Venezulea wants to dramatically increase its oil production potential and may be constrained by OPEC from significantly upping its quota. This, of course, will be a decision for the new government which takes over in February 1994.

PDVSA CURRENT SITUATION AND INVESTMENT PLANS

Over the last several years PDVSA has presented and revised various very ambitious medium and long term investment plans to dramatically increase oil exploration and production capacity, and expand refining and petrochemical capability. In addition, PDVSA plans major investments to develop the heavy oil fields of the Faja in the Orinoco and a huge offshore LNG facility in the eastern part of the country. The decline in oil revenue and the extremely heavy tax burden carried by PDVSA has increasingly forced the national oil company to reconsider and revise these plans as the cash flow considerations and the viability of some of their objectives come into question. A key component of PDVSA's new plans take into account the need for significant foreign participation by way of joint venturing in a number of areas, a major departure for Venezuela which nationalized its petroleum industry in 1976. The following is a brief overview of PDVSA recently released 10 year plan which outlines major strategies and investment plans.

PDVDA's Ten Year Business Plan 1993-2002

The new plan issued in November 1993, calls for capital investments of U.S.$48.5 billion and aims to raise crude oil production potential to 4 million barrels per day by 2002. Current production capacity is approximately 2.8 million b/d. It is expected that PDVSA will invest directly 65%($31.5 billion) of the total while encouraging private investors to provide 35%($17 billion) through joint ventures.

The investment program assumes moderate annual growth in world energy demand throughout the ten year plan period with potential demand for hydrocarbons reaching 76 million b/d by 2002, up from consumption of 65.2 million b/d in 1993. It also assumes that Venezuelan production will rise to around 3.6 million b/d in 2002 and to 4.5 b/d in 2010. Of the total 4 million b/d, 2.2 million b/d will be light/medium crudes and condensates, while 1 million b/d will be heavy and extra-heavy oil, a major percentage to come from new upgrader projects planned in the Orinoco Belt through strategic associations with private international partners. The remaining 800,000 b/d in capacity will come from re-activated fields run by third parties under operating service contracts, as well as strategic associations in heavy crude and possible joint ventures in exploration and production in high risk areas.