PETROCHINA CO LTD
Form 20-F
June 25, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009.

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____
For the transition period from _____ to _____

Commission File Number 1-15006

(Exact name of Registrant as specified in its charter)
PetroChina Company Limited
(Translation of Registrant s name into English)

The People s Republic of China
(Jurisdiction of incorporation or organization)

9 Dongzhimen North Street
Dongcheng District, Beijing 100007
The People s Republic of China,

(Address of principal executive offices)

Li Hualin
Telephone number: 8610 59986223
Facsimile number: 8610 62099557
Email address: suxinliang@petrochina.com.cn
Address: 9 Dongzhimen North Street, Dongcheng District, Beijing 100007 The People s Republic of China
(Name, telephone, e-mail and/or facsimile number and address of registrant s contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing 100 H Shares, par value RMB1.00 per share*	New York Stock Exchange, Inc.
H Shares, par value RMB1.00 per share	New York Stock Exchange, Inc.**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

A Shares, par value RMB1.00 per share***	161,922,077,818(1)
H Shares, par value RMB1.00 per share	21,098,900,000****

(1): Includes 157,764,597,259 A Shares held by CNPC and 4,157,480,559 A Shares held by the public shareholders.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No o
If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes o No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) or the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer þ Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

o U.S. GAAP þ International Financial Reporting Standards as issued by the International Accounting Standards Board o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes o No o

* PetroChina s H Shares are listed and traded on The Stock Exchange of Hong Kong Limited.
** Not for trading, but only in connection with the registration of American Depository Shares.
*** PetroChina s A Shares became listed on the Shanghai Stock Exchange on November 5, 2007.
**** Includes 1,970,667,300 H Shares represented by American Depositary Shares.

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CERTAIN TERMS AND CONVENTIONS

Conventions Which Apply to this Annual Report

Unless the context otherwise requires, references in this annual report to:

CNPC or CNPC group are to our parent, China National Petroleum Corporation and its affiliates and subsidiaries, excluding PetroChina, its subsidiaries and its interests in long-term investments, and where the context refers to any time prior to the establishment of CNPC, those entities and businesses which were contributed to CNPC upon its establishment.

PetroChina , we , our , our company , the company and us are to:

PetroChina Company Limited, a joint stock company incorporated in the People s Republic of China with limited liability and its subsidiaries and branch companies, or

the CNPC group s domestic crude oil and natural gas exploration and production, refining and marketing, chemicals and natural gas businesses that were transferred to us in the restructuring of the CNPC group in 1999.

PRC or China is to the People s Republic of China, but does not apply to Hong Kong, Macau or Taiwan for purposes of this annual report.

We publish our consolidated financial statements in Renminbi or RMB. The audited consolidated financial statements included in this annual report have been prepared as if the operations and businesses transferred to us from CNPC were transferred as of the earliest period presented or from the date of establishment of the relevant unit, whichever is later, and conducted by us throughout the period. In this annual report, IFRS refers to International Financial Reporting Standards as issued by the International Accounting Standards Board.

In December 2008, the United States Securities and Exchange Commission (the SEC or the Commission) announced that it had approved revisions designed to modernize the oil and gas company reserves reporting requirements. The revisions became effective on January 1, 2010. For purposes of this annual report, the oil and gas reserve disclosure rules prior to the effectiveness of the revisions are referred to herein as the old SEC reserve rules. The new oil and gas reserve disclosure rules that became effective on January 1, 2010 are referred to herein as the new SEC reserve rules. Our reserve-related disclosure as of and for the years ended December 31, 2007 and 2008 comply with the old SEC reserve rules. Our reserve-related disclosure as of and for the year ended December 31, 2009 complies with the new SEC reserve rules.

Conversion Table

1 barrel-of-oil equivalent	= 1 barrel of crude oil	= 6,000 cubic feet of natural gas
1 cubic meter	= 35.315 cubic feet	
		= 7.389 barrels of crude oil (assuming an API gravity of 34
1 ton of crude oil	= 1 metric ton of crude oil	degrees)

Certain Oil and Gas Terms

Unless the context indicates otherwise, the following terms have the meanings shown below:

acreage	The total area, expressed in acres, over which an entity has interests in exploration or production. Net acreage is the entity s interest, expressed in acres, in the relevant exploration or production area.
API gravity	An indication of the density of crude oil or other liquid hydrocarbons as measured by a system recommended by the American Petroleum Institute (API), measured in degrees. The lower the API gravity, the heavier the compound.

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condensate	Light hydrocarbon substances produced with natural gas that condense into liquid at normal temperatures and pressures associated with surface production equipment.
crude oil	Crude oil, including condensate and natural gas liquids.
developed reserves	Under the new SEC reserve rules, developed reserves are reserves of any category that can be expected to be recovered: (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.
development cost	For a given period, costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.
finding cost	For a given period, costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type test wells. Finding cost is also known as exploration cost.
lifting cost	For a given period, costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. Lifting cost is also known as production cost.
natural gas liquids	Hydrocarbons that can be extracted in liquid form together with natural gas production. Ethane and pentanes are the predominant components, with other heavier hydrocarbons also present in limited quantities.
offshore	Areas under water with a depth of five meters or greater.
onshore	Areas of land and areas under water with a depth of less than five meters.
primary distillation capacity	At a given point in time, the maximum volume of crude oil a refinery is able to process in its basic distilling units.
proved developed reserves	Under the old SEC reserve rules, proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved

	recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.
proved reserves	Under the new SEC reserve rules, proved reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically

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producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements,

excluding escalations based upon future conditions.

Under the old SEC reserve rules, proved reserves are estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and

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	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 of escalations based upon future conditions.
proved undeveloped reserves	Under the old SEC reserve rules, proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.
reserve-to-production ratio	For any given well, field or country, the ratio of proved reserves to annual production of crude oil or, with respect to natural gas, to wellhead production excluding flared gas.
sales gas	Marketable production of gas on an as sold basis, excluding flared gas, injected gas and gas consumed in operations.
undeveloped reserves	Under the new SEC reserve rules, undeveloped reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances. (ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time. (iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

water cut	For a given oil region, the percentage that water constitutes of all fluids extracted from all wells in that region.

References to:

BOE is to barrels-of-oil equivalent,

Mcf is to thousand cubic feet, and

Bcf is to billion cubic feet.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the amounts and nature of future exploration, development and other capital expenditures;
- future prices and demand for crude oil, natural gas, refined products and chemical products;
- development projects;
- exploration prospects;
- reserves potential;
- production of oil and gas and refined and chemical products;
- development and drilling potential;
- expansion and other development trends of the oil and gas industry;
- the planned development of our natural gas operations;
- the planned expansion of our refined product marketing network;
- the planned expansion of our natural gas infrastructure;
- the anticipated benefit from the acquisition of certain overseas assets from CNPC, our parent company;
- the plan to continue to pursue attractive business opportunities outside China;
- our future overall business development and economic performance;
- our anticipated financial and operating information regarding, and the future development and economic performance of our business;
- our anticipated market risk exposure arising from future changes in interest rates, foreign exchange rates and commodity prices; and
- other prospects of our business and operations.

The words anticipate , believe , could , estimate , expect , intend , may , plan , seek , will and would expressions, as they related to us, are intended to identify a number of these forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and are beyond our control. The forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in this annual report and the following:

- fluctuations in crude oil and natural gas prices;
- failure to achieve continued exploration success;
- failures or delays in achieving production from development projects;
- continued availability of capital and financing;
- acquisitions and other business opportunities that we may pursue;
- general economic, market and business conditions, including volatility in interest rates, changes in foreign exchange rates and volatility in commodity markets;

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liability for remedial actions under environmental regulations;

impact of the PRC s entry into the World Trade Organization;

the actions of competitors;

wars and acts of terrorism or sabotage;

changes in policies, laws or regulations of the PRC, including changes in applicable tax rates;

the other changes in global economic and political conditions affecting the production, supply and demand and pricing of crude oil, refined products, petrochemical products and natural gas; and

the other risk factors discussed in this annual report, and other factors beyond our control.

You should not place undue reliance on any forward-looking statement.

PART I

ITEM 1 *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS*

Not applicable. However, see Item 6 Directors, Senior Management and Employees Directors, Senior Management and Supervisors.

ITEM 2 *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

ITEM 3 *KEY INFORMATION*

Exchange Rates

The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars for each month during the previous six months and the most recent practicable date:

	Noon Buying Rate[1]	
	High	Low
	(RMB per US$)	
December 2009	6.8299	6.8244
January 2010	6.8295	6.8258
February 2010	6.8330	6.8258
March 2010	6.8270	6.8254
April 2010	6.8275	6.8240
May 2010	6.8310	6.8245
June 2010 (ending as of June 18)	6.8323	6.8267

(1) The exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

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Average Noon Buying Rates[(1)]

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars for each of 2005, 2006, 2007, 2008 and 2009, calculated by averaging the noon buying rates on the last day of each month during the relevant year:

	Average Noon Buying Rate (RMB per US$)
2005	8.1826
2006	7.9579
2007	7.5806
2008	6.9193
2009	6.8295

(1) For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Selected Financial Data

Historical Financial Information

You should read the selected historical financial data set forth below in conjunction with the consolidated financial statements of PetroChina and their notes and Item 5 Operating and Financial Review and Prospects included elsewhere in this annual report. The selected historical income statement and cash flow data for the years ended December 31, 2007, 2008 and 2009 and the selected historical statement of financial position data as of December 31, 2008 and 2009 set forth below are derived from our audited consolidated financial statements included elsewhere in this annual report. The selected historical income statement data and cash flow data for the years ended December 31, 2005 and 2006 and the selected statement of financial position data as of December 31, 2005, 2006 and 2007 set forth below are derived from our audited financial statements not included in this annual report. Our consolidated financial statements were prepared in accordance with IFRS as issued by the International Accounting Standards Board. The financial information included in this section may not necessarily reflect our results of operations, financial position and cash flows in the future.

	Year Ended December 31,[(1)]				
	2005	2006	2007	2008	2009
	RMB	RMB	RMB	RMB	RMB
	(In millions, except for per share and per ADS data)				
Income Statement Data					
Turnover	554,063	691,448	837,542	1,072,604	1,019,275

Operating expenses					
Purchases, services and other	(199,317)	(270,112)	(369,786)	(562,851)	(492,472)
Employee compensation costs	(29,770)	(39,292)	(50,940)	(62,167)	(65,977)
Exploration expenses, including exploratory dry holes	(15,569)	(18,827)	(20,956)	(21,879)	(19,398)
Depreciation, depletion and amortization	(51,803)	(62,155)	(67,423)	(94,759)	(92,259)
Selling, general and administrative expenses	(36,650)	(43,400)	(52,389)	(59,617)	(65,423)
Taxes other than income taxes	(23,997)	(57,208)	(73,806)	(124,132)	(135,465)
Other (expenses)/incomes, net	(3,083)	(430)	(1,225)	12,372	(4,837)
Total operating expenses	(360,189)	(491,424)	(636,525)	(913,033)	(875,831)
Profit from operations	193,874	200,024	201,017	159,571	143,444
Share of profit of affiliates and jointly controlled entities	2,002	1,686	6,445	4,290	1,184

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	Year Ended December 31,[1]				
	2005	2006	2007	2008	2009
	RMB	RMB	RMB	RMB	RMB
	(In millions, except for per share and per ADS data)				
Exchange gain (loss), net	85	272	(751)	(1,081)	(783)
Interest income	2,036	2,148	2,101	2,277	1,459
Interest expense	(2,929)	(3,328)	(3,673)	(3,044)	(5,272)
Profit before income tax expense	195,068	200,802	205,139	162,013	140,032
Income tax expense	(54,912)	(50,615)	(49,802)	(35,211)	(33,473)
Profit for the year	140,156	150,187	155,337	126,802	106,559
Other comprehensive income/(loss)					
Foreign currency translation difference	(799)	(358)	(1,852)	(2,676)	(3,500)
Income/(loss) from the change in the fair value of the financial assets available for sale	83	(4)	395	(340)	191
Income tax relating to components of other comprehensive income/(loss)	(28)	2	(87)	67	(38)
Other comprehensive loss (after tax net)	(744)	(360)	(1,544)	(2,949)	(3,347)
Total comprehensive income for the year	139,412	149,827	153,793	123,853	103,212
Profit for the year attributable to:					
Owners of the company	134,381	143,498	146,796	114,453	103,387
Non-controlling interest	5,775	6,689	8,541	12,349	3,172
	140,156	150,187	155,337	126,802	106,559
Basic and diluted earnings per share for profit attributable to owners of the company[2]	0.76	0.80	0.82	0.63	0.56
Basic and diluted earnings per ADS for profit attributable to owners of the company[3]	76.02	80.16	81.69	62.54	56.49

	As of December 31,[1]				
	2005	2006	2007	2008	2009
	RMB	RMB	RMB	RMB	RMB
	(In millions, except for per share and per ADS data)				
Statement of Financial Position Data					

Inventories	62,782	76,081	88,507	90,670	114,781
Cash and cash equivalents	83,034	50,869	68,817	33,150	86,925
Total current assets	178,926	165,778	235,902	224,946	294,383
Total non-current assets	606,483	714,509	833,709	971,289	1,155,905
Total current liabilities	156,878	181,993	200,150	265,651	388,553
Total non-current liabilities	81,862	75,675	86,742	82,744	154,034
Equity attributable to owners of the company	517,921	590,414	738,246	790,910	847,223
Non-controlling interest	28,748	32,205	44,473	56,930	60,478
Total equity	546,669	622,619	782,719	847,840	907,701
Share capital	179,021	179,021	183,021	183,021	183,021
Other Financial Data					
Dividend per share	0.34	0.36	0.36	0.28	0.25
Dividend per ADS	33.80	35.75	36.25	28.14	25.42
Capital expenditures	(125,814)	(149,493)	(182,678)	(232,377)	(266,836)

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	As of December 31,[1]				
	2005 RMB	2006 RMB	2007 RMB	2008 RMB	2009 RMB
	(In millions, except for per share and per ADS data)				
Cash Flow Data					
Net cash flows from operating activities	207,656	202,701	207,633	172,465	261,972
Net cash flows used for investing activities	(91,445)	(159,065)	(183,656)	(211,797)	(261,453)
Net cash flows from/used in financing activities	(46,083)	(75,385)	(5,838)	3,777	53,077

(1) Due to business combinations under common control completed in 2005, 2008 and 2009, the relevant financial statements of our company have been restated in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination with all periods presented as if our operations and the business acquired have always been combined. The difference between the consideration paid by us and the net assets or liabilities of the business acquired is adjusted against equity.

(2) The basic and diluted earnings per share for the year ended December 31, 2005 was calculated by dividing the net profit with the weighted average number of 176,770 million shares issued and outstanding for the year presented. The basic and diluted earnings per share for the year ended December 31, 2006 was calculated by dividing the net profit with the number of 179,021 million shares issued and outstanding for the year presented. The basic and diluted earnings per share for the year ended December 31, 2007 was calculated by dividing the net profit with the weighted average number of 179,700 million shares issued and outstanding for the year presented. The basic and diluted earnings per share for the year ended December 31, 2008 was calculated by dividing the net profit with the number of 183,021 million shares issued and outstanding for the year presented. The basic and diluted earnings per share for the year ended December 31, 2009 was calculated by dividing the net profit with the number of 183,021 million shares issued and outstanding for the year presented.

(3) The basic and diluted earnings per ADS for the year ended December 31, 2005 was calculated by dividing net profit with the weighted average number of 176,770 million shares issued and outstanding for the year presented, each ADS representing 100 H Shares. The basic and diluted earnings per ADS for the year ended December 31, 2006 was calculated by dividing the net profit with the weighted average number of 179,021 million shares issued and outstanding for the year presented, each ADS representing 100 H Shares. The basic and diluted earnings per ADS for the year ended December 31, 2007 was calculated by dividing the net profit with the weighted average number of 179,700 million shares issued and outstanding for the year presented, each ADS representing 100 H Shares. The basic and diluted earnings per ADS for the year ended December 31, 2008 was calculated by dividing the net profit with the number of 183,021 million shares issued and outstanding for the year presented, each ADS representing 100 H Shares. The basic and diluted earnings per ADS for the year ended December 31, 2009 was calculated by dividing the net profit with the number of 183,021 million shares issued and outstanding for the year presented, each ADS representing 100 H Shares.

Risk Factors

Our business is primarily subject to various changing competitive, economic and social conditions in the PRC. Such changing conditions entail certain risks, which are described below.

The global financial crisis and economic downturn have adversely affected economies and businesses around the world, including in China. Due to the global economical downturn and a decrease in consumer demand, the economic situation in China has been quite severe since the second half of 2008. Although the Chinese economy has recovered recently, it is uncertain whether such recovery will continue into the rest of 2010 and beyond. Any recurrence of the global financial crisis which may be sparked by the recent market volatility attributed to concerns over several European countries including Greece, Portugal, Ireland and Spain may cause a further decline in the PRC economy. This change in the macro-economic conditions has and is expected to continue to have an adverse impact on our business and operations. Our profitability may be adversely affected due to the low growth in oil and gas demand. We have experienced pricing pressure on

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our refined products, which has an adverse effect on our profitability. These factors may also lead to intensified competition for market share and available margin, with consequential potential adverse effects on volumes. The financial and economic situation may have a negative impact on third parties with whom we do, or may do, business. Any of these factors may affect our results of operations, financial condition and liquidity.

In early 2003, several regions in Asia, including Hong Kong and China, were affected by the outbreak of SARS. Furthermore, in early 2008, severe snowstorms hit many areas of China and particularly affected southern China. Additionally, in May 2008, a major earthquake struck China s populous Sichuan Province, causing great loss of life, numerous injuries, property loss and disruption to the local economy. Finally, in April 2009, an outbreak of H1N1 influenza occurred in Mexico and the United States and human cases of swine flu were and continue to be discovered in China and Hong Kong. Any future outbreak of SARS, avian flu or similar adverse public health development or an increase in the severity of H1N1 influenza or other contagious diseases, extreme unexpected bad weather or severe natural disasters would adversely affect our business and operating results.

Our operations are affected by the volatility of prices for crude oil and refined products. We and China Petroleum and Chemical Corporation, or Sinopec, set our crude oil median prices monthly based on the Singapore trading prices for crude oil. In 2006, the PRC government, under its macroeconomic controls, introduced a mechanism for determining domestic prices of refined products. On December 18, 2008, the PRC government further modified this mechanism by linking the domestic prices of refined oil products to a number of factors, including international market prices, average domestic processing cost, tax, selling expenses and appropriate profit margin. Historically, international prices for crude oil and refined products have fluctuated widely in response to changes in many factors, such as global and regional economic and political developments, and global and regional supply and demand for crude oil and refined products. We do not have, and will not have, control over the factors affecting international prices for crude oil and refined products. A decline in crude oil prices will reduce our crude oil revenues derived from external customers. If crude oil prices remain at a low level for a prolonged period, our company has to determine and estimate whether our oil and gas assets may suffer impairment losses and, if so, the amount of the impairment losses. An increase in crude oil prices may, however, increase the production costs of refined products. In addition, a decline in refined products prices will reduce our revenue derived from refining operations. An increase in the refined products prices, however, will increase the production costs of chemical products which use refined products as raw materials.

In addition to the adverse effect on our revenues, margins and profitability from any future fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to a review for impairment of our oil and natural gas properties. This review would reflect management s view of long-term oil and natural gas prices. Such a review could result in a charge for impairment which could have a significant effect on our results of operations in the period in which it occurs.

The crude oil and natural gas reserve data in this annual report are only estimates. The reliability of reserve estimates depends on a number of factors, assumptions and variables, such as the quality and quantity of our technical and economic data and the prevailing oil and gas prices applicable to our production, some of which are beyond our control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in our reserve data. Our actual production, revenues and expenditures with respect to our reserves may differ materially from these estimates because of these revisions.

Our proved crude oil reserves decreased gradually and modestly from 2001 to 2003 because the decrease in the crude oil reserves in our Daqing and Liaohe oil regions could not be offset by the increase in the crude oil

reserves in our oil regions in northwestern China, such as the Xinjiang oil region, the Changqing oil and gas region and the Tarim oil region. Our proved crude oil reserves increased slightly in 2004, 2005, 2006 and 2007 compared to prior years. Our proved crude oil reserves slightly decreased in China in 2008 and 2009 as a result of the lower oil price in 2008 and 2009. We are actively pursuing business opportunities outside China to supplement our domestic resources. For instance, we acquired certain overseas crude oil and natural

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gas assets from CNPC. We cannot assure you, however, that we can successfully locate sufficient alternative sources of crude oil supply or at all due to the complexity of the international political, economic and other conditions. If we fail to obtain sufficient alternative sources of crude oil supply, our results of operations and financial condition may be materially and adversely affected.

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency. The implementation of our growth strategy requires continued technological advances and innovation, including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. Our performance could be impeded if competitors developed or acquired intellectual property rights to technology that we required or if our innovation lagged the industry.

Exploring for, producing and transporting crude oil and natural gas and producing and transporting refined products and chemical products involve many hazards. These hazards may result in:

- fires;
- explosions;
- spills;
- blow-outs; and
- other unexpected or dangerous conditions causing personal injuries or death, property damage, environmental damage and interruption of operations.

Some of our oil and natural gas fields are surrounded by residential areas or located in areas where natural disasters, such as earthquakes, floods and sandstorms, tend to occur more frequently than in other areas. As with many other companies around the world that conduct similar businesses, we have experienced accidents that have caused property damage and personal injuries and death.

Significant operating hazards and natural disasters may cause partial interruptions to our operations and property and environmental damage that could have an adverse impact on our financial condition.

We maintain insurance coverage against some, but not all, potential losses. We may suffer material losses resulting from uninsurable or uninsured risks or insufficient insurance coverage.

As of December 31, 2009, CNPC beneficially owned approximately 86.285% of our share capital. This ownership percentage enables CNPC to elect our entire board of directors without the concurrence of any of our other shareholders. Accordingly, CNPC is in a position to:

- control our policies, management and affairs;
- subject to applicable PRC laws and regulations and provisions of our articles of association, affect the timing and amount of dividend payments and adopt amendments to certain of the provisions of our articles of association; and

otherwise determine the outcome of most corporate actions and, subject to the regulatory requirements of the jurisdictions in which our shares are listed, cause our company to effect corporate transactions without the approval of minority shareholders.

CNPC s interests may sometimes conflict with those of some or all of our minority shareholders. We cannot assure you that CNPC, as our controlling shareholder, will always vote its shares in a way that benefits our minority shareholders.

CNPC may choose to undertake, without our involvement, overseas investments and operations in the oil and gas industry, including exploration and production of oil and gas, refining and LNG projects. CNPC s overseas asset portfolio includes oil and gas development projects in Iran and Sudan, which countries are on the sanction list published and administrated by the Office of Foreign Assets Control, or OFAC, of the

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U.S. Department of Treasury. Certain U.S.-based investors may not wish to invest, and have proposed or adopted divestment or similar initiatives regarding investments, in companies that do business with countries on OFACs sanction list. These investors may not wish to invest, and may divest their investment, in us because of our relationship with CNPC and its investments and activities in those OFAC sanctioned countries. As a result, the trading prices of our ADSs may be materially and adversely affected.

In addition to its relationship with us as our controlling shareholder, CNPC by itself or through its affiliates also provides us with certain services and products necessary for our business activities, such as construction and technical services, production services and supply of material services. The interests of CNPC and its affiliates as providers of these services and products to us may conflict with our interests. Although we have entered into a Comprehensive Products and Services Agreement with CNPC and our transactions with CNPC over the past three years have been conducted on open, fair and competitive commercial terms, we have only limited leverage in negotiating with CNPC and its affiliates over the specific terms of the agreements for the future provision of these services and products.

The eastern and southern regions of China have a higher demand for refined products and chemical products than the western and northern regions. Most of our refineries and chemical plants are located in the western and northern regions of China. We incur relatively higher transportation costs for delivery of our refined products and chemical products to certain areas of the eastern and southern regions from our refineries and chemical plants in western and northern China. While we continue to expand the sales of these products in the eastern and southern regions of China, we face strong competition from Sinopec and China National Offshore Oil Corp, or CNOOC. As a result, we expect that we will continue to encounter difficulty in increasing our sales of refined products and chemical products in these regions.

We are currently constructing new, and expanding some existing, refinery and petrochemical facilities and constructing several natural gas and oil pipelines, which could require substantial capital expenditures and investments. We cannot assure you that the cash generated by our operations will be sufficient to fund these development plans or that our actual future capital expenditures and investments will not significantly exceed our current planned amounts. If either of these conditions arise, we may have to seek external financing to satisfy our capital needs. Our inability to obtain sufficient funding for our development plans could adversely affect our business, financial condition and results of operations.

Compliance with changes in laws, regulations and obligations relating to climate change or environmental protection could result in substantial capital expenditure and reduced profitability from changes in operating costs.

We are also subject to a number of risks relating to the PRC and the PRC oil and gas industry. These risks are described as follows:

Our operations, like those of other PRC oil and gas companies, are subject to extensive regulations and control by the PRC government. These regulations and control affect many material aspects of our operations, such as exploration and production licensing, industry-specific and product-specific taxes and fees and environmental and safety standards. As a result, we may face significant constraints on our ability to implement our business strategies, to develop or expand our business operations or to maximize our profitability. Our business may also be adversely affected by future changes in certain policies of the PRC government with respect to the oil and gas industry. For example, since March 26, 2006, we have been subject to a crude oil special gain levy imposed by the PRC government. On June 1, 2010, the Ministry of Finance and the State Administration of Taxation jointly promulgated a new resource tax regulation for the extraction of crude oil and natural gas. Pursuant to this regulation, effective from June 1, 2010, the resource

tax payable by the resource tax payers in connection with their extraction of crude oil and natural gas in Xinjiang shall be collected based on value instead of volume. In the future if the Ministry of Finance and the State Administration of Taxation promulgate similar regulations applicable to any other provinces or regions in China, our results of operations may be adversely affected.

Currently, the PRC government must approve the construction and major renovation of significant refining and petrochemical facilities as well as the construction of significant natural gas and refined

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product pipelines and storage facilities. We presently have several significant projects pending approval from the relevant government authorities and will need approvals from the relevant government authorities in connection with several other significant projects. We do not have control over the timing and outcome of the final project approvals.

We receive most of our revenues in Renminbi. A portion of our Renminbi revenues must be converted into other currencies to meet our foreign currency obligations. The existing foreign exchange limitations under the PRC laws and regulations could affect our ability to obtain foreign exchange through debt financing, or to obtain foreign exchange for capital expenditures. The value of Renminbi against U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China s political and economic conditions. On July 21, 2005, the PRC government introduced a floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of foreign currencies. From July 21, 2005 to December 31, 2009, the value of the Renminbi has appreciated significantly against the U.S. dollar. The appreciation of Renminbi against U.S. dollar may cause a decrease in our exportation of our products.

A number of provinces and regions in which our oil and gas exploration and production activities are located have promulgated environment protection regulations, which set forth specific abandonment and disposal processes for oil and gas exploration and production activities. We have established standard abandonment procedures, including plugging all retired wells, dismantling all retired metering stations and other related facilities and performing site restoration, in response to the issuance of these provincial and regional regulations. As to the oil and gas properties that were retired prior to the issuance of such regulations, we believe that the activities required to retire these assets need not to be performed to the level that would be in compliance with the regulations and our internal policy. The costs associated with these activities have not been included in the asset retirement obligations accrued since the issuance of these regulations. However, the governments of these provinces and regions could enact new regulations, amend the current regulations or retroactively apply the relevant requirements. If any of these regulations is determined to be applicable to assets other than those that were retired subsequent to the dates that these regulations were issued, we could be required to incur substantial costs associated with such asset retirement obligations. In addition, there may be additional provincial governments to enact new regulations that may require our company to perform additional asset retirement activities related to the assets retired before the establishment of our company s internal policy and areas in which these assets were or continue to be located. Such potential new regulations could increase our asset retirement costs.

Because PRC laws, regulations and legal requirements dealing with economic matters are relatively new and continue to evolve, and because of the limited volume of published judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. Because the PRC Company Law is different in certain important aspects from company laws in the United States, Hong Kong and other common law jurisdictions, and because the PRC securities laws and regulations are still at an early stage of development, you may not enjoy shareholders protections that you may be entitled to in other jurisdictions.

SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company s internal control over financial reporting in its annual report, which contains management s assessment of the effectiveness of the company s internal control over financial reporting. Although our management concluded that our internal control over our financial reporting for the fiscal year ended December 31, 2009 was effective, we may discover other deficiencies in the course of our future evaluation of our internal control over our financial reporting and may be unable to remediate such deficiencies in a timely manner. If we fail to maintain the adequacy of our internal

control over financial reporting, we may not be able to conclude that we have effective internal control over financial reporting on an ongoing basis, in accordance with the Sarbanes-Oxley Act. Moreover, effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud. As a result, our failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading prices of our ADSs, H Shares or A Shares.

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See also Item 4 Information on our Company Regulatory Matters , Item 5 Operating and Financial Review and Prospects , Item 8 Financial Information and Item 11 Quantitative and Qualitative Disclosures About Market Risk .

ITEM 4 *INFORMATION ON THE COMPANY*

Introduction

History and Development of Our Company

Overview of Our Operations

We are one of the largest companies in China in terms of sales. We are engaged in a broad range of petroleum and natural gas related activities, including:

- the exploration, development, production and sale of crude oil and natural gas;
- the refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products;
- the marketing and trading of refined oil products; and
- the transmission of natural gas, crude oil and refined oil products as well as the sale of natural gas.

Prior to 2009, our business consisted of exploration and production segment, refining and marketing segment, chemicals and marketing segment, and natural gas and pipeline segment. We restructured our business segmentation in 2009 by dividing our business into four segments, including exploration and production, refining and chemicals, marketing segment, and natural gas and pipeline. As a result, the refining and chemicals segment now consists of the refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products. The marketing segment now consists of the marketing and trading of refined oil products.

We are China s largest producer of crude oil and natural gas. Currently, substantially all of our crude oil and natural gas reserves and production-related assets are located in China. In the year ended December 31, 2009, we had turnover of RMB 1,019,275 million and profit attributable to the owners of our company of RMB 103,387 million.

Our exploration, development and production activities commenced in the early 1950s, when we conducted exploration activities in the Yumen oil region in northwestern China. The discovery of crude oil in 1959 in northeastern China s Daqing oil region, one of the world s largest oil regions in terms of proved crude oil reserves, marked the beginning of our large-scale upstream activities. Over more than five decades, we have conducted crude oil and natural gas exploration activities in many regions of China. As of December 31, 2009, we had estimated proved reserves of approximately 11,262.6 million barrels of crude oil and approximately 63,243.8 billion cubic feet of natural gas. We believe that we hold production licenses for a majority of China s proved crude oil reserves and proved natural gas reserves. In the year ended December 31, 2009, we produced 843.5 million barrels of crude oil and 2,112.2 billion cubic feet of natural gas for sale, representing an average production of 2.31 million barrels of crude oil and 5.79 billion cubic feet of natural gas for sale per day. In the year ended December 31, 2009, a substantial majority of crude oil we sold was supplied to our refineries.

We commenced limited refining activities in the mid-1950s, when we began producing gasoline and diesel at refineries in the Yumen oil region. Our chemicals operations commenced in the early 1950s, when we began producing urea at our first petrochemical plant in Lanzhou in northwestern China. In the early 1960s, we began producing ethylene. We now operate 30 enterprises located in nine provinces, four autonomous regions and three municipalities to engage in refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products. In 2009, our refineries processed approximately 828.6 million barrels of crude oil or an average of 2.3 million barrels per day. In 2009, we produced approximately 73.2 million tons of gasoline, diesel and kerosene. In 2009, approximately 75.4% of the crude oil processed in our refineries was provided by our exploration and production segment and approximately

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23.0% of the crude oil processed in our refineries was imported. We are one of the major producers of ethylene in China. We produced 2,988.9 thousand tons of ethylene in 2009. In 2009, we produced 2,434.1 thousand tons of polyethylene, 1,800.9 thousand tons of polypropylene and 201.8 thousand tons of ABS, respectively.

As of December 31, 2009, our retail distribution network consisted of 16,607 service stations that we own and operate and 655 franchise service stations. In 2009, we sold approximately 101.25 million tons of gasoline, diesel and kerosene in total.

We are China s largest natural gas transporter and seller in terms of sales volume. Our natural gas transmission and marketing activities commenced in Sichuan in southwestern China in the 1950s. In 2009, our sales of natural gas totaled 2,105.1 billion cubic feet. As of December 31, 2009, we owned and operated regional natural gas pipeline networks consisting of 28,595 kilometers of pipelines. As of December 31, 2009, we owned and operated a crude oil pipeline network consisting of 13,164 kilometers of pipelines with an average daily throughput of approximately 3.03 million barrels of crude oil. As of December 31, 2009, we also had a refined product pipeline network consisting of 8,868 kilometers of pipelines with an average daily throughput of approximately 48,803 tons of refined products.

We have increased our efforts to pursue attractive business opportunities outside China as part of our business growth strategy to utilize both domestic and international resources to strengthen our competitiveness. Since 2005, we have acquired interests in various oil and natural gas assets in twelve countries, including, among others, Kazakhstan, Venezuela and Iraq, which significantly expanded our overseas operations and effectively increased our oil and gas reserves and production volumes. In November 2009, we signed a contract to develop Iraq s Rumaila oilfield, pursuant to which we hold a 37% stake in the operation of Rumaila project. In January 2010, we entered into a development and production contract in respect of the Halfaya Oilfield in Iraq for a term of 20 years, pursuant to which we own a 37.5% of the participating interest in Halfaya oilfield. We are currently assessing the feasibility of making further investments in international oil and gas markets.

In the year ended December 31, 2009, we imported approximately 326.5 million barrels of crude oil, as compared to 281.1 million barrels and 272.3 million barrels of crude oil in the years ended December 31, 2008 and 2007, respectively.

Acquisitions

On May 15, 2009, PetroChina Kunlun Gas Limited (Kunlun Gas), a wholly owned subsidiary of our company, entered into a transfer agreement with each of China Huayou Group Corporation and China Petroleum Pipeline Bureau, wholly owned subordinated entities of CNPC, pursuant to which Kunlun Gas agreed to acquire city gas business from the transferors. The targets of the acquisitions include the equity interests in eight companies held by China Huayou Group Corporation and China Petroleum Pipeline Bureau and relevant assets owned by China Huayou Group Corporation. Upon completion of the acquisition agreement, Kunlun Gas paid the transferors a consideration of approximately RMB1,093.9 million.

On June 18, 2009, an acquisition agreement was entered into between PetroChina West Pipeline Branch Company and CNPC West Pipeline Company Limited, pursuant to which Western Pipeline Branch Company agreed to acquire the western pipeline assets from the transferor. Upon completion of the acquisition on June 30, 2009, the parties referred to the appraised net assets value of the western pipeline assets as at March 31, 2009, the valuation date, and adjusted the consideration by reference to the change in the net asset value of the western pipeline assets for the period from the valuation date to the completion date on a dollar-for-dollar basis. The final consideration paid by our company to the transferor was approximately RMB8,355.4 million.

On August 28, 2009, our company entered into an equity transfer agreement with CNPC Exploration and Development Company Ltd. (CNPC E&D) and CNPC Central Asia Petroleum Company Limited (CNPC Central Asia), pursuant to which our company agreed to acquire the 100% share capital in South Oil Exploration and Development Co., Ltd. from CNPC E&D and CNPC Central Asia. Upon completion of the acquisition, the company will pay a consideration of approximately RMB2,813.3 million to CNPC E&D and CNPC Central Asia. Such consideration will be adjusted by reference to the final appraised value filed with the State-owned Assets Supervision and Administration Commission. Any net profit or loss incurred during the period from the valuation

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date to the completion date shall be attributable to the transferors. As at the end of the reporting period, the transaction has not yet been completed.

On August 28, 2009, several asset transfer agreements were entered into between ten of our company s branch companies and ten subordinated entities of CNPC (including CNPC Daqing Petrochemical Factory), pursuant to which our company agreed to acquire refinery equipment assets from the transferors. Upon completion of the acquisition on November 30, 2009, the parties referred to the appraised net asset value of the refinery equipment assets as at February 28, 2009, the valuation date, and adjusted the consideration by reference to the change in the net asset value of the refinery equipment assets for the period from the valuation date to the completion date on a dollar-for-dollar basis. The final consideration paid by our company to the transferors was approximately RMB11,327.2 million.

On August 28, 2009, PetroChina Amu Darya Natural Gas Exploration and Development (Beijing) Company Limited, a wholly owned subsidiary of the company, and China National Petroleum Corporation International (CNPCI), a subsidiary of CNPC, entered into the Contractual Rights Transfer Agreement, pursuant to which we have agreed to acquire from CNPCI the contractual rights under the production sharing contract on the Bagtyiarlyk area at Amu Darya Right Bank in Turkmenistan, and the relevant assets and liabilities formed in the course of CNPCI s fulfillment of the same. Upon completion of the acquisition, the company will pay the consideration in the sum of approximately US$1,186.5 million (approximately RMB8,106.6 million), of which the company will pay approximately US$350.5 million in cash to CNPCI, and assume bank loans amounting to approximately US$836.0 million owed by CNPCI in the course of performing its obligations under the production sharing contract. The consideration is determined by reference to the valuation results and will be adjusted by reference to the final valuation results filed with the State-owned Assets Supervision and Administration Commission and the change in value of the net asset in connection with this acquisition for the period from the valuation date to the completion date. As at the end of the reporting period, the acquisition has not yet been completed. The Amu Darya Project is an offshore natural gas project cooperation between CNPC and the Government of Turkmenistan on a product sharing basis. The product sharing contract under the Amu Darya Project involves an area of approximately 14,300 square kilometers. The term of the contract is 35 years.

On December 30, 2009, Kunlun Gas, a wholly owned subsidiary of our company, and Daqing Petroleum Administrative Bureau, a wholly owned subordinated entity of CNPC, entered into an asset transfer agreement, pursuant to which Kunlun Gas will acquire the 100% equity interest in Daqing Oilfield Zhongqing Gas Holdings Co., Ltd. held by Daqing Petroleum Administrative Bureau. Upon completion of the acquisition, Kunlun Gas will pay to the Daqing Petroleum Administrative Bureau the consideration in the amount of approximately RMB1,088.1 million, representing the net asset value of the target equity interest as at the date of valuation. This consideration will be adjusted by any gain/loss attributable to the target equity interest which arise between the reference date of valuation and the completion date on the basis of such floor price of the target equity interest as submitted for the open tender by the Daqing Petroleum Administrative Bureau. As at the end of the reporting period, the acquisition has not yet been completed.

In addition, we have launched a series of overseas acquisitions, for example:

In May 2009, PetroChina International (Singapore) Pte. Ltd., an indirectly wholly owned subsidiary of our company, acquired from Keppel Oil and Gas Services Pte Ltd approximately 45.51% share capital in Singapore Petroleum Company Limited (SPC) and completed the mandatory general cash offer for all the remaining shares in the capital of SPC in October, 2009;

In November 2009, Mangistau Investments B.V., a joint venture equally owned by CNPC E&D and JSC National Company KazMunayGas , acquired 100% of the common shares of JSC Mangistaumunaigas, which is

one of the major oil-producing companies in Kazakhstan. CNPC E&D is 50% owned by our company;

In February 2010, PetroChina International Investment Company Limited, a subsidiary of our company, and Canada s Athabasca Oil Sands Corp. (AOSC) entered into a share purchase agreement, a joint venture agreement, a shareholder agreement, a loan agreement and a put/call option agreement for the acquisition of the oil sand asset projects of AOSC; and

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In March 2010, CS CSG (Australia) Pty Ltd entered into an acquisition agreement with Arrow Energy Limited (Arrow) for the acquisition of all the shares in Arrow. Arrow is an Australian integrated energy company focusing on the development of coal seam gas throughout eastern Australia and Asia. CS CSG (Australia) Pty Ltd is a joint venture equally owned by PetroChina International (Singapore) Pte. Ltd. and Shell Energy Holdings Australia Ltd.

Our Corporate Organization and Shareholding Structure

We were established as a joint stock company with limited liability under the Company Law of the PRC on November 5, 1999 as part of a restructuring in which CNPC transferred to us most of the assets and liabilities of CNPC relating to its exploration and production, refining and marketing, chemicals and natural gas businesses. CNPC retained the assets and liabilities relating to its remaining businesses and operations, including assets and liabilities relating to international exploration and production and refining and pipeline operations. CNPC is our primary provider of a wide range of services and products. On April 7, 2000, we completed a global offering of H Shares and ADSs. In September 2005, we completed a follow-on offering of over 3 billion H Shares at the price of HK$6.00 per share. In October 2007, we issued 4 billion A Shares at an issue price of RMB 16.7 per share. The A Shares were listed on the Shanghai Stock Exchange on November 5, 2007. As of December 31, 2009, CNPC beneficially owned 157,919,717,259 shares, which include 155,120,000 H Shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly owned subsidiary of CNPC, representing approximately 86.285% of the share capital of PetroChina.

The following chart illustrates our corporate organization structure as of December 31, 2009:

(1) Indicates approximate shareholding.

(2) Indicates approximate shareholding, including the 155,120,000 H Shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly owned subsidiary of CNPC, as of December 31, 2009.

(3) Includes PetroChina Planning & Engineering Institute, PetroChina Exploration & Development Research Institute, IT Service Center, PetroChina Petrochemical Research Institute and several other companies.

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The following chart illustrates our management structure:

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For a description of our principal subsidiaries, see Note 19 to our consolidated financial statements.

General Information

Our legal name is and its English translation is PetroChina Company Limited. Our headquarters are located at 9 Dongzhimen North Street, Dongcheng District, Beijing, China, 100007, and our telephone number at this address is (86-10) 5998-6223. Our website address is www.petrochina.com.cn. The information on our website is not part of this annual report.

Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

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Exploration and Production

We engage in crude oil and natural gas exploration, development and production. Substantially all of our total estimated proved crude oil and natural gas reserves are located in China, principally in northeastern, northern, southwestern and northwestern China. The Songliao basin, located in Heilongjiang and Jilin provinces in northeastern China, including the Daqing and Jilin oil regions, accounted for 37.6% of our proved crude oil reserves as of December 31, 2009 and 39.9% of our crude oil production in 2009. We also have significant crude oil reserves and operations in the area around the Bohai Bay. The Bohai Bay basin includes the Liaohe, Dagang, Huabei and Jidong oil regions and accounted for 19.5% of our proved crude oil reserves as of December 31, 2009 and 17.8% of our crude oil production in 2009. In 2009, we discovered Tanan, Nanbeier, Yongpinghe and Honggouzi oil fields. Our proved natural gas reserves and production are generally concentrated in northwestern and southwestern China, specifically in the Erdos, Tarim and Sichuan basins. As of December 31, 2009, our overseas proved crude oil reserves accounted for 6.6% of our total proved crude oil reserves and our overseas proved natural gas reserves accounted for 1.4% of our total proved natural gas reserves. In 2009, our overseas crude oil production accounted for 10.4% of our total crude oil production and our overseas natural gas production accounted for 4.5% of our total natural gas production.

We currently hold exploration and exploitation licenses for oil and gas (including coal seam gas) covering a total area of approximately 458.7 million acres, consisting of the exploration licenses covering a total area of approximately 436.7 million acres and the exploitation licenses covering a total area of approximately 22.0 million acres. In 2009, our exploration and production segment had profit from operations of RMB 105,019 million.

To further develop our crude oil and natural gas businesses, we have obtained oil and gas exploration licenses covering an area of 41.82 million acres in South China Sea. The crude oil and natural gas exploration in that area is currently under way.

Reserves

Our estimated proved reserves as of December 31, 2009 totaled approximately 11,262.6 million barrels of crude oil and approximately 63,243.8 billion cubic feet of natural gas. As of December 31, 2009, proved developed reserves accounted for 69.9% and 48.9% of our total proved crude oil and natural gas reserves, respectively. Total proved hydrocarbon reserves on a barrels-of-oil equivalent basis increased by 1.8% from approximately 21,419.5 million barrels-of-oil equivalent as of December 31, 2008 to approximately 21,803.2 million barrels-of-oil equivalent as of December 31, 2009, taking account of our overseas crude oil reserves of 747.0 million barrels and overseas natural gas reserves of 866.9 billion cubic feet, totaling 891.5 million barrels-of-oil equivalent. Natural gas as a percentage of total proved hydrocarbon reserves increased from 47.6% as of December 31, 2008 to 48.3% as of December 31, 2009.

We prepared our reserve estimates as of December 31, 2007, 2008 and 2009 on the basis of reports prepared by two independent engineering consultants, DeGolyer & MacNaughton and Gaffney, Cline & Associates (Consultants) Pte Ltd. Our reserve estimates include only crude oil and natural gas which we believe can be reasonably produced within the current terms of our production licenses. See Regulatory Matters Exploration Licenses and Production Licenses for a discussion of our production licenses. Also see Item 3 Key Information Risk Factors for a discussion of the uncertainty inherent in the estimation of proved reserves.

Our reserve data for 2009 was prepared in accordance with the SEC s final rules on Modernization of Oil and Gas Reporting , which became effective on January 1, 2010 and for annual reports for accounting periods ending on or after December 31, 2009. The comparative information for 2007 and 2008 is not restated.

New SEC Reserve Disclosures

In December 2008, the SEC announced that it had approved revisions designed to modernize the oil and gas company reserve reporting requirements. The most significant amendments to the requirements included the following:

Economic producibility of reserves and discounted cash flows are now based on a 12-month unweighted average commodity price unless contractual arrangements designate the price to be used.

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Probable and possible reserves may be disclosed separately on a voluntary basis.

Reserves may be classified as proved undeveloped if there is a high degree of confidence that the quantities will be recovered and they are scheduled to be drilled within the next five years, unless the specific circumstances justify a longer time.

Reserves may be estimated through the use of reliable technology in addition to flow tests and production history.

Additional disclosure is required regarding the qualifications of the chief technical person who oversees the reserves estimation process. We are also required to provide a general discussion of our internal controls used to assure the objectivity of the reserves estimate.

Reserves in foreign countries or continents must be presented separately if they represent more than 15% of our total oil and gas proved reserves.

The definition of oil and gas producing activities has expanded and focuses on the marketable product rather than the method of extraction.

All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of these data.

Internal Controls Over Reserves Estimates

We have appointed a Reserve Assessment Directing Team (the RAD Team). The leader of the RAD Team is our Vice President in charge of our upstream business. The responsibilities of the RAD Team include:

formulation of reserve development strategies;

arrangement of annual reserves; and

review of the reserve assessment results.

We have established a special reserve management department in our exploration and production segment. Each of the officers and employees of that department has over 20 years experience in oil industry and over 10 years experience in SEC-guided reserve assessment. Many members of that department have national-level registered qualifications in reserve expertise. Each regional company has established a reserve management committee and a multi-disciplinary reserve study office. The reserve study office is responsible for the calculation of the newly discovered reserves and updating of the assessment of the existing reserves. The results of our oil and gas reserve assessment are subject to a two-level review by both the regional companies and our exploration and production company and the final examination and approval of the RAD Team.

In addition, we commissioned independent assessment firms to independently reassess our annually assessed proved reserves in accordance with relevant SEC rules. We disclose the proved reserves so assessed by the independent assessment firms pursuant to relevant SEC requirements.

Third-Party Reserve Report

We commissioned DeGolyer and MacNaughton, an independent petroleum engineering consulting firm based in the United States, to carry out an independent assessment of our reserves in China and certain other countries as of December 31, 2007, 2008 and 2009. DeGolyer and MacNaughton has been providing petroleum consulting services throughout the world for over 70 years. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in our company. The fees of DeGolyer and MacNaughton are not contingent on the results of its evaluation.

Mr. R.M. Shuck, a Senior Vice President with DeGolyer and MacNaughton is primarily responsible for the preparation of our reserve report. Mr. R.M. Shuck is a petroleum engineer and a Registered Professional Engineer in the State of Texas. Mr. R.M. Shuck is also a member of the Society of Petroleum Engineers and has 32 years of experience in oil and gas reservoir studies and evaluations.

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We also commissioned Gaffney, Cline & Associates (Consultants) Pte Ltd, as independent reserve auditors, to carry out an independent assessment of our reserves estimation and valuation in Algeria, Chad, Kazakhstan and Venezuela as of December 31, 2007, 2008 and 2009. Gaffney, Cline & Associates (Consultants) Pte Ltd s senior partners, officers, and employees have no direct or indirect financial interest in either our company or our affiliated companies. Gaffney, Cline & Associates (Consultants) Pte Ltd s remuneration was not in any way contingent upon reported reserve estimates.

The reserve report of Gaffney, Cline & Associates (Consultants) Pte Ltd has been compiled under the supervision of Mr. David S. Ahye Mr. Ahye is Gaffney, Cline & Associates (Consultants) Pte Ltd s regional director for the Asia Pacific region, based in Singapore. He has over 30 years experience in the petroleum industry and has managed numerous reserves certification audits. Mr. Ahye holds a Bachelor s Degree (Honors) in Chemical Engineering.

For detailed information about our net proved reserves estimates, please refer to the summary of the reports of DeGolyer & MacNaughton and Gaffney, Cline & Associates (Consultants) Pte Ltd as filed hereto as exhibit 15.1 and exhibit 15.2 of this annual report.

The following table sets forth our estimated proved reserves (including proved developed reserves and proved undeveloped reserves), proved developed reserves and proved undeveloped reserves of crude oil and natural gas as of December 31, 2007, 2008 and 2009.

	Crude Oil (Millions of barrels)	Natural Gas[(1)] (Bcf)	Combined[(1)] (BOE, in millions)
Proved developed and undeveloped reserves			
Reserves as of December 31, 2007	11,705.6	57,110.6	21,223.9
Revisions of previous estimates	(574.0)	(636.3)	(680.0)
Extensions and discoveries	885.4	6,579.0	1,982.0
Improved recovery	75.0	0	75.0
Production for the year	(870.7)	(1,864.1)	(1,181.4)
Reserves as of December 31, 2008	11,221.3	61,189.2	21,419.5
Revisions of previous estimates	(192.6)	(1,272.8)	(404.6)
Extensions and discoveries	1,004.5	5,439.6	1,911.1
Improved recovery	72.9	0	72.9
Production for the year	(843.5)	(2,112.2)	(1,195.7)
Reserves as of December 31, 2009	11,262.6	63,243.8	21,803.2
Proved developed reserves			
As of December 31, 2007	9,047.1	26,047.1	13,388.3
As of December 31, 2008	8,324.1	26,666.8	12,768.6
As of December 31, 2009	7,870.8	30,948.8	13,038.9
Proved undeveloped reserves			
As of December 31, 2007	2,658.5	31,063.5	7,835.6
As of December 31, 2008	2,897.2	34,522.4	8,650.9
As of December 31, 2009	3,391.8	32,295.0	8,774.3

(1) Represents natural gas remaining after field separation for condensate removal and reduction for flared gas.

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The following tables set forth our crude oil and natural gas proved reserves and proved developed reserves by region as of December 31, 2007, 2008 and 2009.

	As of December 31,					
	2007		2008		2009	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed
	(Millions of barrels)					
Crude oil reserves						
Daqing	3,856.1	3,324.3	3,548.0	2,912.0	3,463.4	2,740.8
Liaohe	1,121.0	888.1	895.9	675.2	795.7	581.8
Xinjiang	1,354.9	1,198.9	1,302.6	1,106.6	1,395.1	1,117.6
Changqing	1,488.9	1,194.8	1,624.5	1,256.7	1,783.8	1,298.8
Jilin	784.2	463.4	819.8	441.0	771.6	393.4
Dagang	523.2	346.7	520.8	352.7	602.9	364.9
Tarim	590.3	379.7	594.0	371.3	584.8	277.0
Huabei	448.0	307.0	431.5	281.8	487.9	298.5
Qinghai	200.1	186.3	177.8	157.5	176.6	146.5
Tuha	164.7	91.7	162.3	97.8	134.6	87.9
Sichuan	9.5	4.4	13.1	3.6	19.9	3.5
Jidong	413.1	126.0	379.2	133.5	314.0	95.0
Other regions[(1)]	751.5	535.8	751.8	534.4	732.3	465.1
Total	11,705.6	9,047.1	11,221.3	8,324.1	11,262.6	7,870.8

	As of December 31,					
	2007		2008		2009	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed
	(Bcf)					
Natural gas reserves[(2)]						
Sichuan	10,400.5	4,365.5	11,285.4	4,030.4	11,177.3	4,219.0
Changqing	19,105.0	6,943.9	19,261.7	6,901.6	20,363.2	9,884.4
Xinjiang	1,537.1	999.3	4,061.8	2,028.7	3,497.9	2,156.6
Daqing	3,039.7	1,046.2	2,961.1	960.6	3,028.1	1,261.4
Qinghai	4,352.8	3,003.5	4,302.1	2,948.4	4,903.2	3,554.9
Tarim	15,114.3	7,918.8	15,516.4	7,722.7	16,892.1	7,758.3
Liaohe	386.4	296.2	283.2	193.6	133.9	100.5
Tuha	581.6	350.4	609.4	382.3	589.8	397.0

Huabei	193.1	119.2	207.8	133.7	140.0	119.6
Dagang	347.4	197.1	289.7	148.9	261.7	93.1
Jilin	1,169.9	104.1	1,180.5	113.4	1,177.0	450.6
Jidong	191.4	40.4	203.3	96.7	137.5	31.8
Other regions[(1)]	691.4	662.5	1,026.8	1,005.8	942.1	921.6
Total	57,110.6	26,047.1	61,189.2	26,666.8	63,243.8	30,948.8

(1) Represents Yumen and other oil regions and our overseas oil and gas fields as a result of our acquisition of overseas assets.

(2) Represents natural gas remaining after field separation for condensate removal and reduction for flared gas.

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Exploration and Development

We are currently conducting exploration and development efforts in 12 provinces, two municipalities under the direct administration of the central government and three autonomous regions in China. We believe that we have more extensive experience in the exploration and development of crude oil and natural gas than any of our principal competitors in China. Since the early 1950s, we have been working on developing exploration and recovery technologies and methods tailored to the specific geological conditions in China.

The following table sets forth the number of wells we drilled, or in which we participated, and the results thereof, for the periods indicated.

Year		Daqing	Xinjiang	Liaohe	Changqing	Huabei	Dagang	Sichuan	Others[1]	Total
2007	**Net exploratory wells drilled**[2]	294	183	68	447	104	70	48	415	1,629
	Crude oil	103	103	49	186	47	59	3	141	691
	Natural gas	12	15		41			30	16	114
	Dry[3]	179	65	19	220	57	11	15	258	824
	Net development wells drilled[2]	4,670	1,350	529	3,087	528	260	83	2,377	12,884
	Crude oil	4,643	1,346	515	2,652	259	252	8	2,208	11,883
	Natural gas	17	4	11	384	269	8	75	163	931
	Dry[3]	10		3	51				6	70
2008	**Net exploratory wells drilled**[2]	234	162	63	583	94	91	67	354	1,648
	Crude oil	71	72	38	207	42	69	2	136	637
	Natural gas	1	15	0	26	0	0	38	12	92
	Dry[3]	162	75	25	350	52	22	27	206	919
	Net development wells drilled[2]	4,238	1,887	356	5,079	415	238	100	2,887	15,200
	Crude oil	4,223	1,868	349	4,469	225	226	2	2,685	14,047
	Natural gas	4	18	6	528	186	8	77	179	1,006
	Dry[3]	11	1	1	82	4	4	21	23	147
2009	**Net exploratory wells drilled**[2]	306	149	77	688	77	67	61	369	1,794
	Crude oil	297	140	77	540	77	67	2	258	1,458
	Natural gas	9	9	0	148	0	0	59	111	336
	Dry[3]	227	69	58	331	27	22	29	278	1,041
	Net development wells drilled[2]	4,924	681	93	7,288	299	155	147	1,516	15,103
	Crude oil	4,923	674	84	6,808	224	148	8	1,162	14,031

Natural gas	1	7	9	480	75	7	139	354	1,072
Dry[3]	10	0	0	133	0	0	23	5	171

(1) Represents the Jilin, Tarim, Tuha, Qinghai, Jidong, Yumen and other oil regions.

(2) Net wells refer to the wells after deducting interests of others. No third parties own any interests in any of our wells.

(3) Dry wells are wells with insufficient reserves to sustain commercial production.

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Oil-and-Gas Properties

The following table sets forth our interests in developed and undeveloped acreage by oil region and in productive crude oil and natural gas wells as of December 31, 2009.

	Productive Wells[1]		Acreage[1]			
			Developed		Undeveloped	
Oil Region	Crude Oil	Natural Gas	Crude Oil	Natural Gas	Crude Oil	Natural Gas
			(Thousands of acres)			
Daqing	46,044	252	839.2	85.3	811.0	112.6
Liaohe	17,454	658	194.8	35.9	92.9	6.4
Xinjiang	19,792	134	304.1	52.0	167.6	27.2
Jilin	16,159	197	304.7	34.1	322.0	19.6
Changqing	23,397	3,853	548.5	2,202.8	537.4	2,725.5
Huabei	5,710	110	148.9	12.3	65.4	2.9
Dagang	3,503	72	107.4	24.5	87.8	21.4
Tuha	1,727	114	51.5	24.8	24.4	10.7
Tarim	1,025	249	107.0	75.7	62.7	275.3
Sichuan	423	1,826	335.5	401.3		520.9
Other regions[2]	5,526	517	74.5	32.5	58.9	25.2
Total	140,760	7,982	3,016.1	2,981.1	2,230.1	3,747.8

(1) Includes all wells and acreage in which we have an interest. No third parties own any interests in any of our wells or acreage.

(2) Represents the Qinghai, Jidong and Yumen and other oil regions.

Approximately 66.0% of our proved crude oil reserves are concentrated in the Daqing, Liaohe and Xinjiang oil regions and the Changqing oil and gas region, and approximately 84.3% of our proved natural gas reserves are concentrated in the Changqing oil and gas region, the Tarim oil and gas region, the Sichuan gas region and the Qinghai oil region. We believe that the Erdos, Junggar, and Songliao basins and Bohai Bay have the highest potential for increasing our crude oil reserve base through future exploration and development, and that the Erdos, Tarim, Sichuan, and Qaidam basins have the highest potential for increasing our natural gas reserve base through future exploration and development.

Production

The following table sets forth our historical average net daily crude oil and natural gas production by region and our average sales price for the periods ended December 31, 2007, 2008 and 2009.

	For the Year Ended December 31,		% of

	2007	2008	2009	2009 Total
Crude oil production[(1)] (thousands of barrels per day, except percentages or otherwise indicated)				
Daqing	847.3	813.2	806.2	34.9
Liaohe	231.3	224.6	202.4	8.8
Xinjiang	249.4	246.9	220.5	9.5
Changqing	246.9	279.8	318.1	13.8
Tarim	131.6	132.7	112.2	4.9
Huabei	90.8	89.7	86.3	3.7
Jilin	120.0	121.2	115.5	5.0

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	For the Year Ended December 31,			% of 2009
	2007	2008	2009	Total
Dagang	91.2	92.2	87.8	3.8
Tuha	44.8	46.7	32.8	1.4
Other[2]	264.5	332.0	329.2	14.2
Total	2,317.8	2,379.0	2,311.0	100
Annual production (million barrels)	846.0	870.7	843.5	
Average sales price				
(RMB per barrel)	496.3	608.1	368.2	
(US$ per barrel)	65.27	87.55	53.9	
Natural gas production[1][3]				
(millions of cubic feet per day, except percentages or otherwise indicated)				
Sichuan	1,329.8	1,364.6	1,381.4	23.9
Changqing	838.4	1,024.5	1,434.1	24.8
Daqing	123.7	136.0	156.5	2.7
Qinghai	286.0	378.1	378.1	6.5
Tuha	111.5	107.0	94.0	1.6
Xinjiang	102.3	129.9	173.4	3.0
Liaohe	43.9	40.8	38.7	0.7
Huabei	39.1	38.9	45.1	0.8
Tarim	1,383.1	1,564.1	1,650.3	28.5
Dagang	43.0	44.2	43.1	0.7
Other[4]	158.7	265.2	392.0	6.8
Total	4,459.5	5,093.3	5,786.7	100
Annual production (Bcf)	1,627.7	1,864.2	2,112.2	
Average sales price				
(RMB per Mcf)	29.2	32.8	32.7	
(US$ per Mcf)	3.84	4.72	4.78	

(1) Production volumes for each region include our share of the production from all of our cooperative projects with foreign companies in that region.

(2) Represents production from the Qinghai, Jidong, Yumen and other oil regions and our share of overseas production as a result of our acquisition of overseas assets.

(3) Represents production of natural gas for sale.

(4) Represents production from the Jilin, Jidong, Yumen and other oil regions and our share of overseas production as a result of our acquisition of overseas assets.

In 2009, we supplied approximately 81.1% of our total crude oil sales to our refineries, 5.5% to Sinopec s refineries, 9.4% to companies or entities outside China, and the remaining 4.0% to regional refineries or other entities. We entered into a crude oil mutual supply framework agreement with Sinopec on December 30, 2009 for the supply of crude oil to each other s refineries in 2010. Under this agreement, we agreed in principle to supply 5.41 million tons of crude oil to Sinopec. For the years ended December 31, 2007, 2008 and 2009, the average lifting costs of our crude oil and natural gas production were US$7.75 per barrel-of-oil equivalent, US$9.48 per barrel-of-oil equivalent and US$9.12 per barrel-of-oil equivalent, respectively.

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Principal Oil and Gas Regions

Daqing Oil Region

The Daqing oil region, our largest oil and gas producing property, is located in the Songliao basin and covers an area of approximately one million acres. The successful discovery and development of the oil fields in the Daqing oil region marked a critical breakthrough in the history of both our company and the PRC oil and gas industry. In terms of proved hydrocarbon reserves and annual production, the Daqing oil region is the largest oil region in China and one of the most prolific oil and gas properties in the world. We commenced exploration activities in the Daqing oil region in 1955 and discovered oil in the region in 1959. Annual crude oil production volume in the Daqing oil region reached one million barrels per day in 1976 and remained relatively stable until 2002. In 2007, 2008 and 2009, our crude oil production volume in the Daqing oil region was 847.3 thousand barrels per day, 813.2 thousand barrels per day, and 806.2 thousand barrels per day, respectively. As of December 31, 2009, we produced crude oil from 20 fields in the Daqing oil region.

As of December 31, 2009, our proved crude oil reserves in the Daqing oil region were 3,463.4 million barrels, representing 30.8% of our total proved crude oil reserves. The proved crude oil reserves in our Daqing oil region have gradually decreased since 1996 because the crude oil production exceeded the crude oil reserve additions in our Daqing oil region in each year since 1996. As of December 31, 2007, 2008 and 2009, the proved crude oil reserves in our Daqing oil region were 3,856.1 million barrels, 3,548.0 million barrels, and 3,463.4 million barrels, respectively. In 2009, our oil fields in the Daqing oil region produced an average of 806.2 thousand barrels of crude oil per day, representing approximately 34.9% of our total daily crude oil production. The crude oil production in our Daqing oil region decreased by 0.86% from 297.6 million barrels in 2008 to 294.3 million barrels in 2009. In 2009, the crude oil reserve-to-production ratio of the Daqing oil region was 11.6 years, compared to 11.92 years in 2008.

The crude oil we produce in the Daqing oil region has an average API gravity of 35.7 degrees. In 2009, the crude oil we produced in the Daqing oil region had an average water cut of 91.5%, increased from the average water cut of 91.2% in 2008.

The crude oil in the Daqing oil region is primarily located in large reservoirs with relatively moderate depths of approximately 900 meters to 1,500 meters and with relatively simple geological structures and most of the crude oil produced at Daqing is medium viscosity oil. Crude oil produced using enhanced recovery techniques accounted for 27.0%, 27.4%, and 30.5% of our crude oil production from the Daqing oil region in 2007, 2008 and 2009, respectively.

Because our oil fields in the Daqing oil region are relatively mature, the difficulty of extracting crude oil from these fields has increased in recent years and is likely to continue to increase gradually in the future. As a result, our lifting costs at these fields increased by 4.0% from US$9.72 per barrel for the year ended December 31, 2008 to US$10.11 per barrel for the year ended December 31, 2009. However, we have adopted a number of measures to control the increase in our lifting costs at these fields. Those measures include:

- implementing ground optimization and simplification projects and reducing investments with low or no return so as to control cost from the source; and

- applying new technologies to reduce energy consumption to increase our ability to maximize profit.

Although we plan to continue to carry out these measures to control the increase in our lifting costs, we expect our lifting costs at these fields will continue to increase gradually in the future.

We have an extensive transportation infrastructure network to transport crude oil produced in the Daqing oil region to internal and external customers in northeastern China and beyond. Crude oil pipelines link our oil fields in the Daqing oil region to the port of Dalian and the port of Qinhuangdao in Bohai Bay, providing efficient transportation for selling Daqing crude oil. These crude oil pipelines have an aggregate length of 2,500 kilometers and an aggregate throughput capacity of approximately 1,067.7 thousand barrels per day.

Daqing s crude oil has a low sulfur and high paraffin content. As many refineries in China, particularly those in northeastern China, are configured to refine Daqing crude oil, we have a stable market for the crude oil we produce

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in the Daqing oil region. In 2009, we refined approximately 76.5% of Daqing crude oil in our own refineries, exported approximately 1.7% and sold the remaining portion to Sinopec or other local refineries.

Liaohe Oil Region

The Liaohe oil region is one of our four largest crude oil producing properties and is located in the northern part of the Bohai Bay basin. We began commercial production in the Liaohe oil region in 1971. The Liaohe oil region covers a total area of approximately 580,000 acres.

As of December 31, 2009, our proved crude oil reserves in the Liaohe oil region were 795.7 million barrels, representing 7.1% of our total proved oil reserves. In 2009, our oil fields in the Liaohe oil region produced an average of 202.4 thousand barrels of crude oil per day, representing approximately 8.8% of our total daily crude oil production. In 2008, the crude oil reserve-to-production ratio in the Liaohe oil region was 11.4 years. In 2009, the crude oil we produced in the Liaohe oil region had an average API gravity of 26 degrees and an average water cut of 81.4%. We have proved crude oil reserves in 38 fields in the Liaohe oil region, all of which are currently in production. We produce several varieties of crude oil in the Liaohe oil region, ranging from light crude oil to heavy crude oil and high pour point crude oil.

We have easy access to crude oil pipelines for Liaohe crude oil. The pipelines linking Daqing to Dalian port and Qinhuangdao port pass through the Liaohe oil region. In 2009, we sold about approximately 87.4% of the crude oil we produced at the Liaohe oil region to our own refineries.

Xinjiang Oil Region

The Xinjiang oil region is one of our four largest crude oil producing properties and is located in the Junggar basin in northwestern China. We commenced our operations in the Xinjiang oil region in 1951. The Xinjiang oil region covers a total area of approximately 900,000 acres.

As of December 31, 2009, our proved crude oil reserves in the Xinjiang oil region were 1,395.1 million barrels, representing 12.4% of our total proved crude oil reserves. In 2009, our oil fields in the Xinjiang oil region produced an average of 220.5 thousand barrels of crude oil per day, representing approximately 9.5% of our total daily crude oil production. In 2009, the crude oil reserve-to-production ratio at the Xinjiang oil region was 17.2 years. In 2009, the crude oil we produced in the Xinjiang oil region had an average API gravity of 36.8 degrees and an average water cut of 77.5%.

Sichuan Gas Region

We began natural gas exploration and production in Sichuan in the 1950s. The Sichuan gas region covers a total area of approximately 2.3 million acres. The natural gas reserve-to-production ratio in the Sichuan gas region was approximately 22.2 years in 2009. As of December 31, 2009, we had 112 natural gas fields under development in the Sichuan gas region.

As of December 31, 2009, our proved natural gas reserves in the Sichuan gas region were 11,177,3 billion cubic feet, representing 17.7% of our total proved natural gas reserves and a decrease of 1.0% from 11,285.4 billion cubic feet as of December 31, 2008. In 2009, our natural gas production for sale in the Sichuan gas region reached 504.2 billion cubic feet, representing 23.9% of our total natural gas production for sale and an increase of 1.0% from 499.4 billion cubic feet in 2008.

In 2007, we discovered significant natural gas reserves in the Guang an field in the Sichuan gas region in our border expansion in that region. As of December 31, 2009, the Guang an gas field had a proved natural gas reserve of 1,541.8 billion cubic feet. We have developed a broad range of technologies relating to natural gas exploration, production, pipeline systems and marketing activities tailored to local conditions in Sichuan.

Changqing Oil and Gas Region

The Changqing oil and gas region covers parts of Shaanxi Province and Gansu Province and the Ningxia and Inner Mongolia Autonomous Regions. We commenced operations in the Changqing oil and gas region in 1970. As

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of December 31, 2009, our proved crude oil reserves in the Changqing oil region were 1,783.8 million barrels, representing 15.8% of our total proved crude oil reserves. In 2009, our crude oil production in the Changqing oil region were an average of 318.1 thousand barrels per day, representing approximately 13.8% of our total daily crude oil production. In 2009, the crude oil reserve-to-production ratio at the Changqing oil region was 18.1 years. In 2009, the crude oil we produced in the Changqing oil region had an average API gravity of 35 degrees and an average water cut of 51.3%.

In the early 1990s, we discovered the Changqing gas field, which had total estimated proved natural gas reserves of 20,363.2 billion cubic feet as of December 31, 2009, representing 32.2% of our total proved natural gas reserves. In January 2001, we discovered the Sulige gas field, which had total estimated proved natural gas reserves of 7,674.1 billion cubic feet as of December 31, 2009. Sulige gas field is currently the largest gas field in China. In 2009 we produced 523.4 billion cubic feet of natural gas for sale in the Changqing oil and gas region, representing an increase of 39.6% from 375.0 billion cubic feet in 2008.

Tarim Oil and Gas Region

The Tarim oil and gas region is located in the Tarim basin in northwestern China with a total area of approximately 590,000 acres. As of December 31, 2009, our proved crude oil reserves in the Tarim oil region were 584.8 million barrels. The Kela 2 natural gas field, which we discovered in 1998 in the Tarim oil and gas region, had proved natural gas reserves of approximately 5,439.2 billion cubic feet as of December 31, 2009. As of December 31, 2009, the proved natural gas reserves in the Tarim oil and gas region reached 16,892.1 billion cubic feet, representing 26.7% of our total proved natural gas reserves.

In 2009, we produced 602.4 billion cubic feet of natural gas for sale in the Tarim oil and gas region. We have completed the construction of the pipelines to deliver natural gas in the Tarim oil and gas region to the central and eastern regions of China where there is strong demand for natural gas transmitted through our West to East natural gas pipeline project. See Natural Gas and Pipeline Nature Gas Transmission Infrastructure for a discussion of our West to East natural gas pipeline project. The commencement of the operation of this West to East natural gas pipeline significantly increased our natural gas production in the Tarim oil and gas region.

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Refining and Chemicals

We now operate 30 enterprises located in nine provinces, four autonomous regions and three municipalities to engage in refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products.

In 2009, our refining and chemicals segment had a profit from operations of RMB17,308 million.

The following sets forth the highlights of our refining and chemicals segment in 2009:

- as of December 31, 2009, our refineries annual primary distillation capacity totaled 975 million barrels of crude oil per year, or 2,671.2 thousand barrels per day;
- we processed 828.6 million barrels of crude oil, or 2.3 million barrels per day; and
- we produced approximately 73.2 million tons of gasoline, diesel and kerosene.

Refining

Refined Products

We produce a wide range of refined products at our refineries. Some of the refined products are for our internal consumption and used as raw materials in our petrochemical operation. The table below sets forth production volumes for our principal refined products for each of the years ended December 31, 2007, 2008 and 2009.

Product	Year Ended December 31, 2007	2008	2009
	(In thousands of tons)		
Diesel	47,345.4	48,294.4	48,827.7
Gasoline	22,018.7	23,465.2	22,114.3
Fuel oil	4,162.0	4,076.5	3,057.1
Naphtha	7,491.9	7,225.8	8,041.2
Asphalt	1,563.4	2,093.3	2,307.1
Kerosene	2,017.2	2,208.8	2,252.9
Lubricants	1,760.4	1,767.9	1,401.1
Paraffin	1,003.0	948.5	770.5
Total	87,362.0	90,080.4	88,771.9

In recent years, we have made significant capital investments in facility expansions and upgrades to improve product quality to meet evolving market demand and environmental requirements in China. In each of the years ended December 31, 2007, 2008 and 2009, our capital expenditures for our refining and chemicals segment were RMB21,499 million, RMB30,619 million and RMB42,558 million, respectively. These capital expenditures were incurred primarily in connection with the expansion of our refining facilities and the upgrading of our product quality.

In 2009, we had completed the construction or renovation of 18 refining projects including, among others, the expansion of the 5 million tons per year refining unit at Huhhot Petrochemical, the renovation of the 5 million tons per year refining unit at Ningxia Petrochemical, and the expansion of the 320,000 tons per year styrene unit at Jilin Petrochemical. In addition, we have also focused on enhancing our processing technologies and methods. These efforts have enabled us to improve the quality of refined products at our refineries, particularly that of gasoline and diesel. We believe that our refined products are capable of meeting product specification and environmental protection requirements as set by the PRC government.

Our Refineries

Most of our refineries are strategically located close to our crude oil production and storage bases, along our crude oil and refined product transmission pipelines and/or railways, which provide our refineries with secure supplies of crude oil and facilitate our distribution of refined products to the domestic markets. In each of the years

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ended December 31, 2007, 2008 and 2009, our exploration and production operations supplied approximately 80%, 77% and 75.4%, respectively, of the crude oil processed in our refineries.

The table below sets forth certain operating statistics regarding our refineries as of December 31, 2007, 2008 and 2009.

	As of December 31,		
	2007	**2008**	**2009**
Primary distillation capacity[1] (thousand barrels per day)			
Lanzhou Petrochemical	212.6	212.6	212.6
Dalian Petrochemical	415.0	415.0	415.0
Fushun Petrochemical	186.2	186.2	236.9
Dushanzi Petrochemical	121.5	121.5	202.4
Daqing Petrochemical	121.5	121.5	121.5
Jinzhou Petrochemical	131.6	131.6	131.6
Jinxi Petrochemical	131.6	131.6	131.6
Jilin Petrochemical	141.7	141.7	141.7
Urumqi Petrochemical	121.5	121.5	121.5
Other refineries	996.9	996.9	956.4
Total	2,580.1	2,580.1	2,671.2
Refining throughput (thousand barrels per day)			
Lanzhou Petrochemical	213.9	202.3	211.6
Dalian Petrochemical	233.5	267.2	281.5
Fushun Petrochemical	196.6	193.1	187.9
Dushanzi Petrochemical	81.2	90.0	120.9
Daqing Petrochemical	124.3	117.1	124.7
Jinzhou Petrochemical	133.6	132.5	117.2
Jinxi Petrochemical	133.6	126.8	79.9
Jilin Petrochemical	146.1	136.3	144.9
Urumqi Petrochemical	106.1	110.3	106.3
Other refineries	887.6	946.4	895.3
Total	2,256.5	2,322.0	2,270.2

	As of December 31,		
	2007	**2008**	**2009**
Conversion equivalent[2] (percent)			
Lanzhou Petrochemical	53.3	53.3	53.3
Dalian Petrochemical	27.8	44.9	44.9
Fushun Petrochemical	70.7	70.7	55.6
Dushanzi Petrochemical	41.7	41.7	57.0
Daqing Petrochemical	76.7	80.0	80.0

Jinzhou Petrochemical	84.6	84.6	84.6
Jinxi Petrochemical	66.2	66.2	66.2
Jilin Petrochemical	61.4	61.4	61.4
Urumqi Petrochemical	51.7	51.7	56.7
Average of other refineries	53.2	55.5	56.9

(1) Represents the primary distillation capacity of crude oil and condensate.

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(2) Stated in fluid catalytic cracking, delayed coking and hydrocracking equivalent/ topping (percentage by weight), based on 100% of balanced distillation capacity.

In each of the years ended December 31, 2007, 2008 and 2009, the average utilization rate of the primary distillation capacity at our refineries was 97.7%, 94.9% and 87.7%, respectively. The average yield for our four principal refined products (gasoline, kerosene, diesel and lubricants) at our refineries was 65.6%, 65.8% and 65.4%, respectively, in the same periods. Yield represents the number of tons of a refined product expressed as a percentage of the number of tons of crude oil from which that product is processed. In each of the years ended December 31, 2007, 2008 and 2009, the yield for all refined products at our refineries was 93.0%, 92.7% and 93.1%, respectively.

Dalian Petrochemical, Fushun Petrochemical, Lanzhou Petrochemical and Dushanzi Petrochemical were our leading refineries in terms of both primary distillation capacity and throughput in 2009. They are all located close to our major oil fields in the northeast and northwest regions of China and produce a wide range of refined products. Lanzhou Petrochemical has a strategic position in our plan to expand our markets in refined product sales in the southwestern and central regions of China. It is located in the northwestern part of China, providing easy access to markets in the southwestern and central regions in China. As of December 31, 2009, these four refineries had an aggregate primary distillation capacity of 389.4 million barrels per year, or 1,066.9 thousand barrels per day, representing approximately 39.9% of the total primary distillation capacity of all our refineries as of the same date. In 2009, these four refineries processed an aggregate of 292.7 million barrels of crude oil, or 801.9 thousand barrels per day, representing approximately 35.3% of our total throughput in the same period.

To maintain effective operations of our facilities and lower production costs, we have endeavored to achieve the most cost-efficient proportions of various types of crude oil in our refining process. We purchase a portion of our crude oil requirements from third-party international suppliers located in different countries and regions. As a result, in 2009, we purchased a small amount of crude oil, through independent suppliers, from Sudan, a country that is on the U.S. sanction list. The Sudanese crude oil we purchased were mingled with crude oil from other sources during the refining process.

Chemicals

Most of our chemical plants are near to our refineries and are also connected with the refineries by pipelines, providing additional production flexibility and opportunities for cost competitiveness. Our exploration and production and natural gas and pipeline operations supply substantially all of the hydrocarbon feedstock requirements for our chemicals operations. We believe that the proximity of our refineries to our chemical plants promotes efficiency in production, secures feedstock supply and minimizes the risk of production interruption. Our production capacity and our market share in China for chemical products allow us to solidify our dominant position in the northern and western regions of China. In addition, our stable customer base in the eastern and southern regions of China provides us with the opportunity to expand our market share in these regions.

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Our Chemical Products

The table below sets forth the production volumes of our principal chemical products for each of the years ended December 31, 2007, 2008 and 2009.

	Year Ended December 31,		
	2007	2008	2009
	(In thousand tons)		
Basic petrochemicals			
Propylene	3,083.2	3,152.4	3,278.0
Ethylene	2,581.5	2,675.6	2,988.9
Benzene	827.8	943.5	1,021.7
Derivative petrochemicals			
Synthetic resin			
Polyethylene	2,101.2	2,153.7	2,434.1
Polypropylene	1,630.2	1,730.0	1,800.9
ABS	215.0	198.9	201.8
Other synthetic resin products	16.1	16.9	43.5
Synthetic fiber			
Polyacrylic fiber	79.3	61.6	72.6
Terylene fiber	48.1	35.7	19.6
Other synthetic fiber products	9.3	9.0	8.0
Synthetic rubber			
Styrene butadiene rubber	210.6	249.6	300.8
Other synthetic rubber products	100.0	94.4	119.3
Intermediates			
Alkylbenzene	197.5	205.4	176.6
Other chemicals			
Urea	3,634.5	3,823.7	3,973.3

We are one of the major producers of ethylene in China. We use the bulk of the ethylene we produce as a principal feedstock for the production of many chemical products, such as polyethylene. As of December 31, 2009, our annual ethylene production capacity was 3,710 thousand tons, representing an increase of 36.9% from 2,710 thousand tons in the year ended December 31, 2008. Our production volume of ethylene increased by 11.7% from 2,675.6 thousand tons in 2008 to 2,988.9 thousand tons in 2009. The petrochemical ethylene projects at Fushun Petrochemical, Sichuan Petrochemical and Daqing Petrochemical have been approved by the National Development and Reform Commission and we are currently in the process of implementing these projects.

In 2009, the monthly average capacity utilization rate at our ethylene production facilities was 98.6%. The cost of ethylene production is an important component of our overall chemical production costs. Reduction of energy consumption and raw material loss is a key factor in reducing ethylene production costs. We have implemented a series of measures to reduce energy consumption. The average energy consumption of our ethylene production facilities was 743.8, 713.8 and 682.2 kilograms of standard oil per ton in 2007, 2008 and 2009, respectively. We plan to continue to implement measures to reduce our energy consumption.

The average ethylene percentage loss at our chemical plants in 2009 was 0.86%. High ethylene percentage loss has contributed to the relatively high cost of our ethylene production. In order to reduce high ethylene percentage loss in

our ethylene production, we will continue to implement a series of measures at our chemical plants in the future, such as improving our process management of key units for ethylene production, reducing unplanned temporary interruptions of our chemical facilities and enhancing pyrolysis material composition and production plans.

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We produce a number of synthetic resin products, including polyethylene, polypropylene and ABS. As of December 31, 2009, our production capacities for polyethylene, polypropylene and ABS were 3,112 thousand tons, 2,524 thousand tons and 325 thousand tons, respectively. In 2009, we produced 2,434.1 thousand tons of polyethylene, 1,800.9 thousand tons of polypropylene and 201.8 thousand tons of ABS, respectively, which respectively increased by 13.0% , 4.1% and 1.5% as compared with 2008. Currently, China imports significant volumes of these products to meet the domestic demand due to an inadequate supply of domestically produced polyethylene and polypropylene. We intend to increase the production, and improve the quality, of these products. We are building new production facilities with new technology for the production of these products in Daqing Petrochemical, Daqing Refining and Chemical, Fushun Petrochemical, Sichuan Petrochemical/Jilin Petrochemical and other branch companies to meet this target.

Marketing of Chemicals

Our chemical products are distributed to a number of industries that manufacture components used in a wide range of applications, including automotive, construction, electronics, medical manufacturing, printing, electrical appliances, household products, insulation, packaging, paper, textile, paint, footwear, agriculture and furniture industries.

The following table sets forth the sales volumes of our chemical products by principal product category for each of the years ended December 31, 2007, 2008 and 2009.

	Year Ended December 31,		
Product	**2007**	**2008**	**2009**
		(In thousands of tons)	
Derivative petrochemicals			
Synthetic resin			
Polyethylene	2,102.4	2,194.9	2,350.5
Polypropylene	1,434.8	1,549.1	1,939.0
ABS	216.7	327.1	302.4
Synthetic fiber			
Terylene fiber	56.6	41.7	18.7
Polyacrylic fiber	71.6	67.5	107.5
Synthetic rubber			
Butadiene styrene rubber	219.0	233.8	327.0
Intermediates			
Alkylbenzene	156.6	164.6	165.4
Other chemicals			
Urea	3,662.2	4,393.2	4,054.1

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Marketing

We engage in the marketing of refined products through 31 regional sales branch companies, three distribution branch companies, one lubricants branch company and one fuel oil company. These operations include the transportation and storage of the refined products, and the wholesale, retail and export of gasoline, diesel, kerosene, lubricant, paraffin, asphalt and other refined products. For the year ended December 31, 2009, our marketing segment had an profit from operations of RMB13,265 million. In 2009, we sold approximately 101.25 million tons of gasoline, diesel and kerosene.

We market a wide range of refined products, including gasoline, diesel, kerosene and lubricants, through an extensive network of sales personnel and independent distributors and a broad wholesale and retail distribution system across China. As of December 31, 2009, our marketing network consisted of:

- Approximately 837 regional wholesale distribution outlets nationwide. Substantially all of these outlets are located in high demand areas such as economic centers across China, particularly in the coastal areas, along major railways and along the Yangtze River; and

- 16,607 service stations owned and operated by us and 655 franchise service stations owned and operated by third parties.

In 2009, we sold approximately 95.4 million tons of gasoline and diesel. The PRC government and other institutional customers, including railway, transportation and fishery operators, are our long-term purchasers of the gasoline and diesel that we produce. We sell gasoline and diesel to these customers at the supply prices for special customers published by the PRC government. See Regulatory Matters Pricing Refined Products for a discussion of refined product pricing. In 2009, sales of gasoline and diesel to these customers accounted for approximately 2.3% and 8.5% of our total sales of gasoline and diesel, respectively.

The following table sets forth our refined product sales volumes for each of the years ended December 31, 2007, 2008 and 2009.

Product	Year Ended December 31, 2007	2008	2009
	(In thousands of tons)		
Diesel	54,376.9	56,081.0	64,659.4
Gasoline	27,003.1	29,399.4	30,777.1
Kerosene	3,781.8	4,797.6	5,816.9
Lubricants	2,378.4	2,003.4	1,795.8

Wholesale Marketing

We sell refined products both directly and through independent distributors into various wholesale markets, as well as to utility, commercial, petrochemical, aviation, agricultural, fishery and transportation companies in China. Our gasoline and diesel sales also include the amount we transferred to our retail operations. We made wholesale sales of approximately 2.35 million tons of gasoline and diesel to Sinopec in 2009, representing approximately 2.5% of our total sales of these products in the same period.

Retail Marketing

The weighted average sales volume of gasoline and diesel per business day at our service station network was 8.4 tons per service station in 2007, 9.6 tons per service station in 2008 and 10.1 tons per service station in 2009.

We sell our refined products to service stations owned and operated by CNPC. These service stations sell exclusively refined products produced or supplied by us in accordance with contractual arrangements between CNPC and us. Under these contractual arrangements, we also provide supervisory support to these service stations.

We currently use for all our service stations.

Most of the service stations in our service station network are concentrated in the northern, northeastern and northwestern regions of China where we have a dominant wholesale market position. However, the eastern and

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southern regions of China have a higher demand for gasoline and diesel. We have made significant efforts in recent years to expand our sales and market share in the eastern and southern regions of China through expanding the number of our service stations and storage facilities in these regions.

We invested a total of RMB10,177 million in expanding our service station network in 2009. In 2009, we sold approximately 27,847 thousand tons of gasoline and diesel through our owned and franchised service stations in the eastern and southern regions of China, as compared to approximately 25,660 thousand tons and 26,370 thousand tons we sold in 2007 and 2008, respectively.

In 2009, we acquired or constructed an aggregate of 692 service stations that are owned and operated by us, of which 480 are in the eastern and southern regions of China. We plan to further increase our retail market share and improve the efficiency of our retail operations, with a continued focus on the eastern and southern regions of China.

We plan to invest approximately RMB12,000 million in 2010 to expand our service station network and storage infrastructure by developing new oil storage facilities, service stations and informationization projects.

The following table sets forth the number of service stations in our marketing network as of December 31, 2009:

Owned and operated by us[(1)]	16,607
Franchised	655
Total	17,262

(1) Includes 462 service stations owned and operated by BP PetroChina Petroleum Company Limited.

In order to improve the efficiency and profitability of our service station network, through several years efforts, we have completed the standardization upgrade of most of our service stations and have further standardized our service procedures, staff uniforms and client service quality of all our service stations. We have been making great efforts to implement a centralized service station computerized management system covering all the service stations across the country. We plan to use this system in all our service stations across the country by end of 2010. In addition, we are making great efforts to promote the use of pre-paid gasoline/diesel filling cards at our service stations. We are developing convenience-store-like service stations with a view to improving the management and client service quality of our service stations. In addition to selling gasoline and diesel, we have planned to gradually increase the sale of lubricants and other non-fuel products at our service stations.

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Natural Gas and Pipeline

We are China s largest natural gas transporter and seller in terms of sales volume, with turnover of RMB77,658 million and total sales volume of 2,105.1 billion cubic feet in 2009. In 2009, our natural gas and pipeline segment generated profit from operations of RMB19,046 million. We sell natural gas primarily to fertilizer and chemical companies, commercial users and municipal utilities owned by local governments. In addition, we also conduct the operation of crude oil and refined product transmission in the natural gas and pipeline segment.

The following table sets forth the length of our natural gas pipelines as of December 31, 2007, 2008 and 2009 and the volume of natural gas sold by us in each of the years ended December 31, 2007, 2008 and 2009.

	As of December 31 or Year Ended December 31,		
	2007	**2008**	**2009**
Total length of natural gas pipelines (km)	22,043	24,037	28,595
Total length of crude oil pipeline (km)	10,559	11,028	13,164
Total length of refined oil products pipeline (km)	2,669	2,656	8,868
Total volume of natural gas sold[(1)] (Bcf)	1,538.7	1,802.8	2,105.1

(1) Representing the natural gas sold to th