

PETROCHINA COMPANY LIMITED SUPPLEMENTARY INFORMATION ON OIL AND GAS
EXPLORATION AND PRODUCTION ACTIVITIES(UNAUDITED)

Results of Operations

	Year Ended December 31,	
	2000	1999
	RMB	RMB
Sales and other operating revenues		
sales to third parties	49,663	35,143
intersegment sales	121,265	75,047
	<u>170,928</u>	<u>110,190</u>
Production costs excluding taxes	(31,237)	(31,597)
Exploration expenses	(8,680)	(7,344)
Depreciation, depletion and amortisation	(17,716)	(10,921)
Taxes other than income taxes	(4,758)	(3,132)
Profit before taxation	108,537	57,196
Taxation	(35,817)	(14,764)
Results of operations from producing activities	<u>72,720</u>	<u>42,432</u>
Profit from associated companies' results of operations from producing activities	<u>174</u>	<u>98</u>

Capitalized Costs

	Year Ended December 31,	
	2000	1999
	RMB	RMB
Property costs	-	-
Producing assets	198,266	187,005
Support facilities	86,808	72,365
Construction-in-progress	9,775	8,738
Total capitalised costs	<u>294,849</u>	<u>268,108</u>
Accumulated depreciation, depletion and amortisation	(116,925)	(113,105)
Net capitalised costs	<u>177,924</u>	<u>155,003</u>
Share of associated companies' net capitalised costs	<u>772</u>	<u>801</u>

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Costs Incurred in Property Acquisitions, Exploration and Development Activities

	Year Ended December 31,	
	2000	1999
	RMB	RMB
Property acquisition costs	-	-
Exploration costs	10,856	8,696
Development costs	27,764	19,110
Total	38,620	27,806
Share of associated companies' costs of property acquisition, exploration, and development	100	119

Proved Reserve Estimates

Oil and gas proved reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgment. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance, well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved developed reserves are those reserves, which can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where relatively major expenditure is required.

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The Ministry of Land and Resources in China issues production licenses to applicants on the basis of the reserve reports approved by relevant authorities. Administrative rules issued by the State Council provide that the maximum term of a production license is 30 years. However, in accordance with a special approval from the State Council, the Ministry of Land and Resources has issued production licenses effective March 2000 to the Group for all of its crude oil and natural gas reservoirs with terms coextensive with the projected productive life of those reservoirs, ranging up to 55 years. Production licenses to be issued to the Group in the future will be subject to the 30-year maximum unless additional special approvals can be obtained from the State Council. Each of the Group's production licenses is renewable upon application by the Group 30 days prior to expiration. Oil and gas price increases may extend the productive lives of crude oil and natural gas reservoirs beyond the current terms of the relevant production licenses.

Proved reserve estimates as of December 31, 1999 and 2000 were based on a report prepared by DeGolyer and MacNaughton, independent engineering consultants. Proved reserve estimates as of December 31, 1998 and the changes for the year ended December 31, 1999 were based on prior year proved reserve estimates of the petroleum engineering department of CNPC. These reserve estimates were prepared for each oil and gas region (as opposed to individual fields within a region) and adjusted for the estimated effects of using prices and costs prevailing at the end of the period. The Company's reserve estimates include only crude oil and natural gas, which the Company believes can be reasonably produced within the current terms of production licenses.

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Estimated quantities of net proved oil and condensate and natural gas reserves and of changes in net quantities of proved developed and undeveloped reserves for each of the period indicated are as follows:

	Crude Oil and Condensate (millions of barrels)	Natural Gas (billions of cubic feet)
Proved developed and undeveloped		
Reserves at January 1, 1999	10,865	22,337
Changes resulting from:		
Revisions of previous estimates	160	555
Improved recovery	330	49
Extensions and discoveries	419	2,332
Production	(775)	(670)
Reserves at December 31, 1999	10,999	24,603
Changes resulting from:		
Revisions of previous estimates	138	340
Improved recovery	363	-
Extensions and discoveries	297	8,237
Production	(765)	(647)
Reserves at December 31, 2000	11,032	32,533
Proved developed reserves at:		
December 31, 1999	9,744	12,098
December 31, 2000	9,546	12,503
Proportional interest in proved reserves of associated companies		
December 31, 1999	56	2
December 31, 2000	61	2

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Standardized Measure

The following disclosures concerning the standardised measure of future cash flows from proved oil and gas reserves are presented in accordance with the US Statement of Financial Accounting Standards No. 69. The amounts shown are based on prices and costs at the end of each period, currently enacted tax rates and a 10 percent annual discount factor. Since prices and costs do not remain static, and no price or cost changes have been considered, the results are not necessarily indicative of the fair market value of estimated proved reserves, but they do provide a common benchmark which may enhance the users' ability to project future cash flows.

The standardised measure of discounted future net cash flows related to proved oil and gas reserves at the end of each of the two years in the period ended December 31, 1999 and 2000 is as follows (in millions of RMB):

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At December 31, 1999	
Future cash inflows	2,452,708
Future production costs	(748,272)
Future development costs	(98,368)
Future income tax expense	(479,174)
Future net cash flows	<u>1,126,894</u>
Discount at 10% for estimated timing of cash flows	<u>(599,804)</u>
Standardised measure of discounted future net cash flows	<u><u>527,090</u></u>
At December 31, 2000	
Future cash inflows	3,067,191
Future production costs	(713,176)
Future development costs	(95,226)
Future income tax expense	(693,910)
Future net cash flows	<u>1,564,879</u>
Discount at 10% for estimated timing of cash flows	<u>(825,992)</u>
Standardised measure of discounted future net cash flows	<u><u>738,887</u></u>
Share of associated companies' standardised measure of discounted future net cash flows	
At December 31, 1999	2,904
At December 31, 2000	<u>3,979</u>
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Future net cash flows were estimated using period-end prices and costs, and currently enacted tax rates.

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Changes in the standardised measure of discounted net cash flows for the Group for each of the two years ended December 31, 1999 and 2000 are as follows:

	Year Ended December 31,	
	2000	1999
	RMB	RMB
CHANGES IN STANDARDISED MEASURE OF DISCOUNTED FUTURE CASH FLOWS		
Beginning of year	527,090	191,698
Sales and transfers of oil and gas produced, net of production costs	(139,501)	(78,593)
Net changes in prices and production costs and other	205,555	429,634
Extensions, discoveries and improved recovery	144,041	60,537
Development costs incurred	15,878	24,096
Revisions of previous quantity estimates	14,217	13,326
Accretion of discount	75,122	27,451
Net change in income taxes	(103,515)	(141,059)
End of year	<u>738,887</u>	<u>527,090</u>