

PEOPLE'S REPUBLIC OF CHINA

THE NATIONAL PETROLEUM INDUSTRY

Government Organizations

Along with the reforming of China's government apparatus, Ministry of Land and Resources (MLR) was established. One of its major functions is to handle issues dealing with oil and gas exploration, law, policy as well as regulation. One division of MLR named Special Mineral Resources Division is in charge of the management of oil and gas exploration. In order to stress the strategic studies on oil and gas, the Strategic Research Center of Oil And Gas (SRCOG) was established in June 2001.

Operating Oil and Gas Companies of China

a). PetroChina

PetroChina Company Limited (the "company") was established as a joint stock company with limited liability under the Company Law of the People's Republic of China in November 5, 1999 as part of the restructuring of China National Petroleum Corporation ("CNPC"). In the restructuring, CNPC injected into the Company most of the assets and liabilities of CNPC relating to its exploration and production, refining and marketing, chemicals and natural gas businesses.

The Company, one of the largest companies in the PRC in terms sales, is engaged in a broad range of petroleum and natural gas-related activities, including following:

- the exploration, development and production of crude oil and natural gas;
- the refining, transportation, storage and marketing, including import and export, of crude oil and petroleum products;
- the production and sale of chemical products; and
- the transmission, marketing and sale of natural gas.

b). SINOPEC

China Petroleum & Chemical Corporation ("SINOPEC CORP.") is an integrated energy and chemical company with upstream, midstream and downstream operations. The businesses of Sinopec Corp. and its subsidiaries include following:

- Exploring and developing, producing and trading crude oil and nature gas;
- Processing crude oil into refined products, producing refined products and trading;
- Transporting, distributing and marketing refined products;
- Based on the sales revenues in 2000 Sinopec Corp and its subsidiaries (collectively, the "Company") are:

- The largest petroleum and petrochemical company in China and one of the largest in Asia;
- The largest refiner and distributor of gasoline diesel, jet fuel and most other major refined products in China and in Asia.
- The second largest producer of crude oil and natural gas in China.

In 2000, the Company aims to achieve new breakthroughs in expending resources and markets, reducing cost and disciplining capital expenditures. In the new century, the Company possesses outstanding core businesses, quality assets, state of the art technologies, professional management, disciplined financial practice, and improved competitive strength in the global market.

The number of SINOPEC projects with prospecting license is 257; the total area of the exploration regions with prospecting license is 685,618.1 km². The number of SINOPEC projects with mineral right is 193, and the total area of regions with mineral right is 9,167.37 km².

c). CNOOC

China National Offshore Oil Corp. ("CNOOC") is a State oil company incorporated on February 15, 1982 with approval from State Council of PRC. Fully authorized by the "regulations of the People's Republic China on Exploitation Offshore Petroleum Resources in Cooperation with Foreign Enterprises" which was promulgated by the State Council, CNOOC is assumed with the overall responsibilities for the exploitation of offshore petroleum and natural gas resources in the People's Republic of China in cooperation with foreign enterprises.

Headquartered in Beijing, CNOOC registered with a capital of 50 billion RMB and at present employs 21 thousand personnel in active service. The main business strain of CNOOC is to organize the exploration, development and production of offshore petroleum and natural gas resources, refining, petro-chemical, and natural gas processing and utilization, to market the petroleum and natural gas, oil and gas processed products, petro-chemical products, and the produced and processed products by its subordinate companies, and to provide the clients with services for petroleum and natural gas exploration, development, production, marketing and general purpose services.

Successful international cooperation is a key to the high-speed development of CNOOC. As of February 28, 2002, CNOOC had signed 150 petroleum contracts and agreements with 70 foreign oil companies from 18 countries and regions. The total acreage of the 31 contracts and agreements under execution is about 80,000 km². Win-Win is the philosophy of CNOOC in conducting Sino-foreign cooperation. With that, CNOOC has established a good partnership with foreign partners.

Up to the end of the year 2000, CNOOC has got proven reserves of 1.4 billion tons of oil and 280 billion m³ of gas from China offshore basins. From the year 1996, annual oil and gas production of CNOOC has been over 10 million tons, and the production in 1996 was 16 million tons of equivalent oil. In 2001, oil production was 18.8 million tons and gas production 4.3 billion m³, the sum of two is 23.13 million tons of equivalent oil.

As of Sept.30, 2000, as evaluated by international authoritative institutions, CNOOC Ltd. had estimated net proved reserves of 1.8 billion BOE comprising 1.3 billion barrels of crude oil and condensate and 3.3 trillion cubic feet of natural gas, making it one of the largest independent oil and gas E&P companies in the world.

In 1999, CNOOC and Phillips jointly discovered Penglai 19-3 in Bohai Bay. It was the largest single oil field discovered in the recent ten years in China. Bohai Bay would become an important energy base in the northern part of China in the 21st century due to the major oil discoveries in the recent years.

CNOOC Limited is taking measures to strengthen its gas exploration to meet the urgent demand for clean energy derived by the fast development of economy in China coastal areas.

CNOOC now is fully qualified with the capability of developing various kinds of offshore oil and gas field in accordance with international standard. By December 31, 1999, CNOOC had 23 producing fields, of which 16 are cooperative fields and 7 are self financed. These fields had produced cumulatively a total of 93.37 million tons of crude oil and 16.08 BCM of natural gas.

Foreign Oil Companies

Almost all of the world's largest oil and gas companies have developed their businesses in China up today. These companies either set up their own business independently or run some joint ventures with China's counterparts. Generally speaking, these companies shared by foreign oil enterprises have made profits and have very bright futures. Those foreign corporations include Shell, Phillip, etc.