



Review of the Year



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With scientizing development and building harmony as our two themes and increasing resources, expanding markets and seeking a greater international role as our strategic goals, we fulfilled all the objectives and delivered good results in 2006 as the corporation continued to grow in a scientific way.

Financial Performance

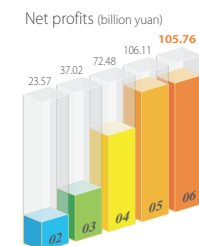
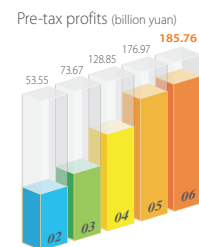
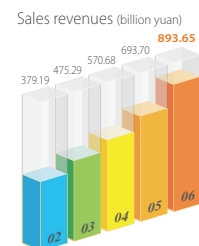
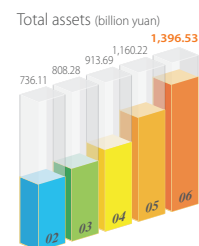
In 2006, we registered a sales revenue of RMB 893.6 billion, total profit of RMB 185.8 billion, and taxation delivery of RMB 178.9 billion, up by 28.8%, 5% and 33.9% respectively from the previous year. Total assets of the company amounted to RMB 1,396.5 billion, up by 20.4%.

Exploration

Four major target areas for oil and gas reserves were discovered in the Erdos, Songliao and Sichuan basins. Seven oil reserves areas of a hundred million metric tons and three natural gas reserve areas of over a 100 billion cubic meters were proved. 620 million metric tons of proved oil in place and 365.4 billion cubic meters of proved gas in place were newly added in 2006. It is worth noting that CNPC's oil reserve replacement ratio continued to be over 100 % with three consecutive years of proved oil reserve additions over 500 million metric tons.

Exploration Highlights

	2002	2003	2004	2005	2006
Newly proven oil in place (mmt)	544.70	928.09	758.50	755.35	901.66
Domestic	427.60	439.03	521.07	557.04	615.11
Overseas	117.10	489.06	237.43	198.31	286.55
Newly proven gas in place (bcm)	335.23	384.53	200.88	362.79	369.25
Domestic	335.23	383.89	200.88	358.33	365.40
Overseas	0.00	0.64	0.00	4.46	3.85
Remaining recoverable oil reserves (mmt)	2,104.88	2,170.92	2,208.56	2,292.70	2,694.09
Domestic	1,647.67	1,639.72	1,648.98	1,654.69	1,810.31
Overseas	457.21	531.20	559.58	638.01	883.78
Remaining recoverable gas reserves (bcm)	1,558.10	1,758.80	1,886.60	2,058.90	2,215.90
Domestic	1,481.00	1,674.00	1,805.20	1,954.30	2,096.20
Overseas	77.10	84.80	81.40	104.60	119.70





Production

With stabilizing production in the East and speeding up production in the West as our strategy, we continued to promote horizontal drilling and to strengthen EOR measures. An increase of 0.7% in crude oil production to 106.64 million metric tons and a rapid rise of 20.6% in natural gas production to 44.2 billion cubic meters has been achieved. In 2006, oil and natural gas production amounted to 141.86 million tons of oil equivalent, up by 5% from the previous year.

Production Highlights

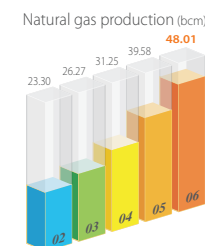
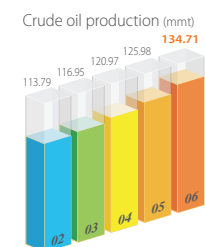
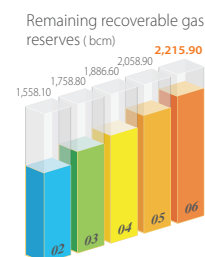
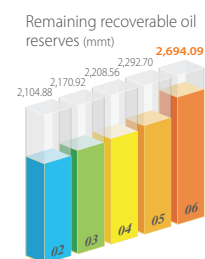
	2002	2003	2004	2005	2006
Crude oil production (mmt)	113.79	116.95	120.97	125.98	134.71
Domestic	103.66	104.02	104.55	105.95	106.64
Overseas	10.13	12.93	16.42	20.02	28.07
Natural gas production (bcm)	23.30	26.27	31.25	39.58	48.01
Domestic	22.53	24.88	28.66	36.67	44.21
Overseas	0.77	1.39	2.59	2.91	3.80

Storage and Transportation

The Urumqi-Lanzhou Products Pipeline and the Kazakhstan-China Oil Pipeline have been put into operation. Ji-Ning and Huaiyang-Wuhan gas pipelines have been completed and put into operation, linking up the three major gas supply systems—West-East, Shaan-Jing and Zhongxian-Wuhan pipelines—into a network. The completion of the West-East Gas Pipeline booster project increased its annual delivery capacity to 17 billion cubic meters.

Refining and Chemicals

We kept on stress structural readjustment and optimize resource allocation to maintain the utilization rate of our major refining and chemicals facilities at 95.9%. In 2006, CNPC processed 115.87 million metric tons of crude oil, a year-on-year increase of 4.8%, and produced 2.07 million metric tons of ethylene, an increase of 9.5%. A primary annual crude processing capacity of 12.7 million metric tons and ethylene production capacity of 780,000 tons were boosted.





Refining and Chemicals Highlights

	2002	2003	2004	2005	2006
Crude runs (mmt)	87.34	95.06	106.65	115.41	124.07
Domestic	84.83	92.55	103.70	110.61	115.87
Overseas	2.51	2.51	2.95	4.80	8.20
Refined products output (mmt)	54.45	59.83	67.92	74.37	78.69
Domestic	52.46	57.84	65.61	71.16	73.39
Overseas	1.98	1.99	2.31	3.21	5.30
Refined products sales (mmt)	56.73	60.52	66.81	75.72	77.67
Major chemicals output (mmt)	10.03	10.97	11.49	11.52	11.98
Ethylene (mmt)	1.58	1.82	1.85	1.89	2.07

Renewable Energy Development

Substantial progress has been made in renewable energy development. By cooperating with the State Forestry Administration under an agreement to develop forestry biomass energy, we made great effort to promote a new industrial model integrating raw material forest bases founding and liquid biofuels inversion and using in 2006, which witnessed the launch of a demonstration project of producing liquid biofuels out of woody oil plants. Together with State Forestry Administration, we also initiated the China Green Carbon Fund.

Overseas Oil and Gas Operations

With increasing investment and engagement in overseas markets, our international operations continued to expand both in depth and in width. 59.14 million metric tons of oil equivalent were produced from the 69 projects in 26 countries in 2006, an increase of 51.5% from 2005. Rapid growth was also seen in oil and gas trading, engineering and technical services and materials and equipment export.

Engineering and Technical Services

We continued to increase our investment in developing core and special technologies and upgrading current equipment mainly in such fields as oil and gas exploration and production, crude refining and pipeline construction, resulting in an enhanced capability of delivering high-quality engineering and technical services with more effectiveness and efficiency. Remarkable workload increase in geophysical prospecting, well drilling, well logging and downhole operations are achieved, while several major projects are completed.

