

Rating: Buy  
S&P 500: 1467  
Intraday

## **PetroChina Company Ltd.** **Record Quarterly Production**

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 6/30/08 (US\$mm)</i>	38,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	116.95	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	4/16/07	<i>Adjusted Reserves/Production NTM</i>	15.1
<i>Shares (mm)</i>	1810	<i>EV/Ebitda</i>	6.0
<i>Market Capitalization (US\$mm)</i>	212,000	<i>PV/Ebitda</i>	7.1
<i>Debt (US\$mm)</i>	17,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$mm)</i>	229,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	30.80
<i>Present Value (PV) (US\$mm)</i>	270,000	<i>Present Value Proven Reserves(US\$/boe)</i>	11.81
<i>Net Present Value (US\$/share)</i>	140	<i>Present Value Proven Reserves(US\$/mcf)</i>	1.97
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.61
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	4.0	<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](http://www.mcdep.com/3ptr.htm)

### **Summary and Recommendation**

On April 16, buy-recommended **PetroChina Company Ltd. (PTR)** reported a 14% gain over the previous year in first quarter 2007 natural gas production and a 1% gain in oil for a new quarterly volume record. An adjusted reserve life index of 24 years for natural gas points to continued sharp volume growth. It seems to us that a dam is about to burst in the government's recognition of natural gas pricing reality. Apparently not even international pariah, Iran, wants to sell gas to China at the low price PetroChina receives. The clean fuel provides only 5% of the energy consumed by the world's largest coal polluting country. Meanwhile management apparently feels good about oil exploration judging from Vice Chairman Jiang Jemin's description last month of a discovery in Bohai Bay as "very rich", according to Bloomberg. Awaiting further disclosures, press reports suggest the new field eventually could contribute 200,000 barrels daily, or 9% of current oil volume. Below estimated net present value of \$140 a share, PTR stock may be timely as it trades on its 200-day average price and at the second lowest ratio to 60 day average among our recommendations.

Kurt H. Wulff, CFA

**Please see disclosures on the final page.**

**PetroChina Company Limited**  
**Quarterly Operations**

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>Months E</i>
									<i>6/30/08</i>
<b>Volume</b>									
Natural gas (bcf)	360	375	<b>1,382</b>	411	370	368	428	<b>1,576</b>	<b>1,576</b>
Natural Gas (mmcf)	4,002	4,079	<b>3,787</b>	4,562	4,065	3,995	4,650	<b>4,317</b>	<b>4,317</b>
Days	90	92	<b>365</b>	90	91	92	92	<b>365</b>	<b>365</b>
Oil (mmb)	208	204	<b>830</b>	209	212	214	214	<b>848</b>	<b>848</b>
Oil (mbd)	2,307	2,213	<b>2,273</b>	2,324	2,324	2,324	2,324	<b>2,324</b>	<b>2,324</b>
Total gas & oil (mmb)	268	266	<b>1,060</b>	278	273	275	285	<b>1,111</b>	<b>1,111</b>
Total gas & oil (mbd)	2,974	2,893	<b>2,904</b>	3,085	3,002	2,990	3,099	<b>3,044</b>	<b>3,044</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	<b>7.23</b>	6.81	7.60	7.94	8.79	<b>7.79</b>	<b>8.63</b>
Company	2.43	2.49	<b>2.46</b>	2.52	2.52	2.52	2.52	<b>2.52</b>	<b>2.52</b>
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	<b>66.05</b>	58.08	63.92	67.02	68.71	<b>64.43</b>	<b>68.76</b>
Company	55.14	54.44	<b>59.77</b>	53.84	59.26	62.13	63.69	<b>59.76</b>	<b>63.74</b>
Total gas & oil (\$/bbl)	46.04	45.15	<b>49.98</b>	44.30	49.30	51.66	51.55	<b>49.21</b>	<b>52.25</b>
<b>Revenue (\$mm)</b>									
Natural Gas	875	933	<b>3,401</b>	1,035	932	926	1,078	<b>3,971</b>	<b>3,971</b>
Oil	11,447	11,084	<b>49,583</b>	11,263	12,534	13,286	13,621	<b>50,705</b>	<b>54,076</b>
Total	12,322	12,017	<b>52,984</b>	12,298	13,466	14,212	14,699	<b>54,676</b>	<b>58,048</b>
Total(RMB)	99,195	94,455	<b>426,079</b>	95,433	104,096	109,859	113,624	<b>423,012</b>	<b>448,707</b>
RMB/\$US	8.05	7.86	<b>8.04</b>	7.76	7.73	7.73	7.73	<b>7.74</b>	<b>7.73</b>

**PetroChina Company Limited**  
**Half-Yearly Financial Results**

	<i>H1</i>	<i>H2</i>	<i>Year</i>	<i>H1E</i>	<i>H2E</i>	<i>Year</i>	<i>H1E</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>Months</i>
								<i>6/30/08</i>
NY Harbor 3-2-1 (\$/bbl)	11.39	9.61	10.50	14.06	12.11	13.08	11.57	11.84
<b>Revenue (RMB)</b>								
Upstream (from quarterly table)	215,275	210,804	<b>426,079</b>	199,529	223,484	<b>423,012</b>	225,224	<b>448,707</b>
Downstream Value Added	111,270	151,629	<b>262,899</b>	151,629	151,629	<b>303,258</b>	151,629	<b>303,258</b>
Total	326,545	362,433	<b>688,978</b>	351,158	375,113	<b>726,271</b>	376,853	<b>751,966</b>
<b>Expense</b>	175,640	237,908	<b>413,548</b>	223,789	228,371	<b>452,161</b>	229,067	<b>457,439</b>
<b>Ebitda (RMB)</b>								
Exploration and Production	148,156	118,222	<b>266,378</b>	117,368	131,741	<b>249,110</b>	132,785	<b>264,527</b>
Other	2,749	6,303	<b>9,052</b>	10,000	15,000	<b>25,000</b>	15,000	<b>30,000</b>
Total	150,905	124,525	<b>275,430</b>	127,368	146,741	<b>274,110</b>	147,785	<b>294,527</b>
Exploration	8,750	10,072	<b>18,822</b>	10,072	10,072	<b>20,144</b>	10,072	<b>20,144</b>
Deprec., Deplet., & Amort.	29,910	31,478	<b>61,388</b>	31,478	31,478	<b>62,956</b>	31,478	<b>62,956</b>
Other non cash								
<b>Ebit</b>	112,245	82,975	<b>195,220</b>	85,818	105,191	<b>191,010</b>	106,235	<b>211,427</b>
Interest	889	2,331	<b>3,220</b>	2,331	2,331	<b>4,662</b>	2,331	<b>4,662</b>
<b>Ebt</b>	111,356	80,644	<b>192,000</b>	83,487	102,860	<b>186,348</b>	103,904	<b>206,765</b>
Income Tax	30,675	19,101	<b>49,776</b>	29,221	36,001	<b>65,222</b>	36,367	<b>72,368</b>
<b>Net Income (RMB)</b>								
Exploration and Production	124,452	95,408	<b>219,860</b>					
Other	(9,159)	(5,961)	<b>(15,120)</b>					
Unallocated	(34,612)	(27,904)	<b>(62,516)</b>					
Total	80,681	61,543	<b>142,224</b>	54,267	66,859	<b>121,126</b>	67,538	<b>134,397</b>
<b>Shares (millions)</b>	1,793	1,810	<b>1,800</b>	1,810	1,810	<b>1,810</b>	1,810	<b>1,810</b>
Earnings per share (RMB)	45.00	34.00	<b>79.00</b>	29.98	36.94	<b>66.92</b>	37.31	<b>74.25</b>
Ebitda Margin (E&P)	69%	56%	<b>63%</b>	59%	59%	<b>59%</b>	59%	<b>59%</b>
Tax Rate	28%	24%	<b>26%</b>	35%	35%	<b>35%</b>	35%	<b>35%</b>

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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	2,300	24.1	9.1	21,000	8%
Oil	31,900	12.3	7.1	227,000	84%
Downstream	3,900		5.6	22,000	8%
	38,100	15.1	7.1	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)					154

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