

# Contact with the New PDVSA

A Newsletter about Venezuela's National Oil Industry

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## Gasoducto Transcaribeño Tramo "Antonio Ricaurte"

# Transcaribbean Gas Pipeline takes off

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**Petrocaribe** gains strength



Venezuela and Bolivia create **Petroandina**



New era in relations with **Panama**



Energy integration under **Mercosur**



New investors captivated at **OTC**



**Cutting-edge technology** increases eastern production



**PDVSA** is Latin America's second largest company

THE PLAN FOR SOWING THE OIL » With PDVSA contributions

## Mass transport systems in Venezuela proceed full-speed ahead



**F**or a large city like Caracas, the inauguration of a new line in its subway system is a solution that reflects a better quality of life for its inhabitants, who live stressful lives and for whom time is a vital resource in dealing with their daily duties.

The Bolivarian government, through the New PDVSA, brings to fruition projects that benefit Venezuelans. The Caracas subway system (Metro) at present has four lines that daily, and in a few minutes, transport hundreds of thousands of passengers to their various destinations in the city. The recent inauguration of Line 4 is a palpable example of the investments carried out to improve quality of life for Venezuelans, made possible by the sale of oil, a

The startup of major infrastructure projects is a palpable example of the investments carried out to improve quality of life for Venezuelans, made possible by the sale of oil

revenue that former governments seldom invested in social development.

### Investment by New PDVSA



Line 4 of the Metro required an investment of \$860 million, funds supplied by the National

Development Fund (Fonden), which received a contribution of \$290 million from Petróleos de Venezuela (PDVSA).

This is a case of harvesting what the revolution sowed: the Sowing the Oil Plan. "I would like to invite all of you to keep on sowing", urged Hugo Chávez, President of the Bolivarian Republic of Venezuela at the inauguration

ceremony of the new branch which, together with the three existing lines, now has more than 39 stations.

*"Formerly, PDVSA had to hand over all of its dollar earnings to the Central Bank of Venezuela, which handled it through procedures that benefitted the rich", Chávez said.*

Fonden today has \$15,560 million earmarked for investment in 88 projects with a major social impact in the areas of infrastructure and housing, among others. PDVSA weekly adds \$120 million to the Fund; which is to say, increases it by \$480 million per month.

### More than 360,000 passengers will use the new line



The Line 4 sector inaugurated is 5.8 kilometers long, and has four stations: Teatros, Nuevo Circo, Parque Central

and Zumano Rental. It will provide transport for the more than 360,000 inhabitants who move around the parishes in the west of the city.

The passengers will be able to do the complete trip in 8 minutes, being transported comfortably in a French built infrastructure using cutting-edge technology. The Line 4 facilities have been designed for use by the physically impaired, who can make use of ramps and elevators especially designed for them.

### Sowing the Oil

The income generated by the sale of oil will continue to be invested in the Nation's development. A second stretch for Line 3 is to be inaugurated at the end of the year. With a 5 kilometer length, the extension links El Valle in Caracas with Los Teques, in the State of Miranda. The \$850 million investment

## Major transport systems



**Los Teques Metro (State of Miranda).** It will link Caracas with the State capital. It will benefit the 500,000 inhabitants of the Altos Mirandinos. Inauguration of the first stage of Line 1 is planned for the last quarter of 2006.



**Valencia Metro (State of Carabobo).** Work on the first stage of the Valencia Metro's Line 1 advances speedily; by last June 96% of the civil works had been completed. The inauguration of this stage is expected to take place in the last quarter of 2006. Directors of Spain's Madrid Metro visited the Valencia Metro's facilities

and endorsed the technology being employed, stating their intention to cooperate in this project which will benefit the inhabitants of one of the most important industrial cities in the center of the country.



**Maracaibo Metro (State of Zulia).** It will have a total of 4 lines, with 61 kilometers of track and some 75 stations. The inauguration of the first line is expected to take place at the end of 2006. The Maracaibo Metro is a project of great importance for the west of the country and, above all for Zulia, an eminently oil-producing State.

**Caracas-Tuy Medio Railway, Stages 1 & 2.** The Caracas-Cúa link, which represents the first stage of the Central Region Railway System, connects Caracas with the Tuy Valleys (State of Miranda). This stage's point of origin is

located at La Rinconada, in southwest Caracas.



**Central Region Railway System, Puerto Cabello -La Encrucijada section.** It will establish a rail corridor in the center of the country. The project will benefit some 3.5 million inhabitants



**Line 1 Trolleybus (State of Mérida).** A surface public transport system that operates on electricity. The monthly volume of users estimated for this system is 3.5 million people, thereby having a positive impact on one of the States with the greatest tourist attractions in the country. ■

required will go a long way to reduce the pressure on roads used daily by people who work in Caracas and have their homes outside the city.

### Without exclusions

*"This is an infrastructure built for society as a whole, and not for a given sector of it. This is social infrastructure, infrastructure for the common good", the President said.*

In this sense he referred to the status of the subways at Valencia, State of Carabobo, and Maracaibo, State of Zulia, which have progressed 96% and 67%, respectively.

On this point, President Chávez pointed out that *"it is not only the case of Caracas; it is a question of articulating the whole country, bringing it together and offering our people progress and an orderly development in their cities".* ■

CARIBBEAN INTEGRATION » Consolidating energy security

# Petrocaribe strengthened



Venezuelan Energy and Petroleum minister, Rafael Ramirez, and Phillip Paulwell, his Jamaican opposite number, signed agreements that strengthen Petrocaribe

One year after the signing of the Petrocaribe agreement by Venezuela, Antigua and Barbuda, Belize, Cuba, Dominica, Grenada, Guyana, Jamaica, Dominican Republic, St. Kitts and Nevi, and St. Vincent and The Grenadines, the accord has made significant progress.

Petróleos de Venezuela, through its PDV Caribe subsidiary, has advanced in the constitution of mixed companies, in the signing of supply contracts,

and in bringing about infrastructure projects, such as the construction of refineries, storage tanks and the marine facilities required.

### Energy sovereignty in the Caribbean

These achievements initiate a phase of change in these countries, where the supplies of energy have been dominated by the transnational oil companies and private intermediaries.

Petrocaribe ensures that profits from these activities directly benefit the people. Towards this end, the ALBA Caribe Fund was created with a \$50 million initial deposit made by Venezuela, and to which each country will contribute the savings generated by the financing of their oil invoices.

This makes Petrocaribe one of the geopolitical initiatives with highest impact ever proposed in the Caribbean, *"which is a vital region from the geopolitical point of view, an area that Venezuela never took into consideration, and that for more than 70 years was in the hands of the transnational companies"*, as stated by Energy and Petroleum minister and PDVSA president Rafael Ramirez.

### Petrocaribe reaches Central America and Haiti

Despite the fact that they are not members of Petrocaribe, local

## Progress in the Caribbean

### ANTIGUA & BARBUDA

- The Antigua and Barbuda state-owned company PDV CARIBE Antigua & Barbuda Ltd., was founded.

### BELIZE

- 15,000 barrels of gas oil were shipped at the end of 2005.
- With a \$2 million capital, on 08-06-2006 the mixed company Alba Petrocaribe Belize Energy Limited was founded, with PDV Caribe holding 55% of the shares and Belize

Petroleum and Energy Limited 45%.

- The recent discovery of oil in Belize gave rise to the idea of building a small-scale refinery (10,000 bpd).

### CUBA

- The mixed company PDV-CUPET was set up on 10-04-2006, with PDVSA Cuba holding 51% of the shares and CUPET 49%.
- TransAlba, a shipping company, was created. TransAlba has two tankers among its

assets; one with a capacity of 700 cubic meters of LPG and 20,000 barrels of clean products capacity, and the other one for 40,000 barrels of crude.

- Reactivation of the Cienfuegos refinery. Basic engineering being developed since May 2006.

### DOMINICA

- On 02-11-2005 PDV Caribe shipped a tank for Diesel oil storage.
- First shipment of 1,200 barrels of asphalt

received on 07-06-2006.

- The mixed company PDV Caribe Dominica Ltd. was founded on 26-06-2006. PDVSA Caribe holds 55% of the shares and Dominica Petroleum Company Ltd 45%.
- The construction of a refinery is foreseen. The land would be contributed by the government of Dominica as an asset of the mixed company. The topographical studies have been completed, and earth movement for the tank farm and

distribution facility has begun.

### GRENADE

- Supply contract signed on 16-06-2006.
- Addendum to the supply contract on LPG, Avgas, Jet A1 and fuel oil signed.
- PetroCaribe Grenada Ltd. founded.

### GUYANA

- State-owned Guyana Energy Agency (GEA) designated.

governments of El Salvador and Nicaragua created the mixed companies ALBA Petróleos of El Salvador and ALBA Petróleos of Nicaragua (Albanic), respectively, to benefit from financing terms that stipulate payment of 60% of the invoice in 90 days, at 2% interest, and the remaining 40% in 23 years, with 2 years' grace and 1% interest

Haiti, for its part, signed a bilateral agreement with Venezuela and receives 7,000 barrels per day (bpd) of crude, and its future adhesion to the multilateral agreement is expected soon.

Venezuela in turn will receive goods and services as part payment, while its presence will strengthen

the region geopolitically, extend the reach of the integration principles and diversify its customer portfolio by marketing its products in the Caribbean region, which has a consumption of more than 400,000 bpd. ■

Energy security will result in a better quality of life for the people.



**MARKET DIVERSIFICATION**



**JAMAICA**

- Petrojam, the State-owned energy company, has been authorized to purchase hydrocarbons within the Petrocaribe framework.
- Basic engineering to expand the Kingston refinery, from 35,000 bpd to 50,000 bpd, began in March 2006. Operational startup is scheduled for the second half of 2009.
- The mixed company PetroCaribe Jamaica Limited was founded in August 2006, with

Petroleum Corporation of Jamaica (PCJ) holding 51% of the shares and PDV Caribe 49%.

- Supply contracts for crude and byproducts (2006-2007) signed by PDVSA and PCJ.

**ST. KITTS AND NEVIS**

- Framework supply contract signed on 21-10-2006
- The mixed company PDV Saint Kitts and Nevis Ltd was constituted on 26-06-

2006, with PDV Caribe holding 55% of the shares and Nevis Energy Company 45%.

**ST. VINCENT AND THE GRENADINES**

- Framework supply contract signed on 21-10-2006.
- 47,800 LPG gas bottles were delivered.
- State-owned St. Vincent Electricity Services Limited (Vinlec) designated PetroCaribe

representative.

- The government of St. Vincent and The Grenadines contributed the site for the future hydrocarbons reception, storage and distribution facility, thereby boosting the creation of the mixed company.

**ST. LUCIA**

- Visit of PDV Caribe

authorities to define agreement adhesion strategies being planned.

**SURINAM**

- State oil company Suriname Staatsolie was designated PetroCaribe representative. ■

UNION » Strengthening South-South relations

# Venezuela and Bolivia celebrate the creation of Petroandina



Petroandina's first project will be the renovation and flagging of 15 service stations for the sale of gasoline, Diesel oil and gas in eight cities of Bolivia's nine departments

The visit of the President of the Bolivarian Republic of Venezuela, Hugo Chávez, to Bolivia last 26 May helped materialize Petroandina, an initiative based on the principles of the solidarity and complementarity of peoples to achieve harmonious and balanced energy development for the nations of the region.

Venezuelan Energy and Petroleum minister and president of PDVSA, Rafael Ramírez, and the president of Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), Jorge Alvarado, signed the creation of the Petroandina Commerce and Supply Mixed Corporation, a company that will have the Bolivian state as majority shareholder, with a 51% share.

### Invitation to Ecuador and Peru

The Venezuelan president called for Ecuador and Peru to join Petroandina, an initiative which seeks to fight neoliberalism and the North American empire.

*"What Venezuela wants is to cooperate in the independence of our peoples. This is an historic commitment", the Venezuelan Head of State said.*

### Technology at the peoples' service

#### PDVSA Intevep to train Bolivian technicians

The Bolivian petrochemical sector gathers strength with the Venezuelan government's support. In this sense a Memorandum of Understanding for the creation of Fertisur, a nitrogen-based fertilizer manufacturing complex, was initialled.

Additionally, it was established that 200 Bolivian technicians would receive training on the development of hydrocarbon technologies at INTEVEP, PDVSA's research and technology arm. Similarly, 200 students from the Bolivian highlands would be trained at Pequiven's Polymers School. ■

### Benefit for Bolivia's departments



Petroandina's first project will be the renovation and flagging of 15 service stations for the sale of gasoline,

Diesel oil and gas in eight cities of Bolivia's nine departments.

President Chávez explained that, with the proceedings from the sale of these fuels, Venezuela would open a fund with \$100 million, for Bolivia's small and medium- sized producers.

Similarly, president Chávez and Evo Morales, his Bolivian opposite number, signed four agreements on energy integration. These will originate development projects in hydrocarbons exploration, production and refining on Bolivian soil.

### On the road to gas industrialization

Among the documents signed were Letters of Intent for the installation of two plants for extracting liquids from natural gas, thereby obtaining additional components, such as Liquefied Petroleum Gas (LPG). ■

COOPERATION WITH CENTRAL AMERICA » ALBA is growing

# Mixed companies with El Salvador and Nicaragua directly benefit the people

**T**he Bolivarian Alternative for America (ALBA, in Spanish) is strengthened with the putting into practice of the agreements signed with various countries in the continent. Venezuela recently extended its energy cooperation to El Salvador and Nicaragua, both Central American countries

Petróleos de Venezuela, through its PDV Caribe subsidiary, signed together with the local authorities of both El Salvador and Nicaragua, the constitution of mixed companies that will enable the energy development of these countries and the diversification of markets for the Corporation.

## In honor of Salvadorian Schafik Handal

The President of the Bolivarian Republic of Venezuela, Hugo Chávez, said that the agreements arose from an initiative by Schafik Handal, the recently deceased leader of the Farabundo Martí Front for National Liberation (FMLN).

PDV Caribe and Energía para El Salvador (Enepasa), the inter-municipal association of FMLN mayoralties, formed the mixed company ALBA Petróleos de El Salvador, which will market, store and distribute 100,000 barrels per month of hydrocarbon byproducts.

## PDVSA reaches all municipalities in Nicaragua

The agreement with the Municipalities Association of Nicaragua (Amunic), which brings together 153 municipalities from all over the country, gave birth to ALBA Petróleos de Nicaragua (Albanic), will power that Central American country's energy and social development.



**“This is the first event in which an agreement is signed between the Venezuelan State and the local authorities, because of the impossibility of establishing accords with the national government”**

**Hugo Chávez**  
President of the Bolivarian Republic of Venezuela  
20 March 2006

PDVSA Refining vice-president and president of PDV Caribe, Alejandro Granado, signed the agreements with the municipalities.

*commercial considerations, because it has to do with cooperation and complementarity among peoples”.*

Both Alba Petróleos de El Salvador and Albanic are part of Petrocaribe, an initiative agreed to on 29 June 2005, and which envisages financial conditions in terms favorable to the members that purchase fuel, crude and other products from PDVSA.

## Benefits for local governments

Both companies will pay 60% of the oil invoice in 90 days, at 2% interest, with the remainder payable over 23 years, with 2 years' grace and 1% interest. The benefits obtained from these conditions will be transferred to the health, education, security and housing sectors.

The presence of Venezuela in Central America and the Caribbean countries was formerly almost nonexistent, because of the intermediaries in the oil trade. These added between \$5 and \$10 per barrel to the oil invoice, with the consequent negative impact on the economies of the Central American countries. ■

The secretary general of the Sandinista Front for National Liberation (FSLN), Daniel Ortega, together with Dionisio Marengo, Amunic's president and mayor of Managua, highlighted the agreement with PDVSA which will help, among other things, to invest in projects to improve the supply of potable water to municipalities in which 40% of the population lacks this resource.

## An initiative beyond the commercial

PDVSA Refining vice-president and PDVSA Caribe president, Alejandro Granado, explained: *“this is an initiative which goes beyond*

BRINGING PEOPLES TOGETHER » In the context of the 180 years of the Confederative Congress' celebration

## A new era of energy relations with Panama



Some 14,000 ships from all over the world (equivalent to 5% of world trade) annually cross the Panama Canal every year.

The visit of Venezuelan president, Hugo Chávez, to Panama City on the occasion of the commemoration of 180 years of the Confederative Congress, left the door open to seek economically profitable results for both countries, but above all, to go forward in the project of bringing people together in a union that transcends the energy issue.

*"It is a case of again taking up Bolívar's dream: the Protocols of the Isthmus; an integration that begins with the*

The location of this Central American country, and its important engineering resource: the Canal, make this nation a strategic point in commercial traffic. For Venezuela this alliance will allow for a greater presence in the region and open the possibility of extending energy marketing to Asia

*conscience, with the very soul, of these peoples",* president Chávez said.

Of the six agreements signed by both countries, four are related to the hydrocarbons sector. The first of these is

an executive cooperation agreement on energy. The second is a Memorandum of Understanding between the Bolivarian Republic of Venezuela's Ministry of Energy and Petroleum and the Ministry of Commerce and Industries of the



Republic of Panama pertaining to the supply, handling and storage of fuels.

The other two memoranda cover the supply, handling and transport of natural gas, as well as the conversion of crude oils, an activity that would be feasible through the construction of a refinery in partnership with Panama, an operation for which Venezuela would supply up to 150,000 barrels of crude per day.

Should the refinery's construction materialize, the next step would be to build a large bunkering facility to supply the various ships that use the Canal.

### Strategic Isthmus

Similarly, the expansion and modernizing of the oil pipeline across the Isthmus was agreed. The pipeline, which was built in the 70's under the Omar Torrijos administration, is currently underutilized since although its capacity is 800,000 barrels per day, it only transports 60,000 bpd.

Additionally, a capacity expansion and a system upgrading have been foreseen, the latter through the installation of bi-directional pumping facilities that would enable the transport of Venezuelan crude from the Caribbean to the Pacific.

### Direct government negotiations

So that the benefits are channeled directly to the people, the Venezuelan president said that business dealings would be undertaken directly by both governments, without intermediaries. He underlined that *"friendly nations, such as the Isthmus, should be given support"*, and showed himself in favor of leaving behind the times when oil was sent to the United States, without benefitting other countries in the region.

*"We do not reject private initiative, we only defend those strategic sectors that should be in State hands, and the energy sector is one of them"*, Chávez stated. In this direction he indicated that the Panamanian project to create a mixed company to serve



“It is a case of again taking up Bolívar’s dream, the Protocols of the Isthmus; an integration that begins with the conscience, with the very soul, of these peoples”

Hugo Chávez  
President of the Bolivarian  
Republic of Venezuela

“Panama has not defrauded Bolívar’s dream. We always rise to the occasion marked by the times the world lives in. We are much more mature as a Nation, with our eyes on every corner of the world”

Martín Torrijos  
President of Panama

the region still needed some time. *"The mixed company is a proposal and, more than that, it is a necessity"*.

For his part, Panamanian president Omar Torrijos said that *"Panama has not defrauded Bolívar's dream. We always rise to the occasion marked by the times the world lives in. We are much more mature as a Nation, with our eyes on every corner of the world."*

Torrijos maintained that the international maritime community had confidence in having the management of the Canal in Panamanian hands. He also stated that the project to expand the Canal provided an opportunity for it to continue being a vital and competitive route in the integration process. ■



The Venezuelan president emphasized the fact that Panama would play an important role at the birth of the new America.

INTERCONNECTION » Venezuela and Colombia begin energy integration project

# Construction of the TransCaribbean Gas Pipeline takes off



The presidents of Venezuela, Colombia and Panama attended the ceremony marking the start of the TransCaribbean Gas Pipeline's construction. Here they witness the first welding operation of this integration project.

The project will cross borders by transporting gas between Venezuela and Colombia during a first stage, later going on to Panama

The presidents of Venezuela, Hugo Chávez; Colombia, Álvaro Uribe; and Panama, Martín Torrijos, last 8 July initiated the construction of the TransCaribbean Gas Pipeline by attending the symbolic ceremony of the first weld of the "Antonio Ricaurte" section, near the Colombian-Venezuelan border in La Guajira.

The project is of great importance due to the strategic location of the three

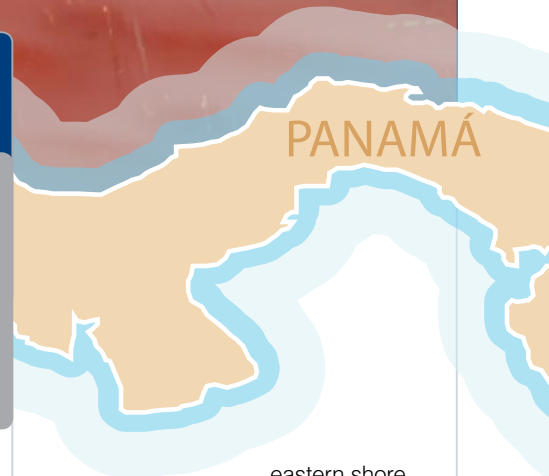
countries. Venezuela and Colombia, with their access to the Caribbean, link the Atlantic to the Pacific through the supply of gas to Panama, an isthmus of geo-strategic importance to world trade.

### A 225 kilometer connection

At an early stage, the pipeline will have a length of 225 kilometers, from Punta Ballena in the Colombian Guajira, to the

eastern shore of Lake Maracaibo, in Venezuela.

The completion of this project, which will require a \$335 million investment, has been planned for March 2007, when the pipeline will transport 150 million cubic feet per day (m cu ft/d) from Colombia to Venezuela. In 2011 a similar volume will be transported from Venezuelan territory to Colombia, with additional capacity to supply Panama and other countries.



## A locomotive for integration

On the startup of the project, President Chávez stressed its historical importance, since *"it is a central nerve, a locomotive for the integration of both peoples"*, who will benefit from the generation of more than 10,000 jobs.

The TransCaribbean Gas Pipeline will be connected to Venezuela's internal gas distribution networks for the purpose of transporting the hydrocarbon to the Paraguaná Refining Center (PRC), which requires large volumes of gas to refine oil, one of the most important activities of the business.

The Colombian president, for his part, emphasized the selection of a practical agenda with a social reach, *"which is bearing its fruits for a deeper integration"*.

The president of Panama similarly expressed his thanks for the invitation to participate, while he underscored that this infrastructure *"is an obligation we have*

*with our peoples to settle the social debt"*.

## Benefit for Venezuela



The Venezuelan Energy and Petroleum minister and president of PDVSA, Rafael Ramírez, pointed out that the gas from Colombia would enable the substitution of the 17,000 barrels per day of Diesel oil used by the Rafael Urdaneta and Ramón Laguna thermoelectric plants in

the State of Zulia, entailing a \$40 million monthly savings.

Ramírez said that the material used in the project is Venezuelan steel, which promotes the relationship between the private and public industrial sectors, as well as the negotiations with Colombian industrialists.

It is anticipated that, in about four years' time, once PDVSA completes the infrastructure required to transport gas from eastern to western Venezuela, 150 m cu ft/d would be exported to Colombia, and possibly to Panama through an undersea pipeline. ■



● Transcaribbean Gas Pipeline. Ruta Ballena (Colombia) - Maracaibo (Venezuela).  
● Internal venezuelan system. Ulé-Amuay.



The construction of the Antonio Ricaurte section will generate more than 1,000 direct jobs.

## SOCIAL STRATEGY » Endogenous development

### More than \$33 million for community progress

The towns neighboring the pipeline's route will benefit from the development plans of the Venezuelan government, which will invest \$33.5 million.

The Wayúu indigenous population, one of Venezuela's 26 ethnic groups, will benefit

from improvements in the health area. In Zulia's Páez municipality, PDVSA will set up an Integral Attention Center for the population containing surgeries, laboratory, medicinal herb garden and an indigenous alternative medicine pharmacy.

Similarly, the Corporation will lay a 3.3 kilometer-long 20" water main, acquire 50 tanks for water storage and four tanker trucks, an operation that will benefit 115,000 inhabitants. ■

STRATEGIC ALLIANCES » Under the Mercosur scheme

## Enarsa and PDVSA boost South American energy integration



30th Mercosur Summit, held from July 20 to 24 in Córdoba, Argentina.

Venezuela's formal entry into the Southern Common Market provided the framework to define new agreements on hydrocarbons with countries of this entity, such as Argentina and Paraguay, thereby consolidating strategies that promote the union and well-being of the people

### Venezuela is already Mercosur

Argentine president Néstor Kirchner, as President Pro Tempore of Mercosur, expressed his 'profound satisfaction' at the progress made in energy matters.

With its five members, the southern trading block represents 78% of Latin America's Gross Domestic Product (GDP) and 65% of South America's population; which is to say, more than 255 million people.

### South-South strategic association

Kirchner highlighted the agreements signed with Venezuela, especially those between ENARSA, Argentina's national energy company, and Petróleos de Venezuela (PDVSA), which confirm the progress made in the proposed projects covering hydrocarbon reserves'

**T**he entry of Venezuela into the Southern Common Market (Mercosur, in Spanish) as a full member, an event of historical significance, took place on 4th July last, one day before the commemoration of Venezuela's Declaration of Independence.

The presidents of Venezuela, Hugo Chávez Frías; Argentina, Néstor Kirchner; Brazil, Luiz Inácio Lula Da Silva; Paraguay, Nicanor Duarte; and

Uruguay, Tabaré Vázquez, signed the protocol of Venezuela's accession as a Member State of the block.

The Venezuelan president emphasized that his country's adhesion to the block was the response to a harangue by the Father of the Nation, Simón Bolívar, and elaborating on the subject of the struggle to achieve the integration of peoples, stated that "*None of our countries could on its own undertake a true integral development project*".

exploration and development on Argentine territory, and the quantification and certification of Orinoco Oil Belt reserves in southern Venezuela.

*"We are achieving the association of our oil companies in joint projects and investments, which will enable us to attain the energy integration processes".* Kirchner said. He also thanked the government of Venezuela for its solidarity and support in overcoming his country's 2004-2005 supply problems, thereby *"consolidating Argentine growth"*.

*"As Pro Tempore President of Mercosur, I believe that the addition of Venezuela is a qualitative step which comes to consolidate the region's perspective and projection towards the world, to Latin America itself and the integration processes that will allow us to meet the expectations of our peoples",* he said.

Together with Chávez, Kirchner evaluated the progress made on the Great Southern Gas Pipeline and on the creation of the *"Southern Bond"*, a joint financial instrument that will generate a major source of income and enable opening the way to Venezuela's *"Southern Bank"* proposal.

### Oil exploration in Paraguay

The official ceremonies also provided the opportunity for the Venezuelan president and his Paraguayan opposite number, Nicanor Duarte, to engage in the creation of a mixed commission to undertake exploration for oil in Paraguay.

It is anticipated that, should oil be found, the Paraguayan State would cease to import products such as gasoline. *"Paraguay has an ample potential; it must be developed and converted into power"*, president Chávez said.

The projects being undertaken jointly by both governments have the aim of improving the quality of life of the region's peoples, to fight exclusion, defeat poverty and unemployment, while consolidating high economic growth. ■

## PDVSA, ENARSA and ANCAP to certify Orinoco Oil Belt reserves

Orinoco Oil Belt fields



The presidents of state-owned operators PDVSA, Rafael Ramírez; Argentina's ENARSA, Ezequiel Espinosa; and Uruguay's ANCAP, Daniel Martínez, signed in Argentina an agreement for a study on the quantification and certification of the existing reservoirs in Block Ayacucho 6 of the Ayacucho area in the Orinoco Oil Belt in southern Venezuela.

The concrete form of the agreement between PDVSA, ENARSA and ANCAP was completed on the eve of Mercosur's 30th Heads of

State Summit, held in the Argentine city of Córdoba last July 20, and which was attended by presidents Hugo Chávez of Venezuela, Néstor Kirchner of Argentina, Tabaré Vázquez of Uruguay, Luiz Inácio Lula Da Silva of Brazil, Nicanor Duarte of Paraguay, Evo Morales of Bolivia and Fidel Castro of Cuba.

The Orinoco Oil Belt is located in the central band of Venezuela's Eastern Basin, south of the states of Guárico, Anzoátegui, Monagas and Delta Amacuro. It runs parallel to the Orinoco River, being 600 kilometers long from east

to west, and 70 kilometers wide from north to south, and covering an area of 55,134 square kilometers. For exploration and production purposes it is divided into four zones: Boyacá (formerly know as Machete), Junín (formerly Zuata), Ayacucho (formerly Hamaca) and Carabobo (formerly Cerro Negro). The current area under exploration covers 11,593 square kilometers.

It is estimated that the Orinoco Oil Belt holds 236 billion barrels of extra-heavy crude, which makes it the world's largest oil reserve. ■



Energy and Petroleum Minister and PDVSA president, Rafael Ramírez, signed the agreements with ANCAP and ENARSA for the certification of the reserves contained in Block Ayacucho 6 of the Orinoco Oil Belt.

GUIDELINE » Towards an expansion of the Corporation's marine fleet

# Cooperation with China and Argentina in the development of Venezuela's shipping

The market diversification strategy being executed by PDVSA includes, within the Plan for Sowing the Oil (2006-2030), an increase of energy supplies to the Asian market. Towards this end, PDV Marina plans to increase the crude and products volume being handled by 15%, and up to 45%, by 2012.

With this premise as an objective, a PDVSA technical commission headed by the Corporation's executive director of Commerce and Supply, and president of PDV Marina, Asdrúbal Chávez, went to China for the purpose of meeting with representatives of the China State Shipbuilding Corporation (CSSC) and China Shipbuilding Industry Corporation (CSIC).

## Construction of 18 ships

The meeting aimed at firming up an agreement for the construction of 18 ships to help optimize marine transport and distribution processes for crude and products, an operation requiring an investment estimated at \$1.3 billion, which is part of a plan to acquire a total of 42 tankers over a six-year period ending in 2012.

The agreement also envisages the technology transfer required to train

Venezuelan personnel, as well as an evaluation of the possible construction of shipyards in Venezuela through the expansion of Diques y Astilleros Nacionales (DIANCA).

## Alliance on supplies to Asia

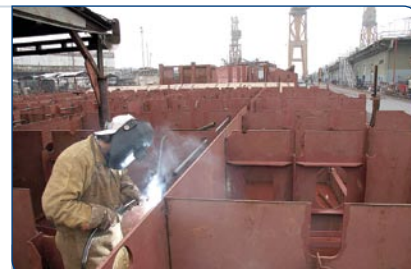
PDV Marina during this visit also signed a Memorandum of Understanding with the National United Oil Corporation (CNUOC), a subsidiary of China National Petroleum Corporation (CNPC), on establishing a strategic alliance for the transport of crudes and products from Venezuela to the Asian continent.

## "Eva Perón", first new PDVSA tanker

The alliance with Argentina, and specifically between Astillero Río Santiago (ARS), PDV Marina and Diques y Astilleros Nacionales de Venezuela (DIANCA) led to the start of the construction of the "Eva Perón" product carrier.

This will be the first of four vessels to be built in Argentina as part of Venezuela's new tanker fleet. The "Eva Perón" will have a 47,000 ton capacity and transport refined products.

The construction of the first two product carriers



First cutting of a steel plate for the ship "Eva Perón".

represents a \$112 million investment and "will have strategic importance in the concept of energy security for Venezuela and the region", according to the PDV Marina president and PDVSA Commerce and Supply director.

PDVSA also maintains agreements with Astilleros Maua Jurong and EISA, of Brazil for the proposed construction of another 10 vessels. ●

PDVSA evaluates the construction of 18 ships to increase commercial interchange with Asia and raise the volume of crudes handled by 45% by 2012



**BUSINESS » Boosting the Corporation's business**

## PDVSA captivates new investors at the 2006 OTC



PDVSA's exhibition stand and business center was where the representatives of more than one thousand international companies expressed their interest in investing in Venezuela

**P**etróleos de Venezuela participated in the 2006 Offshore Technology Conference (OTC) that took place last May in Houston, Texas, USA. The event gathered together 2,229 offshore technology companies from 30 countries and was the conference in this specialty that attracted the most attention in the world.

PDVSA's exhibition stand was where the representatives of more than one thousand international companies expressed their interest in investing in Venezuela and studied the prospects for new business ventures and agreements.

PDVSA's participation in the 2006 OTC ratified the Corporation as a leading company worldwide in regard to hydrocarbons and, at the same time, emphasized its commitment to the socioeconomic development of the country through the support that it gives to the social missions of the Bolivarian Government.

### **The most visited stand**

The PDVSA business center attracted over 59 thousand professionals who attended the OTC. Here business meetings were held between the

Corporation's offshore technological technicians and specialists and representatives of transnational companies who seek business opportunities in Venezuela, with the intention of becoming partners of the leading Venezuelan corporation.

PDVSA was represented by the managers and authorities of its subsidiaries, such as Corporación Venezolana de Petróleo (CVP), Bariven, PDVSA Intevp and the Corporate Management of the Social Production Companies. ■

**BUSINESS » The Plan for Sowing the Oil moves forward**

# Cutting-edge technology increased crude and gas production in eastern Venezuela



**P**etróleos de Venezuela, through its Northern Social District's Reservoirs Management Unit, was successful in applying the hydraulic fracture technique to 11 wells in the District, thereby obtaining a significant production increase where it was applied.

Hydraulic fracturing is a technique that consists of generating a fracture within a reservoir for the purpose of injecting a support agent -such as bauxite- to establish a high conductivity channel for the production of fluids.

### More than 17,000 barrels of crude per day

The Maturín Production supervisor, Osmel Molina, explained that prior to the technique's application, total production for the 11 wells was 4,130 barrels per day (bpd), and that it rose to 22,032 bpd after the technique was applied; in other words, a net increase of more than 17,000 bpd. The application of hydraulic fracture also increased natural

gas production in the 11 wells, from 24.2 million cubic feet (m cu ft) to 115m cu ft.

### Teamwork

The success of the operation was the product of a multidisciplinary team made up of specialists from the various Reservoir Management units, which carried out in-depth studies on the technique's application.

Osmel Molina pointed out the experience and training of the personnel involved in the application of the technology and explained that it was necessary to know the conditions of the well being stimulated because, as he said, *"to subject it to equipment with more than 7,000 HP of hydraulic power could damage the reservoir"*.

Due to the success achieved, the application of hydraulic fracture to more wells in 2006 is being considered, which would help meet the targets set in the Sowing the Oil Plan for the 2006-2030 period. ■

Well stimulation through hydraulic fracturing considerably increased the production of 11 wells in the Northern Social District, which will contribute to meet the production targets set in the Corporation's Plan for Sowing the Oil





**GUIDELINE » Support for the integral development of the Nation**

## Social Projects received \$8 billion from PDVSA in 2005

**D**uring the XIII Latin-American Oil Show, which gathered together 848 national and foreign companies related to the energy sector in Maracaibo, State of Zulia, the Minister of Energy and Petroleum and President of PDVSA, Rafael Ramírez, announced that during the year 2005, PDVSA invested \$ 8 billion in social projects.

At this event, which is considered to be the most important in Latin America and the third in its category worldwide, Ramírez affirmed that PDVSA answers to the interests of the country. *"Nothing is done within the framework of our oil policies without the approval of the President of the Republic, Hugo Chávez, not only because he is our boss, the leader of a strong popular movement, but also because our oil industry cannot be managed in isolation".*

### Appropriate Projects for the Nation

He added that the policy of Full Oil Sovereignty fulfills this principle and he reiterated that this will destroy the enclaves that developed over 100 years of hydrocarbons exploitation. *"The new oil and gas projects must be implemented in accordance with our reality; there will be no more projects which run against our reality".*

The Minister emphasized to the businessmen present the state operator's commitment to national development. On this point he reaffirmed that *"there is no other oil corporation which does this, but PDVSA is a national corporation in a country with millions of poor people, and it is not only a case of money, because PDVSA is also providing human capital. This is one way of returning to the people the dividends that oil*



The Minister of Energy and Petroleum and President of PDVSA, Rafael Ramírez, announced the Corporation's investments and strategies to support the industry's commitment to the country

*generates. We return it through the Ribas, Barrio Adentro and University Villages missions, so that people will have work, health and education, because a country full of people abandoned to their fate gets nowhere".*

### A positive PDVSA



More than 800 companies took part in the petroleum exhibition.

During the event, national and foreign businessmen were informed of the operating results of the new PDVSA. In this regard, the president of the Corporation stated that from January to May of this year, PDVSA

has directed more than \$4 billion towards social projects, whilst fiscal contributions were over \$7.7 billion; worldwide earnings were \$42 billion and national earnings some \$23 billion.

### Opportunities for the Private Sector

Regarding the Plan for Sowing the Oil, the Minister emphasized that this represents a great opportunity for the private sector, as an investment of \$130 billion until the year 2012 is contemplated to cover the first phase of the plan.

*"PDVSA is capable of implementing this effort but it is not enough, and for this reason we welcome the presence of the national and foreign private companies. We have taken some steps, and now we need you to take some with us."* ■

## Petrotips

### State District Attorney's office confirms the humanitarian quality of the CITGO program



The District Attorney's office of the State of Connecticut confirmed the humanitarian quality of the Bolivarian

Republic of Venezuela's initiative in supplying cheap fuel to the country's poor communities, a program being run by PDVSA's CITGO subsidiary.

Venezuelan president, Hugo Chávez, stated: "What we want is for the Venezuelan people to become aware of what we are doing. We want to invest part of CITGO'S profits in helping the neediest among the American people".

### Offshore gas development studies advance further



Gazprom's seismic ship Akademik Nemchinov completed the seismic studies carried out on blocks Urumaco

I and II in the Gulf of Venezuela, northwest of the State of Falcón. The area under study is thought to contain potential reserves of 26 trillion cubic feet of natural gas not associated to crude production.

According to the terms of the respective agreement, Gazprom has 18 months to complete the first phase and determine the most appropriate location to drill the first well.

### PDVSA workers to study for MSc degrees in Oil and Gas Engineering at a Scottish university



A total of 60 Petróleos de Venezuela workers are to study for Master of Science degrees in Petroleum and

Gas Engineering at the Robert Gordon University in Scotland, as the product of an agreement signed by PDVSA Exploration and Production vice-president Luis Vierma, and Andrew McCreath, the University's director of Technological Information. Vierma revealed that the target set in this matter is to train 600 professionals in 5 years.

### PDVSA provides support for the country's thermoelectric sector.



The Corporation extended a free loan of land to CADAFE, Venezuela's electricity generation and

distribution authority, for the purpose of building two thermoelectric plants that would be adjacent to the Puerto La Cruz refinery in Anzoátegui and the Paraguaná Refining Center (PRC) in Falcón.

The new energy supply should improve the performance of both refineries and benefit the neighboring communities. ■

## PDVSA in figures 2005\*



### Proven Reserves

Crude oil 80 Bn Barrels

Gas 150.4 tcf

### Venezuela's production capacity

Crude 3.9 m BPD

Gas 6.9 Bn cf

LNG 0.25 m BPD

### Refining capacity

In Venezuela 1.3 m BPD

Abroad 2.0 m BPD

Total 3.3 m BPD

### Global income

85.3 Bn US\$

### Glossary

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

\* Preliminaries numbers

## Quote of the Month

“For the first time in 70 years we have a fluid relationship with the South and with the Caribbean. We cannot behave towards these countries like a transnational company. We are building a new geopolitical influence, with a new ethic, with a different way of handling oil affairs, which translates into a strategic positioning for our country”

**Rafael Ramírez**  
Minister of Energy and Petroleum and President of PDVSA



**OPERACIONAL INDICATORS**  
First Quarter 2006 averages



CRUDE OIL

3.3 m barrels a day



GAS

6.9 m cubic feet a day



REFINING

1.2 m barrels a day (Vzla/Isla loop)



EXPORTS

2.4 m barrels a day



OIL BASKET PRICE

\$58.68 per barrel

# PDVSA holds second place among Latin America's largest corporations

**P**etróleos de Venezuela's operational and administrative performance was once again recognized by specialized publications in the energy area. The latest edition of AméricaEconomía's annual corporate ranking positioned PDVSA in second place among Latin America's 500 largest corporations.

*"Venezuela's state-owned PDVSA achieved place number 2 by increasing sales revenue from \$64,757 million in 2004, to \$85,618 million in 2005", the magazine's report stated.*

The report has been published by AméricaEconomía since 1991, based on the annual results of more than one thousand companies in the region.

It should be pointed out that on prior occasions companies such as British Petroleum (BP) and the International Energy Agency (IEA) have also confirmed the recovery of Venezuela's oil production, by placing it at more than three million barrels per day for 2005.

## Oil Belt crude recognized for its quality

BP and IEA reports place the Nation's proven crude reserves at 80 billion barrels, without including the Orinoco Oil Belt volumes, which would reach 235 billion barrels and that, after their quantification and certification, would position Venezuela as the country with the largest hydrocarbon reserves in the planet.

The IEA report mentions that *"Venezuela's Orinoco crude is now included in OPEC totals"*, thereby removing all doubts on the quality and type of the Belt's hydrocarbons.

These reports endorse a palpable fact: PDVSA's absolute recovery, the Corporation having surpassed the production levels posted before the December 2002-January 2003 oil sabotage. ■



## BUSINESS » With 9,000 barrels per day of medium-gravity crude

# Well FUL-9 leads national production

**T**he North District of PDVSA's Eastern Exploration and Production unit, located in the State of Monagas, added a new record by operating the well with the largest accumulated production. Well FUL-9 is located in the El Furrial field, in the State's northern region.

The superintendent of the Furrial-Orocual reservoir, Luis Luna, explained that since 1988, when well's production began, it has logged an accumulated total of 62 million barrels of crude.



## "Venezuela's giant"

Well FUL-9, known as *"Venezuela's giant"*, is currently producing more than 9,000 barrels per day of

medium gravity crude (26° API) and has stable reservoir conditions.

Luna also said that, to date, the well has not logged any water or gas cuts, which confirms the belief that its flow is 100% crude oil.

The Furrial-Orocual reservoir superintendent added that data from other oil fields in South America are being checked with the aim of determining whether FUL-9 can claim to a first place in the region. ■

**GAS » With the installation of 8,000 kilometers of polyethylene tubing**

## Piped gas to benefit more than 3 million homes



The program being boosted by the Bolivarian government, through PDVSA and its PDVSA Gas subsidiary, will accelerate the supply of low-cost energy to the whole country

**T**o ensure the supply of piped gas to more than three million homes, Petróleos de Venezuela, through its PDVSA Gas subsidiary, will invest \$1.6 billion in laying 8,000 kilometers of polyethylene tubing between 2006 and 2012.

With the installation of gas distribution networks and the laying of underground pipe, Venezuela would be on a par with countries like Colombia. The use of anticorrosive high-density

polyethylene technology and the laying of the tubing 80 centimeters below the surface, ensure the observance of the safety measures required by a reliable service with international certification.



Similarly, it is expected that, over the next six years, more than 500,000 low-income homes will benefit from the supply of

bottled Liquid Petroleum Gas (LPG). The metal cylinders required would be filled at the seven communitarian plants to be built in the states of Yaracuy, Cojedes, Miranda, Bolívar, Apure, Barinas and Monagas.

### Honoring social debt

These actions of the Sowing the Oil Plan will enable discontinuing, in the short term, the use of gas cylinders from the market, which traditionally have been used by the majority of Venezuelan homes. PDVSA in its new vision expects that by 2030, 75% of Venezuela will have piped gas available.

In this way the process of honoring social debt, accumulated over so many years of carelessness and neglect, continues and gains strength, which is only fitting in a country with the planet's eighth gas reserves, 150 trillion cubic feet.

### More than 20,000 jobs per year

The national gas plan will ensure the availability of a permanent service, minimize the risk of accidents through gas leaks and reduce the heavy road traffic caused by bottled gas distribution.

The plan will generate annually more than 20,000 direct and indirect jobs and promote communitarian organization through its promotion of Energy Tables, Social Production companies and the formation of cooperatives. ■

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