



Rating: Hold
 S&P 500: 1362

PetroChina Company Ltd.
Cheap in New York, Dear in Shanghai

<i>Symbol</i>	PTR	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$mm)</i>	48,000
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	147.27	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	1/29/08	<i>Adjusted Reserves/Production NTM</i>	15.0
<i>Shares (mm)</i>	1830	<i>EV/Ebitda</i>	6.0
<i>Market Capitalization (US\$mm)</i>	270,000	<i>PV/Ebitda</i>	7.6
<i>Debt (US\$mm)</i>	18,000	<i>Undeveloped Reserves (%)</i>	37
<i>Enterprise Value (EV) (US\$mm)</i>	288,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	39.11
<i>Present Value (PV) (US\$mm)</i>	366,000	<i>Present Value Proven Reserves(US\$/boe)</i>	16.11
<i>Net Present Value (US\$/share)</i>	190	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.69
<i>Debt/Present Value</i>	0.05	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.88
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	3.4	<i>Indicated Annual Dividend (US\$/sh)</i>	4.97
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 86% of the outstanding shares.			
Estimated present value presumes a long-term price for oil of US\$80 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

Hold-rated **PetroChina (PTR)**, having estimated Net Present Value (NPV) of \$190 a share, closed on January 29 in New York at \$147 a share while it closed in Shanghai at \$336 an equivalent share, as we understand from *Bloomberg*. PTR peaked in New York at \$260 at the end of October, a few days before trading started in Shanghai where the stock soared to a high of \$590 an equivalent share in the only market open to Chinese citizens. On December 18 we increased NPV to the current \$190 from \$166 a share prompted by an increase in long-term oil price to \$80 from \$66 a barrel. Discovery news has been good with a recent large natural gas find complementing a large oil field proven last year. On the contrary, the news on price controls and taxes is unfavorable as China apparently is making the same energy policy mistakes the U.S. made 30 years ago. More immediately, energy shortages magnified by record snowfall at a peak travel time prompt a rare apology from Prime Minister Wen Jiabao reported on *CNN*. Nonetheless, we believe the long-term outlook for the company is positive and we watch for an opportunity to restore our buy recommendation.

Kurt H. Wulff, CFA



PetroChina Company Limited									
Quarterly Operations									
	Q4	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Twelve Months E
	12/31/06	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Volume									
Natural gas (bcf)	375	378	440	1,616	415	387	378	440	1,621
Natural Gas (mmcf)	4,079	4,110	4,784	4,428	4,562	4,257	4,110	4,784	4,428
Days	92	92	92	365	91	91	92	92	366
Oil (mmb)	204	212	212	844	210	210	212	212	845
Oil (mbd)	2,213	2,308	2,308	2,313	2,308	2,308	2,308	2,308	2,308
Total gas & oil (mmb)	266	275	286	1,114	279	275	275	286	1,115
Total gas & oil (mbd)	2,893	2,993	3,105	3,051	3,068	3,017	2,993	3,105	3,046
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.76	8.07	8.28	8.63	8.18
Company	2.49	2.57	2.57	2.56	2.57	2.57	2.57	2.57	2.57
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	72.28	91.62	90.56	89.92	89.34	90.36
Company	54.44	67.42	81.00	65.98	81.85	80.90	80.33	79.81	80.72
Total gas & oil (\$/bbl)	45.15	55.52	64.16	53.73	65.38	65.50	65.47	63.28	64.89
Revenue (\$mm)									
Natural Gas	933	972	1,132	4,131	1,067	996	972	1,132	4,167
Oil	11,084	14,314	17,196	55,710	17,187	16,987	17,053	16,943	68,171
Total	12,017	15,286	18,328	59,841	18,254	17,983	18,025	18,075	72,338
Total(RMB)	94,455	115,565	136,227	454,198	131,431	129,481	129,784	130,140	520,836
RMB/\$US	7.86	7.56	7.43	7.59	7.20	7.20	7.20	7.20	7.20

PetroChina Company Limited									
Half-Yearly Financial Results									
	H1	H2	Year	H1	H2E	Year	H1E	H2E	Twelve Months
	6/30/06	12/31/06	2006	6/30/07	12/31/07	2007E	6/30/08	12/31/08	12/31/08
NY Harbor 3-2-1 (\$/bbl)	11.39	9.61	10.50	18.32	10.41	14.37	11.77	11.86	11.81
Revenue (RMB)									
Upstream (from quarterly table)	215,275	210,804	426,079	202,406	251,792	454,198	260,912	260,912	521,824
Downstream Value Added	111,270	151,629	262,899	190,320	190,320	380,640	190,320	190,320	380,640
Total	326,545	362,433	688,978	392,726	442,112	834,838	451,232	451,232	902,465
Expense	175,640	237,908	413,548	243,804	284,326	528,130	267,207	287,974	555,180
Ebitda (RMB)									
Exploration and Production	148,156	118,222	266,378	121,852	151,484	273,336	156,956	156,956	313,912
Other	2,749	6,303	9,052	27,070	6,303	33,372	27,070	6,303	33,372
Total	150,905	124,525	275,430	148,922	157,787	306,709	184,026	163,259	347,285
Exploration	8,750	10,072	18,822	10,607	10,607	21,214	10,607	10,607	21,214
Deprec., Deplet., & Amort.	29,910	31,478	61,388	31,228	31,228	62,456	31,228	31,228	62,456
Other non cash									
Ebit	112,245	82,975	195,220	107,087	115,952	223,039	142,191	121,424	263,615
Interest	889	2,331	3,220	1,231	1,231	2,462	1,231	1,231	2,462
Ebt	111,356	80,644	192,000	105,856	114,721	220,577	140,960	120,193	261,153
Income Tax	30,675	19,101	49,776	24,026	40,152	64,178	49,336	42,067	91,403
Net Income (RMB)									
Exploration and Production	124,452	95,408	219,860	96,436					
Other	(9,159)	(5,961)	(15,120)	15,451					
Unallocated	(34,612)	(27,904)	(62,516)	(30,057)					
Total	80,681	61,543	142,224	81,830	74,568	156,398	91,624	78,125	169,749
Shares (millions)									
Earnings per share (RMB)	1,793	1,810	1,800	1,779	1,779	1,779	1,830	1,830	1,830
Ebitda Margin (E&P)	45.00	34.00	79.00	46.00	41.92	87.92	50.07	42.69	92.76
Ebitda Margin (E&P)	69%	56%	63%	60%	60%	60%	60%	60%	60%
Tax Rate	28%	24%	26%	23%	35%	29%	35%	35%	35%



PetroChina					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
Natural Gas	2,500	23.5	9.6	24,000	7%
Oil	41,100	12.3	7.8	319,000	87%
Downstream	4,600		5.0	23,000	6%
	48,200	15.0	7.6	366,000	100%
Debt (US\$mm)					18,000
Net Present Value (US\$mm)					348,000
Shares (mm)					1,830
Net Present Value - Standard Estimate (US\$/sh)					190
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					191

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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