



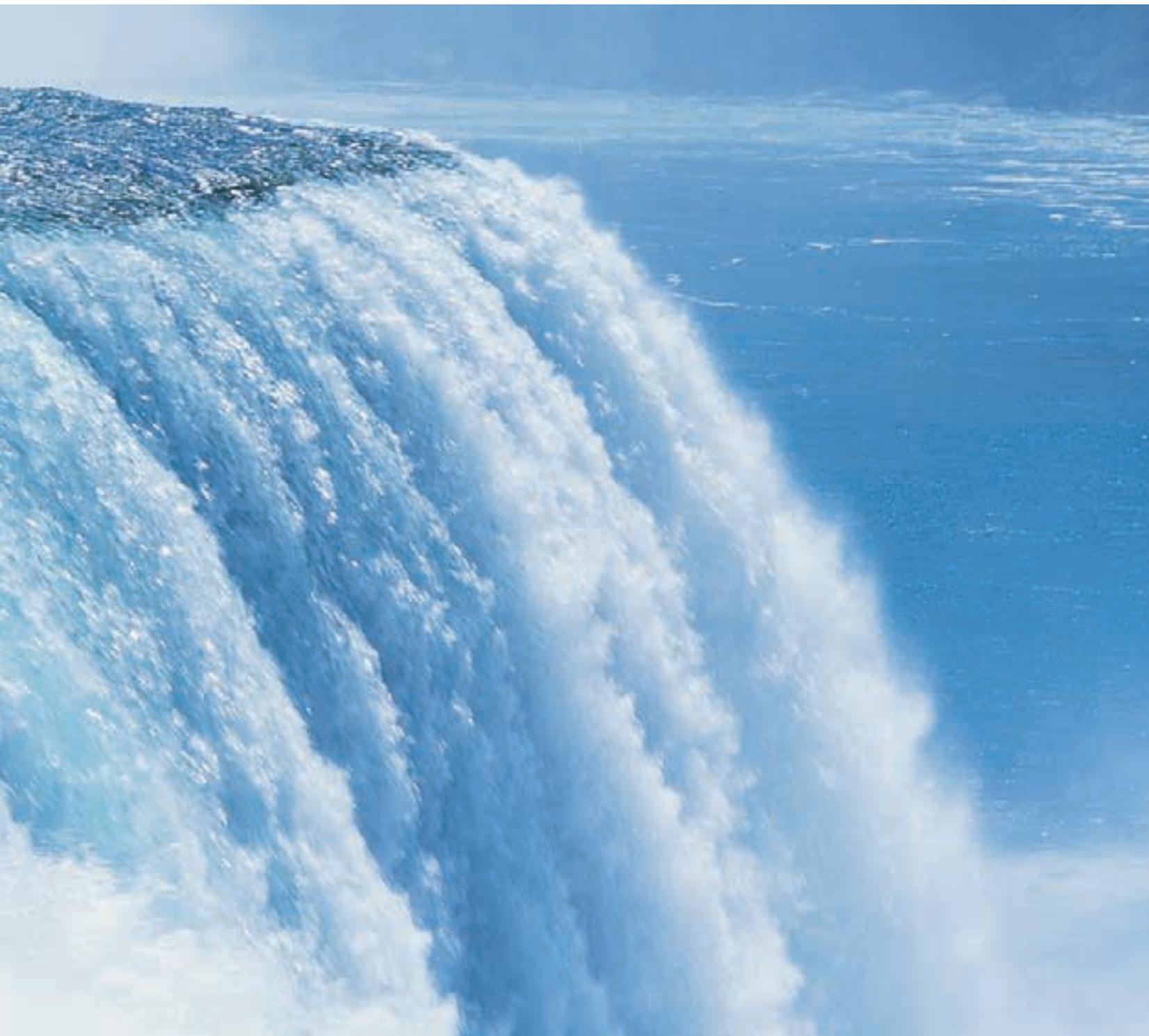
OPERATIONS OVERVIEW



The Company's operation was stable and solid during the year with effective production operations. Our corporate governance was healthy and transparent. Our financial performance was the best in the history. And our long-term targets were clear and specific.

Creation of better results through stable

Growth





GENERAL OVERVIEW

In 2004, the overall development of the Company was good. The Company continued to move forward firmly and steadily in pursuit of growth.

The Company's operation was stable and solid during the year with effective production operations. Our corporate governance was healthy and transparent. Our financial performance was the best in the history. And our long-term targets were clear and specific.

During the reporting period, the Company abode with its commitments and made progresses. The Company achieved outstanding results with respect to growth of production and reserve, cost control, performance enhancement and business expansions.

In 2004 as a whole, the Company's oil and gas production grew considerably, achieved a high reserve replacement ratio, maintained cost competitiveness, and delivered satisfactory operation results. We believe that these results of the Company will be satisfactory to the shareholders.

RESULTS

In 2004, various key performance indicators of the Company recorded satisfactory results.

The Company's oil and gas production was 140.0 million BOE, representing a 7.5% increase over the previous year. Of this, crude oil production reached 319,436 barrels per day while natural gas production amounted to 364 Mmcf per day, representing a 4.2% and 25.1% increase over 2003 respectively. Total oil and gas production offshore China was 123.9 million BOE, including 106.0 million barrels of crude oil and 102.5 bcf of gas. In Indonesia, oil and gas production was 16.1 million BOE, including 11.0 million barrels of crude oil and 30.8 bcf of gas.

In 2004, realised oil price of the Company was US\$35.41 per barrel, an increase of 26.0% over the previous year. Realised natural gas price was US\$2.75 per thousand cubic feet, an decrease of 4.2% over the previous year. The decrease was mainly due to the greater share of the production from gas fields with lower gas price.

The Company realised a net profit of RMB 16,186 million in 2004, an increase of 40.3% over the previous year, and was better than ever in its history. The earnings per share was RMB 0.39. And return on shareholders' equity reached 28.5%.

FINANCIAL PERFORMANCE

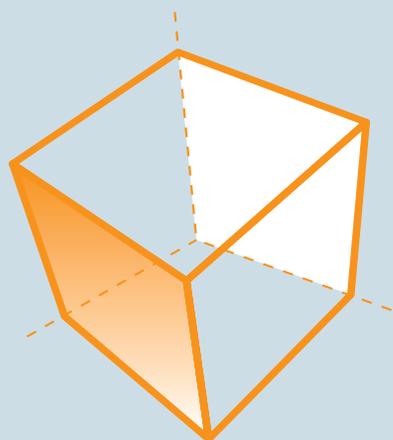
In 2004, the Company's major financial indicators were satisfactory, which meet the expectations of the Company and the market.

Total revenue of the Company for the year amounted to RMB 55,222 million, with a net profit of RMB 16,186 million. They are consistently on pace to historical highs. These favorable results were mainly due to high oil prices in 2004 and strong growth in the Company's offshore production.

In 2004, affected by the increase in the prices of raw materials, the Company's production cost per BOE increased by 6.6% over 2003. Nevertheless, the Company was pleased to report that notwithstanding the escalation of the cost in the sectors, the Company's cost structure remained competitive among its peers.

OPERATION UPDATES

The Company continued to maintain its highly effective operation capabilities in exploration, development and engineering constructions, and has obtained outstanding results. In 2004, the Company's reserve replacement ratio was 173%, which was at a leading position among its peers. 6 new projects commenced production, a record number of projects on stream in a single year. At the same time, 16 projects were under construction.



Exploration

In 2004, the Company recorded remarkable exploration results with 6 new oil and gas discoveries, including 4 independent discoveries and 2 PSC discoveries. 5 of these discoveries were located offshore China.

The Company's reserves maintained momentum to grow. In 2004, the proved reserves increased by 241.7 million BOE, comprising 136.4 million barrels of crude oil and 625.6 bcf of natural gas. The company realized a reserve replacement ratio of 173%.

During the period, the Company enhanced its efforts in exploration, and made in-depth studies in new areas, both of which had obtained encouraging results that not only

strengthened the Company's confidence in exploration in designated regions, but also provided guidelines to explore for oil and gas reserves in future.

In 2004, through proactive and effective appraisal activities, 14 hydrocarbon-bearing structures offshore China were successfully appraised, of which 11 were independent appraisals and 3 were PSC appraisals. The successful appraisal of these structures accelerated the development of new oil and gas fields.

Development

In 2004, 6 oil and gas projects were completed, namely Weizhou 12-1 N in Western South China Sea; Huizhou 19-3/2 in

Eastern South China Sea; Qikou 18-2, Caofeidian 11-1/11-2, Bozhong 25-1/25-1S and Bonan oil and gas fields in Bohai Bay. The commencement of the above projects was, mainly attributed to the Company's effective project management, control and implementation.

In 2004, the Company undertook many engineering projects. There were altogether 16 oil and gas projects under construction in the year. These projects will provide reliable and steady support to the growth of the Company's future production volume. As of to date, the above projects progressed as planned under budget.



In 2004, the Company completed the construction and installation of 10 jackets and 17 platform modules, laid 255 km subsea pipelines, completed 2 onshore terminals, and completed modification of 1 gas field.

Natural Gas

Natural gas is important in the Company's current and future business developments. In 2004, the Company's production of natural gas offshore China reached 102.5 bcf.

In 2004, the Company completed the equity acquisition of North West Shelf Gas Project of Australia and increased its interests in the Tangguh project in Indonesia. In addition, the natural gas projects offshore China were implemented successfully. The Company's position as the leading gas supplier in coastal China was further reinforced.

In 2004, CNOOC, parent of the Company, has been proactive in the construction of LNG terminals in China, which helps to

consolidate the Company's leading position in the natural gas market.

Overseas Development

In 2004, the Company continued to conduct opportunistic mergers and acquisitions with purpose, to enhance shareholders' value. During the period, the Company completed two acquisitions.

In May 2004, the Company completed the acquisition of 20.767% interest in Muturi contract area in Indonesia from BG Group, increasing the Company's interest in the block to 64.767%. As a result, the Company's interest in the Tangguh project in Indonesia was increased from 12.5% to 16.96%.

In December 2004, the Company completed the acquisition of the North West Shelf Gas Project in Australia. According to the plan, supply of LNG from the North West Shelf Gas Project to the first LNG terminal in Guangdong, China will commence by 2006.

During the year, the Company through its wholly-owned subsidiary CNOOC Morocco Limited, acquired from Vanco Energy Corporation a 11.25% interest in a petroleum agreement for Ras Tafelney in offshore Morocco. In addition, the Company, Golden Aaron Pte.Ltd.of Singapore and China Global Engineering Corporation formed a joint venture and entered into three PSC contracts with Myanmar. The Company will serve as the operator.

In early 2005, the Company, through its wholly-owned subsidiary CNOOC Belgium BVBA, acquired a stake in Canadian based company MEG Energy Corp. ("MEG"). The Company paid 150 million Canadian dollars for 13,636,364 common shares of MEG, representing a 16.69% stake at the close of the transaction.

Health , Safety and Environmental Protection (HSE)

As a corporation responsible to its staff, environment and society, the Company adopted a number of measures, including system management and staff education in HSE in 2004, for continuous improvements.

In 2004, the Company recorded no oil spills nor any safety related liabilities that exceeded RMB1,000,000. The Company's OSHA Statistic results, were above-average as compared to its peers.

MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT

Block/Property	Operator	Partner	The Company's Interests	2004 Net Production		Actual Production Commencement Year	Net Reserves as of
				Oil (Bbls/day)	Gas(Mmcf/day)		December 31, 2004 (MM BOE) Oil (MM Bbls) Gas(Bcf)
Offshore China							
Bohai Bay							
Production							
Liaoxi							
Jinzhou 20-2	CNOOC Ltd.		100%	7,710		1992	41.0
				Oil 2,698			Oil 12.1
				Gas 30			Gas 173.2
Jinzhou 9-3	CNOOC Ltd.		100%	13,225		1999	27.1
				Oil 12,116			Oil 23.9
				Gas 7			Gas 19.3
Suizhong 36-1	CNOOC Ltd.		100%	60,475		1993	178.9
Chengbei Oil Fields	CNOOC Ltd.		100%	4,523		1985	5.7
Boxi							
Boxi Oil Fields ¹	CNOOC Ltd.		100%	12,800		1997	15.3
				Oil 11,195			Oil 12.3
				Gas 10			Gas 18.4
Qinhuangdao 32-6							
QHD32-6	CNOOC Ltd.	ChevronTexaco	75.5%	22,429		2001	99.7
11/05							
Penglai 19-3	ConocoPhillips	Phillips Bohai	51%	8,871		2002	131.8
Bonan							
Bozhong 34-2/34-4	CNOOC Ltd.		100%	1,886		1990	3.2
Bonan oil Fields	CNOOC Ltd.		100%	2,107		2004	31.7
				Oil 1,877			Oil 10.2
				Gas 1			Gas 128.8
Bozhong 25-1/25-1S	CNOOC Ltd.	ChevronTexaco	83.8%	4,073		2004	190.5
04/36							
Caofeidian 11-1/11-2	Kerr-McGee	Sino-American Energy	51%	4,371		2004	39.8
Development							
Liaoxi							
Jinzhou 21-1	CNOOC Ltd.		100%				13.8
							Oil 5.7
							Gas 48.5
Luda 4-2/5-2/10-1 ²	CNOOC Ltd.		100%				92.7
JZ25-1S	CNOOC Ltd.		100%				74.2
							Oil 30.7
							Gas 260.5
Bozhong							
Nanbao 35-2	CNOOC Ltd.		100%				75.7
Qinhuangdao							
QHD 33-1	CNOOC Ltd.		100%				3.6
Boxi							
Qikou 18-9	CNOOC Ltd.		100%				3.5
							Oil 3.3
							Gas 1.6
Caofeidian 18-1	CNOOC Ltd.		100%				1.7
Caofeidian 18-2	CNOOC Ltd.		100%				12.5
							Oil 3.2
							Gas 56.0
11/05							
Penglai 25-6	ConocoPhillips	Phillips Bohai	51%				10.7

MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Block/Property	Operator	Partner	The Company's Interests	2004 Net Production		Actual Production Commencement Year	Net Reserves as of
				Oil (Bbls/day)	Gas(Mmcf/day)		December 31,2004 (MM BOE) Oil (MM Bbls) Gas(Bcf)
04/36&05/36							
Caofeidian 11-3/11-5	Kerr-McGee	Energy	51%				1.5
Caofeidian 12-1/12-1S	Kerr-McGee	Energy/New Field	51%				12.8
Bonan							
Bozhong 34-1/34-1S	CNOOC Ltd.		100%				24.8
Bohai Bay Total				142,469			1,092.3
				Oil 134,512			Oil 974.6
				Gas 48			Gas 706.2
Eastern South China Sea							
Production							
16/08							
Huizhou Oil Fields	CACT	Eni/ ChevronTexaco	51%	15,596		1990	27.6
							Oil 20.5
							Gas 43.0
16/19							
Huizhou 19-3/2/1	CACT	Eni/ ChevronTexaco	51%	247		2004	25.5
15/11							
Xijiang 24-3	ConocoPhillips, CNOOC Ltd.	Pecten	51%	15,979		1994	9.7
15/22							
Xijiang 30-2	ConocoPhillips, CNOOC Ltd.	Pecten	40%	10,968		1995	5.4
29/04							
Liuhoa 11-1	CNOOC Ltd.		100%	19,497		1996	11.4
16/06							
Lufeng 13-1	JHN	Japex/New Huanan/NMC	25%	2,851		1993	3.1
17/22							
Lufeng 22-1	Statoil,CNOOC Ltd.	Statoil	25%	536		1997	1.1
15/34							
Panyu 4-2/5-1	Devon	Burlington	51%	31,315		2003	33.6
Development							
Liuhoa 07							
Panyu 30-1	CNOOC Ltd.		100%				87.2
							Oil 2.7
							Gas 506.9
Panyu 33							
Panyu 34-1	CNOOC Ltd.		100%				30.7
							Oil 0.6
							Gas 180.8
Xijiang 04							
Xijiang 23-1	CNOOC Ltd.		100%				40.4
16/06							
Lufeng 13-2	CNOOC Ltd		100%				14.1
Eastern South China Sea Total				96,989			289.8
				Oil 96,989			Oil 168.0
				Gas 0			Gas 730.8

MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Block/Property	Operator	Partner	The Company's Interests	2004 Net Production		Actual Production Commencement Year	Net Reserves as of
				Oil (Bbls/day)	Gas(Mmcf/day)		December 31, 2004 (MM BOE) Oil (MM Bbls) Gas(Bcf)
Western South China Sea							
Production							
Yulin 35							
Weizhou Oil Fields ³	CNOOC Ltd.		100%	27,832		1993	48.1
				Oil 26,570			Oil 47.6
				Gas 8			Gas 2.9
Yangjiang 31/32							
Wenchang 13-1/13-2	CNOOC Ltd.	Husky	60%	28,051		2002	37.0
Yinggehai							
Yacheng 13-1	CNOOC Ltd.	Kufpec BPCEPC	51%	25,403		1995	84.2
				Oil 1,085			Oil 5.0
				Gas 132			Gas 475.1
Changjiang 25							
Dongfang 1-1	CNOOC Ltd.		100%	12,851		2003	233.4
				Oil 167			oil 3.2
				Gas 76			Gas 1,381.0
Development							
Yangjiang 31/32							
Wenchang 8-3	CNOOC Ltd.		100%				11.6
Wenchang 14-3	CNOOC Ltd.		100%				11.0
Wenchang 15-1	CNOOC Ltd.		100%				22.9
Wenchang 19-1	CNOOC Ltd.		100%				26.1
Yinggehai							
Yacheng 13-4	CNOOC Ltd.		100%				22.4
							Oil 1.3
							Gas 126.6
Ledong 01							
Ledong	CNOOC Ltd.		100%				83.2
							Gas 499.2
Yulin 35							
Weizhou 6-1	CNOOC Ltd.		100%				5.0
Weizhou 11-1	CNOOC Ltd.		100%				9.0
Weizhou 11-1N	CNOOC Ltd.		100%				6.8
Weizhou 11-4N	CNOOC Ltd.		100%				3.2
Western South China Sea Total				94,137			603.8
				Oil 55,873			Oil 189.7
				Gas 215			Gas 2,484.8
East China Sea							
Production							
Pinghu							
Pinghu Gas Field	CNOOC Ltd.		30%	4,963		1998	11.0
				Oil 2,121			Oil 3.8
				Gas 17			Gas 43.2

MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Block/Property	Operator	Partner	The Company's Interests	2004 Net Production		Net Reserves as of
				Oil (Bbls/day)	Actual Production Commencement Year	December 31, 2004 (MM BOE) Oil (MM Bbls) Gas(Bcf)
Development						
Xihu Trough						
Canxue	CNOOC Ltd.	Sinopec	50%			9.3 Oil 5.1 Gas 25.4
Duanqiao	CNOOC Ltd.	Sinopec	50%			7.7 Oil 2.2 Gas 32.8
Chunxiao	CNOOC Ltd.	Sinopec	50%			31.6 Oil 3.8 Gas 166.9
Tianwaitian	CNOOC Ltd.	Sinopec	50%			5.3 Oil 0.1 Gas 31.1
Baoyunting	CNOOC Ltd.	Sinopec	50%			19.2 Oil 4.6 Gas 87.5
Wuyunting	CNOOC Ltd.	Sinopec	50%			4.7 Oil 1.9 Gas 16.6
East China Sea Total				4,963 Oil 2,121 Gas 17		88.7 Oil 21.5 Gas 403.4
Offshore China Total				338,558 Oil 289,496 Gas 280		2,074.6 Oil 1,353.7 Gas 4,325.2
Indonesia						
Malacca Strait PSC				2,016	1994	Oil 7.4
Indonesia SES.BV				41,939 Oil 27,925 Gas 84		148.0 Oil 94.5 Gas 321.4
Total				382,513 Oil 319,436 Gas 364		2,230.0 Oil 1,455.6 Gas 4,646.6

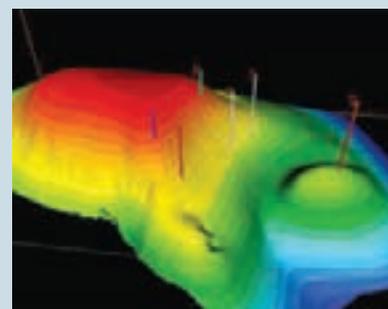
1. The production and reserves for Qikou 18-2 that commenced operation during the period was included under Boxi oil fields group.
2. Luda 10-1 commenced production ahead of the schedule in early 2005.
3. The reserves for Weizhou 12-1N Project was included under Weizhou oil fields group.

REVIEW BY AREA

In 2004, the Company obtained outstanding results in its major exploration activities. The Company made 5 oil and gas discoveries offshore China, including 4 independent discoveries, namely Bozhong 34-1 (block 4), Bozhong 34-1 (block 5), Jinzhou 21-1S and Huizhou 26-3. Our partner Kerr-McGee made a discovery at Caofeidian 14-5. In Indonesia, the Company obtained 1 oil and gas discovery, KE7-3.

During the reporting period, the Company acquired 32,265 kilometers of 2D seismic data offshore China, all of which were acquired independently. We also acquired 4,530 square kilometers of 3D seismic data, including 4,140 square kilometers acquired independently, and 390 square kilometers acquired by PSC partners. The Company completed 60 exploration wells in 2004. 52 were drilled offshore China, in which 36 were independent wells, whilst 16 were PSC wells.

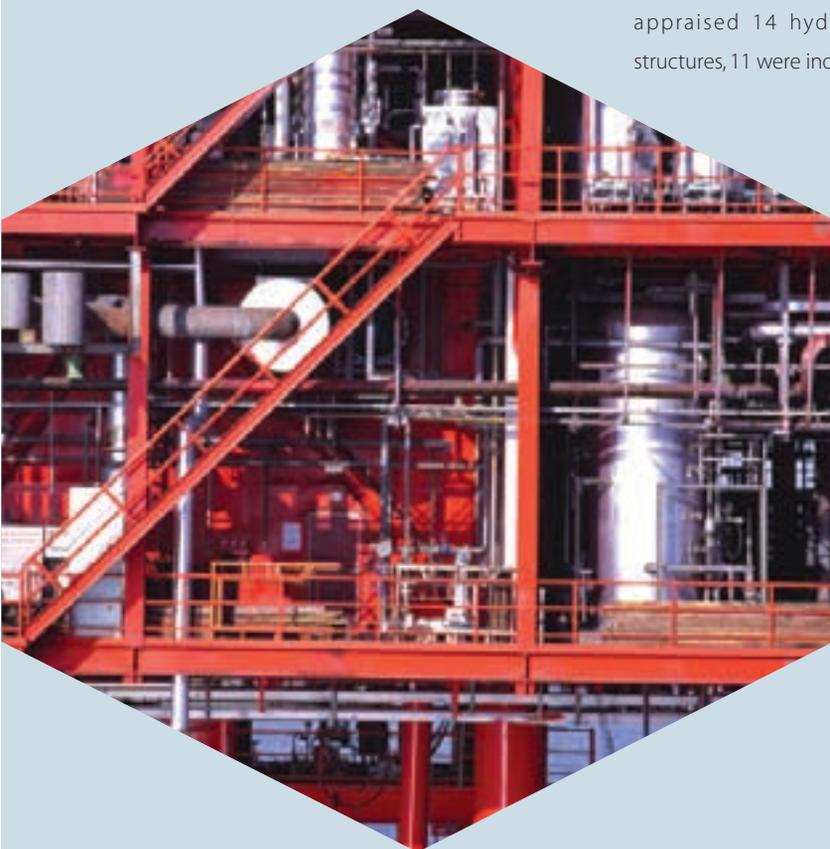
In offshore China, the Company successfully appraised 14 hydrocarbon-bearing structures, 11 were independent appraisals,



including Jinzhou 25-1S, Luda 27-2, Luda 32-2, Bozhong 34-1 (block 3), Bozhong 34-1 (block 4), Qinhuangdao 33-1, Jinzhou 9-3E, Weizhou 12-1, Weizhou 11-1N, Liuhua 19-5, Panyu 34-1. There were 3 PSC appraisals, including Penglai 14-3, Weizhou 12-8, and Canxue-4.

Bohai Bay

Bohai Bay is the company's most important oil and gas production base offshore China. Its contribution of oil and gas production and reserves to the Company ranked the top in the past years. As at 31 December 2004, the Company has net proved reserves of 1,092 million BOE in the Bohai bay area, accounting for 49% of the Company's total. In 2004, the average daily production in the area amounted to 142,469 BOE, accounting for 37% of the Company's total. The Company has exploration licenses of 15 blocks in the region and our partners have 8 PSC blocks.



In 2004, there were altogether four new oil and gas projects that commenced production in Bohai Bay, namely Qikou 18-2, Caofeidian 11-1/11-2, Bozhong 25-1/25-1S, and Bonan oil and gas field. The importance of the area as the Company's core area was further protruded.

In 2004, the Company sustained a strong momentum in oil and gas exploration in this region. Seismic and drilling activities were increased, and encouraging exploration results obtained. The Company made four oil and gas discoveries in Bohai Bay in the

year, including Bozhong 34-1 (Block 4), Bozhong 34-1 (block 5), Jinzhou 21-1S and Caofeidian 14-5, and successfully appraised eight hydrocarbon-bearing structures, including Jinzhou 25-1S, Luda 27-2, Luda 32-2, Bozhong 34-1 (block 3), Bozhong 34-1 (block 4), Qinhuangdao 33-1, Jinzhou 9-3E, and Penglai 14-3. Therefore, these results laid solid basis for future production growth in this area.

In 2004, 27 wells were drilled in Bohai Bay and 2,154 square kilometers of 3D seismic data were acquired. Of these, 19 (including

8 wildcat wells and 11 appraisal wells) were drilled independently. 8 wells were drilled by PSC partners, including 7 wildcat wells, 1 appraisal well, and 390 square kilometers of 3D seismic data were acquired.

In Bonan block, the Company drilled 3 wildcat wells, 2 appraisal wells, and made 2 oil and gas discoveries, namely Bozhong 34-1 (block 4) and Bozhong 34-1 (block 5), and successfully made appraisals in Bozhong 34-1 (block 3) and Bozhong 34-1 (block 4).





In Liaodong Bay block, the Company drilled 5 wildcat wells, 7 appraisal wells, made a new oil and gas discovery in Jinzhou 21-1S, and successfully made appraisals to 3 hydrocarbon-bearing structures, including Jinzhou 25-1S, Luda 27-2 and Jinzhou 9-3E.

The Company drilled an appraisal well in Bozhong block, and successfully appraised the structure of Qinhuangdao 33-1. The Company also successfully appraised Luda 32-2 in block 06/17.

In 2004, our partner ConocoPhillips successfully drilled an appraisal well on Penglai 14-3 structure in block 11/05.

Another partner, Kerr-McGee conducted drillings in block 04/36, 09/06 and 09/18, and successfully made an oil and gas discovery in Caofeidian 14-5 in block 09/06.

In other PSC blocks, our partners also conducted exploration drillings and seismic acquisitions.

Western South China Sea

Production of natural gas has always been the highlight in this area. The Company's two large natural gas fields, Yacheng 13-1 and Dongfang 1-1, are located in this area.

As at the end of 2004, the Company has a total of 604 million BOE of net proved reserves in the Western South China Sea, accounting for 27% of the Company's total net proved reserves. The Company's average daily net production in the area amounted to 94,137 BOE, or 25% of the Company's total.

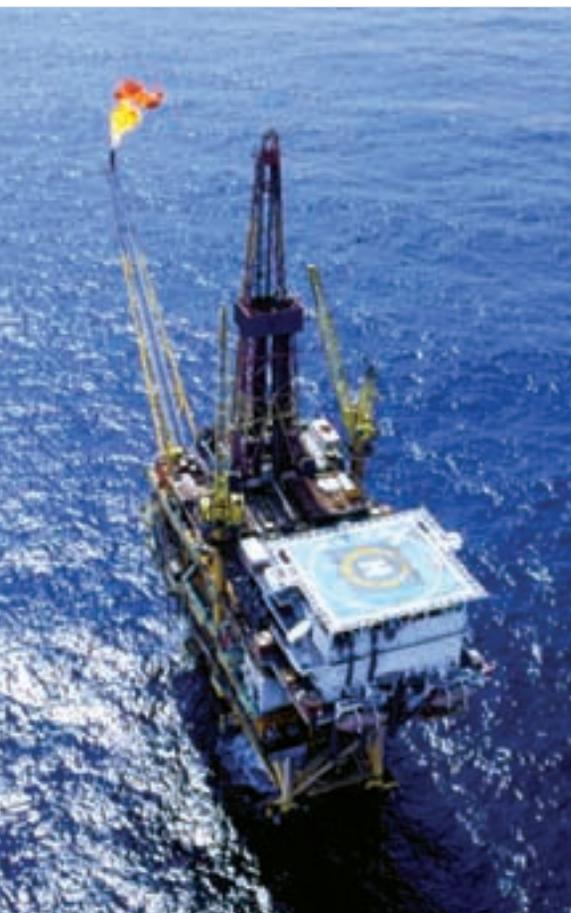
During the reporting period, the Company had 34 exploration licenses in the Western South China Sea and our partner had 8 blocks.

2004 was the first year after the Company successfully assumed operatorship of Yacheng 13-1. The smooth operation of the gas field made the Company more confident to operate independently.

In 2004, the Company drilled 12 wells in this area, which included 5 wildcat wells and 3 appraisal wells independently, and acquired 13,827 kilometers of 2D seismic data and 1,047 square kilometers of 3D seismic data. Our partner drilled 2 wildcat wells and 2 appraisal wells, and 3 hydrocarbon-bearing structures were successfully appraised during the year.

The Company drilled 3 appraisal wells in Yulin block 35 of Beibu Gulf, and successfully appraised 2 hydrocarbon-bearing structures, namely Weizhou 11-1N and Weizhou 12-1. Roc Oil (China) Company drilled a wildcat and 2 appraisals in the 22/12 block of Beibu Gulf, and successfully appraised the hydrocarbon-bearing structure of Weizhou 12-8. During the year, the Company announced the successful commencement of Weizhou 12-1N in this area.

In addition, the Company drilled a number of wildcat wells and acquired seismic data in Zhu III Sag, Qiongdongnan basin and Yinggehai basin.



Eastern South China Sea

Crude oil production has always been an important business in the Eastern South China Sea. In recent years, the Company was delighted to discover that the natural gas business in this area has been developing rapidly.

After we made a breakthrough in Baiyun Trough in the Pearl River Mouth basin in 2003, the Company again successfully appraised 2 hydrocarbon-bearing structures in this area, namely Lihua 19-5 and Panyu 34-1 in 2004. The potential for natural gas exploration in this area has provided a solid foundation for the natural gas market in Pearl River Delta. At the same time, it increased the exploration potential in the adjacent deep water areas, indicating the hydrocarbon generating conditions and good exploration prospects in the deep water areas of the Eastern South China Sea.

The Company's net proved reserves in the Eastern South China Sea amounted to 290 million BOE, accounting for approximately 13% of the Company's total net proved reserves. The average daily net production in the Eastern South China Sea was 96,989 BOE, or 25% of the Company's total.

The Company had exploration licenses in 38 blocks in this area, while our partner had 7 blocks.

In 2004, the Company drilled 8 wells in this area, of which 3 wildcat wells and 3 appraisal wells were independent wells, and acquired 6,560 kilometers of 2D seismic data, 1,329 square kilometers of 3D seismic data. Meanwhile our PSC partner drilled 2 wildcat wells.

During the period, the Company made a new discovery (Huizhou 26-3) in this area, and successfully appraised 2 structures, namely Lihua 19-5 and Panyu 34-1.

In 2004, the Company also drilled 1 wildcat well independently in Xijiang 04 block, and our partner Devon drilled 2 wildcat wells in block 15/34.

During the reporting period, CNOOC entered into a petroleum contract with Husky Oil China Limited with respect to the deep water block 29/26 in Pearl River Mouth Basin in the Eastern South China Sea. Under the terms of the contract, we may back into up to 51% of any commercial discoveries at no cost in the block.

East China Sea

At the end of 2004, the Company had net proved reserves of 89 million BOE in the East China Sea, accounting for approximately 4% of the Company's total net proved reserves. The average daily net production in the East





China Sea was 4,963 BOE, or 1% of the Company's total.

The Company had exploration licenses in 47 blocks in this area, while our partner had 3 contract blocks.

In 2004, the Company drilled 3 wildcat wells independently and 1 wildcat well cooperatively in this area, 1 appraisal well, and successfully appraised structure of Canxue in this area. The Company acquired 4,058 kilometers of 2D seismic data in the Southern Yellow Sea areas.

The Company conducts joint exploration in Xihu Trough of the East China Sea with Sinopec.

During the reporting period, there were some changes to our partners in the Xihu project in this area. As no agreement could be reached with respect to the development plan, Pecten Orient Company LLC. and Unocal East China Sea Ltd. elected not to

participate in the next development stage. This did not affect the normal operations of the Xihu project, and the Company is still confident about the prospects of the project.

Overseas

As at 31 December 2004, the Company had net proved reserves of 155 million BOE in Indonesia, accounting for 7% of the Company's total net proved reserves. The Company's average daily production in the area was 43,955 BOE, or 11% of our total production.

During the period, the Company and our partner KODECO made a new discovery KE7-3 in the West Madura PSC area in the East Java Sea of Indonesia.

In 2004, the Company increased its equity interest in the Tangguh LNG Project in Indonesia to 16.96%.

TABLE OF MAJOR EXPLORATION BLOCKS

Blocks	Block Area (km ²)	Partner	Exploration License (Commencement- Expiration)
Middle of Bohai Bay	4,974		26.4.04~26.4.06
Southern Bohai Bay	3,679		6.8.04~8.6.06
Western Bohai Bay	1,895		8.6.04~8.6.06
Western Liaodong Bay	3,344		31.3.00~8.4.06
Eastern Liaodong Bay	2,829		2.7.01~2.7.06
Eastern Bozhong	1,861		30.5.04~30.5.06
Bohai Block 09/11	843		5.4.04~5.4.06
Bohai Block 06/17	2,586		20.2.03~20.2.05
Bohai Block 02/31	4,990		29.5.03~29.5.05
Independent Total	27,000		
Bohai Block 11/19	3,068	ChevronTexaco	29.5.04~29.5.05
Bohai Block 05/36	2,766	Kerr-McGee/Newfield/Sino-American Energy	10.2.04~10.2.06
Eastern Bohai Block 11/05	3,601	Conocophillips	16.8.04~16.8.06
Western Bohai Block 11/05	2,897	Conocophillips	10.2.04~10.2.06
Bohai Block 09/18	2,218	Kerr-McGee	4.4.04~4.4.06
Bohai Block 04/36	1,694	Kerr-McGee/Sino-American Energy	1.1.04~1.1.06
PSC Total	16,244		
Bohai Total	43,244		
North Yellow Sea	6,471		25.5.01~25.5.06
Northern Trough (Northen South Yellow Sea)	912		30.8.00~30.8.05
Xihu Hangzhou 26 (East China Sea)	3,642		31.3.03~31.3.05
Xihu Hangzhou 17 (East China Sea)	4,227		28.8.01~28.8.08
Xihu Huangyan 04 (East China Sea)	2,848		28.8.01~28.8.08
Xihu Zhenhai 01 (East China Sea)	1,536		28.8.01~28.8.08
Lishui -Jiaojiang Trough (East China Sea)	6,767		31.3.00~28.11.05
Kunshan Block 02 (East China Sea)	2,628		11.5.01~11.5.06
Jinhua Block 12 (East China Sea)	6,931		11.5.01~11.5.06
Tiantai 32 (East China Sea)	5,400		17.7.01~17.7.06
Fuzhou Block 02 (East China Sea)	3,064		11.5.01~11.5.06
Taipei Block 27 (East China Sea)	7,379		9.7.01~9.7.06
Taoyuan 07 (East China Sea)	6,457		9.7.01~9.7.06
Jilong 25 (East China Sea)	5,692		9.7.01~9.7.06
Independent Total	63,952		
Block 32/32 (East China Sea)	513	PrimeLine - Petroleum	11.7.02~11.7.04
PSC Total	513		
East China Sea Total	45,681		

TABLE OF MAJOR EXPLORATION BLOCKS (continued)

Blocks	Block Area (km ²)	Partner	Exploration License
			(Commencement- Expiration)
Xijiang 04 (Pearl River Mouth Basin)	7,969		11.5.01~11.5.06
Lufeng 06 (Pearl River Mouth Basin)	4,457		11.5.01~11.5.06
Huizhou 31 (Pearl River Mouth Basin)	3,074		11.5.01~11.5.06
Enping 15 (Pearl River Mouth Basin)	5,833		11.5.01~11.5.06
Enping 10 (Pearl River Mouth Basin)	6,547		11.5.01~11.5.06
Panyu 33 (Pearl River Mouth Basin)	4,830		11.5.01~11.5.06
Liuhoa 07 (Pearl River Mouth Basin)	4,172		11.5.01~11.5.06
Dongsha 04 (Pearl River Mouth Basin)	5,295		11.5.01~11.5.06
Kaiping 14 (Pearl River Mouth Basin)	7,753		11.5.01~11.5.06
Kaiping 32 (Pearl River Mouth Basin)	8,104		11.5.01~11.5.06
Dongsha 32(Pearl River Mouth Basin)	7,350		5.11.03~5.11.10
Independent Total	65,381		
Block 15/34 (Pearl River Mouth Basin)	4,984	Devon/Burlington	24.12.03~24.12.05
PSC Total	4,984		
Eastern South China Sea Total	70,365		
Weizhou 12 (Beibu Gulf)	6,980		11.5.01~11.5.06
Yulin 35 (Beibu Gulf)	6,050		11.5.01~11.5.06
Weizhou 26 (Beibu Gulf)	4,358		5.11.03~11.5.06
Ledong 01 (Yinggehai)	6,543		3.12.03~3.12.05
Lingtou 20 (Yinggehai)	2,684		30.8.00~30.8.05
Lingao 11 (Yinggehai)	4,117		11.5.01~11.5.06
Sonttao 22 (Qiongdongnan)	4,063		11.5.01~11.5.06
Sonttao 31 (Qiongdongnan)	5,264		11.5.01~11.5.06
Lingsui 18 (Qiongdongnan)	7,738		6.8.02~6.8.07
Yangjiang 31 (Pearl River Mouth Basin)	6,003		3.12.03~3.12.05
Qionghai 28 (Pearl River Mouth Basin)	5,208		11.5.01~11.5.06
Wenchang 11 (Pearl River Mouth Basin)	4,901		11.5.01~11.5.06
Independent Total	63,907		
North Wanan-21 A	6,801	Benton Offshore China Company	30.9.03~30.9.05
North Wanan-21 B	6,118	Benton Offshore China Company	30.9.03~30.9.05
North Wanan-21 C	6,372	Benton Offshore China Company	30.9.03~30.9.05
North Wanan-21 D	6,126	Benton Offshore China Company	30.9.03~30.9.05
PSC Total	25,417		
Western South China Sea	89,325		
Total	267,399		

As at December 31, 2004