

# PEMEX Outlook



November, 2006

# Forward-Looking Statements (1/2)



- **This presentation contains forward-looking statements. We may also make written or oral forward-looking statements in our periodic reports to the National Banking and Securities Commission and the Securities and Exchange Commission, 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**
- **Words such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements, which reflect our views about future events and financial performance. We may include forward-looking statements that address, among other things, our:**
  - **drilling and other exploration activities;**
  - **import and export activities;**
  - **projected and targeted capital expenditures and other costs, commitments and revenues; and liquidity.**
- **Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond our control. These factors include, but are not limited to:**
  - **changes in international crude oil and natural gas prices;**
  - **effects on us from competition;**
  - **limitations on our access to sources of financing on competitive terms;**
  - **significant economic or political developments in Mexico;**
  - **developments affecting the energy sector; and**
  - **changes in our regulatory environment.**

# Forward-Looking Statements (2/2)



- **Accordingly, you should not place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.**
- **These risks and uncertainties are more fully detailed in PEMEX's most recent Form 20-F filing, as amended, with the US Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) and the PEMEX Prospectus filed with the National Banking and Securities Commission (CNBV) and available through the Mexican Stock Exchange ([www.bmv.com.mx](http://www.bmv.com.mx)). These factors could cause actual results to differ materially from those contained in any forward-looking statement.**
- **The US 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, as amended, "File No. 0-99", 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, which are calculated as described above. They are presented because PEMEX believes that they are widely accepted financial indicators of its ability to service or incur debt. EBITDA, free cash-flow and discretionary cash-flow should not be considered as indicators of financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to similarly named measures of other companies.**

# 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, which are calculated as described above. They are presented because PEMEX believes that they are widely accepted financial indicators of its ability to service or incur debt. EBITDA, free cash-flow and discretionary cash-flow should not be considered as indicators of financial performance, as an alternative to cash flow, as a measure of liquidity, or as being comparable to similarly named measures of other companies.**

## PEMEX Highlights

**Lines of Business**

**CAPEX**

**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 10 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 2005 revenues of 86 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) 2005 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

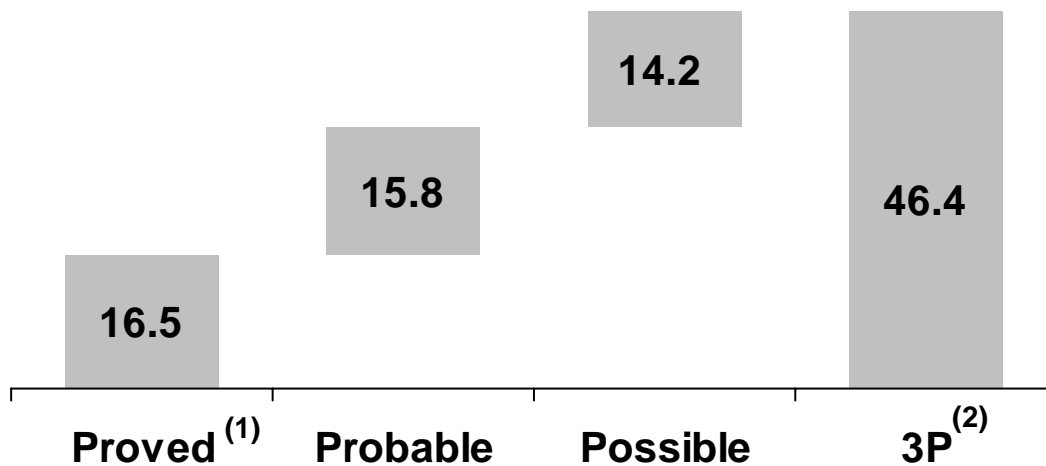
# Integrated Oil Majors



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

## Reserves as of December 31, 2005 MMMboe



- Long life of proved reserves of 10 years and 3P life of 29 years based on 2005 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

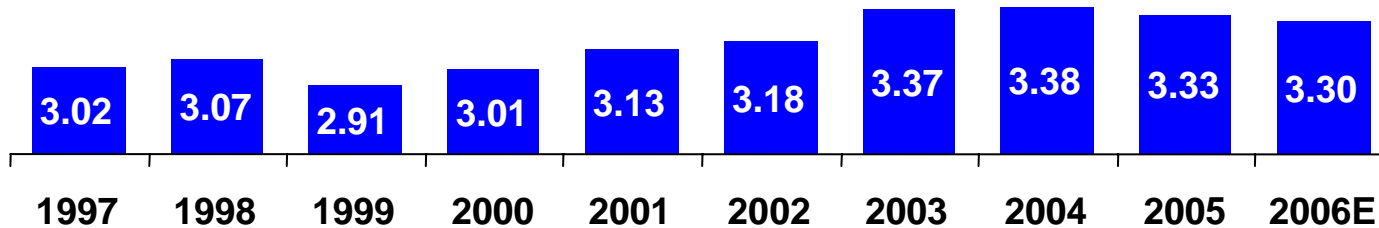
3) Reserves as of December 31, 2005 and based on 2005 production (average production of 4.4 MMboed)



# Production Profile

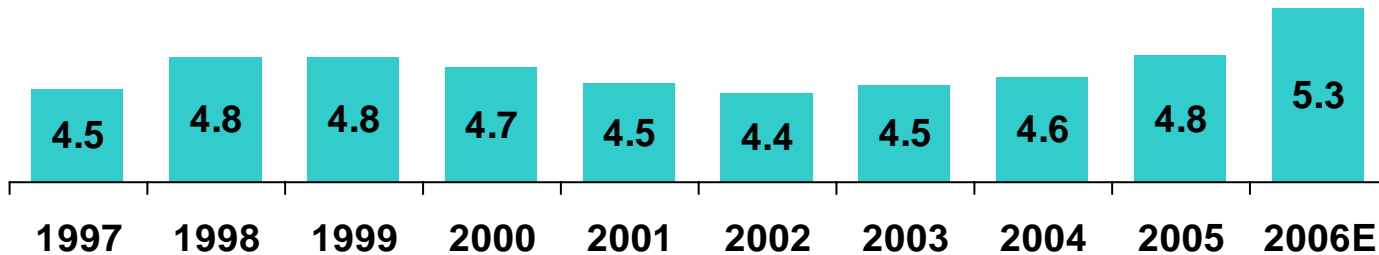


## Crude oil production (MMbd)



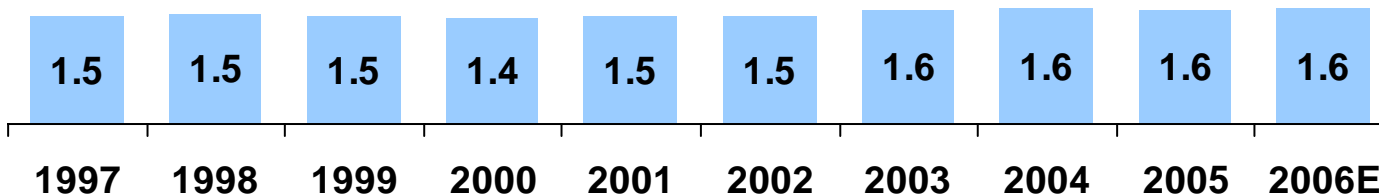
- Crude oil production has remained relatively stable since 2003

## Natural gas production (MMMcf/d)



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

## Refined products (MMbd)

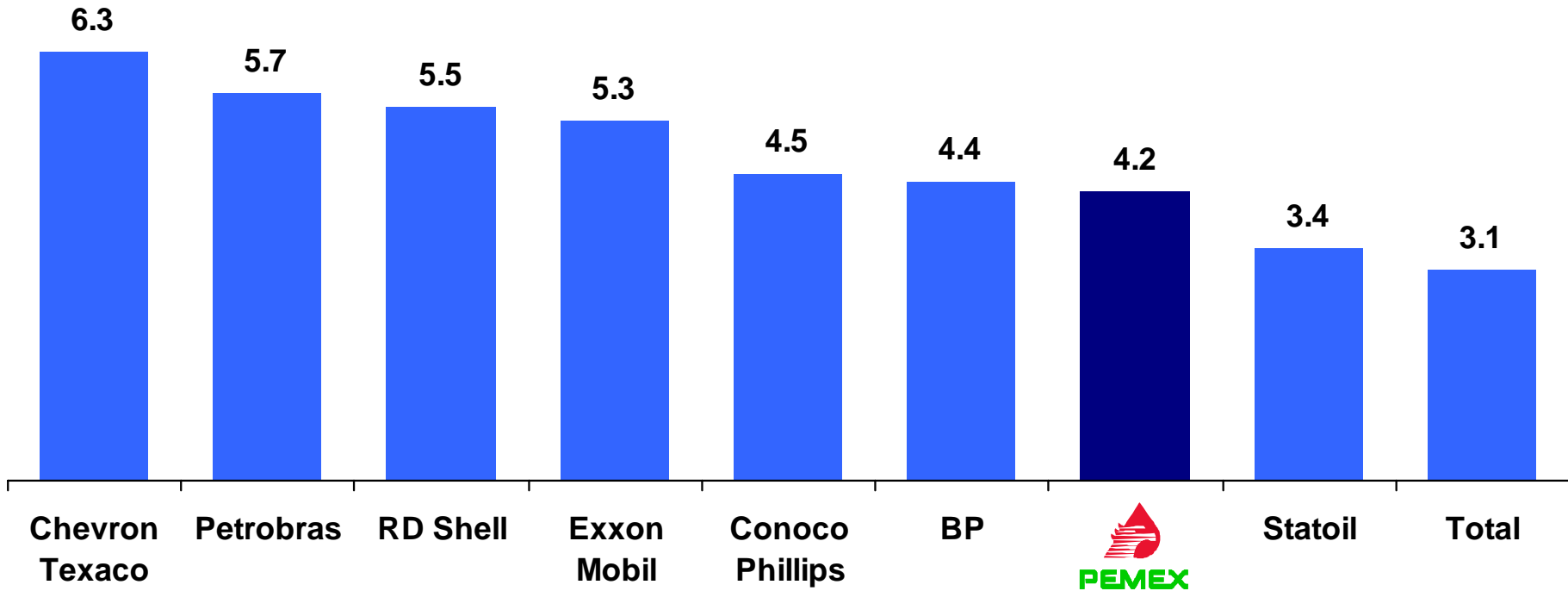


- Refined products production has grown moderately

# Lifting Cost



## 2005 Lifting Cost US\$/boe



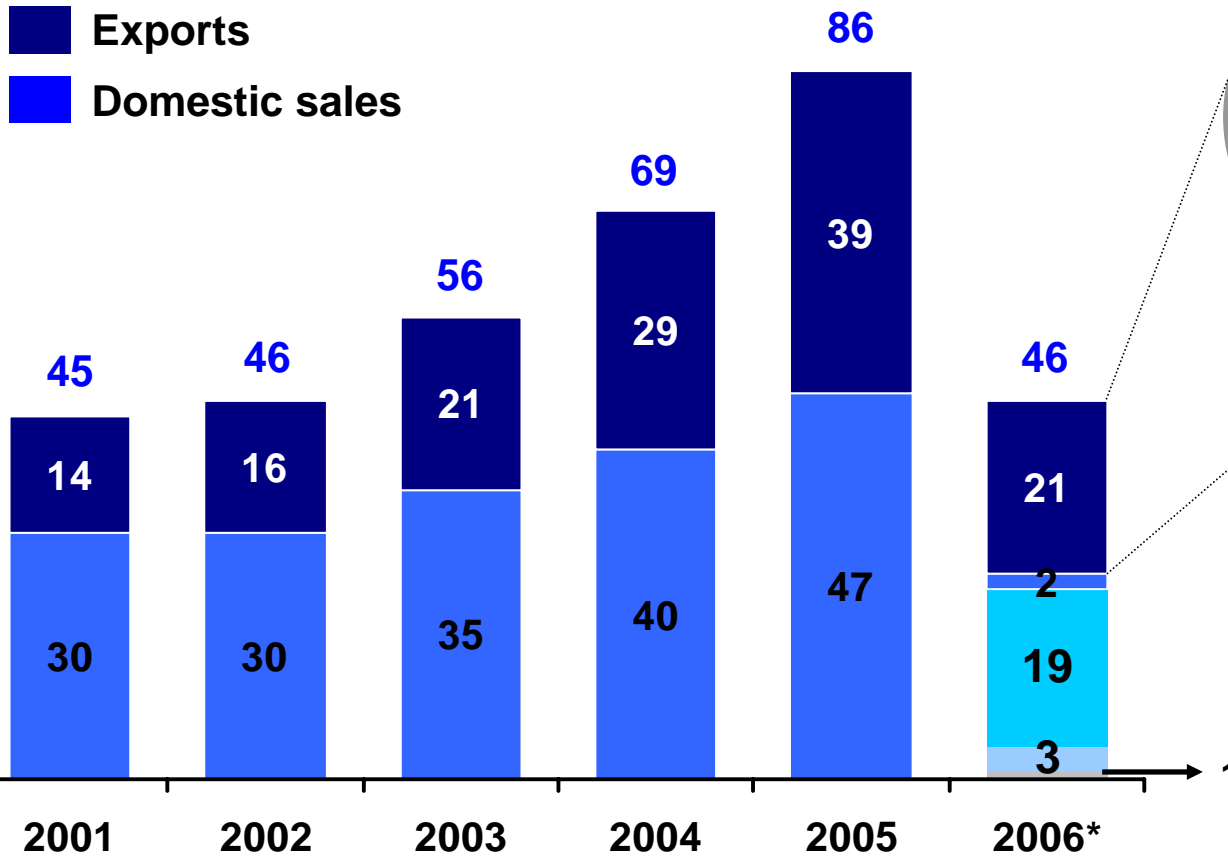
Source: 2005 Annual Reports and 2005 20-F's

# Total Sales



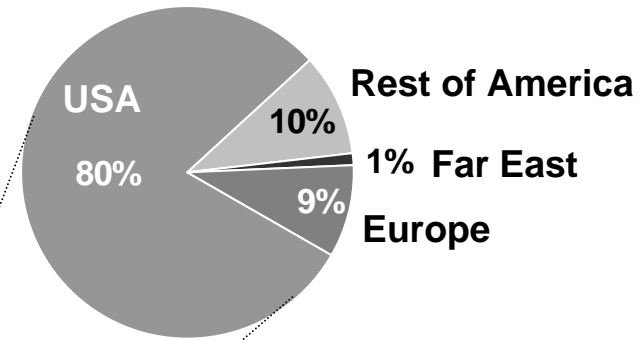
By market  
MMMUS\$

Exports  
Domestic sales

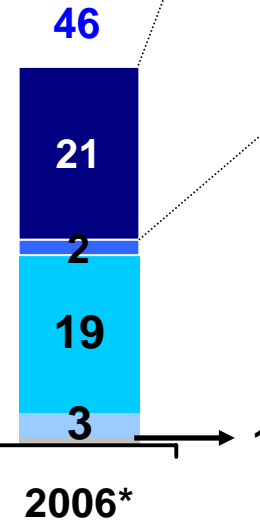


Crude oil exports by region 2006<sup>(1)</sup>

100% = 1.9 MMbd



Crude oil exports  
Other exports  
Refined products  
Natural gas  
Petrochemicals



Note: Includes sales taxes (IEPS)

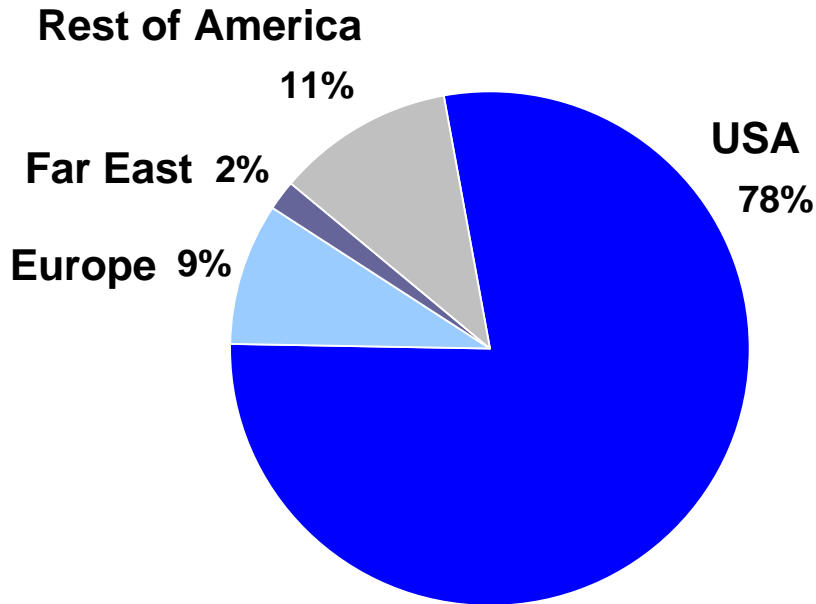
(1) Source: PEMEX

\* January-June

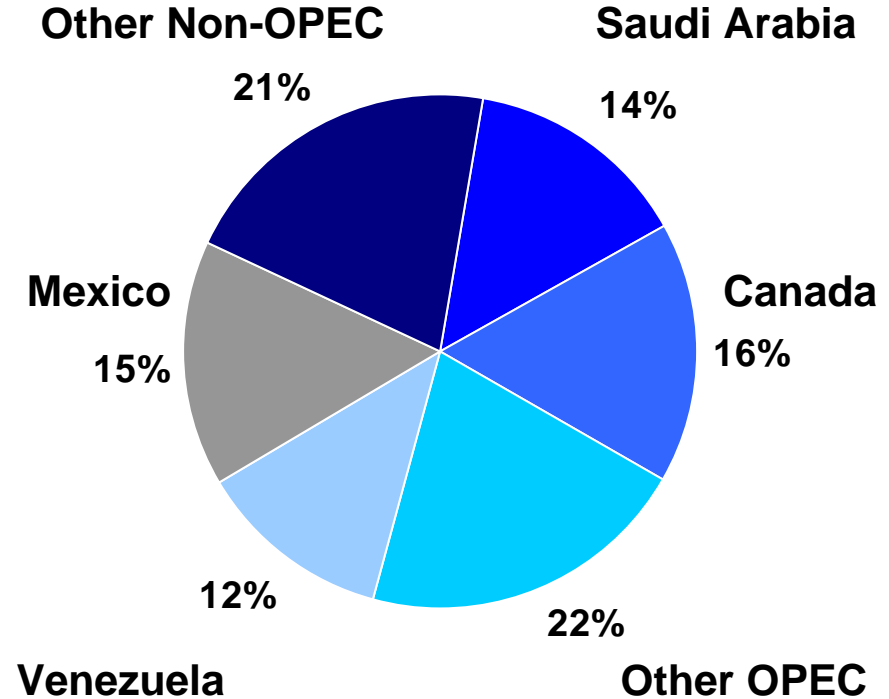
# Important Supplier of Crude Oil to the U.S.



**PEMEX's exports by region 2005<sup>(1)</sup>**  
100% = 1.8 MMbd



**U.S. Imports by region 2005<sup>(2)</sup>**  
100% = 10.1 MMbd



(1) Source: PEMEX

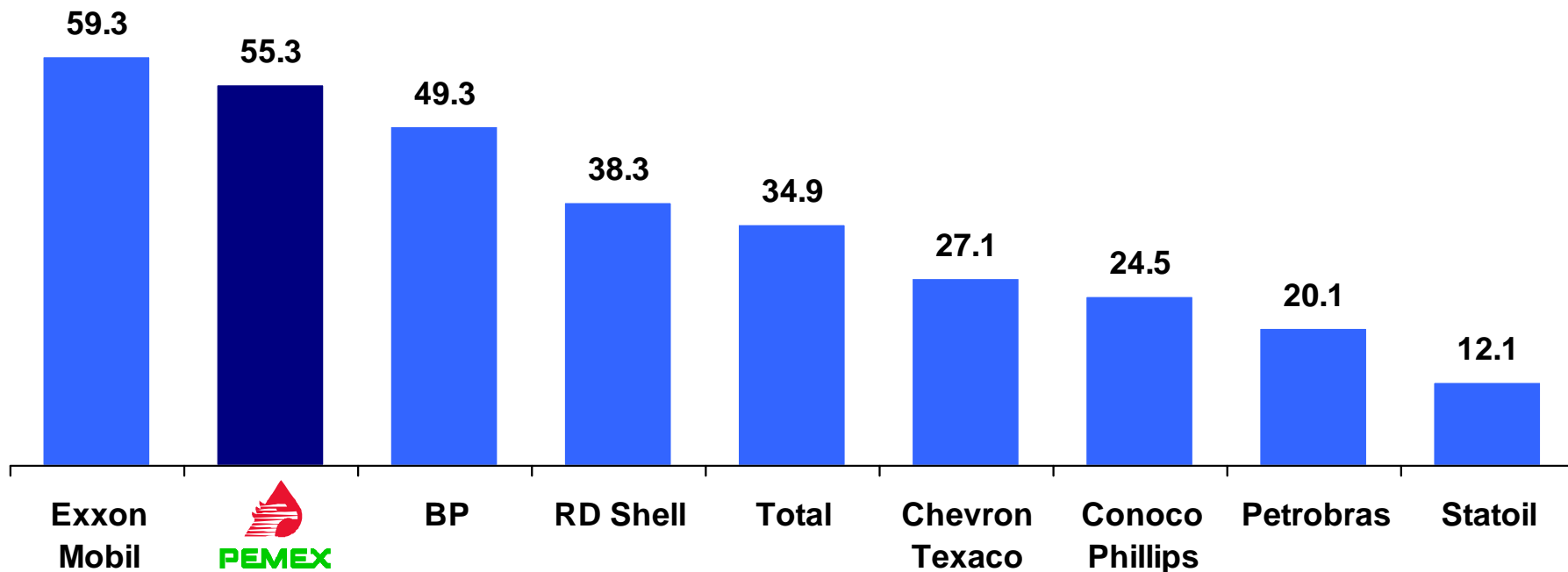
(2) Source: Energy Information Administration (EIA)

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



EBITDA 2005

MMMUS\$



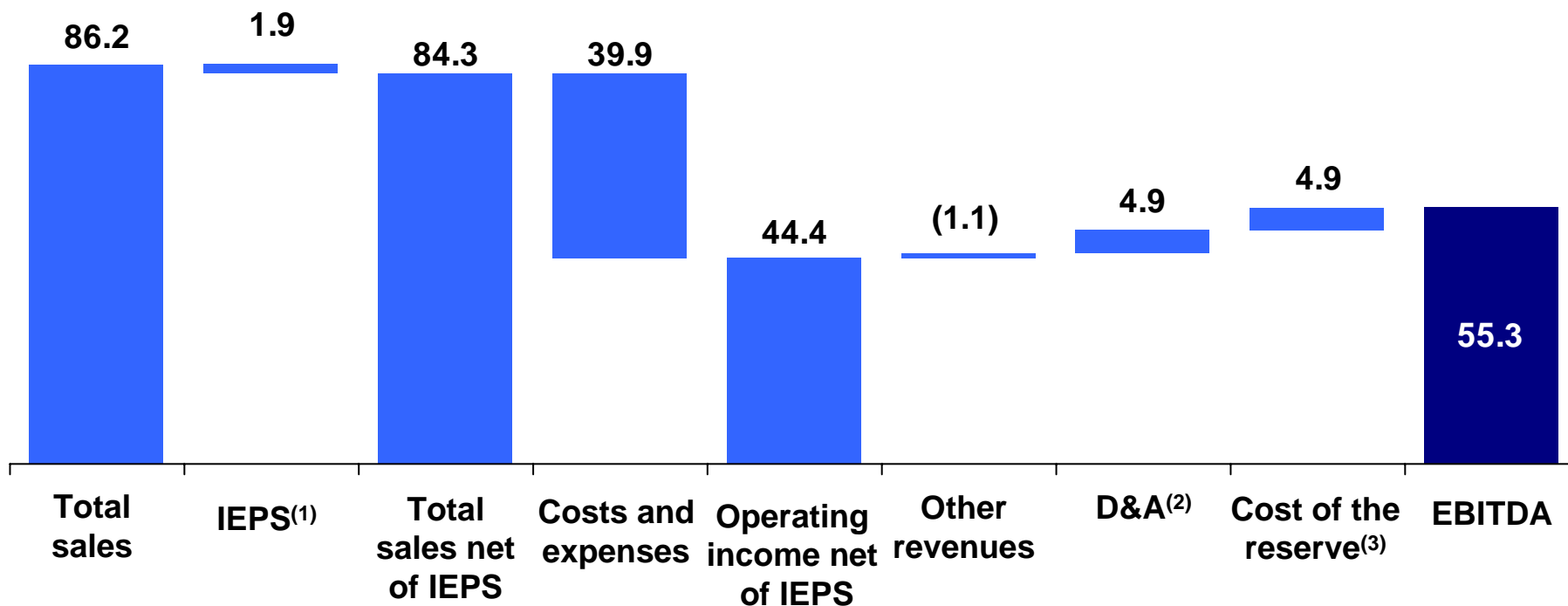
(1) Earnings before interests, taxes, depreciation and amortization.

Source: Bloomberg, excluding PEMEX

# PEMEX EBITDA 2005



MMMUS\$



(1) Special tax on production and services

(2) Depreciation and amortization

(3) Cost of the reserve for retirement payments, pensions and indemnities

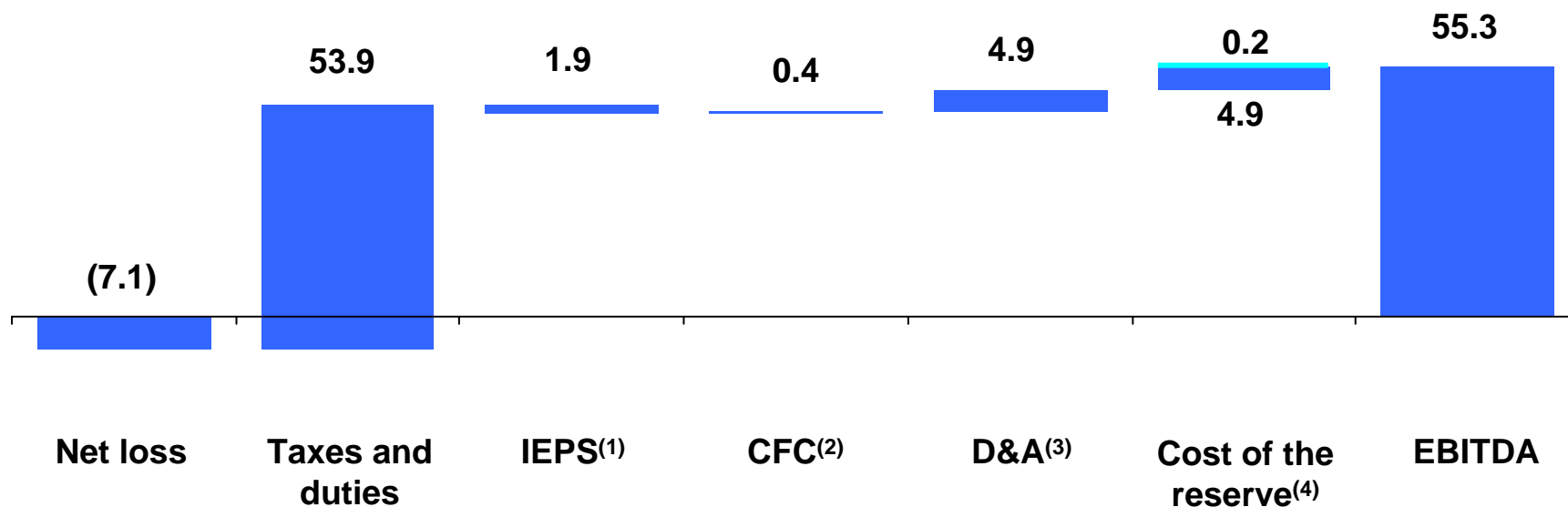
(4) Numbers may not total due to rounding

# PEMEX EBITDA 2005 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
- (5) Numbers may not total due to rounding

**PEMEX Highlights**

**Lines of Business**

**CAPEX**

**New Fiscal Regime**

**Looking Forward**



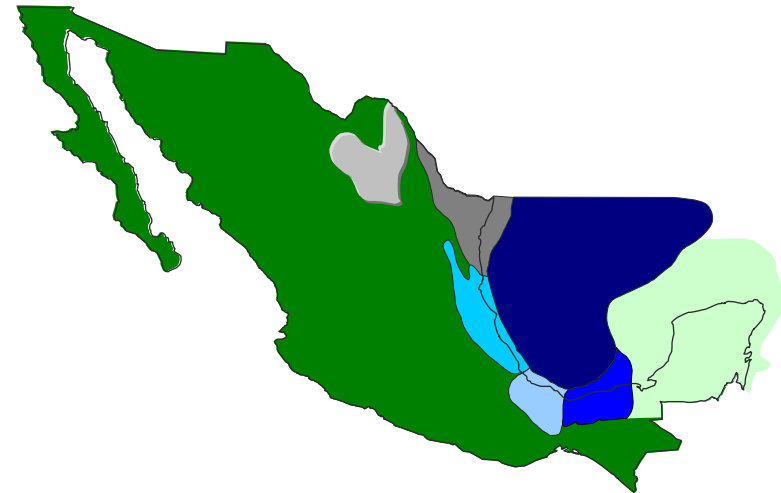
# Untapped Exploration Potential



## Mexico's hydrocarbons potential (MMMboe)

- 3P Reserves<sup>(1)</sup>: 46.4
- Total prospective resources<sup>(2)</sup> (mean): 53.8
- Total remaining production potential in Mexico: 100.2

- 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 <sup>(2)</sup> (MMMboe)	As a % of total prospective resources
Golfo de México Profundo	29.3	54%
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, 2005

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

# E&P Projects (1/2)



## Development Projects



Project	Oil reserves <sup>(1),(2)</sup>	Gas reserves <sup>(1),(2)</sup>	Oil peak production <sup>(3)</sup>		Gas peak production <sup>(3)</sup>	
	(MMb)	(MMMcf)	(Mbd)	Year	(MMcfd)	Year
1. Amatitlán (Chicontepec)	2,287	3,322	393	2029	439	2029
2. Crudo Ligero Marino (SGP) <sup>(4)</sup>	676	1,104	230	2007	641	2007
3. Agua Fría (Chicontepec)	1,513	2,437	173	2012	191	2012
4. Ayín-Alux	173	28	74	2014	19	2014
5. San Manuel (SGP) <sup>(4)</sup>	165	885	11	2006	214	2006
6. Ixtal-Manik (SGP) <sup>(4)</sup>	177	127	55	2008	63	2008
7. Burgos	98	2,977	-	-	1,920	2011
8. Cuenca de Veracruz (SGP) <sup>(4)</sup>	20	1,322	-	-	825	2007

(1) Proved and probable reserves as of December 31, 2005

(2) Includes condensate and plant liquids

(3) Forecast based on portfolio 5.2E

(4) Strategic Gas Program

## Secondary / Enhanced Recovery



Project	Oil reserves <sup>(1),(2)</sup>	Gas reserves <sup>(1),(2)</sup>	Injection	Oil peak production <sup>(3)</sup>		Gas peak production <sup>(3)</sup>	
	(MMb)	(MMMcf)		(Mbd)	Year	(MMcfd)	Year
9. Cantarell <sup>(5)</sup>	7,000	1,999	N <sub>2</sub>	1,860	2006	727	2006
10. Ku-Maloob-Zaap	4,790	1,147	N <sub>2</sub>	794	2010	324	2010
11. Antonio J. Bermúdez	1,867	2,315	N <sub>2</sub>	161	2008	282	2008
12. Jujo-Tecominoacán	854	1,026	N <sub>2</sub>	88	2008	80	2008
13. Poza Rica	292	220	H <sub>2</sub> O	51	2011	56	2011
14. Bellota Chinchorro	250	472	GL <sup>(4)</sup>	53	2008	70	2008
15. Cactus Sitio Grande	179	391	GL <sup>(4)</sup>	27	2010	73	2010

(1) Proved and probable reserves as of December 31, 2005

(2) Includes condensate and plant liquids

(3) Forecast based on portfolio 5.2E

(4) Gas lift

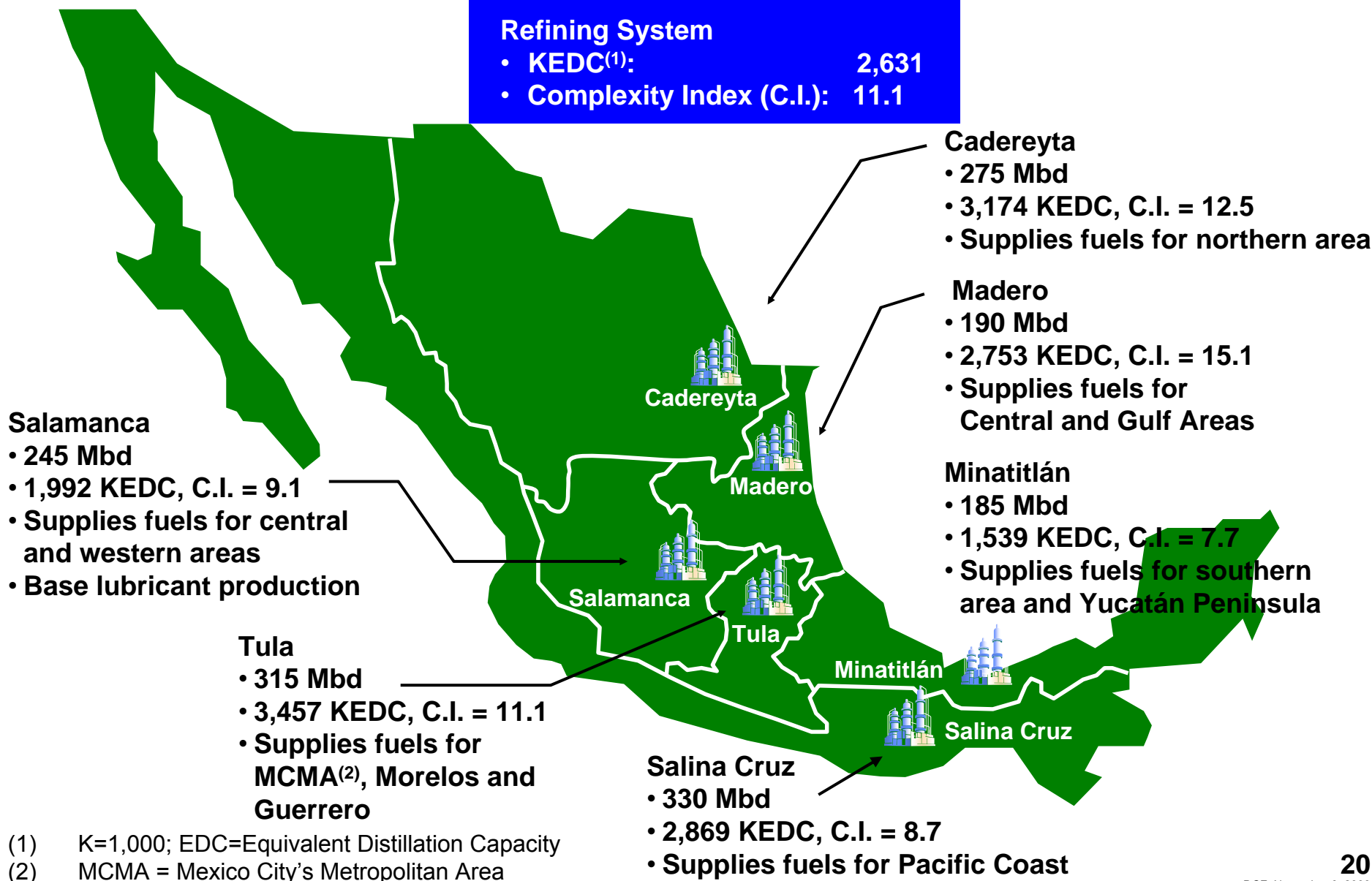
(5) Cantarell's peak crude oil production was reached in 2004 with 2,125 Mbd

# Refining System



## Refining System

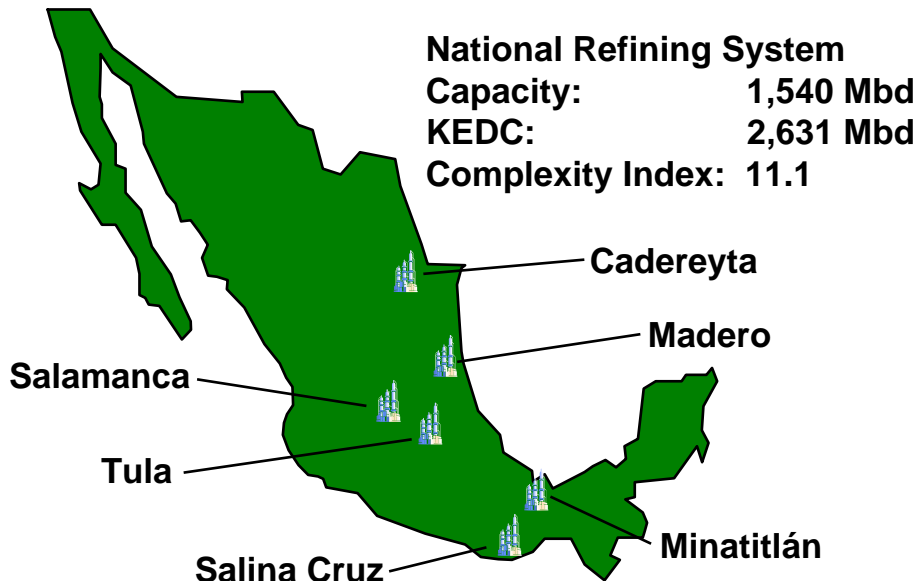
- KEDC<sup>(1)</sup>: 2,631
- Complexity Index (C.I.): 11.1



(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 and Salina Cruz revamping, residual conversion in Tula and Salamanca)
- Gasolines and diesel (improvements in quality by lower sulfur content)

## 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: 3 started operations in 2004, 1 is 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, aromatic and polymers chain in order to meet domestic demand and reduce imports

**PEMEX Highlights**

**Lines of Business**

**CAPEX**

**New Fiscal Regime**

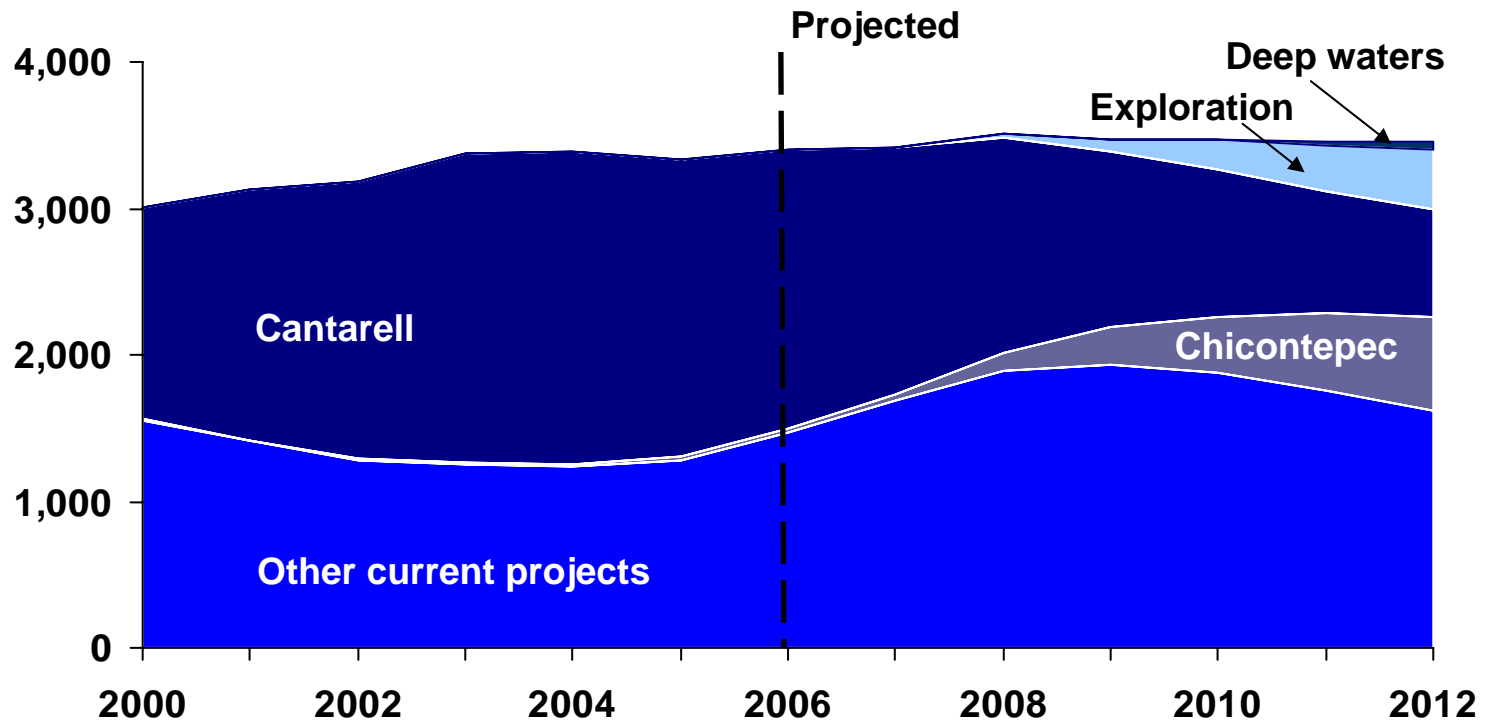
**Looking Forward**



# Crude Oil Production Profile



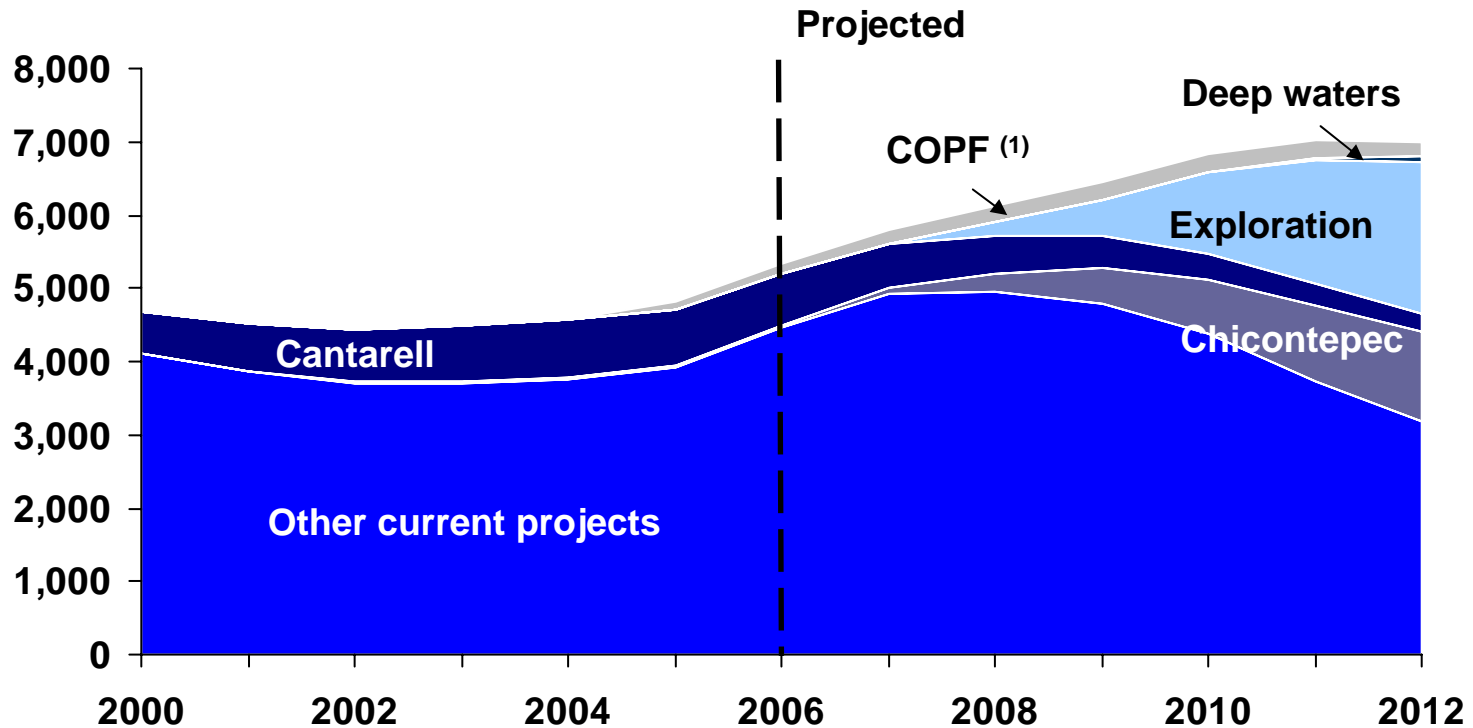
Oil production (Mbd)



# Natural Gas Production Profile



Natural Gas production (MMcfd)



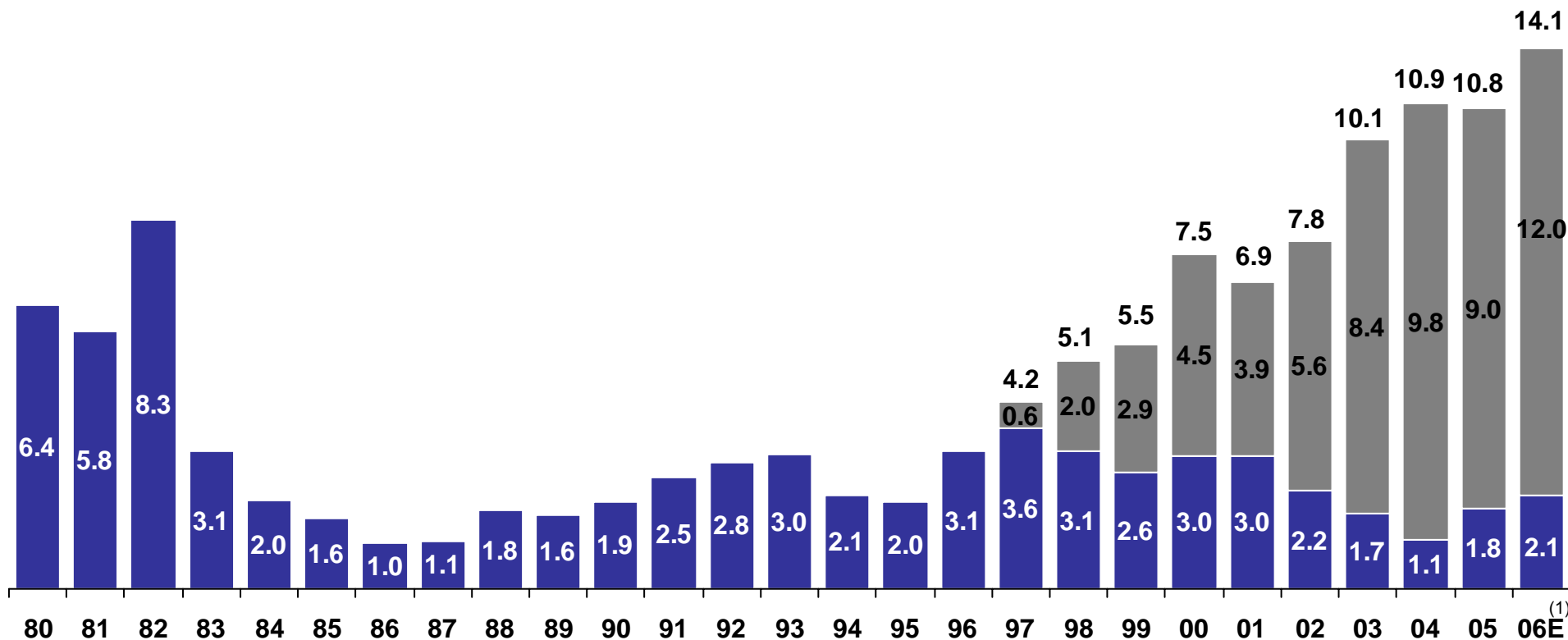
(1) COPF: Financed Public Works Contracts

# Historical and projected CAPEX



MMMUS\$

PIDIREGAS  
 Non - PIDIREGAS








PIDIREGAS: Long-term productive infrastructure projects

(1) Subject to approval by the Ministry of Finance

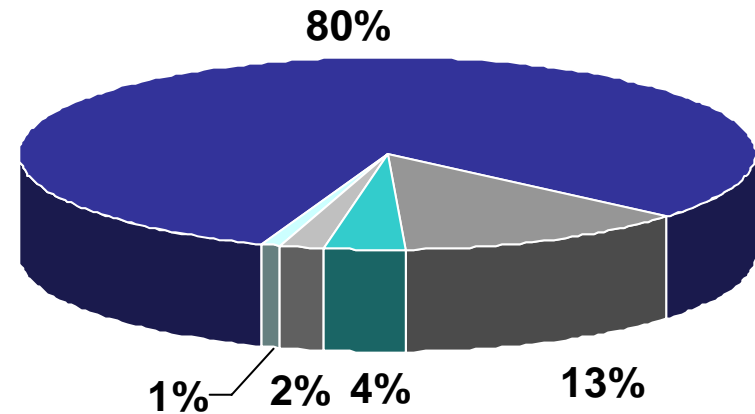
# CAPEX 2006



CAPEX  
MMUS\$

	2006E <sup>(1)</sup>
 Exploration and Production	11.4
 Refining	1.8
 Gas and Basic Petrochemicals	0.5
 Petrochemicals	0.3
 Other	0.1
<b>Total</b>	<b>14.1</b>

CAPEX 2006E  
100% = MMUS\$14.1

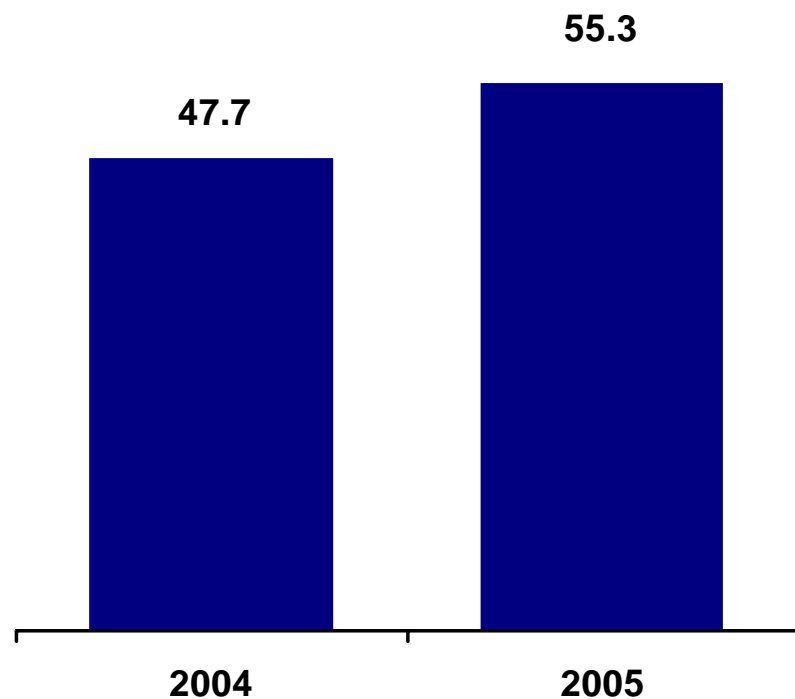


(1) Subject to approval by the Ministry of Finance

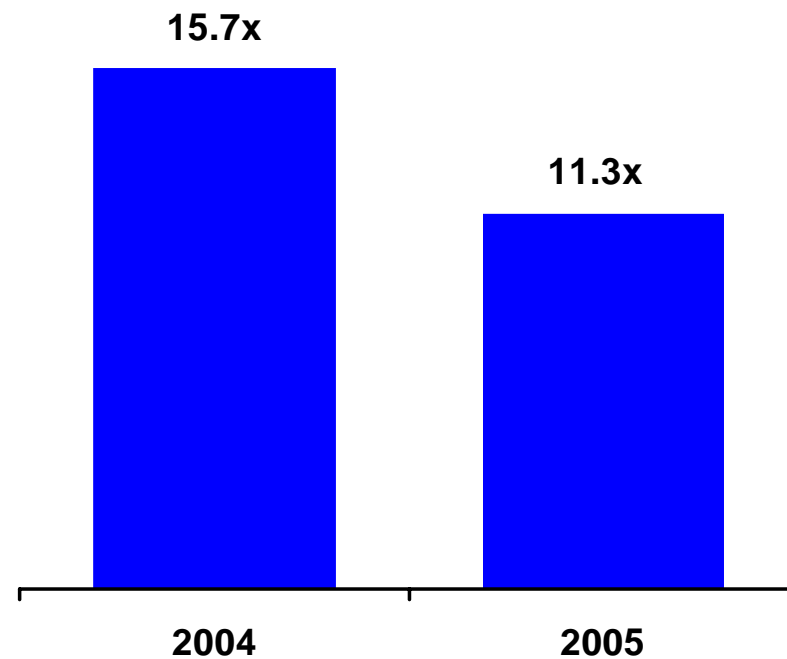
# EBITDA and Interest Coverage



**EBITDA  
MMMUS\$**



**EBITDA / Interest  
Times**



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

# 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	Aa1	Aa1	Aa2	A1	Aa2	Ba2
▪ Fitch	BBB-	AAA	AA+	AA	AA+	AA	A-		BB-

## Operating Data

▪ Proved Reserves (MMMboe) <sup>(1)</sup>	16.5	22.4	11.5	11.1	14.0	11.9	7.9	4.3	13.2
▪ Production (MMboed)	4.4	4.1	3.5	2.5	4.0	2.5	1.8	1.2	2.2
▪ Proved Reserves Life (years)	10.3	15.1	8.9	12.2	9.6	13.0	12.0	10.1	16.3
▪ CAPEX (MMMUS\$)	10.8	17.7	17.4	13.9	14.1	11.1	11.6	7.2	10.4

Source: Companies' 2005 Annual Reports and 2005 20-F's

1) Data as of December 31, 2005. PEMEX's proved reserves as of December 31, 2005 and 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

**PEMEX Highlights**

**Lines of Business**

**CAPEX**

**New Fiscal Regime**

**Looking Forward**

- 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", except for the Excess Gains Duty (ARE) and the tax regime for the rest of the subsidiary entities which remain included in the "Ley de Ingresos de la Federación"

- 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



**PEMEX Highlights**

**Lines of Business**

**CAPEX**

**New Fiscal Regime**

**Looking Forward**

## Looking forward

- **Increase efficiency**
- **Implement corporate governance best practices**

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

- **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**

- **Corporate governance best practices creates accountability and transparency:**
  - **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**
- **Issuance of quasi-shares**

## **Financial flexibility**

- **New fiscal regime**
- **Independence from the federal budget**

## **Operational flexibility**

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



[www.pemex.com](http://www.pemex.com)

**Contact information:**

**Investor Relations**  
**(52 55) 1944 9700**  
[ri@dcf.pemex.com](mailto:ri@dcf.pemex.com)