

Rating: Buy
S&P 500: 1550

PetroChina Company Ltd.

Raise NPV to \$166 a Share

<i>Symbol</i>	PTR	<i>Ebitda Twelve Months ending 6/30/08 (US\$mm)</i>	41,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	156.51	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	7/16/07	<i>Adjusted Reserves/Production NTM</i>	15.0
<i>Shares (mm)</i>	1810	<i>EV/Ebitda</i>	7.4
<i>Market Capitalization (US\$mm)</i>	283,000	<i>PV/Ebitda</i>	7.8
<i>Debt (US\$mm)</i>	17,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$mm)</i>	301,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	33.05
<i>Present Value (PV) (US\$mm)</i>	318,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.99
<i>Net Present Value (US\$/share)</i>	166	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.33
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.51
<i>McDep Ratio - EV/PV</i>	0.95	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	3.0	<i>Indicated Annual Dividend (US\$/sh)</i>	4.72

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\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of PTR since 2001 see www.mcdep.com/3ptr.htm

Summary and Recommendation

Estimated net present value (NPV) for buy-recommended **PetroChina Company Ltd. (PTR)** increased to \$166 a share from \$150 on May 29 when we raised our long-term oil price assumption to \$66 a barrel from \$60. Meanwhile second quarter 2007 operating results, reported on July 16, notched natural gas volume 19% above the same quarter the previous year. Multiplying ten times in ten years or less counting reinvested dividends, PTR stock reached ten-bagger status in the six years ended June 30, according to Bloomberg calculations. There remains further potential beyond NPV indicated by a current long-term oil quote of \$73 a barrel, PTR natural gas price a third the U.S. level, and the eventual relaxation of price controls on refined products. Growth investors might be impressed by a favorable exploration record with the recent billion barrel Jidong Nanpu discovery (see *Stock Idea*, PTR, May 7, 2007). PTR's prospects justify a continued full weighting in the illustrative McDep Energy Portfolio of buy recommendations concentrated on real assets that promise a high return providing clean fuel for global growth.

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Please see disclosures on the final page.

PetroChina Company Limited
Quarterly Operations

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>6/30/06</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>
Volume								
Natural gas (bcf)	325	1,382	411	387	385	448	1,631	1,631
Natural Gas (mmcf)	3,566	3,787	4,562	4,257	4,184	4,870	4,468	4,468
Days	91	365	90	91	92	92	365	365
Oil (mmb)	211	830	209	211	213	213	845	844
Oil (mbd)	2,323	2,273	2,324	2,313	2,313	2,313	2,316	2,313
Total gas & oil (mmb)	265	1,060	278	275	277	287	1,117	1,116
Total gas & oil (mbd)	2,917	2,904	3,085	3,023	3,010	3,125	3,061	3,058
Price								
Natural gas (\$/mcf)								
Henry Hub (\$/mmbtu)	6.81	7.23	6.81	7.56	6.62	7.49	7.12	7.58
Company	2.43	2.46	2.52	2.56	2.56	2.56	2.55	2.56
Oil (\$/bbl)								
WTI Cushing	70.47	66.05	58.08	64.91	72.33	72.87	67.05	72.99
Company	62.71	59.77	53.84	61.46	68.49	69.00	63.24	69.10
Total gas & oil (\$/bbl)	52.91	49.98	44.30	50.64	56.18	55.07	51.58	56.02
Revenue (\$mm)								
Natural Gas	789	3,401	1,035	992	986	1,148	4,160	4,177
Oil	13,257	49,583	11,263	12,937	14,575	14,683	53,458	58,344
Total	14,046	52,984	12,298	13,929	15,560	15,831	57,618	62,521
Total(RMB)	116,080	426,079	95,433	106,973	118,414	120,473	441,293	475,788
RMB/\$US	8.01	8.04	7.76	7.68	7.61	7.61	7.66	7.61

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	18.32	18.71	18.52	16.56	17.63
Revenue (RMB)								
Upstream (from quarterly table)	215,275	210,804	426,079	202,406	238,887	441,293	236,901	475,788
Downstream Value Added	111,270	151,629	262,899	151,629	151,629	303,258	151,629	303,258
Total	326,545	362,433	688,978	354,035	390,516	744,551	388,530	779,047
Expense	175,640	237,908	413,548	224,940	234,533	459,473	233,739	468,271
Ebitda (RMB)								
Exploration and Production	148,156	118,222	266,378	119,095	140,984	260,078	139,792	280,775
Other	2,749	6,303	9,052	10,000	15,000	25,000	15,000	30,000
Total	150,905	124,525	275,430	129,095	155,984	285,078	154,792	310,775
Exploration	8,750	10,072	18,822	10,072	10,072	20,144	10,072	20,144
Deprec., Deplet., & Amort.	29,910	31,478	61,388	31,478	31,478	62,956	31,478	62,956
Other non cash								
Ebit	112,245	82,975	195,220	87,545	114,434	201,978	113,242	227,675
Interest	889	2,331	3,220	2,331	2,331	4,662	2,331	4,662
Ebt	111,356	80,644	192,000	85,214	112,103	197,316	110,911	223,013
Income Tax	30,675	19,101	49,776	29,825	39,236	69,061	38,819	78,055
Net Income (RMB)								
Exploration and Production	124,452	95,408	219,860					
Other	(9,159)	(5,961)	(15,120)					
Unallocated	(34,612)	(27,904)	(62,516)					
Total	80,681	61,543	142,224	55,389	72,867	128,256	72,092	144,959
Shares (millions)	1,793	1,810	1,800	1,810	1,810	1,810	1,810	1,810
Earnings per share (RMB)	45.00	34.00	79.00	30.60	40.26	70.86	39.83	80.08
Ebitda Margin (E&P)	69%	56%	63%	59%	59%	59%	59%	59%
Tax Rate	28%	24%	26%	35%	35%	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	2,500	23.3	8.4	21,000	7%
Oil	34,400	12.3	7.9	273,000	86%
Downstream	3,900		5.9	23,000	7%
	40,800	15.0	7.8	317,000	100%
Debt (US\$mm)					17,000
Net Present Value (US\$mm)					300,000
Shares (mm)					1,810
Net Present Value - Standard Estimate (US\$/sh)					166
Net Present Value - Approximation by Correlation (US\$/sh)					167

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