CNOOC LTD
Form 20-F
April 23, 2010

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

FORM 20-F

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

OR

ý 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

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________________ to _______________

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 ________________

Commission File Number 1-14966

CNOOC LIMITED

(Exact name of Registrant as specified in its charter)

Hong Kong
(Jurisdiction of incorporation or organization)

65th Floor, Bank of China Tower
One Garden Road, Central
Hong Kong
(Address of principal executive offices)

Yongzhi Jiang
65th Floor, Bank of China Tower
One Garden Road, Central
Hong Kong
Tel +852 2213 2500
Fax +852 2525 9322
(Name, telephone, e-mail and/or facsimile number and address of company 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 shares of par value HK$0.02 per share	New York Stock Exchange, Inc.
Shares of par value HK$0.02 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.

Shares, par value HK$0.02 per share 44,669,199,984

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ý No ¨

If this report 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 ý

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) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant is required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý 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 ý

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 ý 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 ¨

International Financial Reporting Standards as issued by the International Accounting Standards Board ý

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 ý

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* Not for trading, but only in connection with the registration of American depositary shares.

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TERMS AND CONVENTIONS

Definitions

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

- "CNOOC" are to our controlling shareholder, China National Offshore Oil Corporation, a PRC state-owned enterprise, and its affiliates, excluding us and our subsidiaries;
- "CNOOC Limited" are to CNOOC Limited, a Hong Kong limited liability company and the registrant of this annual report;
- "Our company", "we", "our" or "us" are to CNOOC Limited and its subsidiaries;
- "China" or "PRC" are to the People's Republic of China, excluding for purposes of geographical reference in this annual report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China.
- "Hong Kong Stock Exchange" or "HKSE" are to The Stock Exchange of Hong Kong Limited;
- "HK$" are to the Hong Kong dollar, the legal currency of the Hong Kong Special Administrative Region;
- "HKICPA" are to the Hong Kong Institute of Certified Public Accountants;
- "HKFRS" are to all Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations approved by the Council of the HKICPA;
- "IASB" are to the International Accounting Standards Board;
- "IFRS" are to all International Financial Reporting Standards, including International Accounting Standards and Interpretations, as issued by the International Accounting Standards Board;
- "Rmb" are to Renminbi, the legal currency of the PRC; and
- "US$" are to U.S. dollar, the legal currency of the United States of America.

Conventions

We have translated amounts from Renminbi into U.S. dollars solely for the convenience of the reader at the noon buying rate for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009 of US$1.00=Rmb 6.8259. We have also translated amounts in Hong Kong dollars solely for the convenience of the reader at the noon buying rate for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009 of US$1.00=HK$7.7536. We make no representation that the Renminbi amounts or Hong Kong dollar amounts could have been, or could be, converted into U.S. dollars at those rates on December 31, 2009, or at all. For further information on exchange rates, see "Item 3—Key Information—Selected Financial Data."

Totals presented in this annual report may not total correctly due to rounding of numbers.

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Except as otherwise noted, all information in this annual report relating to our oil and natural gas reserves is based upon estimates prepared by independent petroleum engineering consulting companies and reviewed by us. In calculating barrels-of-oil equivalent amounts, we have assumed that 6,000 cubic feet of natural gas equals one BOE, with the exception of natural gas from certain fields which is converted using the actual heating value of the natural gas.

Glossary of Technical Terms

Unless otherwise indicated in the context, references to:

- "API gravity" means the American Petroleum Institute's scale for specific gravity for liquid hydrocarbons, measured in degrees.

- "appraisal well" means an exploration well drilled after a successful wildcat well to gain more information on a newly discovered oil or gas reserve.

- "condensate" means a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure and exists in the liquid phase at surface pressure and temperature when produced.

- "crude oil" means crude oil and liquids, including condensate, natural gas liquids and liquefied petroleum gas.

- "LNG" means liquefied natural gas.

- "exploration well" means a well drilled to find either a new field or a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well.

- "natural gas liquids" means light hydrocarbons that can be extracted in liquid form from natural gas through special separation plants.

- "net wells" means a party's working interest in wells.

- "developed oil and gas reserves" means any category of reserves 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 any well.

- "proved oil and gas reserves" means 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.

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(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.

- “undeveloped oil and gas reserves” means 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.

- “PSC” means production sharing contract.

- “share oil” means the portion of production that must be allocated to the relevant government entity under our PSCs in the PRC.

For further definitions relating to reserves:

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- "reserve replacement ratio" means, for a given year, total additions to proved reserves, which consist of additions from purchases, discoveries and extensions and revisions of prior reserve estimates, divided by production during the year. Reserve additions used in this calculation are proved developed and proved undeveloped reserves; unproved reserve additions are not used. Data used in the calculation of reserve replacement ratio is derived directly from the reserve quantity reconciliation prepared in accordance with U.S. Accounting Standards Codification 932-235-50, which reconciliation is included in "Supplementary Information on Oil and Gas Producing Activities" beginning on page S-1 of this annual report. However, the reserve replacement ratio of 2007 also includes the reserve additions and production of an investee company accounted for by us using the equity method, which were not included in the reconciliation found in "Supplementary Information on Oil and Gas Producing Activities." In 2007, the inclusion of the reserve additions and production of this investee company did not have a material impact on our reserve replacement ratio.

Our reserve replacement ratio reflects our ability to replace proved reserves. A rate higher than 100% indicates that more reserves were added than produced in the period. However, this measure has limitations, including its predictive and comparative value. Reserve replacement ratio measures past performance only and fluctuates from year to year due to differences in the extent and timing of new discoveries and acquisitions. It is also not an indicator of profitability because it does not reflect the cost or timing of future production of reserve additions. It does not distinguish between reserve additions that are developed and those that will require additional time and funding to develop. As such, reserve replacement ratio is only one of the indices used by our management in formulating its acquisition, exploration and development plans.

- "reserve-to-production ratio" means the ratio of proved reserves to annual production of crude oil or, with respect to natural gas, to wellhead production excluding flared gas.

- "seismic data" means data recorded in either two-dimensional (2D) or three-dimensional (3D) form from sound wave reflections off of subsurface geology.

- "success" means a discovery of oil or gas by an exploration well. Such an exploration well is a successful well and is also known as a discovery. A successful well is commercial, which means there are enough hydrocarbon deposits discovered for economical recovery.

- "wildcat well" means an exploration well drilled in an area or rock formation that has no known reserves or previous discoveries.

References to:

- bbls means barrels, which is equivalent to approximately 0.134 tons of oil (33 degrees API);
- mmbbls means million barrels;
- BOE means barrels-of-oil equivalent;
- mcf means thousand cubic feet;
- mmcf means million cubic feet;
- bcf means billion cubic feet, which is equivalent to approximately 283.2 million cubic meters; and
- BTU means British Thermal Unit, a universal measurement of energy.

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FORWARD-LOOKING STATEMENTS

This annual report includes “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “plan”, “predict” a similar expressions are also intended to identify such forward-looking statements.

These forward-looking statements address, among others, such issues as:

- the amount and nature of future exploration, development and other capital expenditures,
- wells to be drilled or reworked,
- development projects,
- exploration prospects,
- estimates of proved oil and gas reserves,
- potential reserves,
- development and drilling potential,
- expansion and other development trends of the oil and gas industry,
- business strategy,
- production of oil and gas,
- development of undeveloped reserves,
- expansion and growth of our business and operations,
- oil and gas prices and demand,
- future earnings and cash flow, and
- our estimated financial information.

These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance and financial condition to differ materially from our expectations, including those associated with fluctuations in crude oil and natural gas prices, our exploration or development activities, our capital expenditure requirements, our business strategy, the highly competitive nature of the oil and natural gas industry, our foreign operations, environmental liabilities and compliance requirements, and economic and political conditions in the PRC and overseas. For a description of these and other risks and uncertainties, see “Item 3—Key Information—Risk Factors.”

Consequently, all of the forward-looking statements made in this annual report are qualified by these cautionary statements. We cannot assure that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected effect on us, our business or our operations.

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SPECIAL NOTE ON THE FINANCIAL INFORMATION AND CERTAIN STATISTICAL INFORMATION PRESENTED IN THIS ANNUAL REPORT

Our consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 included in this annual report on Form 20-F have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission, or the SEC, which became effective on March 4, 2008, we are not required to provide a reconciliation to Generally Accepted Accounting Principles in the United States.

The statistical information set forth in this annual report on Form 20-F relating to China is taken or derived from various publicly available government publications that have not been prepared or independently verified by us. This statistical information may not be consistent with other statistical information from other sources within or outside China.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable, but see "Item 6—Directors, Senior Management and Employees—Directors and Senior Management."

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following tables present selected historical financial data of our company as of and for the years ended December 31, 2007, 2008 and 2009. Except for amounts presented in U.S. dollars, the selected historical consolidated statement of financial position data and consolidated statement of comprehensive income data as of and for the years ended December 31, 2007, 2008 and 2009 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and their notes under "Item 18—Financial Statements" and "Item 5—Operating and Financial Review and Prospects" in this annual report. As disclosed above under Special Note on the Financial Information and Certain Statistical Information Presented in this annual report, our consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009 have been prepared and presented in accordance with IFRS.

	Year ended December 31,			
	2007	2008	2009	2009
	Rmb	Rmb	Rmb	US$
	(in millions, except per share and per ADS data)			
Statement of Comprehensive Income Data:				
Operating revenues:				
Oil and gas sales	73,037	100,831	83,914	12,294
Marketing revenues	17,397	22,967	20,752	3,040
Other income	290	2,179	529	77
Total operating revenues	90,724	125,977	105,195	15,411
Expenses:				
Operating expenses	(8,040)	(9,990)	(12,490)	(1,830)
Production taxes	(3,497)	(4,889)	(3,647)	(534)
Exploration expenses	(3,432)	(3,410)	(3,234)	(474)
Depreciation, depletion and amortization	(7,936)	(10,058)	(15,943)	(2,336)
Special oil gain levy	(6,837)	(16,238)	(6,357)	(931)
Impairment and inventory provision	(614)	(1,541)	(7)	(1)
Crude oil and product purchases	(17,083)	(22,675)	(20,455)	(2,997)
Selling and administrative expenses	(1,741)	(1,743)	(2,264)	(332)
Others	(345)	(1,568)	(473)	(69)
	(49,525)	(72,112)	(64,870)	(9,504)
Interest income	673	1,091	638	94
Finance costs	(2,032)	(415)	(535)	(78)
Exchange gains/ (losses), net	1,856	2,551	54	8

Investment income	902	476	200	29
Share of profits of associates	719	374	173	25
Non-operating income/ (expenses), net	(7)	(62)	(34)	(5)
Profit before tax	43,310	57,880	40,821	5,980
Tax	(12,052)	(13,505)	(11,335)	(1,661)
Profit for the year	31,258	44,375	29,486	4,319
Earnings per share (basic)(a)	0.72	0.99	0.66	0.10
Earnings per share (diluted) (b)	0.72	0.99	0.66	0.10
Earnings per ADS (basic) (a)	71.68	99.44	66.01	9.67
Earnings per ADS (diluted) (b)	71.48	99.08	65.86	9.65
Dividend per share				
Interim	0.122	0.175	0.176	0.03
Proposed final	0.159	0.176	0.176	0.03

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	As of December 31,			
	2007	2008	2009	2009
	Rmb	Rmb	Rmb	US$
	(in millions)			
Statement of Financial Position Data:				
Cash and cash equivalents	23,357	19,762	22,615	3,313
Available-for sale financial assets/Short term investments	6,688	11,661	8,582	1,257
Current assets	55,732	63,770	70,871	10,383
Property, plant and equipment, net	118,880	138,358	165,320	24,219
Investments in associates	2,031	1,785	1,727	253
Intangible assets	1,331	1,206	1,230	180
Long term available-for-sale financial assets	1,819	1,550	3,120	457
Total assets	179,793	206,669	242,268	35,492
Current liabilities	21,402	18,799	31,042	4,547
Long term bank loans, net of current portion	2,720	7,115	11,817	1,731
Long term guaranteed notes	8,326	6,749	6,753	989
Total long term liabilities	24,077	27,632	37,291	5,463
Total liabilities	45,479	46,431	68,333	10,010
Capital stock	41,986	43,078	43,078	6,311
Shareholders' equity	134,315	160,238	173,936	25,482

(a) Earnings per share (basic) and earnings per ADS (basic) for each year from 2007 to 2009 have been computed, without considering the dilutive effect of the shares underlying our share option schemes and, as applicable, convertible bonds, by dividing profit by the weighted average number of shares and the weighted average number of ADSs of 43,605,437,212 and 436,054,372, respectively, for 2007, 44,623,856,311 and 446,238,563, respectively, for 2008 and 44,669,199,984 and 446,692,000, respectively, for 2009, in each case based on a ratio of 100 shares to one ADS.

(b) Earnings per share (diluted) and earnings per ADS (diluted) for each year from 2007 to 2009 have been computed, after considering the dilutive effect of the shares underlying our share option schemes and, as applicable, convertible bonds, by using 43,731,936,869 shares and 437,319,369 ADSs for 2007, 44,786,097,516 shares and 447,860,975 ADSs for 2008 and 44,771,714,329 shares and 447,717,143 ADSs for 2009.

(c) For the purposes of this chart, the exchange rate used for the conversion of dividends from Renminbi into U.S. Dollars is the noon buying rate for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the year for which the applicable dividend was issued.

	Year ended December 31,			
	2007	2008	2009	2009
	Rmb	Rmb	Rmb	US$
	(in millions, except percentages and ratios)			
Other Financial Data:				
Capital expenditures paid(1)	26,942	36,410	42,610	6,242
Cash provided by (used for):				
Operating activities	41,301	55,738	52,858	7,744
Investing activities	(21,374)	(48,984)	(40,541)	(5,939)
Financing activities	(10,799)	(10,129)	(9,403)	(1,378)

Ratio of total debt to total capitalization	7.9%	8.0%	9.7%	9.7%

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(1)Capital expenditures paid excludes acquisition capital expenditures.

We publish our financial statements in Renminbi. Unless otherwise indicated, all translations from Renminbi to U.S. dollars have been made at a rate of Rmb 6.8259 to US$1.00, the noon buying rate for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009. We do not represent that Renminbi or U.S. dollar amounts could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rate above or at all.

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The following table sets forth the noon buying rates for U.S. dollars for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
Period	End	Average(1)	High	Low
	(Rmb per US$1.00)			
2005	8.0702	8.1998	8.2765	8.0702
2006	7.8041	7.9723	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8307	6.8470	6.8176
October 2009	6.8264		6.8292	6.8248
November 2009	6.8271		6.8300	6.8255
December 2009	6.8259		6.8299	6.8244
January 2010	6.8268		6.8295	6.8258
February 2010	6.8258		6.8330	6.8258
March 2010	6.8258		6.8270	6.8254

(1) Determined by averaging the noon buying rates on the last business day of each month during the relevant period.

As of March 31, 2010, the noon buying rate for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York was Rmb 6.8258 to US$1.00.

Unless otherwise indicated, all translations from Hong Kong dollars to U.S. dollars have been made at a rate of HK$7.7536 to US$1.00, the noon buying rate for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009. We do not represent that Hong Kong dollar or U.S. dollar amounts could be converted into U.S. dollars or Hong Kong dollars, as the case may be, at any particular rate, the rate above or at all.

The following table sets forth the noon buying rates for U.S. dollars for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated.

	Noon Buying Rate			
Period	End	Average(1)	High	Low
	(HK$ per US$1.00)			
2005	7.7533	7.7755	7.7999	7.7514
2006	7.7771	7.7681	7.7928	7.7506
2007	7.7984	7.8008	7.8289	7.7497
2008	7.7499	7.7862	7.8159	7.7497
2009	7.7536	7.7514	7.7618	7.7495
October 2009	7.7497		7.7502	7.7495
November 2009	7.7500		7.7501	7.7495
December 2009	7.7536		7.7572	7.7495
January 2010	7.7665		7.7752	7.7539
February 2010	7.7619		7.7716	7.7619
March 2010	7.7647		7.7648	7.7574

(1) Determined by averaging the noon buying rates on the last business day of each month during the relevant period.

As of March 31, 2010, the noon buying rate for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York was HK$7.7647 to US$1.00.

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B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

We urge you to consider carefully the risks described below. Although we have established the Enterprise Risk Management system to identify, evaluate and manage risks, our business activities are subject to the following risks, each of which could have a material adverse effect on our operations and financial condition.

Our business, revenues and profits fluctuate with changes in oil and gas prices

Prices for crude oil fluctuate widely in response to relatively minor changes in the supply and demand for oil, market uncertainty and various other factors that are beyond our control, including, but not limited to overall economic conditions, consumer demand for oil and natural gas, political developments, the ability of petroleum producing nations to set and maintain production levels and prices, the price and availability of other energy sources, domestic and foreign government regulations, and weather conditions.

In addition, our typical contracts with gas buyers include provisions for periodic resets and adjustment formulas that depend on a basket of crude oil prices and inflation as well as various other factors. These resets and adjustment formulas can result in natural gas price fluctuations.

Even relatively modest declines in crude oil and/or natural gas prices may adversely affect our business, revenues and profits. Lower oil and gas prices may result in the write-off of higher cost reserves and other assets and may lower our earnings or cause losses. Lower oil and gas prices may also reduce the amount of oil and natural gas we can produce economically and render existing contracts that we have entered into uneconomical.

The oil and gas reserve estimates in this annual report may require substantial revision as a result of future drilling, testing, production and oil and gas price changes

The reliability of reserve estimates depends on a number of factors, including the quality and quantity of technical and economic data, the prevailing oil and gas prices for our production, the production performance of reservoirs, extensive engineering judgments, and the fiscal regime in the PRC and overseas where we have operations or assets.

Many of the factors, assumptions and variables involved in estimating reserves are beyond our control and may prove to be incorrect over time. Consequently, the results of drilling, testing and production may require substantial upward or downward revisions in our initial reserves data.

Any failure to replace reserves and develop our proved undeveloped reserves could adversely affect our business and our financial position

Exploring for, developing and acquiring reserves is highly risky and capital intensive. Our exploration and development activities involve inherent risks, including the risk that we will not encounter commercially productive oil or gas reservoirs. In addition, approximately 51.7% of our proved reserves were undeveloped as of December 31, 2009. Our future success will depend on our ability to develop these reserves in a timely and cost-effective manner. There are various risks in developing reserves, including construction, operational, geophysical, geological and regulatory risks.

Our future prospects largely depend on our capital expenditure plans, which are subject to various risks

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Our ability to maintain and increase our revenues, profit and cash flows depends upon continuing capital spending, which is subject to a number of contingencies, some of which are beyond our control. These variables include: cash flows from operations, the availability and terms of external financing, our ability to execute our project plans and commence production on time, approvals required from foreign governments for certain capital expenditures and investments outside the PRC, and economic, political and other conditions in the PRC and overseas where we have operations.

Therefore, our actual capital expenditures and investments in the future may differ significantly from our current planned amounts. If we are unable to obtain sufficient funding for our operations or development plans, our business, revenues, profit and cash flows could be adversely affected.

Any failure to implement our natural gas business strategy may adversely affect our business and financial position

As part of our business strategy and to meet increasing market demand in China, we continue to expand our natural gas business. In addition to the risks that affect our business generally, this strategy involves certain risks and uncertainties, including our limited market share compared to PetroChina Company Limited, or PetroChina, and China Petroleum & Chemical Corporation, or Sinopec, and the underdeveloped natural gas transmission and supply infrastructure and market in China. We are evaluating the options to invest in CNOOC's LNG projects in China. However, we have not decided whether to exercise these options. The options are subject to various conditions, including the receipt of certain governmental approvals.

CNOOC largely controls us and we regularly enter into related party transactions with CNOOC and its affiliates

CNOOC indirectly owned 64.41% of our shares as of March 31, 2010. As a result, CNOOC is able to control the composition of the board of directors of our company, or our Board, determine the timing and amount of our dividend payments and otherwise control us. If CNOOC takes actions that favor its interests over ours, our results of operations and financial position may be adversely affected.

In addition, we regularly enter into transactions with CNOOC and its affiliates, such as China Oilfield Services Limited, or COSL, and Offshore Oil Engineering Co., Ltd., or CNOOC Engineering. Some of our transactions with CNOOC and its affiliates constitute connected transactions under the Hong Kong Stock Exchange Listing Rules. Furthermore, these connected transactions are subject to review by the Hong Kong Stock Exchange and may also be subject to the prior approval of our independent shareholders. If we do not obtain these approvals, we will not be allowed to effect these transactions and our business operations and financial condition could be adversely affected.

Under current PRC law, CNOOC has the exclusive right to enter into PSCs with foreign oil and gas companies for oil exploration and production offshore China. Although CNOOC has undertaken to us that it will transfer all of its rights and obligations under any new PSCs to us, except those relating to its administrative functions. The interests of CNOOC in entering into PSCs with international oil and gas companies may differ from our interests, especially with respect to the criteria for determining whether, and on what terms, to enter into PSCs. Our future business development may be adversely affected if CNOOC does not enter into new PSCs on terms that are acceptable to us.

Our business performance relies heavily on our sales to large domestic customers and a substantial drop in such sales could have a material adverse effect on our results of operations

We sell a significant proportion of our production to CNOOC-affiliated companies, Sinopec, and PetroChina. However, we currently do not have long-term crude oil sales contracts with these customers. Our business, results of operations and financial condition could be adversely affected if any of them significantly reduced their crude oil purchases from us.

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We have limited control over our investments in joint ventures and our operations with partners

Many of our operations are conducted with partners or in joint ventures in which we have limited ability to influence or control their operation or future development. For instance, we acquired a 45% interest in the offshore oil mining lease, or the OML130, in Nigeria, in April 2006. Our limited ability to influence or control the operation or future development of such joint venture could materially and adversely affect the realization of our target returns on capital and lead to unexpected future costs.

The oil and natural gas industries are very competitive

We compete in the PRC and international markets with major integrated and other independent oil and gas companies for oil and gas properties or leases, customers, capital financing and business opportunities, including desirable oil and gas prospects. We also compete for the equipment and personnel required to explore, develop and operate oil and gas properties. The performance of our competitors may also affect the international market price for comparable crude oil, which in turn would likely affect the price of our crude oil.

Extreme weather conditions may have a material and adverse impact on us and could result in losses that are not covered by insurance

Our exploration, development and production activities can be adversely affected by extreme weather conditions, which could result in loss of hydrocarbons, environmental pollution, damage to our properties, cessation of activities, delay of project plans, and increases in costs of drilling, completing and operating wells.

We maintain insurance coverage against some, but not all, potential losses. We do not maintain business interruption insurance for all of our oil and gas fields. We may suffer material losses resulting from uninsurable or uninsured risks or insufficient insurance coverage.

Changes in laws and regulations could have an adverse effect on our operation

We currently have operations and assets mainly in the PRC and also in various foreign countries and regions, including Indonesia, Australia, Nigeria, Myanmar and certain other countries, and may expand our operations into other countries to further enhance our reserve base and diversify our geographic risk profile. Our non-PRC interests may be adversely affected by changes in governmental policies or social instability or other political, economic or diplomatic developments in or affecting these foreign nations which are not within our control, including, among other things, a change in crude oil or natural gas pricing policy, the risks of war and terrorism, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, foreign exchange rate fluctuations and currency controls.

Our operations are subject to laws and regulations in countries in which we operate. Changes in such laws and regulations could change environmental protection requirements and increase taxes, royalties and other amounts payable to governments or governmental agencies. Such changes may increase our cost of compliance or tax burden, which could materially and adversely affect our net income and result of operations.

In addition, the operations and assets that we currently have or in the future may have in foreign countries and regions may be materially and adversely affected by trade or economic sanctions that may be imposed by other countries due to their deteriorated relations with each other.

The war and terrorism activities could materially and adversely affect us

We have operations and assets in certain countries and regions with a high degree of political risk, such as Nigeria and Myanmar. We face the risks of kidnapping, damage to property and business interruption caused by terrorism activities. The act of terrorism could materially and adversely affect our business, financial condition and results of operations.

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Our controlling shareholder, CNOOC, or its affiliates' activities in certain countries that are the subject of U.S. sanctions could result in negative media and investor attention to us

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels with respect to any current or future activities by CNOOC or its affiliates in countries that are the subject of U.S. sanctions. It is possible that the United States could subject CNOOC to sanctions due to these activities. Certain U.S. state and local governments and colleges have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain countries that are the subject of U.S. sanctions, such as Iran or Sudan. It is possible that the activities of CNOOC or its affiliates may affect the investment in our shares by such U.S. state and local governments and colleges.

It is possible that, as a result of activities by CNOOC or its affiliates in these countries, we may be subject to negative media or investor attention, which may distract management, consume internal resources and affect investors' perception of our company. Nonetheless, if such events were to occur, we do not believe that enforcement of current U.S. sanctions (including the imposition of the maximum sanctions permissible under current law and regulations on CNOOC) would have a material adverse effect on our results of operations or financial condition. However, we are aware of pending draft legislation, now passed in somewhat different versions by both houses of the U.S. Congress, that would seek to have the property of companies that export certain levels of refined petroleum products to Iran, or provide certain levels of assistance to Iran in importing or producing refined petroleum products, blocked by the U.S. President. It is possible that CNOOC could engage in activities targeted by the draft legislation. If such draft legislation were enacted as now pending, and the U.S. President determined that CNOOC engaged in the prohibited activities, he could direct the blocking of CNOOC's property within U.S. jurisdiction. The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers current U.S. sanctions involving blocked property under laws with language very similar to that in both versions of the draft legislation. If OFAC were delegated responsibility to implement the current text of the draft legislation and applied its current interpretations that majority-owned subsidiaries of a blocked entity are also blocked, this could prohibit CNOOC Limited from engaging in business activities in the United States or with U.S. individuals or entities, and could also prohibit U.S. transactions in our securities and distributions to U.S. individuals and entities with respect to our securities.

We may be penalized if we fail to comply with existing or future environmental laws and regulations

Our business is subject to environmental protection laws and regulations in the PRC, as well as other jurisdictions where we operate. Our compliance with such laws or regulations may require us to incur significant capital expenditures or other obligations or liabilities, which could create a substantial financial burden on us. Furthermore, these jurisdictions may impose fees and fines for the discharge of waste substances or serious environmental pollution, and authorize a government, at its discretion, to close or suspend any facility which fails to comply with orders requiring it to cease or cure operations causing environmental damage.

Government control of currency conversion and future movements in exchange rates may adversely affect our operations and financial condition

A portion of our Renminbi revenue may need to be converted into other currencies by our wholly owned principal operating subsidiary in the PRC, CNOOC China Limited, to meet our substantial requirements for foreign currency, including: debt service on foreign currency denominated debt, overseas acquisitions of oil and gas properties, purchases of imported equipment, and payment of dividends declared in respect of shares held by international investors.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency denominated obligations, are subject to the approval requirements of the State Administration for Foreign

Exchange.

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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. The appreciation of Renminbi against U.S. dollar may cause a decrease in our oil sales, since the benchmark oil prices are usually in U.S. dollars.

Certain legal restrictions on dividend distribution may have a material adverse effect on our cash flows

We are a holding company. Our businesses are owned and conducted through various wholly owned subsidiaries, including CNOOC China Limited, our wholly foreign-owned enterprise in the PRC. Accordingly, our future cash flows will consist principally of dividends from our subsidiaries. Our PRC subsidiary's ability to pay dividends to us is subject to PRC laws and regulations. Therefore, there is a risk that we may not be able to maintain sufficient cash flows due to these restrictions on dividend distribution.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT

Our legal and commercial name is CNOOC Limited. We were incorporated with limited liability on August 20, 1999 in Hong Kong under the Hong Kong Companies Ordinance. Our business registration number in Hong Kong is 685974. Under our memorandum of association, we may do anything which we are permitted to do by any enactment or rule of law. Our head office is located at 65th Floor, Bank of China Tower, One Garden Road, Central, Hong Kong, and our telephone number is 852-2213-2500.

The PRC government established CNOOC, our controlling shareholder, as a state-owned offshore petroleum company in 1982 under the Regulation of the People's Republic of China on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises. CNOOC assumed certain responsibility for the administration and development of PRC offshore petroleum operations with foreign oil and gas companies.

Prior to CNOOC's reorganization in 1999, CNOOC and its various affiliates performed both commercial and administrative functions relating to oil and natural gas exploration and development offshore China.

In 1999, CNOOC transferred all of its then current operational and commercial interests in its offshore petroleum business, including the related assets and liabilities, to us. As a result, we and our subsidiaries are the only vehicles through which CNOOC engages in oil and gas exploration, development, production and sales activities both in and outside the PRC.

CNOOC retained its commercial interests in operations and projects not related to oil and gas exploration and production, as well as all of the administrative functions it performed prior to the reorganization.

CNOOC has undertaken to us that:

- we will enjoy the exclusive right to exercise all of CNOOC's commercial and operational rights under PRC laws and regulations relating to the exploration, development, production and sales of oil and natural gas offshore China;

- it will transfer to us all of its rights and obligations under any new PSCs and geophysical exploration operations, except those relating to its administrative functions;

- it will not engage or be interested, directly or indirectly, in oil and natural gas exploration, development, production and sales in or outside the PRC;

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- we will be able to participate jointly with CNOOC in negotiating new PSCs and to set out our views to CNOOC on the proposed terms of new PSCs;
- we will have unlimited and unrestricted access to all data, records, samples and other original data owned by CNOOC relating to oil and natural gas resources;
- we will have an option to invest in LNG projects in which CNOOC invested or proposed to invest, and CNOOC will at its own expense help us to procure all necessary government approvals needed for our participation in these projects; and
- we will have an option to participate in other businesses related to natural gas in which CNOOC invested or proposed to invest, and CNOOC will procure all necessary government approvals needed for our participation in such business.

The undertakings from CNOOC will cease to have any effect:

- if we become a wholly owned subsidiary of CNOOC;
- if our securities cease to be listed on any stock exchange or automated trading system; or
- 12 months after CNOOC or any other PRC government-controlled entity ceases to be our controlling shareholder.

For information on our capital expenditures, see "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures and Investments."

B. BUSINESS OVERVIEW

Overview

CNOOC Limited is an upstream company specialized in the exploration, development and production of oil and natural gas. It is a major oil and natural gas producer in offshore China and, in terms of reserves and production, it is also one of the largest independent oil and natural gas exploration and development companies in the world. As of the end of 2009, the Company had net proved reserves of 2.66 billion BOE, including approximately 1.67 billion barrels of crude oil and 5,944.0 bcf of natural gas. In 2009, the Company had an average daily production of approximately 509,696 barrels of crude oil and approximately 653.5 mmcf of natural gas, representing a total net oil and gas production of 623,896 BOE per day.

Competitive Strengths

We believe that our historical success and future prospects are directly related to a combination of our strengths, including the following:

- large proved reserve base with significant exploitation opportunities;
- sizable operating areas with demonstrated exploration potential;
- successful independent exploration and development record;
- competitive cost structure;

- reduced risks and access to capital and technology through PSCs; and
- experienced management team.

Large proved reserve base with significant exploitation opportunities

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We have a large net proved reserves base of approximately 2.66 billion BOE as of December 31, 2009. As of such date, approximately 51.7% of our net proved reserves were classified as net proved undeveloped. Our large proved reserve base gives us the opportunity to achieve substantial production growth.

Sizable operating area with demonstrated exploration potential

In 2009, we and our foreign partners have together drilled a total of 89 exploration wells in China's sizable offshore exploration area, including 49 wildcat wells with a success rate of approximately 34.7%. For the year ended December 31, 2009, we and our foreign partners made 15 discoveries and two discovery, respectively, offshore China.

Successful independent exploration and development record

In 2009, we achieved a success rate of approximately 36.6% on our 41 offshore China independent wildcat wells. As of December 31, 2009, independent properties accounted for 63.3% of our total net proved reserves. In 2009, we independently completed nine of our development projects in offshore China.

Competitive cost structure

For the year ended December 31, 2009, our total offshore China lifting costs, also known as production costs, were US$10.07 per BOE. Lifting costs consist of operating expenses and production taxes. We have minimized our offshore China lifting costs through various measures, including more efficient use of existing offshore facilities and adoption of new technologies in our operations. We believe that such a cost structure allows us to compete effectively even when crude oil prices are low.

Reduced risks and access to capital and technology through PSCs

PSCs help us minimize our offshore China finding costs, exploration risks and capital requirements because our foreign partners are responsible for all costs associated with exploration. Our foreign partners recover their exploration costs only if a commercially viable discovery is made.

Experienced management team

Our senior management team has extensive experience in the oil and gas industry, and most of our executives have been with the CNOOC group since its inception in 1982. We evolved from a company heavily reliant on production sharing contracts with foreign partners to a company with a balance of both independent and production sharing contract operations. Our management team and staff have had the opportunity to work closely with foreign partners both within and outside China. We have implemented international management practices, including incentive compensation arrangements such as share option schemes. See "Item 6—Directors, Senior Management and Employees—Share Ownership."

Business Strategy

We intend to continue expanding our oil and gas exploration and production activities and, where appropriate, to continue making strategic investments in natural gas businesses. The principal components of our strategy are as follows:

- focus on reserve and production growth;
- develop natural gas business; and

- maintain prudent financial policy.

Focus on reserve and production growth

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As an upstream company specialized in the exploration, development and production of oil and natural gas, we consider reserves and production growth as top priority. We plan to increase our reserves through drill bits and opportunistic acquisitions. We plan to concentrate our independent exploration efforts on existing operating areas, especially in our major areas offshore China. While maintaining and increasing our independent exploration efforts, we also plan to continue to enter into PSCs with foreign partners to lower capital requirements and exploration risks.

We plan to increase production primarily through the development of our net proved undeveloped reserves. As of December 31, 2009, approximately 51.7% of our proved reserves were classified as net proved undeveloped, which gives us the opportunity to achieve substantial production growth even without additional reserve discoveries, assuming that we will be able to develop these reserves more quickly than we deplete our currently producing reserves.

Develop natural gas business

We plan to capitalize on the growth potential of the PRC natural gas market. We plan to continue to explore and develop natural gas fields. To the extent we invest in businesses and geographic areas where we have limited experience and expertise, we plan to structure our investments as alliances or partnerships with parties possessing the relevant experience and expertise.

Maintain prudent financial policy

We will continue to maintain our prudent financial policy, so as to preserve our low cost structure and operational efficiency. We plan to:

- apply up-to-date drilling, production and offshore engineering technology to our operations through our oilfield service providers;
- proactively manage service contracts and cooperate with our oilfield service providers to improve exploration efficiency and reduce exploration costs; and
- maintain high production volume levels for each well basis and increase the productivity of producing wells.

Currently, we have a strong financial profile with a low leverage ratio. We intend to maintain our financial strength by managing key measures such as capital expenditures, cash flows and fixed charge coverage. We intend to actively manage our trade receivable and inventory positions to enhance liquidity and improve profitability. We will continue to monitor our foreign currency denominated debt and to minimize our exposure to foreign exchange rate fluctuations.

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Selected Operating and Reserves Data

The following table sets forth our operating data and our net proved reserves as of the date and for the periods indicated.

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 for accounting periods ended on or after December 31, 2009. The comparative information for 2007 and 2008 are not restated.

	Year ended December 31,		
	2007	2008	2009
Net Production:			
Oil (daily average bbls/day)	371,827	422,068	509,696
Gas (daily average mmcf/day)	559.6	621.1	653.5
Oil equivalent (BOE/day)	469,407	530,728	623,896
Net Proved Reserves (end of period):			
Oil (mmbbls)	1,564.1	1,578.2	1,667.8
Gas (bcf)	6,222.8	5,623.3	5,944.0
Total (million BOE)	2,601.2	2,515.4	2,658.4
Proved developed reserves (million BOE)	1,058.8	1,009.1	1,283.6
Annual reserve replacement ratio(1)	142%	60%	163
Estimated reserves life (years)	15.2	13.0	11.7
Standardized measure of discounted future net cash flow (million Rmb)	313,926	111,277	226,663

(1) For information on the calculation of this ratio, see "Terms and Conventions—Glossary of Technical Terms—reserve replacement ratio." For more information regarding our reserve replacement, see "Item 4—Information on the Company—Business Overview—Exploration, Development and Production."

At our request, Ryder Scott Company, an independent petroleum engineering consulting company, carried out an independent evaluation of the reserves of all our properties as of December 31, 2007, 2008 and 2009, except for reserves of the blocks in Trinidad and Tobago in 2009, which were evaluated by Gaffney, Cline & Associates, another independent petroleum engineering consulting company. For further information regarding our reserves, see "Item 3—Key Information—Risk Factors—The oil and gas reserve estimates in this annual report may require substantial revision as a result of future drilling, testing, production and oil and gas price changes" and "Item 4—Information on the Company—Business Overview—Exploration, Development and Production."

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Summary of Oil and Gas Reserves

The following table sets forth summary information with respect to our estimated net proved reserves of crude oil and natural gas as of the dates indicated.

	Net proved reserves at December 31,		Net proved reserves at December 31, 2009		
	2007 (mmboe)	2008 (mmboe)	Oil (mmbbls)	Natural Gas (bcf)	Total (mmboe)*
Developed					
Offshore China	880.8	850.9	761.2	1,516.1	1,013.9
Bohai Bay	479.9	452.8	505.1	330.6	560.2
Western South China Sea	274.0	258.6	136.4	1,029.1	307.9
Eastern South China Sea	124.1	137.8	119.7	145.2	143.9
East China Sea	2.8	1.7	0.11	11.3	2.0
Overseas					
Asia	82.3	97.2	50.7	486.4	131.8
Oceania	88.6	60.9	12.0	243.3	52.6
Africa	—	—	75.7	—	75.7
North America	—	—	2.0	46.0	9.7
Total Developed	1,051.8	1,009.1	901.6	2,291.8	1,283.6
Undeveloped					
Offshore China	1,261.5	1,251.3	734.3	2,650.4	1,176.1
Bohai Bay	598.3	612.3	523.1	454.9	598.9
Western South China Sea	358.2	355.8	122.5	1,169.4	317.4
Eastern South China Sea	232.3	210.1	71.3	698.4	187.7
East China Sea	72.7	73.1	17.4	327.7	72.0
Overseas					
Asia	141.1	100.9	3.1	596.1	102.4
Oceania	67.0	65.0	14.4	405.6	82.0
Africa	72.5	89.1	14.3	—	14.3
North America	—	—	—	—	—
Total Undeveloped	1,542.1	1,506.3	766.1	3,652.2	1,374.8
TOTAL PROVED	2,593.9	2,515.4	1,667.8	5,944.0	2,658.4

* In calculating barrels-of-oil equivalent amounts, we have assumed that 6,000 cubic feet of natural gas equals one BOE, with the exception of natural gas from certain fields which is converted using the actual heating value of the natural gas.

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The following tables set forth net proved crude oil reserves, net proved natural gas reserves and total net proved reserves, as of the dates indicated, for our independent and non-independent operations in each of our operating areas.

Total Net Proved Crude Oil Reserves
(mmbbls)

	As of December 31,		As of December 31, 2009		
	2007	2008	Developed	Undeveloped	Total
Offshore China					
Independent					
Bohai Bay	594.0	603.6	298.5	376.6	675.1
Western South China Sea	189.6	227.9	115.1	120.2	235.3
Eastern South China Sea	124.1	104.6	64.8	36.0	100.8
East China Sea	20.5	17.8	0.1	17.4	17.5
Subtotal	928.2	953.9	478.5	550.2	1,028.7
PSCs					
Bohai Bay	357.3	330.0	206.5	146.5	353.0
Western South China Sea	19.3	17.8	21.3	2.3	23.6
Eastern South China Sea	102.4	97.8	54.8	35.3	90.1
East China Sea	—	—	—	—	—
Subtotal	479.0	445.6	282.6	184.1	466.7
Combined					
Bohai Bay	951.3	933.6	505.1	523.1	1,028.2
Western South China Sea	208.9	245.8	136.4	122.5	258.9
Eastern South China Sea	226.6	202.4	119.6	71.3	190.9
East China Sea	20.5	17.8	0.1	17.4	17.5
Subtotal	1,407.3	1,399.5	761.2	734.3	1,495.5
Overseas					
Asia	55.2	64.8	50.7	3.1	53.8
Oceania	29.1	24.8	12.0	14.4	26.4
Africa	72.5	89.1	75.7	14.3	90.0
North America	—	—	2.0	—	2.0
Subtotal	156.7	178.7	140.4	31.8	172.2
Total	1,564.1	1,578.2	901.6	766.1	1,667.8

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Total Net Proved Natural Gas Reserves
(bcf)

	As of December 31,		As of December 31, 2009		
	2007	2008	Developed	Undeveloped	Total
Offshore China					
Independent					
Bohai Bay	761.5	789.2	330.5	454.9	785.4
Western South China Sea	2,210.5	1,957.4	812.0	1,141.4	1,953.4
Eastern South China Sea	754.7	848.8	140.2	698.4	838.6
East China Sea	373.8	342.2	11.3	327.7	339.0
Total	4,100.5	3,937.6	1,294.0	2,622.4	3,916.4
PSCs					
Bohai Bay	—	—	—	—	—
Western South China Sea	328.7	254.3	217.1	28.1	245.2
Eastern South China Sea	24.7	24.5	5.0	—	5.0
East China Sea	—	—	—	—	—
Total	353.4	278.8	222.1	28.1	250.2
Combined					
Bohai Bay	761.5	789.2	330.5	454.9	785.4
Western South China Sea	2,539.1	2,211.6	1,029.1	1,169.5	2,198.6
Eastern South China Sea	779.4	873.3	145.2	698.4	843.6
East China Sea	373.8	342.2	11.3	327.6	338.9
Total	4,453.8	4,216.4	1,516.1	2,650.4	4,166.5
Overseas					
Asia	1,009.3	799.8	486.4	596.1	1,082.5
Oceania	759.6	607.1	243.3	405.6	648.9
North America	—	—	46.0	—	46.0
Total	1,768.9	1,406.9	775.7	1,001.7	1,777.4
Total	6,222.8	5,623.3	2,291.8	3,652.2	5,944.0

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Total Net Proved Reserves
(million BOE)

	As of December 31, 2007	As of December 31, 2008	As of December 31, 2009 Developed	Undeveloped	Total
Offshore China					
Independent					
Bohai Bay	720.9	735.1	353.6	452.4	806.0
Western South China Sea	558.0	554.2	250.4	310.4	560.8
Eastern South China Sea	249.9	246.1	88.2	152.4	240.6
East China Sea	82.8	74.8	2.0	72.0	74.0
Total	1,611.6	1,610.2	694.2	987.2	1,681.4
PSCs					
Bohai Bay	357.3	330.0	206.5	146.5	353.0
Western South China Sea	74.1	60.2	57.5	7.0	64.5
Eastern South China Sea	106.5	101.8	55.7	35.3	91.0
East China Sea	—	—	—	—	—
Total	537.9	492.0	319.7	188.8	508.5
Combined					
Bohai Bay	1,078.2	1,065.1	560.1	598.9	1,159.1
Western South China Sea	632.1	614.4	307.9	317.4	625.3
Eastern South China Sea	356.5	347.9	143.8	187.7	331.5
East China Sea	82.8	74.8	2.0	72.0	74.0
Total	2,149.6	2,102.2	1,013.9	1,176.1	2,190.0
Overseas					
Asia	223.5	198.1	131.8	102.4	234.2
Oceania	155.6	125.9	52.6	82.0	134.6
Africa	72.5	89.1	75.7	14.3	90.0
North America	—	—	9.7	—	9.7
Total	451.6	413.2	269.8	198.7	468.5
Total	2,601.2	2,515.4	1,283.6	1,374.8	2,658.4

Qualifications of Reserves Technical Oversight Group and Internal Controls over Proved Reserves

Since 2001, we have engaged independent third party consulting firms to perform annual estimates for our proved oil and gas reserves. 99.6% and 0.4% of our proved reserves as of the end of 2009 were prepared by Ryder Scott Company, or RSC, and Gaffney, Cline & Associates, or GCA, respectively.

Year	2007	2008	2009
Proved reserves (in million BOE)	2,593.93	2,515.39	2,658.43
RSC's share of estimates (%)	100%	100%	99.6%

GCA's share of estimates (%)	0%	0%	0.4%

The reserves data that we disclosed were prepared by independent third parties whose reserves estimates were all based on the definitions and disclosure guidelines contained in the SEC Title 17: "Code of Federal Regulations–Modernization of Oil and Gas Reporting–Final Rule" in the Federal Register (SEC regulations) that was released on January 14, 2009 and related accounting standards.

Although we engage third parties to prepare our annual reserves estimates, we also strengthen the supervision over our organization and business procedures to ensure both the quality of our proved reserves and the management of our reserves.

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In order to improve the oversight of our reserves, we established the Reserves Management Group, or RMG, which is led by one of our Executive Vice Presidents and includes such key members as the general managers and the chief supervisors of the relevant departments.

The RMG's main responsibilities includes:

- review our reserves policies;
- review our proved reserves and other categories of reserves; and
- engage our reserves estimators and auditors.

The RMG follows certain procedures to appoint our reserves estimator and reserves auditor, who are required to have an undergraduate degree and five years and ten years, respectively, or more of experience related to reserves estimation.

The reserves estimators and auditors are members of China Petroleum Society, or CPS, and are required to take the professional trainings and examinations provided by CPS and us.

The RMG delegates its daily operation to our Reserves Office, which is led by our Chief Reserves Supervisor. The Reserves Office is mainly responsible for supervising reserves estimates and auditing reserves. It reports to the RMG periodically and is independent from other operating divisions such as the exploration, development and production departments. Our Chief Reserve Supervisor has 37 years of oil and gas industry experience, including the past 20 years in charge of our reserves management.

We follow the relevant SEC guidance and definitions in performing quarterly reserves estimates. We gather certain latest data on exploration, development, production and engineering costs, among others, and compare the quarterly reserves estimates with third parties' estimates in the previous year. Although our quarterly estimates are compared with third parties' annual estimates, our annual reserves estimates are based on third parties' estimates.

Besides engaging third parties to perform our annual reserves estimates and disclosing our estimates, our rigorous internal control system also independently monitors the entire reserves estimation procedure and certain key metrics in order to ensure that our the process and results of reserves estimates fully comply with the relevant SEC rules.

Proved Undeveloped Reserves

As of December 31, 2009, we had proved undeveloped reserves of 1,375 million BOE, including 766 million barrels of crude oil and 3,652 bcf of natural gas, as compared to proved undeveloped reserves of 1,506 million BOE as of December 31, 2008.

As of December 31, 2009, 1,176 million BOE, or 86%, of our total proved undeveloped reserves, including 734 million barrels of crude oil and 2,650 bcf of natural gas, were located in offshore China, including 599 million BOE in Bohai Bay, 317 million BOE in Western South China Sea, 188 million BOE in Eastern South China Sea and 72 million BOE in East China Sea.

As of December 31, 2009, 199 million BOE, or 14%, of our total proved undeveloped reserves, including 32 million barrels of crude oil and 1,002 bcf of natural gas, were located in overseas, mainly including 102 million BOE in Indonesia, 82 million BOE in Australia and 14 million BOE in Nigeria.

In 2009, we converted 333 million BOE, or 22%, of our total proved undeveloped reserves as of December 31, 2008 into proved developed reserves.

In 2009, we spent US$2.44 billion on developing proved undeveloped reserves, US$2.26 billion, or 93%, of which were spent on over ten major development projects in Bohai Bay, Western South China Sea and Eastern South China Sea in offshore China, the Tangguh LNG Project in Indonesia, and the AKPO oilfield in Nigeria. We spent the remaining 7% on our domestic infill drilling programs in Bohai Bay and Eastern South China Sea.

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As of December 31, 2009, 125 million BOE of our proved undeveloped reserves were first booked before 2005. These proved undeveloped reserves were mainly located in East China Sea, Eastern South China Sea and Western South China Sea, including (i) 72 million BOE in East China Sea, more than half of which is planned to be developed together with certain new discoveries; (ii) 31 million BOE in Eastern South China Sea, involving Panyu 34-1 oilfield that is associated with Panyu 30-1 oilfield located in the same area, which has commenced production; and (iii) 22 million BOE in Western South China Sea, involving Yacheng 13-4 gasfield that is associated with Yacheng 13-1 gasfield located in the same area, which has been supplying gas to Hong Kong for several years. The Yacheng 13-4 gasfield is expected to be developed this year and commence production in 2012.

Exploration, Development and Production

Summary

In offshore China, the Company engages in oil and natural gas exploration, development and production activities in Bohai Bay, Western South China Sea, Eastern South China Sea and East China Sea either independently or through production sharing contracts with foreign partners. In recent years, it has been adding reserves and production mainly through independent exploration and development. As of the end of 2009, approximately 63.3% of the Company's net proved reserves were independent and approximately 51.9% of its production came from independent projects. China National Offshore Oil Corporation ("CNOOC"), the controlling shareholder of the Company, has the exclusive right to explore and develop oil and natural gas in offshore China with foreign partners through production sharing contracts. As of the end of 2009, 33 production sharing contracts with 27 partners were in force.

In overseas, the Company holds interests in oil and natural gas blocks in Indonesia, Australia, Nigeria and some other countries. As of 31 December 2009, the Company's overseas net proved reserves and net production accounted for approximately 17.6% and 17.4% of its total net proved reserves and total net production, respectively.

Exploration

In 2009, the Company continued to carry out exploration activities focusing on: exploration for crude oil in core areas, natural gas exploration and deep water exploration. With the achievement of a number of exploration breakthroughs, the exploration results were remarkable.

In 2009, in offshore China, the Company's independent explorations resulted in 15 new discoveries and 11 successful appraisals, while its PSC exploration efforts resulted in two new discoveries and one successful appraisal. In overseas, the Company made two discoveries and one successful appraisal.

The Company's main exploration achievements in 2009 include: multiple discoveries made in Shijiutuo Uplift area, which has become a new area for reserves additions; the discovery of Jinzhou 20-2 North oilfield, representing another breakthrough at Liaodong Bay; the successful expansion of the Yellow River Mouth trough, increasing the size of its reserves; the successful expansion in progressive exploration at Weixi'nan; various breakthroughs in deepwater exploration, including a new gas discovery of Liuhua 34-2 and the successful appraisal of Liwan 3-1 gas field. Furthermore, Kenli 10-1 structure was appraised with remarkable progress, and numerous small oilfields were discovered around Wenchang oilfields, helping to advance the overall development.

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The following table sets out our major exploration activities in 2009:

	Exploration Wells				New Discoveries		Successful Appraisal Wells		Seismic Data		
	Independent		PSC		Independent	PSC	Independent	PSC	2D (km)		3D (k
	Wildcat	Appraisal	Wildcat	Appraisal					Independent	PSC	Independe
Offshore China											
Bohai Bay	19	20	2	-	8	-	6	-	-	-	5,476
Eastern South China Sea	6	4	5	4	2	2	2	1	12,236	-	1,575
Western South China Sea	15	12	1	-	4	-	3	-	8,873	173	1,783
East China Sea	1	-	-	-	1	-	-	-	8,803	-	-
Subtotal	41	36	8	4	15	2	11	1	29,912	173	8,834
Overseas											
Subtotal	-	-	13	1	-	2	-	1	-	4,065	-
Total	41	36	21	5	15	4	11	2	29,912	4,238	8,834

Development and Production

In 2009, the Company overcame multiple difficulties in development and production and, despite the significant operating challenges, succeeded in attaining the targets set forth at the beginning of the year and achieved remarkable results.

The Company had more than 20 projects underway in 2009, facing with a heavy workload for engineering construction and completion of well-drilling. Despite such heavy workload and tight resources, the Company completed its oilfield development and drilling activities with high quality, enabling the production commencement of most new oil and gas fields to be on schedule and three new projects to commence production ahead of schedule.

Due to those factors beyond control such as extreme weather, the Company's offshore operations were seriously affected. In 2009, the Company suffered production shutdown at Huizhou oilfields and Bozhong 25-1 oilfield due to typhoons and strong winds, respectively. Thanks to the Company's robust emergency response system, its well-trained staff and the management's correct response, the extreme weather conditions did not cause any casualties or environmental pollution, demonstrating the Company's capability in handling emergencies.

Despite various difficulties, the Company managed to accomplish its annual production targets through innovative operations and management. In 2009, its net oil and gas production was 227.7 million BOE, representing a growth of 17.2% over the previous year.

Several factors helped the Company to overcome difficulties and meet its annual production targets. First, streamlined management enabled the production time efficiency of most oilfields to reach as high as 96% to 97%. Secondly, a slower decrease in composite decline rate of producing oilfields was achieved by enhanced water flooding efficiency and successful infill drilling, resulting in production growth. Thirdly, a steady ramp-up was achieved in oil and gas fields commencing production in the last two years. Fourthly, certain oilfields commenced production ahead of schedule.

Principal Oil and Gas Regions Offshore China

Bohai Bay

Bohai Bay is the most important oil and gas production area for the Company. As at the end of 2009, approximately 43.6% of the reserves and 42.8% of the production of the Company were located in Bohai Bay. The operation area in Bohai Bay is mainly shallow waters with a depth of 10 to 30 meters.

Rich in oil and gas resources, Bohai Bay has been the Company’s main area for exploration and development. In recent years, the Company has made a number of commercial discoveries there. It is expected to remain the primary area for the Company’s exploration and development in the future. In 2009, the Company made eight successful discoveries in Bohai Bay, namely Qinhuangdao 35-4, Qinhuangdao 36-3, Qinhuangdao 29-2, Bozhong 2-1, Bozhong 29-1, Jinzhou 20-2 North, Suizhong 36-1 South and Qikou 17-3 (rolling exploration). Six wells were successfully appraised, including Qinhuangdao 35-4, Qinhuangdao 29-2, Qinhuangdao 36-3, Jinzhou 20-2 North, Kenli 10-1 and Bozhong 35-2.

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In 2009, the Company made four new discoveries and one successful appraisal in Shijiutuo Uplift area, which has become a new area for reserves additions in Bohai Bay. In particular, the recently discovered Qinhuangdao 29-2 was a breakthrough in the Company's Qinnan trough exploration in the area. At Bozhong Sag, the Company made two new discoveries, namely Bozhong 2-1 and Qinhuangdao 36-3. In addition, the appraisal of the Qinhuangdao 35-4 structure was highly successful and the scale of its reserve was expanded, helping to advance the exploration and development in this area.

Liaodong Bay is another important area for the Company's oil exploration. Following the discovery of the light oilfield Jinzhou 25-1 in 2008, the Company made another breakthrough in Liaodong Bay exploration in 2009 through the discovery of Jinzhou 20-2 North, corroborating the Company's estimation of the exploration potentials of this area.

As for Yellow River Mouth trough, the Company made a new discovery of Bozhong 29-1 in this area through progressive exploration. Moreover, Bozhong 35-2 was appraised as carrying more than midscale reserve. The successful exploration further increased the scale of reserve in this area.

Furthermore, the appraisal of Kenli 10-1 was remarkable. The Company expects to build it into another sizable oilfield in Bohai Bay.

In 2009, a number of new projects in Bohai Bay were brought into production, accelerating the Company's production growth. These included the commencement of production of Bozhong 28-2 South, Luda 27-2, Qinhuangdao 33-1, Bozhong 13-1 and Bozhong 34-1 North. Jinzhou 25-1 South and Caofeidian 18-2, which were planned to commence production in 2010, commenced production ahead of schedule due to effective project management.

Because of our streamlined management, the decline rates of existing oilfields in Bohai Bay have been slowed over time. Meanwhile, the infill drilling was also very successful, resulting in the production either reaching or exceeding the expectation.

The commencement of new projects, together with the solid performance of producing oilfields, was instrumental in offsetting the production loss of Bozhong 25-1, which was forced to shut down due to strong winds, and contributed to the production growth of the Company.

Western South China Sea

Western South China Sea is the most important natural gas production area for the Company. Typical water depth of the Company's operation area in this region ranges from 40 to 120 meters. The crude oil produced is of high-quality with light and medium gravity.

In 2009, the Company made four new discoveries in this area, namely Wushi 1-4, Weizhou 12-2, Dongfang 1-1 Middle Stratum and Wenchang 8-3 East. Among those discoveries, Wushi 1-4 and Weizhou 12-2 were achieved with the Company's progressive exploration in the Weixi'nan area. Wenchang 8-3 East is located near the Wenchang oilfields and is expected to be able to be developed economically. In addition, three successful appraisals were achieved, namely Wushi 1-4, Weizhou 12-2 and Wenchang 8-3 East.

In 2009, one of the Company's main natural gas projects in offshore China, Ledong 22-1/15-1, commenced production, supporting the Company's rapid growth in natural gas production.

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Eastern South China Sea

Eastern South China Sea is one of the Company's most important crude oil producing areas. The typical water depth of the Company's operation area in this region ranges from 100 to 300 meters. The crude oil produced is mostly of light to medium gravity.

In 2009, the Company's independent exploration made two new discoveries in this area: Huizhou 25-8 and Panyu 10-4. The discovery of Huizhou 25-8 demonstrated the exploration potential of this area and helped to advance the development of several small oil and gas structures in the area. In addition, Panyu 35-1 and Panyu 35-2 gas fields were successfully appraised.

In 2009, the Company's partner made breakthroughs in deepwater exploration in this area. The natural gas field Liuhua 34-2 was discovered, and Liwan 3-1 gas field was successfully appraised. Such discovery and successful appraisal have demonstrated again the significant exploration potential of deep water areas in South China Sea. The Company's partner also made one discovery in this area, namely Lufeng 7-1.

The development and production of this area were affected by typhoons. Several typhoons, in particular Typhoon Koppu, caused production shutdown for the Huizhou oilfields and had considerable adverse impacts on production. Despite such unfavorable conditions, the Company offset such production loss by improving the workover plan of Xijiang and Panyu oilfields that reduced their downtime. The commencement of production of Panyu 30-1 gas field contributed to the Company's production growth in natural gas.

East China Sea

East China Sea is the least explored area of the four principal producing areas of the Company. Typical water depth of the Company's operation area in this region is approximately 90 meters, and the crude oil produced is mainly of light gravity.

The Company made progress in East China Sea exploration in 2009 with the discovery of new oil and gas structure.

Overseas

Asia

Asia is one of the Company's main overseas oil and gas producing regions. The Company holds assets mainly in Indonesia and Myanmar.

Indonesia

In Indonesia, the Company mainly owns interests in the following production sharing contracts: the South East Sumatra Production Sharing Contract, the Offshore North West Java Production Sharing Contract, the West Madura Production Sharing Contract and the Poleng Technical Assistance Contract. Among these, the Company is the operator of the South East Sumatra block and owns approximately 65.54% of its interests.

The Company also owns approximately 13.90% of the interests in the Tangguh LNG Project in Indonesia. Located in West Papua and comprising three blocks of Berau, Muturi and Wiriagar, this project commenced production in 2009. As the Company's second overseas LNG project which commenced production after the North West Shelf Project in Australia, it provides strong support to the growth in the Company's overseas production of natural gas.

In addition, the Company owns partial interests in the Malacca Strait, South East Palung Aru and Batanghari Production Sharing Contracts.

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In 2009, to cope with the fact that most producing oil and gas producing fields in Indonesia are mature, the Company adopted various measures to maintain and increase production, such as water flooding and infill drilling, in order to keep the decline rates of these mature oilfields at low levels.

Other Asian Regions

The Company owns interests in several blocks in Myanmar, Cambodia and Qatar. Currently, these blocks are still under exploration.

Oceania

Currently, the Company's oil and gas resources in Oceania are all located in Australia.

Australia

The Company owns 5.3% of the interests in Australia's North West Shelf Project. The project has commenced production and currently supplies gas to such customers as the Dapeng LNG Terminal in Guangdong, China.

In addition, the Company owns interests in one exploration block in Australia.

Africa

Africa is one of the areas with large reserve base. The Company's assets in Africa are primarily located in Nigeria.

Nigeria

The Company owns 45% interest in the OML 130 block in Nigeria. The OML 130 Project is a deepwater project and includes four oilfields, namely AKPO, EGINA, South EGINA and PREOWEI. AKPO commenced production in March 2009. As at the end of 2009, the AKPO oilfield had completed drilling of 24 wells. Since its commencement of production, this oilfield had been steadily increasing its production and became the main driver for the Company's overseas production growth in 2009.

Other Areas in Africa

Besides Nigeria, the Company also owns interests in several blocks in Kenya, Equatorial Guinea, the Republic of Congo and Liberia. These blocks are currently under exploration.

North America

The Company holds interests in oil and gas blocks in Trinidad and Tobago and the Gulf of Mexico in North America.

Trinidad and Tobago

In 2009, the Company, through a joint-venture company, acquired a 12.5% interest in the 2C block and a 12.75% interest in the 3A block in Trinidad and Tobago. The 2C block has commenced producing crude oil since 2005 and is expected to begin producing natural gas in 2011.

In 2009, the 2C block contributed to the Company's production.

Other Areas in North America

Besides Trinidad and Tobago, the Company also owns interests in several blocks in the Gulf of Mexico.

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Other Oil and Gas Data

Oil and Gas Production, Production Prices and Production Costs

The following table sets forth our net production, average sales prices and average lifting cost in the years of 2007, 2008 and 2009.

	Net Production			Average Sales Price		Average Lifting Cost
	Total (BOE/day)	Oil (Bbls/day)	Gas (Mmcf/day)	Oil (US$/bbl)	Gas (US$/Mmcf)	(US$/boe)
2009						
Offshore China						
Bohai Bay	267,079	253,884	79.2	—	—	—
Western South China Sea	120,745	72,605	275.4	—	—	—
Eastern South China Sea	126,765	118,395	50.2	—	—	—
East China Sea	1,057	63	6.0	—	—	—
Subtotal	515,646	444,947	410.8	59.88	4,440	10.07
Overseas						
Asia	45,555	22,163	140.3	55.57	3,350	17.10
Oceania	26,337	6,228	102.4	59.69	3,184	6.94
Africa	35,591	35,591	—	69.77	—	8.72
North America	767	767	—	69.45	—	13.66
Subtotal	108,250	64,749	242.7	65.60	3,280	11.85
Total	623,896	509,696	653.5	60.61	4,009	10.38
2008						
Offshore China						
Bohai Bay	230,896	218,478	74.5	—	—	—
Western South China Sea	106,764	56,761	284.7	—	—	—
Eastern South China Sea	127,490	122,813	28.1	—	—	—
East China Sea	1,225	85	6.8	—	—	—
Subtotal	466,375	398,137	394.1	89.16	4,206	10.37
Overseas						
Asia	42,632	19,262	140.2	93.74	3,199	17.81
Oceania	21,721	4,669	86.8	90.64	3,168	7.86
Subtotal	64,353	23,931	227.0	93.13	3,187	14.71
Total	530,728	422,068	621.1	89.39	3,833	11.23
2007						
Offshore China						
Bohai Bay	218,447	206,748	70.2	—	—	—
Western South China Sea	75,573	34,163	237.3	—	—	—
Eastern South China Sea	108,279	103,715	27.4	—	—	—
East China Sea	5,462	1,467	24.0	—	—	—

Subtotal	407,761	346,093	358.9	65.73	3,442	8.60
Overseas						
Asia	40,687	20,756	119.6	72.48	2,962	17.69
Oceania	20,959	4,979	81.1	76.90	3,180	6.76
Subtotal	61,646	25,735	200.7	73.33	3,050	13.98
Total	469,407	371,827	559.6	66.26	3,297	9.31

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Drilling and Other Exploratory and Development Activities

The following table sets forth our net exploratory wells and development wells drilled in the years of 2007, 2008 and 2009.

	Net Exploratory Wells Drilled			Net Development Wells Drilled		
	Total	Successful	Dry	Total	Successful	Dry
2009						
Independent						
Offshore China						
Bohai Bay	39	25	14	162	162	—
Western South China Sea	27	8	19	17	17	—
Eastern South China Sea	10	4	6	11	11	—
East China Sea	1	1	—	—	—	—
Subtotal	77	38	39	190	190	—
PSCs						
Bohai Bay	—	—	—	67.9	67.9	—
Western South China Sea	—	—	—	1.2	1.2	—
Eastern South China Sea	—	—	—	6.7	6.7	—
East China Sea	—	—	—	0.3	0.3	—
Subtotal	—	—	—	76.1	76.1	—
Overseas						
Asia	8.5	1.3	7.2	11.9	11.9	—
Oceania	3.0	—	3.0	—	—	—
Africa	—	—	—	6.3	6.3	—
North America	—	—	—	—	—	—
Subtotal	11.5	1.3	10.2	18.2	18.2	—
2008						
Independent						
Offshore China						
Bohai Bay	37	22	15	49	49	—
Western South China Sea	27	14	3	13	13	—
Eastern South China Sea	10	3	7	15	15	—
East China Sea	—	—	—	—	—	—
Subtotal	74	39	25	77	77	—
PSCs						
Bohai Bay	—	—	—	27.2	27.2	—
Western South China Sea	—	—	—	—	—	—
Eastern South China Sea	—	—	—	1.5	1.5	—
East China Sea	—	—	—	—	—	—
Subtotal	—	—	—	28.7	28.7	—
Overseas						
Asia	6.0	1.1	4.9	4.9	4.9	—
Oceania	—	—	—	—	—	—
Africa	—	—	—	4.0	4.0	—
North America	—	—	—	—	—	—
Subtotal	6.0	1.1	4.9	8.9	8.9	—

2007						
Independent						
Offshore China						
Bohai Bay	36	18	18	46	45	1
Western South China Sea	14	10	4	42	41	1
Eastern South China Sea	8	3	5	—	—	—
East China Sea	—	—	—	—	—	—
Subtotal	58	31	27	88	86	2
PSCs						
Bohai Bay	2	2	—	29.5	29.5	—
Western South China Sea	—	—	—	—	—	—
Eastern South China Sea	—	—	—	1.0	1.0	—
East China Sea	—	—	—	0.3	0.3	—
Subtotal	2	2	—	30.8	30.8	—
Overseas						
Asia	4.4	0.5	3.9	3.3	3.3	—
Oceania	—	—	—	—	—	—
Africa	—	—	—	0.9	0.9	—
North America	—	—	—	—	—	—
Subtotal	4.4	0.5	3.9	4.2	4.2	—

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Present Activities

The following tables set forth our present activities as of December 31, 2009.

	Wells Being Drilled		Waterfloods Being Installed	
	Gross	Net	Gross	Net
Offshore China				
Bohai Bay	152.0	146.8	213.0	188.0
Western South China Sea	18.0	17.0	17.0	17.0
Eastern South China Sea	14.0	11.1	—	—
East China Sea	—	—	—	—
Subtotal	184.0	174.9	230.0	205.0
Overseas				
Asia	1.0	0.7	55.0	36.0
Oceania	—	—	—	—
Africa	—	—	18.0	8.0
North America	—	—	—	—
Subtotal	1.0	0.7	73.0	44.0

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Oil and Gas Properties, Wells, Operations, and Acreage

The following table sets forth our productive wells, developed acreage and undeveloped acreage as of December 31, 2009.

	Productive Wells				Developed Acreage (km2)		Undeveloped Acreage (km2)	
	Crude Oil		Natural Gas					
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Offshore China								