

Rating: Buy  
 S&P 500: 1235

## Burlington Resources Inc. Raise Net Present Value to \$86 a Share

<i>Symbol</i>	BR	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	5,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	62
<i>Price (\$/sh)</i>	65.03	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	9.9
<i>Shares (mm)</i>	385	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (\$mm)</i>	25,000	<i>PV/Ebitda</i>	6.4
<i>Debt (\$mm)</i>	3,400	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (\$mm)</i>	28,400	<i>Natural Gas and Oil Ebitda (\$/mcf)</i>	5.40
<i>Present Value (PV) (\$mm)</i>	36,500	<i>Present Value Proven Reserves(\$/boe)</i>	18.20
<i>Net Present Value (\$/share)</i>	86	<i>Present Value Proven Reserves(\$/mcf)</i>	3.00
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.40
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	0.6	<i>Indicated Annual Dividend (US\$/sh)</i>	0.40

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.

### Summary and Recommendation

We raise our estimated net present value of buy-recommended **Burlington Resources (BR)** to \$86 a share from \$67 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. The stock has 32% appreciation potential to net present value. The main risk in independent producer stocks is commodity price, the flip side of the opportunity.

Kurt H. Wulff, CFA

### Burlington Resources 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>	
North American Natural Gas	3,530	10.2	7.1	25,000	68%
Rest of World Natural Gas	250	10.0	6.8	1,700	5%
Oil	1,920	9.5	5.1	9,800	27%
	5,700	9.9	6.4	36,500	100%
Debt (US\$mm)					3,400
Net Present Value (US\$mm)					33,100
Shares (mm)					385
Net Present Value (US\$/sh)					86

Please see disclosures on the final page.

**Burlington Resources Inc.**  
**Next Twelve Months Operating and Financial Results**

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
<b>Volume</b>										
Natural Gas (mmcf)										
U.S.	916	<b>912</b>	906	950	950	950	<b>939</b>	950	950	<b>950</b>
Canada	800	<b>821</b>	809	830	800	800	<b>810</b>	800	800	<b>800</b>
Overseas	184	<b>187</b>	181	129	129	250	<b>172</b>	181	130	<b>173</b>
Total	1,900	<b>1,920</b>	1,896	1,909	1,879	2,000	<b>1,921</b>	1,931	1,880	<b>1,923</b>
Oil (mb)	14	<b>55</b>	14	15	15	15	<b>59</b>	15	15	<b>59</b>
Oil (mbd)	158	<b>150</b>	158	162	162	162	<b>161</b>	162	162	<b>162</b>
Total gas & oil (bcf)	262	<b>1,031</b>	256	262	262	273	<b>1,054</b>	261	259	<b>1,056</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	<b>6.15</b>	6.27	6.76	7.60	8.69	<b>7.33</b>	9.44	8.04	<b>8.44</b>
U.S.	5.95	<b>5.57</b>	5.60	6.42	7.22	8.26	<b>6.90</b>	8.97	7.64	<b>8.02</b>
Canada	6.46	<b>5.85</b>	6.21	6.47	7.27	8.26	<b>7.05</b>	8.97	7.64	<b>8.03</b>
Overseas	4.26	<b>3.64</b>	5.26	4.45	5.51	5.76	<b>5.34</b>	5.87	5.81	<b>5.75</b>
Total	6.00	<b>5.50</b>	5.83	6.31	7.12	7.95	<b>6.82</b>	8.68	7.52	<b>7.82</b>
Oil (\$/bbl)										
WTI Cushing	48.31	<b>41.44</b>	49.65	53.05	60.62	63.32	<b>56.66</b>	64.52	63.88	<b>63.09</b>
Worldwide	35.59	<b>31.97</b>	39.41	39.81	45.49	47.51	<b>43.10</b>	48.41	47.93	<b>47.33</b>
Total gas & oil (\$/mcf)	5.95	<b>5.44</b>	6.15	6.43	7.28	7.94	<b>6.97</b>	8.48	7.68	<b>7.84</b>
<b>Revenue (\$mm)</b>										
Natural Gas										
U.S.	501	<b>1,852</b>	457	555	631	722	<b>2,365</b>	767	661	<b>2,781</b>
Canada	475	<b>1,754</b>	452	489	535	608	<b>2,084</b>	646	556	<b>2,345</b>
Overseas	72	<b>249</b>	86	52	65	132	<b>336</b>	96	69	<b>362</b>
Total	1,049	<b>3,855</b>	995	1,096	1,232	1,462	<b>4,785</b>	1,508	1,286	<b>5,488</b>
Oil	516	<b>1,760</b>	561	586	677	707	<b>2,531</b>	705	705	<b>2,793</b>
Other	(7)	<b>(5)</b>	20	4			<b>24</b>			<b>-</b>
Total	1,558	<b>5,610</b>	1,576	1,686	1,908	2,169	<b>7,339</b>	2,213	1,991	<b>8,281</b>
<b>Expense</b>										
Production taxes	72	<b>260</b>	74	82	93	106	<b>355</b>	108	97	<b>404</b>
Cash costs	383	<b>1,321</b>	329	338	451	581	<b>1,700</b>	604	493	<b>2,129</b>
<b>Ebitda (\$mm)</b>	1,103	<b>4,029</b>	1,173	1,266	1,364	1,482	<b>5,285</b>	1,502	1,401	<b>5,749</b>
Exploration	81	<b>258</b>	51	67	67	67	<b>252</b>	67	80	<b>281</b>
Deprec., Deplet., & Amort.	306	<b>1,137</b>	328	322	341	355	<b>1,346</b>	339	337	<b>1,373</b>
Other Non Operating					7		<b>7</b>		15	<b>23</b>
<b>Ebit</b>	716	<b>2,634</b>	794	877	949	1,059	<b>3,679</b>	1,095	969	<b>4,073</b>
Interest	71	<b>282</b>	70	70	70	70	<b>280</b>	70	70	<b>280</b>
<b>Ebt</b>	645	<b>2,352</b>	724	807	879	989	<b>3,399</b>	1,025	899	<b>3,793</b>
Income Tax	188	<b>774</b>	253	268	308	346	<b>1,175</b>	359	315	<b>1,327</b>
<b>Net Income (\$mm)</b>	457	<b>1,578</b>	471	539	571	643	<b>2,224</b>	666	584	<b>2,465</b>
<b>Shares (millions)</b>	391	<b>395</b>	389	385	385	385	<b>386</b>	385	385	<b>385</b>
Per Share (\$)	1.17	<b>4.00</b>	1.21	1.40	1.48	1.67	<b>5.76</b>	1.73	1.52	<b>6.40</b>
Ebitda Margin	71%	<b>72%</b>	74%	75%	71%	68%	<b>72%</b>	68%	70%	<b>69%</b>
Tax Rate	29%	<b>33%</b>	35%	33%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>
Cash costs (\$/mcf)	1.46	<b>1.28</b>	1.28	1.29	1.72	2.13	<b>1.61</b>	2.31	1.90	<b>2.02</b>
D.D.&A. (\$/mcf)	1.17	<b>1.10</b>	1.28	1.23	1.30	1.30	<b>1.28</b>	1.30	1.30	<b>1.30</b>

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**Oil and Gas Producers**  
**Rank by McDep Ratio: Market Cap and Debt to Present Value**

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
			<i>1-Aug</i>	<i>(mm)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
			<i>2005</i>		<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	
<b>Independent Natural Gas and Oil - Large Cap and Mid Cap</b>								
Encana Corporation	ECA	B	41.86	892	37,300	51.00	0.16	0.85
CNOOC Limited (29%)	CEO	B	69.33	119	8,270	84.00	0.01	0.83
Unocal Corporation	UCL	B	64.39	275	17,700	85.00	0.15	0.79
XTO Energy Inc.	XTO	B	35.58	370	13,150	48.00	0.17	0.79
Burlington Resources	BR	B	65.03	385	25,000	86.00	0.09	0.78
Devon Energy Corporation	DVN	B	56.63	496	28,100	82.00	0.13	0.73
Occidental Petroleum Corp.	OXY	B	82.78	406	33,600	120.00	0.11	0.72
Anadarko Petroleum Corp.	APC	B	88.72	238	21,100	140.00	0.11	0.67
	<i>Total or Median</i>				<i>184,000</i>		<i>0.12</i>	<i>0.78</i>

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