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Latin America's petroleum centre for Petroleum, Mining/Metals, Financial and Economic news in English, Spanish and Portuguese.

Delivered every Monday, THIS WEEK AT LATINPETROLEUM.COM is a summary of the latest upstream, downstream, midstream, mining/metals and governmental/regulatory news out of Latin America on LatinPetroleum.Com

Note: All figures are in US dollars unless stated differently.

This week's focus article:

VENEZUELA EXPERTS HELP CUBA OIL SEARCH AND OUTPUT

Venezuelan energy experts are helping Cuba increase its oil output and carry out new exploration as part of growing bilateral cooperation, Cuban Foreign Minister Felipe Perez said last week.

Perez, who held talks in Caracas with his Venezuelan counterpart Roy Chaderton, said "dozens" of oil technicians from the OPEC nation had traveled to Cuba to give on-the-spot advice and train Cuban personnel.

"Venezuelan technicians are teaching us; they are helping us to improve our own production, and also in the training of our people," Perez told reporters.

He added the technical support also covered Cuba's oil exploration efforts but offered no details.

This Venezuelan assistance for Cuba's oil industry was another sign of the increasing ties between the world's fifth largest oil exporter and the communist-ruled Caribbean island.

This has irked the United States, which maintains trade sanctions on Cuba and is a major importer of Venezuelan oil.

Opponents of leftist Venezuelan President Hugo Chavez have criticized his alliance with Havana, accusing him of trying to emulate Cuban President Fidel Castro and of seeking to introduce communism.

Under the two nations' cooperation, more than 800 Cuban doctors are employed in a government health program in Caracas' slums, and more than 1,000 Cuban sports trainers,

literacy experts and sugar industry technicians are working across Venezuela.

Venezuela is shipping 53,000 barrels per day (bpd) of oil under preferential terms to Cuba, which itself produces between 75-80 Mb/d equivalent of oil and natural gas.

Foes of Chavez, who are seeking a referendum to try to vote him out of office, accuse him of "giving away" Venezuelan oil to Cuba. They allege many of the Cuban doctors and technicians in Venezuela are undercover security agents.

A Venezuelan court ruled last month the Cuban doctors were working illegally and should be replaced by Venezuelans. But Chavez's government challenged the ruling and said it would bring in more Cubans.

"We'll be here only as long as we are needed. When we're no longer required, we'll go home," Perez said.

Dismissing criticism of the cooperation, he said an outstanding oil debt owed by his country to Venezuela -- previously estimated by Venezuelan officials at \$140 million -- was being refinanced.

"We'll pay back every cent," he said.

[Source: Reuters]

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Highlights of some of the other articles posted this week include:

TOP NEWS

US-LATAM COMMITMENT MORE IMPORTANT THAN EVER

The US commitment to building relations with Latin American countries has never been more fundamental than under the Bush Administration, which regards the cultivation of a stable alliance with the region as a top priority.

ARGENTINA

REPSOL-YPF SHIPS LIQUID NATURAL GAS TO STATOIL IN US

Repsol-YPF SA, the Spanish-Argentine oil and energy company, shipped 135,000 cubic meters of liquid natural gas

(LNG) to a US regasification plant to be processed by Norwegian energy company Statoil ASA. Statoil bought capacity rights at the regasification plant in Cove Point, Maryland, last year to gain access to the growing LNG market in the US.

1H:03 OIL PRODUCTION FALLS 2.5%, GAS PRODUCTION UP 4.3%

Despite growing fears about Argentina's ability to meet its energy needs, the country's natural gas production rose 4.3% in the 1H:03 compared to the 1H:02, while oil production fell 2.5%. The Argentine Oil and Gas Institute also reported in Jun.2003, oil production was 2.5% below the level of a year earlier, while natural gas production was 7.1% above the Jun.2002 figure.

TOTAL SAYS ARGENTINA GAS EXPORT TO CHILE SECURE

Argentina's natural gas deliveries to Chile are not threatened by the problems currently afflicting Argentine energy companies, said Jacques Chambert-Loir, president of Total SA's Argentine operations.

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BRAZIL

PETROBRAS MAY TRY CUBAN OIL LUCK AGAIN

Brazil's state oil giant, Petrobras, signed a letter of intent with Cuba on technological exchange as part of a strategy aimed at returning to the island in search for crude. Petrobras President Jose Eduardo Dutra said his company was studying at least one block that should be offered on a concession basis by the Cuban government.

PETROBRAS REPORTS HUGE GAS FIND

Petrobras reported new tests on finds in the Santos basin revealed natural gas deposits that triples national reserves, as well as rare light oil. As a result, Petrobras raised estimates for the Santos basin gas discovery, first announced in Apr.2003, to 419 billion cubic meters of gas from 70 billion cubic meters.

PETROBRAS UP TO 8 YEARS TO DEVELOP NATURAL GAS FIELD

Petrobras is investing \$1.1bn in 2003 year to improve its natural gas pipelines and distribution networks, especially in Brazil's more industrialized Southeast and the less developed Northeastern region. The company is also planning to integrate its networks so that gas from the more productive Southeast can be transported to more isolated areas of the country.

PETROBRAS OIL FINDS LAST 12 MONTHS REACH 3.95 MMBBLS

Recent oil finds by Petrobras have reached 3.95 MMBbbls over the last 12-months. Petrobras' E&P director Guilherme Estrela said most of that oil, around 2.8 MMBbbls, was discovered in the prolific Campos Basin, off the coast of Rio de Janeiro state. Estrela said the success ratio over the past 12-months was 32%.

ALUMINUM DEMAND SEEN DOWN 6.6 PCT IN 2003

Brazilian consumption of aluminum products is forecast to fall 6.6% to 669,600 tonnes in 2003, compared with last year, according to the Brazilian Aluminum Association (ABAL). In the 1H:03, consumption fell 12.6% to 314,400 tonnes.

BNDES GIVES LOAN TO BOOST CST CAPACITY

Brazil's National Development Bank (BNDES) has approved a Rs\$144mm reais (\$49mm) loan for CST, the world's leading steel plate maker, which will use the money to boost output and build a new power plant. The government-run bank said the loan was part of Cia Siderurgica de Tubarao's (CST) total investment of Rs\$403mm in the two projects.

CARIBBEAN

COUNTRY ANALYSIS

The Caribbean Sea region plays an important role as a petroleum processing and transshipment area, with several major refineries and independent storage facilities. Furthermore, Trinidad and Tobago is becoming an increasingly significant supplier of LNG to regional markets and to the US.

CHILE

CHILE SEES ARGENTINA GAS SECURE, BUT WORRIES LINGER

Argentina will continue to supply natural gas to Chile despite recent concerns. However, doubts on whether it will comply linger due to a lack of investment in the Argentine gas industry, which has led authorities there to withhold permits to export the key fuel.

COLOMBIA

OIL OUTPUT TO FALL IN 2004

A natural decline in Colombia's oil fields will trim crude output in 2004 to 520 Mb/d compared to the 536 Mb/d forecast for 2003. The latest production estimate is a far cry from the 815 Mb/d produced just 4-years ago and illustrates the sharp decline in top fields like Cusiana-Cupiagua, operated by BP, and the 100 M/d Cano Limon, operated by Occidental Petroleum.

CANO LIMON OIL OUPUT DOWN 30 PCT

Production at the Cano Limon oilfield was down 30% last week after a suspected rebel bomb caused an electric shortage. The bomb attack took place over the weekend.

CUBA

SHERRITT SELLS 40% INTEREST IN CUBACEL TO CUBAN GOVERNMENT

Sherritt International Corp. sold its 40% indirect interest in Telefonos Celulares de Cuba S.A., or Cubacel, to Telefonica Antillana S.A., a Cuban government agency.

ECUADOR

REPSOL YPF TO MAKE FIRST SHIPMENT ON ECUADOR OIL PIPELINE

Spanish-Argentine oil group Repsol YPF SA confirmed it will transport 400,000 barrels of crude on Ecuador's newly built oil pipeline Sept.5.2003. The shipment will be the first on the 503-km OCP pipeline, which cost an estimated \$1.4bn to build and will take some of the pressure off the country's aging and overburdened SOTE pipeline.

Repsol YPF plans to boost its current stake in OCP to 29.66% in the next couple days from 25.69%. Other members in the OCP consortium include Occidental Petroleum Corp., EnCana Corp. and Agip SpA.

CHINA NATIONAL PETROLEUM ENTERS ECUADOR'S OIL MARKET

China National Petroleum Corp. has taken its first step to enter the Ecuadorean oil sector through a production sharing agreement in the Amazon region of the Andean nation. CNPC Amazonas, the Chinese company's subsidiary in Ecuador, purchased the rights to operate in a 200,000 hectare area, known as Block 11. The area is currently operated by Lumbaqui Oil, a unit of Romania's Rompetrol. Block 11 produces some 1 Mb/d of 29 API crude, but has an output capacity of 10 Mb/d. The block's proven reserves total 17 MMbbls.

OIL MINISTER DETAILS CHINA COMPANY'S OIL SECTOR BIDS

Ecuadorean officials are expecting proposals from China National Petroleum Corp. to boost output in three Amazonian oil fields and to fix up a refinery in the Andean nation. According to a cooperation accord that Quito signed with CNPC last week, CNPC will submit by month's end bids to raise production in the Culebra-Yulebra, Cuyabeno-Sansahuari and Shushufindi fields.

JAN-JULY OIL EXPORTS UP 29% AT \$1.2BN

Ecuador's oil export revenues totaled \$1.2bn between Jan.-Jul.2003, a 29% increase from the \$956.4mm registered in the same period of 2002. In terms of volume, Ecuador exported 45.99 MMbbls in the first 6-months of 2003, down 4% from the 47.75 MMbbls shipped in the first 6-months of 2002.

MEXICO

FOX REPLACES ENERGY MINISTER ERNESTO MARTENS

Mexican President Vicente Fox named former ruling party president and congressman Felipe Calderon as new energy minister, replacing Ernesto Martens who has held the job since Dec.2000. Fox is also replacing Environment Minister Victor Lichtinger with Alberto Cardenas, who was deputy environment minister.

MEXICO SAYS HITS RECORD 3.55 MMBPD CRUDE OUTPUT

President Fox said state oil monopoly Pemex has reached a record crude oil output rate of more than 3.55 MMb/d.

PEMEX TO USE ENERGY SOLUTIONS' REAL-TIME MODEL ON PIPELINE

Pemex Refinacion, the refining and refined products branch of Pemex will use Energy Solutions' world-class pipeline management software on its Salamanca- Guadalajara pipeline.

DESCARTAN CAUSAS EXTERNAS EN APAGÓN

La Secretaría de Gobernación informó que el servicio eléctrico se restableció en su totalidad en la Península de Yucatán y se descartó que el apagón fuera por causas externas.

PANAMA

PRESIDENT ANSWERS CRITICS AS POPULARITY DIPS

Panamanian President Mireya Moscoso defended her four unpopular years in office, saying she had lived up to her campaign promise of helping the country's poor. In her annual State of the Nation address, Moscoso, whose popularity has fallen from 70% when she was elected to below 30% on the back of high unemployment and a sluggish economy, said her administration had invested in social projects "like no other Panamanian government in history.

PARAGUAY

MOODY'S ISSUES ANNUAL REPORT ON PARAGUAY

In its annual report on Paraguay, Moody's Investors Service says the country's speculative-grade ratings and stable outlook are due to narrow foreign-currency earnings, high political instability, and the country's severe vulnerability to shocks. The foreign currency ceilings - Caa1 for debt, Caa2 for bank deposits - also incorporate the additional risks posed by a high degree of dollarization in the financial system.

PERU

PERU TO RECEIVE BIDS FOR YUNCAN HYDRO PLANT UNTIL OCT 24

Peru's privatization agency, ProInversion, said prequalified bidders have until Oct.24.2003 to present offers for a 30-year concession for the Yuncan hydroelectric plant. In a published notice, the agency said bids will be opened that day. ProInversion added the auction will take place following the reaching of a deal between the regional government in Pasco, and municipal and community authorities to support the sale of the concession for the plant.

VOLCAN SIGNS DEAL WITH GLENCORE

After months of talks, Peru's debt-laden No. 2 zinc miner Volcan Compania Minera accepted a partnership deal with private Swiss company Glencore International AG, ruling out other suitors. Volcan accepted a proposed structural loan for \$40mm in working capital, backed by a mortgage on one of Volcan's mines.

TRINIDAD & TOBAGO

BILLION-DOLLAR RACE FOR GAS-TO-LIQUIDS PLANTS

British Petroleum started operations at its new gas-to-liquids (GTL) test facility in Nikisiki, Alaska, on Jul.27.2003. Within 5-days the plant was producing 100 b/d of synthetic crude oil made from natural gas. BP plans to produce about 250 b/d of the product in a test program that is planned to last between 6-12 months. But BP's new facility is merely trying to find lower cost ways of transforming "stranded" gas reserves into clean fuels.

The leader in the business thus far is South Africa's SASOL, which set up the first commercial venture of its type in Borneo, and recently signed a \$675mm contract with Qatar Petroleum that will see the 34 Mb/d GTL facility come on stream sometime in 2005.

GOVERNMENT MULLS CONSTRUCTION OF ALUMINUM SMELTER

Discussions are now at an advanced stage between the government and a foreign investor for the construction of a multi-billion dollar aluminum smelter even as several multinationals have expressed serious interest in exploring the possibilities of an ethylene plant in Trinidad and Tobago.

VENEZUELA

CITGO MAY TAKE CHARGE OF PDVSA UNITS

Venezuela's US-based refining and distribution chain Citgo may become in charge of all of the nation's refineries and other assets that are based abroad.

ISLA REFINERY UNIT OUT UNTIL OCTOBER

The 320 Mb/d La Isla refinery at Curacao over the weekend shut down a 35 Mb/d crude distillation unit for maintenance work.

VENEZUELA SEES NO OPEC OUTPUT CHANGE AT SEP.2003 MEETING

Venezuelan Deputy Oil Minister Luis Vierma said OPEC was likely to keep oil output limits unchanged at a meeting on Sep.24.2003.

AMERIVEN TO PRODUCE 180 MBD

Venezuela's extra-heavy crude JV, Ameriven, will complete its upgrading unit by mid-2004 after which it will start producing around 180 Mb/d of synthetic crude.

PDVSA SEES SHELL, MITSUBISHI LNG JV DEAL SIGNED BY DEC.2003

PDVSA expects to sign a final JV deal with Royal Dutch/Shell Group and Mitsubishi Corp. to develop the \$2.7bn Mariscal Sucre LNG project by the end of Nov.2003. PDVSA recently decided to use Shell's gas liquefaction technology in the project.

S&P COMMENTS ON HOVENSA LLC

Hovensa LLC (BBB-/Negative) has completed its 60-day completion test of a recently constructed coker and other modifications at the refinery in St. Croix, V.I. Hovensa is owned 50% by Amerada Hess Corp. (BBB/Negative/A-3) and 50% by PDVSA (PDVSA; B-/Stable/--). Standard & Poor's Ratings Services (S&P) said although the likely prospect for successful completion has already been included in the rating, it does reduce exposure to PDVSA, which guarantees completion on a joint but not several basis with Amerada Hess.

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GLOSSARY OF TERMS

Bcf - Billion cubic feet of natural gas
Bcfe - Billion cubic feet equivalent
Bcm - Billion cubic meters
B/d - Barrels per day of crude oil
BOE - Barrels of oil equivalent
\$/Bbl - Dollars per barrel
\$/Mcf - Dollars per thousand cubic feet
E&P - Exploration and production
Eur - Euro currency
Gas – Natural gas
g/t – Grams per tonne
GofM – GofM
IADB - Inter-American Development Bank
IMF - International Monetary Fund
km - Kilometer
LatAm – Latin America
LOE - Lease operating expense
m - Meter
M - Thousand
MM - Million
Mb/d - Thousand barrels per day of crude oil
MMb/d – Million barrels per day of crude oil
Mcf - Thousand cubic feet of natural gas
Mcfe - Thousand cubic feet equivalent
Mcm - Million cubic meters
Mbbbs – Thousand barrels
MMbbbs - Million barrels of crude oil
MMbtu - Million British thermal units
MMcf - Million cubic feet of natural gas
MMcfe - Million cubic feet equivalent
MMcf/d - Million cubic feet per day of natural gas
MMcfe/d - Million cubic feet equivalent per day
NGL – Natural gas liquids
NSR – Net Smelter Royalty
Oil – Crude oil
Ps - Peso
Rs - Brazilian reais
S&P – Standard & Poor’s Rating Agency
US - United States Of America
Tcf - Trillion cubic feet of natural gas
Tcfe - Trillion cubic feet equivalent
t/d – Tonnes per day

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