

# Contact with the New PDVSA

A Newsletter about Venezuela's National Oil Industry

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## First Orinoco Oil Belt reserves certified:

# world energy power

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Presidents Hugo Chávez of Venezuela and Luis Inácio Lula da Silva of Brazil presided over the ceremony certifying Orinoco Oil Belt reserves



**OIL SOWING » Thanks to the New PDVSA's financial support**

# The Venezuelan health system moves strongly ahead



The Barrio Adentro modules are able to provide primary care to the people most in need.

The major infrastructure projects already in use are a palpable example of how the investment of the income generated by the sale of oil improves Venezuelans' quality of life

**T**he process of revolutionary change that began in Venezuela in 1999 with the election of the Bolivarian Government, has changed the country's main industry to its the foundations. After defeating the Coup d'Etat and the oil industry sabotage in 2003, Petróleos de Venezuela, S.A. (PDVSA) has not only been able to put in place plans to improve its operating and administrative capacity, but also to boost programs to improve the standards of living of the people.

As a result, the nation's health care services have undergone significant changes including rescaling of hospitals, equipment and infrastructure.

## **PDVSA backs the Barrio Adentro program**

With an investment of 676 million dollars between 2003 and August 2006, PDVSA is cooperating with a new and more comprehensive primary health



Cuban and Venezuelan physicians work to ensure the best medical care for the communities.

## Sowing oil

### The investment of the New PDVSA has allowed:

- The construction of 1,000 primary health care modules.
- 21 diagnosis centres.
- 2 comprehensive rehabilitation centres.
- A total of 171,710,460 medical consultations nationwide.

care policy leading to the creation of Barrio Adentro health program (medical assistance provided directly in the low-income communities).

This policy envisages health interwoven with social economy, culture, sports, environment and food security. That is why community organization and the presence of physicians living on a permanent basis with the communities have become essential.

### Oil income supports health for everyone

The health care services provided under this policy have been conceived in three stages – Barrio Adentro I, II and III. In level I people receive primary health care services. Level II provides for the restoration of ambulatory services, the construction of clinics for low-income families and comprehensive health care centres. Barrio Adentro III includes the rehabilitation of large public hospitals, the re-orientation of their management and the modernization of their infrastructure and hi-tech equipment.

### Eliminating exclusion

The construction of this comprehensive primary health care network has met the goal of reaching more Venezuelans. Up to year 2004, there was already one physician for 250 families or for 1,200 inhabitants. This helped closing the gap since it covered over 60% of the citizens.

Together with the progress made in the primary health care network (Barrio Adentro basic health care modules), the transformation of the second health

care level has been moving ahead with the construction of Clinical Centres, based on morbidity and mortality data from each zone and community.

Likewise, the revamping of hospitals belonging to the network, the construction of new ones and the supply of equipment have been boosted allowing for the adequate treatment of over one thousand cases involving chemotherapy and radiotherapy, heart surgery, traumatology, craniotomy, bone marrow transplantation, cochlea implants (for the hearing system), among others.



PDVSA contributed US\$51 million towards the construction of the "Dr. Gilberto Rodríguez Ochoa" Latin American Children's Cardiology Hospital.

In this connection, the recently opened "Dr. Gilberto Rodríguez Ochoa" Latin American Children's Heart Hospital -where PDVSA directly contributed 51 million dollars- is an outstanding example. This hospital, the third of its kind in Latin America, is located in Caracas Metropolitan Area and will

see 5,000 children and teenagers with congenital or acquired heart diseases.

This health care complex also received funds from the National Development Fund (Fonden), which was created by the Executive Power and supported by the New PDVSA to invest in the real economy, education, health, among other areas.

### Energy sovereignty means health

The implementation of the Barrio Adentro Health Care Program has also been possible thanks to the bilateral cooperation agreement signed with sister nation Cuba. The agreement is part of a new integration model for Latin America and the Caribbean, based on the principles of solidarity, complementarity, and joint social and economic development within the framework of the Bolivarian Alternative for the Americas (ALBA).

The sovereign management of hydrocarbons allows the State to launch initiatives aimed at improving and preserving the health of all citizens. This means that the Bolivarian Government translates the Venezuelan oil income into health care programs such as the Misión Barrio Adentro and Misión Milagro (Miracle Mission – a program providing free eye surgery) to meet one of the most essentials needs of the people, thus enhancing their standards of living. ■

## PDVSA has invested Bs. 15 billion in the rehabilitation of health care centres

With a total investment of Bs. 15 billion, 40 Barrio Adentro I modules have been built in Monagas State and 43 health care units in Anzoátegui State.

This goal was achieved in three years, and that the whole structure of the Barrio Adentro I modules, located in the low-income communities, has been improved to become

diagnostic and comprehensive rehabilitation centres.

These Barrio Adentro I modules are designed to provide people with primary health care right there where they live. 659 physicians are engaged in providing assistance at such modules, at the Comprehensive Diagnostic Centres and the

Comprehensive Rehabilitation Centres in addition to the hospitals network operating in that state.

At the Diagnostic Centres services such as gynaecology, ophthalmology, x rays, rehabilitation, traumatology, and facilities such as intensive care and observation rooms are available. ■

ENERGY INTEGRATION » Consolidating agreements with the Caribbean

# PDV Caribe Dominica Limited builds fuel distribution center

**W**ith the laying of the foundation stone, Petróleos de Venezuela, together with PDV Caribe Dominica Limited, officially initiated construction work on the Dominican Fuel Distribution Center, which will have sufficient capacity to store 39 thousand barrels of hydrocarbons. This project is scheduled to end in August 2007, thereby forming part of the Bolivarian Government's joint integration strategy for the peoples of Latin America and the Caribbean.

The facilities will enter into operation in December 2006, when the consignment of diesel will be set in motion; in February for that of gasoline and in May for that of gas. The diesel will be destined for the electric power plant, which supplies the entire island that is home to some 70 thousand people. This will lead to reduced invoice costs for household electricity consumption.

The new plant will make it possible for the Dominican Government to take the path leading to the autonomous and sovereign management of its energy matrix, and to lower the level of intermediation by large enterprises which, on many occasions, merely speculate with fuel prices, Alejandro Granado, vice-president of refining and president of PDV Caribe, explained.

## Building closer ties with the Caribbean

PDVSA and Dominica recently signed the contract for the supply of as many as one thousand barrels of hydrocarbons per day that may be purchased by the island. The agreement encompasses the consignment of gasoline, diesel, jet A1, fuel oil, asphalt and liquified petroleum gas (LPG), by Venezuela, through the joint enterprise, PDV Caribe Dominica Limited, in which



Petróleos de Venezuela, through its PDV Caribe subsidiary, continues to further consolidate its Petrocaribe integration initiative through the agreement on hydrocarbon infrastructure facilities at St. Lucia and the supply contract with Dominica

the PDVSA subsidiary, PDV Caribe and the state energy company, Dominica National Petroleum LTD, have a share.

## Diesel and Gas for Saint Vincent and the Grenadines

Under the Petrocaribe Energy Cooperation Agreement, the first shipment of liquid fuel to the Caribbean country in the month of September consisted of 12 thousand barrels of diesel, which will be used to activate the new electric power plant belonging to the stated-owned enterprise, Saint Vincent Electricity Services Limited (Vinlec) and situated in Lowmans Bay, the PDV Caribe president and vice-president of refining for PDVSA, Alejandro Granado, explained. Meanwhile, Thornley Myers, general manager of Vinlec, pointed out that thermoelectricity

would become the most important source in the country, supplying 40 percent of national demand and operating exclusively on the basis of Venezuelan diesel. Furthermore, it will facilitate the reduction of invoice costs for electricity services, which have jumped by almost 40 percent in recent years and have adversely affected all areas of the economy.

## New agreements

The Bolivarian Republic of Venezuela and Saint Vincent and the Grenadines also established closer ties of brotherhood with the signing of the Supply Contract for the monthly shipment of 30 thousand barrels of fuel, including diesel, gasoline, jet A1 and LPG; and with the consolidation of the Joint Enterprise PDV Caribe Saint Vincent and the Grenadines Limited. ■



**GUIDELINE » Improvement in refining capacity**

# Strategies for expanding refineries in Uruguay and Paraguay move ahead

**P**etróleos de Venezuela (PDVSA), in fulfillment of the Major Refining Projects set out in the 2006-2030 Petroleum Sowing Plan, has promoted various strategies with Uruguay's National Administration for Fuels, Alcohol and Portland (ANCAP), and with Paraguay's Petropar, for the expansion of the La Teja and Villa Elisa refineries, respectively.

## 10 TBD more in Uruguay

The Memorandum of Understanding, signed with Uruguay's Ancap, provides for a 20-percent rise in the processing capacity for crudes of the La Teja refinery, the country's only refinery, which is located southeast of Puerto, in Montevideo Bay. This will lead to an increase of 10 thousand barrels per day (TBD) and to an eventual total of 60 TBD.

Energy and Petroleum minister and PDVSA president, Rafael Ramírez, stated that the agreements are based on two strategies, namely *"the diversification process undertaken by PDVSA for the placement of its crudes, and the integration policy of the petroleum industry, within the framework of Petrosur and Petroamérica."*

Meanwhile, ANCAP president, Daniel Martínez, described the commitments as *"substantial, because they make it possible to continue deepening the integrated development of our enterprises and, consequently, of our countries, which is the way to unite the peoples of the world."*

Meanwhile, Alejandro Granado, PDVSA's vice-president for Refining, stated that this new increase in the refining capacity, as well as the facilities and the location of the La



Teja refinery, will boost the value of the infrastructure, thereby allowing for *"even closer energy ties between Venezuela and Uruguay, as part of the Latin American integration process."*

## Raising capacity to 12 TBD in Paraguay

Following a meeting between PDVSA's vice-president for refining, Alejandro Granado, and Petropar's president, Alejandro Takahasi, it was agreed to continue developing the technical area for the reconditioning of the Villa Elisa refinery, with a view to boosting its refining capacity and to adapting it to Venezuela's own crudes, which have greater access to this market.

Granado reiterated that the Paraguayan refinery processes 7 thousand barrels of crude per day, and it is believed that the technological upgrading carried out will raise its capacity from 10 to 12 TBD.

Takahasi acknowledged the support received and business relationship now

A stronger commercial relationship in terms of new opportunities has excellent prospects for both parties, in addition to the support provided to Petropar by a business partner of PDVSA's size

being established between Petropar Paraguay and PDVSA, *"through which we are now being supplied 70 percent of our national consumption, and which is crucial to this business relationship. There are very good prospects for a stronger inter-business relationship, in terms of the opportunities to be derived and of the backing all this means for Petropar to be able to rely on a business partner of the stature of PDVSA."* ■

LINEAMIENTO » At the World Conference on Heavy Crudes

# Venezuela strengthens its position as a global energy power

**P**etróleos de Venezuela (PDVSA) participated as a co-sponsor and exhibitor in the First World Conference on Heavy Crudes, which was held from November 12 to 15 in Beijing, China. At the event, Venezuela was positioned as the country with the largest reserve of liquid hydrocarbons on the planet, thanks to its Orinoco Oil Belt, and finally, as one of the energy powers of the globe.

PDVSA's assistance was reflected in each of the activities carried out at the Conference, the thematic agenda of which included the participation of the Corporation's vice-president for Exploration and Production, Luis Vierma, who chaired the fourth session of the event entitled *"Strategic Planning for the Development of Heavy Crudes."* During the debate, such issues as the impact of technology on the development of heavy crudes projects and markets, the rise in the recovery factor and other issues were analyzed.

In assessing the event, Vierma explained, *"PDVSA's staff has successfully revised the characterization of the heavy crudes deposits, so as to certify the amount of reserves associated with these deposits. In this respect, the aim is to acquire increased knowledge of the regional geological model of the Belt, which will then lead to the development of the best exploitation scheme and, consequently, boost the recovery factor,"* he pointed out.

Meanwhile, managers from the various business areas of PDVSA and its subsidiary, Corporación Venezolana del Petróleo (Venezuelan Petroleum Corporation), presented various technical features of projects relating to the extraction, production and



PDVSA presented Venezuela's first experience in the exploration and production of heavy oil, thanks to the work carried out along the Orinoco Oil Belt

processing of heavy crudes from the Orinoco Oil Belt, the selection of potential areas and the use of technologies applied to the exploration process, in keeping with the policy of Full Oil Sovereignty of the Bolivarian Government and with the guidelines of the Ministry of Energy and Petroleum, the governing body in this matter.

PDVSA's attendance at the World Conference on Heavy Crudes helped ratify the technical and operational strength of Venezuela in the petroleum area, given that each of the areas expounded on were taken from the experiences Venezuela had acquired through the exploration and production of crudes along the Orinoco Oil Belt. Once certified, these reserves will be consolidated as the largest deposit of hydrocarbons on the planet. In fact, the PDVSA professional team attending Conference offered a total of 11 technical projects on the exploration,

production, commercialization and marketing of heavy oil.

In addition to the speeches, the attendance of the PDVSA workers at this conference allowed for the acquisition of fresh know-how on the area, that will be applied in the development of the Belt.

Petróleos de Venezuela (PDVSA) has made the Magna Reserva Orinoco Project part of the 2006-2012 Petroleum Sowing Plan. The aim of this project is to quantify and certify the hydrocarbons reserves. For the development of this project, the Belt has been divided up into 27 blocks. Meanwhile, state-owned oil enterprises in countries, such as China, Vietnam, Iran, India, Belarus, Spain, Russia, Norway, Brazil, Argentina and Uruguay have been selected to participate. Once the Orinoco Oil Belt has been certified, Venezuela will officially possess 316 billion barrels in proven reserves. ■

**GUIDELINE » Seven Memoranda of Understanding signed**

# Exploration and Production ties linking Russia and Venezuela are strengthened



Energy and Petroleum minister and president of PDVSA Rafael Ramírez, signs agreements with the Russian delegation.

**P**etróleos de Venezuela signed seven memoranda of understanding with Russian companies with the aim of identifying and evaluating potential projects in the hydrocarbons area and related sectors, through the use of late-generation technologies that will result in economic benefits for both parties involved.

*"We are today expanding our cooperation horizon. We are taking a further step in the direction of building a multipolar world",* in the words of Hugo Chávez, President of the Bolivarian Republic of Venezuela, during the closing of the first Russia-Venezuela Business Symposium, held at Miraflores Palace, in Caracas. In addition to these seven energy agreements, a further 11 accords were signed covering the areas of agriculture, construction and production. Venezuela will set up a \$500 million fund to leverage the agreements and turn them into economically profitable projects. Rafael Ramírez, the Venezuelan Minister of

Energy and Petroleum, and president of PDVSA, underlined the importance of the memorandum of understanding signed with the Russian company VSP Environment that will enable the recovery of some 13,000 open pits and the upgrading of between 5 million and 10 million barrels of crude per annum at PDVSA installations.



Luis Vierma, PDVSA Exploration and Production vice-president, at the signing of the Memoranda of Understanding with Russia.

Moreover, this memorandum will contribute to meeting the goals set in the 2006-2012 Sowing the Oil Plan, which anticipates increasing crude production to 5,847,000 barrels per day

With the participation of 40 Russian corporations and over 80 businessmen from Moscow, Volgograd and Udmurtia were involved in the signing of various agreements to boost the national oil industry sector, thereby contributing to achieve the goals set in the 2006-2012 Sowing the Oil Plan and leveraging the integration process

by the end of the period. Ramírez said that meeting with more than 80 Russian businessmen activated strategic alliances with the national oil sector industry, which will enable PDVSA to purchase goods and production equipment (pump jacks, reduction units, screw pumps, spokes, power pumps) and cementation equipment (pumping units, valves, mixers, etc.) for Venezuela. The negotiations with Russia will contribute to the technical and scientific development of the national oil and gas industry. Indeed, Lukoil and Gazprom are already taking part in the process of quantifying and certifying the Orinoco Oil Belt's hydrocarbon reserves. ■



STRATEGIC ALLIANCES » Consolidating the diversification of markets

## Europe, Asia, the Middle East and Africa sign energy projects with Venezuela



Venezuela has deepened and strengthened its efforts to achieve energy integration and balance in the world market

*and we are doing so with the same determination with which, in the past, we looked only toward the North."*

**T**he second semester of 2006 started with two intense tours, undertaken by the president of the Bolivarian Republic of Venezuela, Hugo Chávez, to conclude various energy agreements that have strengthened Venezuela's presence in other markets and have deepened integration-related efforts and the global energy balance.

Energy and Petroleum minister and PDVSA president, Rafael Ramírez,

returned from these official visits with a portfolio laden with over two dozens agreements and described the visits as an overwhelming success.

The head of PDVSA emphasized, *"In our commitment to the establishment of ties of solidarity, complementarity and mutual benefit, no nation whatsoever will be discriminated against. On the basis of this same principle, we are now looking toward the South,*

The benefit of these negotiations will be reflected in investment typical of PDVSA, in accordance with the 2005-2030 Petroleum Sowing Plan, which provides for investment of 60 billion dollars for the coming 5 years. In addition, a rise in the production and refinery of crude has also been set, thereby making it necessary to guarantee the placement of products in the markets of the South and Europe, and in the Asian economies in full expansion.



## Expanding Energy Integration



### **Argentina, South America**

- Agreement signed with the Argentine enterprise, Enarsa and the Uruguayan enterprise, Ancap for the quantification and certification of the deposits of the Ayacucho 6 Block, located along the Orinoco Oil Belt.

### **Belarus, Europe**



- Framework agreement for cooperation in the areas of energy and petrochemistry signed.
- The creation of a Joint Commission, which signed 10 agreements in Caracas. The most remarkable of these agreement are the protocol for the gasification of cities and an agreements for the certification and quantification of the reserves of the Junín 1 Block, located along the Orinoco Oil Belt.

### **Russia, Europe**



- Project with the Scientific Research Institute of Natural Gas and Gas-Related Technologies, an affiliate of the Russian enterprise, Gazprom, for the development of the South American gas pipeline project.
- Memorandum of Understanding signed with the company, Agrochemical Corporation

(Azot), for the construction of fertilizer plants in Venezuela.

### **Iran, Middle East**



- Memorandum of Understanding for the joint study of the deposits of the Cardón II Block associated with the Rafael Urdaneta Project.
- Memorandum of Understanding on training in the areas of oil and gas.
- Service Contract for Technical Evaluation in Areas along the Orinoco Oil Belt and for the Mariscal Sucre Gas Project.
- Letter of Intent for the evaluation of a joint Iranian-Venezuelan engineering enterprise to work on major PDVSA projects.
- Memorandum of Understanding for the creation of a joint enterprise between PDVSA and Petropars, to develop the hydrocarbons value chain.

### **Syria, Middle East**



- Commitment for a binational refinery in Syrian territory, which will, in principle, process 200 thousand barrels per day (TBD).

### **Mali, Africa**

- Cooperation Agreement in the area of hydrocarbons.

### **Angola, Africa**



- Five-year agreement for the promotion and development of cooperation, within the oil industry.
- Exchange of information on oil policies, judicial structures and regulations governing the industry.

### **Malaysia, Asia**

- The establishment of cooperation-related projects in the oil and natural gas sector.

### **China, Asia**



- Agreement with the China National Petroleum Corporation (CNPC) for the purchase of 13 perforation drills and for the training of 195 Venezuelans in China for support in the manufacture of these drills. Cooperation agreement for the development the Junín 4 Block along the Orinoco Oil Belt and the signing of a memorandum of understanding for the formation of joint enterprises.
- The consignment of hydrocarbons was raised from 150 mil to 300 TBD.
- Agreement with the China National United Oil Corporation (CNUOC) for the supply of 8 million

barrels between September and December 2006.

- Alliance for transporting as much as 500 TBD to Asian markets, which account for revenues of over one billion dollars per year.
- Memorandum of Understanding with the China State Shipbuilding Corporation (CSSC) and the China Shipbuilding Industry Corporation (CSIC) for the building of 18 tankers.
- The SINOPEC enterprise signed the document indicating its acceptance of the conditions established by the Ministry of Energy and Petroleum to acquire the rights and interests by which the development of the Caracoles and Intercampo Norte fields and the development of the Posa fields, east of the Gulf of Paria in eastern Venezuela, will be governed.

### **Vietnam, Asia**



- Cooperation Agreement and Letter of Intent between PDVSA and Petrovietnam to evaluate opportunities for developing oil and gas-related activities.
- This includes opportunities in the areas of exploration and production in fields in both countries, the improvement of crude along the Orinoco Oil Belt in order to feed a refinery in Vietnam, the availability of natural gas as an energy source and the marketing of petroleum in the Asian-Pacific region. ■

**SOWING PETROLEUM » Initial results of the Orinoco Magna Reserve Project**

# Petroleum reserves rise to 87.6 billion barrels



Presidents Hugo Chávez of Venezuela and Luiz Inácio “Lula” da Silva of Brazil, led the ceremony that was held at the Orinoco Oil Belt and at which the Ministry of Energy and Petroleum announced that the oil originally in place at the Carabobo 1 Block had risen from 8 billion barrels to 45.5 billion barrels, a figure that had been certified by the Ryder Scott international company

**V**enezuela's proven oil reserves rose to some 87.6 billion barrels after the Ministry of Energy and Petroleum, together with PDVSA and the Brazilian enterprise Petrobrás, concluded the quantification and certification process at the Carabobo 1 Block, located along the Orinoco Oil Belt.

In a ceremony held at the Carabobo 2 Block and following the inauguration of the second bridge across the Orinoco river, Venezuela president, Hugo Chávez, and Brazilian president, Luiz Inácio “Lula” da Silva, witnessed the reading of the document officially placing the reserves of the Carabobo 1 Block at 45.5 billion barrels of oil originally in place. This figure was also certified by the Ryder Scott international company. At the end of this process, the MENPET incorporated 7.6 billion barrels into the proven reserves.

These results allow for the development of the extra-heavy crudes project between PDVSA and Petrobras, which encompasses a processing complex and the construction of the Abreu e Lima Refinery in Pernambuco, Brazil. The investment for this integrated development project is estimated at 9 billion dollars.

## Global energy power

*“Without any doubt whatsoever, we can now certify the quantity and quality of the oil we possess along the Orinoco Oil Belt,”* emphasized Energy and Petroleum minister and PDVSA president, Rafael Ramírez, who stated that the certification process of its oil reserves has strengthened Venezuela's position as a global energy power.

Ramírez recalled that during the so-called oil-opening process, the thesis was that what existed in the Orinoco



was nothing more than a bituminous belt, which undermined the truly strategic relevance of this deposit.

Ramírez went on to explain, “In the Orinoco Oil Belt, we have 1.3 trillion barrels of Oil Originally in Place and, with an estimated recovery factor of 20 percent, we can recover 260 billion barrels of oil. This will raise our reserves to levels beyond 300 billion barrels,” thereby making us the country with largest hydrocarbons reserves worldwide.

For his part, the president of Petrobras, Sergio Gabrieli, meanwhile that the ceremony represented one of the 14 projects jointly promoted by Brazil and Venezuela, through their respective energy industries. These projects include, most importantly, the construction of the Abreu e

Lima refinery in Pernambuco, Brazil, as well as others, aimed primarily at contributing to the integration process of the South.

The MENPET and PDVSA have set up a schedule whereby, every four months, more proven reserves will be incorporated, as quantification and certification processes are concluded at 9 blocks along the Belt, with enterprises from Russia, China, Belarus, Spain, India, Iran, Argentina, Uruguay, Vietnam and Brazil. By 2009, 235 billion barrels will have been incorporated into the country's proven reserves.

### Iran initiates drilling process in Ayacucho 7 Block along the Belt

The Orinoco Magna Reserva Project was strengthened with the

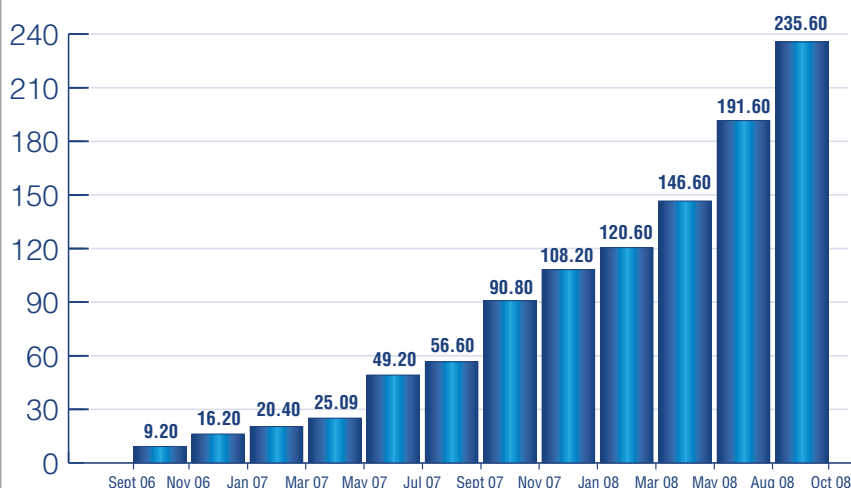
drilling of the MFK-4E Ayacucho 7 Block well along the Oil Belt by the Iranian enterprise, Petropars.

“The Orinoco Oil Belt is becoming a Universal Belt, since it allows for the development of our people, the consolidation of the union between the countries of Latin America and South-South integration, and proof of this is the participation of the Islamic Republic of Iran,” the president of the Bolivarian Republic of Venezuela, Hugo Chávez, emphasized.



Iranian president Mahmoud Ahmadinejad also visited the Oil Belt to begin drilling operations in Ayacucho Block 7.

### Schedule for the addition of reserves (bn bbls)



On the other hand, the Iranian president, Mahmoud Ahmadinejad, stated, “Revolutionary and independent peoples will be capable of administering all their needs and will be able to organize their economies to further the progress of the majorities.”

The initial studies carried out by both States at this block revealed the existence 31.2 billion barrels of Oil originally in Place, of which a minimum of 20 percent – or about 6 billion barrels – is expected to be recovered.

## Orinoco Magna Reserve:

Map of the Orinoco Oil Belt, committed to Venezuela's new multipolar and geopolitical vision



### Building a multipolar world

As part of the Petroleum Sowing Plan project, PDVSA is also carrying out its Orinoco Magna Reserva Project, which is aimed at quantifying and certifying current hydrocarbons reserves. For the development of this project, the Belt has been divided up into 27 blocks.

With the participation of 8 oil enterprises worldwide, the Bolivarian Government is promoting an energy strategy designed to build a multipolar world. ■

THE UNION OF PEOPLES » Ten agreements relate to the area of energy

## 24 Agreements solidify cooperation between Belarus and Venezuela



These instruments of cooperation are the product of work meeting, which were held in Caracas between the sub-commissions of Petroleum, Gas and Petrochemistry; Agriculture, Science and Technology, Military Operations, Industry and Infrastructure

Venezuela and Belarus aim to consolidate their energy relationship.

between Belarus and Venezuela, with a view to consolidating Venezuela's positioning as a global energy power. "One of the major objectives of this comprehensive project for national development is to make Venezuela a global energy power, and we are on our way to achieving this."

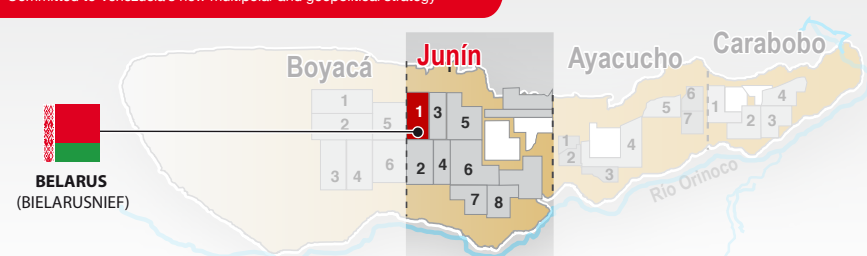
**A** total of 24 cooperation agreements were signed at the closing ceremony of the High Level Meeting between the Republic of Belarus and the Bolivarian Republic of Venezuela. The agreement for the quantification of the reserves of the Junin 1 Block along the of the Orinoco Oil Belt stands out among the ten of these agreement that are geared toward the area of energy.

At the closing ceremony of the Meeting, President Hugo Chávez

called for the highest level of expeditiousness for the materialization of the projects to be undertaken

### Orinoco Oil Belt

Committed to Venezuela's new multipolar and geopolitical strategy





The instruments, which were signed, allow both countries to strengthen the social, economic, cultural and industrial ties between them, through their respective ministries and state-owned enterprises. In this regard, the agreements, Letters of Intent and Memoranda of Understanding will make it possible to continue with the negotiations aimed at evaluating the installation of a factory for making tractors and agricultural implements in Venezuela and the purchase of heavy machinery for civil works and mining-related activities.

One of the most important agreements concerns the search for new areas of mutual cooperation, through the High Level Commission headed by Energy and Petroleum minister and PDVSA president, Rafael Ramírez. In less than two months – and since Venezuelan authorities paid an official visit to Belarus last July 24th – the work team that has been formed has succeeded in formalizing joint agreements in the area of cooperation and in moving ahead with the execution and conclusion of these agreements.

With respect to energy and hydrocarbons, Belarus and Venezuela have also made significant progress, particularly in promoting the gasification of several townships in Venezuela and in expanding the marketing of liquefied petroleum gas (LPG). In addition, further agreements were signed, allowing for the exploration and quantification of the reserves of the Junin 1 Block, located along the Orinoco Oil Belt, and for the assembly of vibrating trucks for seismic activities throughout the country.

In the area of petrochemistry, an agreement was signed for the purchase of potassium chloride by Venezuela. Under this agreement, 25 thousand tons of this product will be bought from Belarus during 2006, and another 300 thousand tons later in 2007.

As for Science and Technology, a work schedule was set up in order to specify cooperation-related projects in the

## Vital push for the areas of petrochemistry and gas

**1.-** Protocol of Intent for the gasification of cities, expansion of the Liquefied Petroleum Gas (LPG) business and natural gas for vehicles.

**2.-** Agreement for the quantification and certification of the reserves of the Junin 1 Block along the Orinoco Oil Belt, through the establishment of a joint enterprise between PDVSA and Bielarusnief.

**3.-** Cooperation agreement for the joint development of the Junin 1 Block along the Orinoco Oil Belt.

**4.-** Memorandum of understanding for setting



up a joint enterprise to develop analytical studies the collection and processing of seismic data.

**5.-** Memorandum of understanding for the purchase, assembly and building of vibrating trucks for seismic activity.

**6.-** Agreement for the long-term supply, to Venezuela, of potassium chloride needed for the industry.

**7.-** Letter of Intent for the development of phosphatic resources in Venezuela.

**8.-** Agreement for the short-term supply, to Venezuela, of potassium chloride.

**9.-** Memorandum of understanding between Pequiven and BELAZ.

**10.-** Memorandum of understanding between Pequiven and "Maz" Rue.

areas of technology and innovation. At present, 21 joint programs are currently being assessed.

Other agreements were also signed with a view to exchanging experiences in the areas of nutrition, sciences, military operations, culture and social affairs. The holding of the High Level Meeting marks the

crystallization of the framework agreement for cooperation in the areas of energy and petrochemistry, signed last July 24th, by energy and petroleum minister and PDVSA president, Rafael Ramírez, and by his Belarussian counterpart, Alexander Ozenets, on the occasion of President Hugo Chávez's visit to Belarus. ■



Economic and political agreements among both nations.

**GAS » 600 MMPCD of gas to enter in 2008**

## CIGMA, a historic step for the Venezuelan energy industry



The laying of the cornerstone for the Gran Mariscal de Ayacucho Industrial Complex (CIGMA) provides the entrance door for all the gas produced by the field north of Paria and the Continental Shelf

*America," the president explained, while emphasizing, "The Project will go hand in hand with the comprehensive development of the eastern region and will be used to spearhead the development of such areas as Güiria and Macuro, which will then become newly prosperous and booming cities, without poverty belts."*

The Gran Mariscal de Ayacucho Industrial Complex will house liquefaction, industrialization and petrochemical plants and will facilitate the processing of crudes from the Orinoco Oil Belt. It involves a total investment of 13 billion dollars, of which 2.3 billion dollars will be earmarked for social projects in Sucre state, President Chávez emphasized.

**T**he laying of the foundation stone for the Gran Mariscal Ayacucho (CIGMA) Industrial Complex in the Valdez Municipality, Sucre state, by Hugo Chávez, president of the Bolivarian Republic of Venezuela, represents a historic step for the

Venezuelan energy industry, as this complex will serve as the front door for all the gas coming from northern Paria and from the Deltana Platform.

*"CIGMA will be the most important gas industrial complex in Latin*

*Energy and petroleum minister and PDVSA president, Rafael Ramírez, underlined that the benefits for the area will be extraordinary because, "we shall not be repeating the same model that befell Venezuela in the 20th century. We are going to work on*





President Hugo Chávez lays the cornerstone for the CIGMA project.

*the development of our hydrocarbons with a Bolivarian and revolutionary outlook and in perfect balance with our needs, in order to diversify this region and our productive model, as well. This is our commitment. The new PDVSA is an instrument catering to the highest interests of the Venezuelan State and of its people."*

### Consolidating the gas market



The CIGMA forms part of the Delta Caribe Project for gas development, which Minister Ramirez defined as "the realization of the Petroleum Sowing Plan project, which the Bolivarian government has proposed as an integral alternative for the exploitation of our hydrocarbon resources."

The free gas development plans will be geared toward meeting the growing demand on domestic and international markets. The main objective of CIGMA is to build the viability of the projects,

through this regional institution, by guaranteeing benefits of social value for the regions in which it carries out its activities, and by implementing strategies that will lead to increased taxes for the national treasury.

CIGMA, which is being projected as the new industrial development pole of Venezuela, will cover an area of 6,300 hectares on land and approximately 11,000 hectares of inland sea. This major project will also function as an assembling and conditioning center for the production of natural gas in the

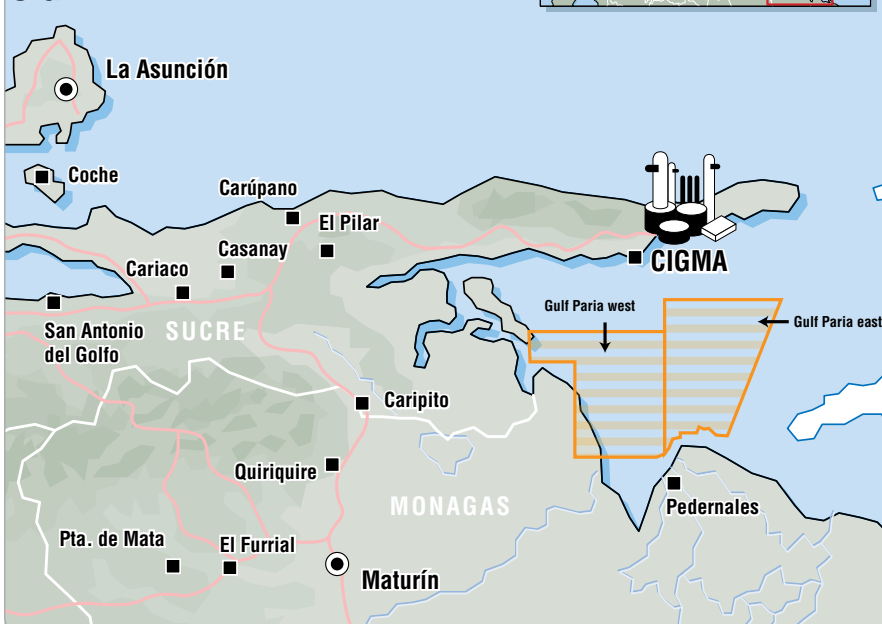
northeastern region of the country, from where the resource will be transferred to the 12,515-kilometer-long Great Gas Pipeline of the South, bound for Brazil, Argentina, Uruguay and Paraguay, and also to the Transoceanic Gas Pipeline, for our brothers in Central America and the Caribbean.

### Platform for development

The complex also envisages engineering projects, such as production platforms at sea, which will be built in Venezuelan territory, a gas pipeline, which will transport gas as far as approximately 150 kilometers offshore and a liquids extraction plant, with a total investment of 4.5 billion dollars.

For social development, the CIGMA Project provides for a contribution of 2.3 billion dollars to Sucre state. At present, the social projects being carried out within the areas of influence of the Sucre Social District, particularly in the towns of Carúpano, Cumaná and Güiría, are geared toward strengthening and consolidating such productive sectors as fisheries, livestock and agriculture. Support is also being given for the social programs being developed by the Bolivarian Government, in the area. ■

### Gulf Paria west/east CIGMA



REFLEXIONS » 3rd International OPEC Seminar in Vienna

# Minister Ramírez calls on nations to defend oil sovereignty



**D**uring his speech at the 3rd International Seminar of the Organization of Petroleum Exporting Countries (OPEC), held last September in Vienna Austria, Energy and Petroleum minister and PDVSA president, Rafael Ramírez, called on nations to defend their oil sovereignty. He also went on to remind private international companies to refrain from promoting policies *"conceived by certain consumer countries longing for a return to their colonial or imperial past."*

In this respect, he recalled that the coup-d'état in 2002 and the sabotage to which the oil industry was submitted between 2002 and 2003, represent a learning experience on the basis of which the Bolivarian Government of Venezuela has made great efforts to recover its oil industry. He went on to summarize all this as, *"a difficult process which, led by Venezuelan president, Hugo Chávez, has necessitated the mobilization of the entire nation to defend our main*

*resource, in a tough confrontation with transnational interests and their local political agents,"* he emphasized.

The Venezuelan oil company, PDVSA, was snatched under the oil opening strategy, with the ideal of converting it into a global energy corporation *"for the sole benefit of the developed countries,"* Ramírez recalled.

Yet, *"The Venezuelan state recovered its 'agency' in 2003. The New PDVSA is proud to be serving the nation in the capacity of an unquestionably national oil company. It does so, not only to generate income and royalties but also to implement the social and economic policies laid down by the national government and related the distribution of this income, a process known as the sowing of petroleum,"* Ramírez specified.

Dismantling the globalization policy and revising the investment made abroad, in other words, *"ridding ourselves of all our*

**“** The New PDVSA is proud to be serving the Nation in the capacity of an unquestionably national oil company. It does so, not only to generate income and royalties but also to implement social and economic policies. **”**

**Rafael Ramírez**  
Energy and Petroleum minister  
and PDVSA president  
12/09/06

*unnecessary possessions"* are some of the main pillars of the of Full Oil Sovereignty process.

The strengthening of the Ministry of Energy and Petroleum, as the regulatory body in this area, and the successful migration of 32 operational agreements to 21 Joint Enterprises have been significant advances made by the Bolivarian Government, Ramírez underlined.

At this point, all that is left to be done is *"to take a few more steps"* to build a solid, new oil system and to dismantle the oil opening process altogether, Minister Ramírez went on to declare. ■



**BUSINESS » Through the Petroleum Sowing Plan project**

# PDVSA ratifies its role as an integrator at the Río Oil & Gas 2006 Exhibition

**P**etróleos de Venezuela (PDVSA) stood out at the Río Oil & Gas 2006 Exhibition and Conference, a highly important international event which was held last September in Río de Janeiro, Brazil.

During the three days of exhibition, the participants demonstrated their great interest in knowing the details of each project, particularly those relating to the Orinoco Oil Belt, which covers an area of 55,000 km<sup>2</sup> and possesses 1.3 billion barrels in place crude. Twenty percent of this amount – i.e 235 billion barrels of crude – is expect to be certified and then placed on the global market through the market diversification strategy and as part of the 2006-2012 Petroleum Sowing Plan project.

## Opportunity for the New PDVSA



Around 30 thousand people, 800 exhibitors and 3 thousand delegates attended the international event.

The event was attended by Petróleos de Venezuela (PDVSA) and by 19 other countries worldwide. It provided an opportunity for a large group of technicians and professionals of the New PDVSA, who went to the Río Oil & Gas 2006 Exhibition to acquire, exchange and strengthen their knowledge of, and expertise in the areas of exploration, production, refinery, safety, hygiene and environment.



The Magna Reserve, Plataforma Deltana, Delta Caribe and Gran Mariscal de Ayacucho (CIGMA), aimed at enabling both the endogenous development of Venezuela and energy integration in South America, were presented to over 300 people



More than 800 companies took part in the oil exhibition.

The representatives of the Instituto Brasileiro de Petróleo y Gas (the Brazilian Institute for Petroleum and

Gas), the organization charged with coordinating the exhibition, views Venezuela as a key player in the Latin American energy integration process.

*"PDVSA's participation in the exhibition has boosted the relevance of the event. The conferences it has held highlight the amazing projects the Corporation has underway, particularly in the area of gas," Emani Figueiras, the IBP's manager for Supply and Petrochemistry, declared.* ■

## Petronotes

### Oil income tax stand at 50 percent



The National Assembly has approved a partial reform to the Income Tax Law applied in the oil industry.

Under this law, taxpayers, including strategic associations operating in the Orinoco Oil Belt, are subject to a rate of 50 percent.

With this approval, the national treasury will, in 2007, receive some 800 million dollars or 1.72 trillion bolivars more, the vice-minister of Hydrocarbons and external director of PDVSA, Bernard Mommer, stated.

### E&P workers will pursue postgraduate studies in France, the United States and Spain



A total of 31 workers from PDVSA Intevep, Exploration and Production (E&P) and the Sincor project will begin to pursue

advanced studies at the Advanced Institute of Energy (ISE) in Spain, at the University of Texas in the United States, and the French Petroleum Institute (IFP) in France, in order to strengthen their academic training and to enhance the professional profile of the Corporation.

The young professionals will begin taking advanced studies in such areas as the Geosciences of Oil, Deposits Engineering and Geological Sciences, all of which are strategic and crucial to the business.

### Conversion of alternate system for vehicular fuel moves ahead



In order to ensure that Venezuelans will have an economically attractive and less contaminating alternate fuel system, PDVSA has reactivated its Vehicular

Natural Gas Program (GNV) as a substitute for gasoline or Diesel.

Plans are underway to reactivate 148 gasoline service stations located around the country, and to include 350 new points, capable of providing vehicles with natural gas.

### PDVSA delivers letter of buena pro for contracting 27 drills



With an investment of 4.3 trillion bolivars, PDVSA handed over letters of buena pro to 13 enterprises for the contracting, over a

five-year period, of 27 petroleum drills, which will be located in the Occidente and Oriente divisions of Venezuela.

This contracting brings the number of operational drills to 140, while these agreements will lead to increased levels in production and to the creation of 10,800 direct jobs and 27,000 indirect one. ■

## PDVSA 2006 in figures\*

### Proven reserves

Crude 87.6 bn bbls

Gas 150.4 tr cu ft

### Venezuela's production capacity

Crude 3.7 m bpd

Gas 6,900 m cu ft/d

GNL 250 th bpd

### Refining capacity

Venezuela 1.3 m bpd

International 2.0 m bpd

Total 3.3 m bpd

### World revenue

85.3 \$US bn

#### Glossary:

cu ft/d: cubic feet per day  
th bpd: thousands of barrels per day  
m bpd: millions of barrels per day  
bn bpd: billion of barrels per day  
m cu ft/d: millions of cubic feet per day  
tr cu ft: trillions of cubic feet  
\$US bn: billions of United States dollars

\*Preliminary figures

## Quote of the Month

“With Petrocaribe, the Bolivarian Government of Venezuela has granted a long-term, 40-percent credit on oil invoices. This gesture reveals an intelligent and strategic outlook for preserving the interests of its own country, while demonstrating solidarity and promoting cooperation, to assist brotherly and friendly nations which would otherwise fall into the abyss. Petrocaribe is a magnificent example for all nations. It is a program that facilitates the drawing up of innovative and creative projects that are mutually beneficial to the countries involved, projects that do not jeopardize the economic interests of any country.”

**Leonel Fernández**  
President of the Dominican Republic.  
September 16, 2006



Average  
operational  
indicators  
(first semester 2006)



CRUDE

3.3 m bpd



GAS

6.9 bn cu ft



REFINING

1.2 bn bpd  
(Vzla/Isla circuit)



EXPORTS

2.7 m bpd  
(Crude and products)



VENEZUELAN  
EXPORT BASKET

50.50 \$ / bbl



**ACKNOWLEDGEMENT » For fulfilling its promises of ongoing improvement**

# PDVSA is the enterprise most widely admired by Venezuelans

**A** survey conducted among over 600 Venezuelan executives by the executive magazine Gerente has revealed that, in the oil sector, Petróleos de Venezuela (PDVSA) is the enterprise most widely admired by Venezuelans.

The study found that those companies which do exactly what they promise to do gain admiration. This was one of the fundamental premises that stood out in the opinions and, without any doubt, it is a quality that has prevailed in PDVSA.

It should be pointed out that, after recovering from the onslaught it suffered as a result of the 2002 oil sabotage, PDVSA has succeeded in strengthening the country's sovereign use of its resources, and in promoting the development of the sole owner of these resources: the Venezuelan people.

**PDVSA stands out for the following reasons:**

- The systematic quality of its products and/or services.
- Being highly competitive in the markets in which it operates.
- Operating with a clear focus on ongoing innovation.
- Possessing creative, innovative and effective marketing strategies.
- Being a sustainable and stable business over time.
- Being a socially responsible enterprise.
- Possessing an excellent management at both personal and professional levels.
- It's ability and technological strength.
- It's crisis-management skill.
- It's leadership position in the business sector, which has been recognized by its competitors and other companies. ■

**BUSINESS » Fulfilling the aims of the Petroleum Sowing Plan**

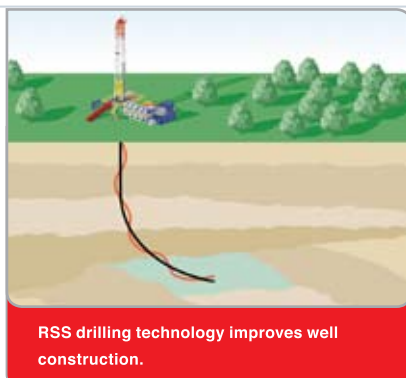
# Advanced drilling technology boosts oil production in Zulia

**T**hrough the Maracaibo District in Zulia state, located in eastern Venezuela, Petróleos de Venezuela has implemented the Rotary Steerable System (RSS) technology, an advanced system allowing for the ongoing rotation of the drilling column, while the direction of the bit is being controlled. This helps ensure the construction of a perfect well.

Directional rotating systems are opening up new horizons in the planning of wells, the management of deposits and even in the development of oil fields.

**Occidente as a pioneer**

In Venezuela, well UD 756 at the Urdaneta Oeste Field, northeast of Lake Maracaibo, was the first well in the country to have been submitted



to the drilling of 2000 feet of lateral section, with the use of the RSS.

Currently, this well is at the completion phase, thanks to the use of a drilling tool, which ensured a perfectly smooth hole in gauge.

The Directional Rotating System makes it possible to optimize the drilling of wells and to shorten the process, as well, and operations that used to take

40 days, have taken just about 15 days with RSS technology, thus resulting in significant saving for the enterprise.

**Success in group team work**

It should be stressed that the drilling of well UD 756 with the use of this innovative mechanism was the result of very hard team work arising from the coordination of teams of specialists in such areas as geology, deposits and the drilling of the Urdaneta Lago Exploitation Unit.

The use of this technology is expected to boost production from 800 Net Barrels Per Day (NBPD) to 1200 NBPD, thereby making it possible to attain the goals set by the Petroleum Sowing Plan, which hopes to achieve production levels of over 5 million 847 thousand barrels per day by the year 2012. ■

**SOCIAL DEVELOPMENT » Bolivarian Government strengthens strategy to enhance life quality**

# Petroleum Sowing Plan promotes workshops on community Integration

In keeping with the guidelines laid down by the Bolivarian Government of Venezuela through its Ministry of Energy and Petroleum (MENPET), the new PDVSA is carrying out the initial phase of the 2006-2012 Petroleum Sowing Plan project, according to which a significant part of oil revenues is earmarked for the social development of the country.

Since the month of October, the Ministry of Energy and Petroleum, its assigned bodies and Plan Bolívar 2000 have been forming strategic ties to promote the Workshops for Community Integration. This initiative has made it possible for 36 thousand Venezuelan children living in the shantytowns around Caracas to directly receive substantial enhancements to the infrastructure of their educational centers. Desks, computers, scanners, photocopiers, printers, water filters, televisions, musical instruments, paint containers, geopolitical maps of Venezuela, globes, tricolor flags and teaching material on the national oil industry have been some of the input that the new PDVSA has granted to over 68 elementary schools in four municipalities around the city of Caracas, in addition keeping a record of the institutions' various infrastructural needs.

At the same time, the Megaworkshops for Community Integration have been held in various hospital centers located in working class areas, in which over 500 million bolivars have been invested to upgrade the



The Bolivarian Government seeks to dignify the citizens' quality of life by leveraging the social missions to distribute the oil wealth among its real owners: the Venezuelan people.

PARISHES	SCHOOLS	STUDENTS	AND/OR MUNICIPALITIES BENEFITED
Petare	33	19,705	Desks, photocopying and printing equipment, computers, scanners, paint containers, geopolitical maps of Venezuela, globes, tricolor flags, musical instruments, water filters, teaching material on the national oil industry, and television, among others.
Antimano	21	10,276	
Catia	10	3,818	
Coche	4	Over 3,000	
<b>TOTAL:</b>	<b>68</b>	<b>36,799</b>	

pediatric emergency units of these institutions. These institutions also boast state-of-the-art technology units and didactic equipment for the enjoyment of the children.

To date, more than 40 thousand Venezuelans, excluded for many years from the country's traditional health systems, have received out-patient care in such specialties as obstetrics, ophthalmology, general medicine, vaccination, otorhinolaryngology and traumatology. The relevant reports are done for these patients and their cases monitored. The centers are also provided with legal specialists, who have granted counseling on the preparation of supplementary titles,

certificates indicating that one is unmarried, registration, and medical certificates, with the aim of keeping the citizens updated on the legal issues surrounding the exercise of their rights and obligations.

The aim of these workshops, that are being held within the framework of the country's Full Oil Sovereignty policy, is to return to the Venezuelan people what is theirs by right, by earmarking a significant part of oil revenues for the country's social development, and by including the both MENPET and PDVSA workers who have been supportive and have demonstrated their commitment to the building of the road to socialism in the 21st century. ■

**Contact with the New PDVSA** is a Petróleos de Venezuela, S. A. publication produced by **Public Affairs Corporate Management Unit**.

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**Graphic Design:** FIDES Imagen, C.A. **Photography:** PDVSA archive and Presidential press. **Legal Deposit:** If13820053502083. **Free distribution.**

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**Bolivarian Government  
of Venezuela**

Ministry  
of  
Energy and Petroleum

