

Rating: Buy
S&P 500: 1305

PetroChina Company Ltd.

Growth Pains

<i>Symbol</i>	PTR	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	37,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	97.85	<i>Natural Gas and Oil Production/Ebitda (%)</i>	102
<i>Pricing Date</i>	3/20/06	<i>Adjusted Reserves/Production NTM</i>	11.6
<i>Shares (mm)</i>	1778	<i>EV/Ebitda</i>	5.0
<i>Market Capitalization (US\$m)</i>	174,000	<i>PV/Ebitda</i>	6.1
<i>Debt (US\$m)</i>	12,000	<i>Undeveloped Reserves (%)</i>	27
<i>Enterprise Value (EV) (US\$m)</i>	186,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.02
<i>Present Value (PV) (US\$m)</i>	226,000	<i>Present Value Proven Reserves(US\$/boe)</i>	14.67
<i>Net Present Value (US\$/share)</i>	120	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.44
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.40
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	4.3	<i>Indicated Annual Dividend (US\$/sh)</i>	4.21

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.

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

Summary and Recommendation

Buy-recommended **PetroChina Company Ltd. (PTR)** offers prospective 23% appreciation to estimated net present value of \$120 a share that presumes a long-term benchmark crude oil price of \$50 a barrel. World pricing for natural gas and refined products could add \$40 a share to present value. Yet, the company lost money under price controls for refined products last year as disclosed in results released on March 20, 2006. Despite that symbolic event, cash flow is meeting expectations dominated by oil production. We project breakeven cash flow for downstream in the first half of 2006 and nominal profit in the second half as price controls inevitably are likely to be relaxed. Rapidly growing natural gas demand prompts management to contemplate a second West to East pipeline in the next several years. PetroChina stock combines participation in rich energy resources and the promise of profitable growth projects.

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	1,600	18.9	12.5	20,000	9%
Oil	31,700	10.1	5.8	183,000	81%
Downstream	3,700		5.9	22,000	10%
	37,000	11.6	6.1	225,000	100%
Debt (US\$mm)					12,000
Net Present Value (US\$mm)					213,000
Shares (mm)					1,778
Net Present Value - Standard Estimate (US\$/sh)					120
Net Present Value - Approximation by Correlation (US\$/sh)					117

PetroChina Company Limited
Next Twelve Months Financial Results

	<i>H2</i>	<i>Year</i>	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Next</i>
	<i>12/31/04</i>	<i>2004</i>	<i>6/30/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>6/30/06</i>	<i>12/31/06</i>	<i>Twelve</i>
								<i>Months</i>
								<i>12/31/06</i>
NY Harbor 3-2-1 (\$/bbl)	6.75	7.74	8.38	12.88	10.63	10.20	9.35	9.77
Revenue (RMB)								
Natural Gas								
Oil								
Upstream (from quarterly table)	129,444	231,710	150,477	205,481	355,958	222,384	234,371	456,755
Downstream Value Added	79,637	156,923	102,012	94,259	196,271	94,259	94,259	188,517
Total	209,081	388,633	252,489	299,740	552,229	316,642	328,630	645,272
Expense								
Production								
Other								
Total	97,693	182,706	132,115	162,939	295,054	171,390	177,384	348,774
Ebitda (RMB)								
Exploration and Production	92,060	165,183	109,165	140,029	249,194	148,480	154,474	302,954
Other	19,328	40,744	11,209	(3,228)	7,981	-	30,000	30,000
Total	111,388	205,927	120,374	136,801	257,175	145,252	151,246	296,498
Exploration	6,093	11,723	8,528	7,038	15,566	7,038	7,038	14,076
Deprec., Deplet., & Amort.	21,738	46,411	25,791	25,514	51,305	25,514	25,514	51,028
Other non cash								
Ebit	83,557	147,793	86,055	104,249	190,304	112,700	118,694	231,394
Interest	1,378	2,303	1,185	1,577	2,762	1,577	1,577	3,154
Ebt	82,179	145,490	84,870	102,672	187,542	111,123	117,117	228,240
Income Tax	24,544	42,563	23,246	30,934	54,180	38,893	40,991	79,884
Net Income (RMB)								
Exploration and Production	72,870	125,571	84,693	123,387	208,080			
Other	10,622	22,171	844	(13,565)	(12,721)			
Unallocated	(25,857)	(44,815)	(23,913)	(38,084)	(61,997)			
Total	57,635	102,927	61,624	71,738	133,362	72,230	76,126	148,356
Shares (millions)	1,758	1,758	1,758	1,778	1,769	1,778	1,778	1,778
Earnings per share (RMB)	32.78	58.55	35.05	40.35	75.40	40.62	42.82	83.44
Ebitda Margin (E&P)	71%	71%	73%	68%	70%	67%	66%	66%
Tax Rate	30%	29%	27%	30%	29%	35%	35%	35%

Please see disclosures on the final page.

PetroChina Company Limited
Next Twelve Months Operations

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>3/31/07</i>
Volume										
Natural gas (bcf)	261	389	1,152	288	300	304	313	1,205	288	1,205
Natural Gas (mmcf)	2,899	4,225	3,156	3,200	3,300	3,300	3,400	3,301	3,200	3,301
Days	90	92	365	90	91	92	92	365	90	365
Oil (mmb)	200	247	842	241	244	247	247	978	241	978
Oil (mbd)	2,221	2,680	2,307	2,680	2,680	2,680	2,680	2,680	2,680	2,680
Total gas & oil (mmb)	243	311	1,034	289	294	297	299	1,179	289	1,179
Total gas & oil (mbd)	2,704	3,385	2,833	3,214	3,230	3,230	3,247	3,231	3,214	3,231
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	6.98	7.43	8.93	8.08	10.72	8.52
Company	1.98	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08
Oil (\$/bbl)										
WTI Cushing	49.65	60.02	56.31	62.86	61.81	64.17	65.11	63.49	65.59	64.17
Company	37.63	52.57	48.88	55.06	54.15	56.21	57.03	55.62	57.45	56.21
Total gas & oil (\$/bbl)	33.03	44.23	42.12	48.00	47.05	48.77	49.26	48.27	49.99	48.76
Revenue (\$mm)										
Natural Gas	517	808	2,396	599	625	631	651	2,506	599	2,506
Oil	7,522	12,965	41,157	13,283	13,208	13,862	14,064	54,417	13,860	54,994
Total	8,039	13,773	43,553	13,882	13,832	14,493	14,715	56,923	14,459	57,500
Total(RMB)	66,437	111,327	355,958	111,392	110,992	116,297	118,074	456,755	116,021	461,384
RMB/SUS	8.26	8.08	8.17	8.02	8.02	8.02	8.02	8.02	8.02	8.02

Kurt H. Wulff, CFA

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.