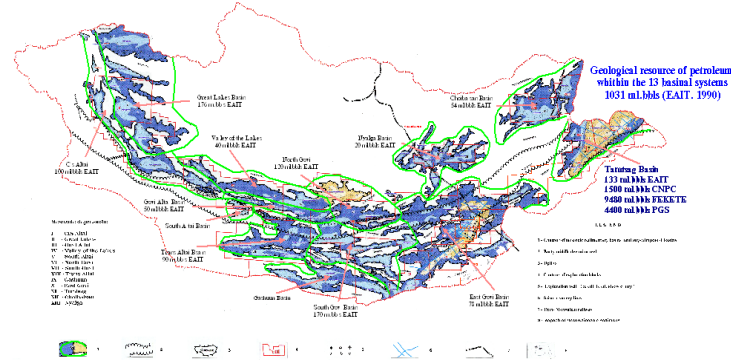


Project title **CONDUCTING PETROLEUM RELATED OPERATIONS IN THE TERRITORY OF MONGOLIA**

Geological map of Mongoli

Project background, project outline



According to appraisals of 13 major basins based on analysis of Exploration Associates International of Texas Inc, USA in 1990, geological petroleum reserves through those basins are estimated to be 1,031 million barrels. And Russian "Tatnefti" company made appraisals of original oil-in-place to be 10,689 million barrels through 59 subbasins of 13 major basins in 2000.

Project goals Exploration and Development of oil in Mongolia

Project activities Exploration Activities in Accordance with Principle of a Production Sharing Contract

Since 1992, Mongolia's sedimentary basins, prospects for petroleum, were divided into 25 exploration blocks for international open biddings. At present, Petrochina Daqing Tamsag Mongolia, China is, in Contract Areas XIX, XXI and XXII, Tamsag basin, and Dongsheng Jinggong Petroleum Mongolia, China is, in parts of Contract Areas (PSC of 1997), conducting petroleum exploration activities on basis of Production Sharing Contracts. In May of last year, the Production Sharing Contract on coal bed methane gas operations in a portion of exploration areas Block-VI and Block-VII was signed with Storm Cat Energy Corporation, Canada. Its exploration activities have been successfully developed last year.

Since 1993, 13.8 thousand straight kilometers of 2D seismic and 472 square kilometers of 3D seismic were acquired, 61 petroleum exploration wells and 15 coal bed methane wells were drilled and 20 petroleum exploration wells are being tested for production. 152.5 million USD has being invested in petroleum exploration operations. The investment in Mongolian petroleum sector will reach 270 million USD by the end of 2006.

By the end of 2005, Petrochina Daqing Tamsag Mongolia, LLC and Dongsheng Jinggong Petroleum Mongolia produced totally 990.0 thousand barrels of the crude oil from their contract areas and 927.5 thousand barrels were exported by railway and trucks to China.