



Rating: Hold
 S&P 500: 1358
 Intraday

CNOOC Limited

Volume Gains Expected in 2008

<i>Symbol</i>	CEO	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	9,500
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	146.98	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/29/08	<i>Adjusted Reserves/Production NTM</i>	9.8
<i>Shares (mm)</i>	439	<i>EV/Ebitda</i>	6.8
<i>Market Capitalization (US\$m)</i>	64,500	<i>PV/Ebitda</i>	5.8
<i>Debt (US\$m)</i>	0	<i>Undeveloped Reserves (%)</i>	55
<i>Enterprise Value (EV) (US\$m)</i>	64,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	51.31
<i>Present Value (PV) (US\$m)</i>	54,900	<i>Present Value Proven Reserves(US\$/boe)</i>	21.78
<i>Net Present Value (US\$/share)</i>	125	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.63
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.12
<i>McDep Ratio - EV/PV</i>	1.18	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	2.4	<i>Indicated Annual Dividend (US\$/sh)</i>	3.47
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.			
Estimated present value presumes a long-term price for oil of US\$80 a barrel and natural gas, \$11 a million btu.			
The Peoples Republic of China holds 66% of the outstanding shares.			
For historical research on CEO since 2001 see http://www.mcdep.com/4ceo.htm			

Summary and Recommendation

Presenting in Hong Kong on January 29, Chairman and chief executive Fu Chengyu promises rapid growth in production in 2008 for Hold-rated **CNOOC Limited (CEO)**. Incorporating a 13% gain into our projections, we see a possible case for higher Net Present Value (NPV) than our current estimate of \$125 a share. We raised NPV from \$108 on December 18 when we increased our long-term oil price for calculating present value to \$80 from \$66 a barrel. Still, CEO has a relatively high McDep Ratio that may be influenced by the prospects for offering its shares in the Shanghai market. High valuation levels in that market may be artificially stimulated by restrictions on stocks Chinese investors can buy. Down a third from its high, CEO stock has more fundamental support than it did last year. It may also be a good sign for holders that the stock has held above the 200-day average, maintaining its uptrend by that definition. Meanwhile, partly induced by price controls, China has oil and gas shortages that demonstrate a strong demand for the commodities that CEO produces.

Kurt H. Wulff, CFA



CNOOC Limited									
Quarterly Operations									
									Twelve
	Q4	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Months E
	12/31/06	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Volume									
Natural gas (bcf)	55	55	55	209	56	58	60	62	236
Natural Gas (mmcf)	597	595	595	573	595	595	595	595	645
Days	92	92	92	365	91	91	92	92	366
Oil (mmb)	33	34	34	137	35	36	37	38	146
Oil (mbd)	364	373	373	375	373	373	373	373	399
Total gas & oil (mmboe)	43	43	43	172	44	46	47	48	185
Total gas & oil (mbd)	463	472	472	470	472	472	472	472	506
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.76	8.07	8.28	8.63	8.18
Company	2.43	3.42	3.42	3.32	3.42	3.42	3.42	3.42	3.42
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	72.28	91.62	90.56	89.92	89.34	90.36
Company	48.84	67.37	73.81	64.72	82.74	91.46	78.89	72.72	81.31
Total gas & oil (\$/mcf)	6.91	9.59	10.44	9.27	11.61	12.74	11.08	10.26	11.40
Revenue (\$mm)									
Natural Gas	134	187	187	694	192	198	205	212	807
Oil	1,635	2,312	2,533	8,849	2,896	3,293	2,919	2,763	11,871
Total	1,768	2,499	2,720	9,543	3,088	3,491	3,124	2,976	12,678
RMB/\$	7.86	7.56	7.43	7.61	7.20	7.20	7.20	7.20	7.20
Revenue (RMB)									
Natural Gas	1,049	1,415	1,392	5,280	1,379	1,428	1,477	1,527	5,811
Oil	12,850	17,478	18,826	67,228	20,851	23,707	21,016	19,897	85,471
Total	13,899	18,893	20,217	72,508	22,230	25,135	22,493	21,424	91,282

CNOOC Limited									
Half-Year Financial Results									
									Twelve
	H1	H2	Year	H1	H2E	Year	H1E	H2E	Months
	6/30/06	12/31/06	2006	6/30/07	12/31/07	2007E	6/30/08	12/31/08	12/31/08
Revenue (mmRMB)									
Natural Gas (from Q table)	1,975	2,305	4,279	2,473	2,807	5,280	2,807	3,004	5,811
Oil (from Q table)	34,213	29,701	63,914	30,924	36,304	67,228	44,558	40,913	85,471
Other	(713)		(713)	(175)		(175)	-		-
Total	35,475	32,006	67,481	33,222	39,111	72,333	47,366	43,917	91,282
Expense									
	7,781	5,932	13,712	5,502	9,778	15,280	11,841	10,979	22,821
Ebitda	27,694	26,074	53,768	27,720	29,333	57,053	35,524	32,938	68,462
Exploration	709	996	1,705	1,221	1,221	2,442	1,221	1,221	2,442
Deprec., Deplet., & Amort.	3,366	3,567	6,933	3,536	3,536	7,072	3,536	3,536	7,072
Ebit	23,619	21,511	45,130	22,963	24,576	47,539	30,767	28,181	58,948
Interest	-	-	-	-	-	-	-	-	-
Ebt	23,619	21,511	43,217	22,963	24,576	44,964	30,767	28,181	58,948
Income Tax	7,581	5,615	13,196	5,462	8,602	14,064	10,768	9,863	20,632
Net Income	16,038	13,982	30,021	14,926	15,974	30,900	19,999	18,317	38,316
Shares (millions)	41,124	41,124	41,124	43,900	43,900	43,900	43,900	43,900	43,900
Per share (RMB)	0.39	0.34	0.73	0.34	0.36	0.70	0.46	0.42	0.87
Ebitda Margin	78%	81%	80%	83%	75%	79%	75%	75%	75%
Tax Rate	32%	26%	31%	24%	35%	31%	35%	35%	35%



CNOOC Limited					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
Natural Gas	600	18.4	6.5	3,900	7%
Oil	8,900	7.5	5.7	51,000	93%
	9,500	9.8	5.8	54,900	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					54,900
Shares (mm)					439
Net Present Value - Standard Estimate (US\$/sh)					125
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					134

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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