



Venezuela Energy Perspective

January 25, 2007



The Williams Companies

- **E&P**
 - **Named #1 in 2006 at Global Energy Awards**

 - **Transmission Pipelines**
 - **12 BCFD Capacity**
 - **15,000 Miles of Pipeline**

 - **Midstream Services**
 - **Reliability**
 - **6.7 BCFD Natural Gas Processing**
 - **287K Liquids Recovery**
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Prospects and Plans

- Production Increase to 5.8 Million BOED**
 - **Traditional**
 - **Extra Heavy Oil**
 - **Gas Development**
 - **New Exploration**

 - Refining Capacity Increase by 500K BOPD**
 - **Cabruta (400K XHO), Batalla de Santa Ines (50K) and Caripito (50K)**

 - Investment Assumptions**
 - **PDVSA - \$56 Billion**
 - **Third Parties - \$20 Billion**
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Plan Advantages

- 3rd Party Investment History**
 - **Willing to Take Higher Risks**
 - **Not Willing to Cede Competitive Advantage**

 - Venezuela Reserves = Opportunity**

 - Reduced Worldwide Opportunities**
 - **Old IOC Model Conflicts with National**
 - **Interest**

 - Strategic Energy for NOC's**
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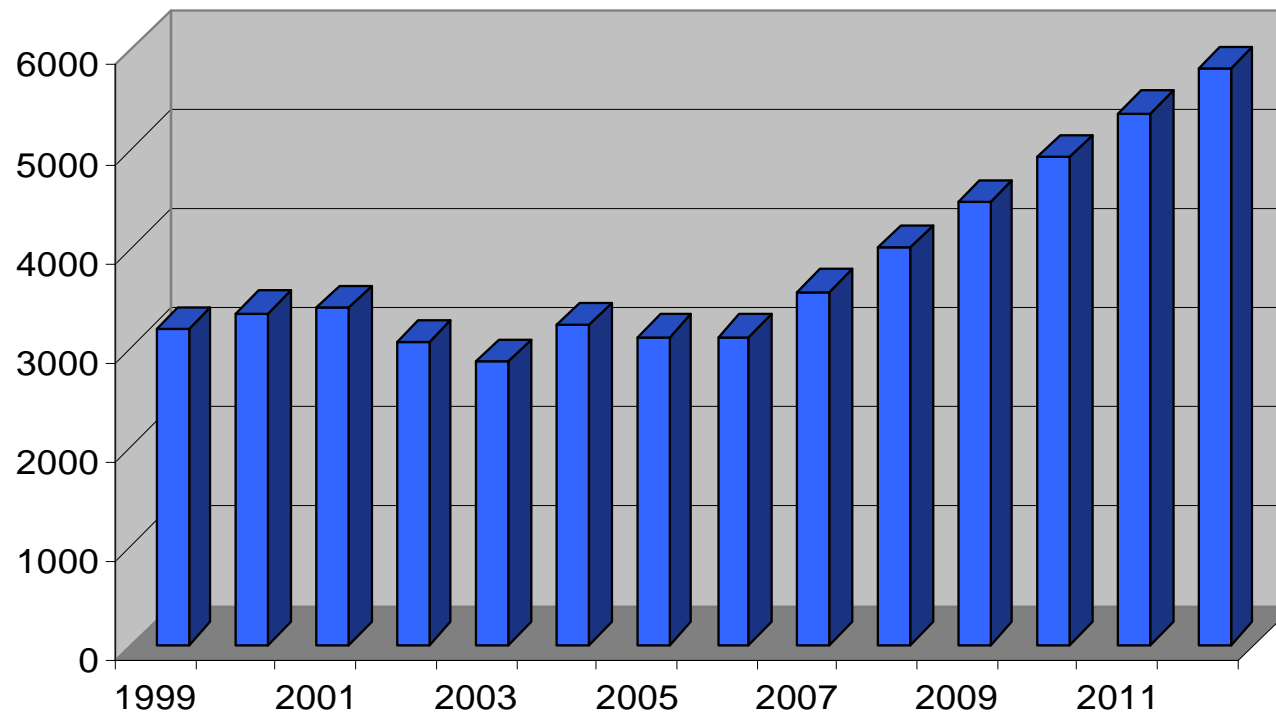


Plan Challenges - PDVSA

- Continue Rebuilding from 2003 Strike**
 - Tasked with Non-Core Energy Activities**
 - Change in Philosophy from Recent Past**
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Production Profile

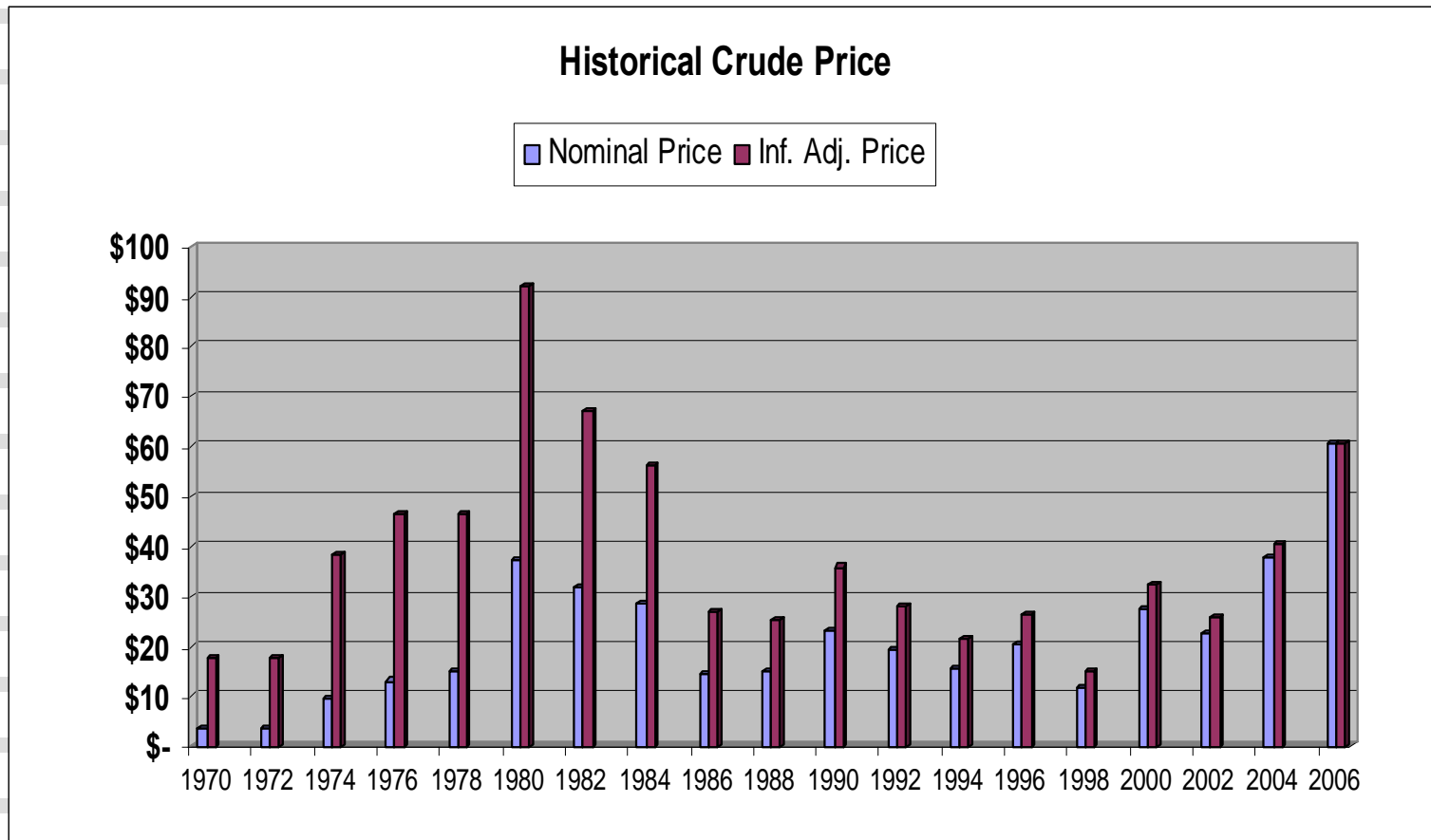
BOED



Plan Challenges - PDVSA

- Increased Capital Costs**
 - Price Uncertainty**
 - Lower Price Results in Diverted Capital**
 - 1st LNG Price Window is Closing**
 - One Technological Advance = \$10 - \$20 Oil**
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High Prices Cure High Prices, Low Prices Cure Low Prices.....

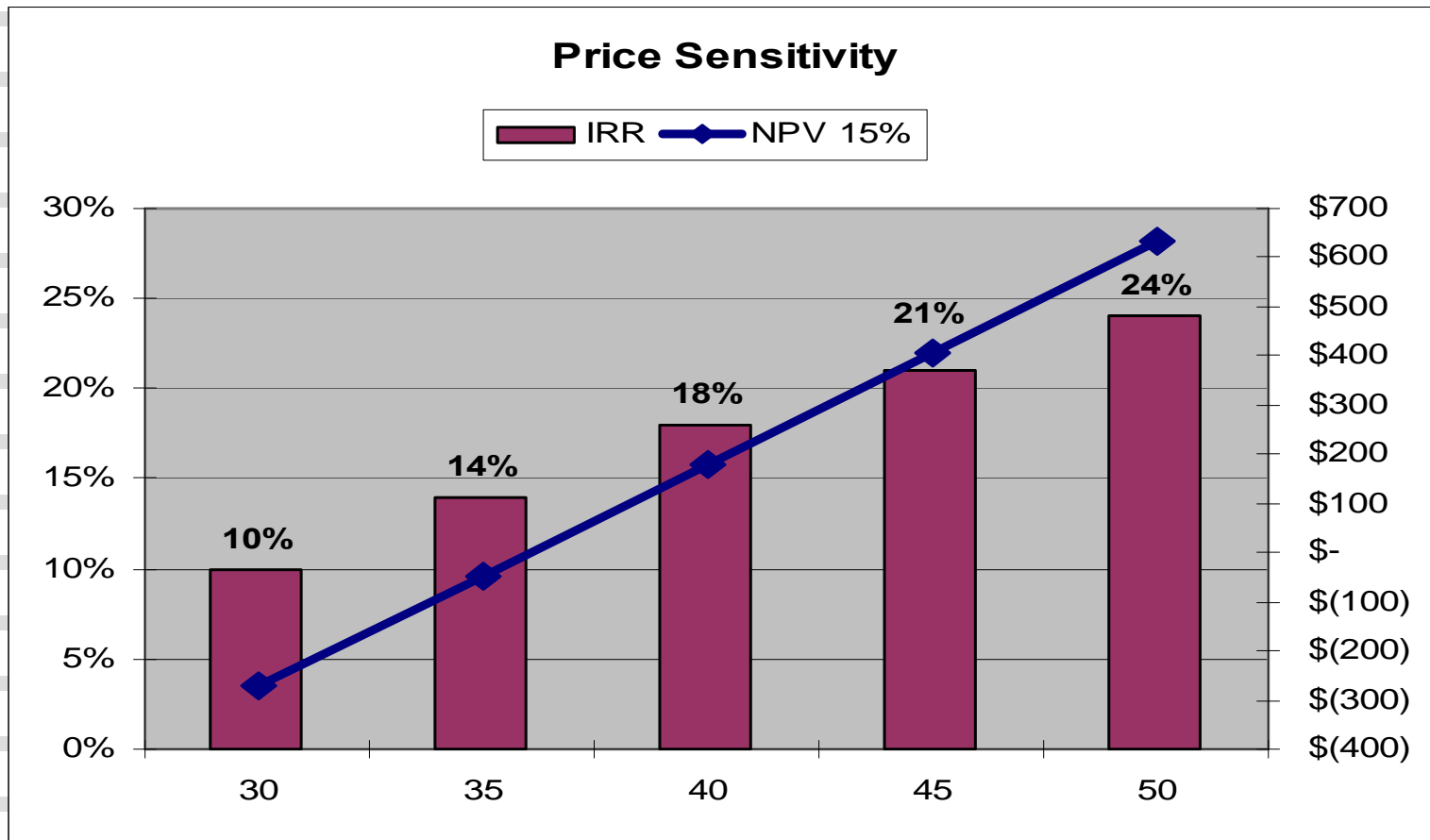


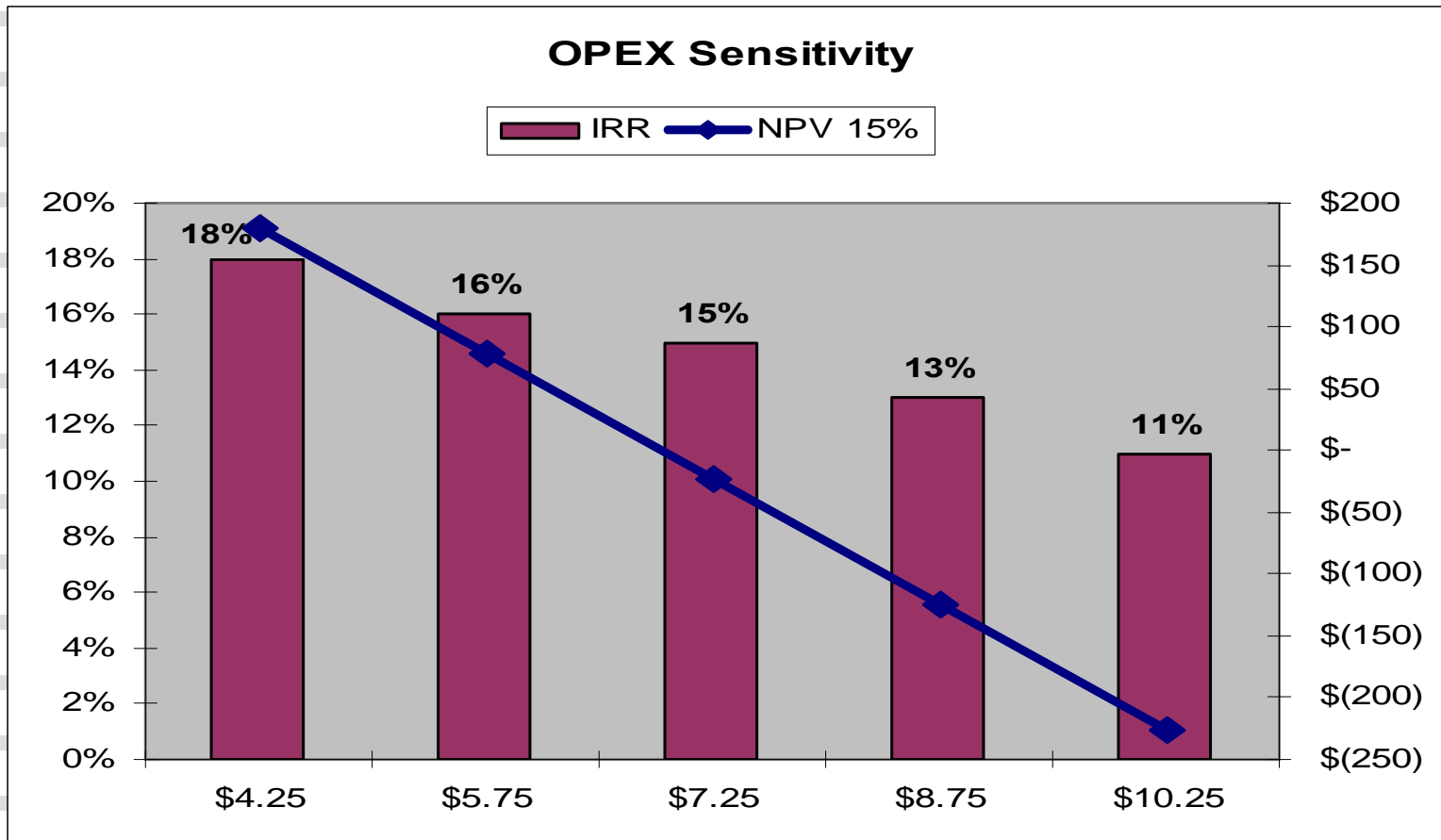
Plan Challenges - Investors

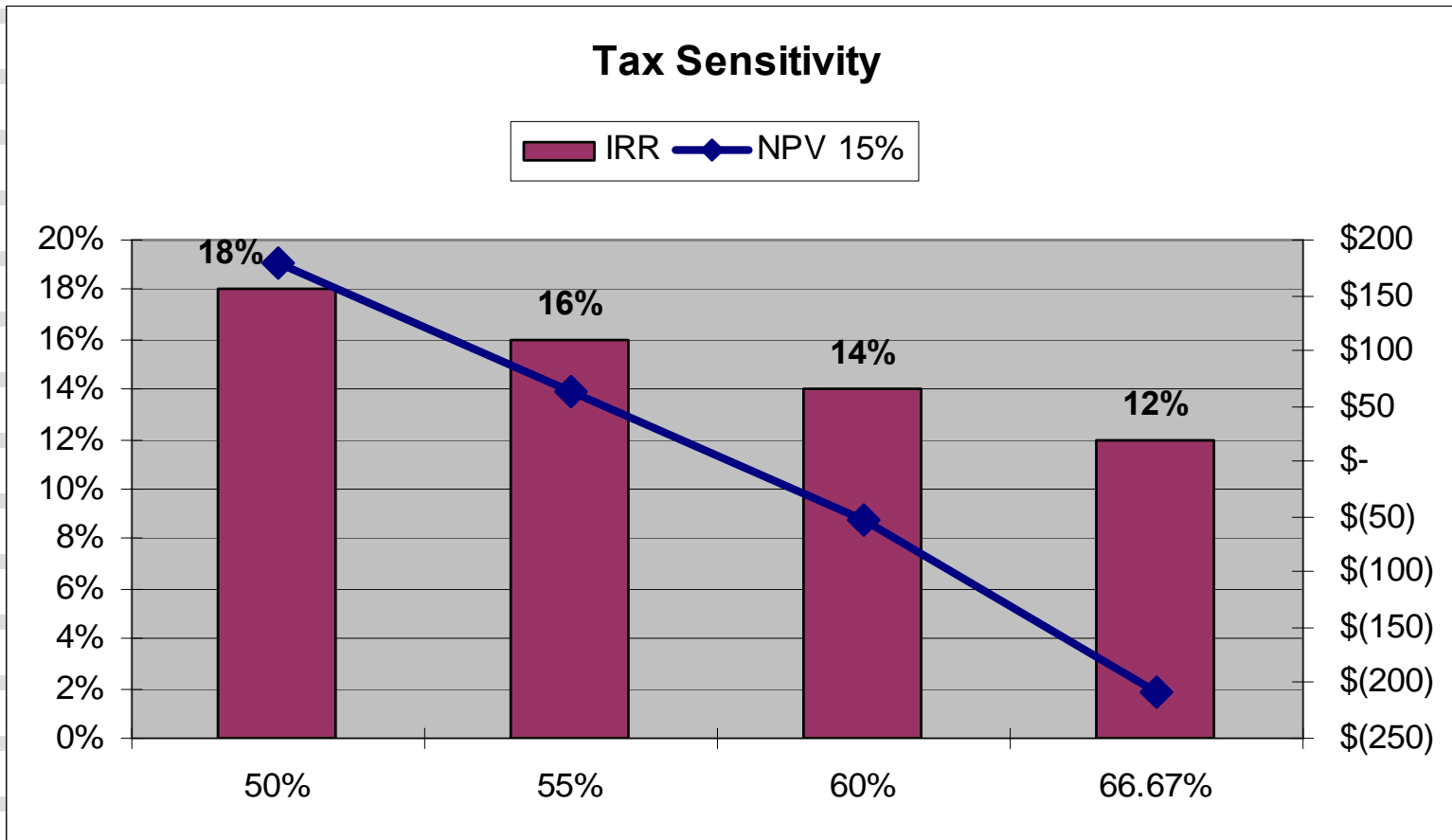
Risk Aversion

- Long Term Fiscal Stability
- 3rd Party Dispute Resolution
- Non-Income Taxes and Labor Uncertainty
- Shareholder Protection – SOX
- Price Volatility
- Project Financing

Investors are opportunistic, but not unrealistic.







Conclusions

- Resource Base is Encouraging**
 - PDVSA Plan is Aggressive**
 - Market and Commercial Volatility Detract**
 - Probability of Success - ??**
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