

II. STRUCTURE OF THE VENEZUELAN PETROLEUM INDUSTRY

In 1975 Venezuela nationalized the oil sector, reserving all hydrocarbon activities to the state. Petróleos de Venezuela, S.A., (PDVSA) a company wholly owned by the Republic of Venezuela, became the holding company for the national petroleum industry. Since January 1, 1976, PDVSA has been responsible for coordinating most aspects of the petroleum industry, including administration, planning, operations, domestic and foreign marketing, pricing, and capital investment. PDVSA since 1978, has also been responsible for the petrochemical sector.

With \$22.3 billion of revenues in 1991 and according to its reserves, production, and refining capacity, degree of integration and sales volume, PDVSA ranks as the third largest oil company worldwide. PDVSA has a well-established infrastructure, including 300 active oil fields, 27,465 miles of pipeline, 6 domestic refineries, and major investments in the oil sector in the U.S., Sweden, Germany, along with a leased refinery in Curacao. PDVSA is considered the most efficiently run state-owned enterprise in the hemisphere.

Since nationalization in 1975, PDVSA has absorbed the operations of 14 multinational oil companies that were operating in Venezuela, and currently works through three vertically integrated operating subsidiaries, Lagoven, Corpoven, and Maraven, that manage all of the exploration, production and refining, transportation and marketing activities in the country. (See the attached chart which shows the history of consolidation since nationalization). In addition, the other main operating entities of PDVSA are Pequiven, which manages the petrochemical business, INTEVEP, the research and development arm, BARIVEN, the international procurement subsidiary, PDV MARINA (marine transportation) and BITOR (Orimulsion). (See the attached organizational chart which includes all subsidiaries and overseas investment).

BARIVEN, the international procurement arm of PDVSA, maintains two offices outside of Venezuela, one in Europe and one in Houston, to aid in its offshore purchasing program. It is important that all potential Canadian suppliers register and liaise with the Houston office, in addition to their normal in country marketing activity.

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