

# Supplementary Information on Oil and Gas Producing Activities (Unaudited)

31 DECEMBER 2006

(ALL AMOUNTS EXPRESSED IN RENMINBI UNLESS OTHERWISE STATED)

The following disclosures are included in accordance with the United States Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities". The disclosures are categorised by the geographical areas in which the Group conducts oil and gas activities. Except for PRC and Indonesia, the information on the other geographical areas, such as Australia, Myanmar, Morocco and Nigeria etc., are combined in the following disclosures as "Others", among which all the other projects are still in joint study, exploration or development stage except that the North West Shelf Project in Australia is in production stage.

## (a) Reserve quantity information

Crude oil and natural gas reserve estimates are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be recoverable at commercial rates in the future from known oil and natural gas reservoirs under existing economic and operating conditions.

Estimates of crude oil and natural gas reserves have been made by independent engineers, except for certain reserve of OML130 for 2006 which was estimated by internal engineers. The Group's net proved reserves consist of its percentage interest in reserves, comprised of a 100% interest in its independent oil and gas properties and its participating interest in the properties covered under the production sharing contracts in PRC, less (i) an adjustment for the Group's share of royalties payable by the Group to the PRC government and the Group's participating interest in share oil payable to the PRC government under the production sharing contracts, and less (ii) an adjustment for production allocable to foreign partners under the PRC production sharing contracts as reimbursement for exploration expenses attributable to the Group's participating interest, and plus (a) its participating interest in the properties in Australia and Nigeria; and (b) the participating interest in the properties covered under the production sharing contracts in Indonesia less an adjustment of share oil attributable to the Indonesian government and the domestic market obligation.

The Company determines its net entitlement oil and gas reserves under production sharing contracts using the economic interest method.

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### (a) Reserve quantity information (continued)

Proved developed and undeveloped reserves

	PRC		Indonesia		Others		Total	
	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)
31 December 2003	1,328	3,905	103	200	—	—	1,431	4,105
Purchase of reserves	6	161	—	—	—	—	6	161
Discoveries and extensions	129	414	4	157	—	—	133	571
Production	(105)	(97)	(11)	(31)	—	—	(116)	(128)
Revisions of prior estimates	(8)	(101)	5	(5)	—	—	(3)	(106)
31 December 2004	1,350	4,282	101	321	—	—	1,451	4,603
Purchase of reserves	—	—	—	—	25	603	25	603
Discoveries and extensions	133	314	—	17	—	—	133	331
Production	(121)	(101)	(9)	(34)	—	—	(130)	(135)
Revisions of prior estimates	(7)	—	(19)	(7)	—	—	(26)	(7)
31 December 2005	1,355	4,495	73	297	25	603	1,453	5,395
Purchase of reserves	—	—	2*	694*	41	—	43	694
Discoveries and extensions	132	109	—	11	—	—	132	120
Production	(127)	(130)	(8)	(39)	(1)	(10)	(136)	(179)
Revisions of prior estimates	(18)	95	12	22	—	58	(6)	175
31 December 2006	1,342	4,569	79	985	65	651	1,486	6,205

\* The acquisition of the Tangguh LNG Project was completed in 2004. No proved reserves have been included until 2006 when the related sales contracts were signed and the necessary criteria of proved reserves were fulfilled.

Enterprise's proportional interest in reserves of investees accounted for by the equity method:

	PRC		Indonesia		Others		Total	
	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)
31 December 2004	4	43	—	—	—	—	4	43
31 December 2005	3	36	—	—	—	—	3	36
31 December 2006	2	26	—	—	—	—	2	26

Proved developed reserves:

	PRC		Indonesia		Others		Total	
	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)
31 December 2004	614	2,101	85	138	—	—	699	2,239
31 December 2005	642	2,072	63	155	14	378	719	2,605
31 December 2006	632	1,901	67	174	15	421	714	2,496

## (b) Results of operations

	2004				2005				2006			
	PRC	Indonesia	Others	Total	PRC	Indonesia	Others	Total	PRC	Indonesia	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net sales to customers	32,723,277	4,162,742	—	36,886,019	48,778,934	4,638,735	—	53,417,669	62,224,126	5,138,396	465,431	67,827,953
Operating expenses	(3,643,182)	(1,427,162)	—	(5,070,344)	(4,507,915)	(1,426,683)	—	(5,934,598)	(5,139,130)	(1,751,675)	(108,379)	(6,999,184)
Production taxes	(1,725,674)	—	—	(1,725,674)	(2,596,543)	—	—	(2,596,543)	(3,315,661)	—	—	(3,315,661)
Exploration	(1,202,203)	(113,957)	—	(1,316,160)	(1,169,067)	(77,842)	(46,779)	(1,293,688)	(1,304,917)	(104,608)	(295,550)	(1,705,075)
Accretion expense	(119,707)	—	—	(119,707)	(198,945)	—	—	(198,945)	(250,922)	—	—	(250,922)
Depreciation, depletion and amortisation (including dismantlement)	(4,670,988)	(985,711)	—	(5,656,699)	(5,360,745)	(856,775)	—	(6,217,520)	(6,345,167)	(986,988)	(73,328)	(7,405,483)
Income tax expenses	21,361,523	1,635,912	—	22,997,435	34,945,719	2,277,435	(46,779)	37,176,375	45,868,329	2,295,125	(11,826)	48,151,628
	(6,408,457)	(705,487)	—	(7,113,944)	(10,483,716)	(995,885)	—	(11,479,601)	(13,760,499)	(989,773)	(85,191)	(14,835,463)
Result of operations	14,953,066	930,425	—	15,883,491	24,462,003	1,281,550	(46,779)	25,696,774	32,107,830	1,305,352	(97,017)	33,316,165
Enterprise's share of equity method investee's results of operations for producing activities	309,987	—	—	309,987	260,496	—	—	260,496	247,797	—	—	247,797

## (c) Capitalised costs

	2004				2005				2006			
	PRC	Indonesia	Others	Total	PRC	Indonesia	Others	Total	PRC	Indonesia	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Proved oil and gas Properties	70,931,798	10,100,116	—	81,031,914	85,960,339	11,241,345	3,129,662	100,331,346	102,687,282	19,528,600	9,857,637	132,073,519
Unproved oil and gas Properties	437,513	4,696,237	—	5,133,750	267,432	5,529,450	—	5,796,882	212,913	63,402	33,527,905	33,804,220
Accumulated depreciation, depletion and amortization	(30,462,658)	(3,083,933)	—	(33,546,591)	(35,875,926)	(3,850,293)	—	(39,726,219)	(42,066,757)	(4,691,090)	(45,793)	(46,803,640)
Net capitalised costs	40,906,653	11,712,420	—	52,619,073	50,351,845	12,920,502	3,129,662	66,402,009	60,833,438	14,900,912	43,339,749	119,074,099
Enterprise's share of equity method investee's net capitalised costs	518,045	—	—	518,045	412,109	—	—	412,109	499,903	—	—	499,903

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### (d) Costs incurred

	2004				2005				2006			
	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others** RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000
Acquisition costs												
- Proved	—	—	—	—	—	—	3,864,342	3,864,342	—	—	6,374,981	6,374,981
- Unproved	—	3,531,046	—	3,531,046	—	—	681,943	681,943	—	—	30,856,923	30,856,923
Exploration costs	1,806,556	137,361	—	1,943,917	1,878,931	111,219	46,779	2,036,929	2,214,202	152,654	912,325	3,279,181
Development costs*	11,693,183	645,501	—	12,338,684	14,423,266	2,328,200	—	16,751,466	15,763,138	3,336,760	3,625,336	22,725,234
<b>Total costs incurred</b>	<b>13,499,739</b>	<b>4,313,908</b>	<b>—</b>	<b>17,813,647</b>	<b>16,302,197</b>	<b>2,439,419</b>	<b>4,593,064</b>	<b>23,334,680</b>	<b>17,977,340</b>	<b>3,489,414</b>	<b>41,769,565</b>	<b>63,236,319</b>
Enterprise's share of equity method investee's costs of property acquisition, exploration, and development	44,513	—	—	44,513	20,854	—	—	20,854	235,816	—	—	235,816

\* The development costs include estimated future dismantlement costs of dismantling offshore oil platforms and gas properties.

\*\* The amounts include prepayments made in 2004 for the NWS Project of approximately RMB4,693,809,000 and a tax refund of approximately RMB152,993,000 related to the acquisition of the NWS Project received in 2005.

**(e) Standardised measure of discounted future net cash flows and changes therein**

In calculating the standardised measure of discounted future net cash flows, year-end constant price and cost assumptions were applied to the Group's estimated annual future production from proved reserves to determine future cash inflows. Year end average realised oil prices used in the estimation of proved reserves and calculation of the standardised measure were US\$51 as at 31 December 2006 (2005: US\$48; 2004: US\$32). Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying the year-end statutory rate to estimate future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10% discount factor to the estimated future net cash flows.

Management believes that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly from year-end levels.

Present value of estimated future net cash flows:

	Notes	2004			2005				2006				
		PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000
Future cash inflows	(1)	464,405,099	37,198,784	—	501,603,883	658,890,903	40,919,470	21,855,452	721,665,825	652,466,884	60,388,183	45,074,262	757,929,329
Future production													
Costs		(114,563,284)	(20,472,914)	—	(135,036,198)	(155,478,507)	(19,370,535)	(3,742,250)	(178,591,292)	(179,879,722)	(25,320,990)	(6,063,979)	(211,264,691)
Future development													
Costs	(2)	(59,876,454)	(6,709,341)	—	(66,585,795)	(69,631,972)	(7,481,211)	(4,497,517)	(81,610,700)	(72,962,533)	(10,238,119)	(7,728,167)	(90,928,819)
Future income taxes		(78,181,837)	(4,001,019)	—	(82,182,856)	(118,764,845)	(5,678,110)	(2,759,755)	(127,202,710)	(106,075,580)	(8,637,768)	(6,696,189)	(121,409,537)
Future net cash flows	(3)	211,783,524	6,015,510	—	217,799,034	315,015,579	8,389,614	10,855,930	334,261,123	293,549,049	16,191,306	24,585,927	334,326,282
10% discount factor		(91,481,754)	(1,905,679)	—	(93,387,433)	(127,977,962)	(2,494,083)	(5,472,748)	(135,944,793)	(118,607,628)	(7,802,067)	(11,302,262)	(137,711,957)
Standardised measure		120,301,770	4,109,831	—	124,411,601	187,037,617	5,895,531	5,383,182	198,316,330	174,941,421	8,389,239	13,283,665	196,614,325
Enterprise's share of equity method investee's standardised measure of discounted future net cash flows		1,052,755	—	—	1,052,755	1,605,386	—	—	1,605,386	883,476	—	—	883,476

- (1) Future cash flows consist of the Group's 100% interest in the independent oil and gas properties and the Group's participating interest in the properties under production sharing contracts in PRC less (i) an adjustment for the royalties payable to the PRC government and share oil payable to the PRC government under production sharing contracts and (ii) an adjustment for production allocable to foreign partners under the PRC production sharing contracts for exploration costs attributable to the Group's participating interest, plus (a) its participating interest in the properties in Australia and Nigeria, and (b) the participating interest in the properties covered under the production sharing contracts in Indonesia, less an adjustment of share oil attributable to Indonesian government and the domestic market obligation.
- (2) Future development costs include the estimated costs of drilling future development wells and building the production platforms.
- (3) Future net cash flows have been prepared taking into consideration estimated future dismantlement costs of dismantling offshore oil platforms and gas properties.

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### (e) Standardised measure of discounted future net cash flows and changes therein (continued)

Changes in the standardised measure of discounted future net cash flows:

	2004 RMB'000	2005 RMB'000	2006 RMB'000
Standardised measure, beginning of year	108,736,202	124,411,601	<b>198,316,330</b>
Sales of production, net of royalties and production costs	(30,090,001)	(44,886,528)	<b>(57,513,108)</b>
Net change in prices, net of royalties and production costs	17,891,394	99,253,723	<b>8,603,374</b>
Extensions discoveries and improved recovery, net of related future costs	20,752,897	26,648,779	<b>20,226,150</b>
Change in estimated future development costs	(21,624,959)	(18,559,873)	<b>(19,719,116)</b>
Development costs incurred during the year	11,768,916	15,592,789	<b>20,333,024</b>
Revisions in quantity estimates	(1,956,069)	(3,061,393)	<b>1,903,268</b>
Accretion of discount	14,079,125	16,996,168	<b>26,111,261</b>
Net change in income taxes	(5,138,318)	(29,168,139)	<b>958,885</b>
Purchase of properties	2,356,102	8,981,882	<b>19,031,535</b>
Changes in timing and other	7,636,312	2,107,321	<b>(21,637,278)</b>
Standardised measure, end of year	124,411,601	198,316,330	<b>196,614,325</b>