CLYDE&CO

CONOCOPHILLIPS
vs.
PDVSA

13 August 2018

Considering the recent events involving the assets of PDVSA and in general the State of Venezuela, particularly related to the debts in respect of the oil company ConocoPhillips, we provide a brief summary of the recent proceedings, as follows:

1. On 25 April 2018, the International Chamber of Commerce (ICC) issued an arbitration award (hereinafter the "Award") against PDVSA for the amount of USD 2.04 billion, under their dispute with ConocoPhillips. The final Award is a consequence to the unlawful and unpaid expropriations of the Claimant's assets in the *Hamaca* and *Petrozuata* heavy crude oil projects in Venezuela in 2007, including the breach of contracts that resulted therein. The amount achieved in the Award has been said to be a small percentage of what Claimants actually aimed.

2. Separately, there is another Arbitration involving the two companies, Conoco and PDVSA, before the World Bank's International Centre for Settlement of Investment Disputes (ICSID), which focuses mostly in the violation of a Bilateral Treaty enter into by Venezuela and the Netherlands. This claim was introduced in 2007 and the violation of the Treaty was determined in 2013. To date, the only issue pending is the amount of the compensation which should be decided at any moment now. Here, Conoco will be hoping to compensate the entire values lost since it has no limitations.

3. During the month of May, Conoco pursued the enforcement of the Award before the Courts of Bonaire, Aruba, Saint Eustatius and Curacao, but ended achieving precautionary measures on the assets. On 4 May, the Court of Curacao seized assets up to USD 636 million, including, *inter alia*, all stored products, shipments coming to Curacao, bank deposits, as well as debts owed to PDVSA. On 18 May such embargoes were partially lifted, arguing the potential harmful effects of such measures in the local economies. All payments received from their activities thereinafter remained deposited in a special bank account as security.

4. That same month, Ryan Lace, Executive President of Conoco argued that the assets seized so far, were not going to be sufficient to guarantee the debt and that they were working on locating other assets.

5. Later on 24 May, the arrest of two tankers of Citgo in Aruba was lifted under the argument that Citgo was not PDVSA. Meanwhile, other sources argued that both companies had reached, or were to reach, an agreement on the Award.

6. On 5 July 2018, a Court of Houston, ruled in favor of Conoco to involve Citgo as part of their dispute arguing that PDVSA unlawfully transferred their assets to their subsidiary in an attempt to avoid the oil seizure.

7. By 26 July, an Executive from Conoco stated they were having conversations with Venezuela, which was later confirmed on 7 August when the President of PDVSA, Manuel Quevedo, said the results of these confidential meetings were to be released soon.

8. Meanwhile, PDVSA is still battling with over a dozens of other similar cases as a consequence of past expropriations, breach of contracts, illegal transferring of assets, corruption cases and many other procedures which will lead to further seizures as we see on a daily basis today on the news, e.g.: Crystallex, Rusoro Mining, Chevron, Nova Scotia Power, Gold Reserve, Eni Davidson - just to name a few.

9. For the last few months PDVSA and its subsidiaries have been deviating cargoes and tankers all over the place trying to avoid seizure of assets. Most oil operations are being accomplished today throughout ship-to-ship transshipment on high seas, costing the State millions in losses.

10. In more recent events, on 9 August 2018 a Court of the United States authorized the mining company Crystallex to take over the assets of Citgo to settle the debt owed to the Canadian company by PDVSA. Citgo is known to be the most valuable asset of the State of Venezuela outside their territory.

We hope the above is of interest and remain at your services for any further clarifications.

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