PETROCHINA CO LTD
Form 20-F
April 25, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

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

or

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013.

or

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

or

¨ **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)

Wu Enlai

Telephone number: 8610 59985667

Facsimile number: 8610 62095667

Email address: jh_dong@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 158,033,693,528 A Shares held by CNPC and 3,888,384,290 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 x No ¨

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 ¨ No x

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 x No ¨

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 ¨ No ¨

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 x Accelerated Filer ¨ Non-Accelerated Filer ¨

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

¨ U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other

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 ¨ Item 18 ¨

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 ¨ No x

(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 ¨ No ¨

* 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 1,133,986,000 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 incorpo the People s Republic of China with limited liability and its subsidiaries and branch companies.

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. In this annual report, IFRS refers to International Financial Reporting Standards as issued by the International Accounting Standards Board.

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	
1 ton of crude oil	= 1 metric ton of crude oil	= 7.389 barrels of crude oil (assuming an API gravity of 34 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.
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 reserve rules of the Securities and Exchange Commission, or SEC, 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.

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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 reserves	Under the 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 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

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	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.
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 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.

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	(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 and similar expressions, as 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;

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general economic, market and business conditions, including volatility in interest rates, changes in foreign exchange rates and volatility in commodity markets;

liability for remedial actions under environmental regulations;

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 statements.

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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 and Item 16C Principal Accountant Fees and Services .

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$)	
October 2013	6.1209	6.0815
November 2013	6.0993	6.0903
December 2013	6.0927	6.0537
January 2014	6.0600	6.0402
February 2014	6.1448	6.0591
March 2014	6.2273	6.1183
April 2014 (ending as of April 18)	6.2240	6.2064

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

Average Noon Buying Rates[1]

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars for each of 2009, 2010, 2011, 2012 and 2013, 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$)
2009	6.8295
2010	6.7603
2011	6.4475
2012	6.2990
2013	6.1412

(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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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 (except ADS data) and cash flow data for the years ended December 31, 2011, 2012 and 2013 and the selected historical statement of financial position data as of December 31, 2012 and 2013 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, 2009 and 2010 and the selected statement of financial position data as of December 31, 2009, 2010 and 2011 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.

	As at or for the Year Ended December 31				
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB
	(In millions, except for per share and per ADS data)				
Turnover	1,019,275	1,465,415	2,003,843	2,195,296	2,258,124
Total operating expenses	(875,831)	(1,277,638)	(1,821,382)	(2,020,777)	(2,069,482)
Profit from operations	143,444	187,777	182,461	174,519	188,642
Profit before income tax expense	140,032	189,305	184,215	166,811	178,063
Income tax expense	(33,473)	(38,513)	(38,256)	(36,191)	(35,789)
Profit for the year	106,559	150,792	145,959	130,620	142,274
Profit for the year attributable to owners of the parent company	103,387	139,992	132,961	115,326	129,599
Non-controlling interest	3,172	10,800	12,998	15,294	12,675
Basic and diluted earnings per share for profit attributable to owners of the parent company[1]	0.56	0.76	0.73	0.63	0.71
Basic and diluted net earnings per ADS[2]	56.49	76.49	72.65	63.01	70.81
Total current assets	275,606	264,196	361,590	392,805	430,953
Total non-current assets	1,174,682	1,392,291	1,555,996	1,776,091	1,911,157
Total assets	1,450,288	1,656,487	1,917,586	2,168,896	2,342,110
Total current liabilities	388,553	429,736	560,038	574,748	645,489
Total non-current liabilities	154,034	216,622	275,002	413,400	426,686
Total liabilities	542,587	646,358	835,040	988,148	1,072,175
Equity attributable to owners of the parent company	847,223	938,926	1,002,745	1,064,010	1,132,735
Non-controlling interests	60,478	71,203	79,801	116,738	137,200
Total equity	907,701	1,010,129	1,082,546	1,180,748	1,269,935
Other Financial Data					
Dividend per share	0.25	0.34	0.33	0.28	0.32
Dividend per ADS	25.42	34.42	32.69	28.36	31.87
Capital expenditures	266,836	276,212	284,391	352,516	318,696
Net cash flows from operating activities	268,017	318,796	290,155	239,288	288,529
Net cash flows used for investing activities	(267,498)	(299,302)	(283,638)	(332,226)	(266,510)
Net cash flows from/used for financing activities	53,077	(60,944)	9,259	75,356	(12,239)
Return on net assets (%)[3]	12.2	14.9	13.3	10.8	11.4

(1) As at December 31, 2009, 2010, 2011, 2012 and 2013, respectively, basic and diluted earnings per share were calculated by dividing the net profit with the number of shares issued for each of these financial years of 183.021 billion.

(2) Each ADS represents 100 H Shares. The basic and diluted earnings per ADS were calculated with the same method as that used for the calculation of the basic and diluted earnings per share.

(3) Return on net assets is calculated as Profit for the year attributable to owners of the parent company divided by Equity attributable to owners of the parent company .

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Risk Factors

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

Risks Related to Macro Economic Conditions

Our operations may be adversely affected by the international and domestic economic conditions. As the oil and gas industry is sensitive to macro-economic trends, oil and gas prices tend to fluctuate along with the change of macro-economic conditions. We may experience pricing pressure on our refined products in recessionary periods, which would have an adverse effect on our profitability. In 2013, a weaker domestic economy affected the demand for certain of our products. These factors may also lead to intensified competition for market share, with consequential potential adverse effects on volumes. There has been an uptrend in China s overall inflation rate in recent years. Notwithstanding the measures taken by the PRC government to control inflation, China may continue to experience inflation in the near term and our operating costs may become higher than anticipated. The financial and economic situation may also have a negative impact on third parties with whom we do, or may do, business. Any of these factors may adversely affect our financial condition, results of operations and liquidity.

Risks Related to Competition

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 commercial, industrial and residential markets. Over recent years, with further diversification in China s petroleum and petrochemical industry, we have been facing increasingly intense competition from privately-owned companies and foreign-invested enterprises in chemical, sales and oil and gas service sectors. In addition, the rapid development of unconventional oil and gas resources and new energy sources also poses competition with the conventional energy industry. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on identifying new trends, 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.

The eastern and southern regions of China have a higher demand for refined products and chemical products than the western and northern regions. Although we have strived to increase our refinery capacity in the southern regions of China over recent years, 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. We face strong competition from other domestic oil companies. 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.

Risks Related to Outbound Investments

We are subject to various political, legal and regulatory environments in foreign developing countries where we operate, some of which are known to be unstable and differ in certain significant respects from those prevailing in developed countries. Main factors affecting our outbound investments include unstable political situation, unstable tax policies and unstable regulatory regime. CNPC, our controlling shareholder, and its affiliates and subsidiaries 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 transportation and trading and liquefied natural gas, or LNG projects or other business activities. CNPC s overseas asset portfolio includes oil and gas development projects in Iran, Sudan, Cuba and Syria, which

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countries are the subject of U.S. sanctions. 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 that are the subject of U.S. sanctions. These investors may not wish CNPC to make investments or conduct activities in the countries that are the subject of U.S. sanctions, and may divest their investment in us because of our relationship with CNPC and its investments and activities in those countries that are the subject of U.S. sanctions. As a result, the trading prices of our ADSs may be adversely affected.

In July 2012, the U.S. Treasury Department s Office of Foreign Assets Control, OFAC, added Bank of Kunlun Co., Ltd., or Kunlun Bank, an affiliate of our company due to common control by CNPC, to its List of Foreign Financial Institutions Subject to Part 561 pursuant to the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. OFAC reported that Kunlun Bank provided financial services to at least six Iranian banks that were on OFAC s sanctions list during 2012. These financial services included holding accounts, making transfers, and in particular, transfer of a total of US$0.1 billion for Bank Tejarat during early 2012, and paying letters of credit on behalf of the designated banks. Kunlun Bank has not informed us the revenue and profit it generated from such activities in relation to Iran and whether it will discontinue such activities. Our company has no involvement in or control over such activities of Kunlun Bank or CNPC and CNPC subsidiaries and affiliates, and we have never received any revenue or profit derived from these activities.

Risks Related to Government Regulation

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 affected by future changes in certain policies of the PRC government with respect to the oil and gas industry.

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

Because PRC laws, regulations and legal requirements dealing with economic matters 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.

Risks Related to Controlling Shareholder

As of December 31, 2013, CNPC beneficially owned approximately 86.507% 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

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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.

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, materials supply services and financial services. The interests of CNPC and its affiliates as providers of these services and products to us may conflict with our interests.

Risks Related to Pricing and Exchange Rate

Our operations are affected by the volatility of prices for crude oil, refined products and natural gas. We set our crude oil median prices monthly based on the Singapore trading prices for crude oil.

Historically, international prices for crude oil have fluctuated widely in response to changes in many factors, such as global and regional economy and politics and supply and demand for crude oil. We do not have, and will not have, control over the factors affecting international prices for crude oil. Fluctuations in crude oil prices have a significant impact in our results of operations. A decline in crude oil prices may reduce revenues from, and may result in a loss in, our exploration and production segment. Further, 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 reduce demand for our products and affect our operating profits.

Since 2008, the PRC government has further improved its refined oil pricing mechanism. Based on the refined oil pricing mechanism, when there is a change in the average crude oil price in the international market during a given time period, the PRC government can adjust the refined oil prices. However, when international crude oil price experiences sustained increases or becomes significantly volatile, the PRC government may increase its control over the refined oil prices. As a result, the regulation on refined product prices by the PRC government may reduce our profit and cause our refining assets to suffer impairment losses.

We negotiate the actual ex-factory price with natural gas users within the benchmark price and the adjustment range set by the PRC government. When the benchmark price is lower than the international natural gas price, the cost of our imported natural gas will be higher than the selling price of our natural gas, which may reduce our revenues or cause our natural gas assets to suffer impairment losses.

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. Because most of our purchases of crude oil and our outbound investments are settled in foreign currencies, the exchange rates between RMB and U.S. dollars and any other relevant foreign currencies may have an effect on our crude oil purchase costs and investment costs.

Risks Related to Environmental Protection and Safety

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

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A number of provinces 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 in response to the issuance of these provincial regulations. We have included under our asset retirement obligations the costs for these abandonment activities and this asset retirement obligation is based on our best estimate of future abandonment expenditures. In addition, PRC central government or other provincial governments may enact similar regulations or stricter environmental protection regulations. Such potential new regulations could increase our asset retirement costs.

The process of gasoline and diesel fuel quality upgrade is gradually accelerating in China. The *Circular of the State Council regarding the Printing and Issue of the Action Plan for Prevention and Treatment of Air Pollution* issued in September 2013 set forth a definitive schedule for the upgrading of the quality of oil products. Pursuant to the schedule, the China IV standard for auto-use gasoline was implemented on January 1, 2014, the China IV standard for auto-use diesel, which requires that the sulfur content be reduced below 50ppm, will be implemented on January 1, 2015, and the China V standard for auto-use diesel, which requires the sulfur content be reduced below 10ppm, will be adopted across the nation in 2018. Some local governments have earlier implemented local gasoline and diesel fuel standards equivalent to the Euro IV standard. New governmental requirements to improve oil quality impose challenges to our refining and chemicals segment and could increase our costs in oil refining.

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 such as earthquake, tsunami and health epidemics may cause partial interruptions to our operations and property and environmental damage that could have an adverse impact on our financial condition.

Risks Related to Climate Change

In recent years, the oil industry has faced an increasingly severe challenge imposed by the global climate change. Numerous international, domestic and regional treaties and agreements to restrict the emission of greenhouse gas have been executed and become effective. If China or any other country in which we operate business remains committed to the reduction of the emission of greenhouse gas, the legal and regulatory requirements for that purpose may lead to a substantial increase in our capital expenditures and tax expenses and in turn, an increase in our operating costs. As a result, our results of operations and our strategic investment may be adversely affected.

Risks Related to Insurance Coverage

Due to the fact that oil industry is susceptible to high and industry-specific risks in nature, the current ordinary commercial insurance cannot cover all the business areas in which we operate. We maintain

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

Risks Related to Oil and Gas Reserves

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.

We are actively pursuing business opportunities outside China to supplement our domestic resources. For instance, we acquired certain overseas crude oil and natural 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.

Risks Related to Liquidity

We have tried our best endeavors to ensure an appropriate level of liquidity and financing ability. However, as we are currently undergoing constructions in response to a peak in our oil and gas reserves, strengthening capacity building in key areas, constructing new, and expanding some existing, refinery and petrochemical facilities and constructing several natural gas and oil pipelines, we may have to make 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.

Risks Related to Effectiveness of Internal Control over Financial Reporting

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, 2013 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 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.

Risks Related to Audit Reports Prepared by an Auditor who is not Inspected by the Public Company Accounting Oversight Board

Auditors of companies that are registered with the SEC and publicly traded in the United States, including our independent registered public accounting firm, must be registered with the United States Public

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Company Accounting Oversight Board, or the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because the auditors of our company are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, the auditors of our company are not currently inspected by the PCAOB. As a result, investors do not have the benefits of PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in the PRC makes it more difficult to evaluate the effectiveness of our auditor s audit procedures or quality control procedures as compared to auditors outside the PRC that are subject to PCAOB inspections.

Risks Related to SEC Litigation Against Five PRC-based Accounting Firms

In December 2012, the SEC instituted administrative proceedings against the Chinese affiliates of Ernst & Young LLP, KPMG LLP, PricewaterhouseCoopers LLP, and Deloitte LLP, including our independent registered public accounting firm, and also against BDO China Dahua CPA Co., Ltd. (the former BDO affiliate in China), alleging that these firms had violated U.S. securities laws and the SEC s rules and regulations thereunder by failing to provide to the SEC the firms audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the Administrative Law Judge (the ALJ) presiding over the matter reached an initial decision that the firms had each violated the SEC s rules of practice by failing to produce audit work papers directly to the SEC. The initial decision further determined that each of the firms should be censured and barred from practicing before the SEC for a period of six months. This initial decision, however, does not take effect unless and until it is endorsed by the full SEC Commission. Any SEC Commission endorsement or other determination itself could be appealed by the accounting firms in the U.S. court system. While we cannot predict the outcome of the SEC s proceedings, if the accounting firms, including our independent registered public accounting firm, were denied, temporarily or permanently, the ability to practice before the SEC, and we are unable to timely find another registered public accounting firm which can audit and issue a report on our financial statements, we will not be able to meet the reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which may ultimately result in our deregistration by the SEC and delisting from the NYSE, or our market capitalization could decline sharply and the value of your investment in our ADSs could be materially and adversely affected. Moreover, any negative publicity about the SEC s proceedings against these accounting firms may erode investor confidence in China-based, United States listed companies in general and the trading price of our ADSs may be adversely affected.

Risks Related to Employee Misconduct

We may not be able to detect or prevent employee misconduct, including misconduct by senior management, and such misconduct may damage our reputation and could adversely affect the trading price of our ordinary shares and ADSs.

Several former senior management members and directors of our company are being investigated by relevant PRC authorities. We have very limited knowledge of the status or scope of the ongoing investigations and it is difficult for us to assess their ultimate outcome or their impact on our business.

We have re-examined our internal control and corporate governance policies and procedures in order to strengthen our ability to detect and prevent similar and other misconduct. We cannot assure you, however, that we are able to detect or prevent such misconduct in a timely fashion, or at all. If we fail to prevent employee misconduct, our reputation may be harmed, and the trading price of our ordinary shares and ADSs could be adversely affected.

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

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ITEM 4 ***INFORMATION ON THE COMPANY***

Introduction

History and Development of Our Company

Our legal name is and its English translation is PetroChina Company Limited.

We are the largest oil and gas producer and seller occupying a leading position in the oil and gas industry in the PRC and one of the largest companies in the world. We are engaged in a broad range of petroleum and natural gas related activities, including the exploration, development, production and marketing 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 of refined oil products and trading; and the transmission of natural gas, crude oil and refined oil products as well as the sale of natural gas.

Currently, substantially all of our crude oil and natural gas reserves and production-related assets are located in China. Our exploration, development and production activities commenced in the early 1950s. Over more than six decades, we have conducted crude oil and natural gas exploration activities in many regions of China.

We commenced limited refining activities in the mid-1950s. Our chemicals operations commenced in the early 1950s. In the early 1960s, we began producing ethylene. Our natural gas transmission and marketing activities commenced in Sichuan in southwestern China in the 1950s.

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 several countries, which significantly expanded our overseas operations and effectively increased our oil and gas reserves and production volumes. We are currently assessing the feasibility of making further investments in international oil and gas markets. At the same time, we have been gradually increasing the proportion of the imported crude oil. In the year ended December 31, 2013, we imported approximately 476.5 million barrels of crude oil, as compared to 465.6 million barrels and 441.2 million barrels of crude oil in the years ended December 31, 2012 and 2011, respectively.

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.

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, 2013, CNPC beneficially owned 158,325,211,528 shares in PetroChina, which include 291,518,000 H Shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly owned subsidiary of CNPC, representing approximately 86.507% of the share capital of PetroChina.

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

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.

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

Our Corporate Organization Structure

The following chart illustrates our corporate organization structure as of December 31, 2013.

(1) Indicates approximate shareholding.
(2) Indicates approximate shareholding, including the 291,518,000 H Shares indirectly held by CNPC as of December 31, 2013 through Fairy King Investments Limited, a wholly owned overseas subsidiary of CNPC.
(3) Includes PetroChina Planning & Engineering Institute, PetroChina Exploration & Development Research Institute, IT Service Center, PetroChina Petrochemical Research Institute and several other companies.

Acquisitions

In June 2013, the Company, Taikang Asset Management Co., Ltd. (Taikang Asset) and Beijing Guolian Energy Industry Investment Fund (Limited Partnership) (Guolian Fund) jointly incorporated PetroChina United Pipelines Company Limited (the Joint Venture) with a registered capital of RMB40 billion. The Company subscribed to 50% shares of the joint venture by contributing certain pipeline net assets and operations. Taikang Asset subscribed to 30% shares of the Joint Venture for RMB36 billion in cash and Guolian Fund subscribed to 20% shares of the Joint Venture for RMB24 billion in cash.

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

In January 2013, we acquired from Techwin a 95% interest in a risk service contract with a term of 20 years between Techwin and Petroliam Nasional Berhad entered into in 2012, for a consideration of US$223 million.

On February 20, 2013, we entered into a series of agreements with ConocoPhillips to acquire 20% interest in the Poseidon offshore discovery in the Browse Basin and 29% interest in the Goldwyer Shale onshore Canning Basin, for total consideration of US$369 million. We completed this transaction in June 2013.

On June 7, 2013, we acquired from BHP Billiton all of its equity interest in the Browse project located in Western Australia, consisting of a 20% equity interest in the West Browse project and a 8.33% equity interest in the East Browse project, for a total consideration of US$1.71 billion.

In November 2013, we entered into an agreement with Petrobras to acquire all shares in Petrobras Energia Peru S.A. for a total consideration of US$2.6 billion. The acquisition is subject to government approval.

In December 2013, we acquired from ExxonMobil a 25% interest in the West Qurna-1 project in Iraq for a total consideration of US$590 million. In March 2014, we further increased our interest to 32.7% for an additional consideration of US$442 million.

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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. Meanwhile, we have been further extending our overseas cooperation and expediting our strategic deployment in five major overseas oil and gas cooperation regions by conducting new project development. In the year ended December 31, 2013, the crude oil and natural gas produced by us at overseas regions accounted for 12.2% and 4.9% of our total production of crude oil and natural gas, respectively.

We currently hold exploration and exploitation licenses for oil and gas (including coal seam gas) covering a total area of approximately 420.93 million acres, consisting of the exploration licenses covering a total area of approximately 394.786 million acres and the exploitation licenses covering a total area of approximately 26.145 million acres.

The following table sets forth the financial and operating data of our exploration and production segment for each of the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,		
	2011	2012	2013
Revenue (RMB in millions)	774,777	789,818	783,694
Income from operations (RMB in millions)	219,539	214,955	189,698
Proved developed and undeveloped reserves			
Crude oil (million barrels)	11,128.2	11,018.0	10,820.3
Natural gas (Bcf)	66,653.0	67,581.2	69,322.6
Production			
Crude oil (million barrels)	886.1	916.5	932.9
Natural gas for sale (Bcf)	2,396.4	2,558.8	2,801.9

Reserves

Our estimated proved reserves as of December 31, 2013 totaled approximately 10,820.3 million barrels of crude oil and approximately 69,322.6 Bcf of natural gas. As of December 31, 2013, proved developed reserves for crude oil and natural gas accounted for 66.7% and 47.3% of our total proved crude oil and natural gas reserves, respectively. Total proved hydrocarbon reserves on a BOE basis increased by 0.4% from approximately 22,281.5 million BOE as of December 31, 2012 to approximately 22,374.1 million BOE as of December 31, 2013, taking account of our overseas crude oil reserves of 843.2 million barrels and overseas natural gas reserves of 1,238.0 Bcf, totaling 1,049.6 million BOE. Natural gas as a percentage of total proved hydrocarbon reserves increased from 50.6% as of December 31, 2012 to 51.6% as of December 31, 2013.

We prepared our reserve estimates as of December 31, 2011, 2012 and 2013 on the basis of reports prepared by independent engineering consultants, namely DeGolyer and MacNaughton, Gaffney, Cline & Associates (Consultants) Pte Ltd, Gaffney, Cline & Associates, Inc., McDaniel & Associates Consultants Ltd. and GLJ Petroleum Consultants. 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 or within the terms of the licenses which we are reasonably certain can be renewed. 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 2011, 2012 and 2013 were prepared in accordance with the SEC s final rules on Modernization of Oil and Gas Reporting .

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Internal Controls Over Reserves Estimates

We have appointed a Reserve Assessment Directing Team, or the RAD Team. The leader of the RAD Team is our Vice President in charge of our upstream business.

Over recent years, we have been implementing a practicing professional certification regime to supervise our employees engaged in oil and gas reserve evaluation and auditing functions. We have set up a team of reserve auditors covering our headquarter office and major regional companies to perform the auditing of our reserves. Meanwhile, 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 evaluation. 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 research office. Mr. Zhang Junfeng, the Director of the Reserve Administration Department of the exploration and production segment, is in charge of the reserve estimation of the company. Mr. Zhang holds a doctor s degree in geology. He has over 15 years of working experience in oil and gas exploration and development. He has been working in reserve study and management since 2009 and is a state-certified reserve valuer. Mr. Zhang has been the technical person primarily responsible for overseeing the preparation of the reserves estimates, oil and gas reserve estimation technology and management for several years. The reserve research offices of the regional companies are 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

DeGolyer and MacNaughton, an independent petroleum engineering consulting firm based in the United States, carried out an independent assessment of our reserves in China and certain other countries as of December 31, 2011, 2012 and 2013. Mr. Thomas C. Pence, the Senior Vice President of DeGolyer and MacNaughton, is primarily responsible for supervising the preparation of our reserve report. Mr. Pence is a Registered Professional Engineer, a member of the International Society of Petroleum Engineers, and has over 30 years of experience in oil and gas reservoir studies and reserve evaluations.

Gaffney, Cline & Associates (Consultants) Pte Ltd., an engineering consulting firm based in Singapore, carried out an independent assessment of our reserves estimation and valuation in certain countries such as Algeria and Chad as of December 31, 2011, 2012 and 2013. The reserve report of Gaffney, Cline & Associates (Consultants) Pte Ltd has been compiled under the supervision of Mr. David S. Ahye, the firm s director for the Asia Pacific region. He has over 30 years experience in the petroleum industry and holds a Bachelor s Degree (Honors) in Chemical Engineering.

Gaffney, Cline & Associates, Inc., an engineering consulting firm based in Houston, carried out an assessment of our reserves in the Halfaya oilfield in Iraq as of December 31, 2012 and 2013. Mr. Sakowski is the project manager for the reserves evaluation project of our Halfaya oilfield. He is a mechanical engineer and holds a master s degree in project management. Mr. Sakowski is a member of the Society of Petroleum Engineers, and Alberta APGG. He has nearly 35 years international experience in the oil and gas industry.

McDaniel &Associates Consultants Ltd., a petroleum consulting firm with its headquarters in Canada, carried out an independent assessment of our reserves held through PetroKazakhstan Inc. as of December 31, 2012 and 2013. Mr. Bryan Emslie, the Senior Vice President of McDaniel &Associates Consultants Ltd., is

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responsible for supervising the preparation of our reserve report. Mr. Bryan Emslie is a member of the Society of Petroleum Evaluation Engineers and the Society of Petroleum Engineers. He has over 30 years experience in oil and gas reservoir evaluation.

GLJ Petroleum Consultants (GLJ), a petroleum consulting firm based in Canada, carried out an independent assessment of our reserves for Groundbirch gas field as of December 31, 2013. Ms. Trisha MacDonald is the project manager for the evaluation of our Groundbirch gasfield natural gas reserve. She is a senior engineer and has over 10 years relevant experience. Mr. Jodi L. Anhorn, the Executive Vice President and Chief Operation Officer of GLJ, is the technical supervisor for the evaluation of our Groundbirch gas field natural gas reserve. As an internationally recognized oil and gas resource evaluation expert, Mr. Jodi L. Anhorn has over 20 years of working experience.

None of the above consulting firms or their partners, senior officers or employees has any direct or indirect financial interest in our company and the remunerations to the firms are not in any way contingent upon reported reserve estimates.

For detailed information about our net proved reserves estimates, please refer to the summary reports of reserves filed hereto as exhibits 15.1, 15.2, 15.3, 15.4 and 15.5 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, 2011, 2012 and 2013.

	Crude Oil (Millions of barrels)	Natural Gas[(1)] (Bcf)	Combined (BOE, in millions)
Proved developed and undeveloped reserves			
Reserves as of December 31, 2011	11,128.2	66,653.0	22,237.0
Revisions of previous estimates	(16.3)	(2,730.5)	(471.2)
Extensions and discoveries	736.5	6,217.5	1,772.7
Improved recovery	86.1		86.1
Production for the year	(916.5)	(2,558.8)	(1,343.1)
Reserves as of December 31, 2012	11,018.0	67,581.2	22,281.5
Revisions of previous estimates	(124.1)	(6,415.4)	(1,193.2)
Extensions and discoveries	774.8	10,958.7	2,601.3
Improved recovery	84.4		84.4
Production for the year	(932.9)	(2,801.9)	(1,400.0)
Reserves as of December 31, 2013	10,820.3	69,322.6	22,374.1
Proved developed reserves			
As of December 31, 2011	7,458.3	32,329.4	12,846.5
As of December 31, 2012	7,395.7	31,606.5	12,663.4
As of December 31, 2013	7,219.6	32,813.1	12,688.5
Proved undeveloped reserves			
As of December 31, 2011	3,669.9	34,323.6	9,390.5
As of December 31, 2012	3,622.3	35,974.7	9,618.1
As of December 31, 2013	3,600.7	36,509.5	9,685.6

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

Our proved undeveloped reserves were 9,685.6 million BOE in 2013. The main changes in our proved undeveloped reserves in 2013 include (i) the conversion of 1,596.4 million BOE of proved undeveloped reserves into proved developed reserves; and (ii) an increase of 1,663.9 million BOE in proved undeveloped reserves through extensions and discoveries as well as revisions of previous data as a result of improved discoveries. In

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2013, we spent RMB131,700 million on developing proved undeveloped reserves. The overwhelming majority of our proved undeveloped reserves are situated around the oil fields that are currently producing. The majority of our proved undeveloped reserves are already scheduled for development within five years after initial booking.

Some of our natural gas proved undeveloped reserves are being developed more than five years after their initial disclosure primarily due to the effect of long-term natural gas supply contracts. The sale of natural gas produced from our reserves located in China is subject to our long-term contractual obligations to provide a stable supply of natural gas to customers. We sell all of the natural gas through our pipelines and under long-term supply arrangements with customers.

There are mainly two types of long-term supply arrangements. The first is multi-years supply contracts with terms ranging from 20 to 30 years that can be extended upon mutual agreement. The second type is renewable annual contracts. Majority of the natural gas produced from our gas fields in China is put into our nationwide, long-range pipeline system and sold to customers who have entered into multi-years supply contracts with us in the areas where the long-range pipeline system covers. A small portion of the natural gas produced by our company is put into local or internal pipeline systems and sold to customers in the areas adjacent to the company s gas fields. These customers typically have formed de-facto long-term relationships with our company over the years and enter into supply contracts with us before the yearend to determine the amount of gas to be purchased for the next year, with such contracts being renewed every year. In general, our supply relationships with customers under the annual contracts have existed for more than ten years.

Mainly as a result of our contractual obligations to ensure long-term stable supply of natural gas to customers, we must maintain a relatively large amount of proved undeveloped natural gas reserves and develop them over an extended period of time, and in some cases longer than five years.

The following tables set forth our crude oil and natural gas proved reserves and proved developed reserves by region as of December 31, 2011, 2012 and 2013.

	As of December 31,					
	2011		2012		2013	
	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	2,925.2	2,296.3	2,697.1	2,078.1	2,484.9	1,895.2
Changqing	2,097.3	1,439.8	2,257.7	1,623.2	2,383.5	1,745.3
Xinjiang	1,477.0	1,081.5	1,512.5	1,050.2	1,548.6	1,024.7
Other regions[1]	4,628.7	2,640.7	4,550.7	2,644.2	4,403.3	2,554.4
Total	11,128.2	7,458.3	11,018.0	7,395.7	10,820.3	7,219.6

	As of December 31,					
	2011		2012		2013	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed
	(bcf)					
Natural gas reserves[2]						
Changqing	22,113.1	11,446.7	22,521.1	11,111.9	22,610.0	11,275.3
Tarim	19,270.8	7,148.3	20,250.4	7,939.3	20,770.7	8,967.2
Sichuan	10,938.1	4,339.7	10,976.7	3,270.3	12,490.3	3,488.4
Other regions[1]	14,331.0	9,394.7	13,833.0	9,285.0	13,451.6	9,082.2

Total	66,653.0	32,329.4	67,581.2	31,606.5	69,322.6	32,813.1

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(1) Represents other oil regions in China and our overseas oil and gas fields.
(2) Represents natural gas remaining after field separation for condensate removal and reduction for flared gas.

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 as well as in certain regions in other countries. 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.

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	Changqing	Others[1]	Total
2011						
	Net exploratory wells drilled[2]	258	197	697	643	1,795
	Crude oil	231	153	381	344	1,109
	Natural gas	7	4	72	96	179
	Dry[3]	20	40	244	203	507
	Net development wells drilled[2]	4,664	1,554	8,298	3,762	18,278
	Crude oil	4,626	1,547	7,076	3,328	16,577
	Natural gas	25	7	1,089	403	1,524
	Dry[3]	13		133	31	177
2012						
	Net exploratory wells drilled[2]	178	129	737	707	1,751
	Crude oil	163	84	434	313	994
	Natural gas	8		129	229	366
	Dry[3]	7	45	174	165	391
	Net development wells drilled[2]	4,498	2,018	9,289	4,127	19,932
	Crude oil	4,464	2,012	8,098	3,052	17,626
	Natural gas	10	6	1,050	1,030	2,096
	Dry[3]	24		141	45	210
2013						
	Net exploratory wells drilled[2]	182	128	1,072	636	2,018
	Crude oil	164	89	638	298	1,189
	Natural gas	8		150	179	337
	Dry[3]	10	39	284	159	492
	Net development wells drilled[2]	4,909	1,716	5,981	4,181	16,787
	Crude oil	4,893	1,700	4,899	2,804	14,296
	Natural gas	9	16	994	1,336	2,355
	Dry[3]	7		88	41	136

(1) Represents the Liaohe, Jilin, Huabei, Dagang, Sichuan, Tarim, Tuha, Qinghai, Jidong, Yumen, Zhejiang, southern 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.

We had 945 wells in the process of being drilled and 9,619 wells with multiple completions as of December 31, 2013.

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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, 2013.

	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	66,399	300	1,000.23	94.78	676.08	104.11
Changqing	49,866	8,387	964.92	4,595.24	551.39	1,428.70
Xinjiang	29,485	202	375.50	65.10	158.08	18.10
Other regions[2]	67,262	4,988	1,471.10	904.45	840.77	1,173.29
Total	213,012	13,877	3,811.75	5,659.57	2,226.32	2,724.20

(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 Liaohe, Jilin, Huabei, Dagang, Sichuan, Tarim, Tuha, Qinghai, Jidong, Yumen, Zhejiang, southern and other oil regions.

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, 2011, 2012 and 2013.

	For the Year Ended December 31,			% of
	2011	2012	2013	2013 Total
Crude oil production[1]				
(thousands of barrels per day, except percentages or otherwise indicated)				
Daqing	804.4	799.3	797.5	31.2
Changqing	405.2	456.4	492.0	19.3
Xinjiang	220.7	222.7	234.8	9.2
Other[2]	997.4	1,025.8	1,031.4	40.3
Total	2,427.7	2,504.2	2,555.8	100.0
Annual production (million barrels)	886.1	916.5	932.9	
Average sales price (US$ per barrel)	104.20	103.65	100.42	
Natural gas production[1][3]				
(millions of cubic feet per day, except percentages or otherwise indicated)				
Tarim	1,548.7	1,739.2	1,995.3	26.0
Changqing	2,122.9	2,421.5	2,865.9	37.3
Sichuan	1,296.8	1,198.6	1,148.9	15.0
Other[4]	1,597.1	1,632.1	1,666.1	21.7
Total	6,565.5	6,991.4	7,676.3	100.0
Annual production (Bcf)	2,396.4	2,558.8	2,801.9	
Average realized price (US$ per Mcf)[5]	4.74	5.04	5.61	

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

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(2) Represents production from the Liaohe, Jilin, Huabei, Dagang, Tarim, Tuha, 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 Daqing, Qinghai, Tuha, Xinjiang, Liaohe, Huabei, Dagang, Jilin, Jidong, Yumen and other oil and gas regions and our share of overseas production as a result of our acquisition of overseas assets.
(5) For natural gas citygate price, please refer to Item 5 Operating and Financial Review and Prospects Overview .

In 2013, we supplied a substantial majority of our total crude oil sales to our refineries. In addition, we entered into a crude oil mutual supply framework agreement with Sinopec on January 1, 2014 for the supply of crude oil to each other s refineries in 2014. Under this agreement, we agreed in principle to supply 4.08 million tons of crude oil to Sinopec in 2014. For the years ended December 31, 2011, 2012 and 2013, the average lifting costs of our crude oil and natural gas production were US$11.23 per BOE, US$11.74 per BOE and US$13.23 per BOE, respectively.

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. In 2011, 2012 and 2013, our crude oil production volume in the Daqing oil region was 804.4 thousand barrels per day, 799.3 thousand barrels per day and 797.5 thousand barrels per day, respectively. As of December 31, 2013, we produced crude oil from 37 fields in the Daqing oil region.

As of December 31, 2013, our proved crude oil reserves in the Daqing oil region were 2,484.9 million barrels, representing 23.0% of our total proved crude oil reserves. As of December 31, 2011 and 2012, the proved crude oil reserves in our Daqing oil region were 2,925.2 million barrels and 2,697.1 million barrels, respectively. In 2013, the crude oil reserve-to-production ratio of the Daqing oil region was 8.4 years.

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 in the Daqing oil region.

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, 2013, our proved crude oil reserves in the Xinjiang oil region were 1,548.6 million barrels, representing 14.3% of our total proved crude oil reserves. In 2013, our oil fields in the Xinjiang oil region produced an average of 234.8 thousand barrels of crude oil per day, representing approximately 9.2% of our total daily crude oil production. In 2013, the crude oil reserve-to-production ratio at the Xinjiang oil region was 18.1 years.

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 29.8 years in 2013. As of December 31, 2013, we had 114 natural gas fields under

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development in the Sichuan gas region. In 2013, our proved gas reserves increased by 187.5 billion cubic meters in the Anyue gasfield located in the Sichuan gas region. This is the largest ever monomer marine uncompartmentalized carbonate gas reservoir discovered in China and represents one of our major breakthroughs in the exploration of gas reserves.

As of December 31, 2013, our proved natural gas reserves in the Sichuan gas region were 12,490.3 Bcf, representing 18.0% of our total proved natural gas reserves and an increase of 13.8% from 10,976.7 Bcf as of December 31, 2012. In 2013, our natural gas production for sale in the Sichuan gas region reached 419.4 Bcf, representing 15.0% of our total natural gas production for sale.

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. As of December 31, 2013, our proved crude oil reserves in the Changqing oil region were 2,383.5 million barrels, representing 22.0% of our total proved crude oil reserves. In 2013, our crude oil production in the Changqing oil region was an average of 492.0 thousand barrels per day, representing approximately 19.3% of our total daily crude oil production. In 2013, the crude oil reserve-to-production ratio at the Changqing oil region was 13.3 years.

In the early 1990s, we discovered the Changqing gas region, which had total estimated proved natural gas reserves of 22,610.0 Bcf as of December 31, 2013, representing 32.6% of our total proved natural gas reserves. In January 2001, we discovered the Sulige gas field in Changqing gas region, which had total estimated proved natural gas reserves of 11,131.9 Bcf as of December 31, 2013. Sulige gas field is currently the largest gas field in China. In 2013, we produced 1,046.1 Bcf of natural gas for sale in the Changqing oil and gas region, representing an increase of 18.0% from 886.3 Bcf in 2012.

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. In 1998, we discovered the Kela 2 natural gas field in the Tarim oil and gas region. As of December 31, 2013, the proved natural gas reserves in the Tarim oil and gas region reached 20,770.7 Bcf, representing 30.0% of our total proved natural gas reserves.

In 2013, we produced 728.3 Bcf 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-East Gas Pipeline. See Natural Gas and Pipeline Natural Gas Transmission Infrastructure for a discussion of our West-East Gas Pipeline.

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Refining and Chemicals

We now operate 29 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.

The following table sets forth the financial and operating data of our refining and chemicals segment for each of the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,		
	2011	2012	2013
Revenue (RMB in millions)	847,711	883,218	871,815
Loss from operations (RMB in millions)	(61,866)	(43,511)	(24,392)
Crude oil processed (million barrels)	984.6	1,012.5	992.3
Crude oil primary distillation capacity (million barrels/year)	1,129.0	1,160.8	1,174.1
Production of refined oil products (thousand tons)	87,150	91,016	90,282

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, 2011, 2012 and 2013.

	Year Ended December 31,		
Principal Product	**2011**	**2012**	**2013**
	(In thousands of tons)		
Diesel	59,040	59,227	56,876
Gasoline	25,447	28,381	29,294
Kerosene	2,663	3,408	4,112
Lubricants	1,573	1,838	1,886
Fuel oil	3,717	3,874	3,802
Naphtha	10,301	9,876	9,056

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 railways, which provide our refineries with secure supplies of crude oil and facilitate our distribution of refined products to the domestic markets. In 2013, we further optimized our production processes and increased our refinery capacity. We completed 14 gasoline quality upgrading projects in 2013 and all our auto-use gasoline are in compliance with the China IV standard. In 2013, we completed a 10 million tons per year refinery project at Sichuan Petrochemical, and commenced the construction of a 10 million tons per year refinery project at Yunnan Petrochemical after having obtained the governmental approval. In each of the years ended December 31, 2011, 2012 and 2013, our exploration and production operations supplied approximately 64.9% , 66.3% and 68.8%, respectively, of the crude oil processed in our refineries.

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The table below sets forth certain operating statistics regarding our refineries as of December 31, 2011, 2012 and 2013.

	As of December 31,		
	2011	2012	2013
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	236.9	236.9	222.7
Dushanzi Petrochemical	202.4	202.4	202.4
Guangxi Petrochemical	202.4	202.4	202.4
Jilin Petrochemical	198.4	198.4	198.4
Other refineries	1,625.6	1,712.6	1,763.2
Total	3,093.3	3,180.3	3,216.7
Refining throughput (thousand barrels per day)			
Lanzhou Petrochemical	213.2	202.3	212.6
Dalian Petrochemical	302.8	329.1	281.9
Fushun Petrochemical	134.7	152.2	167.8
Dushanzi Petrochemical	169.5	180.7	183.4
Guangxi Petrochemical	183.5	174.1	137.3
Jilin Petrochemical	185.0	168.5	173.5
Other refineries	1,508.7	1,559.6	1,562.0