Hydrocarbons Organic Law

(Official Gazette N° 37323, dated November 13, 2001)

Decree N° 1510 November 2, 2001

HUGO CHÁVEZ FRÍAS
PRESIDENT OF THE REPUBLIC

Making use of the authority bestowed upon him under Article 236, Paragraph 8 of the Constitution of the Bolivarian Republic of Venezuela and in accordance with the provisions set forth in Article 1, Paragraph 2, Letters (e); (f); (g), and (h) of the Law Authorizing the President of The Republic To Issue Decrees the Standing and Authority of Law in The Matters Designated Therein, published in the Gaceta Oficial de la República Bolivariana de Venezuela #37076, dated November 13, 2000, gathered in Cabinet of Ministers, hereby

ISSUES

the following,

DECREE WITH THE STANDING AND AUTHORITY OF HYDROCARBONS ORGANIC LAW

CHAPTER I
BASIC PROVISIONS

Section 1
Scope of this Decree-Law

Article 1
The present Decree-Law shall govern every aspect of the exploration; development; refining; industrial processing; transportation; storage; commercialization, and preservation of hydrocarbons, as well as every aspect pertaining to the refined products and any works that such activities may call for.

Article 2
The activities pertaining to gaseous hydrocarbons shall be governed by the Gaseous Hydrocarbons Organic Law.
Section II
Ownership of Deposits

Article 3
Every existing hydrocarbon deposit within the boundaries of the national territory, irrespective of its nature and including deposits located underneath the jurisdictional waters, the continental shelf, the exclusive economic zone and within the national limits, belongs to the Republic and is a part of the public domain, and is, therefore, not subject to transfer or to prescription.

CHAPTER II
HYDROCARBON-RELATED ACTIVITIES

Section I
General Provisions

Article 4
The activities this Decree-Law pertains to, as well as any works that might be called for in the undertaking thereof, are hereby declared of public utility and social interest.

Article 5
The activities regulated under this Decree-Law shall be directed at promoting a comprehensive, organic and sustained development of the nation, taking into account a rational use of this resource and the protection of the environment. To this end, the strengthening of the nation’s productive sector and the industrial processing of raw materials from hydrocarbons shall be promoted, as well as the incorporation of state-of-the-art technologies.

Any earnings accruing to the Nation from the hydrocarbons business shall contribute to the funding of health care, education, the creation of macroeconomic stabilization funds and productive investment efforts, so as to create an appropriate link between oil and the nation’s economy; all of this in such a way as to serve the best interests of the people.

Article 6
The decisions made by the Republic in abiding by the international agreements and treaties it has entered into in connection with hydrocarbons shall apply to all persons carrying out any of the activities comprised in this Decree-Law.

Article 7
The activities listed in the present Decree-Law shall be subject both to the provisions hereof and to those contained in other laws, decrees or resolutions, either existing or to be issued, as applicable.
Section II
Competition

Article 8
It is the responsibility of the Ministry of Energy and Mines to devise, regulate and follow up on hydrocarbon-related policies, and to plan, carry out and oversee hydrocarbon-related activities, which encompass everything pertaining to the development, conservation and control of said resources. The Ministry is also in charge of carrying out market research, analysis and pricing of hydrocarbons and hydrocarbon products. In this respect, the Ministry of Energy and Mines is the competent entity in the country to act in connection with everything pertaining to the management of hydrocarbons and it has, therefore, the authority to inspect the works and activities inherent to the said activities, as well as to control the operations giving rise to the taxes, fees and contributions set forth under this Decree-Law and to review the relevant accounts. The Ministry of Energy and Mines shall carry out the planning function this article refers to, in keeping with the National Development Plan. For the purposes of observing these functions, the National Executive shall provide the necessary resources, in accordance with the relevant legal rules. Officials and individuals shall provide the national employees in charge of carrying out the aforementioned functions, with the broadest facilities for the best possible performance of their duties.

Section III
Primary Activities

Article 9
For the purposes of this Decree-Law, all the activities carried out in connection with the search for deposits of the hydrocarbons encompassed under this Decree-Law and in connection with the extraction of the same in their natural state and in connection with the collecting, transportation and initial storage thereof, shall be referred to as primary activities. In accordance with the provisions in Article 302 of the Constitution of the Bolivarian Republic of Venezuela, the primary activities listed, as well as those pertaining to the works required by the management thereof, remain hereby reserved to the State, in the terms set forth under this Decree-Law.

Section IV
Refining and Commercialization

Article 10
The activities connected to the distillation, purification and transformation of the natural hydrocarbons encompassed in this Decree-Law, carried out with the purpose of adding value to said substances and commercializing the resulting products, are considered to be refining and commercialization activities and may be carried out by the State and private parties, jointly or independently, in accordance with the provisions in Chapter VIII of this Decree-Law.
The existing facilities and works as well as their expansions and modifications, either owned by the State or by fully State-owned corporations engaging in refining natural hydrocarbons within the country and to the main transportation of products and gas, remain hereby reserved to the State, in the terms set forth under this Decree-Law.

**Article 11**
Any refineries to be built shall follow the guidelines of a national construction and operation scheme, and shall be linked to specific projects approved by the national Executive, by way of the Ministry of Energy and Mines. Such refineries shall be substantially devoted to the modernization of the processes to be used and to obtaining clean fuels.

**Article 12**
In order to be able to engage in natural hydrocarbon-refining activities, the corporations shall obtain a license to be issued by the Ministry of Energy and Mines, which may issue the same after reviewing a definition of the relevant projects and in accordance with the provisions set forth under this Decree-Law and its Regulations. License assignments, transfers or encumbrances shall be first approved by the Ministry of Energy and Mines, and shall be void if not so approved. In the case of mandatory transfers for foreclosure, the State may substitute the executant prior payment of the amount of the foreclosure.

**Article 13**
In order for the license referred to in the foregoing paragraph to be issued, the following minimum requirements must be met:
1. Identification of the corporations and the representatives thereof.
2. Description of the project, indicating the applicable technology and the destination of the products, as well as the economic resources to be used in the project.
3. Duration of the venture or project, which shall not be more than twenty-five (25) years, and may be extended for a period to be agreed upon and which shall not be more than fifteen (15) years, provided the requirements for the project have been met.
4. Indication of the particular advantages to the Republic.

**Article 14**
The parties engaging in natural hydrocarbon refining activities in the country shall register with the register that the Ministry of Energy and Mines shall create to that effect. Any assignments, transfers, encumbrances or foreclosures of licenses shall be likewise entered into said register.

**Article 15**
The provisions set forth in Article 34, Section 3, Letters (a) and (b) of this Decree-Law shall be expressly indicated in the licenses to be issued for the activities related to the refining of natural hydrocarbons. The same shall be construed as being inserted in the text of the license if they do not appear expressly therein.
Article 16
Any assignment, encumbrance and foreclosure of the rights granted under the licenses for the activities connected to the refining of natural hydrocarbons shall require to be first authorized by the Ministry of Energy and Mines.

Article 17
The licenses granted under this Decree-Law may be voided by the Ministry of Energy and Mines if any of the causes listed in the licenses themselves takes place, or if an assignment, encumbrance or foreclosure thereof occurs without prior approval by said Ministry.

Section V
Role of Local Capital and Use of Local Goods and Services

Article 18
The National Executive shall implement measures aimed at promoting the creation of local capital intended to stimulate the creation and strengthening of companies incorporated locally to domestically operate, provide services, and manufacture and supply the goods intended for the activities encompassed in this Decree-Law. In this sense, the State, the entities and the corporations this Decree-Law refers to shall take into account in their contracting procedures the participation of domestic capital corporations, under such conditions as may guarantee the optimal and most efficient use of goods, services and human resources and capital originating in Venezuela.

Section VI
Duties Arising From Hydrocarbon-related Activities

Article 19
The persons engaging in the activities this Decree-Law refers to shall undertake such activities on an ongoing and efficient fashion, in accordance with the standards applicable to the best scientific and technical practices available on safety and security and hygiene, environmental protection and rational use of hydrocarbons; energy preservation and the highest final output recovery of deposits.

Article 20
The persons engaging in the activities this Decree-Law refers to are hereby required to provide the National Executive with all the information it might require, in connection with the undertaking of said activities. To that purpose, such persons that carry out primary activities concurrently with industrial and commercial activities shall keep and submit separate sets of accounts for each type of activity. The National Executive shall keep the confidentiality of the information so provided, when the interested parties so request and whenever appropriate.

Article 21
The persons engaging in the activities of storage, transportation and distribution listed in this Decree-Law are required to allow their facilities to be used by other parties engaging
in the storage, transportation of distribution, when said facilities have available capacity that may be used for this purpose and when so required by the public or social interest. Such use shall be carried out under the conditions to be agreed upon by the parties thereto. Should an agreement fail to be reached, then the Ministry of Energy and Mines shall set the conditions for the provision of such services.

CHAPTER III
ENGAGING IN PRIMARY ACTIVITIES

Section I
Form and Conditions for Engaging in Primary Activities

Article 22
The primary activities indicated in Article 9 shall be undertaken by the State, either directly by the National Executive or through fully owned corporations thereof. Likewise, the National Executive will be able to do it by way of corporations where it holds a controlling interest, by way of an ownership of more than fifty percent (50%) of the corporation equity. For the purposes of this Decree-Law, such corporations shall be considered joint ventures. The corporations engaging in primary activities are operating companies.

Article 23
The National Executive, by way of the Ministry of Energy and Mines, shall set forth the geographical limits within which the operating companies will be authorized to engage in primary activities. Said areas shall be divided in lots with a maximum surface area of one hundred square kilometers (100 sq. km).

Article 24
The National Executive, by way of a Decree, may transfer the right to engage in primary activities to the operating companies. It may, likewise, transfer to them the ownership or other rights over real or personal property in the private ownership of the Republic that might be required for the efficient undertaking of such activities. The National Executive may revoke these rights when the operating companies fail to carry out their duties in such a way that it prevents them from achieving the purposes for which these rights were transferred in the first place.

Article 25
The operating companies may engage in the procedures necessary for the discharge of the activities transferred to them and enter into the relevant agreements, all of this in accordance with the provisions in this Decree-Law or other applicable provisions.

Article 26
The operating companies may set up or contribute to the preservation of scientific research, technological development entities and universities that act as technical support for their operations, as well as to create and maintain training centers with personnel linked to the activities encompassed under this Decree-Law, duly harmonized with the
operation and development of other centers and institutes with similar purposes that there may exist in the country.

Section II
State-owned Corporations

Article 27
The National Executive shall be able to create, by decree in Cabinet of Ministers, wholly owned State entities, intended to engage in the activities set forth in this Decree-Law, and it shall be able to give them the legal standing it deems appropriate, including that of corporation with only one partner.

Article 28
Without prejudice to any reservations set forth in this Decree-Law, the companies the foregoing article refers to shall be able to establish other corporations to further their activities, prior approval of the relevant shareholder meeting. Likewise, said approval shall be obtained in order to modify the purpose of the corporations so established, as well as to merge, partner, dissolve or liquidate them, or for any other change to their by-laws. A similar authorization shall be required for the companies to be created by the subsidiary corporations.

Article 29
State-owned oil companies shall be governed by this Decree-Law and its Regulations, by their own by-laws, by the provisions that the National Executive may issue through the Ministry of Energy and Mines and by those in the general law that apply to them.

Article 30
The National Executive, through the Ministry of Energy and Mines, shall exercise all the inspection and control functions of State-owned oil companies and their subsidiaries, both at the domestic and international levels, and it shall set forth the guidelines and the policies that shall be complied with on the matters this Decree-Law refers to.

Article 31
The incorporation of State-owned companies, their capital increases or that of their subsidiaries, arising from the revalorization of assets or dividends, that result in the issuance of shares of stock underwritten by the State or said corporations, as well as the merge of State-owned companies or their subsidiaries and the transfer of assets among them, shall not be subject to the payment of taxes in connection with the registration of such operations.

Article 32
The workers of State-owned oil corporations, with the exception of the members of their Boards of Directors, shall enjoy employment stability and may only be terminated for the causes expressly stated in the labor legislation. The State, likewise, shall preserve the current collective bargaining agreement and the enjoyment of the social, economic,
welfare, union and professional improvement benefits therein, as well as all other benefits as set forth in the collective bargaining agreement and the labor legislation, as well as any bonuses or premiums and other incomes and earnings that the workers have coming to them as incentive to efficiency and which, by way of use and tradition and by the application of personnel management rules, workers have traditionally enjoyed under the policies followed by the corporations in this regard.

The State shall likewise guarantee the enjoyment of retirement plans and the relevant pension income to the workers who retire prior to the signing into law. Such retirement plans, as well as all other worker benefits plans set forth by the corporations, including the worker saving funds, shall remain in force and without prejudice to the collective bargaining agreement.

The provisions contained in the law that created the National Educational Cooperation Institute shall continue to apply to the companies created in accordance with the Law that Reserves to the State the Industry and Business of Hydrocarbons.

The trusts set up for the benefit of workers shall be governed by the criteria agreed to in the collective bargaining agreement.

Section III
Joint Ventures

Article 33

The incorporation of joint ventures and the conditions that will govern primary activities, shall be first approved by the National Assembly, to which end the National Executive shall, by way of the Ministry of Energy and Mines, provide it with all the information about the relevant circumstances of such incorporations and the relevant conditions, including the special expected advantages to the Republic. The National Assembly may revise the proposed conditions or set forth others it may deem more convenient.

Article 34

The conditions the foregoing article refers to shall meet the following minimum requirements:

1. Maximum duration of twenty-five (25) years, extendable for a term to be agreed on by the parties but not higher than fifteen (15) years. Such extension must be applied for upon the passage of the first half of the original duration of the right to undertake the relevant activities and before the five (5) last years before the expiration thereof.

2. Indication of the location, orientation, extension and shape of the area where the activities are to be carried out, and any other specifications that may be set forth under the Regulations.

3. The conditions must include the following clauses, which shall be considered as incorporated in the conditions whenever they fail to expressly appear:

(a) The lands and permanent works, including facilities, accessories and equipment that are an integral part thereof, irrespective of the other goods acquired with the intention of using them in the performance of said activities, irrespective of its nature or ownership title, shall be kept in a good state of maintenance, to be later handed over in ownership to the Republic, free of encumbrances and without any indemnification whatsoever, upon the termination for whatever cause the granted rights, in such a way that it becomes
possible to continue to carry out the activities, where appropriate, or to cease them, with the least possible economic and environmental damages.

(b) Any doubts and controversies of any nature that may arise in connection with the carrying out of the activities and that cannot be solved in an amicable way by the parties, including arbitration in the cases allowed by the relevant law, shall be decided by the competent courts in the Republic, in accordance with their laws, and no foreign claims whatsoever may be raised by them for any motive or cause.

Article 35
The Republic does not guarantee the existence of the substances and does not obligate itself to any redress. The activities shall be undertaken at the full risk and expense of the engaging parties as pertains to the existence of said substances. Such circumstances in any case, must be duly indicated in the document granting the right to undertake the activities, and, where not expressly indicated, shall be deemed to be incorporated into the text of the same.

Article 36
The instruments through which the right to carry out the activities may set forth special advantages for the Republic, such as increases of royalties, contributions and other compensations foreseen under this Decree-Law; the implementation and assignment of new and advanced technologies as well as the granting of scholarships, technical training opportunities or other activities of human factor development.

Article 37
For the purposes of selecting operators, the competent public entity shall issue several requests for proposals. For such purposes, the National Executive, through the Ministry of Energy and Mines, shall create the relevant committees responsible for setting promoting the necessary conditions and selecting the companies. The Ministry of Energy and Mines shall have the power to suspend the selection process or to declare it deserted, without that giving raise to any indemnification whatsoever from the Republic. For reasons of public interest or because of special circumstances prevailing around the activities, the operating companies may be selected directly, prior approval by the Cabinet of Ministers.

CHAPTER IV
SUPPLEMENTARY RIGHTS

Section I
Temporary Occupation, Expropriations And Easements

Article 38
The people authorized to engage in the initial natural hydrocarbons prospecting, extraction, collecting, transportation and storage activities, as well as those of processing and refining thereof, shall have the right to request a temporary occupation or expropriation of assets, as warranted in each case, as well as the establishment of easements for the activity.
Article 39
In the case of expropriations, the provisions to be applied shall be those set forth under the particular law governing this matter.

Section II
Procedures

Article 40
Where easements are to be established on privately owned land, the authorized persons shall enter into the necessary agreements with the owners of said property. If no agreement should be reached, the interested parties shall be allowed to resort to a trial court on civil matters with jurisdiction, so that the court may order the beginning of the works. The applicant shall precisely indicate the areas and properties to be affected as well the works to be undertaken, and shall fulfill all the requirements relevant to their application. An easement application shall include the following: (1) The name of the owner as well as the name of any other persons who might have a claim over the property to be affected by the easement, if known; (2) The properties to be affected by the easement, as well as the required surface areas and the works to be undertaken. Additionally, the information in connection with the property and the encumbrances that there might be on the property; (3) The duration and other conditions of the easement; (4) Other details that the beneficiary of the concession may deem necessary to inform the judge.

Upon receiving the aforementioned application, the court, on the same day, shall summon the affected party to appear before it on the third working day following the date of summons, to take part in the proceeding to appoint experts in charge of assessing the possible damages. If the summons fails, the court shall order a public notice to be published by a major newspaper of national and regional distribution, summoning the affected party to appear before the court on the third working day following the date of the summons by publication, at which point the indicated experts shall be appointed to render an opinion about the possible damages and the amount of any warranted indemnification. In the scheduled appearance of the affected party before the court, the applicant shall appoint an expert and the affected party shall appoint a second expert. If the affected party should fail to appear before the court or should fail to appoint an expert, the court shall appoint one on their behalf. The court shall appoint a third expert. The experts so appointed shall be present at the appointment act to be accepted and sworn to, conversely, the court shall appoint substitutes for them. The experts shall submit their reports within the five (5) working days following the date of their appointment.

Upon receiving the reports, the applicant, within the next five (5) working days, shall deposit with the court the amount of the estimated indemnification, and within the following five (5) working days, the court shall authorize the start of the works. Should the affected party accept the indemnification, the court shall issue a decision to establish the easement in the requested terms. In case of a disagreement, the case will follow the ordinary trial course and, to that effect, the application will be assimilated to the application and the time period for submitting a reply to it shall start running as of the
date the disagreement was entered on. The applicant may, within that time period, make any revisions and enhancements deemed timely to their application.

Article 41
In the case of easements on vacant lots, the authorized persons shall enter into the necessary agreements with the National Executive and pay the compensations agreed to, save where the National Executive decides to exempt them from such payments. Where other individuals might have made enhancements and improvements on the property subject to the easement, the indemnification coming to said individuals shall be paid by the beneficiary of the easement, and said payment shall be implemented following the procedure set forth in the foregoing article.

CHAPTER V
UNIFICATION OF DEPOSITS

Section I
National Deposits Bordering With Neighboring Countries

Article 42
Where a hydrocarbon deposit extends beneath areas where more than one developing corporation is active, the parties thereto shall enter into a unification agreement for the purposes of development. Said agreement shall be submitted to the Ministry of Energy and Mines for its approval. Should an agreement fail to be reached by the parties, said Ministry shall set forth the rules that will govern the development. Where a deposit extends from the areas designated for development into areas that have not been so designated, the National Executive, by way of the Ministry of Energy and Mines, shall implement the necessary measures in order to safeguard the rights of the Republic.

Article 43
Where a hydrocarbon deposit extends beneath the areas referred to in Article 3 of this Decree-Law and under areas belonging to the territory of neighboring countries, the development thereof shall not be able to be undertaken without first having entered into a deposit unification agreement with the neighboring countries. Should such an agreement fail to be reached on a timely basis, the National Executive shall implement the necessary actions to safeguard the best interest of the Republic, including voiding any development rights.
CHAPTER VI
ROYALTIES AND TAXES

Section I
Royalties

Article 44
The State shall remain entitled to a thirty percent (30%) share of the volumes of hydrocarbons extracted from any deposit, by way of royalties.

The National Executive, where it is satisfied that a mature deposit or a deposit of extra-heavy oil in the Orinoco Oil Belt is not economically viable under the thirty percent (30%) royalty set forth under this Decree-Law, shall be entitled to reduce this royalty to a twenty percent (20%) level, in order to render the project economically viable, and shall remain empowered to reinstate the prior royalty level either partially or totally, until the thirty percent (30%) is reached again, if it is sufficiently demonstrated that the development of said deposit is economic at that royalty level.

The National Executive, should it be shown to its satisfaction that projects of mixing bitumen from the Orinoco Oil Belt are not economically viable with the thirty percent (30%) royalty set forth in this Decree-Law, shall be empowered to reduce said royalty level all the way to the lower limit of sixteen and two thirds percent (16 \frac{2}{3}\%), in order to render such projects economic, and remains hereby empowered to reinstate the previous level, partially or totally, up until the thirty percent (30%) level is reached again, once it has been demonstrated that the profitability of these projects may indeed be maintained with such reinstatement.

Article 45
The National Executive may demand the payment of said royalties, in kind or money, either partially or totally. While no indication is provided otherwise, it shall be construed that the preferred form of payment shall be totally in money.

Article 46
If the National Executive decides to receive the royalties in kind, it shall be able to use for the purposes of transportation the services of the developing company, which shall provide said services up to the place to be indicated by the National Executive, who shall pay the price agreed to for such services.

Article 47
If the National Executive decides to receive the royalties in money, the developing party shall be obligated to pay the price for the relevant volumes of hydrocarbons, measured at the extraction field and at market prices, or at a pre-arranged value or, where neither one is available, to a fiscal value set by the liquidator. To that purpose, the Ministry of Energy and Mines shall liquidate the relevant form, which shall be paid to the National Treasury within the five (5) working days following the reception of the form.
Section II
Taxes

Article 48
Without prejudice to the tax provisions that may be set forth under other national laws, the persons engaging in the activities this Decree-Law refers to, shall be obligated to pay the following taxes:

1. Surface Tax (Impuesto Superficial). For the portion of the surface area granted that is not under development, the equivalent of one hundred tax units (100 T.U.) for each square kilometer or portion of square kilometer, for every elapsed year. This levy shall be adjusted by two percent (2%) annually during the first five (5) years and by five percent (5%) during the following years.

2. Tax on Own Consumption (Impuesto de Consumo Propio). Ten percent (10%) of the value of each cubic meter (m³) of hydrocarbon byproducts produced and consumed as fuel in wholly-owned operations, based on the price to the end consumer. In the case that said product fails to be sold in the domestic market, the Ministry of Energy and Mines shall provide a price.

3. General Excise Taxes (Impuestos de Consumo General). For every liter of hydrocarbon byproducts sold in the domestic market, between thirty and fifty percent (30%-50%) of the price paid by the end consumer, whose aliquot shall be implemented annually between the two extremes under the Budget Law. This levy to be paid by the end consumer shall be withheld at the supply source, to be handed over to the National Treasury on a monthly basis.

The National Executive may waive, either totally or partially, for the period of time it may deem appropriate, the General Consumption Taxes, in order to promote certain activities of public or general interest. The National Executive may likewise reinstate this levy to its original level when the causes for the waiver cease to exist.

CHAPTER VII
INDUSTRIAL ACTIVITIES

Section I
Forms and Conditions for These Activities

Article 49
The industrialization of refined hydrocarbons encompasses the activities of separation, distillation, purification, conversion, mixing and transformation of the same; all carried out with the purpose of adding value to said substances through obtaining oil specialties or other hydrocarbon derivatives.

Article 50
The industrial activities in connection with refined hydrocarbons may be directly undertaken by the State, by sole proprietorship companies, by joint ventures with official and private capital participation, in any ratio, and by private companies.
Article 51
The National Executive shall implement the necessary measures for the industrialization within the country of refined hydrocarbons, which, among other things, shall observe the following guidelines:
1. Promote the most important and deepest form of transformation of refined hydrocarbons.
2. Promote investment in projects geared at producing substances used in supporting the domestic industrial sector.
3. Seeing to it that the hydrocarbon refineries and processing facilities under State control guarantee on a priority basis over exports the timely supply of basic substances—intended to be further processes—in sufficient quantities and quality and with such prices and in such commercial conditions that allow for the development of competitive enterprises in international markets.
4. Develop a network of industrial facilities around refineries and in areas that make more efficient supply of hydrocarbons or their byproducts.
5. To encourage the creation and participation of financial entities in the industrialization of hydrocarbons in the country.
6. That the companies carrying out hydrocarbon industrialization activities in the country in turn encourage the downstream industrial processing of the basic materials they produce.
7. Any other activities provided for under the Regulations.

Article 52
The National Executive shall assign priority to hydrocarbon industrialization projects that promote the creation of national capital and link it to an enhanced addition of value to processed basic materials, and whose products are competitive in foreign markets.

Article 53
Private companies in the country undertaking refined hydrocarbon industrial processing activities shall obtain a permit to be issued by the Ministry of Energy and Mines, prior compliance with the following requirements:
1. Identification of the companies and the representatives thereof.
2. Identification of the source of raw materials supply.
3. Definition of the project, indicating the destination of its products.

Article 54
Those who engage in refined hydrocarbon industrial processing activities in the country shall register with the register which will be kept to that effect by the Ministry of Energy and Mines.

Section II
Other Substances Obtained

Article 55
Where along the course of refining natural hydrocarbons and the industrial processing of refined products there should appear substances with commercial, industrial or strategic
value other than those anticipated in the licenses or permits, the relevant companies shall notify the National Executive, who will then make a decision as to the conditions and destinations of said substances.

CHAPTER VIII
COMMERCIALIZATION ACTIVITIES

Section I
Persons Allowed to Engage in Such Activities

Article 56
The commercialization activities this Decree-Law refers to encompass both the domestic and international sale of both natural hydrocarbons and derivatives thereof.

Article 57
Only the companies referred to in Article 27 of this Decree-Law shall be able to engage in the natural hydrocarbon and derivatives commercialization activities indicated by the National Executive in a Decree to that effect.

Article 58
The commercialization activities of derivatives excluded in accordance with the provision in the foregoing article shall be undertaken directly by the State or by corporations of its sole ownership, or by joint ventures of public and private capital, in any ratio, and by private companies.

Section II
Domestic Commercialization

Article 59
Hydrocarbon derivatives to be indicated by the National Executive in a Resolution by the Ministry of Energy and Mines shall be subject to the rules on domestic commercialization set forth under this Decree-Law.

Article 60
The activities of supply, storage, transportation, distribution and sale of hydrocarbon derivatives indicated by the National Executive in accordance with the provision in the foregoing article, intended for the general domestic consumption, are considered a public service. The National Executive, through the Ministry of Energy and Mines, shall set the pricing for hydrocarbon derivative products and shall implement measures to guarantee the supply, service efficiency and prevent a disruption thereof. In pricing, the National Executive shall take into consideration the provisions of this Decree-Law and the provisions to be established under its Regulation. These prices may be set in bands or any other system considered adequate for the purposes contemplated in this Decree-Law, taking into account the required investments and the profitability thereof.
Article 61
Individuals or corporations wishing to engage in the activities of supply, storage, transportation, distribution and sale of hydrocarbon derivatives shall first obtain an authorization by the Ministry of Energy and Mines. Such authorizations shall be subject to the rules set forth by this Decree-Law, its Regulations, and any relevant Resolutions. Individuals or corporations that engage in the aforementioned activities shall be able to engage in more than one activity, provided that these activities are independent from one another from the legal and accounting standpoints. The assignment or transfer of said permits shall be first authorized by the Ministry of Energy and Mines.

Article 62
The construction, modification, expansion, demolition or dismantling of establishments, facilities or equipment intended for the domestic commercialization of hydrocarbon derivatives shall be first authorized by the Ministry of Energy and Mines.

Article 63
The Ministry of Energy and Mines shall be empowered to revoke any permits when a failure to observe the provisions set forth under this Decree-Law, its Regulations or the relevant Resolutions might put at risk the efficiency or continuity of the service or jeopardize the safety of people and property.

Article 64
Registrar’s offices shall refrain from accepting any documents in connection with acts requiring an authorization by the Ministry of Energy and Mines, if such documents are not accompanied by said authorization. Any documents issued in violation of the provisions herein shall be completely void for the purposes of this Decree-Law.

Article 65
Individuals or corporations that currently engage in the hydrocarbon derivatives commercialization activities subject to this Decree-Law, in equal terms, shall have a preferential right over third parties to continue engaging in them. Where the national oil industry or any other person decides to offer in sale the real property intended for the undertaking of said activities, the persons who at present are undertaking the same, in equal conditions, shall have a preferential right to acquire them. In every conveyance of rights on commercial establishments engaging in the sale of fuels, the value of the ongoing concern, either tangible or intangible, belonging to the entity undertaking the activity shall be acknowledged and paid for.
CHAPTER IX
INFRINGEMENTS AND PENALTIES

Section I
Fines and Fine Amounts

Article 66
Violations to this Decree-Law, its Regulations and other provisions issued to be duly observed in connection with the safety, security and protection of facilities, individuals and properties; the construction of facilities and the provision of services, quality norms, transportation and distribution of hydrocarbons and products, prices and rates, shall be punished with a fine ranging from fifty (50) to fifty thousand (50,000) Tax Units and/or with the suspension of activities for six (6) months, to be imposed by the National Executive through the Ministry of Energy and Mines, depending on the seriousness of the violation and the history of the violator in the performance of their activities. The foregoing penalties shall apply without prejudice of any civil, criminal, fiscal or administrative punishments that the violation might carry, and without prejudice to the police actions that might be necessary to take to prevent said violation or to restore the legal situation that has been infringed and of the penalties contemplated under other laws.

Article 67
Where the fines provided for in the foregoing article are imposed on a State-owned corporation, said corporation shall initiate the relevant investigation, in order to implement the necessary corrective actions and ascertain the possible responsibilities of the relevant board of directors or any other individuals in the service of such corporation, and shall enforce any required measures. The results of said investigations shall be arrived at within forty-five (45) days and shall be conveyed to the Ministry of Energy and Mines within five (5) working days following the conclusion of said investigation. The Ministry of Energy and Mines shall be able to reopen or extend said investigations whenever it deems it appropriate.

Article 68
Any administrative recourse or any recourse of administrative litigation brought against Ministry of Energy and Mines resolutions shall be processed in the terms and conditions provided for under the law.

NULLIFYING PROVISION

Sole Provision
The following laws are hereby revoked: The Hydrocarbons Law of March 13, 1943, which was partially amended by the Laws of Partial Reform of the Hydrocarbons Law of August 10, 1955 and August 29, 1967; the Law on Properties Earmarked for Reversal in the Hydrocarbon Concessions of August 6, 1971; the Law that Reserves to the State the Development of the Domestic Market of Hydrocarbon Derivative Products, of June 22, 1973; the Organic Law that Reserves to the State the Industry and Business of Hydrocarbons of August 29, 1975; the Organic Law on Opening of the Domestic Market
of Gas and Other Hydrocarbon-based Fuels for Use in Automotive Vehicles of September 11, 1998, and any other legal provisions that might be incompatible with this Decree-Law.

**TRANSITORY PROVISIONS**

One
All provisions of a sub-legal category pertaining to the matters regulated under this Decree-Law that may have been enacted prior to its date of force shall continue to be in force, provided that the same are not incompatible with this Decree-Law, until such as time when new rules are enacted whereby the same are specifically voided.

Two
The allocation of oil income calculated based on the royalty amounts set forth under the Hydrocarbons Law of March 13, 1943, shall continue to be estimated based on said amounts, up until the laws setting forth the ratios for said allocations or distributions are revised.

Three
The aliquot of the General Excise Tax provided for in Article 48, Number 3 of this Decree-Law, is hereby set at thirty percent (30%) for the fiscal year 2002.

**FINAL PROVISION**

Sole Provision
This Decree-Law shall become effective as of January 1, 2002.

Given at the Miraflores Palace, in Caracas, on this the second day of the month of November, two thousand and one. 191st year of the Independence and 142nd year of the Federation.

HUGO CHÁVEZ FRÍAS
Countersigned

Executive Vice-President, ADINA MERCEDES BASTIDAS CASTILLO
Defense Minister, JOSÉ VICENTE RANGEL
Production and Commerce Minister, LUISA ROMERO BERMÚDEZ
Education, Culture and Sports Minister, HÉCTOR NAVARRO DÍAZ
Health and Social Development Minister, MARÍA URBANEJA DURANT
Labor Minister, BLANCANIEVE PORTOCARRERO
Infrastructure Minister, ISMAEL ELIÉZER HURTADO SOUCRE
Energy and Mines Ministry, ÁLVARO SILVA CALDERÓN
Environment and Natural Resources Minister, ANA ELISA OSORIO GRANADO
Planning and Development Minister, JORGE GIORDANI
Science and Technology Deputy Minister, MARIANELA LA FUENTE SANGUNETI
Presidential Secretariat Minister, DIOSDADO CABELLO RONDÓN