

Rating: Buy
S&P 500: 1431

PetroChina Company Ltd. **Fourth Largest Oil and Gas Company**

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 12/31/07 (US\$m)</i>	39,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	127.40	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	1/12/07	<i>Adjusted Reserves/Production NTM</i>	15.2
<i>Shares (mm)</i>	1790	<i>EV/Ebitda</i>	6.2
<i>Market Capitalization (US\$m)</i>	228,000	<i>PV/Ebitda</i>	6.8
<i>Debt (US\$m)</i>	10,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (US\$m)</i>	238,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.83
<i>Present Value (PV) (US\$m)</i>	260,000	<i>Present Value Proven Reserves(US\$/boe)</i>	11.97
<i>Net Present Value (US\$/share)</i>	140	<i>Present Value Proven Reserves(US\$/mcf)</i>	1.99
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.30
<i>McDep Ratio - EV/PV</i>	0.91	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	3.9	<i>Indicated Annual Dividend (US\$/sh)</i>	4.91

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

In the six years it has been publicly held, buy-recommended **PetroChina Company Ltd. (PTR)** has become the world's fourth largest oil and gas company by market cap ranking behind buy recommendations **ExxonMobil (XOM)**, **Royal Dutch Shell (RDS)** and **Gazprom(OGZPY)**. Because PTR remains 90% government owned, its floating market cap is ten percent of its total. On January 15, 2007, the company reported fourth quarter 2006 production highlights that demonstrated unequivocal growth in natural gas for the year (see table, [Quarterly Operations](#)). Growth for the clean fuel ought to continue at a high rate from PTR's domestic resources and from company participation in international production in Turkmenistan, for example. China, the world's largest coal polluter, desperately needs a more desirable replacement. Carried at a full weight in the illustrative McDep energy portfolio, PTR stock reached estimated net present value (NPV) of \$140 a share at year end before falling back at the start of 2007. By our correlation with thirty producers, there may be room for upward revision in NPV (see table, [Functional Cash Flow and Present Value](#)).

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PetroChina Company Limited
Quarterly Operations

	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Twelve
	9/30/05	12/31/05	2005	3/31/06	6/30/06	9/30/06	12/31/06	2006	Months E
									12/31/07
Volume									
Natural gas (bcf)	257	356	1,120	360	325	322	375	1,382	1,489
Natural Gas (mmcf)	2,793	3,872	3,067	4,002	3,566	3,504	4,079	3,787	4,079
Days	92	92	365	90	91	92	92	365	365
Oil (mmb)	199	228	823	208	211	207	204	830	808
Oil (mbd)	2,161	2,473	2,255	2,307	2,323	2,250	2,213	2,273	2,213
Total gas & oil (mmb)	242	287	1,009	268	265	261	266	1,060	1,056
Total gas & oil (mbd)	2,626	3,118	2,766	2,974	2,917	2,834	2,893	2,904	2,893
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.56	13.00	8.65	8.97	6.81	6.58	6.57	7.23	7.07
Company	2.34	2.17	2.11	2.43	2.43	2.49	2.49	2.46	2.49
Oil (\$/bbl)									
WTI Cushing	62.52	60.02	56.31	63.33	70.47	70.42	59.99	66.05	55.69
Company	55.19	51.04	48.37	55.14	62.71	66.64	54.44	59.77	50.55
Total gas & oil (\$/bbl)	47.89	43.18	41.77	46.04	52.91	55.99	45.15	49.98	42.18
Revenue (\$mm)									
Natural Gas	600	774	2,362	875	789	804	933	3,401	3,703
Oil	10,972	11,611	39,804	11,447	13,257	13,795	11,084	49,583	40,834
Total	11,572	12,386	42,166	12,322	14,046	14,598	12,017	52,984	44,536
Total(RMB)	94,155	100,113	344,745	99,195	116,080	116,349	94,455	426,079	347,611
RMB/\$US	8.14	8.08	8.18	8.05	8.01	7.97	7.86	8.04	7.81

PetroChina Company Limited
Half-Yearly Financial Results

	H2	Year	H1	H2E	Year	H1E	H2E	Twelve	
	12/31/05	2005	6/30/06	12/31/06	2006E	6/30/07	12/31/07	Months	
								12/31/07	
NY Harbor 3-2-1 (\$/bbl)	12.88	10.63	11.39	9.61	10.50	10.32	10.68	9.96	
Revenue (RMB)									
Upstream (from quarterly table)	194,268	344,745	215,275	210,804	426,079	168,192	179,419	378,995	
Downstream Value Added	105,472	207,484	111,270	126,270	237,540	126,270	126,270	252,540	
Total	299,740	552,229	326,545	337,074	663,619	294,461	305,689	631,535	
Expense									
	162,939	295,054	175,640	176,154	351,794	154,848	160,461	331,001	
Ebitda (RMB)									
Exploration and Production	140,029	249,194	148,156	145,920	294,075	124,614	130,228	270,534	
Other	(3,228)	7,981	2,749	15,000	17,749	15,000	15,000	30,000	
Total	136,801	257,175	150,905	160,920	311,825	139,614	145,228	300,534	
Exploration	7,038	15,566	8,750	8,750	17,500	8,750	8,750	17,500	
Deprec., Deplet., & Amort.	25,514	51,305	29,910	29,910	59,820	29,910	29,910	59,820	
Other non cash									
Ebit									
	104,249	190,304	112,245	122,260	234,505	100,954	106,568	223,214	
Interest	1,577	2,762	889	889	1,778	889	889	1,778	
Ebt									
	102,672	187,542	111,356	121,371	232,727	100,065	105,679	221,436	
Income Tax	30,934	54,180	30,675	42,480	73,155	35,023	36,987	77,502	
Net Income (RMB)									
Exploration and Production	123,387	208,080	124,452		124,452				
Other	(13,565)	(12,721)	(9,159)		(9,159)				
Unallocated	(38,084)	(61,997)	(34,612)		(34,612)				
Total	71,738	133,362	80,681	78,891	159,572	65,042	68,691	143,933	
Shares (millions)									
	1,778	1,769	1,790	1,790	1,790	1,790	1,790	1,790	
Earnings per share (RMB)	40.35	75.40	45.07	44.07	89.15	36.34	38.37	80.41	
Ebitda Margin (E&P)	72%	72%	69%	69%	69%	74%	73%	71%	
Tax Rate	30%	29%	28%	35%	31%	35%	35%	35%	

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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	2,900	22.8	7.2	21,000	8%
Oil	31,800	12.8	6.9	218,000	84%
Downstream	3,800		5.8	22,000	8%
	38,500	15.2	6.8	261,000	100%
Debt (US\$mm)					10,000
Net Present Value (US\$mm)					251,000
Shares (mm)					1,790
Net Present Value - Standard Estimate (US\$/sh)					140
Net Present Value - Approximation by Correlation (US\$/sh)					165

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