

VENEZUELA ENERGY IN FIGURES 2012



THE OIL AND GAS SECTOR



Contents

THE OIL SECTOR

OIL FIGURES 2012	04
INSTITUTIONAL FRAMEWORK	05
OIL PRICES	14
EXPLORATION AND PRODUCTION	16
REFINING	29
COMMERCIALIZATION	32
FISCAL POLICY AND THE OIL SECTOR	34

GAS SECTOR

GAS FIGURES 2012	39
INSTITUTIONAL FRAMEWORK	40
MAIN ACTORS	42
FISCAL FRAMEWORK	43
EXPLORATION AND PRODUCTION	44
PDVSA: RESERVES, PRODUCTION AND CONSUMPTION	45

PROJECTIONS 2011-2035 – OIL SECTOR 53

PROJECTIONS 2011-2035 – GAS SECTOR 55



THE OIL SECTOR

OIL FIGURES 2012

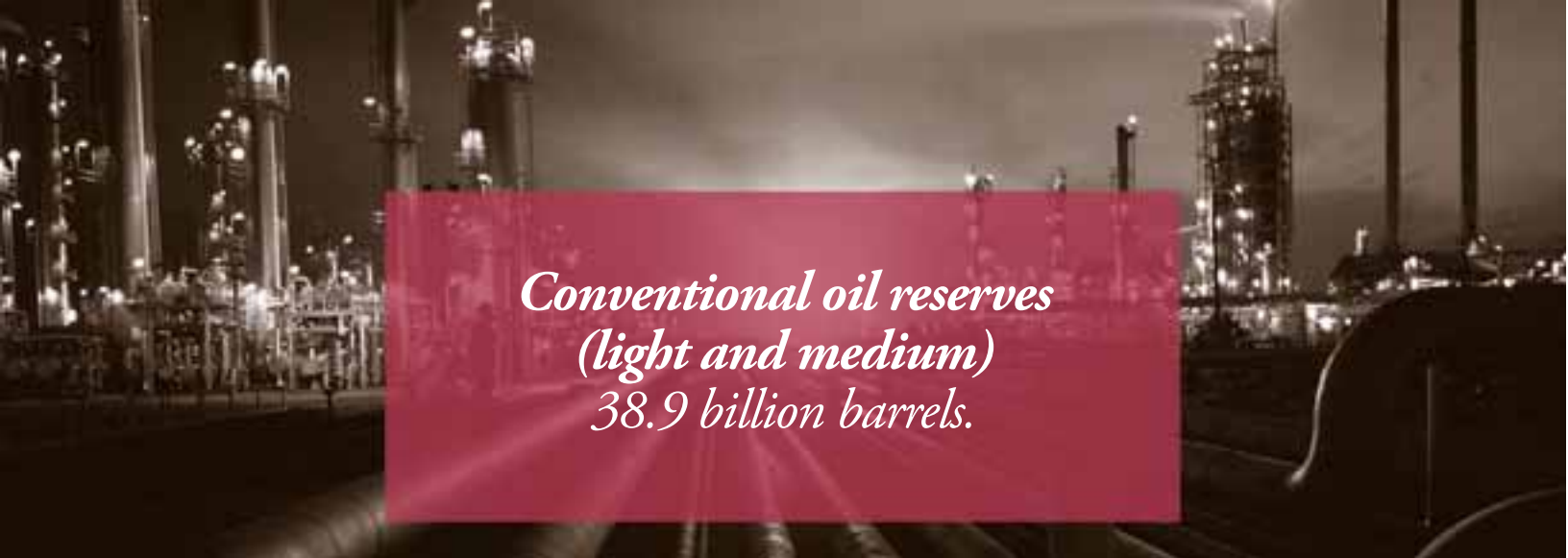
- » **Conventional oil reserves (light and medium):** 38.9 billion barrels.
- » **Heavy and extra-heavy crude reserves:** 258.8 billion barrels.
- » **Production:** 2.9 million barrels a day on average¹.
- » **Global refining capacity of Petróleos de Venezuela, SA (PDVSA):** 2.8 million barrels per day.
- » **Internal consumption:** 681 thousand barrels a day².

Oil Situation, 2012		RESERVES (BILLIONS OF BARRELS)	PRODUCTION (MILLION BARRELS DAILY)	CONSUMPTION (MILLION BARRELS DAILY)
WORLD		1668.9	86.2	89.774
NORTH & SOUTH AMERICA		548	22.9	29.573
VENEZUELA	CONVENTIONAL CRUDES	38.926	2.7 - 2.9	681 - 781
	HEAVY & EXTRA- HEAVY CRUDES	258.809		
	TOTAL	297.735		
SHARE OF CONVENTIONAL RESERVES			% OF TOTAL PRODUCTION	% TOTAL CONSUMPTION
VENEZUELA / NORTH & SOUTH AMERICA		54%	11.8% - 12.7%	2.3% - 2.6%
VENEZUELA / WORLD		18%	3.1% - 3.4%	0.76% - 0.87%
% OF TOTAL RESERVES				
VENEZUELA / NORTH & SOUTH AMERICA		32%		
VENEZUELA / WORLD		18%		

Source: Informe de Gestión Anual de PDVSA (2012), OPEC, BP Statistical Review of World Energy 2013 and own calculations.

¹ International sources reported a production of 2.7 million barrels per day.

² According to the International Energy Agency (IEA) domestic consumption now stands at 781 thousand barrels per day.



*Conventional oil reserves
(light and medium)
38.9 billion barrels.*

THE INSTITUTIONAL LEGAL FRAMEWORK FOR ACCESS TO OIL AND GAS RESOURCES IN VENEZUELA

Legislative Body-Statute of the Venezuelan Oil Sector

Constitution of the Bolivarian Republic of Venezuela, (CBRV, 1999)

- » Mineral and hydrocarbon deposits of any nature that exist within national territory, beneath the territorial sea bed, within the exclusive economic zone and on the continental shelf, are property of the Republic, are of public domain, and therefore inalienable and imprescriptible. (Article 12)
- » The governance and management of mines and hydrocarbons is reserved to the Federal Government. (Article 156, paragraph 16)
- » The State reserves for itself all oil activities, for strategic reasons and national interest, through the pertinent organic law (the Organic Law of Hydrocarbons). (Article 302)
- » For reasons of economic and political sovereignty and national strategy, the State shall retain all shares of Petróleos de Venezuela, S.A. (PDVSA). (Article 303)

Hydrocarbons Organic Law (HOL, 2011) Gaceta Oficial 38.443 05/24/2006.

- » This Decree-Law governs liquid hydrocarbons exploration, exploitation, refining, industrial development, freight, storage, commercial and conservation activities. The activities pertaining to gaseous hydrocarbons shall be governed by the Gaseous Hydrocarbons Organic Law
- » The Venezuelan State ratifies its legal ownership of hydrocarbons reserves. (Article 3)
- » The State reserves to itself primary activities (exploration and exploitation) and commercialization of crudes (Articles 9 & 10). However, these activities could be realized by joint ventures as long as the state owns more than 50 percent of the shares. Operating firms will be in charge of primary activities. (Article 22)
- » This Law establishes the creation through Executive Decree of state-owned firms related to the activities previously listed. They may adopt the legal form judged to be most convenient. (Articles 27 to 31)
- » The workers of state-owned oil corporations, with the exception of the members of their Boards of Directors, shall enjoy employment stability and may only be terminated for the causes expressly stated in the labor legislation (Article 32)
- » The ascribed public bureau will promote bidding processes for the selection of operating firms, in order to evaluate different offers. However, for Public Interest or special technical reasons, a direct selection of operating firms could be done through Council of Ministers. (Article 37)
- » With the objective of adding value through the production of hydrocarbon specialties and derivatives, the refined oil industrialization effort concerns the activities of: separation, distillation, purification, conversion, mixing and transformation of crudes. (Article 49)

- These activities could be realized by: The State, state-only owned firms, joint ventures with public and private capital in any proportion and purely private firms. (Article 50). Private firms involved in these activities should obtain a license from the Ministry of Oil and Mining. (Article 53)
- » Commercialization activities regulated by law include national and international trade of hydrocarbons and derivatives (Article 56). The Executive, through Decree, could reserve for the state any commercialization activity related to hydrocarbons or derivatives. (Articles 57 & 27). Joint ventures will only be allowed to sell hydrocarbons and derivatives to state-owned firms. Commercialization activities of by-products not listed in Decree 1646 could be done by The State, joint ventures with public & private capital or purely private firms. (Article 58)
 - » Those derivative products signaled by the Executive, through Resolution of the Ministry of Popular Power for Oil and Mining, will be subject to the regulations of national commerce defined by this Decree-law. (Article 59)
 - » Activities of supply, storage, freight, distribution and retail selling for collective national consumption, signaled by the Executive, will be considered a public service. The National Executive, through the Ministry of Oil and Mining, will fix the prices of hydrocarbons derivatives and adopt measures to guarantee the supply and efficiency of the service, and avoid his interruption. Those prices could be fixed in accordance to bands or any other mechanism that would prove adequate for the execution of objectives considered in this Law, taking into account the investments needed for those purposes and their rate of return. (Article 60)

Legal resources needed to create a Joint Venture in Venezuela

- » The National Assembly Accord which, establishes the constitution of the Joint Venture and internal guidance that will govern the realization of primary activities. (CBRV, Article 150 & HOL)
- » Foundational Decree
- » Executive Resolution that delimits geographically the area for operative firms primary activities. (HOL, Article 24)
- » Joint venture Constitutive Act.
- » Executive Decree that transfers the right to develop primary activities. (HOL, Article 24)
- » Once constituted, a joint venture should be inscribed in the Merchants Registry in accordance to the norms established by the Commerce Code (Gaceta Nº 475 Extraordinaria 12/21/1955 (HOL, Article 33).

Contractual elements that any Joint Venture should fulfill in order to operate (HOL, Article 34)

- » Maximum useful life of 25 years that might be extended to another term, not longer than 15 years.
- » Description of the placement and territorial extension destined to primary activities.
- » In case of culmination, for any motives, the assets of the joint venture should be transferred to the State in accordance to contractual conditions or following this article, which states that the regression would be complete, without taxes or compensation payments.
- » Venezuelan Laws would be the only applicable rules in case of controversy. Those disputes should be solved at Venezuelan courts.

Law to regularize the involvement in primary activities considered in Decree 1.510 (Gaceta Oficial Nº 38419 04/18/2006).

- » The objective of this law is to regularize private participation in the primary activities described at the Hydrocarbons Organic Law, article 9. (Article 1)
- » The public domain of joint ventures through operative and financial control is assured. It establish that private contractors will only be allowed on exploration, exploitation, storage or freight activities or to obtain the proceeds derived from hydrocarbons production, through their participation on joint ventures.

³Ley de Regularización de la Participación en las Actividades Primarias Previstas en el Decreto No. 1.510 con fuerza de Ley Orgánica de Hidrocarburos (G. O. Nº 38.419 del 18/04/06).

Law Decree N° 5200 about the transformation of Orinoco Oil Belt Associative Agreements and Risk & Profits Shared Agreements into Joint Ventures (Gaceta Oficial N° 38617 02/01/2007).

- » The Decree establish the transformation of Orinoco Oil Belt Associative Agreements and Risk & Profits Shared Agreements into Joint Ventures
- » The Corporación Venezolana del Petróleo, S.A. (CVP) or another Petróleos de Venezuela, S.A. (PDVSA) subsidiary will be the public share-holder of at least sixty percent (60 percent) of the Joint Ventures shares.
- » It is competence of the Ministry of Popular Power for Oil and Mining to establish the value of the Joint Ventures, PDVSA's stock share on them and the financial or economic adjustments that could be needed to begin operations.

**Organic Law Of Liquid Fuels Internal Market Re-Ordering (2008)
Gaceta Oficial N° 39.019 09/18/2008).**

- » The State reserves to itself intermediate activities related to the supply of liquid fuels and terrestrial or aquatic transportation or general cargo of them. (Articles 1 & 2).

Organic Law that Reserves To The State The Goods And Services Related To Hydrocarbons Primary Activities.

- » Its objective is to reserve to the State (PDVSA or her subsidiary) the goods and services related to primary activities described by the Hydrocarbons Organic Law, for strategic reasons.



*⁴Ley de Migración a Empresas Mixtas de los Convenios de Asociación de la Faja Petrolífera del Orinoco, así como los Convenios de Exploración a Riesgo y Ganancias Compartidas (G.O. N°38.632 del 26/02/07).
Ley sobre los Efectos del Proceso de Migración a Empresas Mixtas de los Convenios de Asociación de la Faja Petrolífera del Orinoco, así como de los Convenios de Exploración a Riesgo y Ganancias Compartidas (G.O. N° 38.785 del 08/10/07).*



THE INSTITUTIONAL LEGAL FRAMEWORK FOR ACCESS TO OIL AND GAS RESOURCES IN VENEZUELA

Main actors

Ministerio del Poder Popular para el Petróleo y la Minería (MPPPM).

Agency responsible for regulation, policy formulation and evaluation. As well as, planning, implementation and supervising the activities of the National Executive on oil and energy in general.

Petróleos de Venezuela, S.A. (PDVSA).

State owned company in charge of exploration, production, manufacturing, transportation and marketing of hydrocarbons.

Corporación Venezolana del Petróleo (CVP).

PDVSA subsidiary that controls and manages business conducted with other oil companies of national or foreign ownership.

Main Operating Foreign Firms.

BP, Belorusneft, Chevron, China National Petroleum Corporation (CNPC), Enarsa, ENI, GALP, Gazprom, Harvest – Vinccler, Lukoil, Mitsubishi Oil, ONGC Videsh, Petrobras, PETRONAS, Qatar Petroleum, Repsol, Royal Dutch Shell, Statoil, Teikoku (c), Total and Veba Gas and Oil..

Changes to the contractual structures

In 2006 and 2007 there were changes in contractual structures of different exploration and production projects involving third parties. All contracts were changed to constitute joint ventures, the legal instrument established in the LOH. Since then, PDVSA operates -with minority private and state companies, domestic and foreign- those areas of conventional oil production corresponding to the extinct operation agreements, areas of heavy crude from the Orinoco Oil Belt, which corresponded to the strategic partnerships and areas of risk exploration agreements and profit sharing. The association contracts signed after the migration have adopted the same joint venture arrangement with majority ownership and operational control of the state.



THE INSTITUTIONAL LEGAL FRAMEWORK FOR ACCESS TO OIL AND GAS RESOURCES IN VENEZUELA

Fiscal framework

The general taxation applicable to any operating company is determined by the provisions of the Law on Income Tax (In Spanish “LISLR”) and by the royalty and tax regime established in Chapter VI of the LOH. Additionally, according to Article 36 of the LOH, in those instruments that grant the right to perform activities, special advantages for the Republic may be established, such as the increase in royalties, contributions or other considerations provided for in the same law, employment and assignment of new and advanced technologies.

Income Tax Law (Gaceta Oficial N° 38628 02/16/2007)

- » Is a proportional tax rate equivalent to 50 percent (Articles 11 & 53, paragraph b).
- » State-owned firms dedicated to hydrocarbons production or related activities are exempted of income tax over the value generated by previous studies, technical knowledge, data, equations, recordings, movies or other assets of similar nature needed to accomplish contracts of national concern.

Royalty (HOL, articles 44 to 47)

- » This rate (30 percent) applies to conventional oil exploitation. The applicable rate for heavy-weight oil could be lower than 30 percent depending on special characteristics of the project. Particularly, the royalty could be lowered if it is proven that exploitation is not profitable at the usual rate. The minimum rate for mature or heavy weight oil fields will be 20 percent. In case of Orinoco’s Belt mixed oils, the minimum rate will be 16 2/3%. The National Executive holds the prerogative to increase royalties back to 30 percent if the project proves to be profitable at that rate (Article 44).
- » The National Executive could demand the royalty to be paid in money or in kind. If not specified, it would be assumed that the medium of payment will be money (Article 45).
- » In case of money payment, the operating firm should pay the price established at field production and market or agreed value (Article 47).

Superficial Tax (HOL, Article 48)

- » Yearly payment of one hundred tax units per each square kilometer of the given and unexploited superficial area.
- » This tax will grow yearly at a two percent (2 percent) rate over the first five years of the project and five percent (5 percent) thereon.

Tax over own consumption (HOL, Article 48)

- » Is equivalent to a rate of 10 percent for each cubic meter of hydrocarbons derivatives produced and consumed as fuel for operational activities. The consumer price of the product should be used for purposes of quantifying the amount owed.

General Consumption Tax (HOL, Article 48)

- » This tax applies to each liter of hydrocarbons derivative product sold in the domestic market, ranging from 30 to 50 percent of the price. The effective rate is set in the annual Budget Law.

Extraction Tax (HOL, Article 48)

- » Payment equivalent to a third of the value of liquid hydrocarbons extracted at the operative area. It should be measured according to article 47 of the HOL.
- » The payment should be made monthly by the operating firm, and if applicable, made at the same moment the royalty is paid under the special advantage condition. By “special advantage condition” the law means the right that the tax payer holds to deduct the amount of royalty from the Extraction Tax total.
- » The tax payer holds the right to deduct any special advantage that might be paid annually from the Extraction Tax total, but only on periods subsequent to the payment of that yearly special advantage.
- » In practice, this tax amounts to an additional royalty of 3.33 percent that PDVSA and Orinoco’s Belt projects should pay. This tax might not apply if the sum of royalty plus taxes and one percentage point of utilities destined to investments were larger than the total value of extracted hydrocarbons that year.

Export Registry Tax (HOL, article 48)

- » This tax applies to 0.1 percent of the exported hydrocarbons value.
- » For this matter, the exporter should report to the Ministry of Popular Power for Oil and Mining the volume, API grade and sulfur content of the shipment.

Special Tax Over Extraordinary Or Exorbitant Oil

- » Conditional tax applied over the gap between international oil market prices and prices estimated by the Annual Budget Law.

Market Prices

- » At the \$80 to \$100 range, a tax rate of 80 percent will be applied to the difference between \$80 and the observed price.
- » At the \$100 to \$110 range, a tax rate of 90 percent will be applied to the difference between \$100 and the observed price, in addition to the contributions described before.
- » Prices over \$110, a tax rate of 95 percent will be applied to the difference between \$110 and the observed price, in addition to the contributions described before.
- » A tax rate of 20 percent will be applied to the difference between the oil price established in the Annual Budget Law and \$80.
- » Royalties, extraction or registry taxes apply up to \$80.
- » Taxes collected this way are to be deposited in the National Development Fund (FONDEN).



Analysis of the Law of Special Contribution over Extraordinary and Exorbitant Prices in the International Oil Market

On February 20, 2013 the Parliament approved the Law Reform of Special Contribution, which reduces the tax burden on the oil sector and redirects resources to the budget, that under the current law are intended to National Development Fund (FONDEN). Under the new law, for prices above \$80 and less than 100, the law provides the collection of an 80 percent tax rate on the difference between the observed price and \$80. For prices equal to or greater than \$100 and less than 110, the rate is 90 percent on the difference between the observed price and \$100, and adds the rate of 80 percent of the difference between 80 and 100 dollars (\$16). For prices at or above \$110 the rate applied will be of 95 percent on the difference between the observed price and \$110 and is added the rate of 90 percent of the difference between 100 and 110 dollars (\$ 9) and the 80 percent of the difference between 80 and 100 dollars (\$ 16). The additional aliquot of 20 percent is now applied to the difference between the price provided in the annual budget law and \$ 80.

LAW OF SPECIAL CONTRIBUTION: ALIQUOTS AND OIL PRICES

	20%	80%	90%	95%
Law 2011	Between the budget price and \$70	Between \$70 and \$90	Between \$90 and \$100	Over \$100
Reform 2013	Between the budget price and \$80	Between \$80 and \$100	Between \$100 and \$110	Over \$110

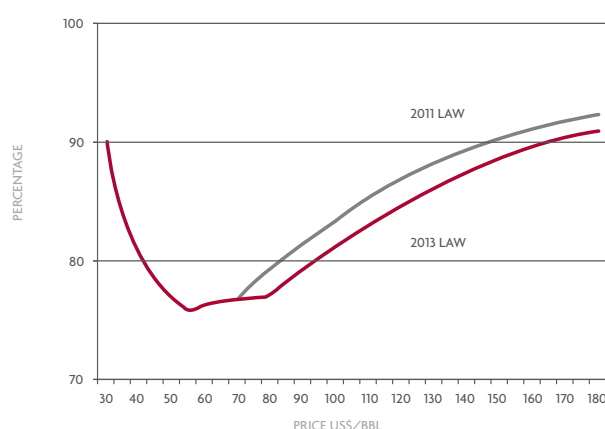
What impact will this reform have on the state's share in the oil revenue and the operating companies' profits? How will the distribution of income between the budget and the FONDEN be affected? Taking the current estimated price in the budget (U.S. \$ 55) and a cost index based on the price per barrel, we proceed to answer these questions..

means least 1.7 billion dollars a year in contributions to the state (assuming each barrel exported sells for \$ 100). The government hopes to offset the reduction in two ways: (1) with the recent devaluation of the bolivar will receive 46.5 percent more in bolivars for each barrel and (2) the increase in profits for manufacturers is expected to lead to increased production.

Using prices of U.S. \$ 100 per barrel, the new law implies a reduction of state involvement in the sector's net income (government take) of 2.4 percentage points: 83.4 to 81 percent. At this price the contribution to the State becomes \$ 62.28 per barrel, instead of 64.11 under the old law. Taking 2011 exports (the latest official figure available), reduced participation

GOVERNMENT TAKE IN OIL REVENUE (PERCENTAGES)

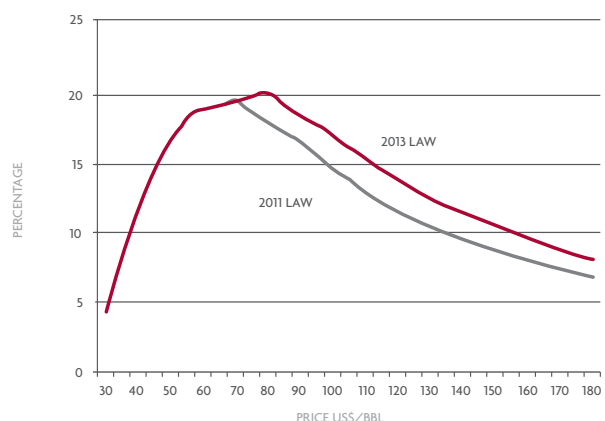
Effective Tax Rate (Net Income) = Percentage of net income that accrues to the State



Source: Authors' calculations based on the Official Gazette of the Bolivarian Republic of Venezuela No. 40,114 dated February 20, 2013

The reduction of government take has its equivalent in increasing the utility of the producers. The utility, defined as net income over costs (including taxes), increased by two percentage points: 15 to 17 percent. Net income increased by \$ 1.83 per barrel (from 12.78 to 14.61), again assuming a price of \$ 100. With this increase in the operating companies' profits, the government expects to alleviate the cash flow of Petróleos de Venezuela (PDVSA) and break the lethargy that characterizes current efforts to increase production. While certainly healthy for PDVSA and welcomed by the partner companies, the increase is unlikely to be considered satisfactory, if we take into account the country risk and political uncertainty. It is difficult to see a significant increase in production if this reform is not complemented with other changes in how oil policy is conducted.

OPERATING COMPANIES' NET INCOME (PERCENTAGES)



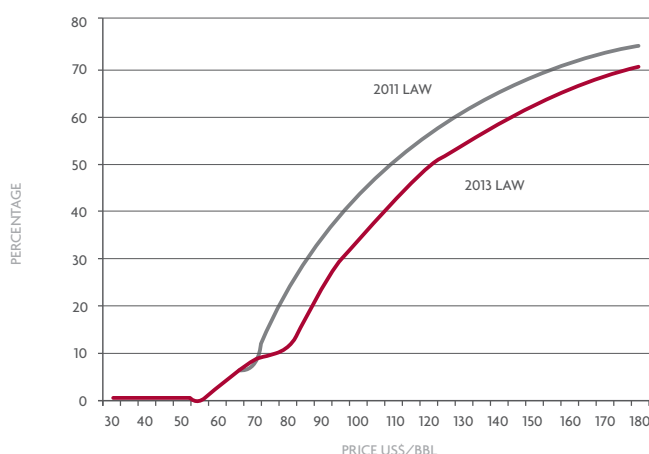
Source: Authors' calculations based on the Official Gazette of the Bolivarian Republic of Venezuela No. 40,114 dated February 20, 2013

An important aspect of the reform is the change in income distribution between the budget and the FONDEN. The revenues directed to the budget increases it in two ways: (1) increasing the ceiling for calculation of royalties from 70 to \$ 80 results in an additional \$ 3.3 per barrel that go to the budget and (2) by rolling the segments on which the tax applies at extraordinary prices and exorbitant increases the income tax (increase partially offset by the additional royalty). At \$ 100 per barrel, the reform increases the amount directed to the budget by \$ 5.17 per barrel: an increase of 14.3 percent compared to previous law.

FONDEN, on the other hand, receives \$ 7 less per barrel, which is equivalent to a reduction of 25 percent. This means that a greater proportion of the contributions to the nation will go to the budget. This is one of the most important aspects of the reform, as the budget, with all its imperfections, it tends to be more transparent than the use of extra-budgetary funds. At a price of \$ 100 per barrel, the percentage of oil contributions that are diverted to FONDEN is reduced from 42 to 32 percent.

CONTRIBUTIONS TO THE NATIONAL DEVELOPMENT FUND (PERCENTAGES)

Percentage deposited into Fonden



Source: Authors' calculations based on the Official Gazette of the Bolivarian Republic of Venezuela No. 40,114 dated February 20, 2013

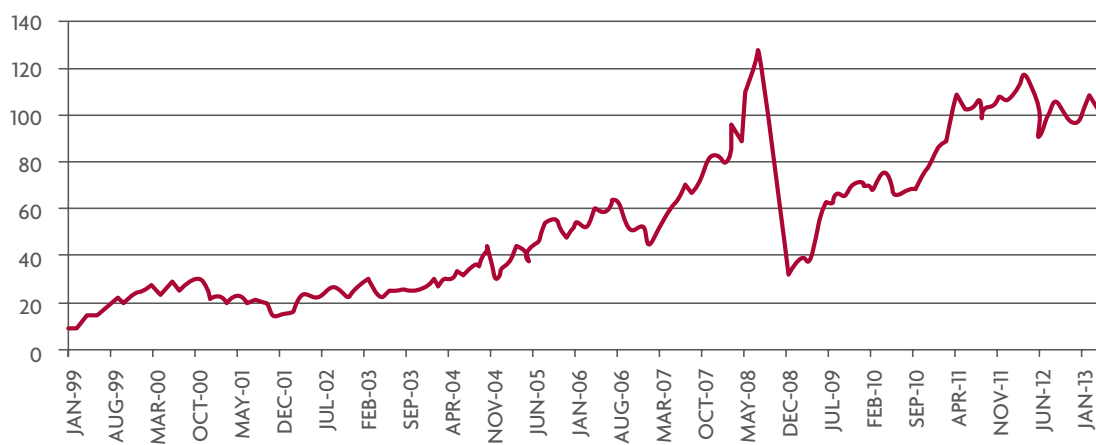
The reform reduces the tax burden on mixed enterprises while the proportion of contributions directed to the budget increases. In this sense, the reform should be applauded. But the reform falls far short in other ways. First, while progressive at higher prices, the law remains regressive at low prices: with a significant price decrease, some projects become unviable. Second, taking into account the short-term increase in operating costs that often accompany significant price increases, the new rates are still excessive, especially considering Venezuela's country risk and the current political uncertainty. Third, the reform defines extraordinary prices according to the price set annually in the budget law, so it does not address the uncertainty as to the actual tax rate. This necessarily limits the potentially positive impact on investment.

The proposed reform goes in the right direction, but it falls short. If not accompanied by a policy change that generates the necessary certainty to partners to advance the large investments required, it is difficult to see how this law translates into better perspectives for the sector. Finally, although the proportion of resources going to FONDEN has decreased, it is still a significant percentage. Taking into account PDVSA's social spending observed in recent years, more than half of the contributions to the nation continue to be managed on a discretionary basis by the Executive. This is contrary to the transparency and accountability that should characterize the use of oil resources.



OIL PRICES

**MONTHLY PRICES OF THE VENEZUELAN OIL BASKET, 1999-2012
(DOLLARS PER BARREL, CURRENT DOLLARS)**



Fuente: Ministry of Popular Power for Oil and Mining.

Note: Venezuela Oil Basket corresponds to the price of the crude Tía Juana.

During 2012, the average price of the Venezuelan oil basket was \$ 103.42, still above \$ 100 per barrel during the first two quarters (\$ 111.99 and \$ 103.47 respectively), however, nearing \$ 98 for the third and fourth quarter (\$ 98.97 and \$ 98.32 respectively).

AVERAGE VALUES OF OIL PRICES, 2007-2012

Year	WTI	OPEC Basket Price	Venezuelan Basket Price
2007	72.24	69.08	64.74
2008	99.90	94.45	86.49
2009	61.82	61.06	57.08
2010	79.52	77.45	71.97
2011	95.12	107.47	101.06
2012*	94.23	109.53	103.42

Source: Ministry of Popular Power for Oil and Mining. 2012 * Preliminary figures.



*According to PDVSA
Management Report 2012,
proven oil reserves stood at 297.7
billion barrels in 2012*

EXPLORATION AND PRODUCTION

Reserves 2012

In accordance with official figures, Venezuela's oil reserves are the largest in America and worldwide. According to PDVSA Management Report 2012, proven oil reserves stood at 297.7 billion barrels in 2012, 123 million barrels higher than 2011 due to the addition of 13 new archaeological discoveries. *This represents 54 percent of the oil reserves in the Americas and 18 percent of the world's reserves.*

OIL RESERVES IN VENEZUELA ARE DISTRIBUTED AS FOLLOWS:

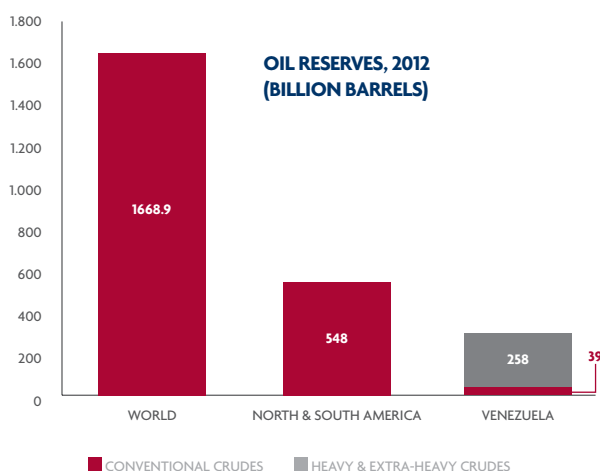
BASIN	RESERVES (MMB)
Maracaibo-Falcón	19.986
Barinas-Apure:	1.191
Oriental	276.156 ⁵
Carúpano	402

⁵258,809 MMB correspond to the reserves of the Orinoco Oil Belt, of which 3,935 are heavy oil reserves and 254,874 MMB are extra heavy crude.

Source: BP Statistical Review of World Energy 2013 and Informe de Gestión Anual.

Note 1: The World Total and America's reserves figures correspond to BP Statistical Review of World Energy 2013.

Note 2: PDVSA assumes a recovery factor of 20 percent as a minimum recovery value.



Exploration costs, mainly geophysical expenses, increased by approximately 202 percent from 163 million dollars in 2011 to 492 million in 2012.

EXPLORATION AND PRODUCTION

PRODUCTION IN 2012 ACCORDING TO INTERNATIONAL SOURCES

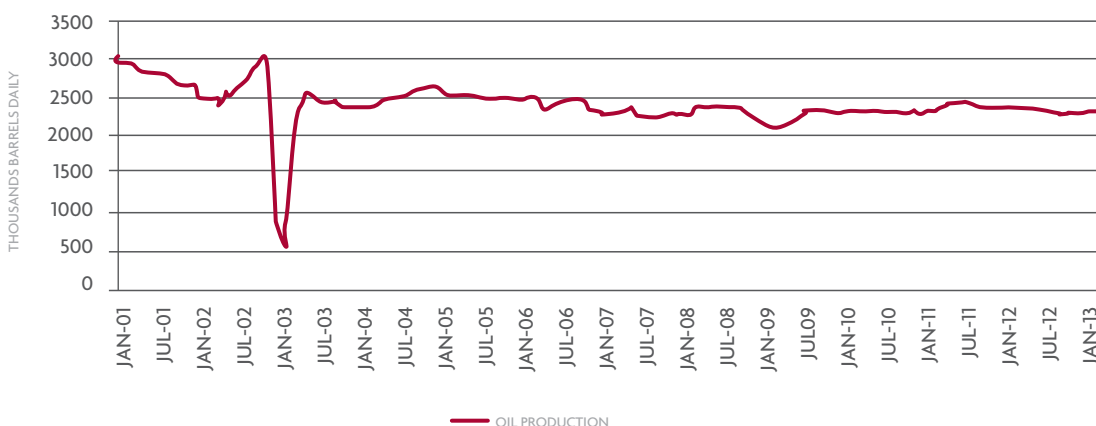
According to the monthly report of May 2013 of the Organization of Petroleum Exporting Countries (OPEC) Venezuela's oil production in 2012 was 2.360 million barrels per day, about 8 percent lower than in 2008. This level of production, according to OPEC, takes into account the amount of conventional crude oil production and the production of extra-heavy crude from the Orinoco Belt, once upgraded. This figure does not include condensed liquids nor natural gas liquids. This explains in part the difference with other international sources such as BP and official sources, both of which consolidate all production in one figure.

VENEZUELAN MONTHLY OIL PRODUCTION ACCORDING TO OPEC, DECEMBER 2001-DECEMBER 2012

According to BP Statistical Yearbook 2013, Venezuela's oil production was 2.725 million barrels per day in 2012, the associated liquids include crude oil and natural gas. That level of production represents approximately 12 percent of the continent's production and 3 percent of world production.

Relative to the magnitudes reached towards the end of the last decade, there has been a downward trend in the last nine years. Production has fallen by about 13 percent from its value in the year 1999 compared to 2012.

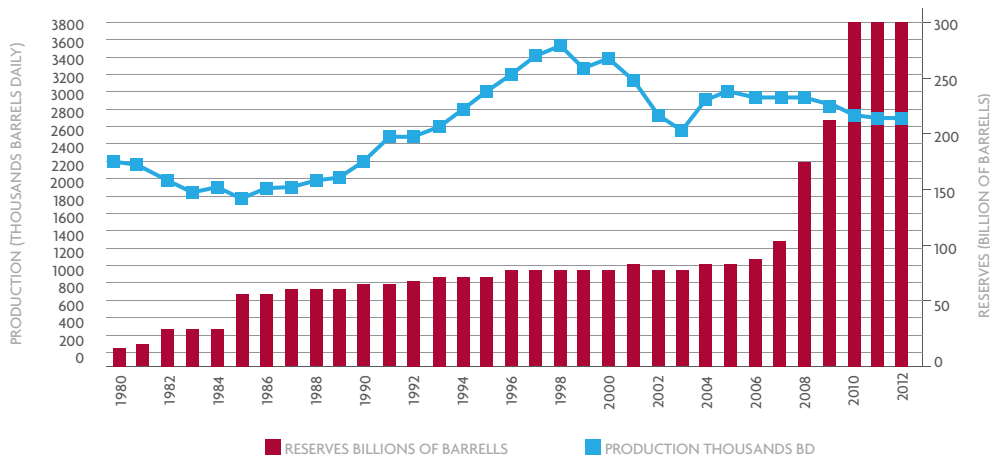
VENEZUELAN MONTHLY OIL PRODUCTION ACCORDING TO OPEC, DECEMBER 2001-DECEMBER 2012



Source: OPEC's Monthly Oil Market Report, April 2013

Note: This does not include production equivalent to liquid condensates and natural gas liquids.

PRODUCTION AND CRUDE OIL RESERVES IN VENEZUELA, 1980-2012



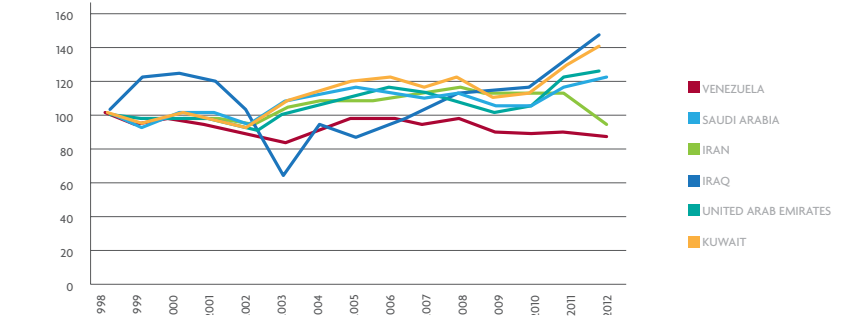
Source: BP Statistical Review of World Energy 2013.

Note: Oil production includes crudes, shale oil, oil sands and natural gas liquids; excluding liquid fuels and energy sources like biomass or coal derivatives.

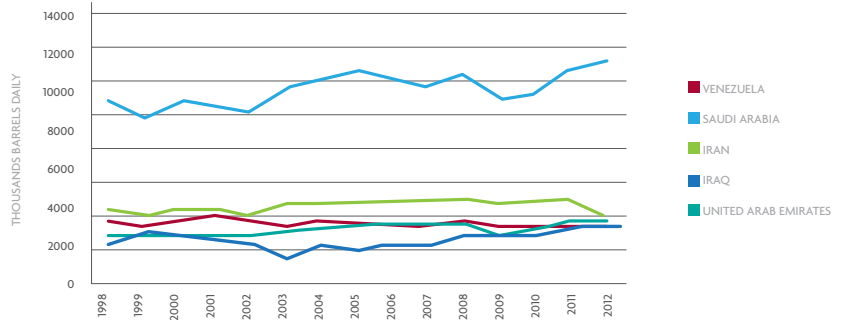
COMPARED OIL PRODUCTION VENEZUELA – OPEC

The chart shows a remarkable difference between the behavior of Venezuelan oil production from the rest of OPEC. The collapse in production observed in Iraq after 2003 was due to the Iraq War.

**PRODUCTION TAKING
1998 LEVEL AS BASE**



**COMPARED OIL
PRODUCTION
VENEZUELA-OPEC**

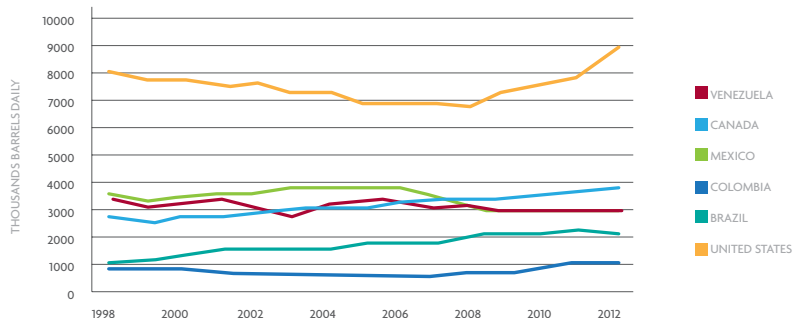
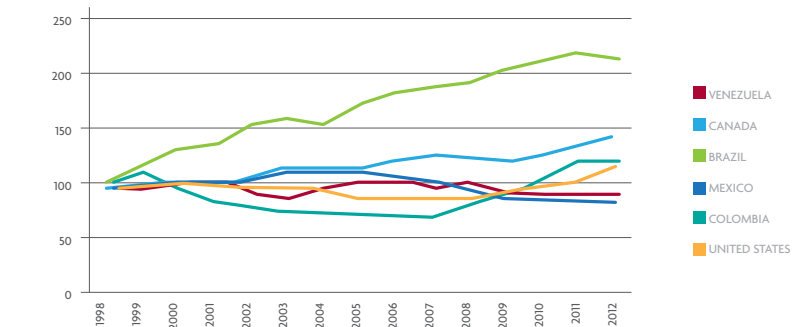


Source: International Energy Agency World Energy Outlook 2012, New Policies Scenario and own calculations.

COMPARATIVE OIL PRODUCTION VENEZUELA - AMERICA

When comparing the behavior of Venezuela, to other oil producers in the region, there are evident similarities between Venezuela and Mexico, both traditional exporters in the region. In addition, the effect of the discovery of the oil sands in Canada and Brazil's large deposits can be observed. It also highlights the significant increase in production in the U.S. - due to the shale oil revolution - and in Colombia, following important institutional reforms in its oil sector.

**COMPARED OIL
PRODUCTION VENEZUELA –
AMERICA**



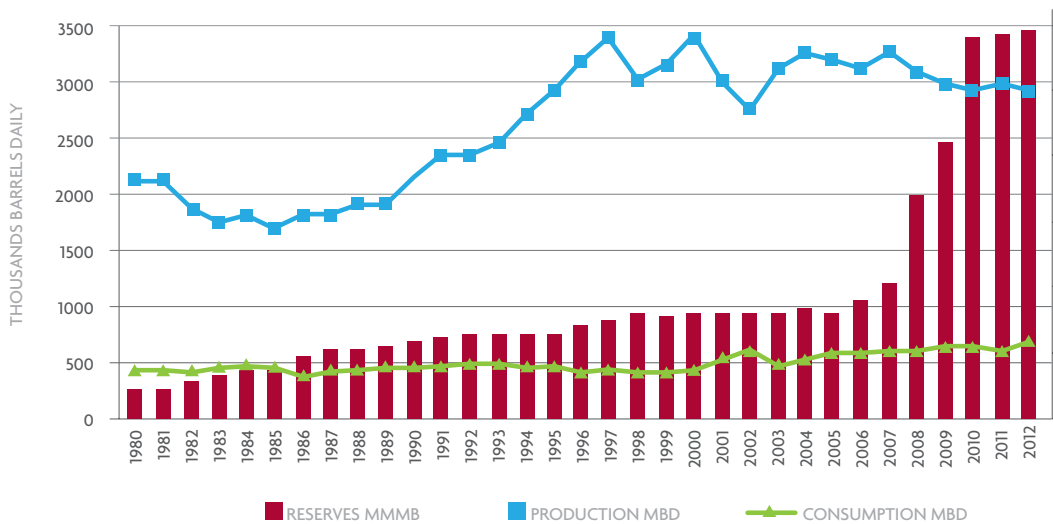
Source: International Energy Agency World Energy Outlook 2012, New Policies Scenario and own calculations.

PDVSA: PRODUCTION, CONSUMPTION AND OIL RESERVES IN VENEZUELA, 1980-2012

According to official figures, the production was 2.91 million barrels per day in 2012, representing a decrease of 2.7 percent from 2011, when production was 2.99 million barrels per day. With respect to consumption, PDVSA reported for 2012 a total of 681 thousand barrels per day.

In 2011, PDVSA's operating expenses were U.S. \$ 14.555 million, an increase of 58 percent over 2012, when they were 23.014 million dollars. This increase relates primarily to the costs of Welfare, Labor and Benefit of workers.

PDVSA PRODUCTION, DOMESTIC CONSUMPTION AND CONVENTIONAL OIL RESERVES IN VENEZUELA, 1980-2012



Source: PODE until 2008, Informe Operacional y Financiero de Pdvsa (2009), Informe de Gestión PDVSA 2010; Informe de Gestión PDVSA 2011 and Informe de Gestión PDVSA 2012.

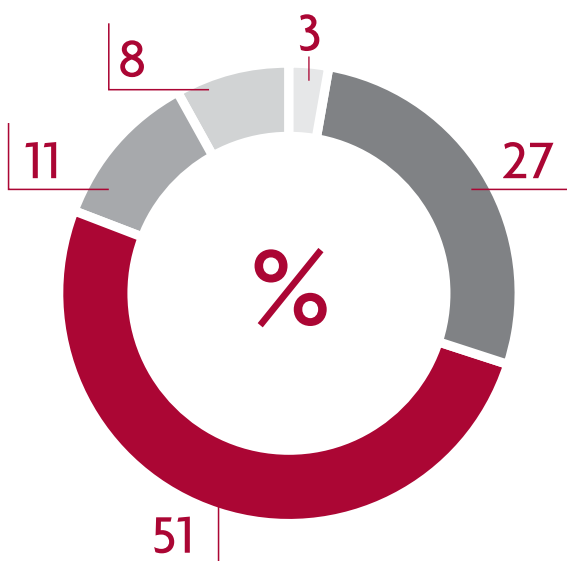
Note 1: Reserve level includes conventional and heavy-weight crudes certified until 2007. They were estimated considering a 20 percent recovery rate.

Note 2: Data includes natural gas condensates and heavy-weight crudes destined to Oritulmion.

INVESTMENT

In 2012 investments in the oil industry increased by 47 percent relative to 2011, rising from 17.5 billion dollars to 24.6. In 2012 the investments were concentrated in the area of oil exploration and production with an investment of approximately U.S. \$ 12.48 billion. There was a decrease in investment in non-oil sectors of 51 percent,

declining from 1.46 billion dollars to 0.715 billion. However, investments in "Other" areas increased by 86 percent, resulting in the percentage share of total investments exceeding the sum of investments in refining, trading and supply, gas and food and consumer goods / non-oil subsidiaries.



INVESTMENT BY SECTOR IN 2012

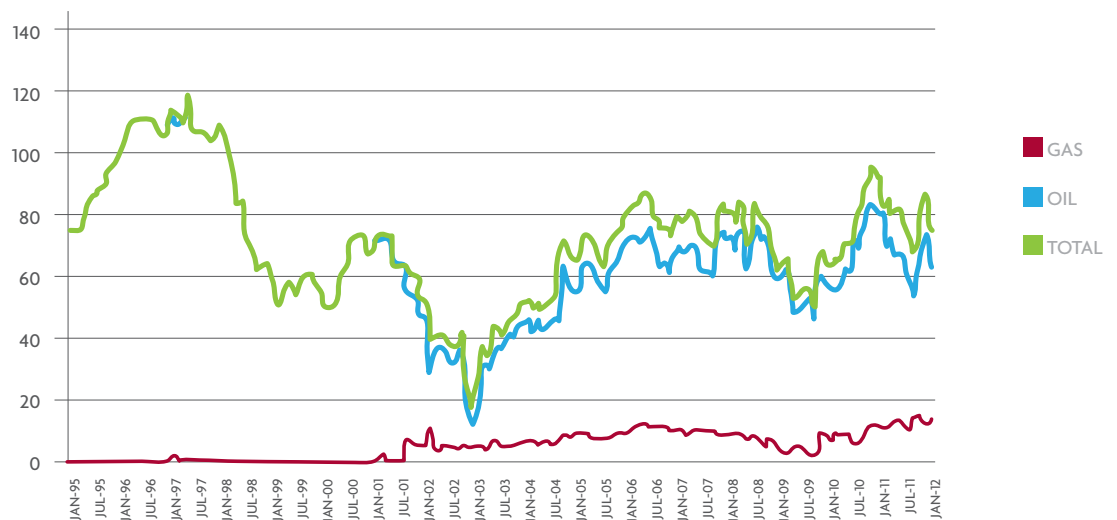
- EXPLORATION AND PRODUCTION
- REFINING, COMMERCIALIZING AND SUPPLY
- GAS
- FOOD AND MASSIVE CONSUMPTION PRODUCTS/AFFILIATES UNRELATED TO OIL
- OTHERS

Source: Informe de Gestión PDVSA 2012.

Another indicator that illustrates the approximate size of the investment in exploration and production of hydrocarbons is the number of active rigs. The number of rigs and the amount of production generally move in the same direction, when the number of rigs increases or decreases, production tends to increase or decrease accordingly, albeit more slowly.

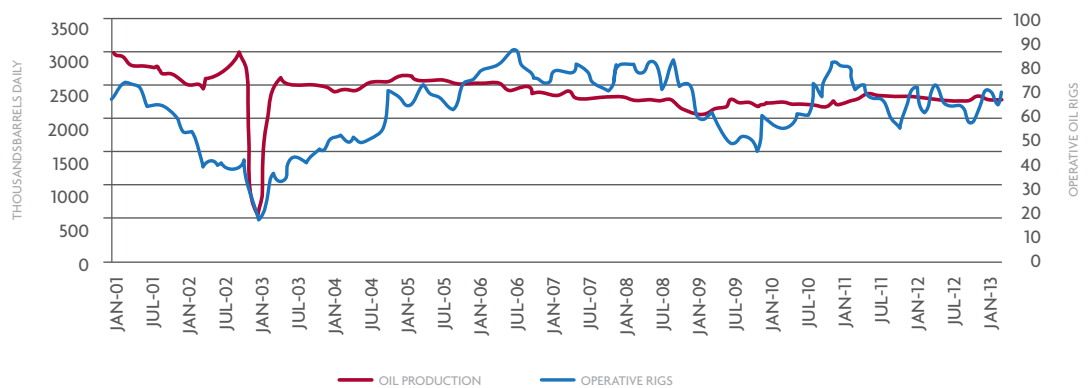
Between 2005 and 2008, activation and removal of this equipment was relatively volatile: the number of rigs in operation ranged from 63 to 84. By December 2009 the teams were reduced to 49, however, in the course of 2010 drilling activity recovered closing in December 2010 with 83 rigs in activity, decreasing again during the last quarter of 2011, closing the year with a figure of 69 teams throughout the month of December. Until November 2012 the number of active rigs ranged between 68 and 87, decreasing to 63 in December of that year.

OPERATIVE OIL AND GAS RIGS, JANUARY 1995 - APRIL 2013 (UNITS)



Source: Baker Hughes International Rig Count.

OPERATIVE RIGS AND OIL PRODUCTION DECEMBER 2001 – DECEMBER 2012



Source: Baker Hughes International Rig Count and OPEC's Monthly Report, January 2013

PRODUCTION BY TYPE OF SCHEME

According to the 2012 Annual Management Report of PDVSA, total audited production of crude oil in Venezuela was 2.91 million barrels per day.

The daily production of Venezuela, including 124 million barrels of natural gas was 3.034 million barrels a day. Production corresponding to own effort (PDVSA alone) amounted to 1.835 million bpd oil in the following areas of the country:

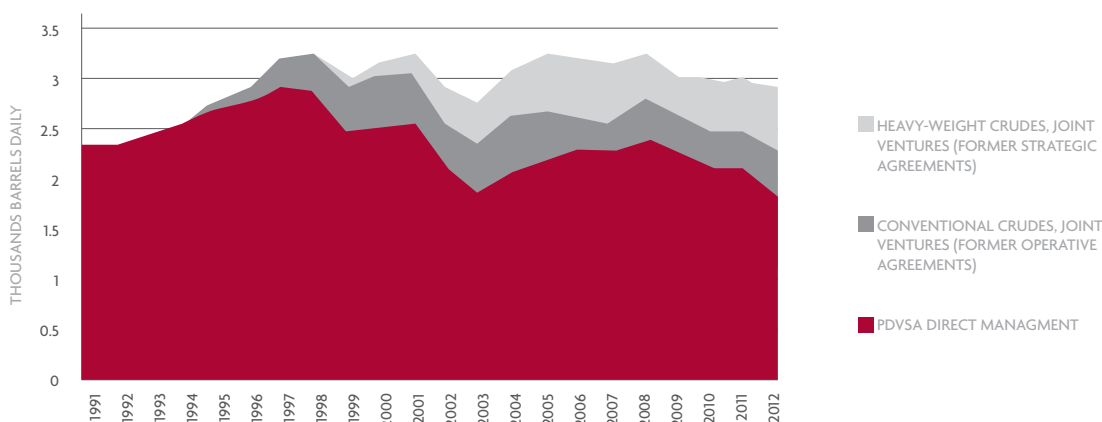
- » **East:** 971 thousand barrels per day
- » **West:** 533 thousand barrels per day
- » **Belt:** 417 thousand barrels per day
- » **PDVSA Gas:** 29 thousand barrels per day

The remaining production corresponds to projects in which PDVSA participates jointly with third parties:

- » **Joint ventures conventional oil:** 432 thousand barrels per day
- » **Joint ventures of extra heavy oil:** 643 thousand barrels per day

According to official figures, the production of projects solely operated by PDVSA reached a record high in 1997, standing at 2.92 million barrels per day. However, from 1992 to 2005 sole production by PDVSA as a percentage of total production tended to decrease and there was a progressive increase in the production of private enterprises in the former operating agreements and strategic partnerships. This trend reversed after 2006 due to contractual changes giving PDVSA greater participation in all projects. However, as of 2008 a decrease can again be observed in the production of PDVSA's own efforts as a percentage of total production.

OIL PRODUCTION CLASSIFIED BY CONTRACT CONDITIONS, VENEZUELA 1990-2012



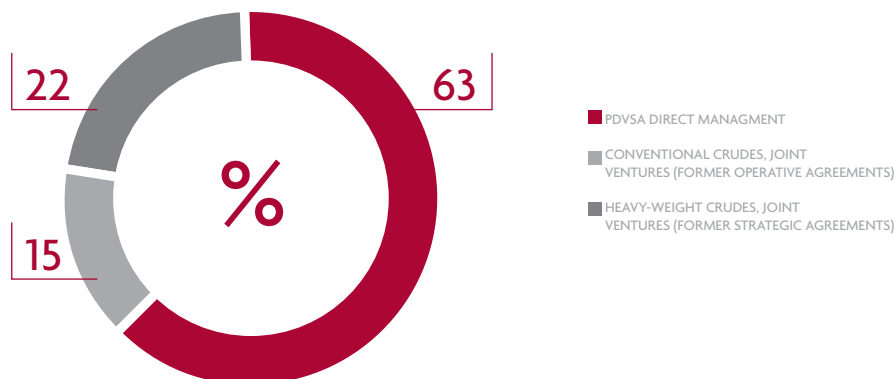
Source: (Ministerio de Energía y Petróleo (PODE 2007-2008); (*) Informe sobre la gestión y resultados de Pdvsa, 2009, 2010, 2011 & 2012.

Note 1: Since 2006 the conventional crude operating agreements transformed into Joint Ventures.

Note 2: Since 2007 the heavy weight strategic agreements transformed into Joint Ventures.

Note 3: Production data does not include Natural Gas Liquids.

OIL PRODUCTION CLASSIFIED BY CONTRACT CONDITIONS, VENEZUELA 1990-2012 (PERCENTAGES OF TOTAL PRODUCTION)



Source: Informe de Gestión Anual de PDVSA de 2012.

Note 1: Since 2006 the conventional crude operative agreements transformed into Joint Ventures

Note 2: Since 2007 the heavy weight strategic agreements transformed into Joint Ventures

Note 3: Production data doesn't include Natural Gas Liquids



EXPLORATION AND PRODUCTION

Projects with third parties

Exploration projects and conventional and extra heavy oil production in Venezuela are developed under two schemes: a) PDVSA's own effort and b) joint ventures between PDVSA and third parties.

1. Conventional oil projects

Since 2006, projects in conventional oil fields are developed by 21 joint ventures which were previously linked to the figure of the operating agreements. These operations are aimed primarily at maintaining production levels because they operate in mature fields with a natural tendency of decline in production.

Joint ventures are formed between the Venezuelan Petroleum Corporation (CVP), a subsidiary of PDVSA, with a minimum stake of 60 percent, and private companies (mostly foreign), with a maximum of 40 percent.

⁸ The Orinoco Belt also has a large volume of original gas in place, which is a potential source of supply for future development projects that will eventually need large amounts of gas.

⁹ According to the United States Geological Survey Service (USGS) Orinoco Belt's reserves could be estimated at 380–650 billion barrels based on arecovery factor of 45 percent (this rate takes into account technological advances that have not been made yet).

2. Heavy crude projects

Orinoco Belt (in Spanish Faja Petrolífera del Orinoco FPO):

- Location: south of the states Guárico, Anzoátegui and Monagas.
- Geographical Area: approximately 55 thousand square kilometers.
- Area exploitation: about 12 thousand square kilometers.
- Petroleum in site⁸ : approximately between 914 billion and 1.36 trillion barrels, besides the 37 billion barrels that were had officialized in 2005.
- Reserves 2012: 258,809 million barrels
 - Petroleum heavy: 3,935 million barrels.
 - Petroleum extra-heavy: 254,874 million barrels.
- Average API: 8.6 degrees API.

EXPLORATION AND PRODUCTION

PDVSA and BP, Chevron, ConocoPhillips, ExxonMobil, Statoil and Total, started in the late nineties, the exploitation of extra-heavy crude with the establishment of strategic partnerships. These agreements represent an investment of about 17 billion dollars, which allowed to reach an average production in 2006 of 560 thousand barrels per day. Strategic partnerships were developed with the aim of vertically integrating the business of heavy oil from the Orinoco Belt, to include not only mining activities but also upgrading plants to produce synthetic crude with higher API gravity, better traded in international markets. According to this scheme, the participation of PDVSA averaged forty percent and a majority stake was in the hands of private partners.

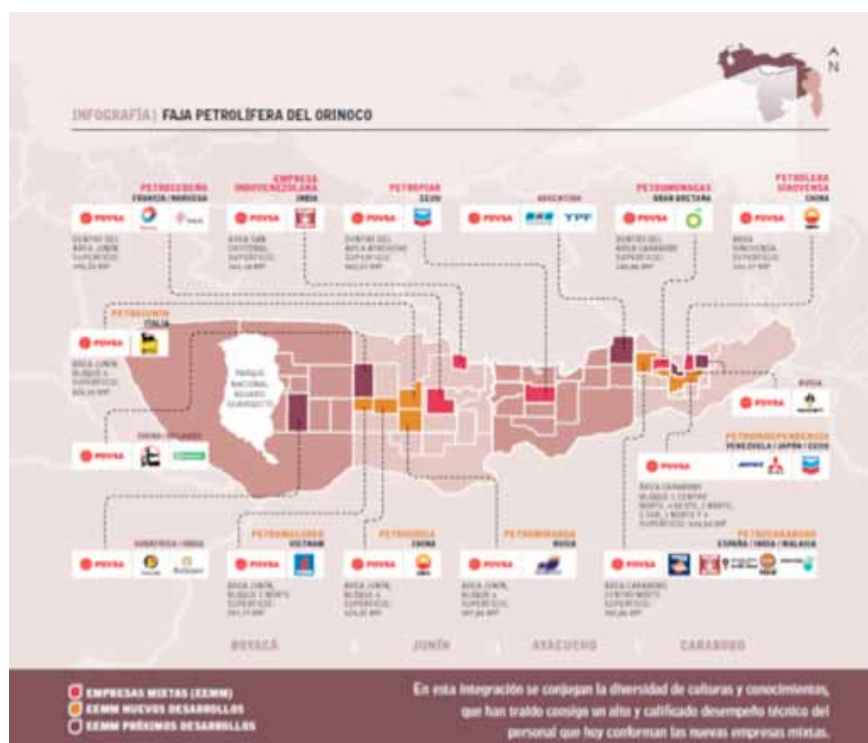
3. Exploration projects

Since 2007, the exploration activities projects, former exploration, risk and profit sharing agreements, are operating under the new contractual scheme of joint ventures.

Reserves certification projects

Orinoco Magna Reserve Project (In Spanish Proyecto Orinoco Magna Reserva) is part of the Plan Siembra Petrolera 2005-2030 and is intended to quantify and certify the hydrocarbon reserves in the Orinoco Oil Belt.

- » The FPO has been divided into 30 blocks, nested according to their technical and strategic in four areas:
 - Boyaca, Junin, Ayacucho and Carabobo (excludes firms assigned area Petrocedeño, SA, Petromonagas, SA, Petrozuata, CA and Oil Sinovensa, SA).
- » From these blocks, 22 will be quantified in a joint effort between the CVP and 28 foreign companies, mainly state.
- » The rest of the blocks will be quantified with PDVSA's own effort.



Source: : Informe de Gestión Anual de PDVSA de 2012.

EXPLORATION AND PRODUCTION

Comprehensive Exploration Project

This project aims at the discovery and incorporation of hydrocarbon reserves up to 8,045 MMB and 40,001 million cubic feet of gas. The balance at 31 December 2012 of works in progress stood at \$ 535 million. Consists of the following subprojects:

Project	Estimated Oil Reserves (MBD)	Estimated Gas Reserves (MMMPC)	Expected Oil Wells	Estimated investment (MMUSD)	Project Completion (%)	Period
PIEX Fachada-Caribe	1798	15349	49	1343	4.40	2008-2021
PIEX Golfo de Venezuela Falcón	1813	11187	18	541	26.12	2010-2021
PIEX Anzoátegui Monagas Central Pantano	1136	3379	22	611	4.40	2007-2021
PIEX Norte Monagas Serranía	1242	4938	20	558	24.57	2007-2021
PIEX Trend Anaco Guárico	195	1286	7	349	2.05	2009-2019
PIEX Zulia Oriental Falcón	1075	1380	20	653	25.2	2007-2021
PIEX Centro Sur Sur	376	347	12	264	26.6	2007-2020
PIEX Centro Sur Norte	410	2135	25	478	18.4	2007-2018
TOTAL	8045	40001	173	4707		

Source: Informe de Gestión Anual de PDVSA 2012



JOINT VENTURES UNTIL 2012

Dirección Oriente	Joint Venture	Date	(%) PDVSA's Share	(%) Associated firm Share	Minority shareholder	Formerly known as
División Furrial	Petroquirquire	August 21, 2006	60	40	REPSOL	Quirquire Operative Agreement
	Boquerón	October 11, 2006	60	26.67 13.33	Boquerón Holdings PEI	Boquerón Operative Agreement
División Costa Afuera	Petrowarao	August 9, 2006	60	40	PERENCO	Pedernales Operative Agreement
	Petrosucre	December 19, 2007	74	26	ENI	Golfo de Paria Oeste (CoroCoro) Exploration and Shared Revenue Agreement
	Petrolera Paria	December 19, 2007	60	32 8	SINOPEC INE Oil & Gas INC	Golfo de Paria Este (Posa) Exploration and Shared Revenue Agreement
	Petrolera Güiria	January 10, 2008	64.25	19.5 16.25	ENI INE Oil & Gas INC	Golfo de Paria Central Exploration and Shared Revenue Agreement

JOINT VENTURES UNTIL 2012

Dirección Occidente	Joint Venture	Date	(%) PDVSA's Share	(%) Associated firm Share	Minority shareholder	Formerly known as
División Lago	Petroregional del Lago	August 11, 2006	60	40	Shell	Urdaneta Operative Agreement
	Petro independiente	August 11, 2006	74.8	25.2	Chevron	LL-652 Operative Agreement
	Lagopetrol	December 5, 2007	69	26.35 3.1 1.55	Hocol Ehcopek CIP	B2X.70/80 Operative Agreement
	Petrowarao	August 9, 2006	60	40	PERENCO	Ambrosio Operative Agreement
	Petrolera Sino-Venezolana	November 28, 2006	75	25	CNPC	Intercampo Norte Operative Agreement
	Petrolera Bielovenezolana	December 14, 2007	60	40	Unión de Empresas Productoras Belorusneft	Bloque X Operative Agreement
División Costa Occidental del Lago	Petroboscán	August 11, 2006	60	39.2 0.8	Chevron INEMAKA	Boscán Operative Agreement
	Baripetrol	August 9, 2006	60	17.5 17.5 5	Suizum PERENCO PFC	Colón Operative Agreement
	Petroperijá	September 21, 2006	60	40	DZO	DZO Operative Agreement
	Petrowayu	September 4, 2006	60	36 4	PETROBRAS Williams International Oil & Gas	La Concepción Operative Agreement
	Petrourdaneta**	April 3, 2012	60	40	Odebrecht E & P	
	Petrocabimas	October 2, 2006	60	40	SEPCA	Cabimas Operative Agreement
División Costa Oriental del Lago	Petrocumarebo	October 24, 2006	60	40	PFC	Falcón Este & Falcón Oeste Operative Agreement
	Petrozamora**	May 4, 2012	60	40	Gazprombank	
División Sur del Lago	Petroquiriquire	August 21, 2006	60	40	REPSOL	Mene Grande Operative Agreement

JOINT VENTURES UNTIL 2012

Dirección Faja	Joint Venture	Date	(%) PDVSA's Share	(%) Associated firm Share	Minority shareholder	Formerly known as
División Junín	Petrolera Indovenezolana	April 8, 2008	60	40	ONGC	Convenio operativo San Cristóbal
	Petrocedeño	December 11, 2007	60	30.32 9.677	Total StatoilHydro	Asociación estratégica Sincor
	Petroanzoátegui	February 21, 2008	100			
	Petromiranda*	April 20, 2010	60	40	Consortio Nacional Petrolero	
	Petromacareo*	September 17, 2010	60	40	Petrovietnam	
	Petrourica*	December 14, 2010	60	40	CNPC	
	Petrojunín*	December 14, 2010	60	40	ENI	
División Carabobo	Petrodelta	October 3, 2007	60	40	HRN	Monagas Sur Operative Agreement
	Petrolera Sinovensa	February 1, 2008	64.25	35.75	CNPC	
	Petromonagas	February 21, 2008	83.33	16.67	BP	Asociación estratégica Cerro Negro
	Petrocarabobo*	June 25, 2010	60	11	REPSOL	
				11	PC Venezuela	
				11	Petro carabobo Ganga	
				7	Indoel Netherlands B. V.	
	Petro independencia*	June 25, 2010	60	34	Chevron	
				5	Japan Carabobo Uk	
				1	Suelopetrol	
División Ayacucho	Petrokariña	August 31, 2006	60	29.2 10.8	PETROBRAS Inversora Mata	Mata Operative Agreement
	Petroven-Bras	September 4, 2006	60	40	PETROBRAS	Acema Operative Agreement
	Petroritupano	September 4, 2006	60	22 18	PETROBRAS Venezuela US	Oritupano-Leona Operative Agreement
	Petronado	September 15, 2006	60	26	CGC	Casma-Anaco Operative Agreement
				8.36	BPE	
				5.64	KNOC	
	Petrocuragua	October 18, 2006	60	28 12	CIP OPEN	Zumano Operative Agreement
	Petrozumano	November 6, 2007	60	40	CNPC	Kaki Operative Agreement
	Petrolera Kaki	November 28, 2006	60	40	INEMAKA	Convenio operativo Kaki
	Petrolera Vencupet*	December 3, 2010	60	40	CUPET	

JOINT VENTURES UNTIL 2012

Dirección Faja (cont.)	Joint Venture	Date	(%) PDVSA's Share	(%) Associated firm Share	Minority shareholder	Formerly known as
División Ayacucho (cont.)	Petrolera Sino-Venezolana	November 28, 2006	75	25	CNPC	Caracoles Operative Agreement
	Petrolera Bielovenezolana	December 14, 2007	60	40	Unión de Empresas Productoras Belorusneft	Guara Este Operative Agreement
	Petropiar	December 19, 2007	70	30	Chevron	Ameriven Operative Agreement
	Petrolera Venangocupet**	November 26, 2012	60	40	Comercial Cupet, S. A. y Sonangol (46) Pesquisa & Producao, S. A.	
División Boyacá	Petroguárico	October 25, 2006	70	30	Teikoku	Guárico Oriental Operative Agreement

Fuente: Informe de Gestión Anual
de PDVSA 2012.

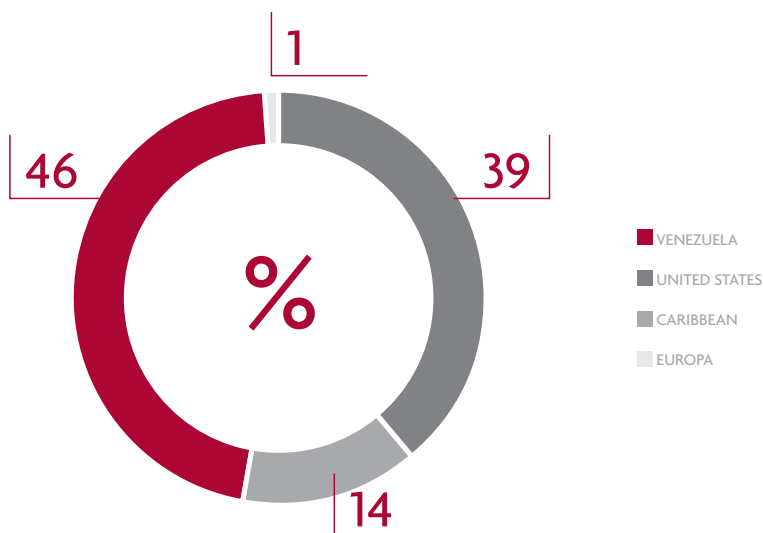
**New Joint Venture mature field.

REFINING

Venezuela's global refining capacity (domestic and offshore) at the end of 2012 was 2.822 million barrels per day. Of this, the refineries located in the country have the capacity to process 1.3 millions barrels per day. The rest of the refinery capacity is located in the Caribbean, Europe and the United States, which have a total capacity of 469 thousand barrels per day, 67 and 1.428 million barrels per day, respectively.

	REFINERÍA	REFINING CAPACITY (THOUSAND BD)	LOCATION
DOMESTIC	Centro de Refinación de Paraguaná CRP (Refinerías Amuay y Cardón)	955	Falcón
	Puerto La Cruz	187	Anzoátegui
	El Palito	140	Carabobo
	Bajo Grande	16	Zulia
	San Roque	5	Anzoátegui
	Total nacional	1,303	
Offshore ¹⁰	Isla	335	Curazao
	Camilo Cienfuegos	32	Cuba
	Jamaica	17	Jamaica
	Haina	17	República Dominicana
	Lake Charles	425	Estados Unidos
	Corpus Christi	157	Estados Unidos
	Lemont	167	Estados Unidos
	Chalmette	92	Estados Unidos
	Saint Croix	248	Estados Unidos
	Nynashamn	15	Suecia
	Gothenburg	5	Suecia
	Dundee	4	Escocia
	Eastham	5	Inglaterra
	Total offshore	1,519	
	PDVSA's total refining capacity	2,822	

PDVSA REFINING CAPACITY 2012
(PERCENTAGES OF TOTAL REFINING)



¹⁰ Includes only PDVSA's net share.
Source: Informe de Gestión Anual de PDVSA de 2012.

REFINING

Refineries outside Venezuela, 2012

Refineries	Location	Company	Refining Capacity (MBD)	PDVSA Refining Capacity (MBD)	Share
Lake Charles	United States	CITGO	425	425	100%
Corpus Christi	United States	CITGO	157	157	100%
Lemont	United States	CITGO	167	167	100%
Chalmette	United States	Chalmette Refining ⁽²⁾	184	92	50%
Saint Croix	United States	Hovensa ⁽³⁾	495	248	50%
Camilo Cienfuegos	Cuba	CUVENPETROL	65	32	49%
Jamaica	Jamaica	Petrojam	35	17	49%
Isla	Curazao	PDVSA	335	335	100%
Haina	Dominican Republic	Refidomsa PDVSA	34	17	49%
Dundee	Scotland	Nynas	9	4	50%
Eastham	Inglaterra	Nynas	18	5	25%
Nynashamn	Sweden	Nynas	29	15	50%
Gothenburg	Sweden	Nynas	11	5	50%

Source: Informe Operacional y Financiero PDVSA 2012.

Oil volume processed and inputs for processes and mixtures 2011 – 2012

National Refining	Processed Oil Volume - 2012 (Thousands B/D)	Processed Oil Volume - 2011 (Thousands B/D)	Process and Mixtures Inputs. - 2012 (Thousands B/D)	Process and Mixtures Inputs- 2011 (Thousands B/D)
Centro de Refinación Paraguaná (CRP)	638	699	103	78
Refinería Puerto La Cruz	171	169	56	62
Refinería El Palito	127	127	101	91
Total	936	995	260	231
International Refining	Processed Oil Volume (includes process and mixtures inputs) - 2012 (Thousands B/D)	Processed Oil Volume (includes process and mixtures inputs) - 2011 (Thousands B/D)	Process and Mixtures Inputs. - 2012 (Thousands B/D)	Process and Mixtures Inputs- 2011 (Thousands B/D)
CITGO Petroleum Corporation*	637	659		
Chalmette	133	131		
Saint Croix	**	283		
Isla	165	164	11	6
Camilo Cienfuegos	55	55		
Jamaica	23.8	24.5		
Haina	24.6	26.2		
Nynas***	55.7	56.6		
Total	1094.1	1399.3	11	6

Source: Informe de Gestión Anual
de PDVSA 2012 y 2011.

* Lake Charles, Corpus Christi &
Lemont refineries

**Closed since february 2012

***Dumdee, Eastham, Nynashamn &
Gothenburg refineries.

*According to official figures,
exports of oil and refined
products of Venezuela
reached 2.568 million barrels
per day in 2012*

COMMERCIALIZATION

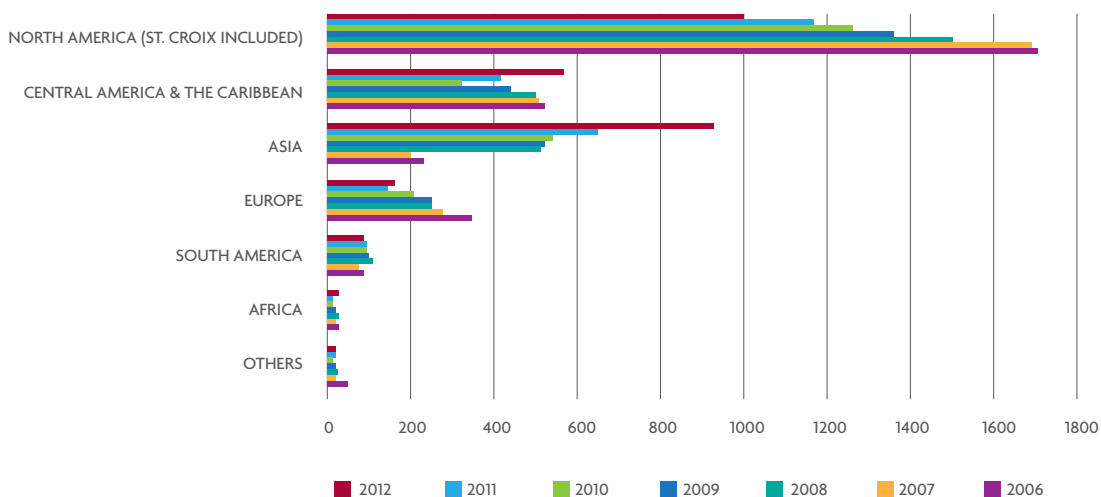
According to official figures, exports of oil and refined products of Venezuela reached 2.568 million barrels per day in 2012 to include:

- » **Raw:** 2.060 million barrels per day
- » **Refined products and natural gas liquids:** 508 thousand barrels per day

Of the total exports were commercialized by region:

- » **North America:** 1.002 million barrels per day
- » **Central America and the Caribbean:** 564 thousand barrels per day
- » **Asia:** 924 thousand barrels per day
- » **Europe:** 156 thousand barrels per day
- » **South America:** 73 thousand barrels per day
- » **Africa:** 21 thousand barrels per day
- » **Other:** 13 thousand barrels per day

EXPORTS BY REGION 2006-2012 (THOUSANDS B/D)



Sources: Informe Operacional Financiero de PDVSA 2007 & Informe de Gestión Anual de PDVSA 2008, 2009, 2010, 2011 y 2012.



COMMERCIALIZATION

EXPORTS CLASSIFIED BY PRODUCT 2005-2012 (THOUSANDS B/D)

Product	2012	2011	2010	2009	2008	2007	2006	2005
Gasoline & nafta	30	46	49	48	69	80	95	87
Destillates	43	64	63	108	104	133	140	162
Residual fuel oil	258	268	215	297	227	160	174	189
Asphalt	5	1	0,3	1	0	10	16	20
Kerosene/Turbo fuels/Jet	57	66	59	59	64	59	58	60
Others	40	33	43	33	61	74	82	60

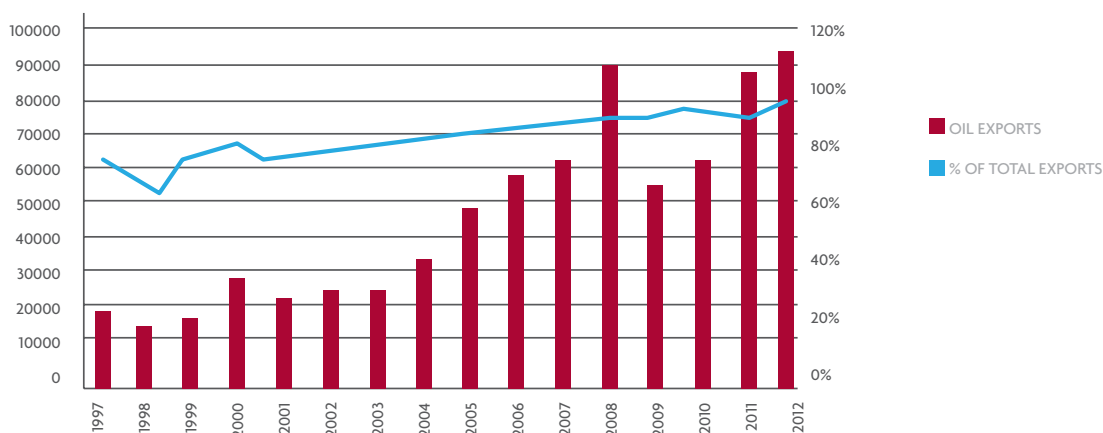
*Source: Informe de Gestión Anual
de PDVSA de 2012.*

In 2012
Oil Exports accounted for 96 percent
of total Venezuelan exports

FISCAL POLICY AND THE OIL SECTOR

In 2012 oil exports accounted for 96 percent of the total value of exports of Venezuela. The total oil exports in 2012 were higher than 2011 by 5.7 percent increase. Oil exports resulted in a contribution to the nation of U.S. \$ 29,020 million (tax and nontax), falling about 47 percent from the previous year. These contributions were U.S. \$ 19,995 million in taxes, U.S. \$ 8,311 million to FONDEN and U.S. \$ 9,025 million were allocated to social development programs.

VENEZUELAN OIL EXPORTS 1997-2012 (MILLIONS US\$)



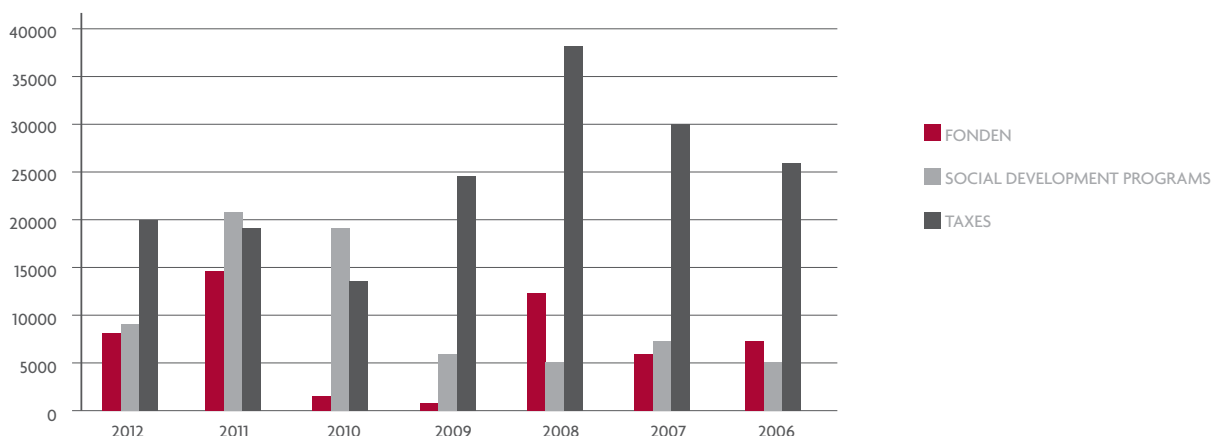
Source: BCV e Informe de Gestión Anual de PDVSA 2012.

⁹ According to the new Operacional y Financiero de PDVSA sólo hubo aportes al Fonden en los años 2007- 2011.

PDVSA's social spending and contributions to FONDEN according to official figures increased steadily over the period 2004 - 2008, fell by 62 percent in 2009, reaching the historical peak in 2011 exceeding US\$ 35 billion, to represent 17,336 during 2012, the year in which decreased by 51 percent. Moreover, its share as a proportion of GDP, fluctu-

ated from 1.12 percent in 2004, 7.52 percent in 2006, 1.08 percent of total GDP in 2009 and reached a record to be 8.57 percent of GDP in 2010, subsequently reduced to 6 percent for 2011 and 2012.

PDVSA'S CONTRIBUTIONS TO THE NATION BY TYPE



Source: Informe sobre la gestión y resultados de PDVSA 2012.

PDVSA: FINANCIAL INFORMATION 2005 - 2012 (MILLIONS USD)

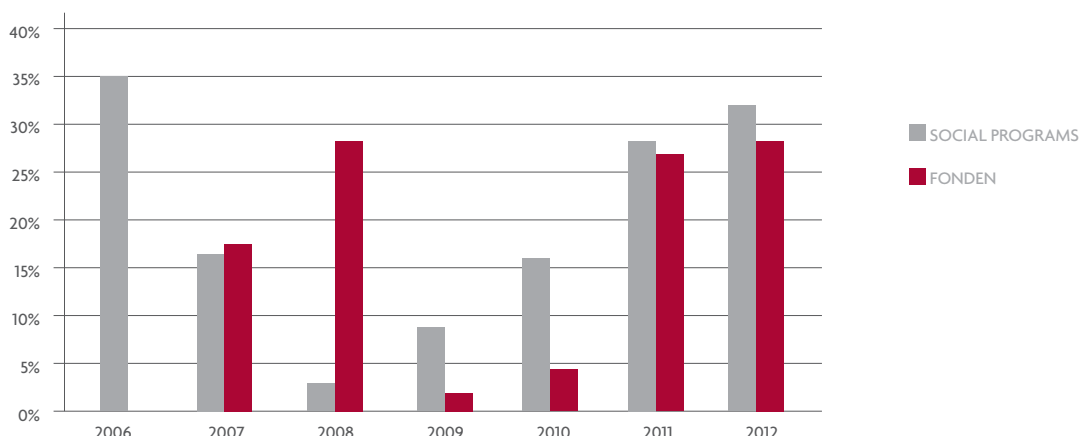
	2005	2006*	2007	2008	2009	2010	2011	2012
Sales	82.915	99.252	96.242	125.499	73.819	94.929	124.754	121.480
Income on refinery selling	-	1.432	-	998	-	-	-	-
Asset share in affiliates net profits	1.074	1.120	732	-153	139	184	278	-64
Crudes and products purchases	32.001	38.778	28.137	44.600	25.392	34.017	39.783	40.012
Operative Costs**	14.152	14.879	15.112	16.581	15.482	12.039	14.718	23.014
Expenses***	5.487	5.824	6.720	10.192	10.736	9.766	10.690	11.183
Net Financial Expenses	n/d	n/d	n/d	200	-5.038	8.391	2.884	249
Minority Interests	14	458	902	1.962	1.474	n/d	n/d	n/d
Royalties and other taxes	13.318	18.435	21.981	23.371	12.884	13.904	17.671	17.730
Social Development Spending	6.909	13.784	14.102	14.733	3.514	7.018	30.079	17.336
Income Tax	5.793	4.031	5.017	4.280	3.310	3.849	2.007	7.279
Income from discontinued operations, net of taxes	154	20	101	57	-234	n/d	1.353	-
Losses from discontinued operations, net of taxes	n/d	n/d	n/d	-655	-1.274	-558	n/d	-
Net Income	4.335	3.212	4.809	9.413	4.498	3.164	4.496	4.215

Source: Informe Operacional y Financiero PDVSA 2012.

* Source: I: Información Financiera y Operacional de PDVSA y sus filiales, until 12/31/2007.

*** Includes exploration costs
*** Depreciation and Amortization, plus administrative expenses, plus financial expenses plus other expenses.

PDVSA'S SOCIAL CONTRIBUTIONS 2007-2012
(AS PERCENTAGES OF TOTAL CONTRIBUTIONS TO THE NATION)



Source: Informe de Gestión Anual de PDVSA 2012.

Sales in 2012 were reduced from 124,754 million dollars in 2011 to 121,480 million in 2012 reflecting a decrease of 2.6 percent. In the case of royalties and other taxes there was an increase of 0.035 percent from 17,671 million dollars in 2011 to 17,730 million in 2012. Moreover, the income tax reflected an increase of 263 percent over the same period. The social development spending fell from 30,079 million in 2011 to 17,366 million in 2012.

Investment Plan: Siembra Petrolera

PDVSA announced in 2005 the Siembra Petrolera Plan 2005-2012, proposing the use of oil resources to enhance the energy production capacity of Venezuela. According to the plan, oil production by the end of 2012 should have almost doubled reaching 5.837 million barrels a day.

That said production declined 11% in that period.

In PDVSA's Annual Report for 2012, a new Siembra Petrolera Plan for 2012 to 2019 was announced.

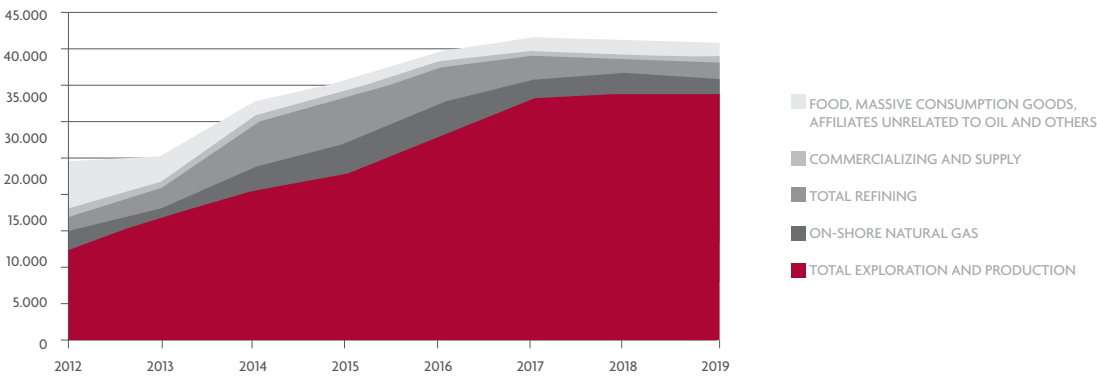
Goals for the Year 2019

- Increase the level of oil production to 6 million barrels per day in 2019, of which 4 millions barrels per day come from the Orinoco Oil Belt.
- Increase production of natural gas to a volume of 11,947 million cubic feet, with a significant proportion coming from the gas belt of our territorial waters.
- Increase production of Liquid Natural Gas to 255 thousand barrels per day.
- Raise the domestic refining capacity to 2.2 thousand barrels per day and to 2.4 thousand barrels per day internationally, for a total capacity of 4.6 thousand barrels per day.
- Achieve a level of exports of crude and products of 5.6 thousand barrels per day.
- Develop a systematic and sustainable industrial capacity for goods and services required by the hydrocarbon core activities.
- Strengthen the national capacity to transport crude and products.

Amounts and investment scheme

PDVSA estimates that implementation of the Plan will require an investment of approximately U.S. \$ 256,986 million in the period 2013-2019. Of that amount, PDVSA estimates about it will provide 81 percent; the remaining 19 percent will be contributed by the partners. Of the total investments, 74 percent will be invested in exploration and production, 9 percent will be invested in PDVSA Gas, 10 percent in Refining, 2 percent in Trade and Supply, and the remaining 5 percent in Other Organizations.

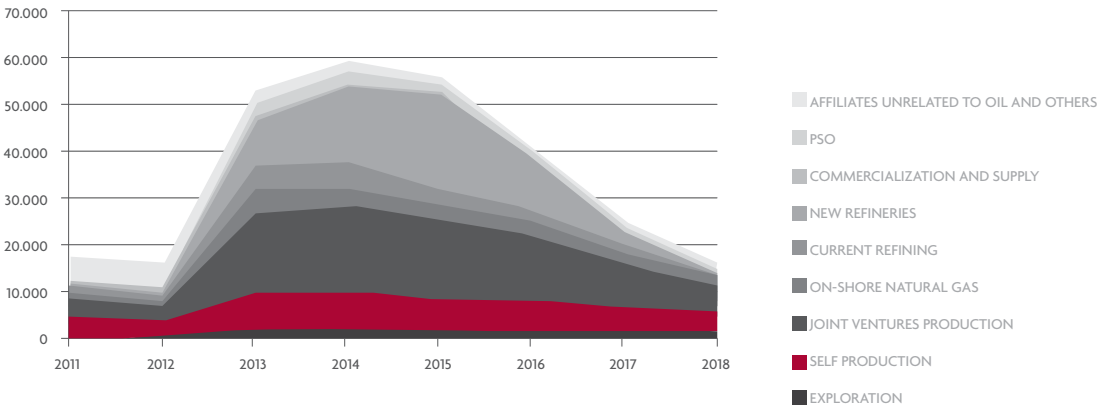
INVESTMENT DISBURSEMENTS (MM USD) 2012 - 2019



The disaggregated investment plan 2012-2019 shows a significant increase in exploration and production until 2018, and a refining effort concentrated between 2014-2018. Investment in non-oil subsidiaries tends to slow down, flattening out around 2014.

It should be noted the abrupt reduction of detail in planned disbursements information with respect to the 2011 Management Report. In addition to reducing the categories, the intertemporal profile of investments changed considerably. Below is the graph for 2011.

INVESTMENT DISBURSEMENTS (MM USD) 2011 – 2018



Source: Informe de Gestión de PDVSA 2012.





GAS SECTOR

GAS FIGURES 2012

» **Gas Reserves:** 196.4 trillion cubic feet, of which 58.42 trillion cubic feet are associated with the Orinoco Oil Belt and 35.95 trillion cubic feet associated with extraheavy crude are present in Eastern and Barinas-Apure basins.

» **Gas production:** 7,327 million cubic feet per day, of which 2,871 are reinjected.

» **Rate Reserves / Production:** 61 years.

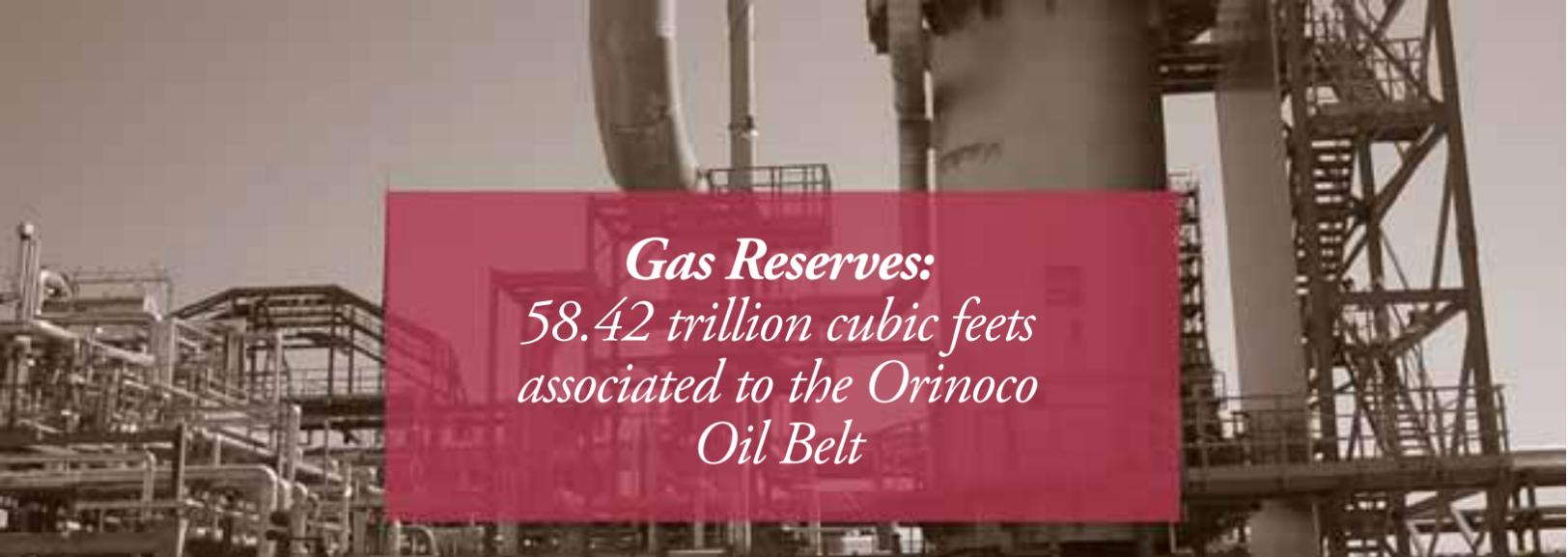
» **Average price of gas in Venezuela 2012:** \$ 0.53 / MPC.

» **Offshore exploration and exploitation projects:**

- Rafael Urdaneta Project (Falcón)
- Plataforma Deltana Project
- Liquefied Natural Gas Project
- Golfo de Paria Oeste y Punta Pescador Project
- Blanquilla-Tortuga Project

» **On shore projects::**

- Anaco Gas Project
- San Tomé Gas Project
- Fractioning Capacity Increase in Jose
- Soto Deep Extraction Plant
- IV Train in San Joaquín
- Pirital I
- Handling and Disposal of CO²
- G/J José Francisco Bermúdez (SINORGAS) Northeastern Natural Gas Pipeline
- Expansion of the Bajo Grande Ulé Amuay Transport System
- Ulé Amuay Center-Eastern Pipe Interconnection Segment
- National Gasification



***Gas Reserves:**
58.42 trillion cubic feet
associated to the Orinoco
Oil Belt*

LEGISLATIVE BODY-STATUTE OF THE VENEZUELAN NATURAL GAS SECTOR

Constitution of the Bolivarian Republic of Venezuela, (CBRV, 1999)

- » Mineral and hydrocarbon deposits of any nature that exist within the territory of the nation, beneath the territorial sea bed, within the exclusive economic zone and on the continental shelf, are the property of the Republic, are of public domain, and therefore inalienable and not transferable. (Article 12)
- » The management and governance of hydrocarbons is of the competence of National Public Power. (Article 156, paragraph 16) Gas transportation and distribution are also considered public services under the responsibility of the National Executive (Article 156, paragraph 29)

Gaseous Hydrocarbons Law, (LOHG 1999).

- » Regulates the exploration and exploitation of non-associated gas in the production of oil or other fossil fuels, and the collection, storage and use of associated gas and non-associated gas.
- » It ratified the “legal reserve” of the activity and ownership of gaseous hydrocarbon deposits (Article 1).
- » Exploration activities in search of gaseous hydrocarbon deposits unassociated and exploitation of such deposits, and the collection, storage and use of both non-associated natural gas from such exploitation, and the associated gas produced with the oil or other fossil processing, manufacturing, transportation, distribution, internal and external trade of these gases, are governed by this Act and may be exercised by the state directly or by entities owned or private persons foreign or domestic; with or without the participation of the State (Article 2).
- » Activities directly or indirectly related to the transport and distribution of hydrocarbon gases, intended for collective consumption, constitute a public service (Article 5).
- » The Ministry of Petroleum and Mining is empowered to determine the prices of hydrocarbon gases from the production and processing centers, following principles of equity. Fees will be set by the Ministries of Petroleum and Mining, and the Ministry of Industry and Trade, who shall determine the rates to be applied to final consumers and the services provided under this Act for establishing bases of such fees shall be developed by the National Gas Entity (Article 12).
- » To perform activities (other than exploration and exploitation) related to gaseous hydrocarbons, associated or not associated, produced by other people, you must obtain permission from the Ministry of Petroleum and Mining, after project definition or specific destination of such hydrocarbons. Will be applied the provisions in Article 24 of this Law, except as indicated in paragraphs 3 and 4. These permits require prior

authorization from the Ministry of Petroleum and Mining for assignment and transfer (Article 27).

- » Gaseous hydrocarbons industrialization activities can be made directly by the State, by entities owned by it or by domestic or foreign individuals, with or without the participation of the State (Article 30).
- » A National Gas Entity is created, with functional autonomy under the Ministry of Petroleum and Mining, to promote sector development and competition in all phases of the hydrocarbon gas industry related to transport and distribution activities and to assist in the coordination and protection of such activities (Article 36).

Conditions for obtaining licenses for Exploration and Exploitation of Non-Associated Gaseous Hydrocarbons (LOHG, Article 24)

- » This license is issued by the Ministry of Petroleum and Mining. Domestic or foreign individuals, with or without the participation of the State wishing to engage in exploration and exploitation of non-associated gaseous hydrocarbons, according to the following conditions.
- » Project overview, indicating the destination of these hydrocarbons.
- » Maximum length of thirty-five (35) years, renewable for a period to be agreed between the parties, not to exceed thirty (30) years.
- » Maximum term of five (5) years to carry out the exploration and implementation of the respective programs, subject to the other conditions specified by the Regulation.
- » Indication of the size, shape, location and technical delineation of the area under the license and any other requirements, which for better determination of the area, the Regulations notes.
Indication of special considerations stipulated in favor of the Republic.
- » Upon termination for any reason, the assets and services will be hand over to the state, according to conditions established in the contract or according to this article, where it discloses that the regression is complete, free of encumbrances and without compensation.
- » In case of dispute, Venezuelan laws will be applied. Disputes shall be resolved in Venezuelan courts.

Regulation of the Organic Law of Gaseous Hydrocarbons (2000) (Gaceta Oficial N° 36.793 09/23/1999)

- » It aims to develop the provisions of the Act relating to the exploration and exploitation of non-associated gaseous hydrocarbons, the collection, storage and use of non-associated natural gas from such exploitation, and the associated gas produced with the oil or other fossil fuels, processing, manufacturing, transportation, distribution, internal and external trade of these gases and liquid hydrocarbons and non-hydrocarbon components contained in Gaseous hydrocarbons and gas from the oil refining process.



MAIN ACTORS

Ministerio del Poder Popular para el Petróleo y la Minería (MPPPM).

Agency responsible for regulation, policy formulation and evaluation. As well as planning, implementation and supervising the activities of the National Executive on oil and energy in general. This body is also responsible for market study and analysis to define prices.

Ente Nacional del Gas (ENAGAS).

It is an agency of the MPPPM that promotes the development and proficiency in all phases of the gaseous hydrocarbon industry and regulates the activities of transmission, distribution and commercialization of gas.

Petróleos de Venezuela, S.A. (PDVSA).

State owned company in charge of exploration, production, manufacturing, transportation and marketing of hydrocarbons (including associated gas).

PDVSA Gas.

PDVSA subsidiary responsible of gas commercialization nationally and internationally.

PDVSA Gas Comunal.

PDVSA subsidiary responsible for domestic gas distribution to communities. Activities include filling gas plants and distribution to homes.

Empresas operadoras privadas.

ChevronTexaco, Statoil, Total, Petrobrás, Teikoku Oil, Gazprom, Petropars, Repsol YPF, Eni, Vinccler Oil & Gas, Energía de Portugal (EDP), Petronas, Inelectra, Otepi, Pluspetrol, GALP, Qatar Petroleum, Mitsubishi/Mitsui e Itochu.



FISCAL FRAMEWORK

Income Tax (Income Tax Act)

- » Stock companies and taxpayers assimilated to them, engaged in activities other than those mentioned in Article 11, will pay tax on all net enrichments, based on the rate provided for in Article 52 and set tax rates in their paragraphs (Article 9).
- » Are excluded from the regime provided by Article 11 and 53 paragraph b (proportional rate of fifty percent), companies engaged in integrated activities or not, of non-associated gas exploration and exploitation, processing, transportation, distribution, storage, marketing and export of gas and its components (Article 11).
- » Tax rate on tax units (UT) (Article 52):
 - To the fraction included up to 2,000.00: 15 percent
 - For the fraction exceeding 2,000.00 and up to 3,000.00: 22 percent
 - For the fraction exceeding 3,000.00: 34 percent

Royalty (LOHG, Article 34)

- » From the volumes of gaseous hydrocarbons extracted from any reservoir, and not reinjected, the State is entitled to a share of twenty percent (20 percent) as a royalty.
- » Required by the National Executive in cash or kind, if none is specified, it is assumed to be received in cash.
- » In case of receive it in kind, the National Executive may use for transport and storage purposes, the services of the operator, which shall supply to the location as directed by the National Executive, who will pay the price to be agreed for such services.
- » In case of receive it in cash; the operator must pay the price of the corresponding gaseous hydrocarbon volumes, calculated at market value in the field of production.

Exploration and exploitation licenses granted after conversion services agreements in March 2007

- » Social investment: one percent of the value of non-associated gas.
- » Special Consideration for the state: ten percent of the value of non-associated gas.
- » Annual surface income: a tax unit per hectare.



EXPLORATION AND PRODUCTION

Reserves

Venezuela is the country with the eighth largest gas reserves. According to the annual report BP Statistical Review of World Energy 2013, our country has approximately 196.4 billion cubic feet of gas, which constitute the second largest reserves in the Americas after the United States whose reserves, according to the report, reaching around 300 trillion cubic feet. The large shale gas reserves have not yet been incorporated into these figures. Also, based on BP figures, Venezuela has 73 percent of the gas reserves of Central and South America and 3 percent of world reserves.

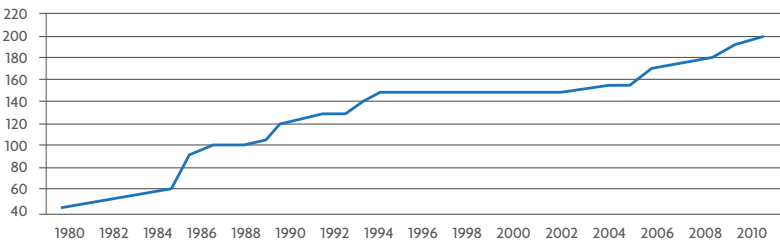
Reserves, production and consumption of Gas, 2012

	RESERVES (TCF)	PRODUCTION (BCFD)	CONSUMPTION (BCFD)
WORLD	6614.1	324.6	319.8
SOUTH AND CENTRAL AMERICA	268.3	17.1	15.9
VENEZUELA	196.4	3.2	3.4

Source: BP Statistical Review of World Energy, 2013.

The level of gas reserves in Venezuela remained relatively stable since the mid-90s, growing at an average annual rate of nearly 1 percent. From the year 2006 there have been significant additions to an increase of 15 percent over the past six years.

VENEZUELAN NATURAL GAS PROVED RESERVES 1980-2012 (TRILLIONS OF CUBIC FEET)



Source: BP Statistical Review of World Energy, 2013.



PDVSA: RESERVES, PRODUCTION AND CONSUMPTION

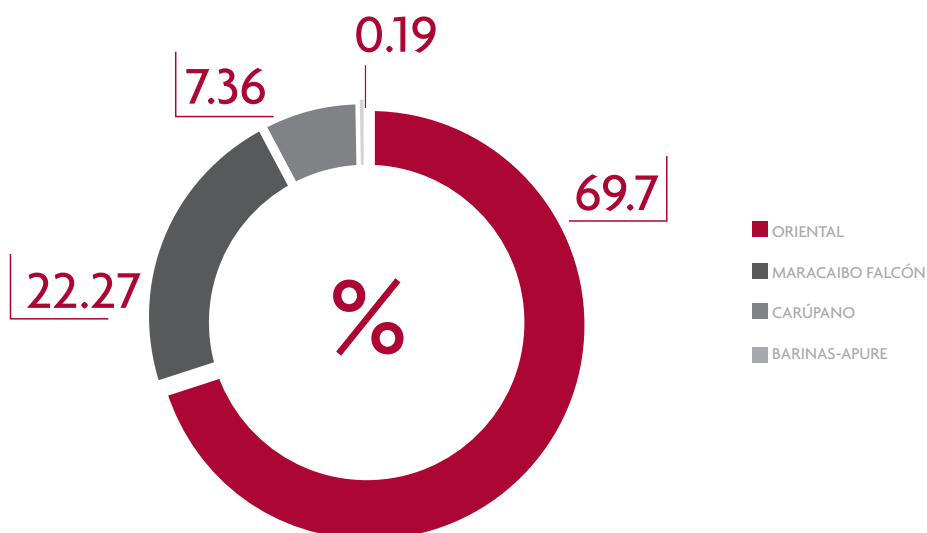
According to the *Informe de Gestión Anual de PDVSA 2012*, certified gas reserves in Venezuela now amount to 196,409 billion cubic feet, about 30 percent of which are associated with the FPO.

In 2012, 2,747 million cubic feet of gas were incorporated, 89 percent of which comes from review of existing fields. The remaining 11 percent come from the discovery of new deposits.

Most of Venezuela's gas reserves are located north and northeast of the country, in the eastern basin and on the shores of the Caribbean and Atlantic continental shelf in an area of over 500 thousand square kilometers.

In the chart below you can see the distribution basins of natural gas reserves.

GAS RESERVES DISTRIBUTION CLASSIFIED BY VESSEL 2012



Source: Informe de Gestión Anual de PDVSA 2012

Production and Consumption

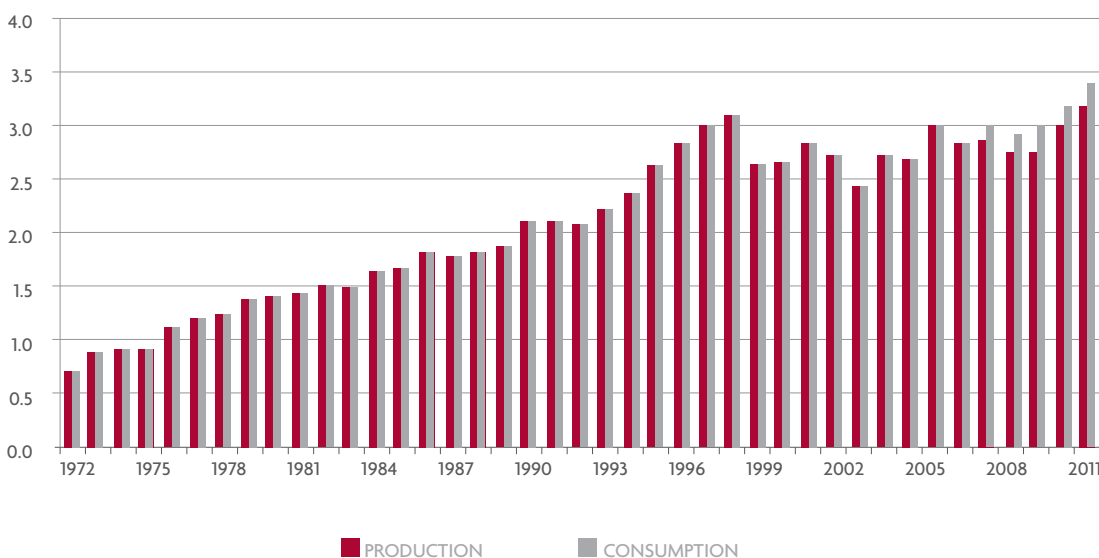
According to the Informe de Gestión Anual 2012 de PDVSA, in 2012, natural gas production in the country was 7,327 million cubic feet of gas per day, 38.18 percent of which was used for reinjection, leaving a net gas production of 4,456 million cubic feet per day.

In 2011, natural gas production in the country was 7,125 million cubic feet of gas per day, 40.47 percent of which was used for reinjection, thus net gas production was 4,241 million cubic feet per day.

Venezuelan gas production represents about 19 percent of production in Central and South America and the 1 to 2 percent of the world.

Between 1970 and 1998 both production and consumption increased steadily. In 1999 gas production suffered a fall, achieved a progressive recovery, to fall again in 2003 and since then both have remained around 3,000 MMCFD¹². By 2012 production was 3,200 MMCFD and 3,400 MMCFD consumption.

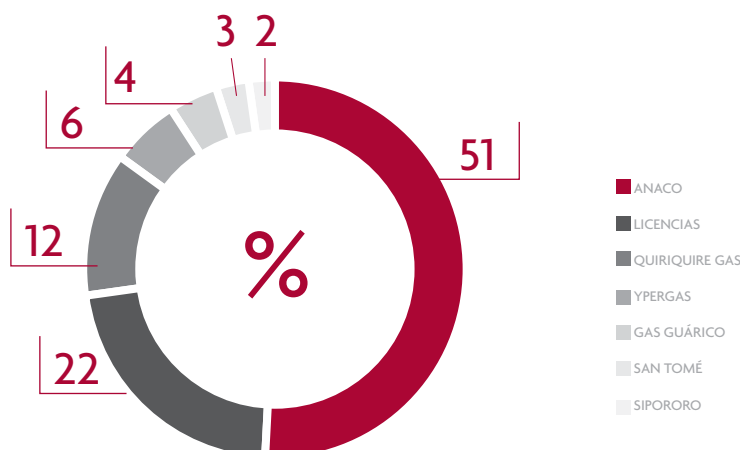
VENEZUELAN NATURAL GAS PRODUCTION AND CONSUMPTION, 1970-2012
(BILLIONS OF CUBIC FEET DAILY)



Source: BP Statistical Review of World Energy, 2013

In the past three years, the production level has decreased and consumption has exceeded the amounts of gas produced in the country. Venezuela has therefore had to resort to imports.

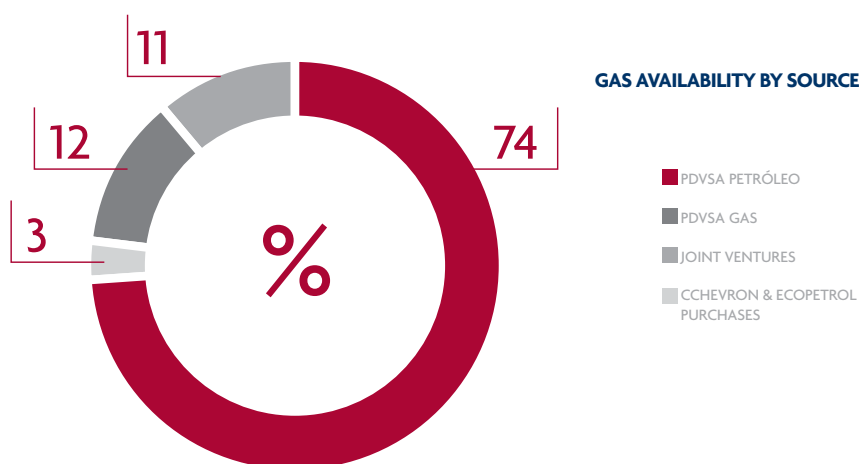
PDVSA'S GAS PRODUCTION



Source: Informe de Gestión PDVSA 2012

¹²Excluding reinjection.

Since 2008 Venezuela has been receiving gas from Colombia through the Transcaribeño Antonio Ricaurte pipeline. During 2012 Venezuela received from Colombia on average 187 million cubic feet per day of gas, resulting in a total supply of 7,514 million cubic feet of gas per day (MMCFD).



Of the total natural gas available in 2012, 28 percent was for the domestic market to meet the needs of the electricity, steel, cement, aluminum, household, marketing and petrochemicals

Transport and distribution

The Venezuelan distribution system for methane gas comprise a 5,031 kilometers pipe line network with width variances. The main systems are listed below:

- **Anaco** – Barquisimeto
- **Anaco** – Jose / Anaco - Puerto La Cruz
- **Anaco** – Puerto Ordaz
- **Ulé** – Amuay
- **Interconnection Coast** – West
- **Interconnection Center East** - West
- **Pipeline Transcaribeño Antonio Ricaurte**

With these facilities by 2012 the demand of more than 353,000 commercial and residential users was met, 91 percent of which were located in La Gran Caracas.

In 2012 were incorporated 521 km of new lines:

- » Phase I of the pipeline under construction G / J Jose Francisco Bermudez, Section Cumana-Daisy Barbecue: 295 Km
- » New segment Morón-Barquisimeto (ENELBAR IV):
 - Phase I - 55 Km (completed)
 - Phase II - 22 Km
- » Pipeline under construction Altagracia-Arichuna expansion of Anaco- Barquisimeto system, stretch Altagracia (N50) - Guatopo (N-A10): 13 km
- » Expansion of Anaco - Puerto Ordaz system:
 - Pipeline Soto-Epa: 29 Km
 - West Lejos-Morichal Pipeline section: 37.7 Km
 - Pipeline stretch Morichal - Mamo: 34.7 Km
- » Branch line methane gas distribution to Ezequiel Zamora Power Plant: 2.6 Km
- » Branch line methane gas distribution to La Raisa Power Plant: 5 Km
- » Branch line methane gas distribution to El Sitio Power Plant: 1.7 Km
- » Branch line methane gas distribution to San Diego de Cabrutica Power Plant: 25 Km

Domestic Gas

According to PDVSA Gas Communal information, 95 percent of Venezuelan families use liquefied petroleum gas (LPG) as an energy source. In December 2007 PDVSA Gas Communal was created as well as TROPIGAS and Vengas, the two largest distributors, was acquired by the state affiliate.

In accordance with PDVSA's last report, PDVSA Gas Communal has 60 of the 86 LPG filling plants nationwide, supplied a total of 42 national MDB, increasing by 5 percent compared to 2011, of MDB 35.42 which correspond to PDVSA Gas Communal and private sector MDB 6.25.

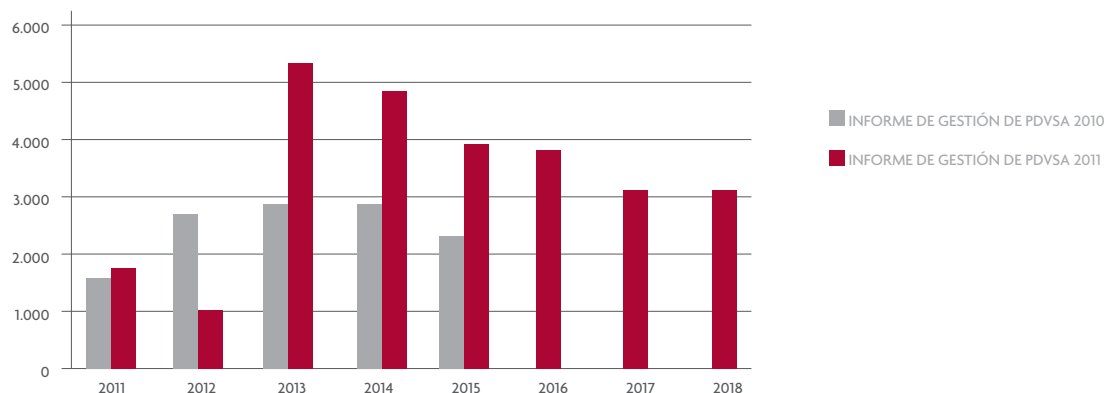
Investment

Venezuela's gas development is part of the Siembra Petrolera Plan 2012-2018. Two of its main axes are the development of offshore gas to meet the domestic market and the absolute sovereignty over oil and gas resources. According to the Plan, the targets set for 2019 with regards to gas production are 11,947 MMCFD of natural gas and 255 MBD of LNG.

In 2010, 1,305 billion dollars were invested in Mainland Gas Development, 16 percent less than planned in 2009, while in 2011 the actual investment was 1,601 million, 6 percent higher than envisaged in the 2010 plan investment for the development of Gas on the mainland. Beginning 2010 offshore gas development investment weren't reported.

Total disbursements for gas investment in Ground projected for the period 2012-2018 was located at 25,425 million dollars. However, in 2012 there was an adjustment of the Plan, as the investment observed in the Annual Report for 2012 only contemplates PDVSA investment outlays by PDVSA Gas. For 2012 the amount was U.S. \$ 2,682 million and its projected total for the period 2013-2018 is 22,048 million dollars, 13 percent lower than proposed in the 2012-2018 Plan.

ONSHORE PROJECTED DISBURSEMENT INVESTMENTS 2011-2018 (MILLIONS OF DOLLARS)



Source: Informe de Gestión PDVSA 2010 y 2011.

PDVSA: RESERVES, PRODUCTION Y CONSUMPTION

PDVSA Gas Projects

Project	Description	Location	Current Situation
Rafael Urdaneta	Development of non-associated gas reserves located offshore, with potential reserves of 23 trillion cubic feet (TCF) of associated gas and 7 billion barrels of liquid hydrocarbons, designed to produce 1,000 MMCFD.	Northeastern Gulf of Venezuela and Falcón	*
Plataforma Deltana	Exploration and exploitation of offshore associated gas. Measurable reserves of a volume between 6 and 10 BPC. Gas production estimated between 800 and 1,000 MMCFD. Includes transportation infrastructure to Industrial Complex Gran Mariscal de Ayacucho.	Delta Amacuro	*
Mariscal Sucre	Exploitation of non-associated gas reserves offshore and construction of an LNG plant. Gas Production Phase I: 600 MMCFD the domestic market. Final production estimated: 18 thousands of condensate B/D, 1,200 MMCFD Reservations: 14.73 Trillion cubic feet of gas and 74.82 million barrels condensate	North of Paria Peninsula, Sucre	*
Blanquilla, Tortuga, Golfo de Paria Oeste Punta Pescador	Exploration and exploitation of non-associated gas reserves under the Delta Caribe Project. These are areas with complex hydrocarbon systems but with an estimated gas potential of 11 trillion cubic feet.	Nueva Esparta y Delta Amacuro	*
Gas Anaco	Includes construction of five operating centers to collect, compress and transfer a potential production of 2,559 and 34.55 thousands B/D of light crude	Anzoátegui y Monagas	54%
Jose's Fractionation Capacity Increase	It involves the construction of a new NGL fractionation train of 50 thousands B/D in Jose's fractioning plant.	Anzoátegui y Monagas	Work in progress at Poliducto San Joaquín-Jose
San Tomé Gas Project	San Tomé Gas Project involves the construction of surface infrastructure required to handle a potential maximum set of 550 MMPCND/152 MBHP	Anzoátegui	15%

PDVSA: RESERVES, PRODUCTION Y CONSUMPTION

PDVSA Gas Projects

Project	Description	Location	Current Situation
Soto Deep Extraction Plant	The project aims to install a modular deep NGL extraction plant and Auxiliary Services Module I and II, with capacity to process 200 million cubic feet of gas and produce 15 thousands B/D of NGL.	Anzoátegui	45%
IV Tren de San Joaquín	The project aims to build process facilities and services of an NGL extraction plant, which helps to increase processing capacity in Anaco area at 1,000 MMCFD, generating 50 thousands B/D of NGL and 890 MMCFD of residual gas to the gas transport systems of the domestic market.	Anzoátegui	39%
Piritall I	The project aims to execute the construction and implementation of a deep extraction plant including ethane recovery, for the extraction of NGLs, with a 1,000 MMCFD natural gas processing capacity, generating 42 thousands B/D of NGL.	Monagas	8,33%
Management and Disposal of CO ²	Installation of CO ² gas reduction units capable of decreasing this component in processing gas to comply with the new regulations for gas transmission and commercialization under 3568 COVENIN standard that takes effect in 2013.		4%
Interconexión Centro-Occidente (ICO) Tramo Ulé - Amuay	Gas transport systems infrastructure development to interconnect the Centro-Oriente (from Anaco – Anzoategui- to Barquisimeto –Lara-) with Occidente (from Ule, -Zulia- to Amuay –Falcon-). This allows the additional gas transmtion of 520 MMSCFD from Oriente to Occidente.	Centro, Oriente, Occidente	88%
Bajo Grande Ulé Amuay Transmission System Expansion	Transport capacity expansion from 220 MMSCFD to 620 MMSCFD, to achieve the fulfillment of national and international gas delivery commitments.	Falcón, Zulia	33%

PDVSA: RESERVES, PRODUCTION Y CONSUMPTION

PDVSA Gas Projects

Project	Description	Location	Current Situation
Pipeline Nor-Oriental G/J José Francisco Bermúdez (SINORGAS)	Infrastructure construction to incorporate gas from northeastern region offshore gas developments in the domestic market.	Anzoátegui, Sucre, Monagas y Nueva Esparta	51%
National Gasification	Methane gas distribution networks development to gasify 23 states. Includes the installation of 48,900 km network distribution infrastructure to supply gas to 3,260,000 families across the country.	All over the country	46%

*Source: Informe de Gestión Anual
de PDVSA 2009, 2010, 2011 y 2012.*

Transportation System Expansion Project

Project	Description	Location	Current Situation
Anaco - PLC (Phase I and II)	Construction of the necessary infrastructure for methane transport, in order to meet future gas demand.	Anzoátegui	96%
Anaco - Puesto Ordaz (Pipeline Epa Soto)		Anzoátegui y Bolívar	91%
Pipeline Tramo West Lejos - Morichal - Mamo		Monagas	95%
Anaco - Barquisimeto		Oriente and Occidente	32,25%

*Source: Informe de Gestión Anual
de PDVSA 2012.*

National and international Gas prices (Dollars by million of BTU)

All the gas produced in Venezuela is consumed domestically, so it is important to consider domestic prices. According to current regulations, the state sets the prices and tariffs through the Ministry of Popular Power for Energy and Petroleum, with the collaboration of Ministry of Popular Power for Production and Commerce, as recommended by Enagas

In 2006 it was established that for the year 2007, prices should reach approximately Bs. 26.86 per cubic meter. The new goal was set at Bs. 45.42 per cubic meter by 2015.

	Venezuelan* (fixed 2011)		World (January 2011)***		Venezuelan* (fixed 2012)		World (January 2012)***		Venezuelan* (fixed 2013)		World (January 2013)***	
	Anaco	Lago	Henry Hub	NYC Gate****	Anaco	Lago	Henry Hub	NYC Gate****	Anaco	Lago	Henry Hub	NYC Gate****
Dispatch Center at Anaco	0.31	0.62	2.97	5.06	0.33	0.66	2.67	4.85	0.35	0.7	3.3	4.52
Mean	0.47		4.02		0.50		3.76		0.53		3.91	

Source: Source: Venezuelan prices: Gaceta Oficial 38.401; World prices: Bloomberg

* Domestic Gas

*** Prices in December 31st

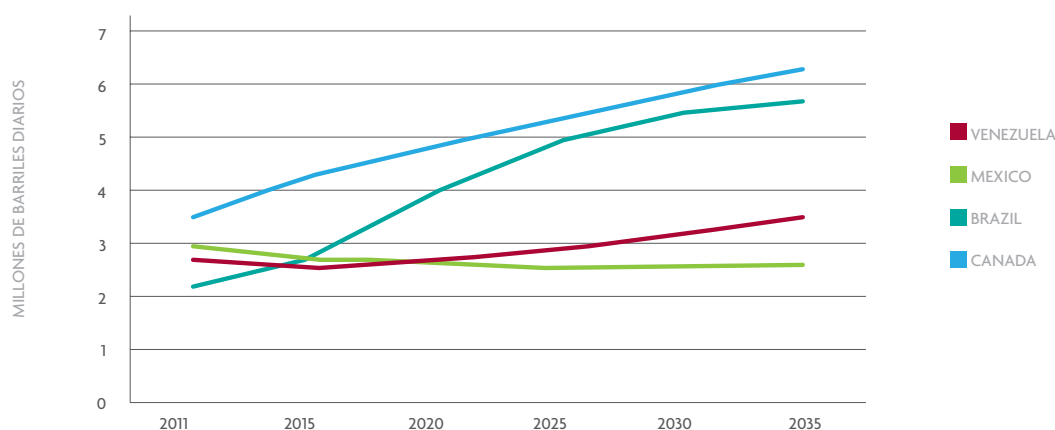
****Mean monthly price in January

PROJECTIONS 2011 – 2035 / OIL

The following is a set of projections estimated by the International Energy Agency for the period 2011 - 2035 and the New Policies scenario.

The International Energy Agency projects a significant increase in production beginning in 2020. Below is a visual comparison between Venezuela production prospects and other important producers, regionally and members of OPEC.

EXPECTED PRODUCTION VENEZUELA - THE AMERICAS

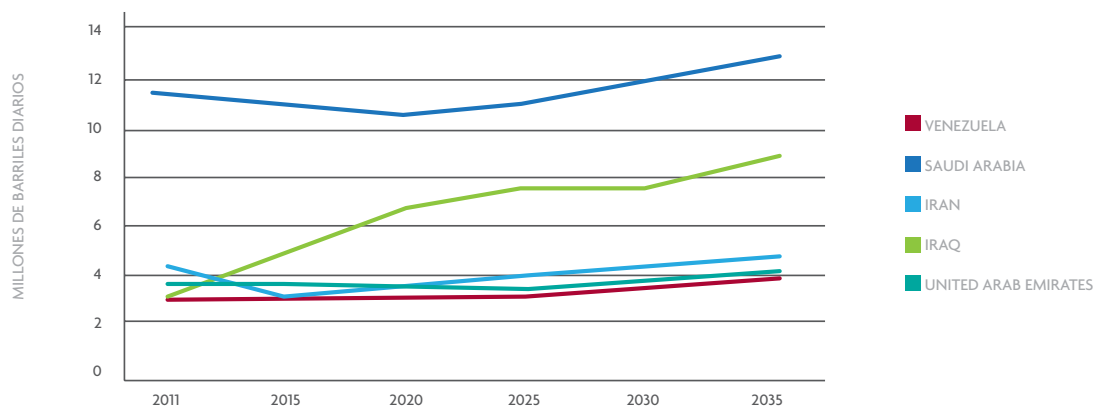


Source: : International Energy Agency
World Energy Outlook 2012, New Policies
Scenario and authors calculations.

By 2015 production in Brazil, Venezuela and Mexico will be similar, given a continued increase in production in Brazil and a continued decrease in Mexico. From 2025 Brazilian production will stagnate. In the case of Canada, strong growth

is projected, always with the support of non-conventional crude in the Athabasca Oil Sands, as will be seen in subsequent graphs.

EXPECTED PRODUCTION VENEZUELA - OPEC

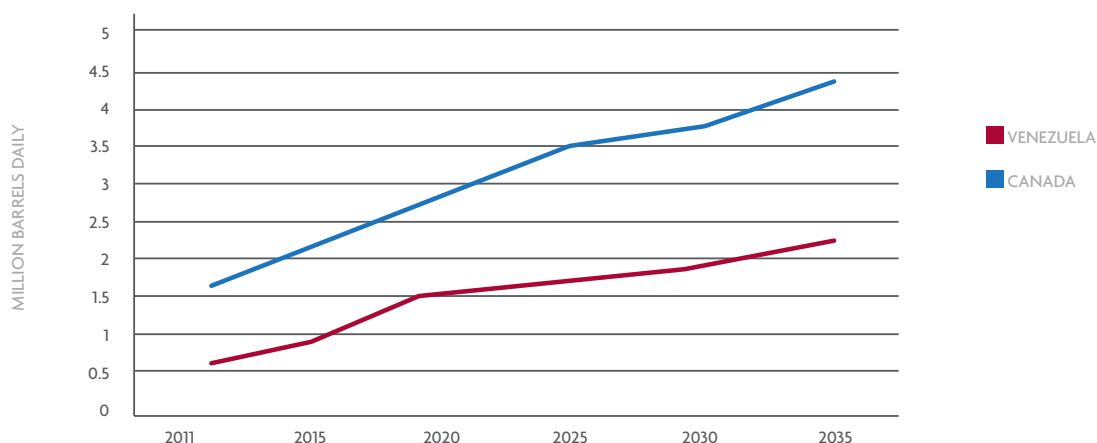


Source: International Energy Agency
World Energy Outlook 2012, New Policies
Scenario and authors calculations.

A production increase is forecast for every country, especially in Iraq with a growth rate of 4.59 percent annual average.

To meet these projections, Venezuela should have an annual growth of production equivalent to 1.04 percent.

UNCONVENTIONAL CRUDES EXPECTED PRODUCTION

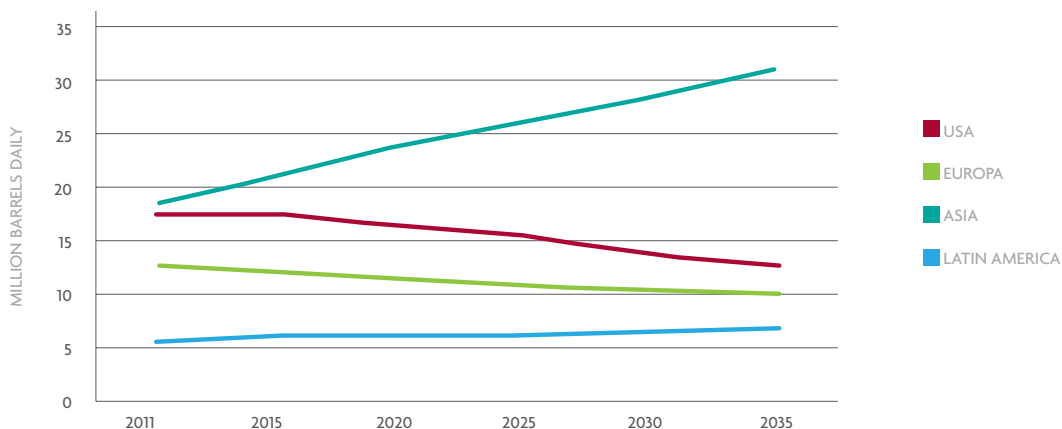


Source: International Energy Agency World Energy Outlook 2012, New Policies Scenario and authors calculations

The annual growth rate of production of unconventional oil in Venezuela will be much higher than the overall growth rate of oil production, reaching the equivalent of 5 percent annual increase. This trend will have an effect such that, for 2035, approximately 50 percent of Venezuelan production will be of this type of oil.

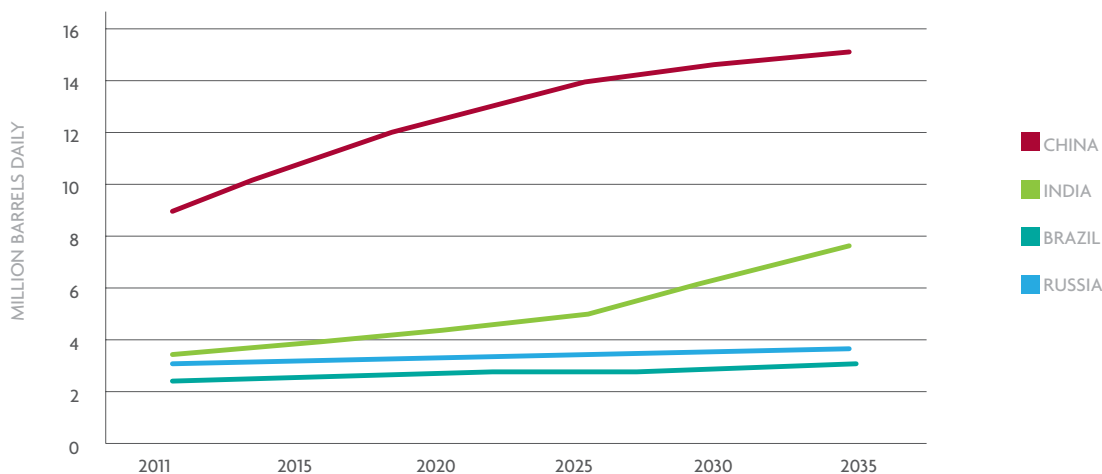
As global oil demand, the IEA estimates a compound annual growth of 0.53 percent, caused mainly by the growth of Asian developing countries (2.12 percent) and Latin America (0.85 percent) compared to lower U.S. (-1.33 percent) and European demand (-0.92 percent).

PROJECTED DEMAND BY REGION



Within the BRIC (Brazil, Russia, China and India) shows much higher growth in China and India relative to the rest of the group.

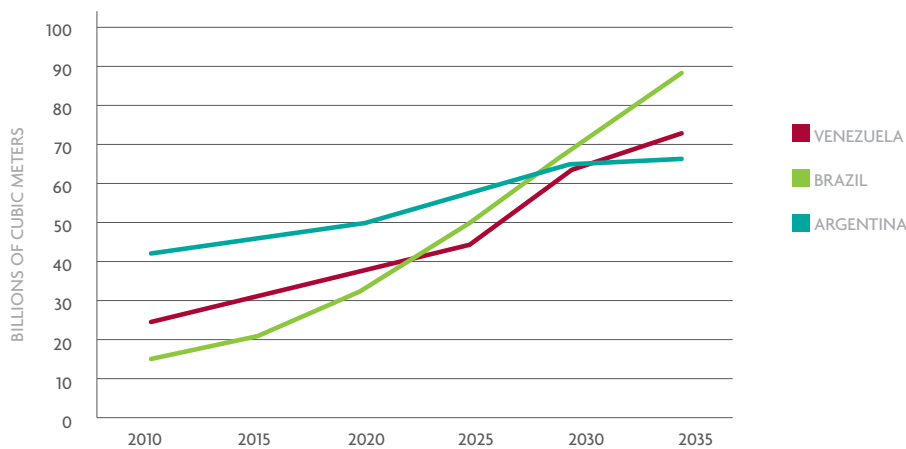
PROJECTED DEMAND BRIC



PROJECTIONS 2011 – 2035 / GAS

Regarding natural gas production, the International Energy Agency projects a steadily growing trend for Venezuela, with compound annual growth of 4.55 percent, showing a considerable acceleration from 2025 and a slowdown in growth in 2030.

EXPECTED PRODUCTION VENEZUELA - THE AMERICAS

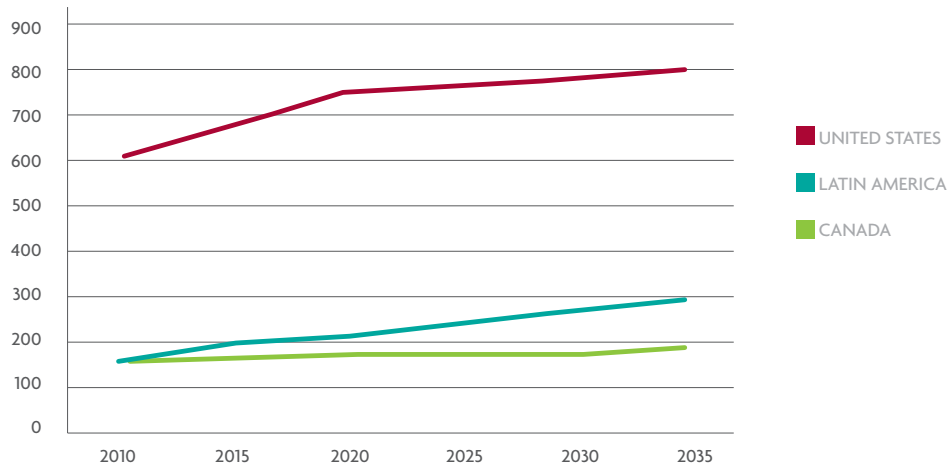


Despite the positive forecasts for Venezuelan production, Brazil stands out for its sharp rise beginning 2015, reaching a compound annual rate of 7.28 percent on a sustained basis throughout the estimated timeframe. In contrast, Argentina has a less favorable performance, with an annual rate of 1.82 percent.

At the continental level, there is a growing trend of 1.13 percent in U.S. crude oil production due to shale gas developments. Meanwhile, Latin America shows higher growth (2.36 percent), but starting from lower levels. Canada, despite starting with production levels similar to those in Latin America, shows a lower growth rate of 0.65 percent compounded annually.

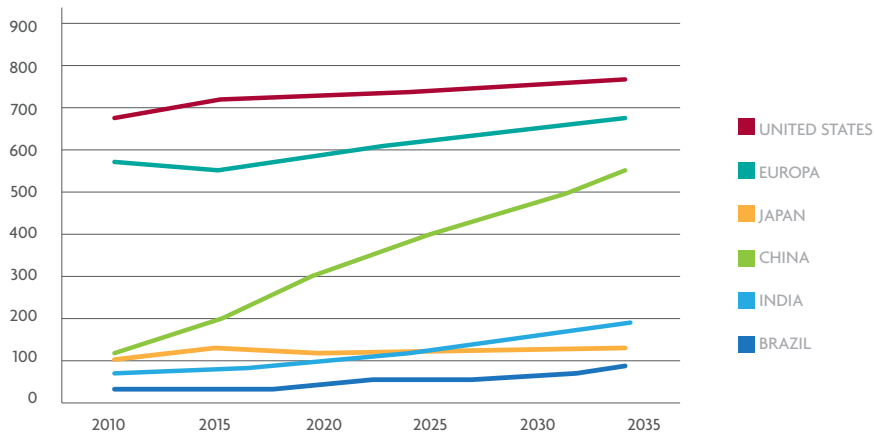
*Source: International Energy Agency
World Energy Outlook 2012, New Policies
Scenario and authors calculations.*

CONTINENTAL PROJECTED PRODUCTION



As for the projected demand for natural gas, there is again proportionately greater growth in China (6.60 percent), but with a positive trend in the growth of demand in the U.S. (0.48 percent) and Europe (0.65 percent). Brazil shows a growing trend in the demand (4.33 percent), similar to India's (4.18 percent). Japan shows moderate growth (0.67 percent).

PROJECTED DEMAND



Source: : International Energy Agency
World Energy Outlook 2012, New Policies
Scenario and authors calculations.

The International Center on Energy and Environment was created in 2005 to place IESA as the reference, at national and regional levels, in training managers with leadership skills in the energy sector, being a center of excellence in reflection, generation and dissemination of knowledge in the areas of energy and environment, with national and international reach.

INTERNATIONAL CENTER ON ENERGY AND ENVIRONMENT TEAM:

Director

Francisco Monaldi

Ph.D. Political Economy, Stanford. M.A. Economics, Yale

Academic Coordinator

Pedro Luis Rodríguez

MPhil Economics, Cambridge

Professors

Richard Obuchi

Ph.D. (c), Tulane. M.P.P. Chicago

Profesores de Planta y Adjuntos afiliados al CIEA

Asdrúbal Baptista - M.A. Kent

Osmel Manzano - Ph.D. MIT

José Manuel Puente - Ph.D. Oxford

Ricardo Villasmil - Ph.D. Texas A&M

Visitant Professors

Ramón Espinasa - Ph.D. Cambridge

Luisa Palacios - Ph.D. SAIS Johns Hopkins

Luis Pacheco - Ph.D. Imperial College

Luis Roberto Rodríguez - Ph.D. Oxford

Researchers

Amanda Beaujon Marín – Political Science, UCV

Jean Paul Leidenz - Economics UCAB

IESA, Sede Principal en Caracas - Venezuela
Tel: (+58 212) 555 4260

