



Rating: Hold  
 S&P 500: 1341

**CNOOC Limited**  
**Dividend Raised 15%**

<i>Symbol</i>	CEO	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$mm)</i>	10,700
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	141.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/26/08	<i>Adjusted Reserves/Production NTM</i>	9.3
<i>Shares (mm)</i>	439	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (US\$mm)</i>	62,100	<i>PV/Ebitda</i>	5.2
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	55
<i>Enterprise Value (EV) (US\$mm)</i>	62,100	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	52.61
<i>Present Value (PV) (US\$mm)</i>	54,900	<i>Present Value Proven Reserves(US\$/boe)</i>	21.11
<i>Net Present Value (US\$/share)</i>	125	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.52
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/sh)</i>	13.78
<i>McDep Ratio - EV/PV</i>	1.13	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	2.7	<i>Indicated Annual Dividend (US\$/sh)</i>	3.87
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 <a href="http://www.mcdep.com/4ceo.htm">http://www.mcdep.com/4ceo.htm</a>			

**Summary and Recommendation**

We expect to raise Net Present Value (NPV) for hold-rated **CNOOC Limited (CEO)** from our current estimate of \$125 a share if confirmed by detailed disclosure we await for 2007. Preliminary results released today encouraged the board of directors to approve a dividend increase to an indicated annual yield of 2.7%. Earnings per share were ahead of our expectations at the same time they were held back by a special oil tax sometimes called a windfall profits tax. Rather than a windfall, higher oil price is a necessary, convincing indicator of the need to invest in more supply and to conserve demand, we believe. Aside from the tax, revenues should be up sharply in 2008 with volume and price gains (see table Quarterly Operations). After special oil taxes, but before income tax, Ebitda Margin appears competitive at about 70% (see table Half-Year Financial Results). NPV approximation by cash flow multiple depending on reserve life suggests NPV could be \$140 a share, close to current stock price (see table Functional Cash Flow and Present Value).

Kurt H. Wulff, CFA



CNOOC Limited										
Quarterly Operations										
										<i>Twelve</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Months E</i>
	<i>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008E</i>	<i>6/30/09</i>
<b>Volume</b>										
Natural gas (bcf)	55	55	50	204	56	56	61	56	229	241
Natural Gas (mmcf)	597	595	540	559	615	617	665	604	625	661
Days	92	92	92	365	91	91	92	92	366	365
Oil (mmb)	33	34	35	137	39	38	38	39	154	162
Oil (mbd)	364	373	378	376	424	417	417	422	420	445
Total gas & oil (mmb/e)	43	43	43	171	48	47	49	48	192	202
Total gas & oil (mbd)	463	472	468	469	526	520	528	523	524	555
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	8.02	9.42	9.66	10.03	9.28	9.99
Company	2.43	3.42	3.42	3.32	3.42	3.42	3.42	3.42	3.42	3.42
Oil (\$/bbl)										
WTI Cushing	59.99	75.48	90.67	72.28	97.73	100.65	99.18	98.05	98.90	98.18
Company	48.84	67.37	73.81	64.75	88.26	101.66	87.01	79.82	89.13	88.70
Total gas & oil (\$/mcf)	6.91	9.59	10.59	9.31	12.51	14.27	12.17	11.40	12.58	12.53
<b>Revenue (\$mm)</b>										
Natural Gas	134	187	170	677	191	192	209	190	782	825
Oil	1,635	2,312	2,567	8,883	3,402	3,862	3,337	3,102	13,704	14,394
Total	1,768	2,499	2,737	9,560	3,594	4,054	3,546	3,292	14,486	15,219
RMB/\$	7.86	7.56	7.43	7.60	7.06	7.06	7.06	7.06	7.06	7.06
<b>Revenue (RMB)</b>										
Natural Gas	1,049	1,415	1,263	5,151	1,351	1,355	1,477	1,341	5,523	5,825
Oil	12,850	17,478	19,078	67,480	24,020	27,265	23,560	21,902	96,747	101,623
Total	13,899	18,893	20,341	72,631	25,371	28,620	25,037	23,242	102,270	107,448

CNOOC Limited										
Half-Year Financial Results										
										<i>Twelve</i>
	<i>H2</i>	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</i>	<i>Months</i>	<i>Months</i>
	<i>12/31/06</i>	<i>6/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>6/30/08</i>	<i>12/31/08</i>	<i>2008E</i>	<i>6/30/09</i>	<i>6/30/09</i>	<i>6/30/09</i>
<b>Revenue (mmRMB)</b>										
Natural Gas (from Q table)	2,305	2,473	2,678	5,151	2,705	2,818	5,523	3,007	5,825	5,825
Oil (from Q table)	29,701	30,924	36,556	67,480	51,285	45,461	96,747	56,162	101,623	101,623
Other		(175)		(175)	-	-	-	-	-	-
Total	32,006	33,222	39,234	72,456	53,991	48,279	102,270	59,169	107,448	107,448
<b>Expense</b>										
	5,932	5,502	12,333	17,835	16,197	14,484	30,681	17,751	32,234	32,234
<b>Ebitda</b>										
	26,074	27,720	26,901	54,621	37,794	33,795	71,589	41,418	75,214	75,214
Exploration	996	1,221	1,221	2,442	1,221	1,221	2,442	1,221	2,442	2,442
Deprec., Deplet., & Amort.	3,567	3,536	3,536	7,072	3,536	3,536	7,072	3,536	7,072	7,072
<b>Ebit</b>										
	21,511	22,963	22,144	45,107	33,037	29,038	62,075	36,661	65,700	65,700
Interest	-	-	-	-	-	-	-	-	-	-
<b>Ebt</b>										
	21,511	22,963	22,144	42,532	33,037	29,038	62,075	36,661	65,700	65,700
Income Tax	5,615	5,462	5,462	10,924	11,563	10,163	21,726	12,831	22,995	22,995
<b>Net Income</b>										
	13,982	14,926	16,682	31,608	21,474	18,875	40,349	23,830	42,705	42,705
<b>Shares (millions)</b>										
	41,124	43,900	43,900	43,900	43,900	43,900	43,900	43,900	43,900	43,900
<b>Per share (RMB)</b>										
	0.34	0.34	0.38	0.72	0.49	0.43	0.92	0.54	0.97	0.97
<b>Ebitda Margin</b>										
	81%	83%	69%	75%	70%	70%	70%	70%	70%	70%
<b>Tax Rate</b>										
	26%	24%	25%	26%	35%	35%	35%	35%	35%	35%



<b>CNOOC Limited</b>					
<b>Functional Cash Flow and Present Value</b>					
	<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>(US\$mm)</i>	
Natural Gas	580	18.6	6.7	3,900	7%
Oil	10,120	7.0	5.0	51,000	93%
	10,700	9.3	5.1	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)					142

**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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