

Rating: Buy
S&P 500: 1402

PetroChina Company Ltd. **Government Takes Gains**

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 6/30/08 (US\$mm)</i>	34,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	110.91	<i>Natural Gas and Oil Production/Ebitda (%)</i>	89
<i>Pricing Date</i>	3/19/07	<i>Adjusted Reserves/Production NTM</i>	15.2
<i>Shares (mm)</i>	1810	<i>EV/Ebitda</i>	6.4
<i>Market Capitalization (US\$mm)</i>	201,000	<i>PV/Ebitda</i>	8.0
<i>Debt (US\$mm)</i>	17,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (US\$mm)</i>	218,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.30
<i>Present Value (PV) (US\$mm)</i>	270,000	<i>Present Value Proven Reserves(US\$/boe)</i>	12.22
<i>Net Present Value (US\$/share)</i>	140	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.04
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.05
<i>McDep Ratio - EV/PV</i>	0.81	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	4.2	<i>Indicated Annual Dividend (US\$/sh)</i>	4.62

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

Summary and Recommendation

Punitive taxation takes away at least temporarily the appreciation upside beyond estimated present value of \$140 a share in buy-recommended **PetroChina Company Ltd. (PTR)**. A unique levy applied only to domestic crude oil priced above \$40 a barrel appears to account for practically the entire decline in dividends, earnings and cash flow in the second half of 2006 reported on March 19. Though we hate, loathe and despise them, we believe the discriminatory assessments are likely to be temporary and that PTR stock can do well as investors look through to a strong strategic position in a strong global business. We also see artificially low regulated prices for natural gas and refined oil products harming the profits and the supply of clean fuels desperately needed by the world's largest coal polluting country. Again, patience seems justified as uneconomic policies eventually become too costly to economic growth to sustain. We carry PetroChina stock at a full weighting in the illustrative McDep Energy Portfolio concentrated on clean energy assets positioned for global growth.

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Please see disclosures on the final page.

PetroChina Company Limited
Half-Yearly Financial Results

	H2	Year	H1	H2	Year	H1E	H2E	Year	Twelve
	12/31/05	2005	6/30/06	12/31/06	2006	6/30/07	12/31/07	2007E	Months
									6/30/08
NY Harbor 3-2-1 (\$/bbl)	12.88	10.63	11.39	9.61	10.50	15.14	11.61	13.37	11.47
Revenue (RMB)									
Upstream (from quarterly table)	194,268	344,745	215,275	210,804	426,079	178,013	195,707	373,720	393,300
Downstream Value Added	105,472	207,484	111,270	151,629	262,899	151,629	151,629	303,258	303,258
Total	299,740	552,229	326,545	362,433	688,978	329,642	347,336	676,979	696,559
Expense	162,939	295,054	175,640	237,908	413,548	215,183	217,261	432,444	435,276
Ebitda (RMB)									
Exploration and Production	140,029	249,194	148,156	118,222	266,378	104,459	115,075	219,535	231,283
Other	(3,228)	7,981	2,749	6,303	9,052	10,000	15,000	25,000	30,000
Total	136,801	257,175	150,905	124,525	275,430	114,459	130,075	244,535	261,283
Exploration	7,038	15,566	8,750	10,072	18,822	10,072	10,072	20,144	20,144
Deprec., Deplet., & Amort.	25,514	51,305	29,910	31,478	61,388	31,478	31,478	62,956	62,956
Other non cash									
Ebit	104,249	190,304	112,245	82,975	195,220	72,909	88,525	161,435	178,183
Interest	1,577	2,762	889	2,331	3,220	2,331	2,331	4,662	4,662
Ebt	102,672	187,542	111,356	80,644	192,000	70,578	86,194	156,773	173,521
Income Tax	30,934	54,180	30,675	19,101	49,776	24,702	30,168	54,870	60,732
Net Income (RMB)									
Exploration and Production	123,387	208,080	124,452	95,408	219,860				
Other	(13,565)	(12,721)	(9,159)	(5,961)	(15,120)				
Unallocated	(38,084)	(61,997)	(34,612)	(27,904)	(62,516)				
Total	71,738	133,362	80,681	61,543	142,224	45,876	56,026	101,902	112,788
Shares (millions)	1,778	1,769	1,793	1,810	1,800	1,810	1,810	1,810	1,810
Earnings per share (RMB)	40.35	75.40	45.00	34.00	79.00	25.34	30.95	56.30	62.31
Ebitda Margin (E&P)	72%	72%	69%	56%	63%	59%	59%	59%	59%
Tax Rate	30%	29%	28%	24%	26%	35%	35%	35%	35%

PetroChina Company Limited
Quarterly Operations

	Q4	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Twelve
	12/31/05	12/31/06	2006	3/31/07	6/30/07	9/30/07	12/31/07	2007E	Months E
									6/30/08
Volume									
Natural gas (bcf)	356	375	1,382	367	371	375	375	1,489	1,489
Natural Gas (mmcf)	3,872	4,079	3,787	4,079	4,079	4,079	4,079	4,079	4,079
Days	92	92	365	90	91	92	92	365	365
Oil (mmb)	228	204	830	199	201	204	204	808	808
Oil (mbd)	2,473	2,213	2,273	2,213	2,213	2,213	2,213	2,213	2,213
Total gas & oil (mmb)	287	266	1,060	260	263	266	266	1,056	1,056
Total gas & oil (mbd)	3,118	2,893	2,904	2,893	2,893	2,893	2,893	2,893	2,893
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.57	7.23	6.81	6.98	7.36	8.23	7.34	8.08
Company	2.17	2.49	2.46	2.49	2.49	2.49	2.49	2.49	2.49
Oil (\$/bbl)									
WTI Cushing	60.02	59.99	66.05	57.32	59.11	62.67	64.09	60.80	64.28
Company	51.04	54.44	59.77	52.02	53.64	56.87	58.16	55.19	58.32
Total gas & oil (\$/bbl)	43.18	45.15	49.98	43.30	44.54	47.01	48.00	45.73	48.12
Revenue (\$mm)									
Natural Gas	774	933	3,401	913	923	933	933	3,703	3,703
Oil	11,611	11,084	49,583	10,360	10,803	11,578	11,841	44,581	47,111
Total	12,386	12,017	52,984	11,273	11,726	12,511	12,774	48,284	50,814
Total(RMB)	100,113	94,455	426,079	87,256	90,757	96,836	98,871	373,720	393,300
RMB/\$US	8.08	7.86	8.04	7.74	7.74	7.74	7.74	7.74	7.74

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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	2,200	22.8	9.5	21,000	8%
Oil	27,700	12.8	8.2	227,000	84%
Downstream	3,900		5.6	22,000	8%
	33,800	15.2	8.0	270,000	100%
Debt (US\$mm)				17,000	
Net Present Value (US\$mm)				253,000	
Shares (mm)				1,810	
Net Present Value - Standard Estimate (US\$/sh)				140	
Net Present Value - Approximation by Correlation (US\$/sh)				138	

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