

**THE NATIONAL ASSEMBLY OF THE  
BOLIVARIAN REPUBLIC OF VENEZUELA**

**WHEREAS**

The National Executive in its official letter N° 208 of March 16, 2006, through the Ministry of Energy and Petroleum, presented for consideration by the National Assembly the DRAFT CONTRACT FOR JOINT VENTURE COMPANIES (*EMPRESAS MIXTAS*) BETWEEN CORPORACIÓN VENEZOLANA DEL PETRÓLEO, S.A. AND THE PRIVATE COMPANIES.

**WHEREAS**

The legal and technical review of the 32 operating agreements entered into with several oil companies between 1992 and 1997 by Petróleos de Venezuela and its affiliates has verified that such agreements distort the nature of simple contracting of works or services, thus contravening the provisions of the legal framework in force.

**WHEREAS**

The aforementioned agreements contain, amongst other elements, fee clauses based on the volume and price of the hydrocarbons produced. They also include clauses that violate the jurisdictional sovereignty of the Republic.

**WHEREAS**

It is considered advantageous for the most noble interests of the Nation to support the National Executive's strategy to render strict performance of applicable legislation, and conclude the process of migration of the operating agreements to joint venture companies, within the framework of the policy of Full Oil Sovereignty.

**HEREBY AGREES**

**FIRSTLY:** To approve the following Terms and Conditions for the Creation and Functioning of the Joint Venture Companies:

1.- Each Joint Venture Company may engage in primary activities of exploration in search of hydrocarbons reservoirs, their extraction in their natural state, initial gathering, transportation and storage, as set forth in Article 9 of the Decree with Rank and Force of Organic Law of Hydrocarbons, in the geographical area designated by the Ministry of Energy and Petroleum, in accordance with Article 23 of the Decree with Rank and Force of Organic Law of Hydrocarbons, through Resolution published in the Official Gazette of the Bolivarian Republic of Venezuela ("Designated Area"). In addition, the Joint Venture Company may render services to other joint venture companies, to entities owned exclusively by the State or to other companies, it being understood that the principal purpose of the Joint Venture Company shall be the carrying out of the aforementioned primary activities, that such rendering of services shall not impair the carrying out of such principal purpose, and that the foregoing does not contemplate either the provision of petroleum services for third parties outside of the Designated Area or the transfer of technology to third parties.

2.- The Joint Venture Company may engage in the aforementioned primary activities for a period of twenty (20) years from the date of publication in the Official Gazette of the Bolivarian Republic of Venezuela of the Decree that transfers to it the right to carry out such activities.

3.- The Joint Venture Company will be the operator of the Designated Area, having the power, in accordance with Article 25 of the Decree with Rank and Force of Organic Law of Hydrocarbons to contract such specific petroleum services as may be necessary to assist it in carrying out its activities, such as, for example, seismic, drilling and workover services, it being understood that the Joint Venture Company may not enter into any contract or group of contracts which would result in the transfer, directly or indirectly, of its function as operator.

4.- The Joint Venture Company shall sell to PDVSA Petróleo, S.A., or any other of the entities referred to in Article 27 of the Decree with Rank and Force of Organic Law of Hydrocarbons that is designated by PDVSA Petróleo, S.A., all of the hydrocarbons produced and not consumed in the execution of its operations, with the exception of royalty in kind if applicable, in accordance with Article 45 of the Decree with Rank and Force of Organic Law of Hydrocarbons, and of the associated natural gas which PDVSA Petróleo, S.A. or its affiliate does not agree to receive. Except for payments for the sale of methane gas destined for the national market, payment for the sale of such hydrocarbons shall be made to the Joint Venture Company in Dollars of the United States of America, which may be held by the Joint Venture Company in bank accounts abroad and used by it to pay all of its obligations which are payable outside of the territory of the Bolivarian Republic of Venezuela, including the purchase price of equipment acquired abroad, debt service and fees of contractors and suppliers, as well as for the payment of dividends, reductions of capital, repayment of premiums and any other amounts payable to shareholders.

5.- The Joint Venture Company shall pay to the Bolivarian Republic of Venezuela the royalty and the taxes established by law. The initial capitalization of the Joint Venture Company, as well as the transactions which, according to the Draft Contract for Conversion to a Joint Venture Company submitted for review of this National Assembly will take place on the Closing Date referred to in such draft, will not generate any tax liabilities in the Bolivarian Republic of Venezuela for any person or entity.

6.- The Joint Venture Company shall deliver to the Bolivarian Republic of Venezuela as special advantages (*ventajas especiales*): (a) a participation, in the form of an additional royalty, of three point three three percent (3.33%) over the volumes of hydrocarbons produced from the designated area, to be distributed as follows: directly to the municipalities that make up the Designated Area, two point two two percent (2.22%), which will substitute the payments not to be received by such municipalities in municipal taxes by reason of the ceasing of the operating agreements, and to a fund dedicated to financing endogenous development projects within the guidelines of the National Development Plan for the respective region, one point one one percent (1.11%); and (b) an amount equal to the difference, if any, between (i) fifty percent (50%) of the value of hydrocarbons produced in the Designated Area during each calendar year (determined in accordance with the prices established for such hydrocarbons in the contract for sale and purchase of hydrocarbons that will be entered into between the Joint Venture Company and PDVSA Petróleo, S.A. or its affiliate), and (ii) the sum of the payments made by the Joint Venture Company to the Bolivarian Republic of Venezuela, in respect of the activities carried out by the Joint Venture Company during such calendar year, as royalties applicable to the hydrocarbons extracted (including the additional royalty described in Clause (a) above), income taxes, any other tax or levy calculated based on revenues (whether gross or net), and

the investments in endogenous development projects of one percent (1%) of its profits before taxes required pursuant to Condition Tenth below. The amount of the special advantage described in the preceding Clause (b) shall be equal to zero (0) when the sum of the payments described in Clause (b)(ii) is equal to or greater than the amount calculated in accordance with Clause (b)(i). For purposes of the calculation indicated in Clause (b)(ii) above, if royalty is taken in kind, then the value of such royalty shall be equal to the amount that would have been payable as royalty if the same had been paid in cash. The special advantage described in Clause (b) shall be paid on April 20 of each year, beginning on April 20, 2007. On or before each payment date, the Joint Venture Company shall deliver to the Ministry of Energy and Petroleum a written report setting forth the calculation of the payment obligation for such special advantage. The reimbursement of any amount for income taxes that was taken into account in the calculation of any payment of such special advantage and that may have had the effect of reducing the same, shall obligate the Joint Venture Company to pay to the Bolivarian Republic of Venezuela the amount reimbursed to the extent of such reduction in the payment of the respective special advantage within thirty (30) consecutive days following the reimbursement. In no event shall the Bolivarian Republic of Venezuela reimburse any amounts paid as this special advantage, but any amount which in relation to any calendar year may have been paid by the Joint Venture Company in excess of what would have been applicable computing any due adjustment within the parameters of calculation here established, may be deducted by the Joint Venture Company from the payment of this special advantage in subsequent years.

7.- The right to engage in primary activities granted to the Joint Venture Company pursuant to the transfer decree, as well as such other rights as may be transferred, such as property rights or other rights to real or personal property within the private domain of the Bolivarian Republic of Venezuela, may be revoked by the National Executive in the manner and in the cases set forth in Article 24 of the Decree with Rank and Force of Organic Law of Hydrocarbons.

8.- All geological, geophysical and any other information of a technical character relating to the primary activities carried out in the Designated Area shall be the property of the Bolivarian Republic of Venezuela from the moment such information is obtained and the Joint Venture Company shall be entitled to use such information only in connection with the execution of the transferred activities. Should the right to engage in primary activities be terminated for any reason, the Joint Venture Company shall deliver the original materials containing such information to the Ministry of Energy and Petroleum.

9.- The Joint Venture Company shall plan and execute all actions necessary to restore the Designated Area and any other geographical area affected by the activities of the Joint Venture Company to the condition that such Designated Area was in on the date of the Decree which transferred to the Joint Venture Company the right to conduct primary activities. In addition, unless it receives a different instruction from the Ministry of Energy and Petroleum and the Ministry of Environment and Natural Resources, the Joint Venture Company shall, before the end of the period established in the mentioned Decree, remove and dispose of the contaminants resulting from the primary activities, in accordance with the procedures and quality standards set forth by the Ministry of the Environment and Natural Resources and, should these not apply, with those procedures generally accepted from a scientific and technical perspective and with standards of the oil industry for such activities.

10.- The Joint Venture Company shall develop and put into effect a policy of endogenous development based upon the principles of preservation of cultural and biological diversity,

minimization of adverse environmental effects and social responsibility as expressed in the National Development Plan. In the same manner, based on such policy, the Joint Venture Company will develop and implement a social investment plan with the purpose of developing social improvement programs, which should be submitted for the approval of the National Executive. The Joint Venture Company shall invest in such programs within any calendar year an amount equal to one percent (1%) of its pre-tax profits for the previous calendar year, in accordance with its duly audited financial statements, it being understood that, with regard to the investments expected to be made for the first calendar year, such amount shall be calculated based on the profits that the Joint Venture Company reasonably expects to obtain during such period.

11.- The remaining basic terms and conditions that will govern the Joint Venture Company are set forth in the format of the Contract for Conversion to a Joint Venture Company and of the Articles of Incorporation and By-laws to be approved by the National Assembly together with the Report of the National Executive relating to the incorporation of the Joint Venture Company and the Memorandum of Understanding between Corporación Venezolana del Petróleo, S.A. and the corresponding contractor.

12.- The differences and disputes arising from failure to comply with the conditions, standards, proceedings and actions which constitute the purpose of this document or which arise herefrom shall be resolved in accordance with the laws of the Bolivarian Republic of Venezuela and before its legal tribunals.

**SECONDLY:** To approve the Contract Model for Joint Venture Companies between Corporación Venezolana del Petróleo, S.A. and the Private Entities, which shall include the Annexes referred to therein and will be drafted as follows:

[Note: the translation of the Conversion Contract Model is not included herein. Should you require a translation of this model, do not hesitate to let us know]

**THIRDLY:** To approve the Model of Articles of Incorporation and By-laws of the Joint Venture Company, drafted as follows:

**DRAFT ARTICLES OF INCORPORATION AND BY-LAWS  
OF THE JOINT VENTURE COMPANY**

**CHAPTER I  
NAME, PURPOSE, DOMICILE AND TERM**

**Article 1. Name.** The company is named \_\_\_\_\_, S.A. (hereinafter the "Company").

**Article 2. Purpose.** The purpose of the Company is to carry out the activities of exploration in search of hydrocarbons reservoirs, extraction of hydrocarbons in their natural state, initial gathering, transportation and storage set forth in Article 9 of the Decree with Rank and Force of Organic Law of Hydrocarbons, published in Official Gazette of the Bolivarian Republic of Venezuela No. 37.323 of November 13, 2001 (hereinafter the "Organic Hydrocarbons Law" and the "Primary Activities") in the geographical area designated by the Ministry of Energy and Petroleum (hereinafter the "Designated Area") by means of Resolution No. \_\_\_\_\_, published in Official Gazette of the Bolivarian Republic of Venezuela (hereinafter the "Official Gazette") No. \_\_\_\_\_, of \_\_\_\_\_, 2006. In addition, the Company may render services to other joint venture companies, to companies owned exclusively by the State or other entities, in exchange for fees on an arm's-length basis, provided that the rendering of such services is in the interests of the Company, it being understood that the principal purpose of the Company is the carrying out of the Primary Activities, that the rendering of such services shall not impair the carrying out of such principal purpose, and that the foregoing does not contemplate either the provision of petroleum services for third parties outside of the Designated Area or the transfer of technology to third parties. The Company shall be governed by (i) the Organic Hydrocarbons Law, (ii) the terms and conditions established in the National Assembly Accord, published in Official Gazette No. \_\_\_\_\_, of \_\_\_\_\_, 2006 (hereinafter the "National Assembly Accord"), (iii) the provisions of these Articles of Incorporation and By-laws, (iv) the Decree of authorization issued by the National Executive for the formation of the Company published in Official Gazette No. \_\_\_\_ of March \_\_\_\_, 2006 (hereinafter the "Formation Decree"), (v) the Decree that transfers to the Company the right to carry out the Primary Activities in the Designated Area (hereinafter the "Transfer Decree"), (vi) the Contract for Conversion to a Joint Venture Company entered into between Corporación Venezolana del Petróleo, S.A. (hereinafter "CVP") and \_\_\_\_\_ (hereinafter "Company X"), of March \_\_\_\_, 2006 (hereinafter the "Conversion Contract"), (vii) the provisions of the Commercial Code, and (viii) all other laws of the Bolivarian Republic of Venezuela (hereinafter the "Republic").

**Article 3. Domicile, Branches.** The domicile of the Company shall be the city of Caracas, with the power to establish agencies, branches or offices in any other location within the Republic or abroad when so decided by the Board of Directors.

**Article 4. Term.** The term of the Company's existence shall be the period established in the National Assembly Accord and in the Transfer Decree for the Company to carry out the Primary Activities in the Designated Area.

**CHAPTER II**  
**CAPITAL STOCK, SHARES AND SHAREHOLDERS**

**Article 5. Capital Stock.** The Company's capital stock shall be one billion Bolívares (Bs. 1,000,000,000), which shall be divided into one hundred thousand (100,000) shares of common stock, with a par value of ten thousand Bolívares (Bs.10,000) each.

**Article 6. Subscription of Capital Stock.** The Company's capital stock is divided into two classes of shares: Class A and Class B shares. Only the State or companies owned exclusively by the State may own Class A shares. The capital stock has been one hundred percent (100%) subscribed and paid for in the following manner:

**Class A**

Shareholder	Number of Shares	Subscribed Capital	Paid-in Capital	Percentage of Total Capital
CVP	_____	Bs. _____	Bs. _____	_____%

**Class B**

Shareholder	Number of Shares	Subscribed Capital	Paid-in Capital	Percentage of Total Capital
Company X	_____	Bs. _____	Bs. _____	_____%

The number of shares of the Company owned by the State or companies owned exclusively by the State must always represent, at a minimum, a shareholding percentage greater than fifty percent (50%) of the capital stock of the Company. Such requirement may not be altered as a result of the issuance or cancellation of shares by the Company or by any other circumstance.

**Article 7. Shares.** The shares of stock of the Company are nominative and not convertible into bearer shares. Ownership of shares in the Company is evidenced by inscription in the Stock Registry Book, and transfer of the shares is evidenced by means of a written statement in the Stock Registry Book signed by the assignor, the assignee and the President of the Board of Directors or the director to whom such function has been delegated.

**Article 8. Single Ownership.** The Company will recognize only one owner for each share. If a share is owned by several persons, the Company shall not be obligated to register or to recognize more than one such person as owner, who shall be designated by the owners of such share for purposes of exercising rights derived therefrom before the Company.

**Article 9. Certificates.** The certificates representing shares shall be issued subject to the requirements of Article 293 of the Commercial Code and must be executed by two (2) directors. The Board of Directors, at the request of the shareholders, shall determine the number of shares represented by each certificate. Shares may be redistributed in new certificates by exchanging the prior certificates, if so decided by the Board of Directors at the

request of the owner of the shares. All such exchanges shall be recorded in the Stock Registry Book. In the event of damage to or loss of one or more certificates, the affected shareholder will request the President to issue new certificates, upon the cancellation of the lost or damaged certificates, and the shareholder shall pay any related costs.

**Article 10. Equality of Rights.** Except as otherwise provided in these Articles of Incorporation and By-laws, all shares of stock in the Company grant their owners the same rights.

**Article 11. Preferential Right for the Purchase of Class B Shares.**  
The Class A shareholder shall have a preferential right to acquire all (but not part) of the Class B shares offered for sale by a Class B shareholder in accordance with this Article (except in the case of a sale or transfer to an entity owned, directly or indirectly, exclusively by the ultimate parent entity of the selling shareholder). A Class B shareholder wanting to sell all or part of its Class B shares shall first provide written notice to the remaining shareholders of both Classes through the President of the Board of Directors, indicating the number of Class B shares being offered, the price of such sale and all other conditions of the offer (hereinafter the "Offer Notice"). Consideration for sales of Class B shares shall only be payable in cash. The selling shareholder shall include in the Offer Notice the name and contact information of the party ready to purchase the shares offered for sale. Within thirty (30) calendar days (hereinafter "Days") after receipt of the Offer Notice by the Class A shareholder, the latter shall indicate whether or not it desires to acquire the offered shares upon the terms and conditions contained in the Offer Notice and shall communicate this decision to the selling shareholder through the President of the Board of Directors. If the Class A shareholder has not stated its intention to acquire all of the offered shares within such period, the Class B shareholders shall have the right, in proportion to their participation in the Class B shares, to acquire such shares upon the terms indicated in the Offer Notice by notifying the selling shareholder through the President of the Board of Directors of their intention to acquire such Class B shares, such notice to be delivered within thirty (30) Days after the expiration of the period set forth above for the exercise by the Class A shareholder of its preferential right. The failure of any of the Class B shareholders to acquire the percentage of shares to which it is entitled shall proportionately increase the right of the other Class B shareholders. If none of the Class A shareholders or the Class B shareholders states its intention to acquire the Class B shares of the selling shareholder within the periods indicated above, it shall be understood that such shareholders approve the sale on the same terms and conditions contained in the Offer Notice. The selling shareholder may, subject to the condition set forth in Article 12, conclude the sale of the Class B shares in accordance with the terms and conditions described in the Offer Notice within a period of one hundred and eighty (180) Days after the foregoing period of thirty (30) Days for the Class B shareholders to exercise their preferential right has lapsed. If such sale is not concluded within the aforementioned one hundred and eighty (180) Days period, the approval for such sale shall be deemed withdrawn and any subsequent sale will be subject to the same preferential rights and procedures set forth above. Upon the consummation of the transfer of the offered shares, the selling shareholder shall notify the President of the Board of Directors thereof and shall certify the price and other terms and conditions upon which such transfer was made.

**Article 12. Authorization for Transfer of Shares.** Notwithstanding any provision in these Articles of Incorporation and By-laws to the contrary, no holder of shares of the Joint Venture Company may encumber, grant as guarantee, assign or transfer (except for a transfer

to an entity which is, directly or indirectly, exclusively owned by the ultimate parent entity of the transferring shareholder) its shares without the prior written consent of the Minister of Energy and Petroleum of the Republic. In the event of a change in control of any Class B shareholder without the prior written consent of the Minister of Energy and Petroleum of the Republic, the provisions of Article 6.3 of the Conversion Contract shall apply.

### **CHAPTER III SHAREHOLDERS' MEETINGS**

**Article 13. General Powers.** The ruling and most relevant decisions of the Company correspond to the shareholders duly convened in a meeting in which the corresponding quorum is present (hereinafter a "Shareholders' Meeting"), which shall have the powers granted to it by law and by these Articles of Incorporation and By-laws.

**Article 14. Annual and Special Meetings.** Annual Shareholders' Meetings will be held annually within ninety (90) Days after the close of the Company's fiscal year and the Special Shareholders' Meetings shall be held when called by the Board of Directors or at the request of the majority of the Class A or Class B shareholders. The Shareholders' Meeting, duly convened, represents the entirety of the shareholders. Its decisions adopted within the limitations of its authority are mandatory for the Company, including the shareholders that did not attend the meeting.

**Article 15. Notice.** Annual or Special Shareholders' Meetings shall be called with at least fifteen (15) Days' notice prior to the date fixed for the meeting by means of a notice prepared by the President that shall be published in one of the newspapers with major national circulation. Such notice will state the location, date and time of the meeting, as well as the agenda of the matters to be discussed. The notices shall be confirmed by communication sent to all of the shareholders by fax, certified mail or electronic mail not less than ten (10) Days prior to the date fixed for the Meeting, to the last address duly given by the shareholders to the Company. Such notice shall also indicate the location, date and time of the meeting, as well as the agenda of the matters to be discussed, and shall have enclosed copies of any proposals to be presented, including proposals which any shareholder may have notified to the President. If within a period of three (3) Days following receipt of the notice, any shareholder notifies the President in writing that it cannot attend such meeting, the President shall, once only, set (by means of a notice sent at least seven (7) Days beforehand to all of the shareholders by fax, certified mail or electronic mail), a new date for holding the Shareholders' Meeting within twenty one (21), but not earlier than seven (7), Days following the date originally set, which date will be notified in writing to all the shareholders. Any decision made without the previous compliance with that which is set forth in this Article 15 shall be null and shall have no legal effect. A Shareholders' Meeting at which the entire capital stock, including all of the Class A and Class B shares, is present or represented shall be valid, provided that all of the shareholders indicate their agreement in writing with the agenda to be discussed at such meeting, without the required prior notice.

**Article 16. Quorum and Decisions.** Annual and Special Shareholders' Meetings will be considered validly convened when more than fifty percent (50%) of the capital stock of the Company is represented, and in order that resolutions adopted by the Shareholders' Meeting be



valid, a favorable vote of more than fifty percent (50%) of the shares of the capital stock of the Company shall be required, except in those cases where decisions require a qualified majority.

**(I) Simple Majority:** In order to make the following decisions, among others, the favorable vote of more than fifty percent (50%) of the shares of the capital stock of the Company will be required:

- (a) Appoint the principal Statutory Auditor and her/his alternate and determine their compensation;
- (b) Approve any proposal to increase or reduce the capital stock of the Company, that does not alter the percentage participation of the existing shareholders in the capital stock of the Company and whose purpose is consistent with the Business Plan incorporated as Annex I to the Conversion Contract;
- (c) Approve the annual work programs and budgets of the Company in accordance with the guidelines established in the Business Plan incorporated as Annex I to the Conversion Contract, without prejudice, in accordance with Article 1.8 of the Conversion Contract, to the right of the Class B shareholders to not participate in new investment projects that can be technically and economically segregated from the ongoing operations of the Company and the right of CVP to carry out such projects on its sole account;
- (d) Appoint and remove the secretary of the Shareholders' Meeting; and
- (e) Decide upon any other matter specifically submitted to it for consideration and which, in accordance with the following indications, shall not be decided by a qualified majority of shareholders, it being understood that the simple majority shall not take decisions contrary to the interests of the Company, including, among others, any decision which would result in the revocation of the Transfer Decree or of any permit, license or authorization of any kind required for the conduct of the Company's business, or in the early termination or breach of the Contract for the Purchase and Sale of Hydrocarbons executed by the Company in accordance with Article 3 of the Conversion Contract.

**(II) Qualified Majority:** In order to make the following decisions, shareholders owning at least three quarters (3/4) of the capital stock of the Company must be present or represented at the Shareholders' Meeting and shareholders owning at least three quarters (3/4) of the shares of the Company must vote in favor:

- (a) Approve any modifications to these Articles of Incorporation and By-laws (except changes to Articles 5 and 6, in the case of increases or decreases of capital stock approved in accordance with Article 16(l)(b)), it being understood that, in accordance with Article 35, the validity of such modifications shall be subject to the approval of the Ministry of Energy and Petroleum and, in case of amendments to this Article 16, of the National Assembly;
- (b) Approve any proposal to increase or decrease the capital stock of the Company that alters the percentage participation of the current shareholders in the capital stock of the Company or whose purpose is inconsistent with the Business Plan incorporated as Annex I to the Conversion Contract;
- (c) Approve any liquidation or anticipated dissolution of the Company;
- (d) Decide regarding the merger, consolidation, or combination of businesses with other companies or the breaking-up of the Company;

- (e) Decide regarding the disposal of all or a substantial part of the assets of the Company, by sale, grant, lease, exchange, transfer or any other manner, except for the disposal of assets in the normal course of business or assets that are no longer useful for the Company in accordance with the Business Plan, all in accordance with the legal provisions regarding reversion;
- (f) Decide the terms and conditions of any financing agreement for an amount greater than ten million Dollars of the United States of America (US\$ 10,000,000) (or any group of lesser financing agreements which, together, exceed such amount), or its equivalent in other currency, as well as any modification of such contract;
- (g) Approve or modify the general balance sheet and profit and loss statement, duly audited, pursuant to the information provided by the Statutory Auditor, it being understood that no shareholder shall withhold its approval unless it demonstrates the existence of errors in such financial statements;
- (h) Approve the creation and financing of any reserve fund that is not the legal reserve fund referred to in Article 30 of these Articles of Incorporation and By-laws or others that may be provided for under applicable laws;
- (i) Order the distribution of dividends or the reimbursement of paid-in capital or premiums, it being understood that no shareholder shall withhold its approval of any Board of Directors proposal for distribution that is consistent with the policy established in Article 32 of these Articles of Incorporation and By-laws;
- (j) Agree on any proposed changes to the policy regarding dividends and other distributions established in Article 32 of these Articles of Incorporation and By-laws;
- (k) Agree on any proposal to change the Business Plan incorporated as Annex I of the Conversion Contract (as the same may have been modified in accordance with this provision);
- (l) Agree on any amendment, early termination or submission to dispute settlement procedure in relation with the Contract for Sale and Purchase of Hydrocarbons that will be entered into by the Company, pursuant to Article 3 of the Conversion Contract;
- (m) Agree on any contract with shareholders or their affiliated companies that is not at market price, it being understood that any contract with a shareholder or any of its affiliated companies shall be notified to all other shareholders, who shall be given the chance to object if the contract is not at market price;
- (n) Agree on any social investment in excess of the amount required in the National Assembly Accord;
- (o) Agree on any waiver of material rights, including the rights to carry out Primary Activities in the Designated Area pursuant to the Transfer Decree, or the filing, initiation, termination, settlement or any other act relating to or derived from any litigation, proceedings, or judicial, arbitral or administrative claim, in which the Company is a party and that involves an amount in excess of one million Dollars of the United States of America (US\$1,000,000), or its equivalent in other currencies;
- (p) Select the external auditors and approve their engagement;
- (q) Appoint the judicial representative or any general attorney-in-fact of the Company; and
- (r) Appoint the liquidator in the event of the liquidation of the Company.

Every decision adopted without meeting the required majorities set forth in this Article shall be considered null and void. In addition, any decision that is not consistent with any of the

provisions of the National Assembly Accord, the Formation Decree, the Transfer Decree, or the Conversion Contract, shall be considered null and void.

**Article 17. Representation in the Shareholders' Meetings.** Every shareholder has the right to be represented in the Shareholders' Meetings by its attorney-in-fact. The power of attorney, duly authenticated, shall be sent by fax or certified mail to the Secretary of the Board of Directors.

**Article 18. Minutes of the Meeting.** The Shareholders' Meetings shall be recorded in minutes which shall set forth the names of those attending, the number and Class of the shares they represent and the decisions and measures which were adopted. The minutes referred to will be recorded in the respective Book duly approved by the Commercial Registry and shall be signed by all attendees and certified, together with any extract therefrom, by the President or Secretary of the Board of Directors or by any other officer or employee of the Company designated by the Shareholders' Meeting. The previously mentioned documents shall constitute evidence of the decisions made in the Meetings.

#### **CHAPTER IV** **ADMINISTRATION**

**Article 19. Board of Directors.** The management and administration of the Company shall be entrusted to a Board of Directors composed of five (5) members, one of whom shall be its President. The Class A shareholders, making the decision on behalf of its Class in the corresponding Shareholders' Meeting, shall have the exclusive right to appoint three (3) principal members of the Board of Directors, including its President, and their respective alternates. The Class B shareholders, making the decision on behalf of its Class in the corresponding Shareholders' Meeting, shall have the exclusive right to appoint, by vote of a simple majority of the Class B shares, two (2) principal members of the Board of Directors and their respective alternates. In case of the President's absence, the Class A shareholders shall elect a substitute who will assume the same duties and powers attributed to such office by this document. In case of the absence of any director, such director will be replaced in the exercise of her/his duties, by the corresponding alternate, who shall be summoned by the Board of Directors. If the alternate of any director is unable to replace such director, the President or whoever acts for him will call as her/his replacement any of the alternates of the other directors corresponding to the same Class of stock with the purpose of filling such alternate position. Upon occurrence of the definitive absence of any director, the President or whoever acts for him will call a Shareholders' Meeting to elect a substitute for the remaining term of office of the substituted director, with the understanding that such substitute will be elected by the shareholders of the Class to which corresponds the appointment of the absent director. Chapter XI of these Articles of Incorporation and By-laws lists the principal directors, including the President, and the alternates whom will serve in such capacity during the first statutory period.

**Article 20. The President.** The President of the Board of Directors shall have the following powers and duties:

- (a) Call Shareholders' Meetings, in accordance with Article 15 of these Articles of Incorporation and By-laws;

- (b) Call the meetings of the Board of Directors on her/his own initiative or that of two (2) directors, in accordance with Article 23 of these Articles of Incorporation and By-laws;
- (c) Prepare the agenda and notices of the Shareholders' Meetings and Board of Directors' Meetings;
- (d) Preside over the Shareholders' Meetings and Board of Directors' Meetings, it being understood that her/his absence shall not affect the validity of the meeting and the decisions taken;
- (e) Act as the Company's legal representative, except for the judicial representation of the Company, which is governed by Article 27 of these Articles of Incorporation and By-laws and applicable legal provisions; and
- (f) All other powers or obligations conferred upon the President by the Shareholders' Meeting or by the Board of Directors.

If the President does not call the meetings mentioned in Clauses (a) and (b) above within a period of five (5) Days following the respective requests, any two (2) of the directors may call such meetings.

**Article 21. Directors' Term of Office.** The members of the Board of Directors and their respective alternates shall be elected for a term of three (3) years by the shareholders of the corresponding Class meeting in a Shareholders' Meeting. Any director who is not replaced upon expiration of her/his term shall continue to exercise her/his functions with all powers inherent thereto until her/his replacement is made effective. The Shareholders' Meeting may replace them at any time, by the vote of the majority of the shares of the Class that designated such directors.

**Article 22. Obligation to Deposit Shares.** Each member of the Board of Directors must deposit with the corporate treasury one (1) share of the Company's stock, which shall be stamped with the seal of inalienability as provided by the Commercial Code. If the members of the Board of Directors are not shareholders in the Company, such shares shall be deposited by the shareholder electing such directors and will remain on deposit as a guarantee of the directors' performance of their duties for the term set forth in the Commercial Code.

**Article 23. Meetings and Notices of the Board of Directors.** The Board of Directors shall meet with such frequency as it may itself determine but normally shall meet at least once a month. The Board of Directors may also be convened at any time by its President on her/his own initiative or at the request of two (2) directors. Notice of the meeting must be sent by fax, certified mail, electronic mail or other appropriate means to all of the directors at the last addresses given by them to the President with at least seven (7) Days' notice prior to the meeting, except in emergency situations, in which case the notice of the meeting may be given with less notice. The notice shall indicate the place, date and time of the meeting, as well as the matters to be discussed at the meeting and should have enclosed copies of all proposals presented, including proposals which any director may have notified to the President. The Board of Directors may not adopt valid resolutions on matters not included in the agenda except by unanimous agreement of its members. The notices may be obviated when all of the principal directors, or their alternates in the absence of the principals, are present. If within the three (3) Days following receipt of the notice any Director notifies the President in writing that neither she/he nor her/his alternate can attend the meeting, the President shall, once only, fix a new date for holding the meeting in question within ten (10) Days following the date originally set,

except when there is an emergency situation, in which case the meeting shall not be postponed. The directors, or their respective alternates, must attend the meetings of the Board of Directors for their votes to be validly cast. This requirement may be met by means of teleconference or videoconference systems. Meetings of the Board of Directors shall take place in Venezuela and, as an exception, may take place outside of the country when required by special and duly justified reasons.

**Article 24. Quorum and Decisions of the Board of Directors.** For the validity of the deliberations and decisions of the Board of Directors the presence of no less than four (4) members is required, except in the case expressly provided below in this Article. If at the meeting of the first notice less than four (4) members of the Board of Directors are present, a second notice for another meeting shall be given at least five (5) Days in advance, on the understanding that for the validity of the deliberations and decisions made in such second meeting, there shall only be required the presence of at least three (3) members. Decisions of the Board of Directors shall be taken by the favorable vote of at least three (3) of its members, except in the case of any decision implementing a decision of the Shareholders' Meeting relating to any of the matters listed in Article 16(II) (Qualified Majority) or proposals relating to such matters, which shall require the favorable vote of at least four (4) members. The meetings of the Board of Directors shall be recorded in minutes which shall be recorded in the appropriate Book and signed by the attendees. The minutes of the Board of Directors and all extracts therefrom must be certified by the Secretary or the President of the Board of Directors or by the employees that it designates, and they shall constitute evidence of the decisions made in the Board of Directors' meeting.

**Article 25. Powers of the Board of Directors.** Except for those items expressly reserved for the Shareholders' Meeting, the Board of Directors shall have the most ample powers of administration and disposal expressly granted in these Articles of Incorporation and By-laws, including, without limitation, the following:

- (a) Propose to the Shareholders' Meeting the approval of the general budget applicable to the following fiscal year of the Company, which general budget should be consistent with the Business Plan incorporated as Annex I in the Conversion Contract, and once approved, forward it to the National Budget Office before September 30 of the year preceding the year in which the budget becomes effective;
- (b) Present to the Shareholders' Meeting, on an annual basis, a report regarding the management of the Company;
- (c) Appoint and dismiss personnel of the Company and, in addition, determine their compensation, consistent with the provisions of these Articles of Incorporation and By-laws and the Conversion Contract;
- (d) Make recommendations that it deems appropriate to the Shareholders' Meeting regarding the creation of reserves and the utilization of surpluses;
- (e) Prepare for the Shareholders' Meeting the proposals for annual dividend distributions, advance payments and reimbursements of capital or premium, in accordance with the policy contained in Article 32 of these Articles of Incorporation and By-laws;
- (f) Agree upon the execution of contracts and actions necessary for the proper conduct of the Company and development of its business, on the understanding that such contracts and actions (i) shall be consistent with the work programs and budgets approved by the Shareholders' Meeting in accordance with these Articles of Incorporation and By-laws

and with the policies and procedures adopted by the Board of Directors, and (ii) in no case may affect the position and attributions of the Company as operator in the Designated Area;

- (g) Authorize the opening, movement and closing of bank accounts, designating the persons authorized to manage them;
- (h) Issue, accept, endorse and guarantee letters of exchange and any other commercial instruments, it being understood that such acts shall be consistent with the work programs and budgets approved by the Shareholders' Meeting in accordance with these Articles of Incorporation and By-laws;
- (i) Authorize the appointment or revocation of special agents;
- (j) Supervise the implementation of the policies and procedures necessary to develop the business of the Company in accordance with the Conversion Contract; and
- (k) Carry out the resolutions of the Shareholders' Meetings.

The Board of Directors can, within the limits it determines to be suitable and reserving its rights, delegate in officers of the Company the powers set forth in Sections (c), (f), (g), (h) and (i) of this Article 25.

**Article 26. General Manager and Other Management Personnel.** The General Manager will be appointed and removed by the Board of Directors. The General Manager will be in charge of the daily administration of the business of the Company and shall have the following powers and duties:

- (a) Execute and cause to be executed the agreements and resolutions of the Shareholders' Meeting and of the Board of Directors;
- (b) Authorize with her/his signature such documents or other texts to which he should attend pursuant to resolutions of the Shareholders' Meeting or of the Board of Directors;
- (c) Order the payment of day-to-day expenses of the Company, pursuant to the budget approved by the Shareholders' Meeting;
- (d) Present every semester to the Board of Directors a detailed account of the income, expenditure and assets of the Company, and a general report on the administration;
- (e) At its request, inform the Board of Directors on any matter regarding the Company or the administration thereof;
- (f) Direct and supervise on a daily basis the accounting of the Company;
- (g) Ensure that the employees of the Company carry out their duties, and ask the Board of Directors for their dismissal when justified or necessary, or proceed with such dismissals when such authority has been delegated in her/him; and
- (h) Implement the policies and procedures for the operation of the Company and carry out any other actions relating to business activities or administration as may be expressly authorized by the Board of Directors.

A percentage of management personnel of the Company equivalent to the shareholding participation percentage of the Class B shareholders of the Company shall be nominated by the Class B shareholders. In addition to the General Manager, the management of the Company shall be composed of top-rate executives that shall occupy the positions of Technical and Operations Manager, Human Resources Manager, External Affairs Manager, Purchasing Manager, Systems Manager, Planning Manager, Manager of Administration and Finances, Legal Manager and Manager of Safety, Health and Environment. The General Manager shall be nominated by the Class A shareholder while the Technical and Operations Manager shall be

nominated by the Class B shareholder. The Company shall also have a Manager of Loss Prevention and Control who shall be nominated by the Class A shareholder. The management structure of the Company shall be reviewed periodically by the shareholders in order to ensure that it responds to the objectives and purposes of the Company.

#### **CHAPTER V** **JUDICIAL REPRESENTATIVE**

**Article 27. Judicial Representative.** The judicial representation of the Company will be exercised by a Judicial Representative who shall be a legal professional. The Shareholders' Meeting will make the appointment for a period of three (3) years and upon the expiration of such period, the Judicial Representative shall remain in such position until a successor takes office. The Shareholders' Meeting may also make consecutive extensions of the term of office. In addition, the Shareholders' Meeting may proceed at any time to remove the Judicial Representative. The Judicial Representative will attend Shareholders' Meetings or meetings of the Board of Directors when summoned, being responsible for the judicial representation of the Company in administrative, judicial or legislative proceedings, that she/he shall exercise exclusively, subject to Articles 16 and 25 of these Articles of Incorporation and By-laws. The Judicial Representative who shall exercise functions during the first statutory period is designated in Chapter XI of these Articles of Incorporation and By-laws.

#### **CHAPTER VI** **STATUTORY AUDITOR**

**Article 28. Statutory Auditor.** The Company shall have a principal Statutory Auditor and a corresponding alternate who shall have the functions set forth in the Commercial Code. Both shall serve terms of three (3) years in their offices and their appointment or removal corresponds to the Shareholders' Meeting. If not replaced upon expiration of the aforementioned term, the officers governed by this Article will continue to perform their duties with all powers inherent to their office until the appointment of their respective replacements. The principal Statutory Auditor and her/his alternate who shall exercise their functions during the first statutory period are designated in Chapter XI of these Articles of Incorporation and By-laws.

#### **CHAPTER VII** **BALANCE SHEET, EQUITY,** **RESERVES, EARNINGS AND DIVIDEND DISTRIBUTION**

**Article 29. Fiscal Year of the Company.** The Company's fiscal year begins on January 1 and ends on December 31 of each year. However, the first fiscal year will commence on the date of registration of these Articles of Incorporation and By-laws and will end on December 31, 2006. At the end of each fiscal year, the inventory and general balance sheet will be prepared in accordance with the provisions of the Commercial Code and accounting principles generally accepted in the Republic. The Shareholders' Meeting may consider and approve, by qualified majority, balance sheets for shorter periods as may be presented by the Board of Directors.

**Article 30. Corporate Reserves.** Five percent (5%) of the Company's net earnings resulting from the general balance sheet and profit and loss statement approved in accordance with Article 16, shall be set aside annually for the purpose of creating a legal reserve fund until such fund is equal to ten percent (10%) of the capital stock.

**Article 31. Additional Reserves.** In addition to the capital stock and established reserve funds, or any other equity accounts that may exist in accordance with the law or generally accepted accounting principles, the Company may create, with the prior consent of the Shareholders' Meeting in accordance with Article 16(II) of these Articles of Incorporation and By-laws, additional equity reserve accounts. The amounts in such accounts may not be reduced or distributed in any way except with the consent of the Shareholders' Meeting. The equity reserve accounts shall be considered a reduction of the losses, if any, for the determination of a reduction of the capital stock for purposes of Article 264 of the Commercial Code.

**Article 32. Dividends and Other Distributions.** Subject to Article 1.6(A) of the Conversion Contract, dividends shall be distributed pro rata among the number of issued shares, independently of their Class. The Company's dividend policy, once the requirements for the reserve funds mentioned in Article 30, its investment plans and its financial, fiscal and other obligations are satisfied, shall consist of an annual payment in cash of the maximum amount of dividends that is feasible, avoiding the unnecessary retention of funds. The policy of the Company regarding distributions will also contemplate the payment of advance dividends (loans to shareholders), reductions in capital and repayments of premiums, to the extent that the Board of Directors considers feasible and prudent given the financial condition and projections of the Company, in order to pay to the shareholders retained funds which are not required for the purposes set forth above. The Board of Directors shall consider the possibility of making such distributions at least quarterly. All payments of dividends, advances, reductions in capital or repayments of premiums in accordance with this Article, shall be made by the Company to each shareholder registered as such at the moment of the declaration or approval of such action by transfer of immediately available funds within five (5) Days after the date of such declaration or approval. All payments to shareholders in accordance with this Article 32 shall be made in Dollars of the United States of America from accounts held by the Company abroad. The right to receive the payment shall arise as of the moment in which the Shareholders' Meeting approves it. In no event shall distributions be made to the shareholders if the Company does not have available funds to make such payment.

## **CHAPTER VIII** **LIQUIDATION OF THE COMPANY**

**Article 33. Liquidation.** Except as otherwise provided by law, liquidation of the Company will be effected by one (1) liquidator appointed by the Shareholders' Meeting that has approved the liquidation. In the liquidation, all of the Company's assets of whatever nature, whether tangible or intangible, real or personal, shall be transferred only to the owners of the Class A shares, except for cash not reserved for the payment of expenses and other obligations, which shall be distributed to the shareholders in proportion to their shareholdings in the Company.



**CHAPTER IX**  
**AUDIT AND ACCESS TO INFORMATION**

**Article 34. Shareholders' Audit Right and Access to Information of the Company.**

Any shareholder shall have the right to have an independent auditor verify the accounting and financial records of the Company, for which purpose it shall give written notice to the Company at least thirty (30) Days in advance. During the course of such audits, which shall not interfere with the normal carrying out of activities of the Company, the Company shall offer to the auditors designated by the shareholder reasonable access to its facilities during working hours. The cost of such audits shall be assumed by the shareholder that requests them. In addition to the foregoing, the shareholders shall have complete access to all information related to the business of the Company. The Company will report periodically to all the Class A and Class B shareholders the financial, tax, health, safety and environmental, and other types of information necessary to enable them to prepare their reports and accounts in accordance with regulations applicable to them.

**CHAPTER X**  
**FINAL PROVISIONS**

**Article 35. Approval of Amendments to these Articles of Incorporation and By-laws.** Except as provided under Sections I(b) and II(b) of Article 16 of these Articles of Incorporation and By-laws, in order to be valid any amendment to these Articles of Incorporation and By-laws shall be approved by the Ministry of Energy and Petroleum and, in case of an amendment to Article 16, by the National Assembly.

**Article 36. Matters not Provided for Herein.** All matters not provided for in these Articles of Incorporation and By-laws shall be governed by the laws of the Bolivarian Republic of Venezuela then in effect. Except for what is established in the applicable laws and regulations of Public Law, the Company shall be governed by the laws and regulations of Private Law, including, among the latter, the provisions of the Commercial Code that may be applicable.

**CHAPTER XI**  
**TRANSITORY PROVISIONS**

**I:** The following persons are designated to carry out the duties of a member of the Board of Directors, President of the Board of Directors, Statutory Auditor and Judicial Representative, both as principal and alternate, which persons shall exercise their functions during the first statutory period until the Shareholders' Meeting shall appoint their successors:

_____	-C.I.	- President
_____	-C.I.	- Director (Principal)
_____	-C.I.	- Director (Principal)
_____	-C.I.	- Director (Principal)
_____	-C.I.	- Director (Principal)

\_\_\_\_\_ -C.I. - Director (Alternate)  
 \_\_\_\_\_ -C.I. - Director (Alternate)  
 \_\_\_\_\_ -C.I. - Director (Alternate)  
 \_\_\_\_\_ -C.I. - Director (Alternate)  
 \_\_\_\_\_ -C.I. - Director (Alternate)  
 \_\_\_\_\_ -C.I. - Statutory Auditor  
 \_\_\_\_\_ -C.I. - Statutory Auditor (Alternate)  
 \_\_\_\_\_ -C.I. - Judicial Representative

**II:** We hereby authorize \_\_\_\_\_ and \_\_\_\_\_, Venezuelans and holders of identity cards number \_\_\_\_\_ and \_\_\_\_\_, respectively, to make the presentation of the Company before the Commercial Registry of the Judicial Circuit of the Capital District and the State of Miranda, as well as the recording and publication of this document, in order to comply with the provisions of the Commercial Code of Venezuela.

Caracas, on the date of presentation.

CORPORACIÓN VENEZOLANA DEL PETRÓLEO, S.A.

By: \_\_\_\_\_

Company X

By: \_\_\_\_\_

**FOURTHLY:** To communicate this Accord to the National Executive and to the General Comptroller of the Republic's Office.

Given, signed and sealed in the Legislative Federal Palace, seat of the National Assembly, in Caracas, on the thirtieth day of March, two thousand and six. 195<sup>th</sup> year of Independence and 147<sup>th</sup> of the Federation.

NICOLÁS MADURO MOROS  
 President of the National Assembly

DESIRÉE SANTOS AMARAL  
 First Vice President

ROBERTO HERNÁNDEZ WOHSIEDLER  
 Second Vice President

IVÁN ZERPA GUERRERO  
 Secretary

JOSÉ GREGORIO VIANA  
 Sub-Secretary