

EMBAJADA DE LA REPUBLICA
BOLIVARIANA DE VENEZUELA

WASHINGTON, D. C.
UP N° 275

February 14th, 2008

The Honorable Richard Lugar
Ranking Member
Foreign Relations Committee
U.S. Senate
Washington, D.C.

Dear Senator Lugar,

In light of your comments and concerns regarding the legal dispute between ExxonMobil and the Bolivarian Republic of Venezuela, and considering your knowledge of the global oil industry, you must understand that the actions recently and abruptly taken by ExxonMobil against Venezuela's state-owned oil company might have a negative effect on global oil trade.

After failed attempts by the Venezuelan government to arrive at an amicable solution regarding the joint venture projects mandated by Venezuela's 2001 Hydrocarbon Law, ExxonMobil decided to take the matter of its Orinoco Oil Belt projects to international arbitration – an available option stipulated in the initial contract and fully respected by Venezuela. However, by diverting talks with Venezuela's national oil company in the middle of an arbitration process against the country, and using a set of arguments and allegations intended to discredit our national oil industry, ExxonMobil has chosen to ignore the rules of the game and instead exert unilateral and coercive pressure on Venezuela. This led to a court order to freeze PDVSA assets from the proceeds of the Chalmette refinery (a 50-50 joint venture between ExxonMobil and PDVSA) in US Federal Court, and also in orders from British and Dutch courts to freeze an additional \$12 billion in PDVSA assets. Given the investment ExxonMobil made in this project, this amount is clearly absurd, as it is very much higher than that suggested in all private compensation talks. According to Joseph Pizurro, a PDVSA lawyer quoted by Associated Press today, "there's such a huge dispute between what Exxon Mobil says it is owed and a reasonable valuation." According to the AP story "he [Mr. Pizurro] said the U.S. oil company originally demanded \$ 5 billion in private negotiations with PDVSA but asked for \$12 billion in court."

The recovery of a majority stake in Orinoco Oil Belt oil projects has proceeded in accordance with all legal procedures in Venezuela. ExxonMobil is alone in taking this type of action, since all other firms have either already negotiated their compensation terms, are in the process of finding an amicable solution, or are in the process of finding a solution under the terms of international arbitration law.

Such actions evidence the aggressive, unilateral and coercive measures by ExxonMobil intended to damage the image of the Bolivarian Republic of Venezuela as well as its state-owned oil company, as well as to disqualify any possible solution proposed either by Venezuela or the International Center for the Settlement of Investment Disputes.

While the State Department and yourself request that my government "maintains this discussion under the terms of the law", I would urge you with all due respect, to make this request to ExxonMobil, because it is this company that should respect the spirit and the legal framework of the arbitration process. Through tactics that can only be compared with the very discredited strategy of "pre-emptive war," ExxonMobil has clearly violated the terms of the arbitration process.

Venezuela and PDVSA have continuously proven their respect for signed contracts and international law and will therefore continue to strive for a fair settlement in the arbitration cases. The announcement of the cessation of business relations with ExxonMobil is the result of that company's aggressive and coercive behavior against the Bolivarian Republic of Venezuela. However, the decision applies only to spot-market purchases, and does not affect already established supply contracts.

As you know, last year the Bolivarian Republic of Venezuela successfully managed to find amicable terms with all international oil companies participating in 37 operating agreements and with all companies working in the Orinoco Oil Belt, except for ConocoPhillips and ExxonMobil. ConocoPhillips, though, is respecting the rules of international arbitration while still looking for an amicable solution, a path Venezuela wishes ExxonMobil would similarly choose.

I have been personally involved in the process of negotiation with U.S. companies, with the intention of keeping open dialogue based on mutual respect and rationality. This is why I respectfully request a meeting with you at your earliest convenience to discuss these matters.

Attached you will find a Fact Sheet providing you with more details on this issue.

Respectfully,




Bernardo Alvarez Herrera
Ambassador

C.c.: To All Honorable Members of the U.S. Senate Foreign Relations Committee