

China sets up new state body to drill deep for oil and gas reserves

Reuters- China is setting up a new entity that groups national oil producers and other state firms to search for ultra-deep oil and gas reserves and tackle harder-to-extract non-conventional resources, state energy group CNPC said on Monday.

This is in answer to President Xi Jinping's call for the sector to have "new productive forces" that will contribute to the country's energy security, CNPC said on its website.

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In addition to CNPC and Sinopec, the country's two dominant producers of oil and gas, the new body gathers seven other state groups including China Aerospace Science and Industry Corp, steel group Baowu, equipment builder Sinomach, Dongfang Electric Group and Minmetals.

"This...is to gather wisdom and strength to jointly build an industry chain from ultra-deep oil and gas exploration to development to engineering," CNPC said.

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The group will drill conventional resources at ultra-deep wells that extend as much as 10,000 meters (6.21 miles) below the surface in places like northwest Xinjiang's Tarim basin region where CNPC and Sinopec are major players. It will also seek to tap deep shale oil and coal-seam gas resources.

China is the world's largest crude oil importer and relies on imports for nearly three-quarters of its needs. It has been investing billions of dollars to maintain its domestic crude oil production at above 4 million barrels a day, a level seen as necessary to power manufacturing activities and military services.

Years of effort by state oil majors to drill deeper onshore and accelerate development at offshore oilfields have yielded output [growth](#) of 2% per year since 2018.

That said, state firms have to contend with declining output at large mature fields. They are also grappling with the geological and cost challenges of extracting shale oil and gas resources.

Reuters