

Rating: Buy
S&P 500: 1191

Encana Corporation (ECA)
Imperial Oil Limited (IMO)
Petro-Canada (PCZ)
Suncor Energy (SU)

Exaggerated Stock Price Change

Summary and Recommendation

Stock price declines in the past three days in buy-recommended Canadian natural gas and oil producers of 12 to 17% contrast with declines in six-year natural gas and oil futures of 3% and 5% respectively. At McDep Ratios ranging from 0.76 to 1.15 the four stocks bracket the value implied by our long-term assumptions of US\$10 a million btu for natural gas and US\$50 a barrel for oil (see table Rank by McDep Ratio). The US\$8.50 average futures price for the next six years for natural gas lags while US\$59.40 for oil leads our expectations. Managements of oil-oriented Imperial and natural gas-oriented Encana both emphasize resource potential not reflected in proven reserves that are the basis for our estimates of value. Petro-Canada is building longer life resource value. Suncor stock does not seem to fully recognize its oil sands resources that are poised to be producing at a higher volume imminently. Next Twelve Months Cash flow multiples, EV/Ebitda, are low (see table Rank by EV/Ebitda). Though we cannot control stock prices, we like the prospects for buy-recommended stocks.

Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>		<i>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
			<i>6-Oct</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2005</i>			<i>(\$/sh)</i>		
Imperial Oil Limited (30%)	IMO	B	97.91	104	10,140	84.00	0.09	1.15
Encana Corporation	ECA	B	49.45	892	44,100	51.00	0.16	0.97
Petro-Canada	PCZ	B	38.00	526	19,990	42.00	0.19	0.92
Suncor Energy	SU	B	49.89	461	23,000	68.00	0.10	0.76

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Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

			<i>Price</i>	<i>Adjstd</i>				<i>Divd or</i>
	<i>Symbol/</i>		<i>(\$/sh)</i>	<i>Resrvs/</i>	<i>PV/</i>	<i>EV/</i>	<i>P/E</i>	<i>Distrib</i>
	<i>Rating</i>		<i>6-Oct</i>	<i>Prod</i>	<i>Ebitda</i>	<i>Ebitda</i>	<i>NTM</i>	<i>NTM</i>
			<i>2005</i>	<i>NTM</i>	<i>NTM</i>	<i>NTM</i>		<i>(%)</i>
Imperial Oil Limited (30%)	IMO	B	97.91	10.5	5.9	6.7	11	0.8
Suncor Energy	SU	B	49.89	18.1	8.6	6.6	13	0.4
Petro-Canada	PCZ	B	38.00	5.9	4.7	4.4	7	1.8
Encana Corporation	ECA	B	49.45	7.1	4.1	4.0	7	1.2

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