

Special Edition InfoGas

85th Annual GPA Convention- March 5-8, 2006. Grapevine, Texas

“Gas Processing’s Role in the Evolving Energy Market”

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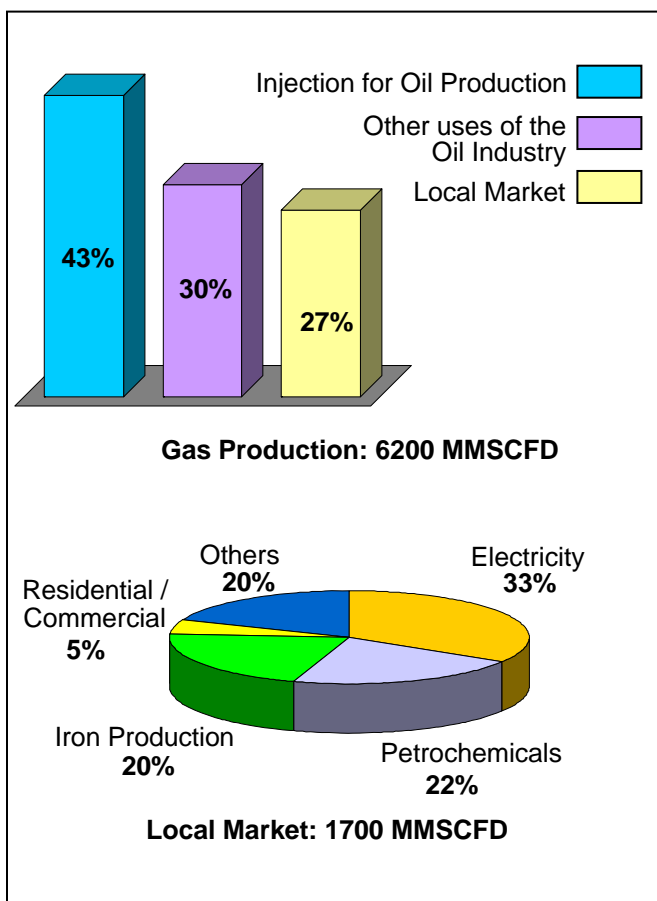
Editorial

Venezuelan Natural Gas Industry: Balance 2005 and Perspectives 2006

In Venezuela, the production of natural gas is in the order of 6,200 MMSCFD. From this total, 73% is destined to the oil production activities, including other uses of the oil industry like refinery, and the balance 27%, for local market.



In the case of the local market, the main consumers are in the electric, petrochemical and iron production sectors, which concentrate 75% of this market (Fig. 1).



Regarding reserves, Venezuela has proven reserves of 149 TCF. This represents the eighth place in the world and second on the American Continent. From these reserves, 91% (136 TCF) is associated to petroleum production and only 9% (13 TCF) are non-associated gas. Due to the beginning of the exploration activities On-Land (**2001 Gas Licenses**) and Off-Shore (**Deltana Platform, Mariscal Sucre and Rafael Urdaneta**) it is expected that the non-associated gas reserves may reach 100 TCF. On the overall, the total gas reserves may reach some 236 TCF, placing Venezuela in a privileged position in the American Continent.

About the development of the infrastructure require to produce non-associated gas, during 2005 a group of projects and bidding processes showed important progress, evidencing a promising future for the natural gas in Venezuela.

Among the most significant aspects of the bidding processes started by the Secretary of Energy and Oil of Venezuela highlight the “A and B Phases” of the Rafael Urdaneta Project, located in the North-Eastern Falcón and the Gulf of Venezuela Region.

On this bidding process, a total of 29 international and national companies acquired the technical information (Data Packs). The winning companies for the “A Phase” were **Chevron Corporation** (“Cardon III Block”) and **Gazprom** (“Urumaco I” and “Urumaco II” Blocks). While the associations **Eni – Repsol** (“Cardon IV” Block), **Petrobras – Teikoku** (“Moruy II” Block) and **Vincler Oil and Gas** (“North Castillete” Block) were the chosen for the “Phase B”.

Fig. 1. Production and uses of Natural Gas in Venezuela

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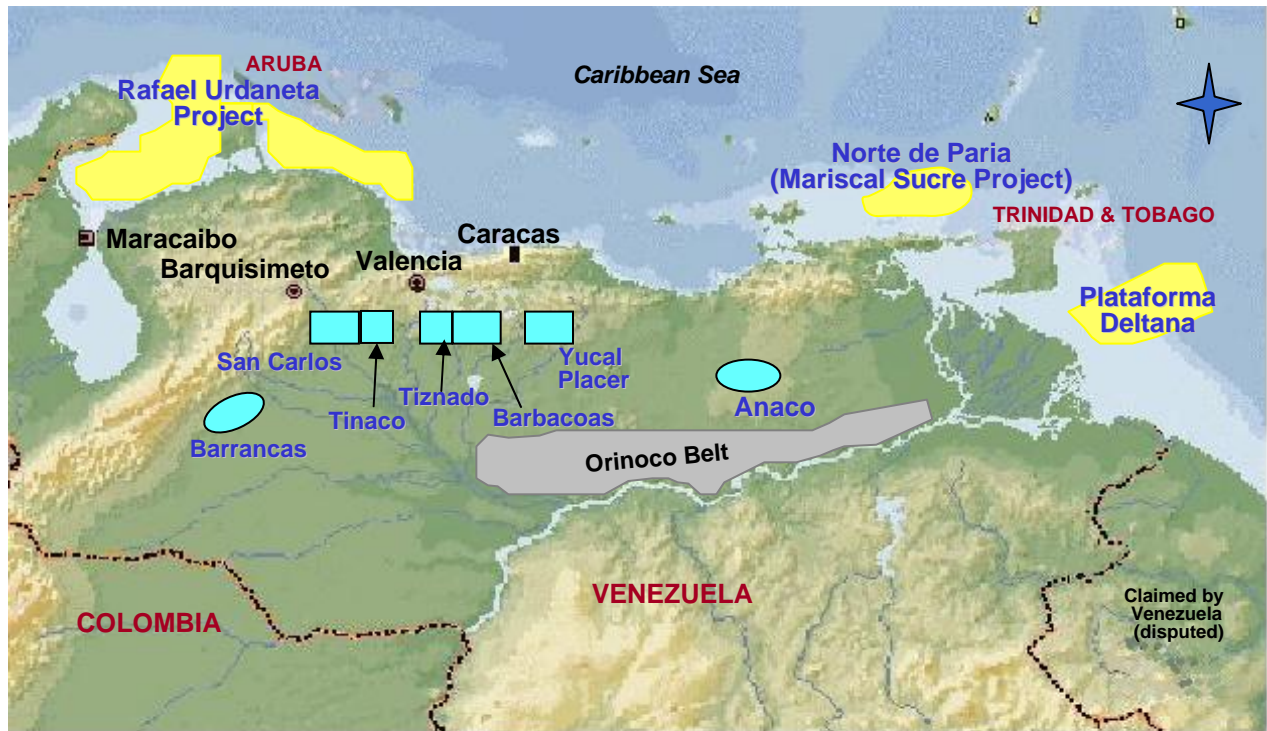


Fig 2. Venezuela Map showing Non Associated Gas Areas Offshore Areas On Land Areas

The natural gas produced through these new licenses would be destined mainly to satisfy the local market demand in order to cover the requirements of the electric, petroleum and petrochemical sectors in the eastern part of the country.

Another aspect to highlight relates to the discovering of the blocks II and III of the Deltana Platform Project under the Chevron Corporation license. Even though the studies are still on exploration and the first well drilling phases, the results obtained were highly promising.

During 2005 the re-dimensioning of the Mariscal Sucre project was announced under a scheme that consists of two phases. One, identified as "Phase I" integrated by the fields "Rio Caribe" and "Mejillones". And "Phase II" made up of the fields "Patao" and "Dragón".

Under this new development scheme, it has been estimated to destine the production of the fields of "Phase I" to cover the natural gas demand on the Western part of the country, while the production of the "Phase II" which includes a LNG plant under the "open access scheme" would be destined to exports.

Regarding the on-land projects, we may indicate that during 2005 outstands the consolidation of the production operations of the gas field "Yucal- Placer" (YPERGAS), the advance of the "Barrancas" project, whose first phase includes the development of an integrated natural gas

production project for power generation and the announcement of the exploration activities of the blocks "Tinaco" and "San Carlos". In the case of PDVSA Gas outstands the announcements of the bidding processes of the projects "Anaco Gas – Phase I", "Central-Occidental Interconnection (ICO)" and the "Occidental Cryogenic Complex (CCO)".

For 2006, many important announcements from the Secretary of Energy and Petroleum and PDVSA are expected regarding the advancement of off-shore and on-land current projects and regarding new bidding processes in the area of natural gas production and infrastructure projects for production, treatment and transport of gas.

In view of the current existing progress and expectation, the AVPG is preparing to celebrate during May 22 to 25 at the Intercontinental Tamanaco Hotel in Caracas its "XVII International Gas Convention" and the "VI Industrial Exhibition" under the motto:

"Natural Gas, Key Resource for National Development"

For which, as customarily, we expect the massive participation of the main actors of the Natural Gas Industry from Venezuela and the world.

Tito Bonadonna - President of AVPG

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Activities of the AVPG - 2005

2005 AVPG Forum on the Natural Gas Production Off-Shore and LNG

As presented on its activities program for the year 2005, during last July, the Venezuelan Gas Processors Association, (AVPG) conducted at the Gran Meliá Caracas Hotel the 2005 Forum on “Off Shore Natural Gas Production and Liquefied Natural Gas.”

This event was conducted in order to deal with all relevant aspects regarding the technological advances, apart from contributing with the development and consolidation of the Natural Gas in Venezuela. Apart from contributing with the development and consolidation of the natural gas in Venezuela, to facilitate “converting our gas reserves into economic development.” In this regards, the AVPG developed a structured forum with eight presentations distributed in three working sections conducted by Tito Bonadonna and Nicolás Bracho, President and Institutional Vice-President respectively, Edmundo Perich and Gustavo Daumen, Sebastiano Rizzo and Luis Alberto Terrero, Directors of the Association.

On the first session, the status of the Production Projects Off-Shore Venezuela was addressed. Apart from knowing about the bidding process of the associated blocks to the Rafael Urdaneta Project. The new development approach for the “Mariscal Sucre” Project and the advances of the blocks 2,3, and 4 of the Deltana Platform, presented by Carlos Figueredo, General Manager of the Pdvsa Off-Shore Division.



Photo 1. From left to right: Alí Moshiri (Chevron Corp.); Edmundo Perich (Petrobras and AVPG Director); Gustavo Daumen (Ypergas and AVPG Director); Antonio Pérez Collar (Repsol YPF) and Marta Jara (Shell)

On the second session, the International Natural Gas Market tendencies were analyzed through the evaluation of the Business Opportunities in the domestic market and regional as well as the European market. These lectures were in charge of Ali Moshiri, President of Chevron Corporation, Antonio Pérez Collar, Director of LNG Projects from “Gas Natural” of Spain – YPF Repsol and Marta Jara, Commercial Manager from Shell.



Photo 2. From left to right: Christian Badetz (Total); Sebastiano Rizzo (Shell and AVPG Technical Vicepresident); Luis Alberto Terrero (Universal Compression and AVPG Director); Don Andress (ConocoPhillips) and Roy Scott (Statoil)

To conclude, on the third session, the different experiences on the associated technologies for the Off-Shore and Natural Liquefied Gas production were presented. Christian Badetz Growing and Geoscience Vice President of Total Oil and Gas of France presented an experience on the production technologies of Off-Shore gas, to continue a comparative vision of the technologies for Liquefied Natural Gas by Don Andress Master in Process Technologies of Conoco-Phillips USA. To finish with the Snohvit Project: First base in Europe on LNG Production, which constitutes an experience on the project being developed by Statoil in the Artic. This is in charge of Roy Scott Heiersted, Maritime Technology Chief of Statoil, Norway.

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AVPG Nº 2 Series Publication

Among the celebration activities of the twentieth anniversary of AVPG, at the beginning of the year, the issue Nº. 2 of the AVPG series was published. It was named:

“Integral Development of the Gas Industry in Venezuela, historic and legal summary”

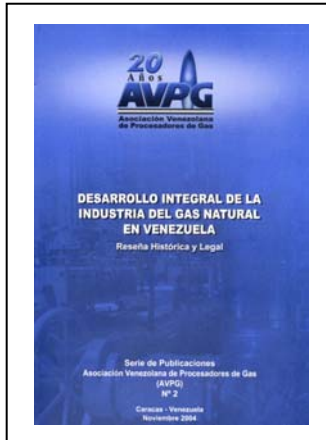


Photo 3. Cover of the Book “Integral Development of the Gas Industry in Venezuela, historic and legal summary”

In this book, a historical briefing on the evolution of the natural gas in Venezuela is made, as well as the contribution of the AVPG during its twenty years of existence; making special emphasis on the analysis of the development of the legal framework which supports the infrastructure development in the whole value chain of the business.

During 2000, we developed our first edition, in which we conducted a thorough analysis on the scope of the “Ley Orgánica de Hidrocarburos Gaseosos” (Organic Law on Gas Hydrocarbons) dictated in 1999.

On this second edition, we wanted to complement the work conducted in 2000, putting together a series of works analyzing the openness process that has been taking place as a consequence of said law.

On this issue the works considered analyze the legal, financial, taxes, labor and national capital promotion aspects linked to the openness of the natural gas production off-shore and on-land. Additionally, some other works which present options for the development of other business opportunities integrated to the electrical and oil production are shown. All this is in agreement with the long term vision that AVPG has for the development of the natural gas industry in Venezuela.

Activities and events AVPG

During the year 2005, the Venezuelan Gas Processors Association (AVPG) fulfilled the Activities Plan for the year as follows:

- Consolidation of its members by the addition of seven new associated companies for a total of 83.
- Issue of the 2nd Book of the series AVPG Publications. February 2005.
- Participation on the 84th Annual Convention of the GPA in San Antonio, Texas in March 2005.
- Incorporation on the “Global Alliance” of GPA in March 2005.
- Launching of the Daily News and “InfoGas” Bulletin. April 2005.
- Presentation of the “Probabilistic Balance of Gas” with Iván Orellana from Pdvs. May 2005
- Move to the new headquarters of the organization as part of its growing and expansion process.
- Seminar “Production of Natural Gas Off-Shore and Liquefied Natural Gas.” July 2005.
- Presentation of the book “Energetic Glossary” by Alfredo Méndez. September 2005.
- AVPG Forum about the new law of Currency Exchanging. October, 2005.
- Presentations in other associations and academic sectors:
 - ✓ Perspectives of the Gas Sector in Venezuela. Venezuelan Society of Geologists. August 2005.
 - ✓ Natural Gas Industry. Universidad de Oriente, Barcelona. August 2005.



Photo 4. Tito Bonadonna, President of AVPG

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- ✓ III Seminar on Social Investment. AVVA. Puerto La Cruz. September 2005.
- ✓ Gas Sector Perspectives. 30th Anniversary of the Petroleum School. Universidad Central de Venezuela. UCV. November 2005.
- ✓ Gas Sector Perspectives. Gas Management Major. Universidad Simón Bolívar. Nov. 2005
- Annual Ordinary Assembly and End of the Year Celebration. December 2005.

Participation of the Venezuelan Delegation at the GPA Convention 2006

As it has become a tradition every year, the Venezuelan Gas Processors Association, (AVPG) will be participating on the 85th Annual Convention of the Gas Processors Association (GPA) which in this occasion will be held March 5-8, under the motto "Gas Processing's Role in the Evolving Energy Market", at the Gaylord Texan Resort & Convention Center Hotel, in Lake Grapevine, near Dallas, Texas.

This time, the Venezuelan delegation will be made up of: Tito Bonadonna, AVPG President; Nicolás Bracho, Institutional Vice President and President of the XVII International Gas Convention; Carlos Camera from Fluor, Oscar Fariña from Pdvsa Gas, Directors of the Association, Luis Aray, AVPG Ex President and Nancy América Pérez, Executive Director.

Other members of our delegation are: Luis Eduardo Niño, who will be presenting the paper: "Virtual Plant Approach to Design, Engineering and Procurement Project Value Over The Life Cycle" which will be held on Tuesday March 7th as part of the "World Wide Development Forum". Participating as Session Chairs will be our President Tito Bonadonna and Sandy Dunlop.

Also coming will be: Félix Rodríguez, Pdvsa Gas Vice President, José Angel Calatayud, Pdvsa Gas Institutional Relation Manager; Omar Madriz, Pdvsa Gas Major Projects and Engineering General Manager; Engineer Gustavo Soto Soto, Manager of Special Studies and Consulting from Pdvsa Gas; Rubén Darío Pérez, Leader of Process Engineering of the Gas and Fertilizers Plant and Oscar Gelvis Gas Plant's Process Engineering from Pequiven, El Tablazo; Gabriela Rachadell de Delgado Partner at Macleod Dixon; Juan José Delgado Partner at Squire Sanders & Dempsey, Gilberto Aldana y Raúl Seesahai, Engineers from EGEP Consulting and Professor Francisco Martínez from "Universidad Simón Bolívar".

Our delegation will also participate at the "International Delegate Reception" to be held on Sunday March 5th, ; at the "International Delegate Breakfast" and the meeting of the International Chapters on Monday March 6th.

With this representing delegation, the AVPG reiterates its enthusiastic and decided support which as from the beginning twenty years ago, has always been given to the Gas Processors Association (GPA) so that we can jointly work for the development and strengthening of the Natural Gas Industry world-wide.

XVII International Gas Convention and VI Industrial Exhibition

Under the motto: "**Natural Gas, Key Resource for National Development**" the Board of Directors of the AVPG is preparing its XVII International Convention between May 23 – 25, 2006. This event will be held, at Tamanaco Intercontinental Hotel, in Caracas–Venezuela.



Photo 5. Nicolás Bracho, Institutional Vice President and President of the XVII International Gas Convention

The President of the Organizing Committee of the XVII Convention and Institutional Vice - President of the AVPG, Mr. Nicolás Bracho, explains to the readers of InfoGas, his expectations of this important meeting:

"This is the most important meeting in Latin America on the subject of natural gas. Besides, It is a world class event where we expect more than 600 delegates to participate, 100 of which would be international guests.

We maintain the scheme to divide the whole work in technical sessions and business meetings, in order to foster a fruitful debate on the topics related to the gas business in Venezuela and the world" said Bracho.

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The AVPG Director revealed: “the organizers want to obtain an extended participation of the public as well as private sector, we are therefore, requesting theme proposals for the debate and dissertation during the XVII Convention. We are sure that the main operating enterprises associated to the gas business in Venezuela will be integrated with significant contributions.”

Mr. Bracho maintained that up to the presence of three international speakers has been confirmed apart from some 15 others in the technical sessions; “all from the highest levels, among presidents of companies and corporations as well as first line executives.”



Photo 6. Nicolás Bracho, Nancy América Pérez and Tito Bonadonna

Traditionally, in our conventions we count with the support from the “Gas Processors Association” GPA, out of which the AVPG represents its Venezuelan Chapter.

The President of the Organizing Committee of the XVII Convention stated: “During many years it has been said that it was necessary to develop the gas sector as an alternative to the energetic business and how important it was for the coming generations to exploit this natural resource. At the AVPG we believe that the future has arrived, as the first works on the area of gas are becoming a reality and we are seeing solid results. Our convention will be developed directly with the international launching of the gas industry in Venezuela.”

“We are the natural gas people – continued Mr. Bracho – and we support the development of the gas industry even more now when we are seeing tangible and solid results in specific projects that are materializing, will promote the turning of Venezuela into a predominantly gas country in no more that ten years. Our country has reserves of this natural resource estimated around 149 billion cubic feet of gas (149 TCF). This places us on the

eighth place world-wide and second in the occidental hemisphere in regards to petroleum associated and non-associated gas reserves.

Public and private companies will discuss on the gas sector projects in Venezuela

The president of AVPG, Mr. Tito Bonadonna, explains to the readers of InfoGas the purpose and goals of the XVII International Convention and the VI Gas Industry Exhibition:

“At the AVPG we are extremely pleased to organize our XVII convention, in which we have decided to motivate the technological exchange among our associated companies as well as the promotion of international experiences, with the purpose to promote the best use and development of the national gas industry in its entire chain of value.”

Expressed the President of AVPG: “In prior conventions we incorporated the business summits, as value added to foment the exchange of different development visions of the natural gas industry.

For this new edition, we hope to share with our guests the advances on the current projects and the new projects announced by the Venezuelan Secretary of Energy and Oil. For this reason, “The XVII Convention will be the ideal scenario to analyze the current situation and make projections on what could materialize on the short and middle term.

Among the plans announced by the National Executive, the international private as well as national sector of the economy is to play a very important role, there being the possibility to incorporate in a very active way Venezuelan enterprises on those new projects, apart from motivating the creation of new operating companies in Venezuela.

Natural Gas as a Key Resource:

Mr. Bonadonna commented that the natural gas activities have their peculiarities: “We want to internalize in a very “proactive” way that even though it is true that our country has an outstanding trajectory as a key player in the petroleum sector, we do not have an important participation in the International Gas Market. For this reason, we consider it important to motivate the participation of Venezuela in the International Market as we do have very important reserves of this resource. If we do not, others would take part in these markets and its opportunities.

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In regards to the local market, “apart from the needs linked to the oil sector (injection for secondary recuperation and refining) there exist multiple opportunities to incorporate additional volumes of gas for the development of the activity “down-stream.” That is to say: iron production, petrochemicals, electricity, general industry, and urban sector. The attention to these needs, apart from the generations of associated economic activities to the production projects, processing and transporting these new volumes of gas, would generate a multiplying effect on the entire economic activities on the sectors that are recipients of said volumes, allowing them to benefit from the competitive advantage provided by our reserves.”

Based on above stated, Mr. Bonadonna assures that our gas reserves are key resource for our development, must be used to generate value and wealth to the society in general. If we could make a concerted advancement, using the legal framework and the regulatory organisms that exist, we could obtain a harmonic improvement of our Industry; which in turn would allow to place Venezuela at the level where it should be given its potential and reserves.

Board of Directors AVPG 2004 - 2006

Position	Name	Company
President	Tito Bonadonna	Otepi
Institutional Vice-Pres	Nicolás Bracho	Dow
Technical Vice-Pres	Sebastiano Rizzo	Shell
Treasurer Director	Edmundo Perich	Petrobras
Secretary Director	Leopoldo Olavarría	Macleod Dixon
Director	Valentín Alvarez	Repsol YPF
Director	Carlos Camera	Fluor Venezco
Director	Iker Candina	Hanover PGN
Director	Miguel Tarazona	Pdvs
Director	Antón Castillo	Pdvs
Director	Oscar Fariña	Pdvs Gas
Director	Raúl González	Pequiven
Director	Eduardo Patiño	Pequiven
Director	Luisa Cipollitti	Statoil
Director	Gustavo Daumen	Ypergas
Director	Fernando Lodeiro	Vepica
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Director	Miguel Rivero	PGDR Abogados
Director	Teo Rísquez	Tecnoconsult
Director	Francisco Sánchez	Inelectra
Director	Luis Alberto Terrero	UniversalCompression
Director	Manuel Vilaseca	AES, EDC
Director	Elvis Zavatti	PriceWaterhouseCoopers
Presid. Cons. Committe	Jairo Rincón S.	Venergy
Executive Director	Nancy A. Pérez	AVPG

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