

Rating: Hold
S&P 500: 1528
Intraday

PetroChina Company Ltd. **Revise Rating to Hold from Buy on Price**

<i>Symbol</i>	PTR	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$mm)</i>	45,000
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	246.81	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	10/26/07	<i>Adjusted Reserves/Production NTM</i>	15.0
<i>Shares (mm)</i>	1779	<i>EV/Ebitda</i>	10.2
<i>Market Capitalization (US\$mm)</i>	439,000	<i>PV/Ebitda</i>	7.0
<i>Debt (US\$mm)</i>	17,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$mm)</i>	456,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	36.02
<i>Present Value (PV) (US\$mm)</i>	313,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.73
<i>Net Present Value (US\$/share)</i>	166	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.29
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.10
<i>McDep Ratio - EV/PV</i>	1.46	<i>Price/Earnings Next Twelve Months</i>	20
<i>Dividend Yield (%/year)</i>	1.9	<i>Indicated Annual Dividend (US\$/sh)</i>	4.76

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\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of PTR since 2001 see www.mcdep.com/3ptr.htm

Summary and Recommendation

We revise our recommendation to Hold from Buy for the stock of **PetroChina Company Ltd. (PTR)** as a result of the nice positive surprise of intense investor interest in Chinese stocks. Stock price exceeds estimated net present value (NPV) of \$166 a share by more than any normal allowance for uncertainty in our industry estimates. We take a neutral stance on PTR for now and will see if the McDep Ratio drops back into buy range considering future stock price action and progress in company operations and industry conditions. There is open-ended upside to NPV from oil price, natural gas price and refined product price on top of volume growth. Higher stock prices in China than outside China may be driving up PTR stock price in advance of an issue of new shares in the mainland Chinese market in a few weeks. Eventually Chinese stock prices and world stock prices may come closer together at a level higher than current world levels.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

PetroChina Company Limited
Half-Yearly Financial Results

	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</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>12/31/08</i>	<i>Months</i>
									<i>12/31/08</i>
NY Harbor 3-2-1 (\$/bbl)	11.39	9.61	10.50	18.32	9.06	13.69	11.76	10.55	11.15
Revenue (RMB)									
Upstream (from quarterly table)	215,275	210,804	426,079	202,406	246,722	449,128	250,573	250,573	501,145
Downstream Value Added	111,270	151,629	262,899	190,320	190,320	380,640	190,320	190,320	380,640
Total	326,545	362,433	688,978	392,726	437,042	829,768	440,893	440,893	881,785
Expense	175,640	237,908	413,548	243,804	282,297	526,101	263,071	283,838	546,908
Ebitda (RMB)									
Exploration and Production	148,156	118,222	266,378	121,852	148,442	270,294	150,752	150,752	301,505
Other	2,749	6,303	9,052	27,070	6,303	33,372	27,070	6,303	33,372
Total	150,905	124,525	275,430	148,922	154,744	303,666	177,822	157,055	334,877
Exploration	8,750	10,072	18,822	10,607	10,607	21,214	10,607	10,607	21,214
Deprec., Deplet., & Amort.	29,910	31,478	61,388	31,228	31,228	62,456	31,228	31,228	62,456
Other non cash									
Ebit	112,245	82,975	195,220	107,087	112,909	219,996	135,987	115,220	251,207
Interest	889	2,331	3,220	1,231	1,231	2,462	1,231	1,231	2,462
Ebt	111,356	80,644	192,000	105,856	111,678	217,534	134,756	113,989	248,745
Income Tax	30,675	19,101	49,776	24,026	39,087	63,113	47,165	39,896	87,061
Net Income (RMB)									
Exploration and Production	124,452	95,408	219,860	96,436					
Other	(9,159)	(5,961)	(15,120)	15,451					
Unallocated	(34,612)	(27,904)	(62,516)	(30,057)					
Total	80,681	61,543	142,224	81,830	72,591	154,421	87,591	74,093	161,684
Shares (millions)	1,793	1,810	1,800	1,779	1,779	1,779	1,779	1,779	1,779
Earnings per share (RMB)	45.00	34.00	79.00	46.00	40.81	86.81	49.24	41.65	90.89
Ebitda Margin (E&P)	69%	56%	63%	60%	60%	60%	60%	60%	60%
Tax Rate	28%	24%	26%	23%	35%	29%	35%	35%	35%

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	2,500	23.5	8.4	21,000	7%
Oil	37,700	12.3	7.1	268,000	86%
Downstream	4,400		5.2	23,000	7%
	44,600	15.0	7.0	312,000	100%
Debt (US\$mm)					17,000
Net Present Value (US\$mm)					295,000
Shares (mm)					1,779
Net Present Value - Standard Estimate (US\$/sh)					166
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					164

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PetroChina Company Limited
Quarterly Operations

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Twelve</i>
	<i>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>Months E</i>
									<i>12/31/08</i>
Volume									
Natural gas (bcf)	375	378	440	1,616	415	387	378	440	1,621
Natural Gas (mmcf)	4,079	4,110	4,784	4,428	4,562	4,257	4,110	4,784	4,428
Days	92	92	92	365	91	91	92	92	366
Oil (mmb)	204	212	212	844	210	210	212	212	845
Oil (mbd)	2,213	2,308	2,308	2,313	2,308	2,308	2,308	2,308	2,308
Total gas & oil (mmb)	266	275	286	1,114	279	275	275	286	1,115
Total gas & oil (mbd)	2,893	2,993	3,105	3,051	3,068	3,017	2,993	3,105	3,046
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.95	6.87	7.87	7.53	7.76	8.27	7.86
Company	2.49	2.57	2.57	2.56	2.57	2.57	2.57	2.57	2.57
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	86.12	71.15	84.42	82.44	80.91	79.65	81.86
Company	54.44	67.42	76.93	64.96	75.41	73.65	72.28	71.15	73.12
Total gas & oil (\$/bbl)	45.15	55.52	61.14	52.96	60.55	59.96	59.27	56.84	59.14
Revenue (\$mm)									
Natural Gas	933	972	1,132	4,131	1,067	996	972	1,132	4,167
Oil	11,084	14,314	16,333	54,847	15,836	15,465	15,345	15,105	61,752
Total	12,017	15,286	17,464	58,977	16,904	16,462	16,317	16,237	65,919
Total(RMB)	94,455	115,565	131,157	449,128	126,947	123,626	122,544	121,937	495,053
RMB/\$US	7.86	7.56	7.51	7.62	7.51	7.51	7.51	7.51	7.51

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