

Rating: Buy  
S&P 500: 1274

## **Burlington Resources Riding with ConocoPhillips**

<i>Symbol</i>	BR
<i>Rating</i>	Buy
<i>Price (\$/sh)</i>	90.83
<i>Pricing Date</i>	1/26/06
<i>Shares (mm)</i>	378
<i>Market Capitalization (\$mm)</i>	34,400
<i>Debt (\$mm)</i>	0
<i>Enterprise Value (EV) (\$mm)</i>	34,400
<i>Present Value (PV) (\$mm)</i>	43,500
<i>Net Present Value (\$/share)</i>	115
<i>Debt/Present Value</i>	0.00
<i>McDep Ratio - EV/PV</i>	0.79

### **Summary and Recommendation**

Fourth quarter results for buy-recommended **Burlington Resources (BR)** reflected favorable industry conditions marred only by hedging losses. We heard the chief executive of buy-recommended **ConocoPhillips**, soon to be the new owner of BR, state emphatically that he would not hedge North American natural gas. Volume was higher than the third quarter and new reserves more than replaced last year's production. For a fundamental analysis of BR we shift to the fundamental analysis of COP (see *Stock Idea, ConocoPhillips*, January 26, 2006).

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**Burlington Resources Inc.**  
**Operating and Financial Results**

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</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>2005</i>
<b>Volume</b>							
Natural Gas (mmcf)							
U.S.	916	<b>912</b>	906	950	952	993	<b>950</b>
Canada	800	<b>821</b>	809	830	799	777	<b>804</b>
Overseas	184	<b>187</b>	181	129	137	158	<b>151</b>
Total	1,900	<b>1,920</b>	1,896	1,909	1,888	1,928	<b>1,905</b>
Oil (mbd)	158	<b>150</b>	158	162	159	160	<b>160</b>
Total gas & oil (bcf)	262	<b>1,031</b>	256	262	262	266	<b>1,045</b>
<b>Price</b>							
Natural gas (\$/mcf)							
Henry Hub (\$/mmbtu)	7.10	<b>6.15</b>	6.27	6.76	8.56	13.00	<b>8.65</b>
U.S.	5.95	<b>5.57</b>	5.60	6.42	7.76	10.88	<b>7.74</b>
Canada	6.46	<b>5.85</b>	6.21	6.47	7.47	10.11	<b>7.54</b>
Overseas	4.26	<b>3.64</b>	5.26	4.45	4.19	6.37	<b>5.14</b>
Total	6.00	<b>5.50</b>	5.83	6.31	7.38	10.20	<b>7.45</b>
Oil (\$/bbl)							
WTI Cushing	48.31	<b>41.44</b>	49.65	53.05	62.52	60.02	<b>56.31</b>
Worldwide	35.59	<b>31.97</b>	39.41	39.81	48.11	47.60	<b>43.76</b>
Total gas & oil (\$/mcf)	5.95	<b>5.44</b>	6.15	6.43	7.47	8.93	<b>7.26</b>
<b>Revenue (\$mm)</b>							
Natural Gas							
U.S.	501	<b>1,852</b>	457	555	680	994	<b>2,686</b>
Canada	475	<b>1,754</b>	452	489	549	723	<b>2,213</b>
Overseas	72	<b>249</b>	86	52	53	93	<b>283</b>
Total	1,049	<b>3,855</b>	995	1,096	1,282	1,809	<b>5,182</b>
Oil	516	<b>1,760</b>	561	586	704	700	<b>2,552</b>
Other	(7)	<b>(5)</b>	20	4	(33)	(137)	<b>(147)</b>
Total	1,558	<b>5,610</b>	1,576	1,686	1,953	2,372	<b>7,587</b>
<b>Expense</b>							
Production taxes	72	<b>260</b>	74	82	94	105	<b>355</b>
Cash costs	383	<b>1,321</b>	329	338	319	217	<b>1,203</b>
<b>Ebitda (\$mm)</b>	1,103	<b>4,029</b>	1,173	1,266	1,540	2,050	<b>6,029</b>
Exploration	81	<b>258</b>	51	67	100	100	<b>318</b>
Deprec., Deplet., & Amort.	306	<b>1,137</b>	328	322	325	338	<b>1,313</b>
Hedging and other						145	<b>145</b>
<b>Ebit</b>	716	<b>2,634</b>	794	877	1,115	1,467	<b>4,254</b>
Interest	71	<b>282</b>	70	70	70	71	<b>281</b>
<b>Ebt</b>	645	<b>2,352</b>	724	807	1,045	1,396	<b>3,973</b>
Income Tax	188	<b>774</b>	253	268	371	458	<b>1,350</b>
<b>Net Income (\$mm)</b>	457	<b>1,578</b>	471	539	674	938	<b>2,622</b>
<b>Shares (millions)</b>	391	<b>395</b>	389	385	381	378	<b>382</b>
Per Share (\$)	1.17	<b>4.00</b>	1.21	1.40	1.77	2.48	<b>6.86</b>
Ebitda Margin	71%	<b>72%</b>	74%	75%	79%	86%	<b>79%</b>
Tax Rate	29%	<b>33%</b>	35%	33%	35%	33%	<b>34%</b>

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