

# The New PDVSA Contact

A Newsletter about Venezuela's National Oil Industry

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## 141<sup>st</sup> Extraordinary Meeting in Caracas OPEC: bastion of oil sovereignty

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**The extraction tax**  
guarantees Full Oil  
Sovereignty



Minister Ramírez:  
Venezuela bets on  
**integration**



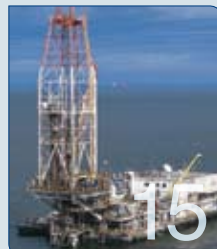
First anniversary of  
**ALBA**



Bolivia joins the  
**Great Southern  
Gas Line**



**Social Districts**  
Promote national  
development



**Sustained  
production  
increase**  
in western  
Venezuela



**Misión Ribas** graduates  
attend college in Cuba

**MAXIMUM VALUE** » New revenues for the country's socioeconomic development

# The extraction tax guarantees Full Oil Sovereignty



**T**he policy of Full Oil Sovereignty – a fundamental strategy of the Bolivarian Government of Venezuela – is strengthened through the creation of the Oil Extraction Tax, which shall propel the domestic social development because the State will receive additional revenues that will be invested in programs with national, popular and revolutionary foresight.

The defense of our national sovereignty starts with the reaffirmation of our ownership of our hydrocarbon resources and with the rescue of the control of the oil activity, from the point of view of the tax and legal systems, along with the effective participation of Petróleos de Venezuela (PDVSA) in the business.

With the creation of this new tax, all the oil businesses that PDVSA is involved in (that is, its own effort, Mixed Companies and association agreements for exploiting the Orinoco Oil Belt) shall contribute the same rate of 33.33% per barrel extracted at wellhead, either through a royalty, special sales or extraction taxes

In this venue, the Venezuelan president, Hugo Chávez, announced that all oil-related businesses, including the four associated companies operating in the country's southern areas in the Orinoco Oil Belt – which together produce more than 600 thousand barrels of oil a day (TBD) – shall pay a royalty of

33.33% through the new Oil Extraction Tax.

## Equitable tax

This tax increase will imply an increment in the country's annual revenues, which shall be invested in the well-being of the people.



The Extraction Tax – already sanctioned by the National Assembly and specified in article 48 of the Ley Orgánica de Hidrocarburos (LOH, in Spanish) – shall be the mechanism used by the National Executive to get all the oil-related businesses (PDVSA's own effort, Mixed Companies and the association agreements) to pay the same rate of 33.33% per barrel extracted at wellhead, after the LOH reform becomes effective.

During the announcement of this new obligation, the President said that “some oil companies are still not paying the tax, especially in the Orinoco Oil Belt”, which contains reserves calculated at more than 235 billion barrels of crude oil.

With the purpose of improving the extra-heavy oil in the Belt, PDVSA has become an associate in four projects: Cerro Negro (ExxonMobil and BP); Sincor (Total and Statoil); Ameriven (ConocoPhillips and Chevron) and Petrozuata (ConocoPhillips).

### Energy business pursuant to the law

The National Executive has made it clear that it does not object to the presence of (private oil) companies and their profits. It just demands in an unyielding way that their participation be made within a framework of respect to Venezuelan laws.

The Minister of Energy and Petroleum, and PDVSA President, Rafael Ramírez, said that the existence of different fiscal regimes is not justified. Therefore, “by implementing this measure, all oil-related businesses in Venezuela would be contributing the same rate, either through a royalty, special advantages or the Extraction Tax. This way, we avoid situations of prejudice, of privileges.”

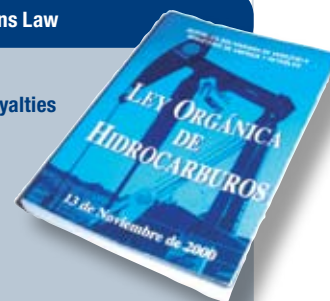
*“In terms of revenue, this new Extraction Tax would generate 3.6 million dollars a day, which means one billion 314 million dollars a year”,* Ramírez said.

Likewise, he said that this action is a product of the successive measures taken by the Ministry of Energy and Petroleum in an effort to rescue the oil fiscal system and to get a maximum value out of our natural hydrocarbon resources.

Ramírez said that these measures shall not affect the profitability originally estimated for the business in the Orinoco Oil Belt, since for three years running the price per barrel of the Brent oil (benchmark crude) has been over 25 dollars which is the ceiling price to carry out any change in the contracts. ■

## Organic Hydrocarbons Law

**Chapter VI:**  
**On the Regime of Royalties and Taxes.**  
**Section II:**  
**On Taxes.**  
**Article 48**



**4.- Extraction Tax:** A third (33.33%) of the value of all liquid hydrocarbons extracted from any reservoir, calculated on the basis set forth in article 47 of this Law for the calculation of the royalty in monies.

This tax shall be paid monthly along with the royalty established in article 44 of this Law by the operating company that extracts said hydrocarbons. When calculating the Extraction Tax, the taxpayer is entitled to deduct whatever amounts that have been paid as royalties, including the additional royalty that it may be paying as a special advantage. The taxpayer is also entitled to deduct from the Extraction Tax whatever amounts that have been paid as any annually-payable special advantage, but only in periods subsequent to the payment of this annual special advantage.

The National Executive, when it deems it justified according to market conditions, or a specific investment project created to motivate, for example, secondary recovery projects, may reduce, for as long as it so determines, the Extraction Tax up to a minimum of twenty percent (20%). Likewise, the National Executive can restore the Extraction Tax to its original level when it deems that the causes for the reduction have ceased to exist. ■



*“The National Executive is enforcing the law. He is enforcing our Constitution. We have announced that we will rescue the fiscal oil revenues because we are convinced that one of the fundamental reasons behind the terrible crisis that befell our country in the 80s and 90s – which ended up annihilating the Fourth Republic and which drove millions of Venezuelans into poverty – has a lot to do with the old PDVSA's sustained policy of dismantling our fiscal system”.*

Rafael Ramírez  
Minister of Energy and Petroleum and PDVSA President

REFLECTIONS » Tenth International Energy Forum in Qatar

# Venezuela bets on integration to diminish asymmetries in the world market



The current energy pattern is asymmetric. For that reason a sustainable model should include integration and solidarity policies, said the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, in Doha, Qatar

In his speech at the 10<sup>th</sup> International Energy Forum, in Doha, Qatar, last April, the Minister of Energy and Petroleum and President of Petróleos de Venezuela (PDVSA), Rafael Ramírez, highlighted that Venezuela is set on using integration to palliate the marked asymmetries of the world's energy market.

In a session termed 'Access to Sustainable Energy', the PDVSA President explained that *"the current energy pattern is asymmetric, not only in consumption distribution but also in oil price increases, and this inequality affects the poor non-producing countries."*

In this sense, he referred to statistics showing that between 70% and

80% of all energy consumed in the planet is used in a few countries with industrialized economies; while in the poor nations there are *"millions of human beings without access nor any financial possibility to acquire basic means of subsistence."*

## Energy Cooperation

Ramírez said that a sustainable model must include policies of integration and solidarity so as to diminish the asymmetries.

Because Venezuela is aware of this necessity, he said that the country has created mechanisms such as Petrocaribe and the Caracas Energy Cooperation Agreements. *"We have an oil supply program that allows for*

*more than 200 thousand barrels a day under special financing conditions to be shipped to more than 20 Latin American and Caribbean countries – that is, the smallest and most vulnerable economies"*, he said.

The 10th International Energy Forum in Qatar brought together 65 of the world's ministers of energy and six large organizations. ■

**If you would like to read the full speech given by the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, go to [www.pdvsa.com](http://www.pdvsa.com)**

## ANALYSIS » Balance in oil market requires stability in producing countries

Oil price increases in the international market are due to, among other factors, the geopolitical tensions, a fact that escapes the actions of the Organization of Petroleum Exporting Countries (OPEC), Ramírez said in Doha, Qatar.

He added that *"there can be no stability if uncertainty is induced in producing*

*countries."* In this respect, he recalled the pressures that were exercised against Venezuela during the sabotage to the petroleum industry between December 2002 and January 2003.

He also mentioned that one other factor affecting the energy market is the various differences in consumption. In this

respect he wondered: *"What will the big industrialized powers do to rationalize their consumption?"* while warning that, at the current rate, the powerful economies would simply use up all the reserves of fossil fuels in the planet within a short span of time. ■

**PETROCARIBE » PDVSA increases refining capacity**

# Mixed company to reactivate Cuba's Cienfuegos refinery

As part of the Caribbean energy integration policy propelled by the Bolivarian Republic of Venezuela through Petrocaribe, PDVSA will invest 83 million dollars in reactivating the Cienfuegos Refinery with a processing capacity of 60 thousand barrels per day (TBD)



Refinery operations will begin in the third quarter of the year 2007.

**T**he interest to deepen and consolidate energy cooperation was materialized through the signing of an Association Agreement between Petróleos de Venezuela (PDVSA) and Unión Cubana de Petróleo (CUPET), through which they constituted a mixed company named PDVCUPET that will reactivate the Cienfuegos refinery in Cuba, with a processing capacity of 60 thousand barrels per day (TBD).

PDVCUPET is born in compliance with the Letter of Intent inked on April 28, 2005 under the Alternativa Bolivariana para la América (ALBA) an initiative of Venezuelan President, Hugo Chávez, and his Cuban counterpart, Fidel Castro.

## Strengthening cooperation

The representatives from both countries said that this agreement is a sample of the interest of securing cooperation in

the hydrocarbons sector based on the principles of mutual equality and benefit. The social purpose of this company is to carry out oil-related refining, manufacturing, purchasing, storage, processing, distribution and trade activities inside the Cuban territory as well as overseas.

Cuba holds 51% of the stock, while Venezuela holds 49%. The inking ceremony took place in the Palace of the Revolution this last April 11. The Cuban leader was present along with the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez.

## The Plan for Sowing Oil beyond our borders

Restarting the Cienfuegos Refinery is framed within PDVSA's refining capacity expansion projects, one of the fundamental axes of the Plan for Sowing

Oil designed by the oil giant to increase refining volume to 4.1 million barrels a day by the year 2012.

The Plan for Sowing Oil projects also include revamping or building several refineries overseas, such as the La Teja refinery in Uruguay, Villa Elisa in Paraguay, and José Abreu e Lima in Brazil.

The refining capacity increase also includes actions such as the installation of deep-reconversion plants in Venezuela, specifically in the Centro de Refinación de Paraguaná (CRP) in Falcon State; in the El Palito Refinery in Carabobo State, and in the Puerto La Cruz Refinery in Anzoátegui State.

Also, the Plan calls for the construction of three new national refineries in Cabruta, Guárico State; Caripito, Monagas State; and Batalla de Santa Inés, in Barinas State. ■

## OIL BUSINESS IN FIGURES » Further trade for the Caribbean



## PDVSA will invest 83 million dollars in reactivating the Cienfuegos Refinery

With the purpose of satisfying the Cuban demand for fuel, more than 9 thousand barrels a day (TBD) of motor vehicle gasoline and 582 TBD of aviation fuel will be exported to this Caribbean market.

### Production of Phase I

- 958 BD of Liquefied Petroleum Gas (LPG)
- 32,525 BD of fuel oil
- 7,322 BD of aviation fuel
- 14,225 BD of diesel fuel
- 15 TBD of regular gasoline
- 66 TBD of units of atmospheric distillation
- 8 TBD of hydrotreated naphtha
- 8 TBD for reformation

BD: Barrels a day  
TBD: Thousands of Barrels a day  
LPG: Liquefied Petroleum Gas

UNION OF THE PEOPLES » An important Bolivian step

# First ALBA anniversary: Integration from the Caribbean to the Andes

ALBA is a trade alternative based on the integration and complementarity of the resources and regional markets with the purpose of promoting fair dealings that allow for improving people's lives. The incorporation of Bolivia to this initiative was cause for celebration

In its first year of execution, the Alternativa Bolivariana para la América (ALBA, in Spanish) has had many achievements. Among them is the creation of the ALBA Caribbean Fund, an instrument for funding social and economic programs brought forward by the countries that signed the Petrocaribe agreement. Another one is the positive commercial trade between Cuba and Venezuela, which has reached an amount of 2 billion 400 million dollars.

During the first 12 months, we celebrated the First ALBA Sports Encounter and created Telesur. This TV station is a loudspeaker means for building a culture that fosters a liberating Latin American school of thought.

Another important achievement was the result of the Fourth Summit of the Americas held in Argentina in November 2005, where the American proposal for a Free Trade Agreement of the Americas



The presidents of Venezuela, Cuba and Bolivia ratified the compromise of integration

came to an end in the face of the overwhelming rejection shown by Venezuela, Argentina and Brazil.

## Welcome, Bolivia!

On April 29, Venezuelan President, Hugo Chávez, and his Cuban counterpart, Fidel Castro, welcomed the Bolivian President, Evo Morales, who signed the documents whereby his country adhered to this joint initiative.

In the Palace of Conventions in Havana City, the Cuban capital, the three Heads of State agreed to come up with a strategic plan to guarantee the productive union among their countries on a base of rationality, the use of their strengths, the generation of jobs and the access to markets.

On Bolivia's joining the ALBA initiative, the Venezuelan Head of State highlighted the growth of his proposal: *"we only grow, grow and make inroads; we are making a building."*

Also, the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, highlighted the importance of Bolivia's arrival to the ALBA initiative and the signature of 12 cooperation agreements that will allow for the sale of

Venezuelan fuel, the purchase of Bolivian soybean by the Venezuelan and Cuban governments, and the granting of five thousand scholarships to schoolchildren.

## Venezuela extends its solidarity

Minister Ramírez said that ALBA *"is an extraordinary mechanism because we the Latin American peoples are building our spaces, with our peers and without discrimination."*

Strengthening the hydrocarbons area is also a fundamental part of the agreements. That's why authorities of the Ministry of Energy and Petroleum and PDVSA agreed to offer technical and legal consulting services to the Bolivian Ministries of Hydrocarbons and Energy and of Mining and Metallurgy.

The Venezuelan experience will allow an institutional invigoration, an increase in the supply of raw and refined products, the study for the installation of a petrochemical center in Bolivia and the creation of a special fund of up to 100 million dollars that will facilitate the funding of productive and infrastructure projects in 2006. ■



COOPERATION » Megaproject consolidated

# Bolivia joins the Great Southern Gas Line



The Ministers of Energy from Brasil, Argentina, Venezuela and Bolivia decided the actions to take.

Last May, in northeast Argentina's Port Iguazú, and as part of the growing integration process, Bolivia was officially incorporated to the Great South Gaspipeline, an historical event that translates into one more step toward the complementarity of the Latin American peoples

**T**he combined declaration of the Presidential Summit at Puerto Iguazú points out that *"energy integration is an essential element in the regional integration to benefit their peoples."*

In this context, the Presidents of Venezuela, Hugo Chávez; Bolivia, Evo Morales; Argentina, Néstor Kirchner; and Brazil, Luiz Inácio Lula da Silva, agreed on the need to preserve and to guarantee the supply of gas favoring a balanced development in both producing and consuming countries.

The Leaders supported the Bolivian nationalization of its hydrocarbons and they agreed to discuss the gas prices "within a rational and balanced

framework." Also, the Ministers from Argentina, Brazil and Venezuela gave their approval to environmental studies and okayed the first financial resources and the expenses of the first stage in the amount of 9 billion 200 thousand dollars.

The gas line, which is to start in Venezuela, a country with one of the largest accumulations of gassy hydrocarbons in South America (150 trillion cubic feet, TCF, in proven reserves and expectations of 196 TCF), will cross Brazil and continue on to Argentina and Uruguay in a first phase. The project includes more than 8 thousand kilometers of pipes, an investment of 20 billion dollars and the creation of one million jobs. ■

## VISION » Strategic members

### Uruguay and Chile, indispensable for the gas interconnection

The President of the Bolivarian Republic of Venezuela, Hugo Chávez, said it was necessary for Uruguay and Chile to join the Great energy project known as the Southern Gas Line.

*"Without the participation – in the project's first phase – of Uruguay, the project doesn't make any sense",* the Venezuelan President pointed out.

On the other hand, the president of Uruguay, Tabaré Vázquez, said that his country has already made up its mind and is delighted to be included in the project.

During the Fourth European Union-Latin American Summit held last May in Vienna, Austria, the Venezuelan President stated that *"Chile, this sister country, should be integrated as early as possible to this South megagaspipeline, to guarantee the supply of gas to Chileans for the next 150 years."* ■

### Proven gas reserves



# OPEC, an instrument for people's freedom and progress



Venezuela, host country of the event, shared the policy of Full Oil Sovereignty propelled by the Bolivarian Government, in order to promote the rational use of fuels, to get maximum value for this natural resource, to achieve world energy balance and to strategically use hydrocarbons for integration, solidarity and the fight against poverty

“The Organization of Petroleum Exporting Countries (OPEC) is an organization that is liberating our peoples. The birth and activation of its operations, on September 14, 1960, represented an authentic revolution that impacted the world”, said the President of the Bolivarian Republic of Venezuela, Hugo Chávez, during the installation of the 141<sup>st</sup> Extraordinary Meeting held this past June in the Venezuelan capital.

In his opening speech, the President made a historical recollection of the facts that brought OPEC into existence. “It was about putting an end to the capitalist competition of the first 50 years of American oil production. OPEC became a powerful regulator for stability and balance”, he said.

## Peace and Progress, Our Goals

While reminding the audience that in 1998 the barrel of oil was worth 10 dollars, the President said that the Organization was “not only on its knees, but on the edge of its tomb”. That’s why, starting in 1999, the Bolivarian Government flexed its political muscles in an effort to revert old policies and to propel the rebirth of OPEC. In this sense, he said that the celebration of the Summit of Caracas in the year 2000 forged a new road for the Organization.

“We are members of the Organization of Petroleum Exporting Countries, but not only of petroleum, but also of peace and progress. We want to guarantee an appropriate and fair supply of oil for the

development of the world. We want to preserve our natural resources and to have the appropriate tools for the development of our countries”, said the Venezuelan Head of State.

On production, he discarded an increase because the market is overstocked, while calling for the rational consumption of hydrocarbons.

## Sovereign defense

On the other hand, the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, warned that the market is threatened by geopolitical tensions, by “the shadow of interventionism of State of some countries that are trying to annex oil



reservoirs to themselves” and by factors such as speculation and increases in the costs of commodities and services.

*“The success of our organization over the last six years is due to the cohesion of a common policy and strategy for our countries. We have lived up to the strategic orientations issued by the OPEC Heads of State and we have been able to successfully defend the principles of our Organization”, he said.*

Also, he said that “Venezuela is a reference when it comes to putting into practice a very firm and successful policy around the defense of our main resource: oil”.

### **OPEC maintains production levels**

Once it examined the oil market situation and its immediate perspectives, OPEC decided to maintain its production level of 28 million barrels a day, while reaffirming “its determination to guarantee that prices stay at acceptable levels”.

They announced that if conditions so demand it, another special meeting will be held before the international seminar of OPEC takes place on September 12 and 13 in Vienna, Austria.

### **More than 300 journalists keep the world abreast**

Around 130 national and international news agencies received credentials to cover the meeting.

The ministerial meeting gathered more than 300 journalists who specialize in the energy field to keep the world abreast of it. Also, several social communicators visited the facilities of PDVSA Intevep, Sincor (Orinoco Oil Belt) and the ‘Fabricio Ojeda’ Endogenous Development Nucleus, where they verified on site the social management and the advances in technological and operational aspects of the New PDVSA. ■

## **FULL OIL SOVEREIGNTY » Strong backing**



### **Ramírez: “Venezuela has fully achieved its expectations”**

At the end of the 141st extraordinary session of OPEC, the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, announced that “the expectations of Venezuela were achieved in full. We are very happy with

the results of the meeting. We will do whatever is necessary to defend our price and to achieve market balance”, he said.

*“All the other Oil Ministers felt strengthened by the words uttered by President Chávez”, Ramírez said.*

## **Participants’ testimonies**

### **Nigeria: “The market has enough supply”**

The president of the OPEC Conference and Minister of State for Oil Resources of Nigeria, Edmund Maduabebe Daukoru, said that “at the present time the oil market is sufficiently supplied”. He added that “the value of crude oil in the market is due to downstream factors, to which you must add the geopolitical tensions and the speculation”.

### **Syria: Venezuela is a Protagonist in OPEC**

*“Venezuela advances toward an increasingly protagonistic role in the international arena”, said the Minister of Energy of Syria, Soufyan Al Salaw, who attended the 141st Extraordinary OPEC meeting as an observer. Al Salaw also added that “the role that Venezuela is now playing is due to its considerable reserves of crude in the Orinoco Oil Belt and to its energy policies”. ■*

## **OPEC Ministers strengthen cultural ties**



The Energy Ministers, delegates, and journalists present at the 141<sup>st</sup> OPEC Ministerial Conference topped off their stay in the country with a visit to the Canaima National Park, in Bolívar State, where they came to see the exuberance of the Venezuelan forest and to exchange greetings with native Pemón children, which allowed for a gathering of different cultures.

**MIXED COMPANIES » Deal signed!**

## International companies agree to new partnership with the State

The Bolivarian Republic of Venezuela, through the Ministry of Energy and Petroleum, formulated a more transparent legal tool for the incorporation of companies which, in partnership with the operating state, work toward exploring and exploiting crude oil and gas in the country

**I**n a win-win deal, a more transparent political and legal base was built for the incorporation of companies which, in partnership with the state-owned operator Petróleos de Venezuela (PDVSA), work toward exploring and exploiting oil and gas in the country.

In an official meeting held at Miraflores Palace, headquarters of the Venezuelan executive power, 16 international



President Chávez affirmed that "a nationalistic project is not incompatible like which it is in march in Venezuela".

operators signed the agreements for migrating to Mixed Company status.

During the event, the President of the Republic, Hugo Chávez, said: *"We are telling the world, along with you, managers of companies from everywhere, from the United States to Japan, that a nationalist project such as the one in progress in Venezuela is not incompatible with the presence of international companies and the national private sector – so long as there is a lot of good will".*

Also, the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, said that thanks to the Mixed Companies it was possible to create an association under the schematics of a clear legislation, thus respecting the legitimate interest of the State as true owner of the hydrocarbons.

*"This event has to do with the oil policy being aimed at rescuing our full sovereignty over the management of our main resource, of our main economic activity: oil",* he pointed out.

### Sovereignty not negotiated

At the event, the vice-president of Exploration and Production of Repsol YPF, Nemesio Fernández Cuesta, said that *"the migration to Mixed Companies is proof of compliance with Venezuela's national sovereignty, which is neither negotiated nor discussed. It's just accepted. That is the position of all of these companies and we have internalized that",* he said.

He said that the companies aspire to continue working and sharing their human, technological and financial



Ramírez said that "this act has to do with the policy destined to rescue the total sovereignty on petroleum".

resources with Venezuela in order to maintain the petroleum industry at the highest level.

## Main Features

The capital stock of a Mixed Company will be formed by two classes of stock. The Class A stock shall be held by a fully owned state company as majority stockholder, while the Class B stock shall belong to the former contractor or minority partner.

In accordance with the articles of association of a Mixed Company, the

majority stockholder, that is to say PDVSA, will have the power to make the decisions that it deems necessary in connection with company operations.

The Mixed Companies will be profitable ab initio because they will generate earnings for their shareholders, which will allow them to continue increasing investments and oil production.

This business is positive for all parties involved because, among other reasons, the contracts are now extended over 20 more years. In fact, while the operating agreements were slated to end between

2013 and 2017, the Mixed Companies will stay in operation until 2026.

Furthermore, the estimated worth of each business is preserved (the Bolivarian Government acknowledged financial obligations to the contractors for almost 5 billion dollars) and the continuity of the investments is guaranteed so as to not only avoid a decrease in oil production but also, on the contrary, the necessary conditions are fostered for the production to grow. ■



*"The migration to Mixed Companies is proof of compliance with Venezuela's national sovereignty, which is neither negotiated nor discussed. It's just accepted. That is the position of all of these companies and we have internalized that"*

Nemesio Fernández Cuesta  
Vice-president of Exploration and Production  
Repsol YPF

## Venezuelan flag hoisted in recaptured fields



Within a few hours after signing the agreements for the incorporation of Mixed Companies, the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, attended the event of recapturing the only two oil fields where an agreement was not achieved for its migration with the operating company.

In Monagas State, in the country's east, the fields Dación and Jusepín – previously in the hands of the Italian company ENI and the French company Total, respectively – were recovered. These areas were added to PDVSA's own-effort production.

Ramírez, accompanied by PDVSA director and president of the Venezuelan Corporation of Petroleum (CVP), Eulogio Del Pino, and the managers of Exploration and Production East, hoisted the Venezuelan flag, the flag of Simón Bolívar, the Liberator. ■

## Legal Strength

The Mixed Companies are in line with the provisions set forth in the Constitution of the Bolivarian Republic of Venezuela and in the Organic Hydrocarbons Law – a factor that has added an important degree of certainty to the migration process that has put an end to the old ways of doing business promoted during the so-called oil opening of the 90s.

Article 12 of the Constitution states: *"The hydrocarbon reservoirs, of whatever nature, existing in the national territory, under the seabed of the territorial waters, in the exclusive economic area and in the continental platform, belong to the Republic, and are goods of public domain and, therefore, inalienable and cannot cease to exist."*

This means that no one can transfer the ownership of the oil reservoirs, since they belong to the Republic.

Also, the Mixed Companies respond to the provisions of article 22 of the Organic Hydrocarbons Law where it is clearly stated that all oil and gas exploration and production activities will be carried out directly by the Executive, by companies fully owned by it or by *"companies where (the Executive) retains decision-making control because it owns more than 50% of the capital stock."* ■



The industrialists of the international companies ratified their commitment with the Mixed Companies.



## Social Districts: PDVSA and the people united to achieve national development



The 17 Social Oil and Gas Districts that spread over 20 states will benefit 19 million Venezuelans, through the combined work of the organized communities and PDVSA, which will invest over 6 billion dollars in the country's progress

**T**he President of the Bolivarian Republic of Venezuela, Hugo Chávez; and the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, launched the Social Oil and Gas Districts, which are territorial units where the Corporation directs the investments necessary to drive different areas of social development in conjunction with organized communities.

The objective of reaching an equal, fair and prosperous society was evidenced in the presentations made by some high-level PDVSA officials who propounded on the objectives and achievements of their respective

projects during an event carried out at the Teresa Carreño Theater in Caracas, last May.

An area termed Social District will be activated in each domestic region where PDVSA has an area of influence, and such an area will be coordinated by the manager responsible for that division of the Corporation.

The businesses and branches of PDVSA are in charge of coming to terms with the area inhabitants as regards their own development plans, which should fall within the scope of the oil and gas projects and be in line with other government entities.

### The Plan for Sowing Oil moves forward

The Social Districts are part of the Plan for Sowing Oil promoted by PDVSA. The goal of the first phase of the Plan, from 2006 to 2012, is to achieve a fairer and more equitable distribution of the oil wealth, making it reach every corner of the country, including those non-oil-producing states that are far from where the oil and gas activities are conducted.

The communities organized in cooperatives and in Endogenous Development Nuclei will work jointly with PDVSA to lever up other production areas, such as the sowing of cotton,



People celebrated the work of PDVSA in its commitment to assure well-being, education, health and work.

fishing, ecotourism, the planting of yucca and other important agricultural items to achieve food sovereignty – activities which will also foster territorial decentralization.

### A New PDVSA for a New Country

On starting these different projects, the Venezuelan Head of State, Hugo Chavez, said that *“they are important steps. This New PDVSA is really for all the Venezuelans and every day we move forward toward petroleum-*

*country integration and PDVSA-people integration”.*

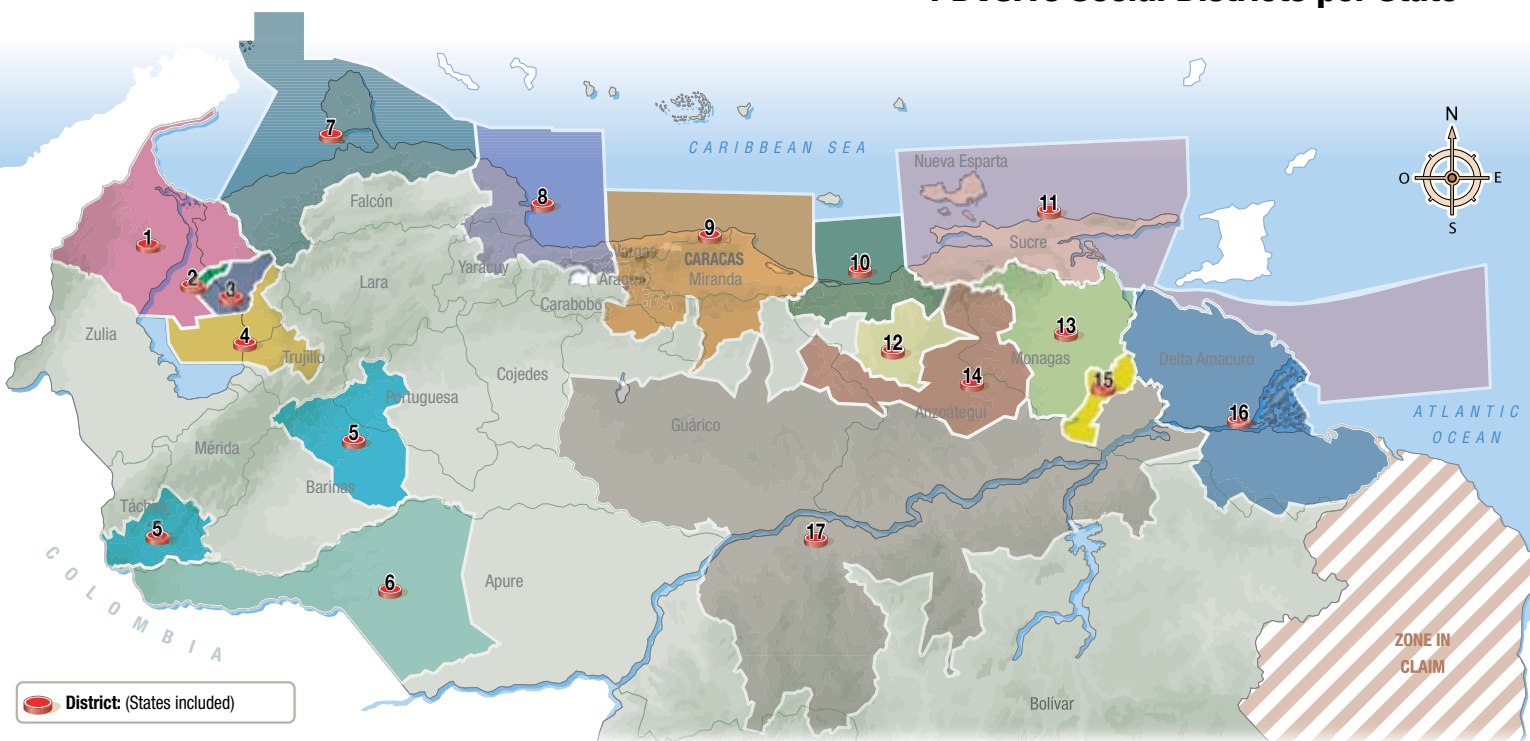
The President said: *“If you don’t put this policy into practice, there is nothing to gain, since we may not develop a country without this control. We should have the national power to be able to develop strategies with large economic and social objectives”.*

### Social policy without precedent

The Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, said that the Corporation has been building the concept of Social Districts, which he termed innovative and without precedent in the world.

To Ramírez it also represents an extraordinary opportunity to pay off the horrible social debt, a 100 year-old byproduct of oil activity within an excluding model. ■

## PDVSA's Social Districts per State



- 1 **Maracaibo:** (Zulia)
- 2 **Tía Juana:** (Zulia)
- 3 **Lagunillas:** (Zulia)
- 4 **Tomoporo:** (Zulia y Trujillo)
- 5 **Barinas:** (Barinas, Táchira, Mérida y Portuguesa)

- 6 **Apure:** (Apure)
- 7 **Paraguana:** (Falcón)
- 8 **El Palito:** (Carabobo, Falcón, Yaracuy and Aragua)
- 9 **Metropolitano:** (Miranda, Distrito Capital, Guárico, Aragua and Vargas)

- 10 **Pto. La Cruz:** (Anzoátegui)
- 11 **Delta-Caribe Oriental:** (Nueva Esparta and Sucre)
- 12 **Anaco:** (Anzoátegui)
- 13 **Norte:** (Monagas)
- 14 **San Tomé:** (Guárico, Anzoátegui and Monagas)

- 15 **Morichal:** (Monagas)
- 16 **Delta:** (Delta Amacuro)
- 17 **Faja:** (Monagas, Delta Amacuro, Anzoátegui, Guárico and Bolívar)



## Petrotips

### National Assembly approves reform of the Organic Hydrocarbons Law



Last May 16, the National Assembly approved the reform of the Organic Hydrocarbons Law which includes the incorporation of the

Extraction Tax and the Export Log Tax, which will add to the national treasury financial strength to propel social programs that will benefit the Venezuelan people.

The president of the committee of Energy and Mines of the National Assembly, Deputy Ángel Rodríguez, said that articles 2, 33, 44, 48 and 57 were amended. He also said that this reform shall even out the fiscal system for all oil-related businesses and will facilitate the processes of migration of operating agreements to Mixed Companies.

### Oil sovereignty advances in the country



*"We have reached oil sovereignty like never before. The old uncoordinated ways of doing business implemented by former managers at PDVSA are over.*

*Oil today is really Venezuelan and the financial resources are managed by us Venezuelans for the interest and benefit of the people",* said the executive vice-president of the Bolivarian Republic of Venezuela, José Vicente Rangel, during the event of handing over to

the Legislative Power the Memory and Accounts of the Executive Cabinet last March.

### PDVSA to take part in international bid in Honduras



Petróleos de Venezuela will participate in an international bid to be called soon by the government of the Republic of Honduras for the supply of fuels

to the Central American country.

The announcement was made by the Minister of Energy and Petroleum and PDVSA President, Rafael Ramírez, after a meeting with the Honduran Minister of Labor, Rixi Moncada, and other high-level officials.

### Simón Bolívar Satellite Project to include PDVSA workers



Four PDVSA workers left for Asia as part of the first group of 30 professionals who will be trained in China to manage the Simón Bolívar satellite, which is to be launched in the year 2008.

Oliver García, Roberto Arenas, Rixio Morales and Alexis Figueroa, workers at the Office of Automation, Computer science and Telecommunications (AIT) of PDVSA, will work toward their master's and doctorate degrees at the University of Aeronautical and Aerospace Sciences in Beijing, China. ■

## PDVSA in figures 2005\*



### Proven Reserves

**Crude Oil** 80,5 Bn MB

**Gas** 150.4 TCF

### Venezuela's Production Capacity

**Crude Oil** 3.7 m BPD

**Gas** 6,900 BCFD

**LNG** 0.25 m BPD

### Refining Capacity

**Domestic** 1.3 m BPD

**International** 2.0 m BPD

**Total** 3.3 m BPD

### Total Revenues

85.3 B\$US

\* Preliminary Figures

#### Glossary

TCF: Trillions of cubic feet MCFD: Millions of cubic feet a day  
MBD: Millions of barrels a day BSUS: Billions of US dollars  
CF: Cubic feet

## Quote of the month

**"** The new model's first advantage is to be partners of PDVSA, which happens to be the best partner you can have in the oil industry in Venezuela and one of the best in the world **"**

### Nemesio Fernández Cuesta

Vice-president of Exploration and Production of Repsol YPF



### OPERATING INDICATORS

First Quarter 2006 Averages

#### CRUDE OIL

**3.3 M**  
barrels a day

#### GAS

**6.9 M**  
cubic feet a day

#### REFINING

**1.4 M**  
barrels a day  
(Vzla/Island loop)

#### EXPORTS

**2.5 M**  
barrels a day

#### OIL BASKET PRICE

**53,24 \$**  
per barrel



**BUSINESS » More than 40 thousand barrels a day in 5 months**

## Sustained production increase in Western Venezuela

**T**he production of Petróleos de Venezuela's (PDVSA) own effort in the country's west has experienced a sustained growth over the last five months of more than 40 thousand barrels a day as reported by the monthly production averages between October 2005 and February 2006.

Monthly production of PDVSA West's own effort in October 2005 was 910 thousand 400 barrels a day (TBD); for November it reported 933.9 TBD; while for December it reported 939.6 TBD; and 953.5 TBD in February 2006.

This last February, the Western Division of PDVSA surpassed by 9 TBD its production goal of own-effort crude, by logging that month an operational record of 953.5 TBD, as opposed to the 944.3 TBD that had been scheduled.



The increase in the production demonstrates the success of PDVSA in the improvement of its processes.

### Teamwork results

To these results in production we must also add the deliveries made by the Paraguaná Refining Center (CRP) in

Falcon State. The volume delivered in February reached 660.4 TBD, as opposed to the 621 TBD that had been planned. In other words, an additional 39.4 TBD was logged in February.

Among the actions taken to surpass the production goals of own-effort crude are: the activation of 13 additional boilers to generate vapor, the use of the C-9167 ship for laying submarine cables, the repair of gas lift lines in wells, the laying of electricity cables to electro-submersible pumping wells, improvements in the injection of chemicals, etc. ■

### Up-to-date Western Production

Average	Own Effort	Total
October 2005	910.4 TBD	1175.1 TBD
February 2006	953.5 TBD	1208.1 TBD

TBD: thousands of barrels a day

**PLAN FOR SOWING OIL » Another step forward**

## East will produce 2 million 339 thousand barrels a day by 2012

**T**he first stage of the Plan for Sowing Oil, from 2006 to 2012, designed by Petróleos de Venezuela (PDVSA), means doubling PDVSA East's production from 1.226 million barrels a day (MBD) in 2006 to 2.339 MBD in 2012.

This information was supplied by the general manager of Exploration and Production East in Monagas State, Ángel Núñez, who pointed out that *"this is a great jump forward in the Eastern region as regards oil production and it is the great challenge we must face"*.

In this sense, the sustained and dedicated effort of all the employees of

Exploration and Production East, who work in the 95 fields encompassing the North, San Tomé and Morichal Districts, is a key aspect in the production plans. These districts have received an investment of some 6.6 billion bolivars and an operational cost in the order of 3.1 dollars per barrel.

The second operating manager of Exploration and Production East, Dámaso Reyes, said that for the first time the petroleum industry is completely aligned with the policies of the Venezuelan State.

This increase in production will include the entire value chain, from exploration

to storage, to drilling, production, processing and transport.

### Investment in endogenous development

PDVSA, through Exploration and Production East, will invest 557 billion bolivars this year in the social area and endogenous development, according to the information provided by the manager of Social Development of Exploration and Production East, Bárbara Lezama. ■

**SOCIAL ACHIEVEMENTS » Building 21<sup>st</sup> Century Socialism**

# Misión Ribas graduates study Community Medicine in Cuba

The New PDVSA has invested more than 490 million dollars in achieving one of the Bolivarian Government's great goals: using energy resources to propel the integral development of the Venezuelan people



260 graduated from the Misión Ribas are studying in Cuba Community Medicine since June of 2005.

**O**n November 17, 2003, the Bolivarian Government, through the Ministry of Energy and Petroleum and the New PDVSA, created the Misión Ribas program. This is an educational project that offers all venezuelans the opportunity to get a high school diploma.

The New PDVSA has invested more than 490 million dollars in achieving one of the Bolivarian Government's great goals: using energy resources to propel the integral development of the venezuelan people.

## Winners beyond our frontiers

Following the premise of integration and complementarity, the Bolivarian Government, through the New PDVSA, is funding the studies of a group of 260 Venezuelan students who have

graduated from Misión Ribas and are going on to college studies in Cuban territory, thanks to Misión Sucre.

Starting in June 2005, these Venezuelans are being formed to become community doctors in the Latin American School of Medicine, in Cuba, where they will stay for six years to follow the Comprehensive Community Medicine Program. Then, they will return to Venezuela to take over the functions now being carried out by the Cuban doctors assigned to the Misión Barrio Adentro community health program.

## Doctors of Science and Conscience

From the start, the program of Comprehensive Medicine brings students and patients in a more humane way. It is a different way to practice the medical profession that implies an

ample awareness of social needs and a deep commitment to the community.

The program is a part of the Cuba-Venezuela Agreement, signed in December 2004, and framed within the initiatives of the Alternativa Bolivariana para la América (ALBA, in spanish). ■



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**Gobierno Bolivariano  
de Venezuela**

Ministerio  
de  
Energía y Petróleo

