

Rating: Buy
 S&P 500: 1235

Suncor Energy

Raise Net Present Value to \$68 a Share

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i>	3,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (US\$/sh)</i>	50.43	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	20.7
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	8.0
<i>Market Capitalization (US\$m)</i>	23,300	<i>PV/Ebitda</i>	10.5
<i>Debt (US\$m)</i>	3,500	<i>Undeveloped Reserves (%)</i>	1
<i>Enterprise Value (EV) (US\$m)</i>	26,700	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.90
<i>Present Value (PV) (US\$m)</i>	34,800	<i>Present Value Proven Reserves(US\$/boe)</i>	17.10
<i>Net Present Value (US\$/share)</i>	68	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.85
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.92
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.20

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 **Suncor Energy (SU)** to \$68 a share from \$54 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. Our long-term real price expectation for the 3-2-1 refining crack (margin) in New York Harbor is now \$10 a barrel up from \$8. The stock has 35% appreciation potential to net present value. The main risks are oil price and operating reliability.

Kurt H. Wulff, CFA

Suncor Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$m)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$m)</i>	
North American Natural Gas	230	8.9	7.0	1,600	5%
Oil	2,770	21.8	11.2	30,900	89%
Downstream	330		7.0	2,300	7%
	3,330	20.7	10.5	34,800	100%
Debt (US\$m)				3,500	
Net Present Value (US\$m)				31,300	
Shares (mm)				461	
Net Present Value (US\$/sh)				68	

Please see disclosures on the final page.

Suncor
Next Twelve Months Operations
 (Canadian Dollars)

	<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>
Volume										
Natural Gas (mmcf)	193	200	191	175	175	175	179	175	175	175
Oil (mbd)	237	230	148	124	124	240	159	260	260	221
Total gas & oil (bcf)	148	576	97	84	85	149	414	156	158	547
Total gas & oil (mbd)	269	263	180	153	153	269	189	289	289	250
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	7.60	8.69	7.33	9.44	8.04	8.44
Currency (US\$/C\$)	0.82	0.77	0.82	0.80	0.83	0.83	0.82	0.83	0.83	0.83
Henry Hub (C\$/mmbtu)	8.66	7.96	7.64	8.40	9.20	10.53	8.94	11.43	9.74	10.23
U.S. (or North America)	6.98	6.72	6.74	7.26	7.95	9.09	7.74	9.88	8.41	8.83
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	60.62	63.32	56.66	64.52	63.88	63.09
WTI Cushing (C\$/bbl)	58.94	53.61	60.55	65.99	73.45	76.71	69.18	78.17	77.40	76.43
Company	54.31	49.75	54.51	57.21	63.67	66.50	61.39	67.77	67.09	66.64
Total gas & oil (\$/mcf)	8.80	8.09	8.67	9.10	10.11	10.87	9.84	11.15	10.90	10.84
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	12.11	7.97	9.21	8.32	11.22	9.91
Revenue (\$mm)										
Natural Gas	124	491	116	116	128	146	506	156	134	564
Oil	1,182	4,171	726	647	728	1,468	3,569	1,586	1,587	5,370
Other	1,004	3,959	1,220	1,617	1,617	1,617	6,071	1,617	1,617	6,469
Total	2,310	8,621	2,061	2,380	2,473	3,232	10,146	3,359	3,339	12,403
Expense (\$mm)										
Fixed	269	983	197	170	170	269	805	269	269	740
Variable	269	983	197	170	190	359	916	387	383	735
Other	909	3,699	1,200	1,531	1,885	2,150	6,768	2,177	2,155	7,170
Ebitda (\$mm)										
Exploration and Production	768	2,695	448	423	496	987	2,354	1,085	1,070	3,637
Other	95	277	19	86	92	95	292	97	114	398
Total Ebitda	863	2,955	467	509	588	1,082	2,646	1,182	1,184	4,035
Exploration	7	55	17	2	2	2	23	2	10	16
Deprec., Deplet., & Amort.	183	717	165	175	175	175	690	175	175	700
Hedging	208	624	100	120	152	159	531	164	163	638
Ebit	464	1,559	185	212	259	746	1,402	841	835	2,681
Interest	33	137	36	42	42	42	162	42	42	168
Ebt	432	1,422	149	170	217	704	1,240	799	793	2,513
Income Tax	151	459	52	60	76	246	434	280	278	880
Net Income (\$mm)										
Exploration and Production	297	1,110	143	144	194	679	1,159	775	758	2,406
Other	34	114	3	36	36	65	140	69	81	251
Unallocated	(50)	(260)	(49)	(69)	(88)	(287)	(494)	(325)	(323)	(1,024)
Total	281	964	97	111	141	457	806	519	516	1,634
Shares (millions)										
Per share (\$)	0.61	2.09	0.21	0.24	0.31	0.99	1.75	1.13	1.12	3.54
Ebitda Margin	37%	34%	23%	21%	24%	33%	26%	35%	35%	33%
Tax Rate	35%	32%	35%	35%	35%	35%	35%	35%	35%	35%

Please see disclosures on the final page.

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>	
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	88.61	123	10,910	20.00	0.76	1.83
Imperial Oil Limited (30%)	IMO	B	86.93	104	9,000	84.00	0.09	1.03
Marathon Oil Corporation	MRO	B	59.67	367	21,900	65.00	0.27	0.94
Petro-Canada	PCZ	B	73.30	263	19,280	84.00	0.18	0.90
PetroChina Company Ltd (10%)	PTR	B	92.67	176	16,290	120.00	0.04	0.78
Suncor Energy	SU	B	50.43	461	23,250	68.00	0.10	0.77
Norsk Hydro ASA	NHY	B	95.98	251	24,090	130.00	0.12	0.77
ConocoPhillips	COP	B	63.00	1,419	89,400	100.00	0.15	0.69
Lukoil Oil Company	LUKOY	B	41.75	830	35,000	65.00	0.02	0.65
	<i>Total or Median</i>				<i>249,000</i>		<i>0.12</i>	<i>0.78</i>

Disclaimer: This analysis was prepared by Kurt Wulff 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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

Please see disclosures on the final page.