

# PEMEX Outlook



January, 2006

# Forward-looking Statement



- **This presentation contains forward-looking statements. We may also make written or oral forward-looking statements in our periodic reports to the Mexican Banking and Securities Commission and the U.S. Securities and Exchange Commission (SEC), in our annual report, in our proxy statements, in our offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties**
- **Statements that are not historical facts, including statements about our beliefs and expectations, are forward looking-statements. These are good faith statements based on current plans, estimates and projections and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly any of them in light of new information or future events**
- **Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement**

## Cautionary Note



- **The U.S. Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this document, such as total reserves, probable reserves and possible reserves, that the SEC's guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 20-F, available from us at [www.pemex.com](http://www.pemex.com) or Marina Nacional 329 Floor 38 Col. Huasteca, Mexico City 11311 or at (52 55) 1944 9700. You can also obtain this Form from the SEC by calling 1-800-SEC-0330**
- **EBITDA, free cash-flow and discretionary cash-flow are non-GAAP measures. They are presented because PEMEX believes that they are useful for financial analysis**
- **The total debt calculation includes, in addition to documented debt, the items that are usually considered as debt by the financial markets**

# Agenda



## PEMEX Highlights

**Lines of Business**

**CAPEX and Financing Program**

**New Fiscal Regime**

**Looking Forward**

# PEMEX is the 9th Largest Integrated Oil Company in the World



- **Third largest producer of crude oil in the world<sup>(1)</sup>**
- **Ninth largest integrated oil company in the world<sup>(1)</sup>**
- **Proved reserves equivalent to 11 years of production<sup>(2)</sup>**
- **Low cost producer vs. market average**
- **Key supplier of crude oil to the US market**
- **Mexico's largest company with 2004 revenues of 69 billion dollars**
- **Sole producer of crude oil, natural gas and refined products in Mexico**
- **Sole marketer of refined products in Mexico**

1) Based on PIW 2004 Rankings, December 2005, Petroleum Intelligence Weekly

2) 2004 production levels and proved reserves in accordance with the definition under Rule 4.10(a) of Regulation S-X under the U.S. Securities Act of 1933

# Integrated Oil Majors



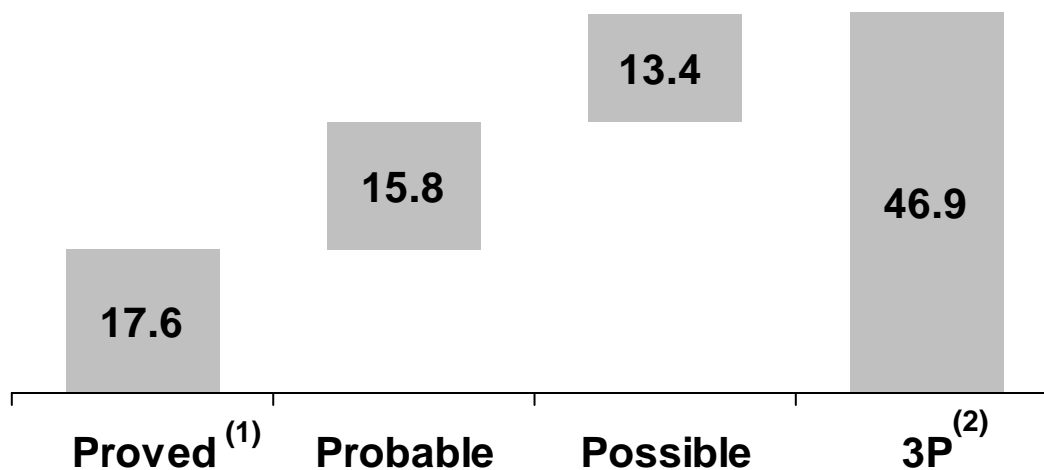
| Place | Company      | Country            | Reserves  |           | Production |           | Refining  |           |
|-------|--------------|--------------------|-----------|-----------|------------|-----------|-----------|-----------|
|       |              |                    | Crude     | Gas       | Crude      | Gas       | Sales     | Capacity  |
| 1     | Saudi Aramco | Saudi Arabia       | 1         | 4         | 1          | 7         | 9         | 9         |
| 2     | Exxon Mobil  | USA                | 13        | 13        | 5          | 2         | 1         | 1         |
| 3     | PDVSA        | Venezuela          | 5         | 5         | 4          | 11        | 8         | 3         |
| 4     | NIOC         | Iran               | 2         | 2         | 2          | 5         | 12        | 14        |
| 5     | BP           | UK                 | 18        | 15        | 6          | 4         | 3         | 5         |
| 6     | RD Shell     | Netherlands and UK | 25        | 17        | 8          | 3         | 2         | 2         |
| 7     | Total        | France             | 22        | 21        | 15         | 9         | 6         | 6         |
| 8     | Chevron      | USA                | 19        | 24        | 11         | 12        | 4         | 10        |
| 9     | <b>PEMEX</b> | <b>Mexico</b>      | <b>10</b> | <b>29</b> | <b>3</b>   | <b>14</b> | <b>14</b> | <b>13</b> |
| 9     | PetroChina   | China              | 14        | 16        | 9          | 19        | 13        | 12        |

Source: PIW 2004 Rankings, December 2005, Petroleum Intelligence Weekly

# Crude Oil and Natural Gas Reserves



**Reserves as of December 31, 2004**  
**MMMboe**



- Long life of proved reserves of 11 years and 3P life of 29 years based on 2004 production<sup>(3)</sup>
- Reserves figures are certified by third parties

1) In accordance with the definition of proved reserves under Rule 4.10(a) of Regulation S-X under the U.S. Securities Act of 1933. Probable and possible reserves were obtained through the difference between 3P reserves and proved reserves

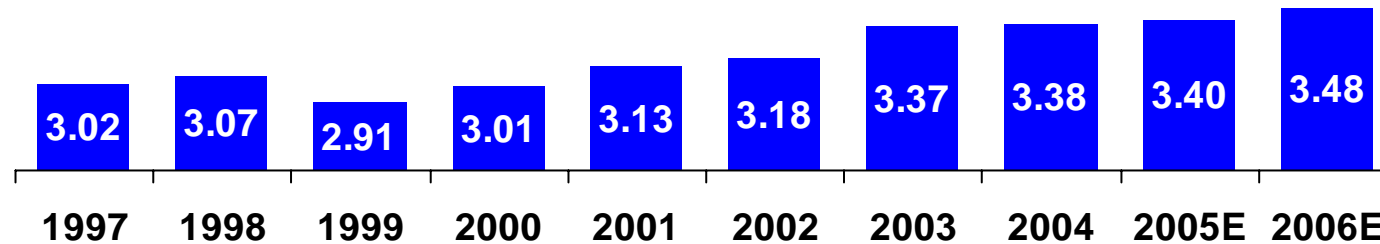
2) The figure does not total due to rounding

3) Reserves as of December 31, 2004 and based on 2004 production (average production of 4.4 MMboed)

# Production Profile

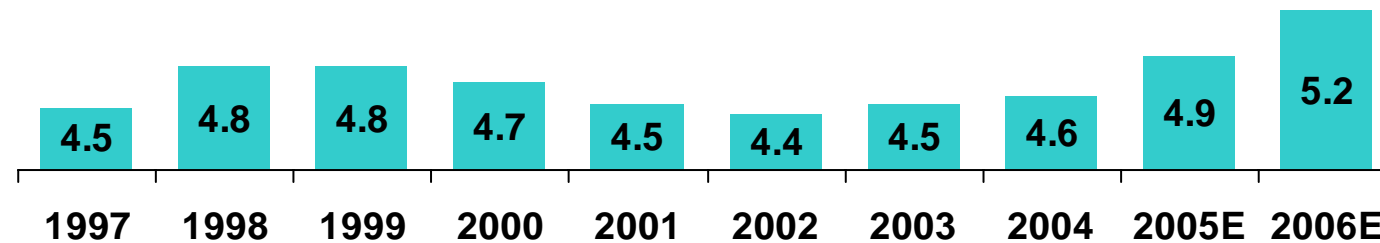


## Crude oil production (MMbd)



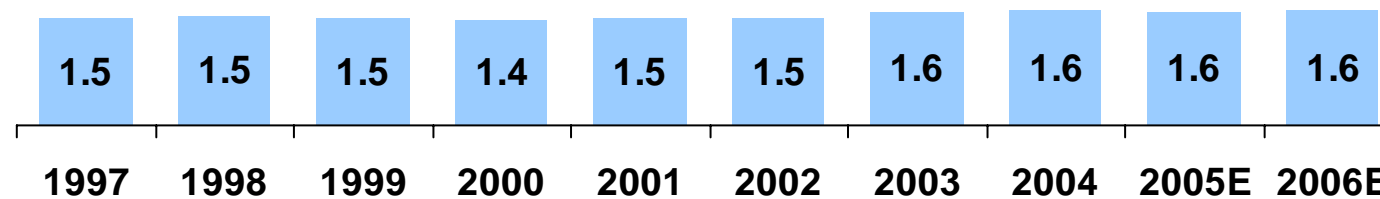
- Crude oil production has grown steadily since 1999

## Natural gas production (MMMcf)



- The decreasing trend of natural gas production was reversed in 2003

## Refined products (MMbd)



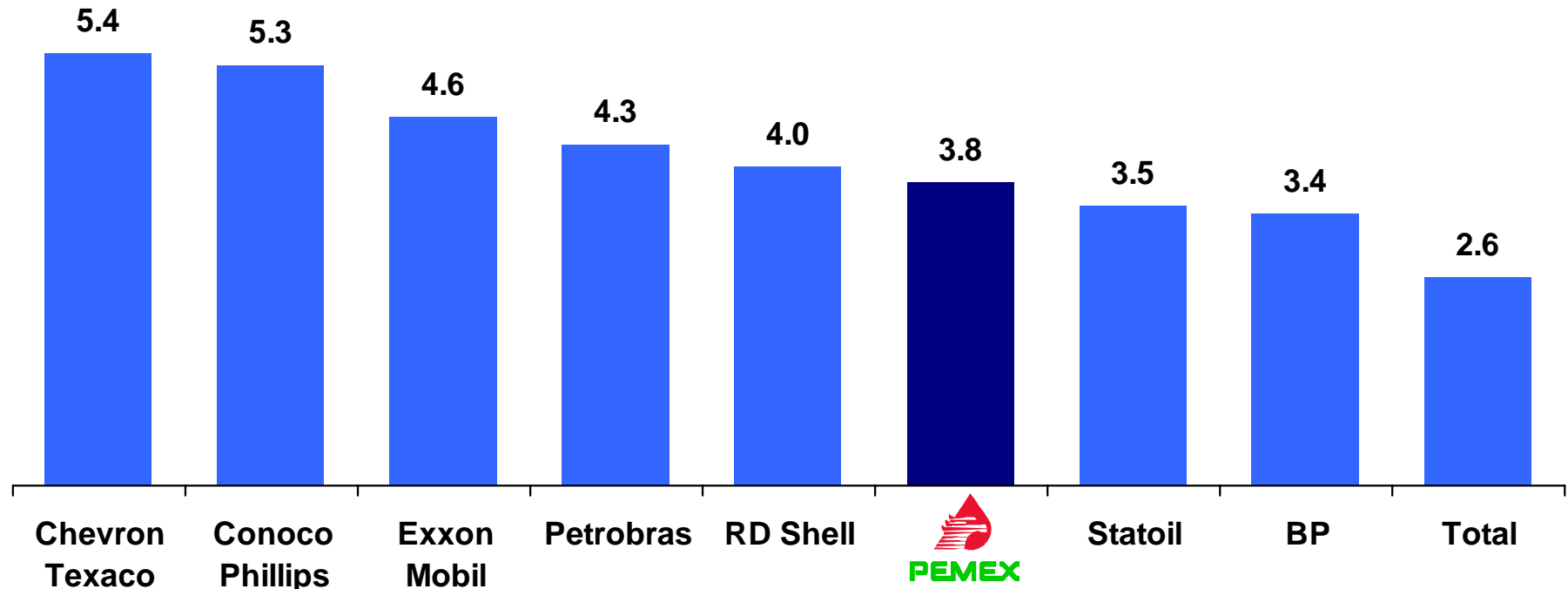
- Refined products production has grown moderately



# Lifting Cost



## 2004 Lifting Cost US\$/boe

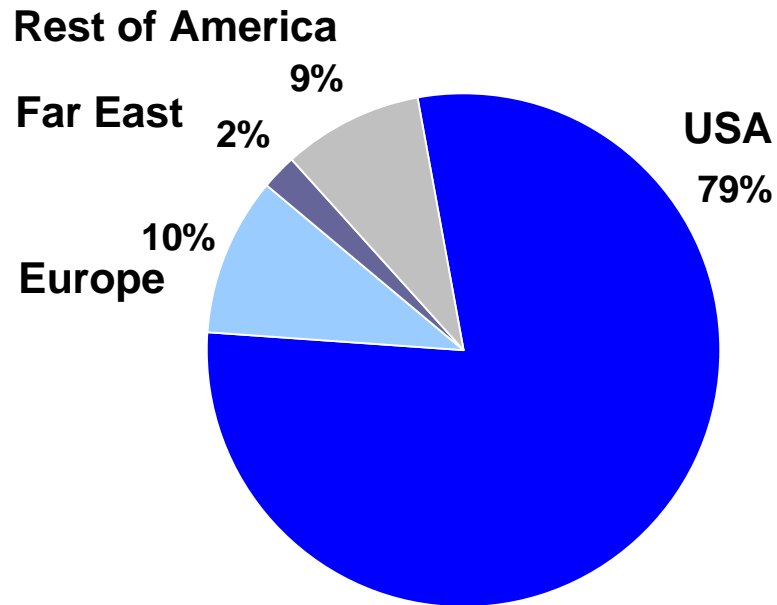


Source: 2004 Annual Reports and 2004 20-F's, (excluding PEMEX)

# Important Supplier of Crude Oil to the U.S.

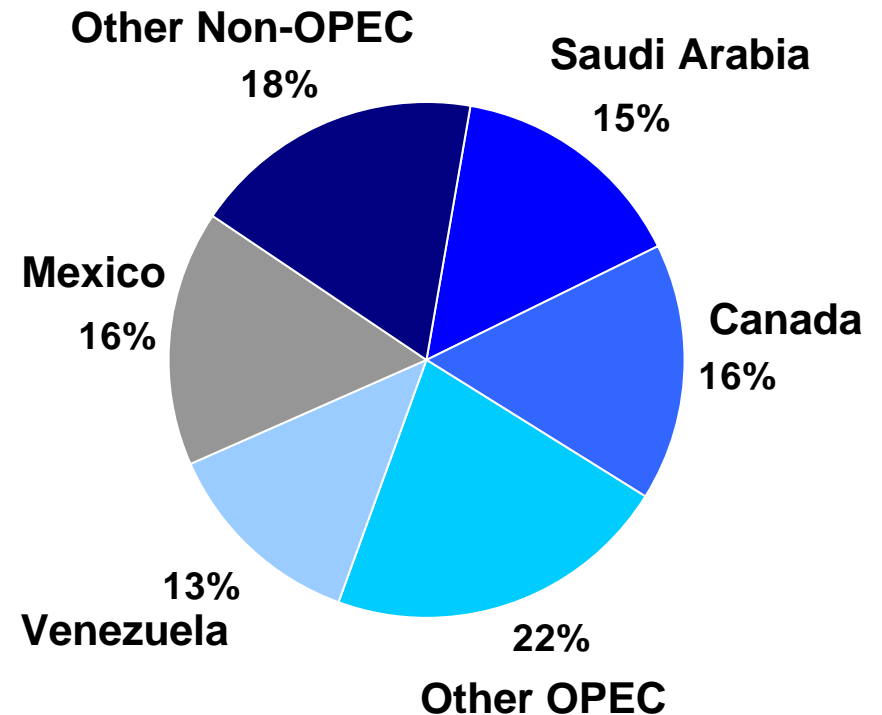


**PEMEX's exports by region 2004<sup>(1)</sup>**  
100% = 1.9 MMbd



(1) Source: PEMEX

**U.S. Imports by region 2004<sup>(2)</sup>**  
100% = 10.0 MMbd



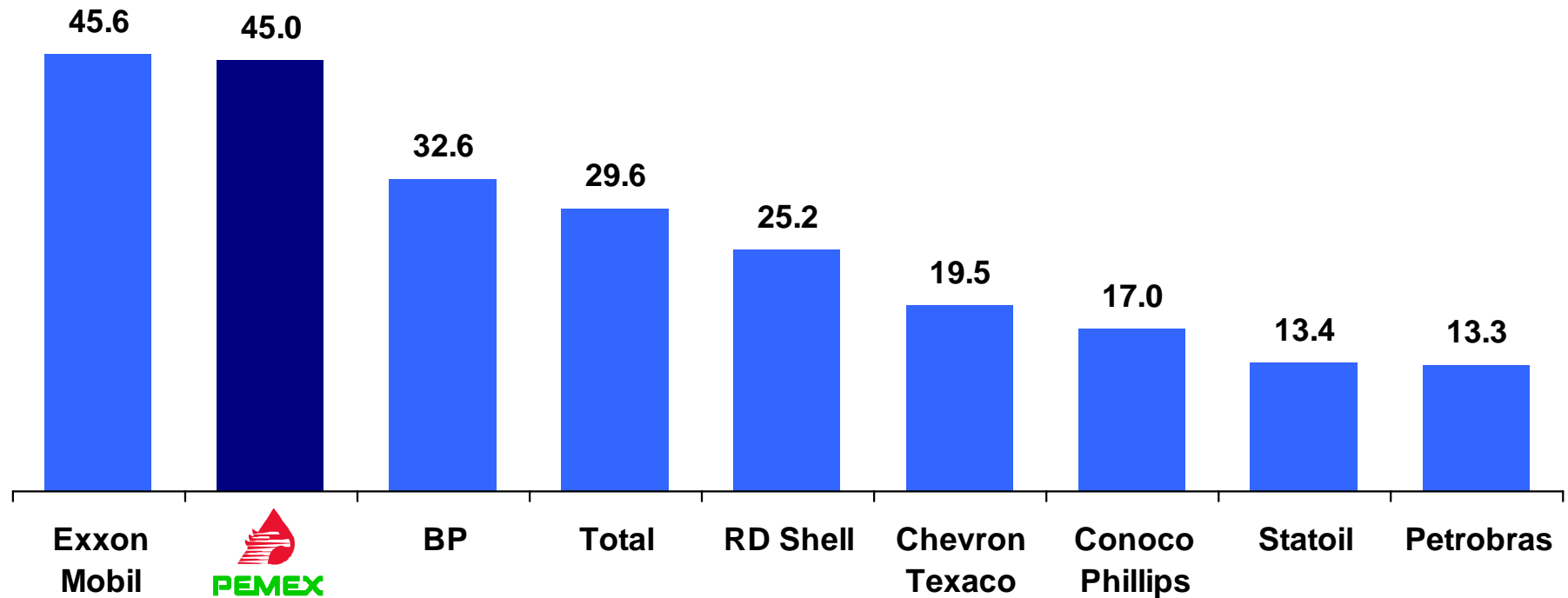
(2) Source: Energy Information Administration (EIA)

# EBITDA<sup>(1)</sup> of the Major Integrated Oil Companies



EBITDA 2004

MMMUS\$



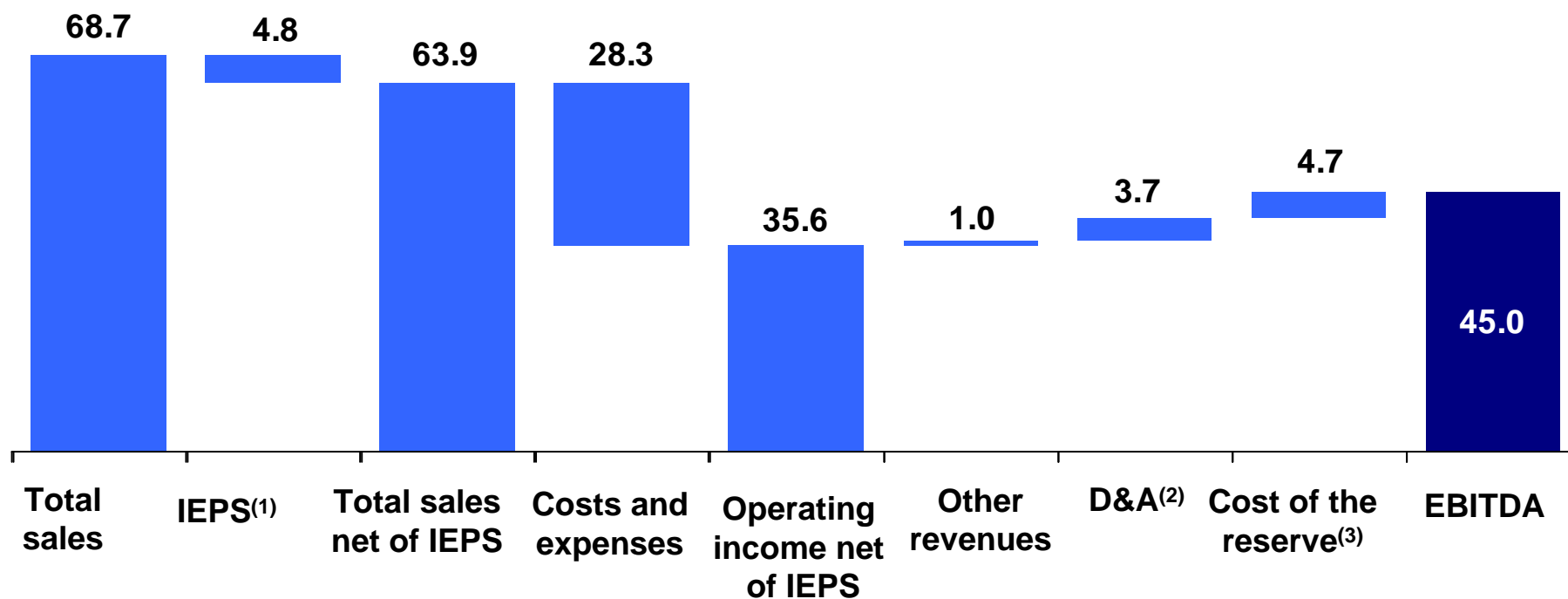
(1) Earnings before interests, taxes, depreciation and amortization.

Source: Bloomberg, excluding PEMEX

# PEMEX EBITDA 2004



MMMUS\$



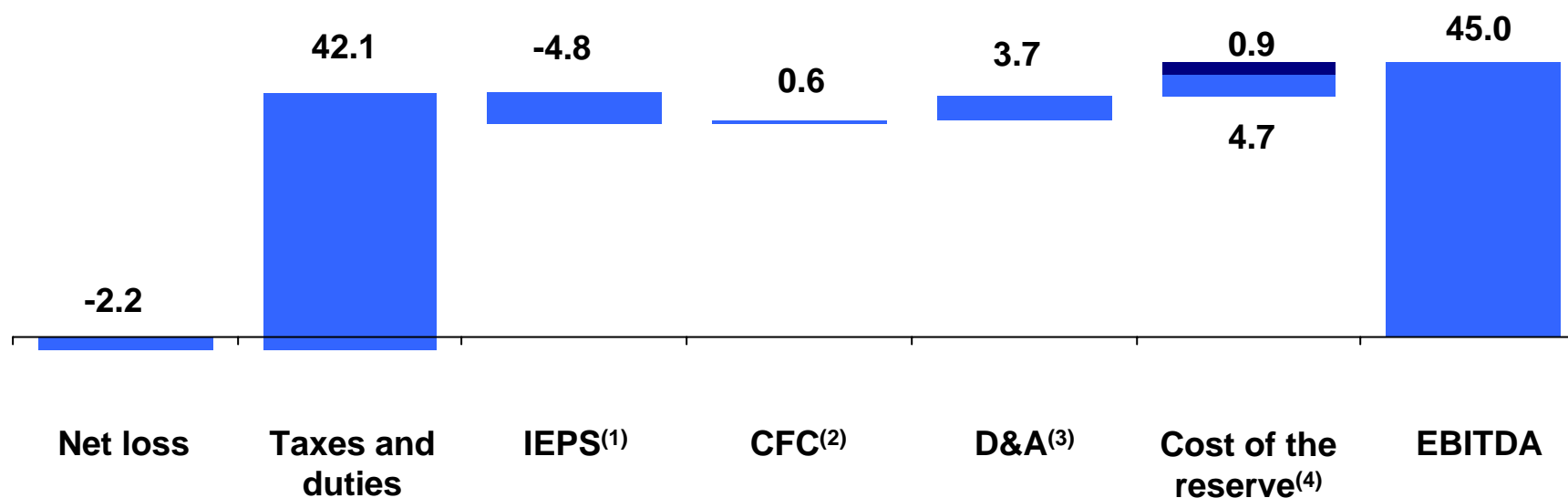
- (1) Special tax on production and services
- (2) Depreciation and amortization
- (3) Cost of the reserve for retirement payments, pensions and indemnities

# PEMEX EBITDA 2004 reconciliation



MMMUS\$

**Cumulative effect due to the adoption of new accounting standards**



- (1) Special tax on production and services
- (2) Comprehensive financing cost
- (3) Depreciation and amortization
- (4) Cost of the reserve for retirement payments, pensions and indemnities

# Agenda



**PEMEX Highlights**

**Lines of Business**

**CAPEX and Financing Program**

**New Fiscal Regime**

**Looking Forward**

# Untapped Exploration Potential



## Mexico's hydrocarbons potential (MMMboe)

|  |       |
|--|-------|
| ▪ 3P Reserves:                                       | 46.9  |
| ▪ Total prospective resources <sup>(1)</sup> (mean): | 53.8  |
| ▪ Total remaining production potential in Mexico:    | 100.7 |

- PEMEX has studied approximately 26% of Mexico's prospective area
- Approx. 55% of the prospective resources is found in the deep waters of the Gulf of Mexico
- Approx. 33% of the prospective resources is found in southeast Mexico, where PEMEX currently holds a large amount of its operations



| Basins                     | Prospective resources (MMMboe) | As a % of total prospective resources |
|----------------------------|--------------------------------|---------------------------------------|
| ● Golfo de México Profundo | 29.3                           | 55%                                   |
| ● Sureste                  | 17.7                           | 33%                                   |
| ● Burgos                   | 3.1                            | 6%                                    |
| ● Tampico – Misantla       | 1.6                            | 3%                                    |
| ● Veracruz                 | 0.8                            | 2%                                    |
| ● Sabinas                  | 0.3                            | 1%                                    |
| ● Plataforma de Yucatán    | 0.3                            | 1%                                    |

(1) As of December 31, 2004. Stochastic addition, results may vary from an algebraic addition.

# E&P Projects (1/2)



## Reserves Development



| Project                                      | Oil reserves <sup>(1)</sup><br>(MMb) | Gas reserves <sup>(1)</sup><br>(MMMcf) | Oil peak production <sup>(2)</sup> |      | Gas peak production <sup>(2)</sup> |      |
|--|--------------------------------------|--|------------------------------------|------|------------------------------------|------|
|  |                                      |  | (Mbd)                              | Year | (MMcfd)                            | Year |
| 1. Amatitlán (Chicontepec)                   | 1,740                                | 2,338                                  | 393                                | 2029 | 439                                | 2029 |
| 2. Crudo Ligerio Marino (SGP) <sup>(3)</sup> | 766                                  | 906                                    | 230                                | 2007 | 641                                | 2007 |
| 3. Agua Fría (Chicontepec)                   | 357                                  | 637                                    | 173                                | 2012 | 191                                | 2012 |
| 4. Ayín-Alux                                 | 299                                  | 67                                     | 74                                 | 2014 | 19                                 | 2014 |
| 5. San Manuel (SGP) <sup>(3)</sup>           | 214                                  | 1,084                                  | 11                                 | 2006 | 214                                | 2006 |
| 6. Ixtal-Manik (SGP) <sup>(3)</sup>          | 184                                  | 99                                     | 55                                 | 2008 | 63                                 | 2008 |
| 7. Burgos                                    | 98                                   | 3,006                                  | -                                  | -    | 1,260                              | 2009 |

(1) Proved and probable reserves as of December 31, 2004

(2) Forecast based on portfolio 5.2E

(3) Strategic Gas Program



# E&P Projects (2/2)



## Secondary / Enhanced Recovery



| Project                 | Oil reserves <sup>(1)</sup><br>(MMb) | Gas reserves <sup>(1)</sup><br>(MMMcf) | Injection         | Oil peak production <sup>(2)</sup> |      | Gas peak production <sup>(2)</sup> |      |
|-------------------------|--------------------------------------|--|-------------------|------------------------------------|------|------------------------------------|------|
|                         |                                      |  |                   | (Mbd)                              | Year | (MMcfd)                            | Year |
| 8. Cantarell            | 8,884                                | 2,312                                  | N <sub>2</sub>    | 1,996                              | 2006 | 727                                | 2006 |
| 9. Ku-Maloob-Zaap       | 4,352                                | 1,048                                  | N <sub>2</sub>    | 794                                | 2010 | 324                                | 2010 |
| 10. Antonio J. Bermúdez | 2,207                                | 2,495                                  | N <sub>2</sub>    | 161                                | 2008 | 282                                | 2008 |
| 11. Jujo-Tecominoacán   | 923                                  | 1,110                                  | N <sub>2</sub>    | 88                                 | 2008 | 80                                 | 2008 |
| 12. Poza Rica           | 670                                  | 791                                    | H <sub>2</sub> O  | 51                                 | 2011 | 56                                 | 2011 |
| 13. Bellota Chinchorro  | 334                                  | 532                                    | PP <sup>(3)</sup> | 53                                 | 2008 | 70                                 | 2008 |
| 14. Cactus Sitio Grande | 308                                  | 507                                    | PP <sup>(3)</sup> | 27                                 | 2010 | 73                                 | 2010 |

(1) Proved and probable reserves as of December 31, 2004

(2) Forecast based on portfolio 5.2E

(3) Pneumatic pumping

# Refining System



## Refining System

- KEDC<sup>(1)</sup>: 2,675
- Complexity Index (C.I.): 11.3

### Salamanca

- 245 Mbd
- 1,929 KEDC, C.I. = 8.8
- Supplies fuels for central and western areas
- Base lubricant production

### Tula

- 320 Mbd
- 3,408 KEDC, C.I. = 11.0
- Supplies fuels for MCMA<sup>(2)</sup>, Morelos and Guerrero

### Cadereyta

### Cadereyta

- 275 Mbd
- 3,313 KEDC, C.I. = 13.1
- Supplies fuels for northern area

### Madero

### Madero

- 195 Mbd
- 2,996 KEDC, C.I. = 15.8
- Supplies fuels for Central and Gulf Areas

### Salamanca

### Tula

### Minatitlán

### Minatitlán

- 200 Mbd
- 1,538 KEDC, C.I. = 7.7
- Supplies fuels for southern area and Yucatán Peninsula

### Salina Cruz

### Salina Cruz

- 330 Mbd
- 2,869 KEDC, C.I. = 8.8
- Supplies fuels for Pacific Coast

(1) K=1,000; EDC=Equivalent Distillation Capacity

(2) MCMA = Mexico City's Metropolitan Area

## Modernization of the refining system

- Increase in heavy crude processing capacity
- Raise output of high value added refined products
- Meet international standards of quality in gasolines and diesel
- Real time monitoring of the pipeline system

## Main projects

- Minatitlán refinery revamping is expected to be finished in 2009
  - Total estimated CAPEX: MMMUS\$2.4
  - Expected incremental production of gasolines: 86 Mbd
  - Expected incremental production of intermediate distillates: 47 Mbd
- Distribution (SCADA, maritime terminals modernization)
- Production facilities (Minatitlán revamping, residual conversion in Tula and Salamanca)
- Gasolines and diesel (improvements in quality by lower sulfur content)

# Natural Gas



## Gas processing centers



|  |       |
|--|-------|
| Pipelines (km):  | 9,109 |
| Sweetening plants capacity <sup>(1)</sup> (MMcfd):       | 4,503 |
| Liquids recovery plants capacity <sup>(1)</sup> (MMcfd): | 5,546 |

## Step up processing and improve transportation

- Increase processing capacity
- Enhance flexibility of the transportation system
- Raise import-export capacity (currently, there are ten interconnections with the U.S.)

## Main projects

- Capacity expansion of the processing system in northern Mexico to capture natural gas liquids (6 cryogenic plants: 2 started operations in 2004, 2 are under construction and 2 more are expected to be constructed in the following years)
- New compression stations to increase the transport capacity in the Central and South Western Regions of Mexico

(1) 92% of the sweetening capacity and 69% of the liquids recovery capacity is located in Cd. Pemex, Cactus and Nuevo Pemex

## Petrochemical centers



## Seize opportunities

- Invest in profitable petrochemical chains

## Main projects

- Possible joint ventures with private sector in minority role companies to integrate the value chains
- Capacity expansions on the ethane chain and the aromatic chain in order to meet domestic demand and reduce imports

## Pemex-Petrochemicals' subsidiary companies consolidation

- On September 15, 2004, a resolution was published in the Official Gazette of the Federation (Diario Oficial de la Federación) authorizing the Ministry of Energy to carry out the merger of the seven subsidiaries of Pemex-Petrochemicals. On September 15, 2005, the Ministry of Energy requested a 6 months extension

# Agenda



**PEMEX Highlights**

**Lines of Business**

**CAPEX and Financing Program**

**New Fiscal Regime**

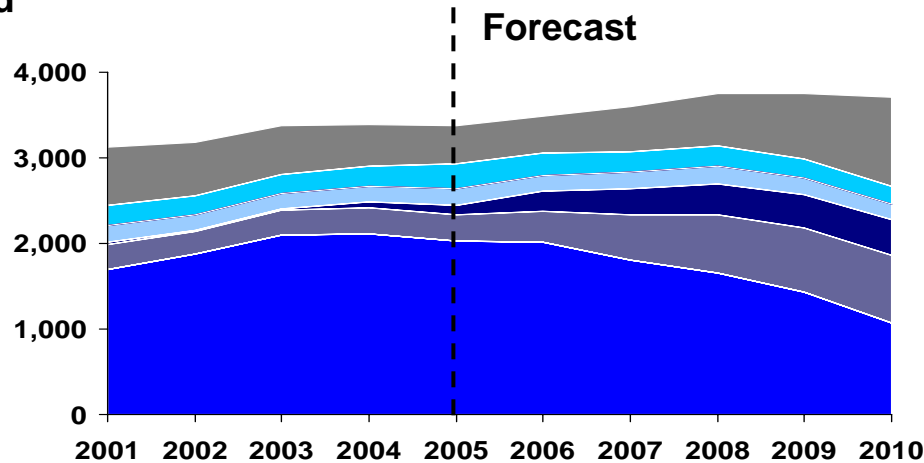
**Looking Forward**

# Oil and Gas Production and E&P CAPEX



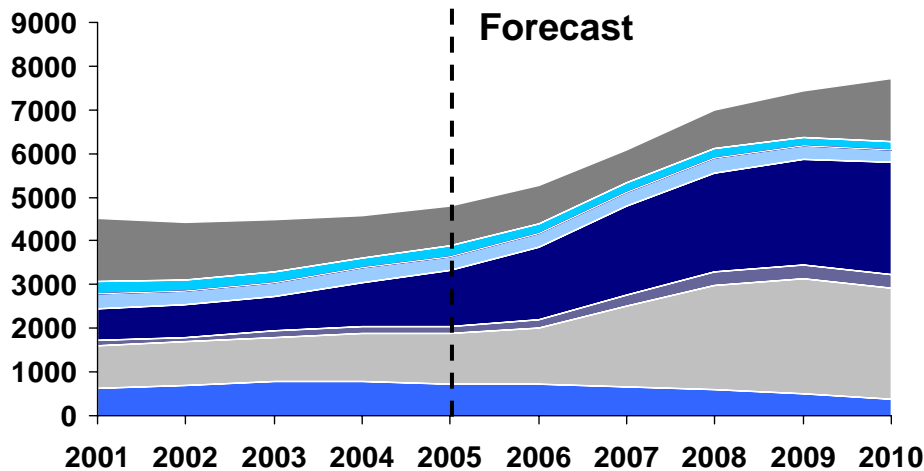
## Oil production

Mbd

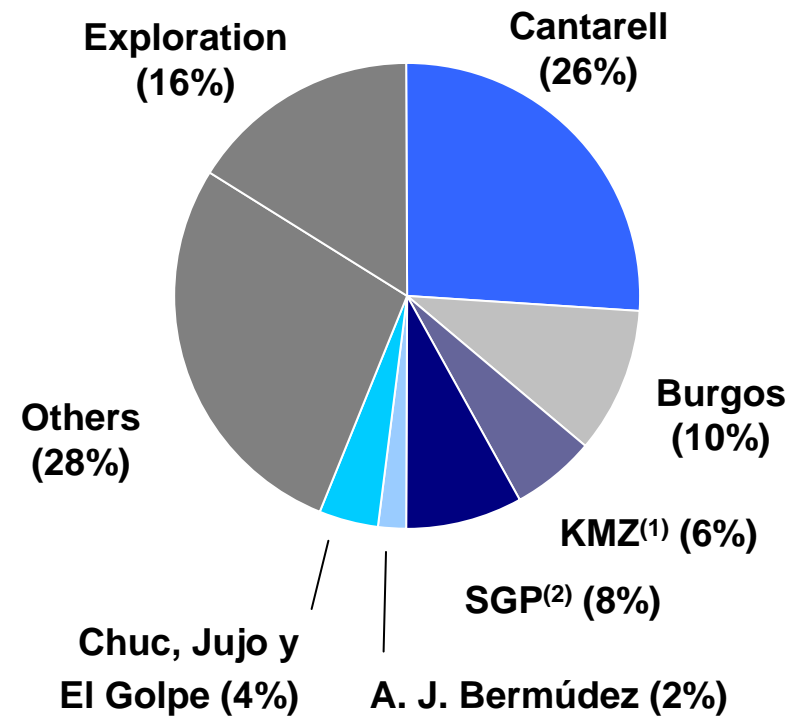


## Natural gas production

MMcfd



**CAPEX 2001-2005**  
100% = MMMUS\$ 40.5

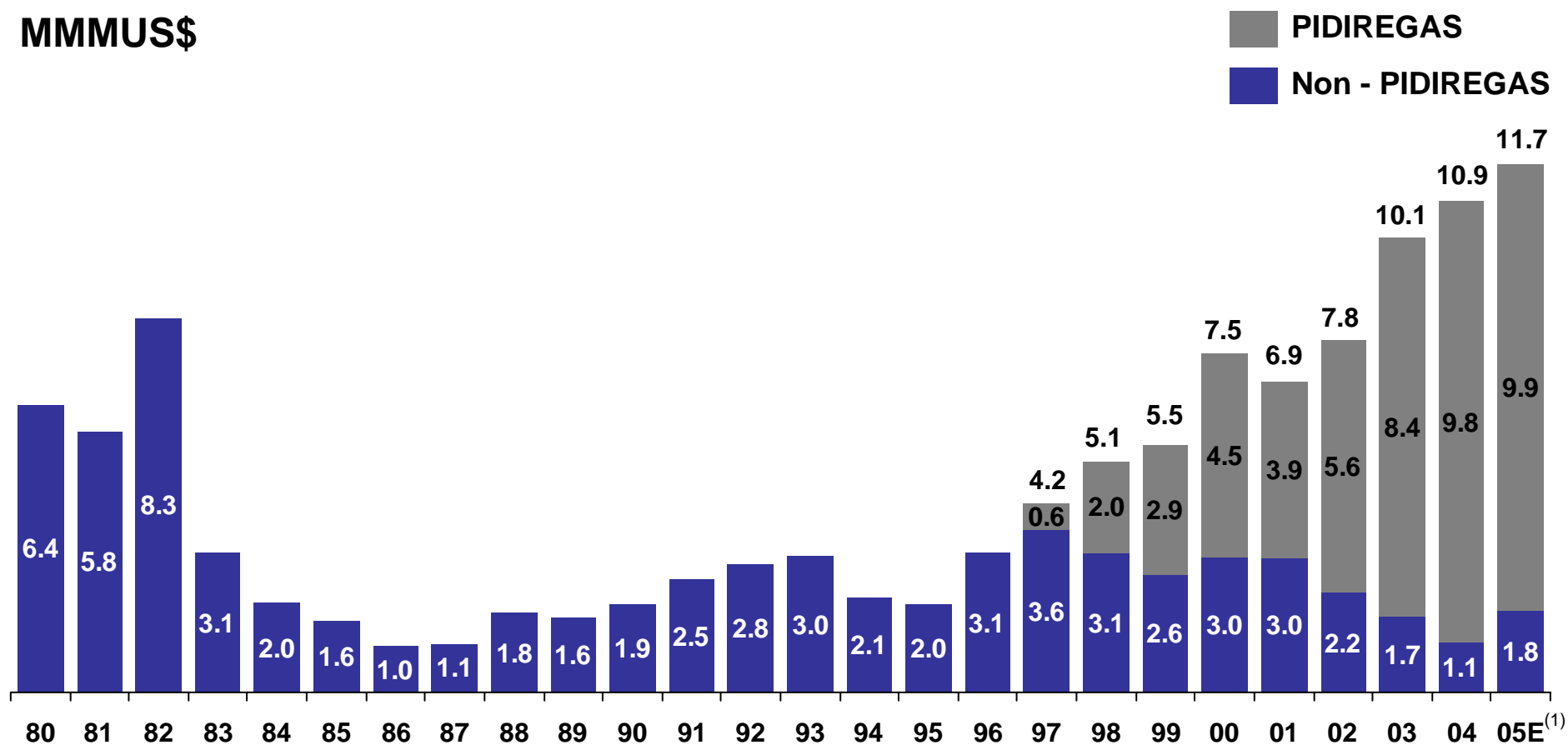


- (1) Ku-Maloob-Zaap
- (2) Strategic Gas Program

# Historical and Projected CAPEX



MMMUS\$



PIDIREGAS: Long-term productive infrastructure projects

(1) Authorized by the Ministry of Finance on May 20, 2005 (Adecuado III)



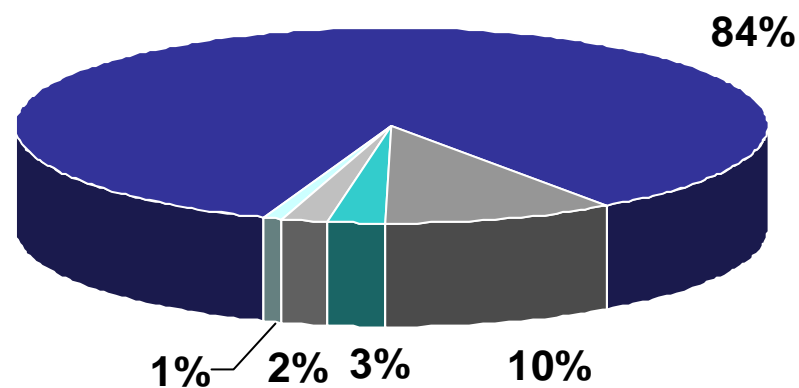
# CAPEX 2005



CAPEX  
MMM US\$

|  | 2005E <sup>(1)</sup> |
|--|----------------------|
| <span style="color: blue;">■</span> Exploration and Production   | 9.8                  |
| <span style="color: gray;">■</span> Refining                     | 1.2                  |
| <span style="color: cyan;">■</span> Gas and Basic Petrochemicals | 0.4                  |
| <span style="color: lightgray;">■</span> Petrochemicals          | 0.2                  |
| <span style="color: lightblue;">■</span> Others                  | 0.1                  |
| <b>Total</b>   | <b>11.7</b>          |

CAPEX 2005E  
100% = MMM US\$11.7 <sup>(1)</sup>

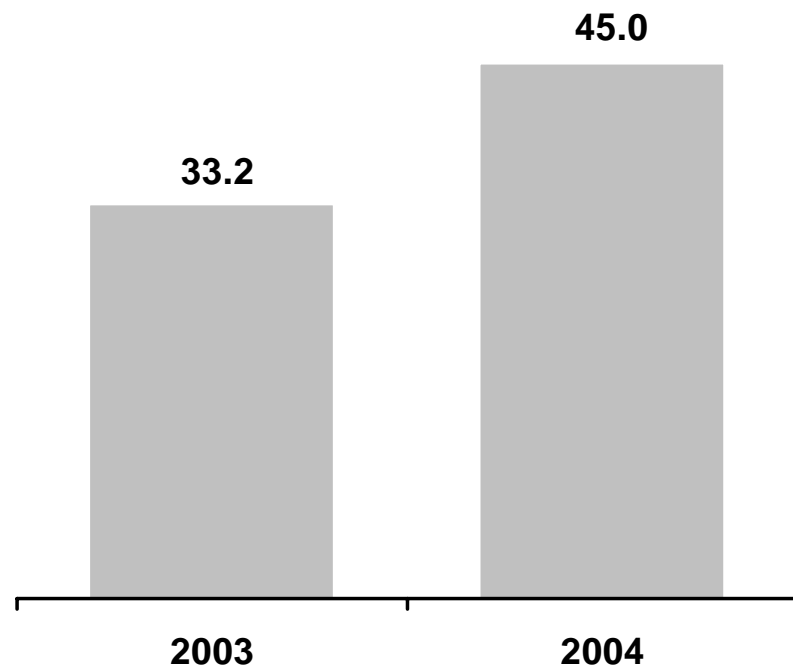


(1) Authorized by the Ministry of Finance on May 20, 2005 (Adecuado III)

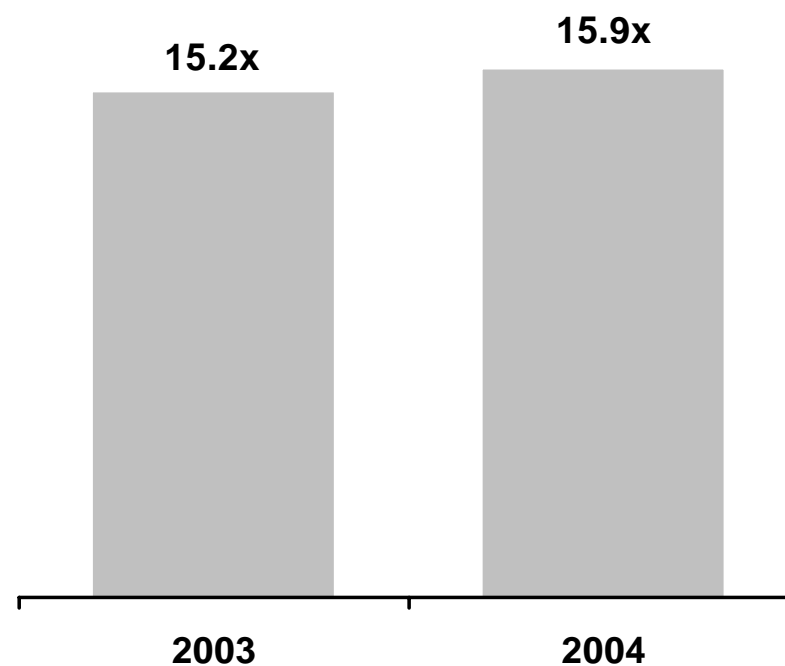
# EBITDA and Interest Coverage



**EBITDA  
MMMUS\$**



**EBITDA / Interest  
Times**

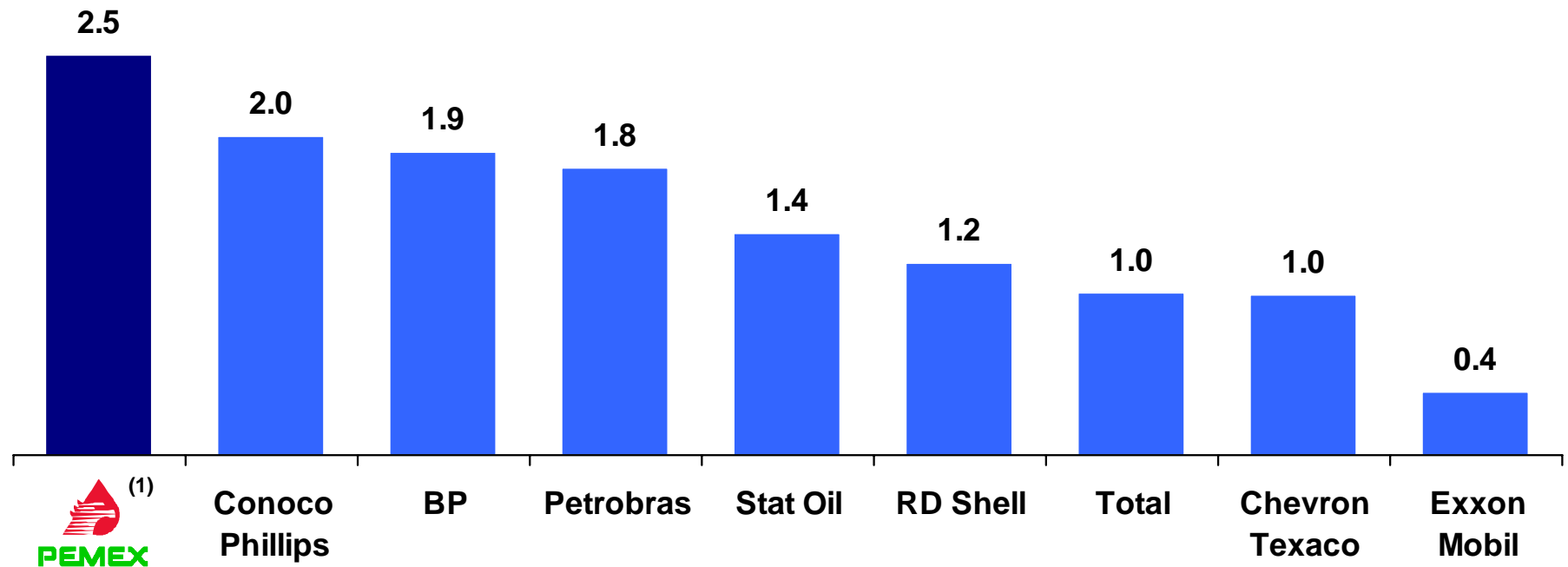


Note: EBITDA net of sales taxes (IEPS). Interest expense does not include capitalized interest

# Debt-to-Reserves Ratio vs. Peers



Debt / Proved reserves  
US\$ / boe



Source: Companies' 2004 Annual Reports, 2004 20-F's, 2004 Financial Results

1) Audited financial statements and proved reserves data as of December 31, 2004. Debt is the sum of documented debt, notes payable to contractors and sale of future account receivable

# Credit Profile Relative to Integrated Majors



Exxon  
Mobil

RD  
Shell

Total

BP

Chevron  
Texaco

Conoco  
Phillips

Statoil

Petrobras

## Senior Unsecured Ratings

|           |      |     |     |     |     |     |    |     |     |
|-----------|------|-----|-----|-----|-----|-----|----|-----|-----|
| ▪ S&P     | BBB  | AAA |     | AA  | AA+ | AA  | A- | A   |     |
| ▪ Moody's | Baa1 | Aaa | Aa1 | Aa2 | Aa1 | Aa2 | A3 | AA2 | Ba1 |
| ▪ Fitch   | BBB- | AAA |     | AA  | AA+ | AA  | A- |     | BB- |

## Operating Data

|   |      |      |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|------|------|
| ▪ Proved Reserves (MMMboe) <sup>(1)</sup> | 17.6 | 22.0 | 11.9 | 11.1 | 14.6 | 11.3 | 7.6  | 4.3  | 11.8 |
| ▪ Production (MMboed)                     | 4.4  | 4.2  | 3.8  | 2.6  | 4.0  | 2.5  | 1.6  | 1.1  | 1.5  |
| ▪ Proved Reserves Life (years)            | 11.0 | 14.3 | 8.6  | 11.8 | 10.0 | 12.3 | 13.0 | 10.6 | 21.7 |
| ▪ CAPEX (MMMUS\$)                         | 10.9 | 14.9 | 13.6 | 11.8 | 14.5 | 8.3  | 9.5  | 7.0  | 7.4  |

Source: Companies' 2004 Annual Reports, 2004 20-F's, 2004 Financial Results

1) Data as of December 31, 2004, PEMEX's proved reserves in accordance with the definition of proved reserves under Rule 4.10(a) of Regulation S-X under the U.S. Securities Act of 1933

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**Looking Forward**

# PEMEX's New Fiscal Regime: Introduction



- On December 21, 2005, PEMEX's new fiscal regime was published in the Official Gazette of the Federation (Diario Oficial de la Federación)
  - Under the new structure, taxes and duties for E&P are established in the "Ley Federal de Derechos". Taxes and duties for the rest of the subsidiary entities remain included in the "Ley de Ingresos de la Federación" (oil income tax)
- 
- The purpose of the new fiscal regime is to strengthen PEMEX's competitiveness and contribute to improving its financial position
  - The new fiscal regime is in effect since January 1, 2006

# Agenda



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**Looking Forward**

## Looking forward

- Implementing value management oriented to efficiency
- Implement corporate governance best practices



# Implementing Value Management Oriented to Efficiency



- **Process reengineering**
- **Implementing best practices in projects management**
- **Optimization of plants and pipelines**
- **Optimization of the procurement process**
- **Value management for corporate services (medical and telecom)**
- **Implementing compensation according to performance**

- **Lack of transparency and accountability of the management process**

- **PEMEX budget part of the federal budget**
- **Overburden and inefficient audit system**
- **Legal restrictions for joint ventures**

- **These “problems” are means of controls over the administration**
- **All firms face the problem of the separation of ownership from management**
- **The solution to this problem is “Best Practices”- Corporate Governance**

- **New corporate governance creates accountability and transparency**
- **Continue to incorporate best practices:**
  - Independent board members
  - Board Committees
  - Prompt disclosure of information
  - Compensation based on performance
  - Clear mandate to create value
  - OECD guidelines on the corporate governance of state-owned enterprises

## **Financial flexibility**

- **New fiscal regime**
- **Independence from the federal budget**
- **Issuance of quasi-shares**

## **Operational flexibility**

- **More efficient audit system**
- **New procurement laws**
- **Joint ventures**



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