

Rating: Buy  
 S&P 500: 1235

## CNOOC Ltd.

### Raise Net Present Value to \$84 a Share

<i>Symbol</i>	CEO	<i>Ebitda Next Twelve Months ending 6/31/06 (US\$mm)</i>	6,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	69.33	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	411	<i>EV/Ebitda</i>	4.7
<i>Market Capitalization (US\$mm)</i>	28,500	<i>PV/Ebitda</i>	5.7
<i>Debt (US\$mm)</i>	300	<i>Undeveloped Reserves (%)</i>	46
<i>Enterprise Value (EV) (US\$mm)</i>	28,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	38.31
<i>Present Value (PV) (US\$mm)</i>	34,900	<i>Present Value Proven Reserves(US\$/boe)</i>	17.59
<i>Net Present Value (US\$/share)</i>	84	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.93
<i>Debt/Present Value</i>	0.01	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.35
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	2.9	<i>Indicated Annual Dividend (US\$/sh)</i>	2.04

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

The Peoples Republic of China holds 71% of the outstanding shares.

### Summary and Recommendation

We raise our estimated net present value of buy-recommended **CNOOC Ltd. (CEO)** to \$84 a share from \$67 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. The stock has 21% appreciation potential to net present value. Financial risk is low though there is obvious political risk. The possible acquisition of **Unocal (UCL)** would be more justifiable with our new present value estimates.

Kurt H. Wulff, CFA

#### CNOOC Limited

##### Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
Natural Gas	300	20.0	14.3	4,300	12%
Oil	5,800	7.8	5.3	30,500	88%
	6,100	9.6	5.7	34,800	100%
Debt (US\$mm)				300	
Net Present Value (US\$mm)				34,500	
Shares (mm)				411	
Net Present Value (US\$/sh)				84	

**Please see disclosures on the final page.**

**Oil and Gas Producers**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
			<i>1-Aug</i>	<i>(mm)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
			<i>2005</i>		<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
Encana Corporation	ECA	B	41.86	892	37,300	51.00	0.16	0.85
CNOOC Limited (29%)	CEO	B	69.33	119	8,270	84.00	0.01	0.83
Unocal Corporation	UCL	B	64.39	275	17,700	85.00	0.15	0.79
XTO Energy Inc.	XTO	B	35.58	370	13,150	48.00	0.17	0.79
Burlington Resources	BR	B	65.03	385	25,000	86.00	0.09	0.78
Devon Energy Corporation	DVN	B	56.63	496	28,100	82.00	0.13	0.73
Occidental Petroleum Corp.	OXY	B	82.78	406	33,600	120.00	0.11	0.72
Anadarko Petroleum Corp.	APC	B	88.72	238	21,100	140.00	0.11	0.67
			<i>Total or Median</i>		<i>184,000</i>		<i>0.12</i>	<i>0.78</i>

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