural gas reserves in the Paria Peninsula under the Mariscal Sucre project.

Project integrated to the Belt

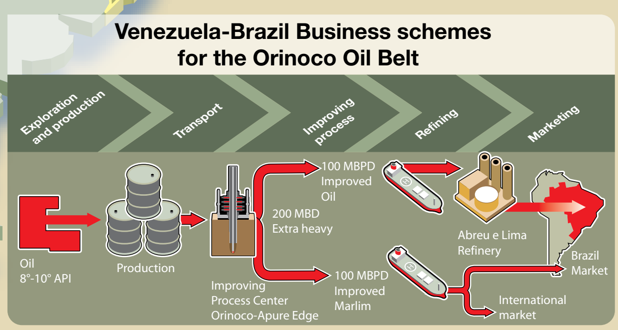
The new refinery will be processing 200 thousand barrels per day of a blend of 16º API Brazilian Marlim crude oil and an upgraded crude oil of equivalent quality (upgraded Marlim) from a joint PDVSA/Petrobras production project in Carabobo 1 Block, Orinoco Oil Belt. The latter shall be upgraded in Venezuela. This effort will create approximately 2,000 jobs in Venezuela during the construction phase – expected to last 3 years- and 600 direct jobs during operation.

Brazil and Venezuela become stronger

During the ground breaking ceremony for the Pernambuco refinery, Hugo Chávez, President of the Republic of Venezuela, highlighted that Venezuela is no longer looking North and has started to navigate the journey of integration and union with the people of the South.

"Now, Venezuela navigates toward the South", stated the Venezuelan Head of Government when pointing out energy integration projects currently developed by Venezuela with other countries such as Argentina, Uruguay, and Brazil, among others. ■

STRATEGIC LOCATION » Venezuela navigates towards the South



The *"Abreu e Lima"* refinery will be located at Suape Industrial Port Complex, in Pernambuco, Brazil Northeastern region. This complex will be built on 13,500 hectares comprising undeveloped areas as well as port, industrial and trade facilities. Available utilities include water supply, transportation, communications, power supply, security and marine control, besides having access to the Atlantic Ocean. All these features make it a strategic point to build a refining facility. Petrobras has a fuel distribution yard in this same site.

The first land lot allotted for building the first phase of the refinery is located near Av. Portuaria, 4 Km. away from the Suape Port, in the Industrial Complex.

Why Pernambuco?

In Brazil, the State of Pernambuco has been ranked as the second fuel consumer in the Northeastern market, just second to Bahia, and is currently showing a significant growth of oil byproducts demand, particularly diesel and LPG. The Suape industrial area –in operation for more than 25 years– located in that State has enough available surface to build the refinery, as well as –according to Brazilian authorities– the appropriate features for performing oil industrializing activities. Likewise, ocean conditions enable the building of an adequate port for the refinery. On the other hand, Pernambuco has the labor force and infrastructure needed to address the Refinery project performance needs generating no significant costs, while showing less fragile environmental features than other areas that were assessed.

The Brazilian Northeastern region accounts for 19% of total demand for oil byproducts in the country, and has only one refinery in the State of Bahia. In addition, if we take into account that shipping byproducts is more expensive than processing crude oil near serviced markets, this refinery would also bring costs down. ■

Venezuela, fifth pillar of Mercosur

During the Southerm Common Market Summit, PDVSA and ANCAP, the Uruguayan Oil Company agreed on initiating the technical and economic feasibility study to expand La Teja refinery and create an oil fund to support various energy projects

Presidents reaffirm consolidation of regional block of nations.

Hugo Chávez Frías, President of the Bolivarian Republic of Venezuela, together with the presidents of Argentina, Brazil, Paraguay and Uruguay, the four South Common Market member countries (MERCOSUR for its acronym in Spanish) formalized in Montevideo, Uruguay, the joining of Venezuela as 5th full member of this regional integration block.

"For us, there is no better day for Venezuela to join MERCOSUR" stated President Hugo Chávez, who also thanked the presidents of the other member countries, Tabaré Vázquez (Uruguay), Néstor Kirchner (Argentina), Luiz Inácio Lula da Silva (Brazil) and Nicanor Duarte (Paraguay), for accepting the request to join this block made by the Venezuelan Government seven years ago, in December 1998.

MERCOSUR

Energy map

Population
275 million

Surface
12,774 square kilometers

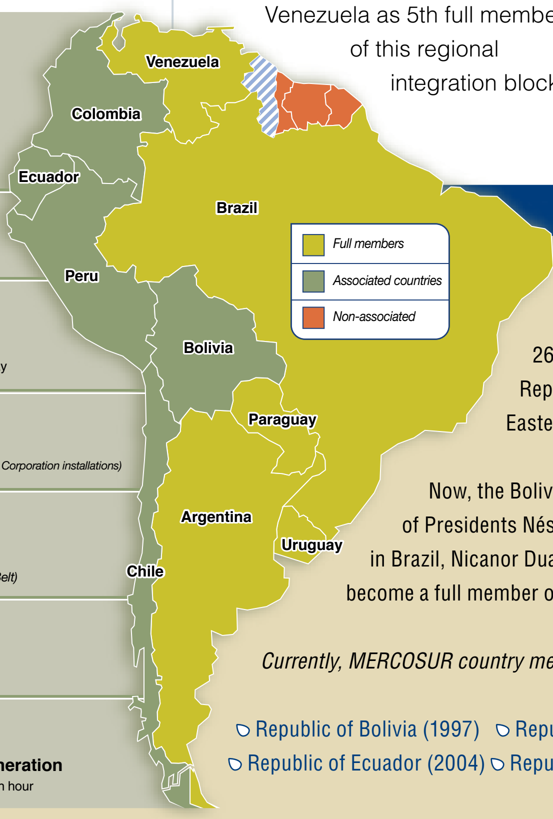
Oil production
5.48 million barrels per day

Refining capacity
4.9 million barrels
(including the Citgo Petroleum Corporation installations)

Oil reserves
327,000 million barrels
(including the Orinoco Oil Belt)

Coal production
23 million tons

Electric power generation
574,000 million kilowatts on hour



FULL and Associate members

MERCOSUR was originally created by the four signatory countries of the Asunción Treaty, on March 26th 1991: the Republic of Argentina, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay.

Now, the Bolivarian Republic of Venezuela, backed by governments of Presidents Néstor Kirchner in Argentina, Luiz Inácio Lula da Silva in Brazil, Nicanor Duarte in Paraguay, and Tabaré Vázquez in Uruguay, has become a full member of this regional integration block.

Currently, MERCOSUR country members are the following:

- Republic of Bolivia (1997)
- Republic of Chile (1996)
- Republic of Colombia (2004)
- Republic of Ecuador (2004)
- Republic of Perú (2003)

On March 26th, 1991, the Republic of Argentina, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay signed the Asunción Treaty, through which the South Common Market was created.

MERCOSUR member countries share values that find expression in their own democratic and plural societies, which defend fundamental freedoms, human rights, environmental protection and sustainable development, and in their commitment to democratic consolidation, juridical security, the fight against poverty and the economic and social development under equal conditions.

La Teja will be expanded

The Venezuelan and Uruguayan oil State Companies executed important trading agreements and created two funds, one to finance social projects and the other to support ethanol and cement production.

During the 29th MERCOSUR Presidents Summit, Rafael Ramírez, Minister of Energy and Petroleum and PDVSA President, and Daniel Martínez President of the National Fuel, Alcohol and Portland Administration (ANCAP) agreed on seven commitments in the area of energy and social projects:

- To initiate technical and economic feasibility studies for La Teja refinery expansion project.
- To produce Ethanol in the southern country, to be used in gasoline production in Venezuela.
- To purchase Uruguayan cement.
- To provide technical assistance to the Venezuelan cement industry.
- To create two funds, one for social development, and the other to support ethanol and cement production.
- To place Venezuelan coke in Uruguayan markets.

La Teja refinery is owned by ANCAP and is located in the South of Uruguay. The expansion project foresees installing a module with enough capacity to process 50,000 barrels of oil per day.

The Ethanol –a carburant agent of vegetable origin needed to produce gasoline– manufacturing project already has 7 million dollars, contributed by Venezuela to an Oil Fund created to finance ANCAP energy initiatives in Uruguay.

These resources will be used to make changes needed in the current industrial plant located in Bella Union –a town in the Uruguayan Department of Artigas– and to install fermenting units, storage tanks, distillation columns and alcohol dehydrators.

PETROSUR » Montevideo Statement

During MERCOSUR summit held in Montevideo, Uruguay, the governments of Argentina, Brazil and Venezuela bound themselves to complete the South American gas interconnection project, as a decisive step for regional integration. Presidents Néstor Kirchner, Luiz Inácio Lula da Silva, and Hugo Chávez signed the Montevideo Declaration instructing their ministers with competency on energy matters to initiate feasibility studies for the South American Gas Interconnection Project.

In this document, the heads of government also invited other Republics in the South American region to join this initiative that will benefit all peoples under Petrosur, as the energy integration platform for the region.

In order to bring forward the project, the Ministries of Energy and Petroleum of the Bolivarian Republic of Venezuela; of Federal Planning, Public Investment and Services of the Republic of Argentina; and of Mines and Energy of the Federative Republic of Brazil will create work teams, that will submit monthly reports about progress of the study.

The gas pipeline would start from Venezuela, go through a significant part of Brazilian territory, first to Manaos, then the North and Northeastern regions, to go on towards the Southern region, towards Buenos Aires and, then Montevideo. Approximate cost of the project has been estimated at 12 billion dollars.

Office in Uruguay

Petróleos de Venezuela opened a trading office in Montevideo, Uruguay, during the 29th MERCOSUR Presidents Summit.

Besides this new office, PDVSA has other offices with similar importance in Brazil and Argentina.

"This office means a strategic step under the integrationist perspective fostered by the Bolivarian Government", pointed out Alejandro Granado, the corporation Vice-President in Montevideo, adding that joint projects on energy matters to be held between Venezuela and Uruguay will be channeled through that office.

Trade relations particularly energy relations between Caracas and Montevideo have become closer, through various agreements including one for Venezuelan fuel supply to the Southern country that contemplates payment of a portion of the invoice with goods and services such as cement, ethanol and cattle.

TRADE » Contracts signed with 4 countries in the Caribbean Eastern Arc

Technical Supply Agreements strengthen Petrocaribe

PDVSA entered into six framework agreements with Dominica, Belize, Saint Christopher and Nevis, and Saint Vincent and The Grenadines to directly supply oil by-products to the Eastern Caribbean Arc, all under the Petrocaribe Cooperation Agreement signed in Puerto La Cruz, Venezuela, last June 29th and ratified through bilateral agreements signed in Montego Bay, Jamaica, on September 6th.

These agreements were reached during the Petrocaribe Technical-Trading Work Sessions organized by PDV Caribe, operating branch of the Agreement, as part of the negotiations with representatives from various signatory countries.

Jamaica and Cuba had previously signed supply agreements and therefore must be added to countries listed above.

Zero discounts

Adolphus Lard Low, the head of Economy in Saint Vincent and the Grenadines, thanked the Government of President Hugo Chávez and the Venezuelan people for such initiative as sharing their hydrocarbon resources with Caribbean countries.

Lard Low explained that the Petrocaribe Agreement does not foresee crude oil

BROTHERHOOD with the Caribbean

LPG to Saint Vincent and The Grenadines

Saint Vincent and The Grenadines received the first Liquefied Petroleum Gas (LPG) shipment under the Petrocaribe Agreement. Last December, 7 thousand 200 pressurized containers (cylinders), with 10 kilograms of LPG each arrived at Campden Park Port, on board of the ARBV-T64 vessel owned by the Navy of the Bolivarian Republic of Venezuela.

Alejandro Granado, refining Vice-President of PDVSA and PDV Caribe President; Asdrúbal Chávez, PDVSA Director and PDV Caribe Vice-President, and Jesús Villanueva, PDVSA Director and PDV Caribe Director were present when the first shipment arrived.

Granado stated that the LPG shipment delivery *"is an authentic evidence of Petrocaribe implementation, as a result of the first agreement signed in Puerto La Cruz, and is now showing concrete results within the framework of regional energy integration, for the purpose of benefiting Caribbean communities".*

Ralph Goncalves, First Minister of Saint Vincent and The Grenadines stated "this first shipment is a symbol of the esteem and kindness of the Venezuelan people". He thanked PDVSA for its effort to bring fuel in a direct way to all the people in those islands of the Saint Vincent and The Grenadines archipelago.

Venezuelan Tank in Dominica

With the arrival of the first fuel storage tank at Dominica from Venezuela, Petróleos de Venezuela started to fulfill commitments related to infrastructure under the Petrocaribe Cooperation Agreement.

Asdrúbal Chávez, PDVSA Director and PDV Caribe Vice-President and Reginald Austrie, Dominica Minister of Energy were present and talked about legal, technical and social aspects related to the agreement, as well as about establishing a mixed company between PDV Caribe and the Dominican State company.

"With the arrival of this tank we are activating mechanisms to establish a storage center for huge fuel volumes in Dominica, due to its strategic geopolitical situation, and distribute from there to other

Already, 6 Caribbean countries are receiving oil byproducts from Venezuela under special payment terms, eliminating additional increases due to intermediaries

sales at low prices, but an oil supply under special financing conditions. *"We are not receiving oil at a discount, we are rather receiving funding intended to help our economies"*.

In turn, Reginald Austrie, the Dominica Minister of Energy, deems that the Petrocaribe initiative will be recorded by history as a foundation for energy cooperation and complementarity among countries.

Integration with solidarity

The Petrocaribe agreement sets forth the Venezuelan commitment to provide technical support as needed by each signatory country, in order to materialize those precepts related to hydrocarbon supply, distribution and trade in the Caribbean, on the basis of solidarity among people from different countries, economic complementarity and fair and balanced access to energy resources.

Topics addressed in these meetings included technical aspects related to opportunities to optimize transportation costs, maritime logistics, as well as assessing volumes, qualities and prices of hydrocarbons to be supplied by Venezuela. ■

islands in the eastern arc", pointed out PDVSA director.

Weighing approximately 33 tonnes, the tank to store diesel was shipped in a Venezuelan Navy vessel last October 28th from El Palito refinery, in the State of Carabobo and arrived at Woodbridge Bay Port, in Dominica on November 2nd.

Cuban-Venezuelan maritime integration

Petróleos de Venezuela S.A. (PDVSA) and the Cuban Ministry of Transportation entered into an integration agreement related to maritime transportation in order to set the basis for creating a bi-national company to handle hydrocarbon shipments made under the Petrocaribe agreement.

The agreement was subscribed by Álvaro Montero, advisor to the Cuban Ministry of Transportation, and Asdrúbal Chávez, PDVSA Director and PDV Marina President, who pointed out the importance of such agreement *"to bring greater more benefits to the people in Caribbean countries. This agreement continues the energy integration process and the complementarity in the transportation field"*.

In turn, Montero thanked the President of the Bolivarian Republic of Venezuela, Hugo Chávez, for the Petrocaribe initiative for the benefit of the peoples of the region.

This agreement sets forth the basic outline of the agreement to be signed by Venezuela and Cuba in the short term and intended to provide efficient, safe and economic transportation to all Petrocaribe signatory countries.

The agreement foresees using the PDVSA and Cuban fleets, although using vessels from other companies has not been discarded.

Haiti will be included

A PDVSA commission led by Alejandro Granado, Refining Vice-President and PDV Caribe President went to Haiti to evaluate mechanisms that would allow this Caribbean country to join Petrocaribe, as announced by Hugo Chávez, President of the Bolivarian Republic of Venezuela.

The commission held meetings with the Venezuelan diplomatic representation in Port au Prince in order to define actions aimed at benefiting the Haitian people with safe and reliable hydrocarbon supply at fair prices, under the regional energy integration strategy. ■

Social Production Companies: a step towards 21st century socialism

Social Production Companies (EPS for their acronym in Spanish) are economic entities devoted to the supply of goods or services where work has an inherent and authentic meaning, and has not been alienated, where there is no social discrimination at work or regarding any kind of work, no privileges related to hierarchical positions, but is only a substantive equality among all members, based on participative and protagonistic planning under a State or collective property regime, or a combination of both.

Any surplus is to be distributed in the following order:

1. *Self-sustainability fund*
2. *Labor fund*
3. *Fund for Social Development Programs*
4. *Fund to Promote New Social Production Companies*
5. *Among all collective equity owners*

Some part of the surplus generated by the EPS, should be distributed with equality among its members.

Petróleos de Venezuela has created the Social Production Companies Register (**REPS** for its acronym in Spanish), in substitution of the current Contractors Auxiliary Register (**RAC** for its acronym in Spanish), in order to transform production and business relations among goods and services providers in the oil sector

In order to foster this type of organization, Petróleos de Venezuela has created the Social Production Companies Register (REPS for its acronym in Spanish), which are to substitute the current Contractors Auxiliary Register (RAC for its acronym in Spanish), in order to change production and business relations among goods and services providers in the oil sector.

Current suppliers' conditions

In 2004, the amount paid by PDVSA to its works and service providers added up to 12 trillion 833.5 billion bolivars; of which 148 companies billed 10 trillion 272 billion bolivars, that is, 83% of the total. In addition, payments made to cooperatives just added up to 117.7 billion bolivars, only 1% of the total amount paid by the Corporation.

This is contrary to the strategy set forth in Decree N° 2,371 issued on May 13th, 2003, that 20 to 25% of the State purchasing capacity must be allotted to the Small and Medium-Sized Companies (SMC) and to Cooperatives to buy industrial works and services, low technological complexity goods with a high with national integration percentage.

In 2004, of the total amount paid to work and service providers, 68 drilling and production companies billed 8 trillion bolivars, equivalent to 66% of the total amount paid by the industry that year.

EPS Register (REPS)

As activities related to Social Production Companies development represent the will of PDVSA shareholder and Board of Directors to ensure a higher commitment and contribution to the development of construction, service and goods companies, PDVSA has created the new Social Production Companies

Register (REPS), abolishing the current Contractors Auxiliary Register usually referred to as RAC, its acronym in Spanish.

EPS must meet the following conditions:

- Take part in community projects through contributions to PDVSA Social Fund, or providing goods and services.
- Contribute to community production, distribution and service companies' development.

All other companies that would get filed in the register shall also take part in the EPS program, and should meet the following conditions:

- Contribute to PDVSA Social Fund.
- Submit a Social offer in tender processes, under a concept based on the need to perform works, render services and/or provide goods that will address community needs, in order to ensure their harmonic and sustainable development.
- Develop and accompany small companies and EPSs, including support to develop systems, technologies and establish ongoing programs to help their insertion in the productive system.
- Set up consortiums with medium size companies and EPSs in order to make them technologically stronger, thus promoting an Incremental National Added Value and a higher involvement in fulfilling needs of the oil sector operating areas.
- Contribute to the development of community production, distribution and service companies'.

Social Fund

The EPS Social Fund is intended to receive contributions from those companies registered in the REPS and shall focus on developing projects to benefit communities. Likewise, this fund shall be managed through a fiduciary entity set up under a trust contract.

The Vice-President of Exploration and Production, Luis Vierma, also participated in the First EPS Showroom.

Projects to be financed by the Fund will be identified by the relevant Mobile Cabinets, and further approved by the Executive Branch of Government.

The contribution to be made to the Social Fund shall be determined on the basis of a minimum percentage of contracted amounts, as per a predetermined scale.

Financing Fund

Taking into account that to strengthen and consolidate EPSs it becomes necessary to have an effective mechanism to leverage this type of companies, the creation of a 100 million dollar Financing Fund was approved to promote them.

The amount approved represents a seed capital that will allow for EPS capitalization through recoverable loans granted under special conditions. Such loans will expedite such tasks as infrastructure, capital assets provision, accessing technologies, recruiting qualified human resources and the necessary training to strengthen these companies until they can reach their economic autonomy and improve their overall operational efficiency, which will further allow them to fulfill their liabilities with the Fund, thus ensuring financing for other EPS. ■

160 participants in the First Social Production Companies Show

PDVSA boosts social economy with loans for over Bs. 6,900 million

President Chávez handed out the first checks in Tía Juana, Zulia state.

A total of 164 Social Production Companies (SPC) took part in the first SPC show held in Tia Juana, State of Zulia, inaugurated by President Hugo Chávez, last November 27th.

In the closing act of the show, which was opened to the public until November 30th, Rafael Ramírez Minister of Energy and Petroleum and state oil company President, stated that the New PDVSA *"wanted no more briefcase companies, or false cooperatives. Here, everyone must receive the benefits. Anyone setting a labor commitment with the Corporation must assume a social commitment with all the other Venezuelans who did not have the privilege of joining the oil company".*

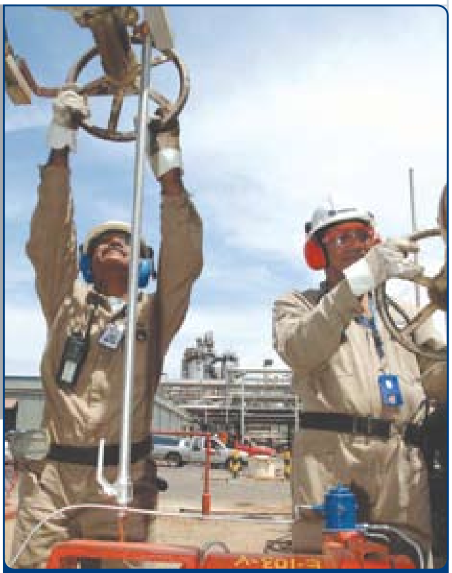
Loans granted during of this show to representatives from 12 Social Production Companies exceeded 6,906 million bolivares. Such loans are part of the strategy of popular redistribution of oil income.

Ramírez recalled that purchases made in the country by PDVSA in 2004 added up to 12 trillion bolivares, of which 80% was allotted to 148 companies. This fact *"represents a very high concentration of all goods and service rendering activities in a group of companies"* and this is totally anti-democratic and contrary to what the New PDVSA is fostering: the political, economic and social involvement of the Venezuelan people in oil activities. ■

CONVERSION » A measure leading to savings of 3 billion dollars annually

Mixed Companies to exercise full sovereignty over oil resources

On January 1, 2006, Petróleos de Venezuela regained sovereign control over 32 local oil fields. Given to multinational companies in the 1990's under the concept of operational agreements, the conditions proved unfavorable to the Republic



Venezuelan Mixed Capital Companies will produce more than 500 thousands oil barrels per day.

In keeping with the mandate of the Ministry of Energy and Petroleum, on January 1, 2006, Petróleos de Venezuela (PDVSA) recovered full sovereignty over 32 oil fields which, back in the 1990's, had been awarded in 3 bidding rounds, and by direct allocation under the concept of operations agreements.

Following a negotiation process scheduled to end on December 31, 2005, 19 multinational companies agreed with PDVSA to legalize their activities in Venezuela by converting to Mixed Companies, a form of association provided for in the current Hydrocarbons Organic Law governing the participation of private capital in the petroleum industry.

The international oil companies signed transition agreements in which they pledge to comply with Venezuela's income tax and hydrocarbon laws and with Seniat regulations. Meanwhile, it should be noted that the elimination of the concept of operations agreement will lead to net savings of 3 billion dollars in PDVSA's cost budget for 2006.

The Venezuelan State will have a majority share of over 60 percent in the new mixed companies after they have been approved by the National Assembly in the next three months.

Thus, Venezuela has been able to leave behind the terrible years of the 1990's and is once again the first point of reference for all oil exporting countries.

The bad business deals of the 90's

After conducting a legal and technical analysis, the Ministry of Energy and Petroleum instructed PDVSA in April 2005 to review accounts of operations agreements, given that these accounts presented direct losses of 250 millions dollars for the state-owned oil company for 2004 alone.

The analysis also revealed that these agreements were not in keeping with the 2001 Hydrocarbons Organic Law or with the previous legal framework.

"The clauses governing fees based on the volume and price of hydrocarbons produced in the operation areas and agreed upon with the companies engaged in these areas violated the very nature of a simple service contract, which was the concept provided for in the 1975 Organic Law reserving control of the hydrocarbon industry and trade to the Venezuelan State," declared Energy and Petroleum Minister and PDVSA President, Rafael Ramírez.

In synthesis, these agreements were used to disguise bogus concessions, which were illegal as they had not been endorsed by Congress at that time.

In the first round (1992-1993), 3 contracts were awarded; in the second round (1993-1995), tenders were invited and awards granted for 11 more areas; and in the third and final round (1997), three operation agreements were added to the list.

The oil opening process is now History

In referring to the recovery of 32 fields early in 2006, President Hugo Chávez stated, *"On the 1st of January, a new development took place. Venezuela assumed control over thirty-two operation agreements - that is, 32 oil fields. These were under the control of multinational companies. The governments of the time approved the processes in which they were awarded.*

Mixed Companies

Field	In Association with PDVSA	Field	In Association with PDVSA	Field	In Association with PDVSA
1 Colón	Tecpetrol Venezuela	12 Mene Grande	Repsol YPF Venezuela	23 Dación	Eni Dación Bv
2 D.Z.O.	BP Venezuela Holding	13 Falcón Oeste	West Falcón Samson H.	24 Acema	Petrobras
3 Boscán	Chevron Texaco GT	14 Falcón Este	Vinccler Oil & Gas	25 Onado	Cía. Gral. de Combustibles
4 Urdaneta Oeste	Shell de Venezuela	15 Guárico Occ.	Repsol YPF Venezuela	26 Casma-Anaco	Open
5 La Concepción	Petrobras	16 Guárico Oriental	Teikoku Oil de Venezuela	27 Oritupano-Leona	Petrobras
6 Ambrosio	Perenco	17 Sanvi Güere	Teikoku Oil de Venezuela	28 Jusepín	Total Oil & Gas de Venezuela
7 LL-652	Chevron Texaco GT	18 Caracoles	China Nat. Petroleum	29 Boquerón	BP Venezuela Holding
8 Cabimas	Suelopetrol	19 Kaki	Inemaka	30 Quiriquire	Repsol YPF Venezuela
9 B-2X.68/79	Hocol	20 Maulpa	Inemaka	31 Monagas Sur	Harvest Vinnckler
10 B-2X.70/80	Hocol	21 Quiamare-La Ceiba	Repsol YPF Venezuela	32 Pedernales	Perenco
11 Intercampo Norte	China Nat. Petroleum	22 Mata	Petrobras		

These companies paid no royalties and, furthermore, any investment they made had to be returned to them in dollars. That is now history."

Meanwhile, Minister Rafael Ramírez stated that the conversion process *"is a goal that we have achieved."* He had repeatedly declared that the 500 thousand barrels of oil being produced on the basis of operation agreements *"were the most expensive barrels of our national production."* He explained that the production cost of the agreements had reached 20 dollars per barrel while the cost of the country's own production was barely 4 dollars.

"What was happening? In a clear vision to privatize our oil industry, 500 thousand barrels of so-called marginal fields were awarded; at the time, however, these fields were producing 80 thousand barrels per day. One example is the Boscán Field, which was awarded directly to Chevron" Ramírez stated.

With the Mixed Companies, the Ministry of Energy and Petroleum will exercise full sovereignty over this natural resource, full jurisdictional sovereignty and fiscal control over the production that had been lost as a result of these operational agreements. ■

CHRONOLOGY of the process

August 17, 2005: First 13 agreements signed: Repsol YPF (Mene Grande, Quiriquire and Guárico Occidental); China National Petroleum Corporation (Caracoles and Intercampo Norte); Hocol (B-2X.68/79 y B-2X.70/80); Harvest Vinncler (Monagas Sur) and Vinncler Oil & Gas (Falcón Este); Inemaka (Kaki and Maulpa); Suelopetrol (Cabimas) and Open (Casma-Anaco).

September 28: Agreements signed with Petrobras (Acema, Mata, Oritupano-Leona and La Concepción).

October 6: Perenco agreement signed (Ambrosio and Pedernales); Tecpetrol (Colón) and Teikoku Oil (Guárico Oriental and Sanvi Güere).

October 24: Petroleum and Energy Minister and PDVSA President, Rafael Ramírez, swears in 32 Transition Executive Committees responsible for negotiating the conditions under which the Mixed Companies will be set up.

December 1: Shell (Urdaneta Oeste), British Petroleum (D.Z.O. and Boquerón) and Compañía General de Combustible (Onado) converted.

December 19: Transition agreements signed with Eni (Dación), Total Oil & Gas (Jusepín), West Falcón Samson Hydrocarbons (Falcón Oeste) and Chevron (LL-652 y Boscán).

December 30 2005: Repsol YPF reaches agreement with PDVSA on transfer of its last field, Quiamare-La Ceiba.

From left to rigth: Bernard Mommer, PDVSA's Director; Rafael Ramírez, Minister and President of PDVSA and Eulogio Del Pino, PDVSA's Director.

Mixed Companies

The Hydrocarbons Organic Law clearly and simply provides for the participation of national and international private capital in the hydrocarbon exploration and production business. It is through Mixed Companies which have, among others, the following features:

- The State maintains full sovereignty over oil fields. Its property is not transferable. The fiscal expression of this right is the oil royalty which, in this case, will be equivalent to 30 percent as a minimum.
- The State maintains the principle of tax sovereignty, which is expressed in the payment of Income Tax at a rate of 50 percent for oil-related activities.
- The State will be the absolute majority stockholder, a status which - with the payment of 30 percent in royalties and an Income Tax of 50 percent - will make it the guaranteed recipient of at least 82.5 percent of the profits earned. ■

Rafael Urdaneta Project yields $106.8 million in bonds

“With this transparent and successful process, we are giving a clear signal of the roles and spaces open to national and international private capital in the development of our projects”

Rafael Ramírez
Minister of Energy and Petroleum and President of PDVSA

“The legal base for the selection process strengthens the foundation of the Rafael Urdaneta Project. We have high expectations about the development of these areas”

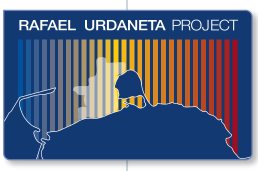
Toshiaki Takimoto
Manager of New Business
TEIKOKU

“In my 20 years of experience, I have never seen such a clear and transparent process. We were provided with precise information on a regular basis, and all our questions were appropriately answered”

Alí Moshiri
President of Chevron Exploration and Production, Latin America
Chevron

A total of six blocks in the Gulf of Venezuela were awarded by the Ministry of Energy and Petroleum for the exploration and subsequent production of non-associated gas. Enterprises from Brazil, Japan, Italy, Spain and Venezuela won during the second round. The areas included in phases A and B will guarantee an annual investment of 6 million dollars in social development projects

The selection process of companies for the Rafael Urdaneta project, known as phases A and B, yielded over 106. 8 million dollars in bonds for the exploration and production of non-associated gas in blocks off the Gulf of Venezuela. In addition, the minimum exploration program for both phases is expected to generate some 183 million dollars in investment.



Last November 15th, Energy and Petroleum Minister and PDVSA President, Rafael Ramírez, announced the winners of phase B of the Project as Vinccler Oil & Gas, C.A., for the Castilletes NE II block; the Petrobras International/Teikoku Oil consortium for the Moruy II area; and the ENI Venezuela/ Repsol YPF consortium for the Cardón IV block.

“With this transparent and successful process, we are giving a clear signal of the roles and spaces open to national and international private capital in the development of our projects,” Ramírez stated after giving special recognition to the Venezuelan company Vinccler Oil & Gas for having won the bid.

The selection process for phase B of the project, which consists of 5 blocks (Cardón II, Cardón IV, Castilletes NE II, Moruy II and Urumaco III), began on September 8 this year following the announcement of the winners of phase A.

Balance

The Venezuelan enterprise, Vinccler Oil & Gas, offered 7 million 388 thousand dollars for the Castilletes NE II block, while the Petrobras International/ Teikoku Oil consortium of Brazil and Japan, respectively, offered 19.5 million dollars for the Moruy II block. However, the best offer, amounting to 34 million 399 thousand dollars, was made by Repsol YPF/ENI Venezuela of Spain and Italy, respectively for the Cardón IV block.

The Cardón II and Urumaco III areas were declared deserted. The amount bid by the winning companies totaled 61 million 287 thousand dollars, from a total of 94 million 175 thousand dollars for all the bids tendered.

The licenses will have a duration of 30 years, and the State will be able to participate through Petróleos de Venezuela, with as much as 35 percent, once the project is declared commercially viable. The gas produced

The president of the Venezuela Bolivarian Republic, during the awarding of licenses for A Phase in Paraguaná, Falcón state.

will be used primarily to meet local demand, with the surplus earmarked for export, as set out in the organic law governing gaseous hydrocarbons.

In phase A of the project, 3 exploration blocks were awarded to the Russian and American enterprises Gazprom (Urumaco I y II) and Chevron (Cardón III). The winning bids received in both phases A and B of the project amounted to 106. 8 million dollars, while the overall amount offered was 150 million 375 thousand dollars.

Development of the Rafael Urdaneta field is part of the DeltaCaribe Project, one of the main axes of the 2006-2030 Plan Siembra Petrolera – or Petroleum Sowing Plan – and consists of 29 blocks, 18 of which are in the Gulf of Venezuela and 11 in the north-east Falcón. Together, these blocks cover an area of approximately 30 thousand square kilometers.

In keeping with the law

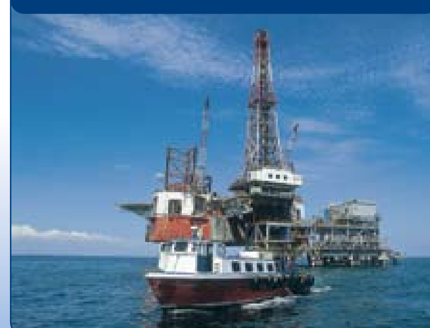
Juan Francisco Clérico, President of Vinccler Oil & Gas, said that the selection process was in keeping with the law and that his company felt the prospects of finding large reserves of gas, which would allow it to supply the local market and earmark surpluses for export, was promising. *"The first phase of the minimum program involves developing 500 kilometers of 2D seismic and 300 kilometers of 3D seismic. Later on, we will be continuing with the second and third phases where we plan to drill 2 preliminary wells."*

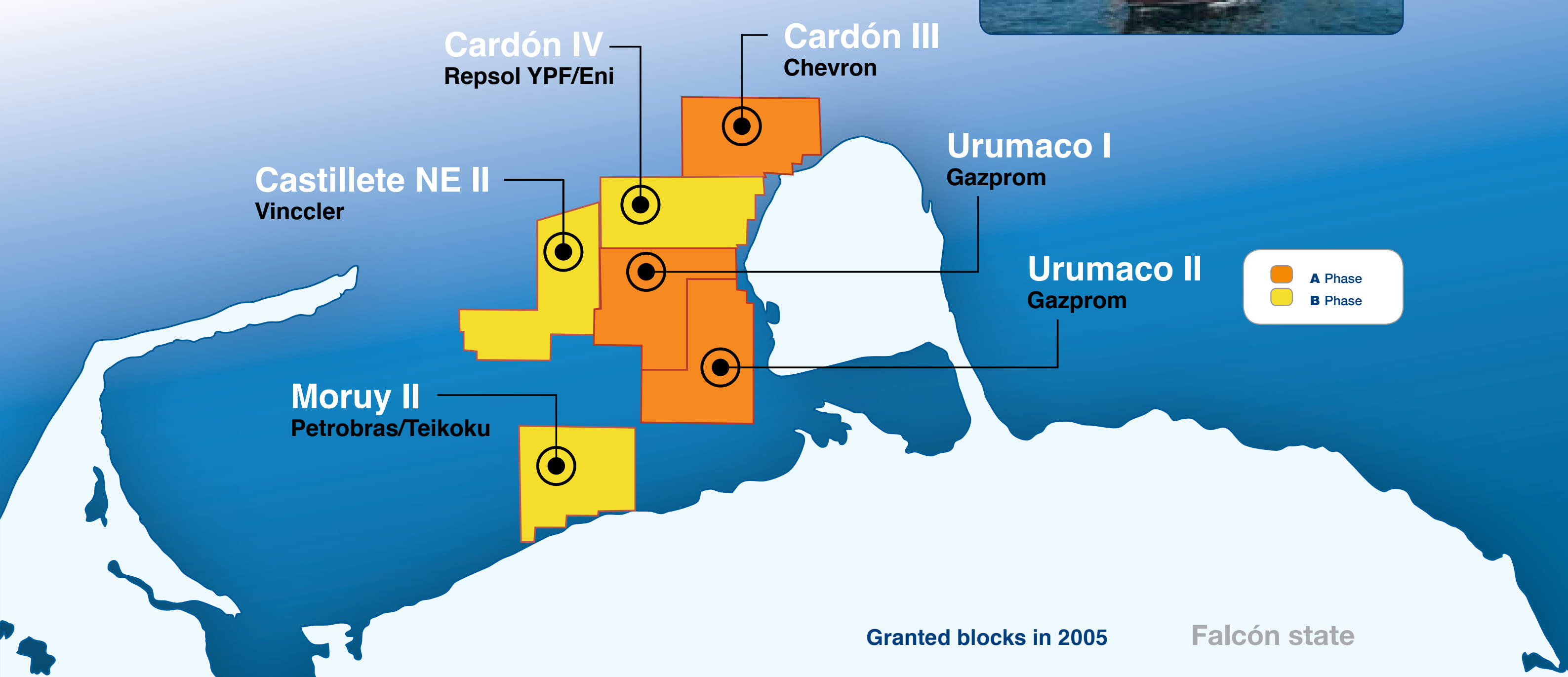
Meanwhile, Gerson Faría Fernandes, general manager of Petrobras, pointed out that the participation of the Brazilian oil company in the Rafael Urdaneta Project was part of a process aimed at complementing the integration agreements between Venezuela and Brazil. *"We have very high expectations as to the presence of large deposits of hydrocarbons in the area,"* he noted.

Toshiaki Takimoto, Manager of New Business, Teikoku Oil, underscored his satisfaction with the legal basis of the selection process, which helps to strengthen the Rafael Urdaneta Project. *"I am sure that we will be able to find large amounts of gas in the Gulf of Venezuela. We have high expectations about the development of these areas."*

After the Phase B results, the President of Chevron Exploration and Production Latin America, Ali Moshiri, stated that *"In my 20 years of experience I haven't seen a process so transparent and clear. PDVSA gave us the necessary information and all of our questions were timely answered".* ■

Energy and Petroleum Minister and President of PDVSA, Rafael Ramírez, presented the certificates to the winning companies of B Phase.





GAS » Supply for the petrochemical industry guaranteed

East and West interconnected by the ICO Project

The interconnection of gas transportation systems will help strengthen the social, economic and industrial development of these two Venezuelan regions

The gaseous hydrocarbons project envisaged in the government's Plan Siembra Petrolera –or Petroleum Sowing Plan– is a spearhead for meeting the demand for gas in Venezuela. Achieving this goal inevitably calls for the acceleration of every land-based and off-shore gas exploration and production project envisaged, as well as the modernization of the Anaco area in Anzoátegui state as a gas producer, and the development of gas reserves in the country's central region.

During the 2006-2012 period, PDVSA plans to invest a total of 16 thousand 780 million dollars in major gas projects. This will help meet domestic demand, contribute to build the country's new social, economic and production model, maximize and boost the value of gas resources, and encourage the endogenous and sustainable development of the service areas, as well as foster Latin American and Caribbean integration.

The ICO project, which involves interconnecting Venezuela's Central-Eastern (Anaco-Barquisimeto) gas transportation systems with that of the West (Ulé-Amuay), is one of the major developments being undertaken by PDVSA Gas to guarantee the supply of gas to the Paraguaná Refinig Center, to partially meet demand in the Western part of the country, foster economic growth in the pipeline's service areas, provide liquids for export and, in the long term, earmark supplies of gas for Colombia and Central America.

ICO is a project intended to support and strengthen the social and industrial

La Florida Station, Falcón state

development of Venezuela's Central-Western region by means of domestic distribution networks operated by third parties and by ensuring the ongoing availability of supplies. The project also seeks to cover the needs of the power system of the national petrochemical industry.

During the second quarter of 2004, work was started on this segment of the project in the Miranda municipality of Falcón state under the coordination of PDVSA Gas and with the participation of the national industry and of the communities located in the vicinity of the project.

The project includes 300 kilometers of 30 and 36 inch diameter pipe, to be installed through the north of Carabobo, Falcón and Yaracuy states. In addition, three compressor plants will be built in Morón in Carabobo state; San Juan de los Morros and Altagracia de Orituco, in Guárico state.

82 Km of pipeline completed

The first stretch consists of 82 kilometers of 30 and 36-inch pipe running from La Vela to Río Seco, in the Miranda municipality, to South-East Coro in Falcón state, a region that borders with Zulia, Lara and Carabobo. The work includes two receiving-transfer trap stations and three separation stations, to handle between 40 and 100 million standard cubic feet of gas per day from East Falcón fields.

EARLY victory

51 miles of pipeline are ready, from La Vela to Río Seco, Falcón state.

The start-up of the first 82 kilometers of gas pipeline between Río Seco and the La Vela Station of the Central-Eastern and Western Interconnection Project (ICO) represents an early victory with these initial volumes of gas being supplied to the Paraguaná Refining Center (CRP).

Thus, the ICO Project, which seeks to link Anaco-Barquisimeto, Ulé-Amuay, CRP and the Western region with this gas pipeline, is already proving its worth by connecting the gas producing area of the fields of East Falcón by means of the network of stations of Río Seco, La Florida, Agua Viva, Coro and La Vela, which are all set to start operation.

Early start-up

The Río Seco-La Vela stretch, which transports gas coming from the fields of East Falcón, by means of the La Vela Vinccler gas receiving-transferring station to the Paraguaná Refining Center, has been completed. Plans are underway to place this segment into operation by November 2005. Meanwhile, subsequent segments are reaching as far Morón.

Compression plants

- **Morón:** Central-coastal region of Carabobo state.
- **Los Morros:** Located on the outskirts of Villa de Cura, Aragua state.
- **Altagracia de Orituco:** North-eastern tip of Guárico state.

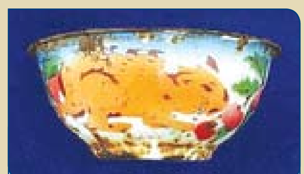
Social Development

The ICO Project has implemented a Social Investment Plan aimed at fostering the socio-economic integration and development of the communities located in the vicinity of the gas pipeline service area. This highlights the social responsability aspects and excellent performance of the project with regard to the environment, health, education, local economy, road systems and services, as well as cultural heritage.

In Altagracia de Orituco, Villa de Cura and Río Seco the needs and potential of the community are being analyzed with a view to promoting various core endogenous development areas.

Rescuing the past

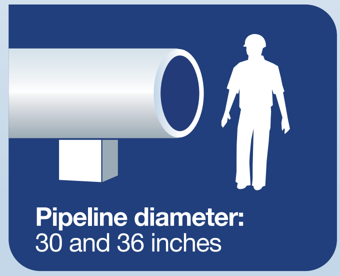
With the support of PDVSA Gas, the Venezuelan Institute for Scientific Research (IVIC), the Francisco de Miranda Experimental University (UNEFM), through the Archaeological, Anthropological and Paleontological Research Center, and the Cultural Heritage Institute are engaged in activities aimed at rescuing the archaeological heritage of the area where the ICO project is being developed.



Bowl found in XIX century settlements in Falcón.

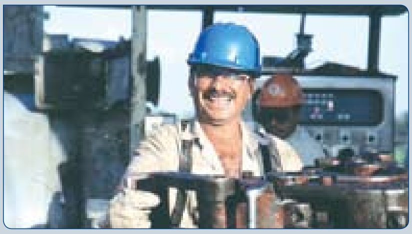
Laying the pipeline

The ICO is a highly important project for the national oil industry, because it will help overcome the gas deficit of the western region and provide higher operating reliability to the Paraguaná Refining Center.



Petrotips

Production on the road to recovery in Venezuela's Western region



PDVSA currently produces 1,158,800 barrels of crude a day and a little over 1.1 billion cubic feet of gas in the Western region of Venezuela. These figures confirm the gradual recovery of that area which had a deficit of 100 thousand barrels of oil as compared to corporate estimates for this year.

Venezuela's proven reserves of crude and gas on the rise

PDVSA President, Rafael Ramírez, recently announced an increase in the country's proven reserves of crude and natural gas. He pointed out that crude reserves had risen from 77 billion to a little over 80.5 billion barrels and recalled that, thanks to the quantification and certification process of the Orinoco Oil Belt reserves, 235 billion more barrels will be added to this total. Ramírez went on to say that proven gas reserves have climbed from 150 trillion to 151.4 trillion cubic feet, an amount that is expected to rise by another 100 trillion cubic feet given the development of off-shore reserves.

5 million barrels for the Asian market

For the first time ever in the history of the national oil industry, PDVSA simultaneously sent three shipments of 5,354,756 barrels of crude and fuel to China and Singapore in three VLCC (Very Large Crude Carriers).

As part of the country's market diversification trade policy, the VLCC tankers, Great Lady and Elizabeth Maersk, departed for Singapore from PDVSA terminals in the Bahamas and Bonaire, respectively, with shipments of fuel oil, while the "World Lion" left for China from PDVSA's terminal in Saint Lucia, with a cargo of BCF 17 crude.

Financial statement for 2003 submitted to SEC

Petróleos de Venezuela (PDVSA) and its affiliate, PDVSA Finance, Ltd, submitted to the US Securities and Exchange Commission (SEC) the 20-F documents, which include the audited financial statements for the year 2003, in keeping with the United States Generally Accepted Accounting Principles (US GAAP). ■

PDVSA in figures 2005*

Proven Reserves	
Crude	80 Bn Barrels
Gas	150.4 tcf
Venezuela's production capacity	
Crude	3.9 m BPD
Gas	6.9 Bn cf
LNG	0.25 m BPD
Refining capacity	
In Venezuela	1.3 m BPD
Abroad	2.0 m BPD
Total	3.3 m BPD
Global income	
	85.6 Bn US$

** Preliminaries numbers*

Glossary

m: Millions
cf: Cubic feet
BPD: barrels per day
MBD: Millions of barrels per day
m cf pd: Millions of cubic feet per day
Bn US$: Billions US dollars

Quote of the month

"Oil companies should follow the example set by Venezuela in helping its most needy customers. Massachusetts recognizes the specific benefit from the Venezuelan government and applauds its generosity. Thank you very much Venezuela"

The Boston Globe
Editorial, November 23, 2005, on the beginning of low price diesel deliveries to US communities.

PDVSA

OPERATION INDICATORS
Annualized average 2005

CRUDE	GAS	REFINING (Ven.)	EXPORTS	EXPORT BASKET
3,3 m b/d	6,9 bn cu ft	1,2 m b/d (Venezuela/Isla Circuit)	2,3 m b/d	$ 45,39 per barrel

RECOGNITION » Second most reliable institution in Venezuela

PDVSA: the world's third leading oil company

Petróleos de Venezuela (PDVSA) rose to third position among the world's 50 leading oil companies, according to an analysis conducted by the specialized publication, Petroleum Intelligence Weekly, in its December 2005 issue.

This ranking is based on technical criteria, such as volume of reserves, production of crude and gas, refining capacity, and net sales and income.

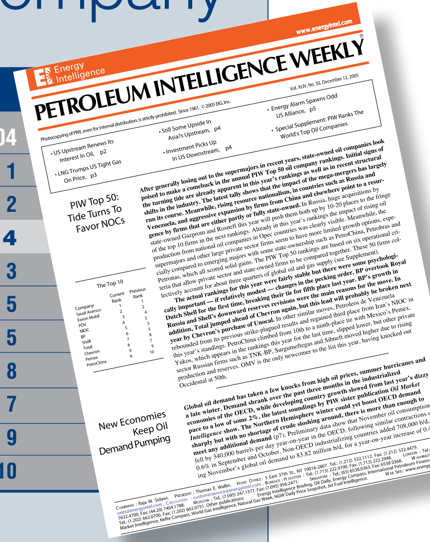
The positive image of PDVSA is therefore being acknowledged both at national level and in the rigorous analyses conducted by foreign specialized media.

Energy and Petroleum Minister and PDVSA President, Rafael Ramírez, declared, *"Petróleos de Venezuela ranks third among the 50 oil companies in the world, and is surpassed only by Saudi Aramco of Saudi Arabia and ExxonMobil of the United States. Thanks to the devotion and perseverance of our workers and to the strength and excellence of PDVSA, the magazine Petroleum Intelligence Weekly has ranked our enterprise among the world's three leading oil companies."*

Top ten

Companies	2005	2004
Saudi Aramco	1	1
Exxon Mobil	2	2
PDVSA	**3**	**4**
NIOC	4	3
BP	5	5
Shell	6	5
Total	7	8
Chevron	8	7
Pemex	9	9
PetroChina	9	10

Source: PIW



Ramírez pointed out that this information is vital to PDVSA, particularly in the wake of the oil sabotage. *"The new PDVSA emerges as a spiritually revitalized institution with a strengthened team of workers who have made extraordinary efforts to ensure the recovery of the company's activities."*

Likewise, PDVSA is the second organization in terms of image and popular acceptance in Venezuela. According to a study made by Instituto Venezolano de Análisis de Datos, 80% of Venezuelans assign a high level of acceptance to the National Oil Industry. ■

TO DIVERSIFY MARKETS » Enterprises sign Memorandum of Understanding

Nynäs evaluates possibility of raising production of specialty crude oil

Nynäs, a 50/50 partnership between PDVSA and Neste Oil of Finland, has interests in three specialized refineries: Nynäshamn and Gothenburg, in Sweden, and Dundee, in Scotland

Petróleos de Venezuela and Nynäs Petroleum held a workshop at the company's facilities for the purpose of beginning the joint project listed in the Memorandum of Understanding signed by both companies. The memorandum contemplates evaluating the country's reserves and raising oil production, primarily with a view to meeting the energy needs of Asian and European markets, which are eager consumers of specialty crudes.

The event was attended by representatives of the Venezuelan Petroleum Corporation (CVP) and Intevep, both subsidiaries of PDVSA and by experts in the areas of Trade and Supply and of Western Exploration and Production, which is responsible for the so-called Tierra Este Heavy Crude Exploitation Unit.

The Memorandum of Understanding provides for a one-year survey of the Tierra Este Heavy Crude Exploitation Unit along the Eastern coast of Zulia state to determine the possibility of boosting production of hydrocarbons which, because of their composition, yield higher quality in the production of asphalt and lubricants.

In this joint PDVSA and Nynäs effort, the Venezuelan state-owned company would contribute crude reserves while Nynäs, which is headquartered in Sweden, would provide advanced technical know-how in the areas of specialty lubricants and asphalt. The Western Division would benefit through the rapid inclusion of technology for the production targets set.

If the joint project proves to be successful, a joint venture will be set up through CVP to produce and market specialty crude oil for the Asian markets, particularly China. Information published about opportunities in China report the construction of approximately 1.8 million kilometers of roadway over a five-year period, an effort which will require significant amounts of asphalt. ■

COOPERATION » **Members of United States Congress urge oil companies to follow Venezuela's example**

CITGO supplies fuel at lower prices to native Americans

Another 7 millions 988 thousands 587 gallons of heating oil will be distributed in the State of Maine, United States of America.

> **"What we want to do is to sell directly to households without the use of intermediaries, particularly now in winter"**

Hugo Chávez
President of the Bolivarian Republic of Venezuela

September 17, 2005, during a visit to the Bronx, New York

> **"The expansion of this program helps reaffirm Venezuela's commitment to the neediest sectors of American society"**

Rafael Ramírez
Minister of Energy and Petroleum and President of PDVSA

The initiative undertaken by President Hugo Chávez of the Bolivarian Republic of Venezuela to directly supply fuel at low prices to poor communities in the United States continues to be a reality. CITGO Petroleum Corporation, the US-based affiliate of Petróleos de Venezuela, signed an agreement with the Maine Governor's Office to supply 48 thousand low-income families with 8 million gallons of heating fuel –some 30 million 240 thousand liters– with a 40 percent discount on the international price.

This humanitarian program, which also includes assistance in the form of 900 thousand gallons supplied to the Penobscot, Passamaquoddy, Houlton and Mic Mac native American tribes, as well as 120 thousand gallons to 40 shelters for the poor in the state of Maine, accounts for a donation of 5.5 million dollars from CITGO Petroleum Corporation.

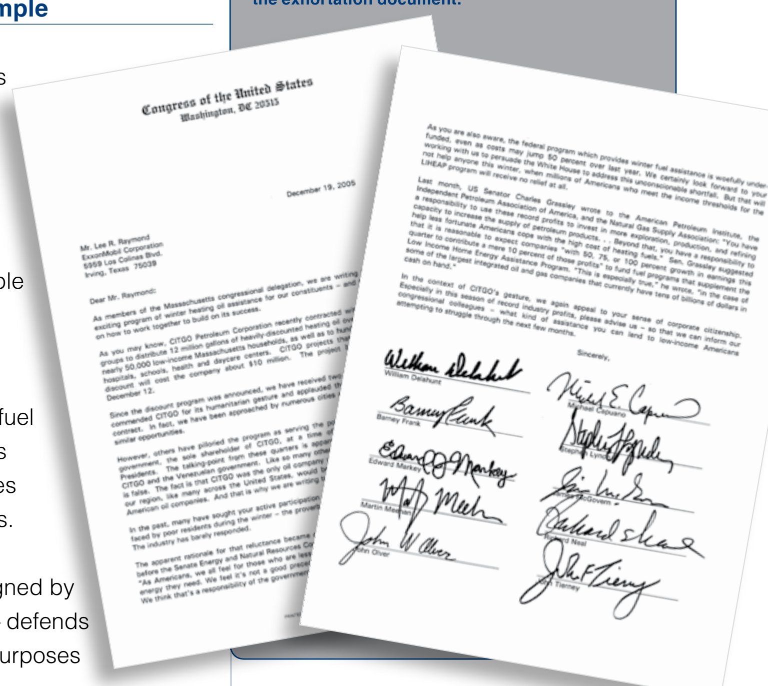
In November 2005, the Venezuelan government started an assistance program in the state of Massachusetts and plans to begin a similar program in the Bronx, New York, in December. Subsequently, the initiative could spread to other states, such as Delaware, Vermont, Connecticut and Pennsylvania.

Venezuelan example

The Massachusetts delegations of the US Congress sent a letter last December 19 urging companies to follow the example set by Venezuela's CITGO Petroleum Corporation by supplying heating fuel at affordable prices to poor communities in the United States.

The document –signed by the Congressmen– defends the humanitarian purposes of the initiative, rules out the possibility that it may have been used for political reasons and that further states that *"CITGO was the only oil company that readily provided this kind of assistance, which would be gratefully accepted from any other oil company."*

10 Massachusetts congressmen signed the exhortation document.


Congress of the United States
Washington, DC 20515

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