

Overseas Oil & Gas Operations

Taking advantage of favorable conditions in the global oil and gas market, CNPC significantly increased its overseas business during the year. By the end of 2005, the Company owned oil and gas assets in 23 countries.

Upstream Through our active operations in progressive and risk exploration, we made significant oil and gas discoveries. In Sudan, the Gumry-Zarzor oilfield was discovered in Block 3/7. Oil and gas production increased steadily, with production focusing on slowing the decline of maturing fields and speeding up the development of new ones. CNPC's reserves and productivity were further increased when the Company purchased PetroKazakhstan Inc., Encana's oil and gas assets in Ecuador, and PetroCanada's oil and gas assets in Syria.

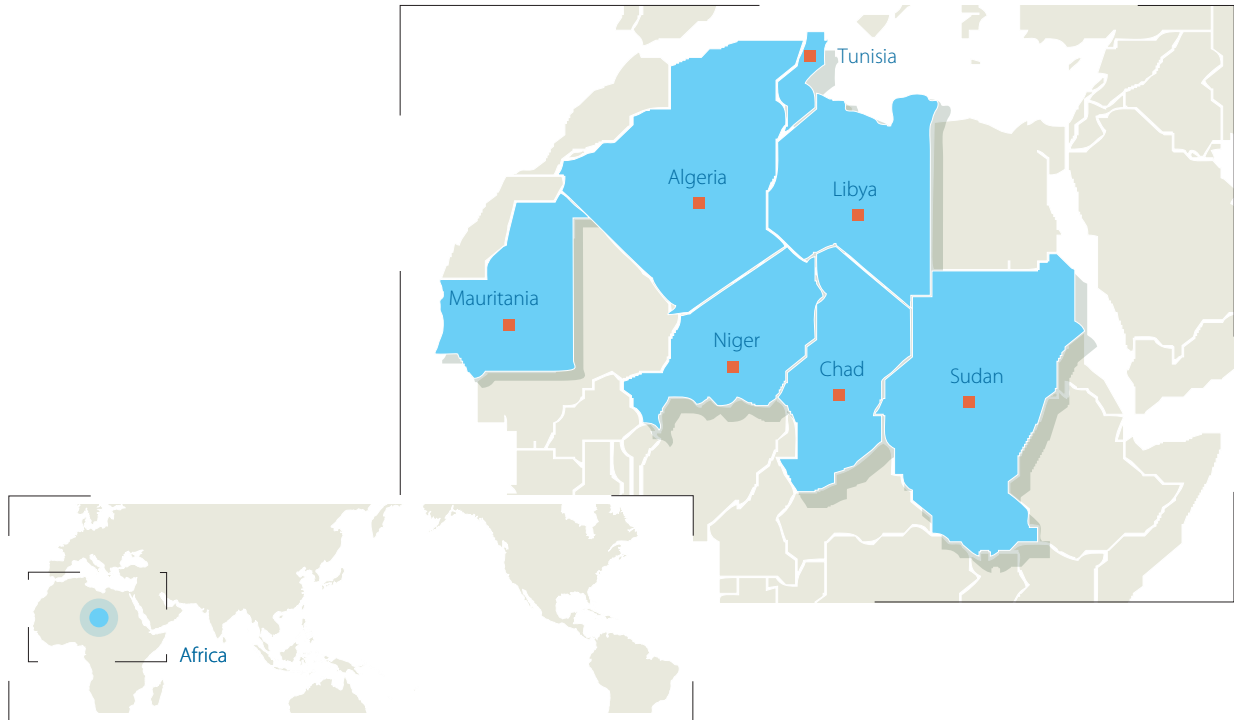
Midstream In order to give more support to upstream oil and gas production, several pipelines were constructed in 2005. These included the Sino-Kazakh Oil Pipeline, a crude pipeline from Sudan's Block 3/7 to Sudan Port, a pipeline for the combined transportation of oil and gas in Kazakhstan's Kenkijak oilfield, and the Zhanazhol-KC13 gas pipeline.

Downstream The purchase of PetroKazakhstan Inc. gave CNPC its second overseas refinery, pushing refining capacity up to 10 million metric tons per annum. The second-stage upgrade of the Khartoum Refinery in Sudan and the Adrar integration project in Algeria will be completed in 2006.

In 2005, 125 million metric tons of oil reserve was added to our recoverable reserves through our overseas operations. 35.82 million metric tons of crude was produced, of which CNPC's share was 20.02 million metric tons. Natural gas operations yielded 4.02 billion cubic meters, of which CNPC's share was 2.9 billion cubic meters. 4.8 million metric tons of crude were processed.

CNPC signed 10 new contracts in the year. These included three acquisitions: PetroKazakhstan Inc., Encana's Ecuadorian assets, and PetroCanada's Syrian oilfields, as well as two offshore contracts: Block 17-4 in Libya and Block 15 in Sudan.

Africa



Sudan

Our projects in Sudan maintained steady production all through 2005. 550 million barrels of oil in place were proved and the crude production reached 16.38 million metric tons. Well Neem 3, an appraisal well located on Neem main structure in Block 1/2/4, tested a daily crude output of over 20,000 barrels, the highest individual production in the exploration history within the block. The Gumry-Zarzor oilfield was discovered and proven in Block 7.

With the completion of its Phase I upgrade, the Khartoum Refinery increased its annual crude processing capacity to 3.50 million metric tons in 2005, and processed 3.06 million metric tons of crude in the year. The phase II upgrade is ongoing, aiming to raise the capacity to 5Mt/a.

On August 30, 2005, CNPC, Petronas, Nigerian Express, Sudapet and the Hi-tech Group sign a production sharing contract with the Sudanese Government to explore and develop oil and gas in Sudan's Block 15.

Located in the northeastern part of Sudan, Block 15 covers an area of 24,377 square kilometers, most of which is located in the Red Sea. Two small-scale gas discoveries existed in the contract block. This contract was the Sudanese government's first offshore exploration and development contract, and also the first gas exploration and production sharing contract.

Chad

Our major work in 2005 was the assessment and reserve evaluation in Mimososa and Kubla structures, two oil-bearing structures in Bongor basin. This proved the existence of three groups of reservoirs: the top group, middle group, and bottom group. Reservoir-forming conditions and exploration objectives were systematically analyzed and assessed for seven basins in Block H, proving seven potential zones/belts including the Northern Slope in Eastern Bongor.

Niger

Operations were focused on 2D seismic acquisition in Block Tenere. Accumulatively, 2,396 kilometers of 2D seismic data were acquired, and 6,718 kilometers were processed, together with a comprehensive study.

Mauritania

On January 23, 2005, the PSC contract covering Block 12 in a coastal basin and Block Ta13 & Ta 21 in Taoudeni Basin came into effect, following approval by the Mauritanian National Assembly.

On June 27, 2005, CNPC signed a Farm-out Agreement with Brimax Petroleum Limited (BPL) for BPL's Block 20 in a coastal basin. CNPC is the operator of this block. On August 18, the agreement got approval from the Mauritanian National Assembly.

In 2005, CNPC's major operations in Block 12&20 included seismic data acquisition, processing, and interpretation, as well as preliminary preparation for drilling. Comprehensive studies have been performed in Block Ta 13 & Ta21 in Taoudeni Basin.

Tunisia

CNPC partially owns the Block NK (operated by KUFPEC) and the SLK oilfield (operated by CTKCP) in Tunisia. In 2005, the SLK oilfield maintained normal production, and operations in block NK included a comprehensive study on petroleum geology and interpretation of 3D seismic data.

Libya

On December 7, 2005, we signed a Risk Exploration Contract for Block 17-4 with Libya's National Oil Corporation (NOC). Situated offshore in Pelagian Basin on Med coast northwest of Libya, the block covers an area of 2,566 square kilometers with a water depth of 200-400 meters. The contract for Block 17-4 is an Exploration and Production Sharing Agreement (EPSA) covering 5 years of exploration and 25 years of production.

Algeria

In 2005, the oilfield development and refinery construction progressed smoothly as part of the ADRAR project, which integrated both upstream and downstream productions. The oilfield development delivered 5 appraisal wells and 6 production wells completely drilled. All appraisal wells were tested to produce industrial oil and gas flows, indicating a 100% success rate. The completed part of the refinery construction accounted for 85.31% of the total scope of civil construction, and 67.18% of the total load of installations. In addition, the main sections of the atmospheric installation, tank yard, production water wells, and pipes have been constructed.

We completed the following exploration items in 2005: 6,030 gravitational and magnetic exploration points in Block 102a/112; 660km high-resolution 2D seismic exploration in Block 350; environmental assessment prior to seismic and drilling operations in three blocks; and re-processing of 11,400km 2D seismic data and 260 square kilometers 3D seismic data.

Central Asia



Kazakhstan

On October 26, 2005, CNPC completed all the legal procedures to acquire PetroKazakhstan Inc. (PK) and started to take over operations. On December 15, the Sino-Kazakh Oil Pipeline (Atasu-Alashankou) was completed. As Kazakhstan's first pipeline directly connected to the market without passing through any third country, this is also the first multinational long-distance transportation pipeline in China's history. The completed pipeline unveiled a new era for Sino-Kazakh energy cooperation, and significantly promoted Kazakhstan's diversified petroleum export strategy.

In 2005, CNPC AktobeMunaiGas Corp. produced 5.85 million metric tons of crude and 2.7 billion cubic meters of gas. Measures aimed at extracting more oil from maturing wells, to improve the injection-production configuration, and to promote gas lift deployment, effectively counterbalanced the decreased oil formation pressure and increased water cut in Zhanazhol oilfield. The challenging hole completion problem in new wells was successfully solved in the sub-salt Kenkijak oilfield, which created an oil and gas field with an annual output up to 2 million metric tons. We also made breakthroughs in exploring the central block at the eastern edge of Caspian basin. High-yield oil flows were

achieved from exploration well A-1 located on Block A. The preliminary output was tested up to 85 metric tons of crude per day. A 44km-long pipeline was completed for combined transportation of oil and gas in the sub-salt Kenkijak oilfield. The 155km gas pipeline from Zhanazhol to KC13 was also completed.

Excellent results were obtained from horizontal sidetrack drilling and acidizing-based productivity tests in the North Buzachi oilfield. A horizontal sidetrack well NB30 outputted 288 barrels of crude per day (42.4 metric tons/day), as much as 14.4 times the previous output. Output from well NB40 for acidizing testing was increased by 3.6 times to 115 barrels from the previous 25 barrels when no acidizing operations.

A series of measures were taken to increase the output from the ADM project following our takeover of the project in early 2005. Daily output was increased to 15,000 barrels from 6300 barrels at the time of takeover. A breakthrough was also made in oil and gas exploration. High-yield industrial oil flows were obtained from well Binhu 3, one of our key exploration wells.

In the KAM project, we re-processed and re-interpreted 300 square kilometers 3D seismic data in Konys oilfield and completed field acquisition, processing, and interpretation of 267 square kilometers 3D seismic data in the Bektas oilfield. Among the 5 completed exploration wells, three showed oil and gas, representing an exploration success rate of 67%.

Since we smoothly took over PetroKazakhstan, oil output had been increased to 26,800 metric tons per day from 20,400 metric tons per day at the time of the takeover.

Located in the South Turgai Basin at the central part of Kazakhstan, PetroKazakhstan's upstream assets include full or part ownership of 11 oilfields and licenses for seven exploration blocks with an annual production capacity of up to 7 million metric tons of crude oil. Its downstream assets include a 6Mt/a refinery at Shymkent, a transportation system for crude and refined products, and a sales network deployed in Kazakhstan and Cyprus.

Turkmenistan

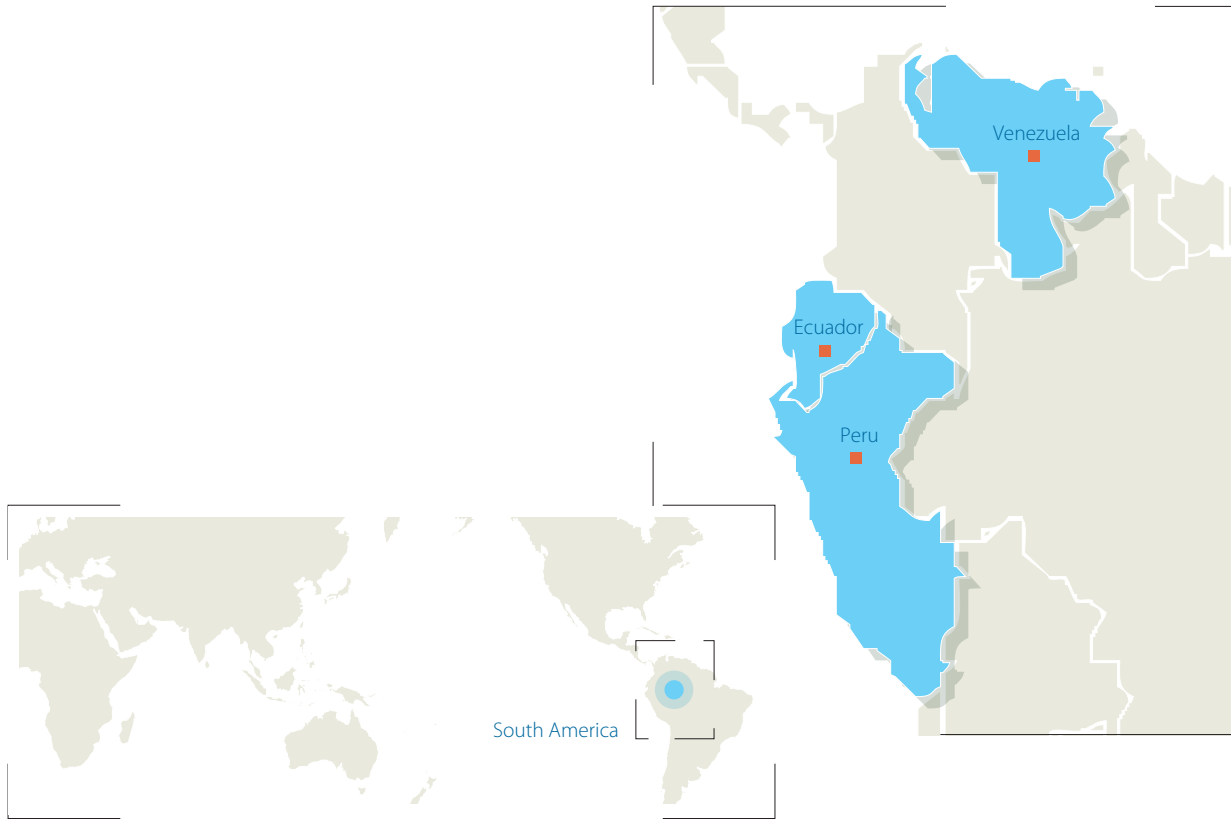
Our technical service project to ensure the smooth operation of Turkmenistan's Gumda oilfield, and to help the oilfield improve its recovery factor goes smoothly in 2005.

Azerbaijan

As part of the Gobustan project, the Duvanny gas field was planned to become Azerbaijan's largest onshore gas field. In 2005, we completed its surface construction. Our drilling and geological study on well Duv-102 and Duv-108 confirmed the existence of the condense oil and gas reservoir in East Duvanny. When deep exploration drilling commenced, our exploration well Kyan-101 encountered 13 gas formations and possible gas formations in the first series of target formations, accounting for 34.1 m total thickness.

We completed the compulsory workload, drilling two exploration wells as stipulated in the PSA, in our KK project, and obtained production license in the exploration block.

South America



Venezuela

In 2005, the Intercampo field produced 8.98 million barrels of crude, including 6.90 million barrels from the lake and 2.08 million barrels from the onshore. Problems included the gas lift system on the lake that malfunctioned, limited fluid quantity, considerably reduced drilling workload, and the volatile political environment in Venezuela. Efforts made on the lake included secondary recovery via water injection, as well as test work to develop the low permeability B2X reservoir. On the onshore, oilfield management was enhanced.

For the Orimulsion project, both the integrated upstream and downstream construction and the preparation for production progressed smoothly, as did the drilling operations in the oilfield and the six major EPC projects. Sixty-four horizontal wells were spudded. The emulsion plant was completed with the construction and all the tests, and was ready for production. The surface construction in the oilfield and the desalination and dehydrating plant are ready for production.

Ecuador

In 2005, CNPC acquired the right to develop Block Tarapoa 14, 17, and Shiripuno, by purchasing Encana's assets in Ecuador.

In 2005, two exploration wells and one production well were drilled in Block 11. Exploration well Mascarey 1 tested six formations and encountered different oil and gas shows in five of these. Production well Cristal 2 encountered good oil and gas shows in Hollin sandstone, its major production formation.

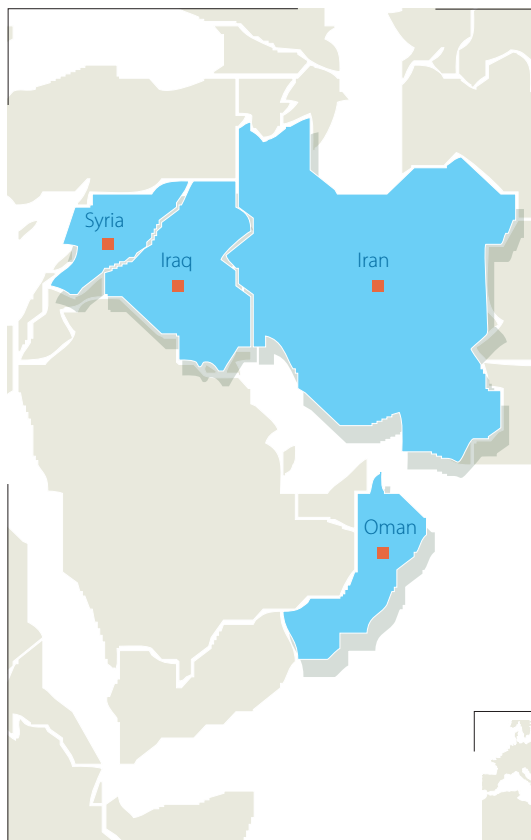
Peru

On December 7, 2005, CNPC signed two new risk exploration contracts with Perupetro covering Block 111 and 113. Both blocks are situated in the MDD Basin southeast of Peru, covering an area of 15,200 square kilometers and 12,300 square kilometers respectively.

At the maturing oilfield in Block 1-AB/8, the network of production wells were improved, optimal infill wells were selected, and well-stimulation measures were taken on maturing wells. In 2005, the block outputted 2.55 million metric tons of crude. Additional results included 187 square kilometers of 3D seismic data acquisition and processing, 7 production wells newly drilled, and 29 well-times stimulation operations.

Following a comprehensive geological study and the re-interpretation of seismic data, well Huayuri North 1401D was deployed and drilled in the new section of Block 1-AB/8. High-yield oil and gas flow was obtained, outputting 2,454 barrels of oil per day.

Middle East

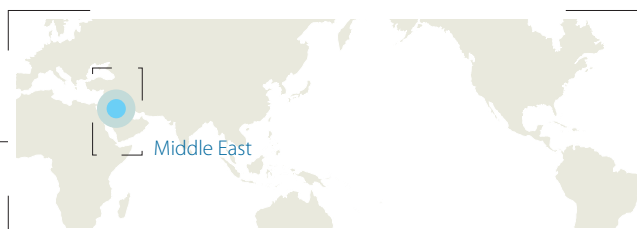


Oman

In 2005, Block 5 in Oman suffered from accelerated natural decline on main oilfields. However, 740 thousand metric tons of crude was produced during the year, thanks to our appraisal on pilot experiments of water flooding and artificial lift operations, and accelerated construction of new wells. Altogether, 23 wells were drilled and completed.

Syria

Syria's Gbeibe oilfield enjoyed steadily increased production, following an enhanced geologic study of the oilfield, intensified production management, and improved time efficiency and drilling speed. Altogether, 510 thousand metric tons of crude were produced in 2005.



Iran

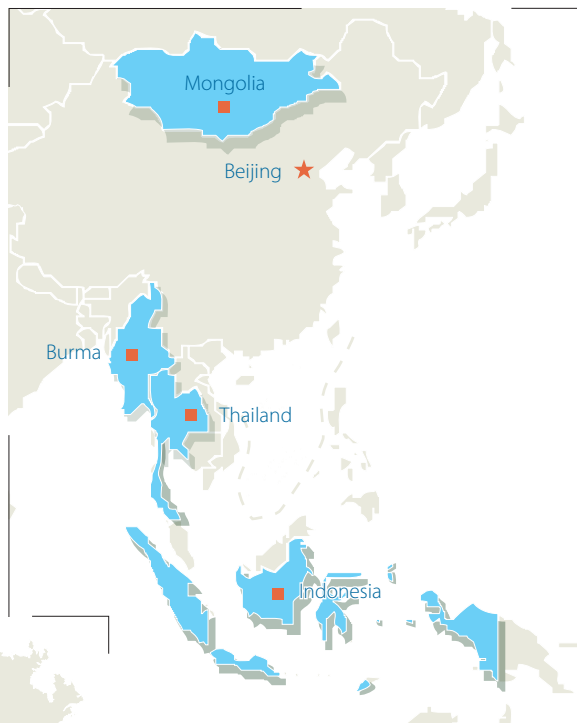
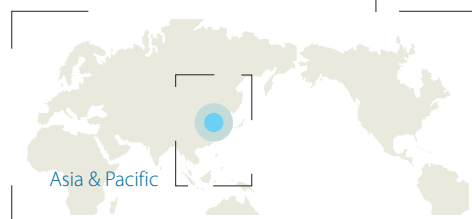
On May 13, 2005, CNPC won a 25-year exploration and development service contract for Block 3 in Iran's first batch of international bid invitations. The project began formally when a JMC (Joint Management Commission) staffed by CNPC and NIOC (National Iranian Oil Company) representatives was established on June 8. 2D seismic data acquisition has been conducted.

Asia & Pacific

Indonesia

In our Indonesia project, new oilfields are being speedily put into operation, and maturing blocks are released with their potential. This ensures steady production of some major production blocks including Jabung, Tuban, Basin, Island, and South Jambi. In Indonesia during 2005, CNPC produced 2.31 million metric tons of crude oil, 300 thousand metric tons of LPG, and 1.2 billion cubic meters of natural gas.

The LPG project is situated at Jabung block in the southern part of Indonesia's Sumatra. This integrated gas development and construction project involves both the upstream and downstream sectors, and consists of long-distance pipelines and gas gathering pipelines, a gas processing plant, a gas fractionation plant, recovery facilities for associated gases, and offshore storage and sales terminals. Designed with a processing capacity of 1 billion cubic meters per year, the project will construct the second largest natural gas processing plant in Indonesia.



Thailand

We have two ongoing projects including Banya development block and L21/43 risk exploration block in Thailand in 2005. Block L21/43 is adjacent to Banya oilfield, with an effective exploration area of 400 square kilometers out of a block area of over 3,000 square kilometers. In 2005, we drilled 7 development wells and 2 exploration ones, all encountering oil reservoirs and representing a 100% success ratio.

Burma

Our IOR-4 block in the middle of the country was at its exploration stage while our Bagan block in the southern part of the country was at the pilot experiment stage to increase the recovery factor.

In 2005, the IOR-4 project broke through the oil and gas prospecting from deep strata at the lower wall of a fault. When the first exploration well in the block, well PSC-1, was drilled, remarkable result was obtained, indicating promising future to explore from deep strata in the block.

Mongolia

In 2005, CNPC purchased three petroleum blocks from SOCO International PLC (UK). Located in Tamsag Basin, Dornod Province, Mongolia, these blocks were Block 19, 21, and Block 22, covering an area of 25,000 square kilometers, with 31 wells drilled.

North America



Canada

CNPC is the owner of 8 oil and gas blocks in Canada, and operates three of these. In 2005, all these blocks experienced smooth production.