Rating: Buy S&P 500: 1179

# **Suncor Energy Up and Running Again**

Symbol	SU	Ebitda Next Twelve Months ending 9/30/06 (US\$mm)	3,800
Rating	Buy	North American Natural Gas/Ebitda (%)	10
Price (US\$/sh)	52.05	Natural Gas and Oil Production/Ebitda (%)	90
Pricing Date	10/27/05	Adjusted Reserves/Production NTM	17.9
Shares (mm)	461	EV/Ebitda	7.3
Market Capitalization (US\$mm)	24,000	PV/Ebitda	9.3
Debt (US\$mm)	3,800	Undeveloped Reserves (%)	1
Enterprise Value (EV) (US\$mm)	27,800	Natural Gas and Oil Ebitda (US\$/boe)	32.70
Present Value (PV) (US\$mm)	35,200	Present Value Proven Reserves(US\$/boe)	17.37
Net Present Value (US\$/share)	68	Present Value Proven Reserves(US\$/mcfe)	2.89
Debt/Present Value	0.11	Earnings Next Twelve Months (US\$/sh)	3.44
McDep Ratio - EV/PV	0.79	Price/Earnings Next Twelve Months	15
Dividend Yield (%/year)	0.4	Indicated Annual Dividend (US\$/sh)	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**

Buy-recommended **Suncor** (**SU**) offers 31% appreciation potential to estimated net present value of \$68 a share. Taking account of latest quarterly results, our correlation of 30 companies indicates net present value about \$3 a share lower than estimated. The company is in the midst of restoring normal production after being curtailed for some nine months as a result of a fire. As the company rebuilds volume it also proceeds on an expansion to take the capacity of its oil sands plant to 350,000 barrel daily by 2009.

#### Cash Flow and Reserve Life Point to Present Value

McDep analysis presumes that fundamental value is measured by the projection of cash flows far into the future and discounting them to the present at a rate of return, currently 7% a year before inflation. Next Twelve Months (NTM) cash flow represents the volumes and costs that form the base for future projections. Reserve life index tells how long cash flow will last. NTM cash flow and reserve life are the two main variables in our correlation by function for about 30 companies. Net present value indicated by the current combined correlation is about \$3 a share lower than our ongoing standard estimate for the company (see table <a href="Functional Cash Flow and Present Value">Functional Cash Flow and Present Value</a>). The correlation is a statistical check that misses some of the value of full operation and the expansion of Suncor's oil sands plant.

## Suncor Functional Cash Flow and Present Value

	NTM EL:41.	1 1: 1	DI//	Present			
	NTM Ebitda	Adjusted	PV/	Value			
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	<u>(US\$mm)</u>			
North American Natural Gas	360	7.7	4.4	1,600	5%		
Oil	3,080	18.9	10.2	31,300	89%		
Downstream	360		6.4	2,300	7%		
	3,800	17.9	9.3	35,200	100%		
Debt (US\$mm)					3,800		
Net Present Value (US\$mm)					31,400		
Shares (mm)					461		
Net Present Value (US\$/sh)							
Over (-)/ Under (+) Correlation (US\$/sh)							

## Cash Flow by Quarter Depends on Latest Results and Futures Prices

Cash flow for the next year is projected from a base through the latest reported quarter (see table Next Twelve Months Operating and Financial Estimates). Company disclosures provide the clues for future volumes and costs as well as geographic and quality differences in price. Futures prices from the New York Mercantile Exchange determine industry benchmarks for the next year.

#### **Industry Conditions Support Long-Term Price Expectation**

Present value estimates that form the denominator of the McDep Ratio and change only occasionally for all companies, most recently in early August, are tied to expected constant real longterm prices. Recent futures price for oil delivered over the next six years at \$58 a barrel exceeds our long-term expectation of \$50. Oneyear futures for natural gas exceed our long-term expectation while six-year futures for natural gas also have appreciation potential, in our opinion.

# Oil and Gas Commodity and Stock Price Thursday, October 27, 2005

	<u>Units</u>	Future <u>Six-Year</u>	s Price <u>One-Year</u>	McDep Ration Denominator	
Crude Oil	\$/barrel	58.13	62.00	50	
Natural Gas	\$/million btu	8.65	11.96	10	
Oil Refining	\$/barrel		12.41	10	
				Median	
	<u>Stocks</u>			McDep Ratio	
	Producer/Refin	0.80			
	SU			0.79	

Source: McDep Associates, Bloomberg, New York Mercantile Exchange, Yahoo and company disclosures

#### Suncor Next Twelve Months Operations (Canadian Dollars)

Volume						,						Next
Valuma		0.4	**	0.1	02	01	0.45	**	015	025	0.15	Twelve
Natural Gas (mmcfd)												
Ording	Volume	12/01/01	200.	5,51,05	0/20/02	2720702	12/01/00	20002	5/51/00	0/20/00	2720700	2720700
Ording	Natural Gas (mmcfd)	193	200	191	175	200	200	192	200	200	200	200
Total gas & oil (bch)   148   576   97   84   100   151   431   158   160   162   631     Total gas & oil (bch)   269   263   180   180   181   273   197   293   293   293   288     Price     Natural gas (S/mcr)   17.0   6.15   6.27   6.76   8.56   13.83   8.85   13.80   10.66   10.64   12.23     Currency (USS/CS)   0.82   0.77   0.82   0.80   0.83   0.85   0.83   0.85   0.85   0.85   0.85     Henry Hub (CS/mbth)   8.66   7.76   7.64   8.40   10.29   16.21   10.64   16.17   12.50   12.47   14.34     U.S. (or North America)   0.98   6.72   6.74   7.26   8.34   13.13   8.96   13.11   10.13   10.13   10.11   11.61     Oil (S/bbh)   8.94   53.61   60.55   6.599   75.14   72.30   68.50   72.71   72.75   72.91   72.75     WTH Cushing (CS/bbh)   8.94   53.61   60.55   6.599   75.14   72.30   68.50   72.71   72.75   72.91   72.75     Company S-2-1 (S/bbh)   5.72   7.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.86   10.66     Total gas & oil (S/mch)   8.80   8.09   8.67   9.10   10.75   11.14   10.10   11.18   10.87   10.86   11.06     NY Harbor 3-2-1 (S/bbh)   5.72   7.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.86   11.06     NY Harbor 3-2-1 (S/bbh)   5.72   7.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.86   11.06     NY Harbor 3-2-1 (S/bbh)   5.72   5.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.86   11.06     NY Harbor 3-2-1 (S/bbh)   5.72   5.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.86   11.06     NY Harbor 3-2-1 (S/bbh)   5.72   5.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.86   10.10     NY Harbor 3-2-1 (S/bbh)   5.72   5.74   6.17   10.59   10.75   11.14   10.10   11.18   10.87   10.87     Oile	. ,			148	124	147	240	165	260	260	260	255
Total gas & oil (mbd)         269         263         180         153         181         273         197         293         293         293         288           Price         Natural gas (S/mcF)         Free         Natural gas (S/mcF)         Free         Natural gas (S/mcF)         N	,	148	576		84	100	151	431	158	160	162	631
Natural gas (Simer)	. ,	269	263	180	153	181	273	197	293	293	293	288
Henry Hub (Symmbtu)	. , , ,											
Company   Comp												
Currency (USS/CS)	<b>e</b> , ,	7.10	6.15	6.27	6.76	8.56	13.83	8.85	13.80	10.66	10.64	12.23
Henry Hub (CS/mmbtu)		0.82		0.82	0.80	0.83	0.85		0.85	0.85	0.85	0.85
No.												
Oil (S/bbl)         48.31         41.44         49.65         53.05         62.52         61.68         56.73         62.03         62.24         62.20         62.00           WTI Cushing (CS/bbl)         58.94         53.61         60.05         66.99         75.14         72.30         66.50         72.71         72.95         72.91         72.72           Company         54.31         49.75         54.51         57.21         67.78         65.21         61.92         65.58         65.81         65.76         65.60           NY Harbor 3-2-1 (S/bbl)         57.2         7.74         61.71         10.75         11.14         10.10         11.18         10.86         11.08         11.08         12.33         13.62         12.80         12.60           Revenue (Smm)         1.182         4.91         11.6         11.6         15.75         1.74         12.60         8.02         2.69         6.02         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         2.09         8.61         15.2         10.2         <												
WTI Cushing (CS/bbl)         48,31         41,44         49,65         53,05         62,59         72,10         72,30         68,50         72,71         72,95         72,21         72,72           Company         54,31         49,75         54,51         57,21         67,78         65,21         61,92         65,58         65,81         65,60         65,60           Total gas & oil (S/mcl)         8,80         8,67         9,10         10,75         11,14         10,10         11,18         10,82         12,00         12,00           NY Harbor 3-2-1 (S/bbl)         57,2         74         61,7         10,59         16,70         11,13         11,18         10,62         12,00         12,00         12,00         12,00         12,00         12,00         12,00         12,00         12,00         12,00         12,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         2,00         8,27         1,55         1,55         1,57         1,53         1,52         1,55         1,57         1,50         6,10         5,50         1,50         1,52         1,50	,											
WTI Cushing (CS/bbl)		48.31	41.44	49.65	53.05	62.52	61.68	56.73	62.03	62.24	62.20	62.03
Company         54.31         49.75         54.51         57.21         67.78         65.21         61.92         65.58         65.81         65.70         11.01         Total gas & coil (s/mcf)         8.80         8.80         8.67         9.10         10.75         11.14         10.10         11.18         10.87         10.86         11.01           NY Harbor 3-2-1 (s/bbl)         5.72         7.74         6.17         0.159         11.73         11.30         12.23         13.62         12.83         12.60           Revenue (smm)           Natural Gas         1.24         4.91         116         116         15.3         24.2         627         2.35         1.557         1.573         6.105           Other         1.004         3.959         1,220         1,617         2,069         2,069         6,976         2,069         2,069         2,069         8,277           Total         2.69         98.3         197         170         293         293         953         293         293         864           Variable         2.69         98.3         197         170         293         423         1,083         446         438         443         987 <td></td>												
Total gas & oil (S/mcf)         8.80         8.09         8.67         9.10         10.75         11.14         10.10         11.18         10.87         10.86         11.06           NY Harbor 3-2-1 (S/bbl)         5.72         7.74         6.17         10.59         16.70         11.30         11.30         12.18         10.60         12.60           Revenue (Smm)         Natural Gas         1.24         491         11.6         11.6         16.3         24.2         627         236         184         186         848           Oil         1,182         4,171         726         647         919         1,440         3,732         1,535         1,557         1,573         6,105           Other         1,004         3,599         1,220         1,617         2,069         6,069         6,976         2,069         8,271         3,531         3,243         3,840         3,811         3,828         15,230           Total         2.69         98.3         197         170         293         293         953         293         293         293         293         293         293         293         293         293         293         293         293         293	0 (											
NY Harbor 3-2-1 (\$\simsim blot)   5.72   7.74   6.17   10.59   16.70   11.73   11.30   12.23   13.62   12.83   12.60     Revenue (\$\simsim bar \text{Natural Gas}   1.182   4.91   116   116   1153   2.42   6.27   2.36   1.84   1.86   8.48     Oil   1.182   4.171   7.26   6.47   9.19   1.440   3.732   1.535   1.557   1.573   6.105     Other   1.004   3.959   1.200   1.617   2.069   2.069   2.069   2.069   2.069   2.069   8.277     Total   2.310   8.621   2.061   2.380   3.142   3.51   11.334   3.840   3.811   3.828   15.230     Expense   Fixed   2.69   98.3   19.7   17.0   2.93   2.93   95.3   2.93   2.93   2.93   8.64     Variable   2.69   98.3   19.7   17.0   2.93   2.93   95.3   2.93   2.93   2.93   8.64     Variable   2.69   98.3   19.7   17.0   2.93   4.23   1.083   4.64   4.38   4.43   9.87     Other   2.69   3.69   1.200   1.531   1.914   2.679   7.325   2.701   2.694   2.702   7.986      Exploration and Production   76.8   2.695   44.8   42.3   48.7   96.5   2.323   1.032   1.010   1.023   4.030     Other   9.5   2.77   19   8.6   15.5   10.7   36.7   10.7   10.7   10.3   4.23     Exploration   7.68   2.695   44.8   42.3   48.7   96.5   2.323   1.032   1.010   1.023   4.030      Other   9.5   2.77   19   8.6   15.5   10.7   36.7   10.7   10.7   10.3   4.23      Exploration   7.68   2.695   44.8   42.3   48.7   96.5   2.323   1.032   1.010   1.023   4.030      Exploration   7.68   2.695   44.8   42.3   48.7   96.5   2.323   1.032   1.010   1.023   4.030      Exploration   7.68   2.695   44.8   42.3   48.7   96.5   2.323   1.032   1.010   1.023   4.030      Exploration   7.68   2.695   44.8   42.3   48.7   96.5   2.323   1.032   1.010   1.023   4.030      Exploration   7.68   2.695   2.77   19   86   1.77   1.74   68.8   1.74   1.74   1.74   6.96      Ebit   4.64   4.15   4.15   4.15   4.15   4.15   4.15   4.15   4.15   4.15   4.15      Exploration   7.55   1.7   2.5   2.9   2.9   2.9   2.9   2.9   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0   2.0												
Natural Gas	• , ,											
Natural Gas         124         491         116         116         153         242         627         236         184         186         848           Oil         1,182         4,171         726         647         919         1,400         3,732         1,535         1,557         1,573         6,105           Other         1,004         3,959         1,220         1,617         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         3,812         3,828         15,230           Expense           Fixed         269         983         197         170         293		5.72		0.17	10.07	10.70	11.75	11.00	12.23	15.02	12.03	12.00
Oil         1,182         4,171         726         647         919         1,440         3,732         1,535         1,573         6,103         8,127         0ther         1,004         3,959         1,220         1,617         2,069         2,069         6,976         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,020         8,277           Total         2,310         8,621         2,061         2,380         3,51         11,334         3,80         3,811         3,828         15,230           Expense         269         983         197         170         293         293         953         293         293         864           Variable         269         983         197         170         293         423         1,083         446         438         443         987           Other         269         983         197         170         293         293         293         293         293         864           Waller         2695         448         423         487         965         2,323         1,032         1,010         1,033         423	( )	124	491	116	116	153	242	627	236	184	186	848
Other         1,004         3,959         1,220         1,617         2,069         2,069         6,976         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         2,069         8,271           Total         2,310         8,621         2,061         2,380         3,142         3,751         11,334         3,80         3,811         3,828         15,230           Expense         Fixed         269         983         197         170         293         293         953         293         293         293         864           Variable         269         983         197         170         293         423         1,083         446         438         443         987           Other         909         3,699         1,200         1,531         1,914         2,679         7,325         2,701         2,694         2,702         7,986           Ebitda (Smm)         2         487         487         965         2,323         1,032         1,010         1,023         4,030           Other         95         277         19         86         155         107         2,690												
Total         2,310         8,621         2,061         2,380         3,142         3,751         11,334         3,840         3,811         3,828         15,230           Expense         Fixed         269         983         197         170         293         293         953         293         293         293         864           Variable         269         983         197         170         293         423         1,083         446         438         443         987           Other         909         3,699         1,200         1,531         1,914         2,679         7,325         2,701         2,694         2,702         7,986           Ebital (Smm)         2         448         423         487         965         2,323         1,032         1,010         1,023         4,030           Chier         95         2,777         19         86         155         107         367         107         107         107         103         423           Total Ebitda         863         2,955         446         509         642         1,072         2,690         1,138         1,117         1,127         4,453           Ex												,
Expense         Fixed         269         983         197         170         293         293         953         293         293         293         864           Variable         269         983         197         170         293         423         1,083         446         438         443         987           Other         909         3,699         1,200         1,531         1,914         2,679         7,325         2,701         2,694         2,702         7,986           Ebitda (Smm)         Exploration and Production         768         2,695         448         423         487         965         2,323         1,032         1,010         1,023         4,030           Other         95         2,77         19         86         155         1107         367         107         107         103         423           Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec., Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696												
Fixed         269         983         197         170         293         293         293         293         293         293         293         864           Variable         269         983         197         170         293         423         1,083         446         438         443         987           Other         909         3,699         1,200         1,531         1,914         2,679         7,325         2,701         2,694         2,702         7,986           Ebitda (Smm)         Exploration and Production         768         2,695         448         423         487         965         2,323         1,032         1,010         1,023         4,030           Other         95         277         19         86         155         107         367         107         107         103         423           Total Ebitda         863         2,955         467         509         642         1,072         2,690         1,138         1,117         1127         4,453           Exploration and Production         7         555         17         2         29         29         77         29         29         29         116<		2,510	0,021	2,001	2,500	5,112	3,731	11,001	3,010	3,011	3,020	13,200
Variable Other         269         983         197         170         293         423         1,083         446         438         443         987           Other         909         3,699         1,200         1,531         1,914         2,679         7,325         2,701         2,694         2,702         7,986           Ebitida (Smm)         Exploration and Production         768         2,695         448         423         487         965         2,323         1,032         1,010         1,023         4,030           Other         95         277         19         86         155         107         367         107         107         103         423           Total Ebitda         863         2,955         467         509         642         1,072         2,690         1,138         1,117         1,127         4,453           Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec, Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696      <	-	269	983	197	170	293	293	953	293	293	293	864
Other         909         3,699         1,200         1,531         1,914         2,679         7,325         2,701         2,694         2,702         7,986           Ebitda (\$mm)         Exploration and Production         768         2,695         448         423         487         965         2,323         1,032         1,010         1,023         4,030           Other         95         277         19         86         155         107         367         107         107         103         423           Total Ebitda         863         2,955         467         509         642         1,072         2,690         1,138         1,117         1,127         4,453           Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec., Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036												
Exploration and Production of 768   2,695   448   423   487   965   2,323   1,032   1,010   1,023   4,030     Other												
Exploration and Production Other         768         2,695         448         423         487         965         2,323         1,032         1,010         1,023         4,030           Other         95         277         19         86         155         107         367         107         107         103         423           Total Ebitda         863         2,955         467         509         642         1,072         2,690         1,138         1,117         1,127         4,453           Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec., Deplet., & Amort.         183         717         165         175         174         174         174         174         174         696           Hedging and Insurance         208         624         100         120         (53)         152         319         149         152         153         606           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Interest         433		,,,,	0,0,,	1,200	1,001	1,711	2,077	.,020	2,701	2,07.	2,702	,,,,,,
Other         95         277         19         86         155         107         367         107         107         103         423           Total Ebitda         863         2,955         467         509         642         1,072         2,690         1,138         1,117         1,127         4,453           Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec., Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696           Hedging and Insurance         208         624         100         120         (53)         152         319         149         152         153         606           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Interest         33         137         36         42         45         45         167         45         45         45         179           Ebt         432         1,422         <		768	2 695	448	423	487	965	2 323	1.032	1.010	1.023	4 030
Total Ebitda         863         2,955         467         509         642         1,072         2,690         1,138         1,117         1,127         4,453           Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec., Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696           Hedging and Insurance         208         624         100         120         (53)         152         319         149         152         153         606           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Ebit         432         1,422         149         170         447         672         1,438         742         717         726         2,887           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Exploration and Production												
Exploration         7         55         17         2         29         29         77         29         29         29         116           Deprec., Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696           Hedging and Insurance         208         624         100         120         (53)         152         319         149         152         153         606           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Interest         33         137         36         42         45         45         167         45         45         45         179           Ebt         432         1,422         149         170         447         672         1,438         742         717         726         2,857           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Exploration and Production         297												
Deprec., Deplet., & Amort.         183         717         165         175         174         174         688         174         174         174         696           Hedging and Insurance         208         624         100         120         (53)         152         319         149         152         153         606           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Interest         33         137         36         42         45         45         167         45         45         45         179           Ebt         432         1,422         149         170         447         672         1,438         742         717         726         2,857           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Net Income (Smm)         297         1,110         143         144         277         466         1,030         517         499         507         1,990           Other         34         114 </td <td>Exploration</td> <td>7</td> <td></td> <td></td> <td>2</td> <td></td> <td>,</td> <td>,</td> <td>,</td> <td></td> <td></td> <td></td>	Exploration	7			2		,	,	,			
Hedging and Insurance         208         624         100         120         (53)         152         319         149         152         153         606           Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Interest         33         137         36         42         45         45         167         45         45         45         179           Ebt         432         1,422         149         170         447         672         1,438         742         717         726         2,857           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Net Income (Smm)         Exploration and Production         297         1,110         143         144         277         466         1,030         517         499         507         1,990           Other         34         114         3         36         67         51         157         53         53         51         209           Unallocated												
Ebit         464         1,559         185         212         492         717         1,606         786         762         771         3,036           Interest         33         137         36         42         45         45         167         45         45         45         179           Ebt         432         1,422         149         170         447         672         1,438         742         717         726         2,857           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Net Income (Smm)         Exploration and Production         297         1,110         143         144         277         466         1,030         517         499         507         1,990           Other         34         114         3         36         67         51         157         53         53         51         209           Unallocated         (50)         (260)         (49)         (69)         (54)         (80)         (252)         (89)         (86)         (87)         1,857           Total												
Interest         33         137         36         42         45         45         167         45         45         45         179           Ebt         432         1,422         149         170         447         672         1,438         742         717         726         2,857           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Net Income (Smm)						. ,						
Ebt         432         1,422         149         170         447         672         1,438         742         717         726         2,857           Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Net Income (Smm)												,
Income Tax         151         459         52         60         156         235         503         260         251         254         1,000           Net Income (Smm)           Exploration and Production         297         1,110         143         144         277         466         1,030         517         499         507         1,990           Other         34         114         3         36         67         51         157         53         53         51         209           Unallocated         (50)         (260)         (49)         (69)         (54)         (80)         (252)         (89)         (86)         (87)         342)           Total         281         964         97         111         290         437         935         482         466         472         1,890           Shares (millions)         460         461												
Net Income (Smm)         -           Exploration and Production Other         297         1,110         143         144         277         466         1,030         517         499         507         1,990           Other         34         114         3         36         67         51         157         53         53         51         209           Unallocated         (50)         (260)         (49)         (69)         (54)         (80)         (252)         (89)         (86)         (87)         (342)           Total         281         964         97         111         290         437         935         482         466         472         1,895           Shares (millions)         460         461         <												
Exploration and Production Other         297         1,110         143         144         277         466         1,030         517         499         507         1,990           Other         34         114         3         36         67         51         157         53         53         51         209           Unallocated         (50)         (260)         (49)         (69)         (54)         (80)         (252)         (89)         (86)         (87)         (342)           Total         281         964         97         111         290         437         935         482         466         472         1,857           Shares (millions)         460         461			,					000				,
Other         34         114         3         36         67         51         157         53         53         51         209           Unallocated         (50)         (260)         (49)         (69)         (54)         (80)         (252)         (89)         (86)         (87)         (342)           Total         281         964         97         111         290         437         935         482         466         472         1,857           Shares (millions)         460         461         46	` ,	297	1.110	143	144	277	466	1.030	517	499	507	1.990
Unallocated         (50)         (260)         (49)         (69)         (54)         (80)         (252)         (89)         (86)         (87)         (342)           Total         281         964         97         111         290         437         935         482         466         472         1,857           Shares (millions)         460         461			,									
Total         281         964         97         111         290         437         935         482         466         472         1,857           Shares (millions)         460         461												
Shares (millions)         460         461			` /		. ,		` '		, ,	. ,	. ,	. ,
Per share (\$)         0.61         2.09         0.21         0.24         0.63         0.95         2.03         1.05         1.01         1.02         4.03           Ebitda Margin         37%         34%         23%         21%         20%         29%         24%         30%         29%         29%         29%												,
Ebitda Margin 37% 34% 23% 21% 20% 29% 24% 30% 29% 29% 29% 29%												
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#### **Buy Producer/Refiners**

Energy is necessary for world economic growth and clean energy provides a better quality of life. Producer/refiners are among the leading global suppliers of clean energy. Headquartered in Norway, Russia, China, Canada and the U.S., buy recommendations also offer political diversification. McDep Ratios that compare Enterprise Value with Present Value of energy and other businesses imply that the stock market undervalues the fundamental prospects. Stocks are ranked in descending order of McDep Ratio connoting "buy low, sell high" (see table Rank by McDep Ratio).

Kurt H. Wulff, CFA

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

	Symbol/		Price (\$/sh) 27-Oct	Shares	Market Cap	Net Present Value	Debt/ Present	МсДер
	Rating		2005	(mm)	(\$mm)	(\$/sh)	Value	Ratio
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	87.78	123	10,800	20.00	0.76	1.82
Imperial Oil Limited (30%)	IMO	В	87.92	102	8,980	84.00	0.10	1.04
Marathon Oil Corporation	MRO	В	57.28	368	21,090	65.00	0.27	0.91
Petro-Canada	PCZ	В	34.95	525	18,360	42.00	0.19	0.86
Lukoil Oil Company	LUKOY	В	52.00	830	43,000	65.00	0.03	0.81
Suncor Energy	SU	В	52.05	461	24,000	68.00	0.11	0.79
Norsk Hydro ASA	NHY	В	97.21	251	24,390	130.00	0.12	0.78
ConocoPhillips	COP	В	60.90	1,418	86,400	100.00	0.15	0.67
Gazprom (50%)	<b>OGZPF</b>	В	57.40	1,022	58,600	90.00	0.03	0.65
PetroChina Company Ltd (10%)	PTR	В	74.58	176	13,110	120.00	0.01	0.63
Total or Median					309,000		0.11	0.80

**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.

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**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.