

Rating: None
S&P 500: 1289

Canadian Natural Resources Reserve Life Lengthens

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	6,400
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	42
<i>Price (US\$/sh)</i>	54.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/23/06	<i>Adjusted Reserves/Production NTM</i>	7.0
<i>Shares (mm)</i>	536	<i>EV/Ebitda</i>	5.4
<i>Market Capitalization (US\$mm)</i>	29,000	<i>PV/Ebitda</i>	6.4
<i>Debt (US\$mm)</i>	5,700	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (US\$mm)</i>	34,800	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.56
<i>Present Value (PV) (US\$mm)</i>	41,200	<i>Present Value Proven Reserves(US\$/boe)</i>	17.47
<i>Net Present Value (US\$/share)</i>	66	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.91
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.75
<i>McDep Ratio - EV/PV</i>	0.84	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.5	<i>Indicated Annual Dividend (US\$/sh)</i>	0.26

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

Canadian Natural Resources (CNQ) stock offers 22% appreciation potential to estimated net present value of US\$66 a share. The same since August 2004, the estimate presumes a long-term oil price of \$50 a barrel compared to the current quote of \$65 a barrel in the futures market for delivery over the next six years. Reserves of conventional oil and gas added in 2005, as disclosed today, lengthen adjusted reserve life to 7.0 years from 6.4 and contribute to an increase in estimated value of North American Natural Gas and Global Oil. While that normally would contribute to an increase in corporate NPV, we offset it with a risk adjustment to estimated present value of the Horizon oil project. As a result we need no longer qualify the Horizon estimate as conditional on the project being completed as planned. We can now say that the estimate is the expected value of the project taking into account the likelihood of normal project difficulties. Separately, a new planning effort aimed at building an upgrader that would add value to future heavy oil production in addition to the Horizon project seems promising. Finally, at a McDep Ratio of 0.84, CNQ stock is valued near the median of 0.81 for six buy-recommended large cap independent producers.

Kurt H. Wulff, CFA

Canadian Natural Resources
Functional Cash Flow and Present Value

	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u><i>Ebitda</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>Value</i></u>	
North American Natural Gas	2,680	5.8	5.0	13,500	33%
Oil	3,720	7.8	4.7	17,600	43%
Horizon (risked at 75%)				10,000	24%
	6,400	7.0	6.4	41,100	100%
Debt					5,700
Net Present Value (US\$mm)					35,400
Shares					536
Net Present Value - Standard Estimate (US\$/sh)					66
Net Present Value - Approximation by Correlation (US\$/sh)					68

Canadian Natural Resources
Next Twelve Months Operating and Financial Estimates
(Canadian Dollars)

	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
Volume (before royalty)									
Natural Gas (mmcf)	1,423	1,423	1,439	1,450	1,500	1,500	1,500	1,488	1,500
Oil (mbd)	335	340	313	330	350	350	350	345	350
Total (bcf)	316	319	1,211	309	328	331	331	1,299	1,314
Total (mmcfed)	3,433	3,463	3,318	3,430	3,600	3,600	3,600	3,558	3,600
Price									
Henry Hub (US\$/mmbtu)	8.56	13.00	8.65	8.99	7.52	7.86	8.91	8.32	8.65
Currency (US\$/C\$)	0.85	0.85	0.83	0.87	0.87	0.87	0.87	0.87	0.87
Henry Hub (C\$/mmbtu)	10.09	15.26	10.36	10.35	8.65	9.05	10.26	9.57	9.95
Differential (C\$/mmbtu)	1.48	3.59	1.79	1.79	1.50	1.56	1.77	1.66	1.73
Company (C\$/mcf)	8.61	11.67	8.57	8.56	7.16	7.48	8.48	7.91	8.22
WTI Cushing (US\$/bbl)	62.52	60.02	56.31	62.28	62.26	64.21	65.18	63.48	64.36
WTI Cushing (C\$/bbl)	73.66	70.42	67.46	71.66	71.65	73.89	75.01	73.05	74.06
Differential (C\$/bbl)	16.31	24.04	20.50	24.46	24.46	25.22	25.60	24.92	25.28
Company (C\$/bbl)	57.35	46.38	46.96	47.20	47.19	48.66	49.40	48.14	48.78
Total (\$/bbl)	54.99	56.09	48.89	48.95	45.42	47.09	50.02	47.86	49.01
Revenue (\$mm)									
Natural Gas	1,127	1,528	4,500	1,117	977	1,033	1,171	4,297	4,502
Oil	1,768	1,451	5,367	1,402	1,503	1,567	1,591	6,063	6,231
Total	2,895	2,979	9,867	2,519	2,480	2,600	2,761	10,359	10,734
Expense	1,072	1,000	3,597	724	699	778	884	3,085	3,324
Ebitda (\$mm)	1,823	1,978	6,270	1,794	1,781	1,822	1,877	7,275	7,410
Exploration									
Deprec., Deplet., & Amort.	505	550	2,048	550	550	550	550	2,200	2,200
Hedging	368	476	940	151	150	206	234	741	590
Interest	38	28	149	28	28	28	28	112	112
Ebt	912	924	3,133	1,066	1,053	1,038	1,065	4,221	4,507
Income tax	319	324	1,096	373	368	363	373	1,477	1,578
Net Income (\$mm)	593	601	2,036	693	684	675	692	2,744	2,930
Per share (\$)	1.10	1.12	3.79	1.29	1.28	1.26	1.29	5.11	5.46
Shares (millions)	539	536	537	536	536	536	536	536	536
Ebitda margin	63%	66%	64%	71%	72%	70%	68%	70%	69%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%