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# CNPC Overseas Expansion

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# Topics

- An Introduction to CNPC
  - CNPC Strength
  - Driving Force to Going Abroad
  - Overseas Business and Strategy
  - My Evaluation of Role of CNPC worldwide
  
  - The briefing is described for discussion on NOC
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# An Introduction to CNPC

- Former Oil Ministry and CNPC: 1988
  - CNPC, Sinopec and CNOOC
  - CNPC and PetroChina: 1999
  - CNPC is a group with over 1 mn employees
  - NOC and Government: Weak regulation
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# CNPC Strength from its report

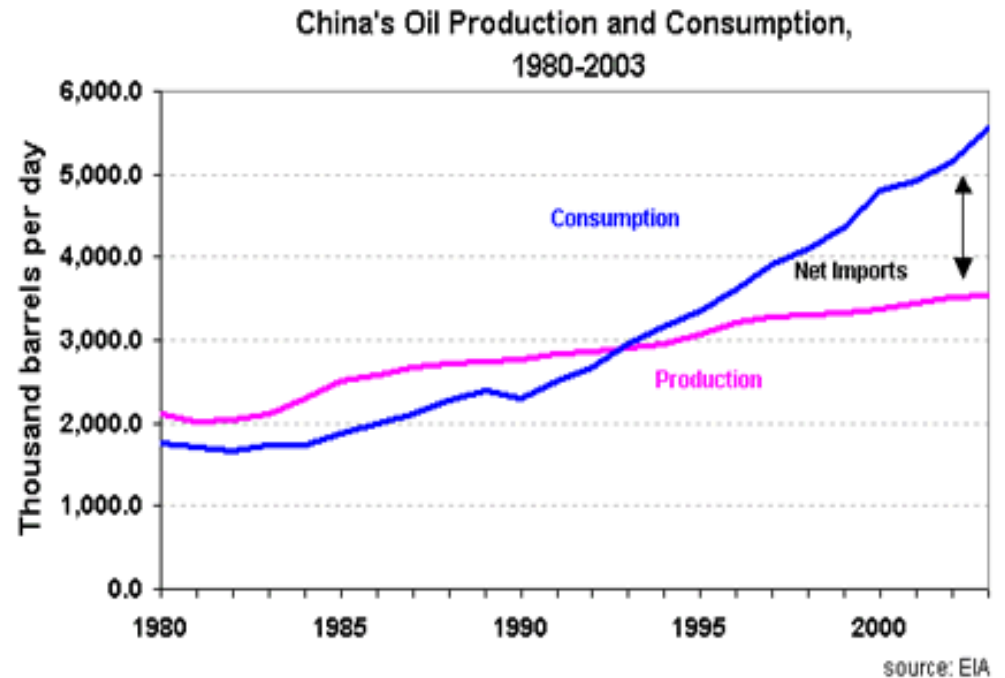
	2001	2002	2003
<b>Financial Highlights</b>			
Total assets (US\$ bn)	81.34	88.69	97.38
Sales revenue (US\$ bn)	41.38	45.69	57.26
Total profits (US\$ bn)	5.23	6.45	8.76
Net profits (US\$ bn)	1.82	2.84	4.34
<b>Operating Highlights</b>			
Crude production (Mt)	114.84	117.57	122.43
Natural gas production (bn m3)	21.16	23.3	26.27
Refined product output (Mt)	57.16	58.96	64.67
Refined product sales (Mt)	53.91	56.73	60.51
Main chemical production (Mt)	9.43	10.03	10.97

# Ranking by PIW

Rank	Company	Country	State-	Liquids		Gas	
2003			owners	(Mil. bbl)		(Bcf)	
			hip	Rank	Vol.	Rank	Vol.
			(%)				
1	Saudi Aramco	Saudi Arabia	100	1	259,400	4	230,600
2	Exxon Mobil	US	-	12	12,856	14	54,769
3	NIOC	Iran	100	2	125,800	2	940,900
4	PDV	Venezuela	100	5	77,800	6	148,000
5	BP	UK	-	17	10,081	15	48,024
5	Royal Dutch/Shell	UK & NL	-	21	7,257	17	44,920
7	ChevronTexaco	US	-	19	8,599	22	20,191
8	Total	France	-	20	7,323	21	22,267
9	Pemex	Mexico	100	9	16,041	28	14,850
10	<b>PetroChina</b>	<b>China</b>	<b>90</b>	<b>14</b>	<b>10,997</b>	<b>18</b>	<b>41,147</b>

# Going abroad: Rationales

- **Growing demand**
- Limits of domestic resources
- Diversification of oil sources
- Corporate sustainability (R/P:19)
- Energy security (trading oil, Mideast)



Right answer is going abroad. But an importance of the step cost 7 years to be fully realized in the past.

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# History of Going Abroad - my witness

- **1992/93-1996:**

start-up and entry: Peru and Canada

- **1996/97-2002**

rapid growth: Sudan, Kaz etc.

- **2003-2005**

further Expansion

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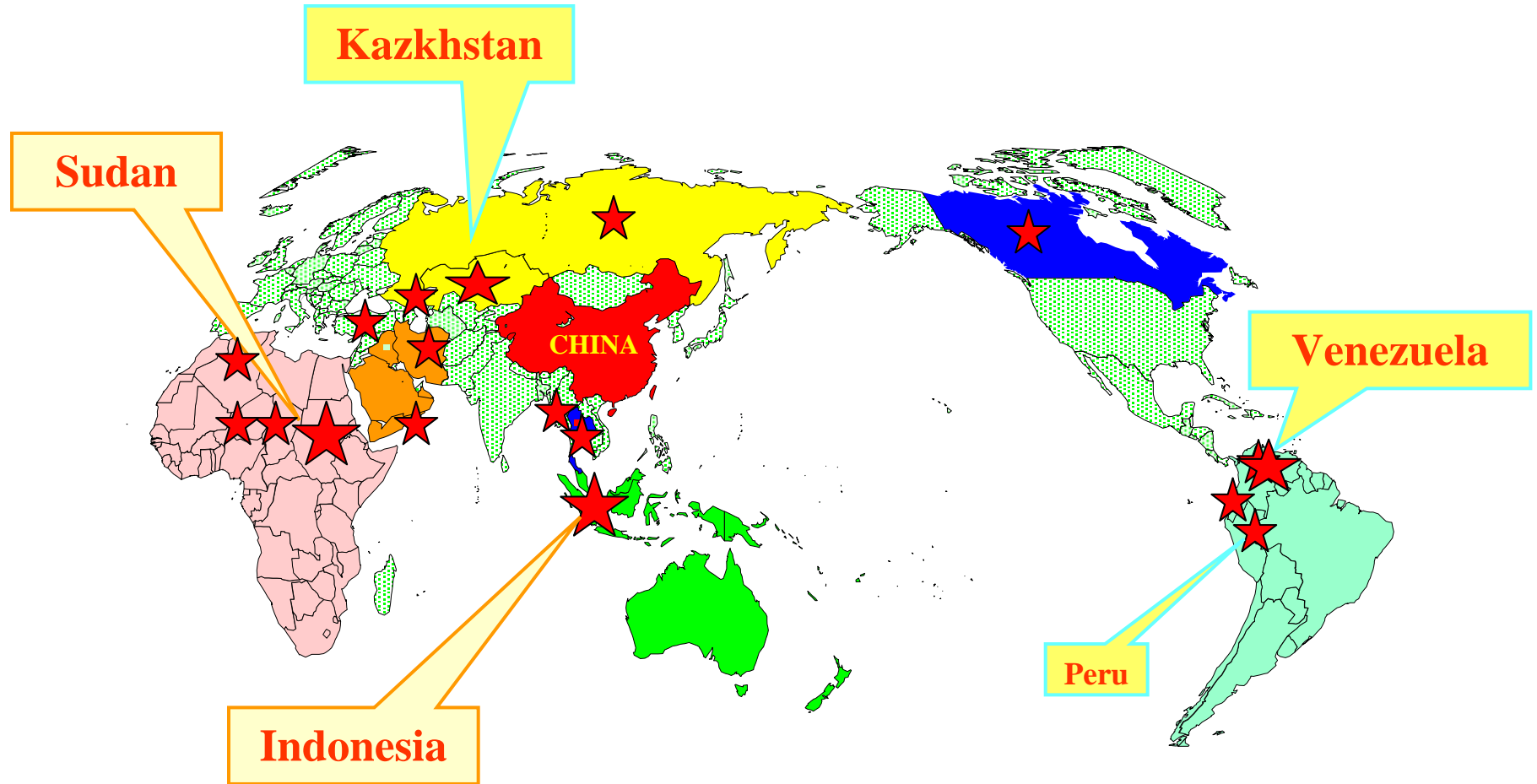
# By 2004

- CNPC is working on 48 contracts in 20 countries;
- CNPCI/CNODC is the flagship of CNPC overseas expansion.
- Japanese result since 1960s

Crude production capacity Mt	35
Gas Production capacity bn cm	4
Oil Transport capacity Mt	30
Refining capacity Mt	3.5



# CNPC Projects



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# Four Energy Bases

- **Sudan** (16.19 Mt with Pipe)– Africa and Middle East

*We make Sudanese dream come true*

- **Kazakhstan** (5Mt with Pipe) – FSU

*One of the best investors in Kaz*

- **Venezuela** (3 Mt)- S. America

*Chinese development Model*

- **Indonesia**- Asia-Pacific

*Most welcomed company*

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# Africa

Sudan	Block 1/2/4	PSA	40	GNPOC
	Block 3/7	PSA	41	Petrodar
	Block 6	PSA	96	CNPCI
	Khartoum Refinery	Fixed return	50%	CNODC
	Khartoum Chemical Industry Co.	Joint Operation	50	CNODC
	Petrochemicaltrade project	independent	100	CNODC
Chad	block H	Risk exploration	12.5	Encana
Niger	an exploration area	Risk exploration		CNPCI

# Asia

Azerbaijan	K&K	PSA	50	CNPCI
	Gobustan E&D	PSA	62.83	CNODC
Indonesia	6 blocks	PSA	17-50	PetroChina
Kazakhstan	Aktobe	R/T	85.42	Aktobemunaigaz
	North Buzachi	R/T	50	CNODC
	Kenkiyak-Atyrau Pipe	Joint Operation	49	CNODC KazTransOil
Myanmar	Myanmar project	PSA/EOR		CNODC
Oman	Block 5	PSA	50	JV (3)
Syria	Gbeibe	PSA/EOR	100	CNODC etc
Thailand	Banya	Lease	100	CNPC (HK)
Turkmenistan	Gumda field	Technical services		CNPCI
Iraq	Ahdeb	PSA	37.5	Al-Waha

# Americas

Ecuador	block 11			CNPCI
Peru	Block 1-AB/8	R/T	45, 55	Pluspetrol
	Block 6, 7	R/T	100	SAPET
Venezuela	Caracoles, Intercampo	Risk serice	100	CNODC
	Orimulsion project	Joint Operation	70	CNODC-PDVSA
Canada	field production	UTF test	100	CNPCI

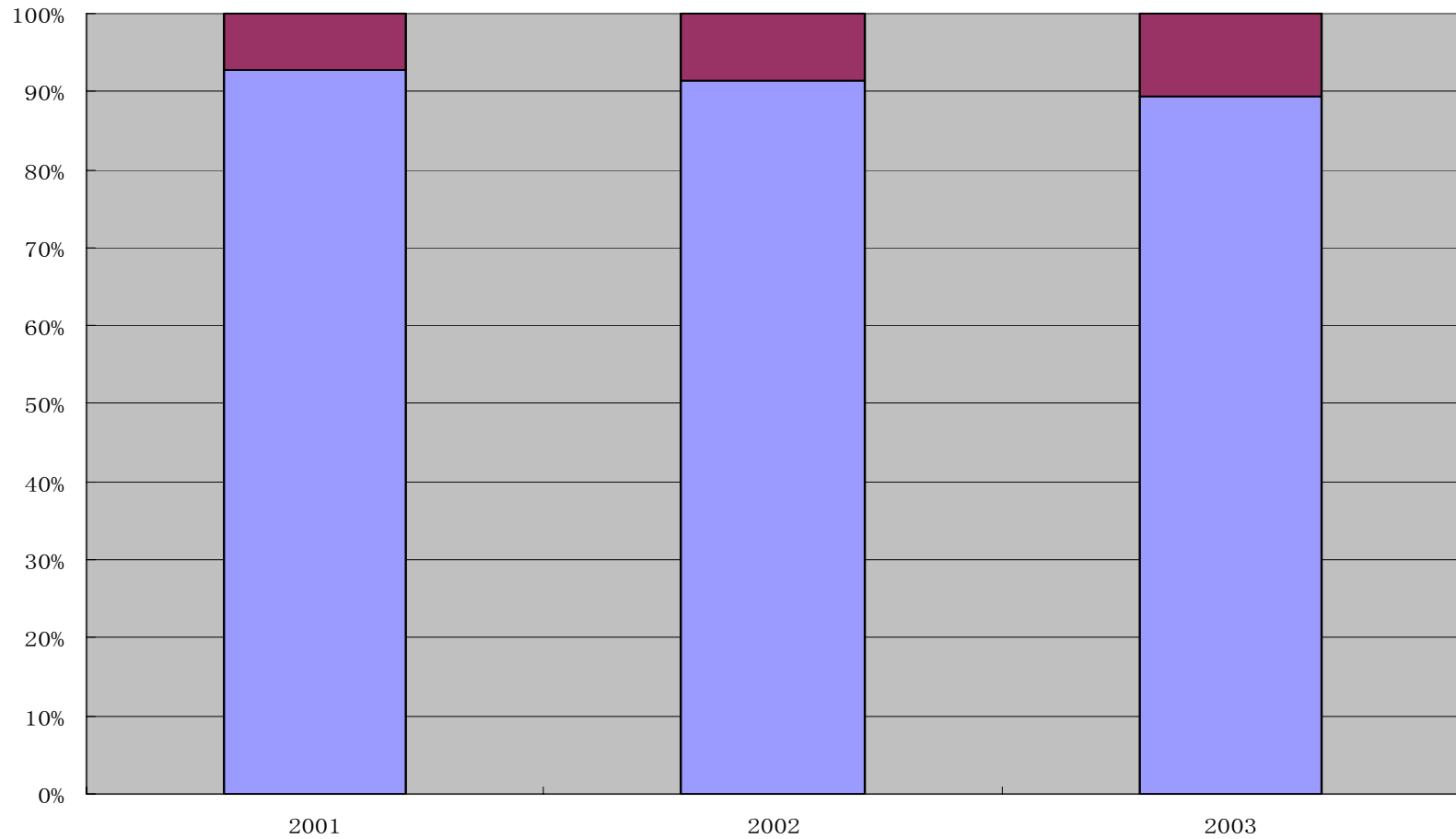
# Oil and Gas E&P

	2001	2002	2003
New reserves (Mt)	30.02	65.48	405.6
Crude production (Mt)	16.23	21.11	25.1
Equity Crude (Mt)	8.29	10.11	12.88
Gas production (bn m3)	0.93	1.26	1.92
Equity gas (bn m3)	0.58	0.78	1.39

# Refining

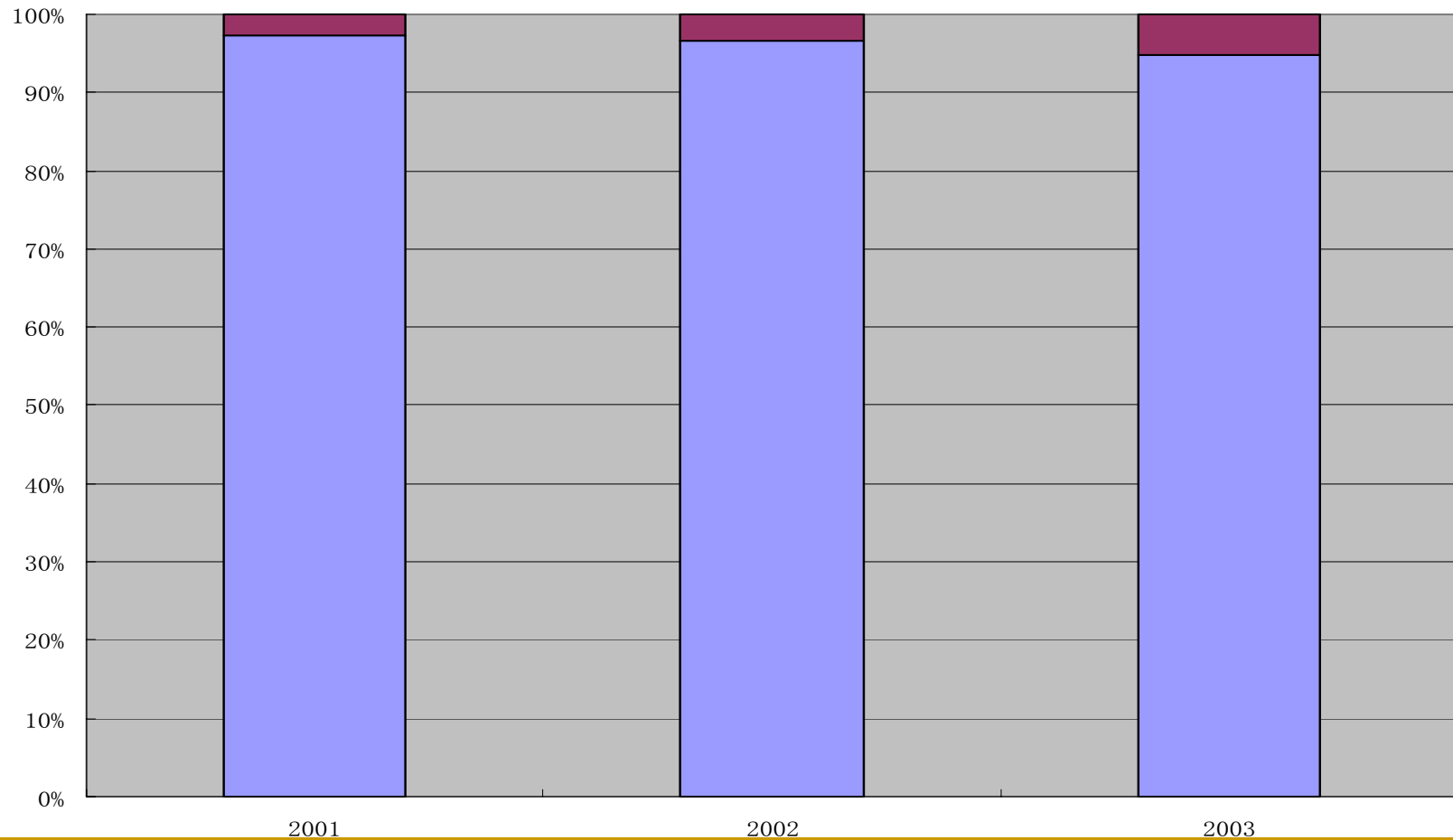
	2001	2002	2003
Crude processing capacity (Mt)	2.5	2.5	2.5
Crude runs (Mt)	2.3	2.51	2.51
Product output (Mt)	2.05	2.21	2.22
Gasoline	0.85	0.89	0.86
Kerosene	0.12	0.17	0.16
Diesel	0.87	0.92	0.98
LPG	0.22	0.24	0.23

# Small Overseas Crude Output Domestic vs Overseas

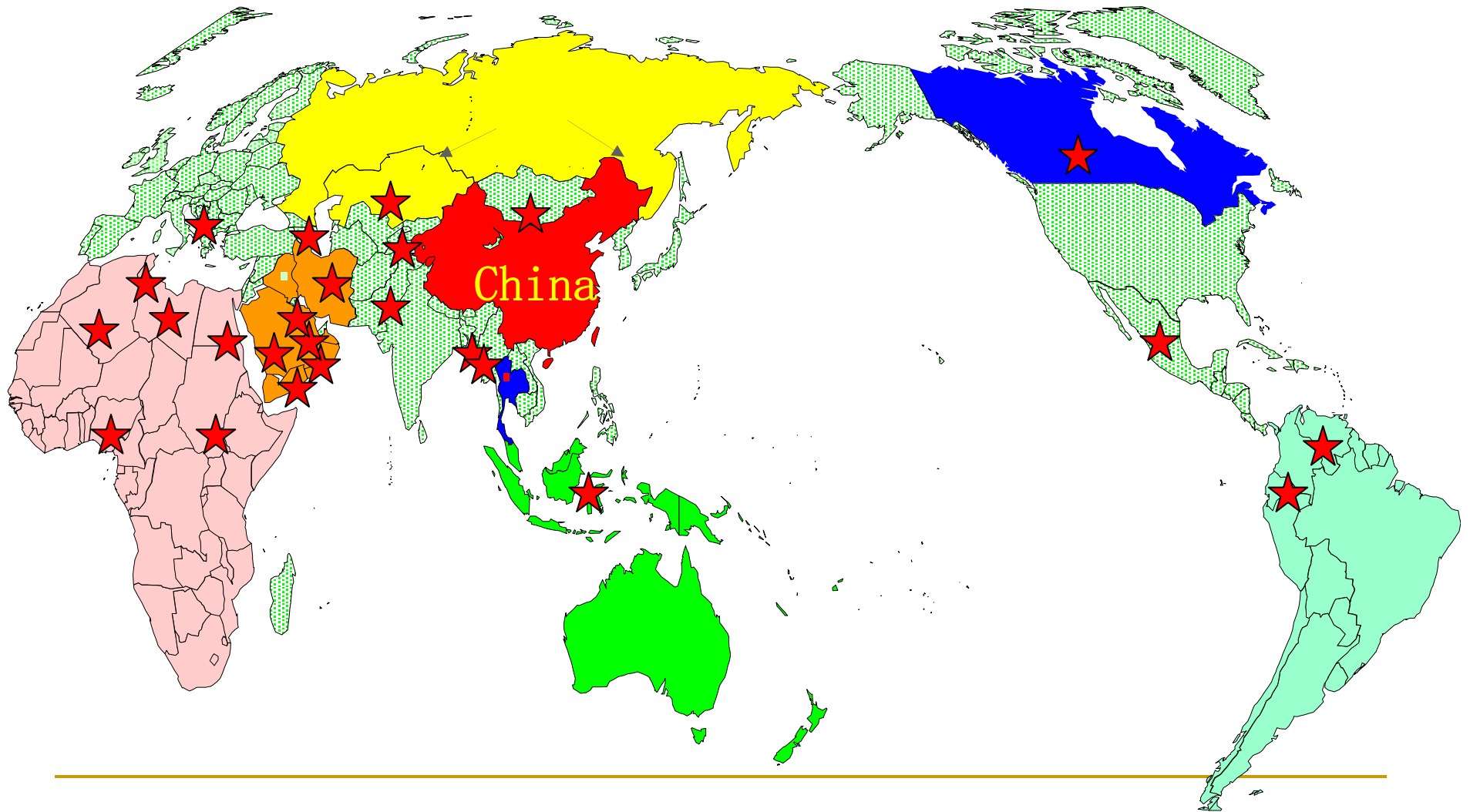




# Small Overseas Gas Output Domestic vs Overseas



# CNPC Services (closely followed up E&P)



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# Service Companies

- BGP, geophysical service provider;
  - Great Wall Drilling Co.
  - Chinese Logging Co.
  - China Engineering and Construction Co.
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# Services in Asia

Asia	Geophysics	Drilling workover	Logging testing	Engineering Construction
Azerbaijan		●		
Indonesia	●	●	●	
Iran	●	●	●	
Kazakhstan	●	●	●	●
Mongolia		●		
Myanmar	●			
Oman	●	●		
Pakistan	●	●	●	●
Qatar		●	●	
Saudi Arabia	●	●	●	
Thailand		●	●	
UAE	●	●		
Uzbekistan		●	●	
Yemen	●	●	●	

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# Services in Africa

Africa	Geophysics	Drilling workover	Logging testing	Engineering Construction
Algeria	●		●	
Egypt		●	●	
Libya	●	●		●
Nigeria	●	●	●	
Sudan	●	●	●	●
Tunis		●	●	

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# Services in Americas

Ameircas	Geophysics	Drilling workover	Logging testing	Engineering Construction
Ecuador	●	●		
Venezuela	●	●	●	
Canada		●	●	
Mexico	●	●	●	

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# Geophysical services(1)

	Seismic crews	2D km	3D km2
Indonesia	6	1692.2	235.3
Iran	3	421.7	88.3
Kazakhstan	1	776.9	99.8
Myanmar	1	931.9	
Oman	1	627.6	150
Pakistan	4	1574.4	1167.7
Saudi Arabia	2	600	
UAE	1	161	87.3
Yemen	2	481.3	682.3
Asia	21	7267	2511

## Geophysical (2)

	Seismic crews	2D km	3D km2
Algeria	1		
Libya	3	2268.6	1080.4
Nigeria	2		618
Sudan	6	4163.5	1507
<b>Africa</b>	<b>12</b>	<b>6432.1</b>	<b>3206</b>
Mexico	4		2071
Ecuador	1		
Venezuela	1		210
<b>America</b>	<b>6</b>		<b>2281</b>
Albania	1	206.5	-6
Total	40	13905.6	7997.3



# Drilling and Workover (1)

	Drilling rigs	Workover rigs	Completed wells	Footage (m)
Azerbaijan	4	2	12	37569
Indonesia	11	10	35	51051
Iran	4		11	32566
Kazakhstan	23		47	177468
Mongolia	1	2	4	7998
Oman	1		1	3308
Pakistan	4		10	30505
Qatar	1		13	17831
Saudi Arabia	1			
Thailand	3		8	8794
UAE	9		23	4795
Uzbekistan	3	2	1	8937
Yemen	2			
<b>Asia</b>	<b>67</b>	<b>16</b>	<b>165</b>	<b>380822</b>

## Drilling and Workover (2)

	Drilling rigs	workover rigs	Completed wells	Footage (m)
Egypt	2	3	24	33451
Libya	1			2430
Nigeria	2		2	16655
Sudan	10	6	78	171680
Tunis	1		1	3080
<b>Africa</b>	<b>16</b>	<b>9</b>	<b>105</b>	<b>227296</b>
Mexico	4		13	38321
Canada	4		86	89010
Ecuador	1	1	2	6278
Venezuela	15	3	36	75537
<b>Americas</b>	<b>24</b>	<b>4</b>	<b>137</b>	<b>209146</b>
<b>Total</b>	<b>107</b>	<b>29</b>	<b>407</b>	<b>817264</b>

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# My Evaluation

- CNPC International business enjoys its previous success **BUT** remains in its nascent stage
  - A search for an *equity oil* by E&P is not solely solution. *Trading oil* (or global trading system) is imperative
  - CNPCI is facing serious competition worldwide since 1997, both economically and geopolitically
  - CNPC, as a large NOC, is turning into a multinational and encountering many hardships, both internally and externally.
  - CNPC, some other peers alike, is seriously challenged.
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# My Questions for Future Role of NOCs

- A choice of NOC or SOE, what are their differences or what are NOC domestic responsibilities?
  - A choice of NOC and IOC, what is NOC foreign expansion responsibility? A emerging question;
  - Further restructuring and benchmarking for many NOCs are required and questioned;
  - NOCs are seeking deeper cooperation worldwide, NOC-NOC, NOC-IOC in third countries. What are current success and failure telling us?
  - Repositioning of host government and NOC;
  - Capability building to cope with uncertainties and risks. (a lack of talent expertise is bottlenecking )
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