

Rating: Buy  
S&P 500: 1509

## **PetroChina Company Ltd.**

### **Raise NPV on Discovery**

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 6/30/08 (US\$mm)</i>	37,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	127.64	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	5/7/07	<i>Adjusted Reserves/Production NTM</i>	15.1
<i>Shares (mm)</i>	1810	<i>EV/Ebitda</i>	6.6
<i>Market Capitalization (US\$mm)</i>	231,000	<i>PV/Ebitda</i>	7.7
<i>Debt (US\$mm)</i>	17,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$mm)</i>	248,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	30.07
<i>Present Value (PV) (US\$mm)</i>	288,000	<i>Present Value Proven Reserves(US\$/boe)</i>	12.57
<i>Net Present Value (US\$/share)</i>	150	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.09
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.31
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	3.6	<i>Indicated Annual Dividend (US\$/sh)</i>	4.64

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

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

The Peoples Republic of China holds 90% of the outstanding shares.

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of PTR since 2001 see [www.mcdep.com/3ptr.htm](http://www.mcdep.com/3ptr.htm)

### **Summary and Recommendation**

We raise estimated net present value (NPV) to \$150 from \$140 for buy-recommended **PetroChina Company Ltd. (PTR)** on confirmation of a giant oil discovery in the shallow waters of Bohai Bay. Confirming the speculation of recent months, management reports in a press release dated May 3 proven original oil and gas in place of 518 million tonnes, or about 3.6 billion (with a b) barrels, for the field named Jidong Nanpu. Considering that a third of oil in place may be recoverable, the resulting 1.2 billion barrels for the full interest could be a 10% addition to the company's currently proven oil reserves. At a nominal \$15 a barrel for quality oil reserves close to market, we add \$18 billion dollars, or \$10 a share to NPV. A nice, big discovery can add a positive glow to investor perception. It makes us feel good about the prospects for the stock we accord a full weighting in the illustrative McDep Energy Portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA

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

**PetroChina**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
Natural Gas	2,300	24.1	9.1	21,000	7%
Oil	31,100	12.3	7.9	246,000	85%
Downstream	3,900		5.6	22,000	8%
	37,300	15.1	7.7	289,000	100%
Debt (US\$mm)					17,000
Net Present Value (US\$mm)					272,000
Shares (mm)					1,810
Net Present Value - Standard Estimate (US\$/sh)					150
Net Present Value - Approximation by Correlation (US\$/sh)					150

**PetroChina Company Limited**  
**Half-Yearly Financial Results**

	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Twelve</i>
	<i>6/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>6/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>6/30/08</i>	<i>Months</i>
								<i>6/30/08</i>
NY Harbor 3-2-1 (\$/bbl)	11.39	9.61	10.50	18.39	16.05	17.22	14.03	15.04
<b>Revenue (RMB)</b>								
Upstream (from quarterly table)	215,275	210,804	<b>426,079</b>	196,800	215,940	<b>412,740</b>	221,182	<b>437,122</b>
Downstream Value Added	111,270	151,629	<b>262,899</b>	151,629	151,629	<b>303,258</b>	151,629	<b>303,258</b>
Total	326,545	362,433	<b>688,978</b>	348,429	367,570	<b>715,999</b>	372,811	<b>740,381</b>
<b>Expense</b>	175,640	237,908	<b>413,548</b>	222,698	225,354	<b>448,052</b>	227,451	<b>452,805</b>
<b>Ebitda (RMB)</b>								
Exploration and Production	148,156	118,222	<b>266,378</b>	115,731	127,215	<b>242,947</b>	130,360	<b>257,576</b>
Other	2,749	6,303	<b>9,052</b>	10,000	15,000	<b>25,000</b>	15,000	<b>30,000</b>
Total	150,905	124,525	<b>275,430</b>	125,731	142,215	<b>267,947</b>	145,360	<b>287,576</b>
Exploration	8,750	10,072	<b>18,822</b>	10,072	10,072	<b>20,144</b>	10,072	<b>20,144</b>
Deprec., Deplet., & Amort.	29,910	31,478	<b>61,388</b>	31,478	31,478	<b>62,956</b>	31,478	<b>62,956</b>
Other non cash								
<b>Ebit</b>	112,245	82,975	<b>195,220</b>	84,181	100,665	<b>184,847</b>	103,810	<b>204,476</b>
Interest	889	2,331	<b>3,220</b>	2,331	2,331	<b>4,662</b>	2,331	<b>4,662</b>
<b>Ebt</b>	111,356	80,644	<b>192,000</b>	81,850	98,334	<b>180,185</b>	101,479	<b>199,814</b>
Income Tax	30,675	19,101	<b>49,776</b>	28,648	34,417	<b>63,065</b>	35,518	<b>69,935</b>
<b>Net Income (RMB)</b>								
Exploration and Production	124,452	95,408	<b>219,860</b>					
Other	(9,159)	(5,961)	<b>(15,120)</b>					
Unallocated	(34,612)	(27,904)	<b>(62,516)</b>					
Total	80,681	61,543	<b>142,224</b>	53,203	63,917	<b>117,120</b>	65,962	<b>129,879</b>
<b>Shares (millions)</b>	1,793	1,810	<b>1,800</b>	1,810	1,810	<b>1,810</b>	1,810	<b>1,810</b>
Earnings per share (RMB)	45.00	34.00	<b>79.00</b>	29.39	35.31	<b>64.70</b>	36.44	<b>71.75</b>
Ebitda Margin (E&P)	69%	56%	<b>63%</b>	59%	59%	<b>59%</b>	59%	<b>59%</b>
Tax Rate	28%	24%	<b>26%</b>	35%	35%	<b>35%</b>	35%	<b>35%</b>

Please see disclosures on the final page.

**PetroChina Company Limited**  
**Quarterly Operations**

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>Months E</i>
									<i>6/30/08</i>
<b>Volume</b>									
Natural gas (bcf)	360	375	<b>1,382</b>	411	370	368	428	<b>1,576</b>	<b>1,576</b>
Natural Gas (mmcf)	4,002	4,079	<b>3,787</b>	4,562	4,065	3,995	4,650	<b>4,317</b>	<b>4,317</b>
Days	90	92	<b>365</b>	90	91	92	92	<b>365</b>	<b>365</b>
Oil (mmb)	208	204	<b>830</b>	209	212	214	214	<b>848</b>	<b>848</b>
Oil (mbd)	2,307	2,213	<b>2,273</b>	2,324	2,324	2,324	2,324	<b>2,324</b>	<b>2,324</b>
Total gas & oil (mmb)	268	266	<b>1,060</b>	278	273	275	285	<b>1,111</b>	<b>1,111</b>
Total gas & oil (mbd)	2,974	2,893	<b>2,904</b>	3,085	3,002	2,990	3,099	<b>3,044</b>	<b>3,044</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	<b>7.23</b>	6.81	7.62	8.04	8.90	<b>7.84</b>	<b>8.77</b>
Company	2.43	2.49	<b>2.46</b>	2.52	2.52	2.52	2.52	<b>2.52</b>	<b>2.52</b>
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	<b>66.05</b>	58.08	62.29	64.45	66.72	<b>62.88</b>	<b>67.05</b>
Company	55.14	54.44	<b>59.77</b>	53.84	57.75	59.75	61.85	<b>58.32</b>	<b>62.14</b>
Total gas & oil (\$/bbl)	46.04	45.15	<b>49.98</b>	44.30	48.13	49.81	50.17	<b>48.11</b>	<b>51.03</b>
<b>Revenue (\$mm)</b>									
Natural Gas	875	933	<b>3,401</b>	1,035	932	926	1,078	<b>3,971</b>	<b>3,971</b>
Oil	11,447	11,084	<b>49,583</b>	11,263	12,215	12,776	13,227	<b>49,482</b>	<b>52,724</b>
Total	12,322	12,017	<b>52,984</b>	12,298	13,147	13,703	14,305	<b>53,453</b>	<b>56,695</b>
Total(RMB)	99,195	94,455	<b>426,079</b>	95,433	101,367	105,647	110,293	<b>412,740</b>	<b>437,122</b>
RMB/SUS	8.05	7.86	<b>8.04</b>	7.76	7.71	7.71	7.71	<b>7.72</b>	<b>7.71</b>

**Disclaimer:** This analysis was prepared by Kurt Wulff 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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

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