

Rating: Buy
 S&P 500: 1424

Suncor Energy

Committed to 500,000 Barrels Daily

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	3,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	73.42	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	1/25/07	<i>Adjusted Reserves/Production NTM</i>	18.3
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	11.3
<i>Market Capitalization (US\$mm)</i>	33,900	<i>PV/Ebitda</i>	14.3
<i>Debt (US\$mm)</i>	3,200	<i>Undeveloped Reserves (%)</i>	23
<i>Enterprise Value (EV) (US\$mm)</i>	37,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	25.10
<i>Present Value (PV) (US\$mm)</i>	47,000	<i>Present Value Proven Reserves(US\$/boe)</i>	18.88
<i>Net Present Value (US\$/share)</i>	95	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.15
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.38
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	22
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.27

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.

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of SU since 2004 see www.mcdep.com/2su.htm

Summary and Recommendation

Buy-recommended **Suncor (SU)**, owner of the oldest and currently second largest operating oil sands mine and upgrader in Canada, has regulatory approval and expects to spend \$2 billion in 2007 towards ultimate capacity of 500 thousand barrels daily (mbd) by 2012. The aggressive new expansion is being pursued at the same time the current expansion to 350 mbd by 2008 is still unfolding. Understandably current operations of 250 mbd are seeing higher costs amid all the surrounding activity. As a result, projected costs in our estimate of cash flow take account of higher levels incurred in the latest quarter reported on January 25 (see table, Next Twelve Months Operations). The path to 350 mbd, let alone 500 mbd, is not smooth as we have seen for Syncrude, the largest oil sands producer with recently completed capacity of 350 mbd (see chart). Our present value estimate for Suncor of \$47 billion compares to \$50 billion for Syncrude. That translates into net present value of \$95 a share for Suncor stock that we carry at a half unlevered weighting in the illustrative McDep Energy Portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

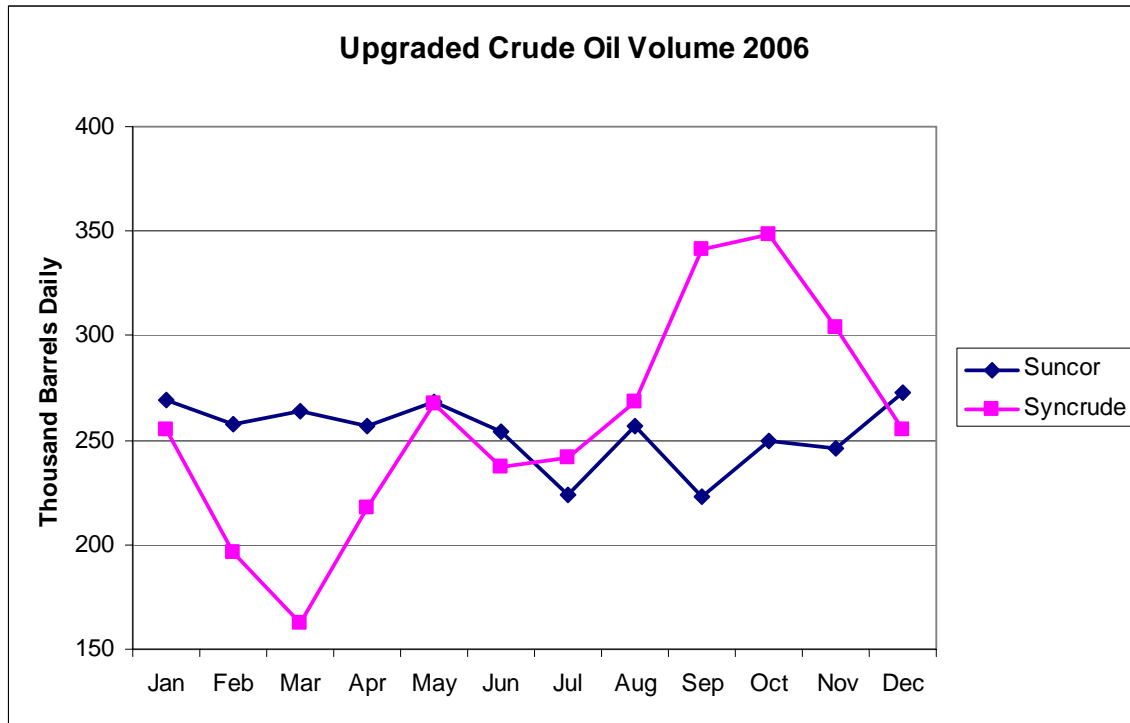
Kurt H. Wulff, CFA

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Suncor
Next Twelve Months Operations
 (Canadian Dollars)

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)	193	191	192	192	192	192	192	192	192
Oil (mbd)	254	241	277	266	277	277	277	277	277
Total gas & oil (bcf)	158	150	170	653	167	169	170	170	676
Total gas & oil (mbd)	286	273	309	298	309	309	309	309	309
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	6.55	7.02	7.25	7.99	7.20
Currency (US\$/C\$)	0.85	0.89	0.88	0.88	0.85	0.85	0.85	0.85	0.85
Henry Hub (C\$/mmbtu)	15.30	7.38	7.48	8.20	7.75	8.30	8.58	9.45	8.52
U.S. (or North America)	11.83	6.13	6.40	6.88	6.63	7.10	7.34	8.08	7.30
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	54.07	55.83	57.55	58.78	56.56
WTI Cushing (C\$/bbl)	70.61	78.95	68.33	74.77	63.97	66.06	68.09	69.54	66.91
Company	66.61	71.86	60.51	68.11	56.65	58.49	60.30	61.58	59.27
Total gas & oil (\$/mcf)	11.18	11.29	9.70	10.87	9.15	9.48	9.77	10.04	9.61
NY Harbor 3-2-1 (\$/bbl)	9.06	11.67	7.54	10.50	7.99	12.22	12.18	8.35	10.19
Revenue (\$mm)									
Natural Gas	210	108	113	482	115	124	130	143	511
Oil	1,554	1,592	1,541	6,617	1,411	1,473	1,535	1,568	5,988
Other	1,739	2,414	2,133	8,730	2,133	2,133	2,133	2,133	8,532
Total	3,503	4,114	3,787	15,829	3,659	3,731	3,798	3,844	15,032
Expense									
Fixed	282	309	471	1,424	370	370	370	370	941
Variable	282	309	471	1,424	391	410	427	439	971
Other	1,591	2,230	2,045	8,207	2,847	2,710	2,746	2,854	8,030
Ebitda (\$mm)									
Exploration and Production	1,201	1,082	712	4,250	765	818	868	902	3,353
Other	147	184	88	523	48	203	184	88	523
Total Ebitda	1,348	1,266	800	4,773	812	1,021	1,052	990	3,876
Exploration	8	18	24	104	24	24	24	24	96
Deprec., Deplet., & Amort.	213	189	199	721	199	199	199	199	796
Hedging and Insurance	35			-					-
Ebit	1,092	1,059	577	3,948	589	798	829	767	2,984
Interest	42	30	37	139	37	37	37	37	150
Ebt	1,050	1,029	539	3,809	552	761	792	730	2,834
Income Tax	367	360	189	1,333	193	266	277	255	992
Net Income (\$mm)									
Exploration and Production	664	595	407	2,933	422	495	531	540	1,988
Other	77	87	31	254	26	123	113	53	315
Unallocated	(59)	(13)	(88)	(711)	(90)	(124)	(129)	(119)	(460)
Total	682	669	350	2,476	359	494	515	474	1,842
Shares (millions)									
Per share (\$)	1.48	1.45	0.76	5.37	0.78	1.07	1.12	1.03	4.00
Ebitda Margin (E&P)	68%	64%	43%	60%	50%	51%	52%	53%	52%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Suncor
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	220	8.1	7.7	1,700	4%
Oil	2,620	19.2	16.1	42,300	90%
Downstream	440		6.8	3,000	6%
	3,280	18.3	14.3	47,000	100%
Debt (US\$mm)				3,200	
Net Present Value (US\$mm)				43,800	
Shares (mm)				461	
Net Present Value - Standard Estimate (US\$/sh)				95	

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