

Rating: None
 S&P 500: 1394
 Intraday

Canadian Natural Resources Natural Gas and Oil Sands

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	6,200
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	44
<i>Price (US\$/sh)</i>	50.70	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/7/07	<i>Adjusted Reserves/Production NTM</i>	7.9
<i>Shares (mm)</i>	538	<i>EV/Ebitda</i>	6.2
<i>Market Capitalization (US\$mm)</i>	27,300	<i>PV/Ebitda</i>	8.5
<i>Debt (US\$mm)</i>	11,200	<i>Undeveloped Reserves (%)</i>	39
<i>Enterprise Value (EV) (US\$mm)</i>	38,400	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.20
<i>Present Value (PV) (US\$mm)</i>	52,600	<i>Present Value Proven Reserves(US\$/boe)</i>	20.22
<i>Net Present Value (US\$/share)</i>	77	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.37
<i>Debt/Present Value</i>	0.21	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.46
<i>McDep Ratio - EV/PV</i>	0.73	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.6	<i>Indicated Annual Dividend (US\$/sh)</i>	0.29

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.

Summary

Offering attractive investment potential in two of our favorite long-term energy themes, **Canadian Natural Resources (CNQ)** is concentrated by value about one third on natural gas and two thirds on oil sands. March 7 disclosures of fourth quarter 2006 results and year end reserves are in line with estimated present value of \$77 a share that remains unchanged for the past six months (see table Functional Cash Flow and Present Value). On natural gas we are optimistic that a new price uptrend was confirmed yesterday as futures price for the next six years crossed above its 40-week average, which would also be affirmation of favorable timing for CNQ's \$4 billion purchase of Anadarko Canada last year. Regarding oil sands, our ears perked up when management declared on the March 7 conference call that U.S. refiners were showing more interest in Canadian oil in the face of declining volume from Mexico's giant oil field, Cantarell, and worries about continued availability of oil from increasingly politically unstable Venezuela. Prospects for current heavy oil production have been enhanced with increases in recoverable reserves particularly at the Primrose project in the Cold Lake oil sands area. When we reach startup late in 2008, the Horizon project may be worth another \$20,000 a daily barrel or an additional \$2.2 billion (see table Present Value of Oil Sands Mine/Upgrader).

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	2,700	6.7	6.3	17,000	32%
Oil	3,500	8.9	6.4	22,400	43%
Horizon				13,200	25%
	6,200	7.9	8.5	52,600	100%
Debt					11,200
Net Present Value (US\$mm)					41,400
Shares					538
Net Present Value - Standard Estimate (US\$/sh)					77
Net Present Value - Approximation by Correlation (US\$/sh)					81

Present Value of Oil Sands Mine/Upgrader
 Long-Term Oil Price \$60 a barrel

	<i>Syncrude</i>	<i>Suncor</i>	<i>Horizon</i>
Capacity (barrels daily)	350,000	350,000	110,000
Complete (%)	100	93	50
Operable	2006	2008	2008
Present Value (PV, US\$mm)	49,600	47,000	13,200
PV/daily barrel (US\$)	142,000	134,000	120,000

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 Twelve Months</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>2007E</i>	<i>3/31/08</i>
Volume (before royalty)									
Natural Gas (mmcf)	1,437	1,620	1,492	1,690	1,690	1,690	1,690	1,690	1,690
Oil (mbd)	322	344	332	350	350	350	350	350	350
Total (bcf)	310	339	1,272	341	345	349	349	1,383	1,383
Total (mmcf)	3,369	3,684	3,485	3,790	3,790	3,790	3,790	3,790	3,790
Price									
Henry Hub (US\$/mmbtu)	6.58	6.57	7.23	6.81	7.37	7.68	8.42	7.57	8.16
Currency (US\$/C\$)	0.89	0.88	0.88	0.85	0.85	0.85	0.85	0.85	0.85
Henry Hub (C\$/mmbtu)	7.38	7.48	8.20	8.04	8.70	9.07	9.93	8.93	9.64
Differential (C\$/mmbtu)	1.55	0.82	1.48	0.88	0.95	0.99	1.09	0.97	1.06
Company (C\$/mcf)	5.83	6.66	6.72	7.16	7.75	8.07	8.85	7.96	8.58
WTI Cushing (US\$/bbl)	70.42	59.99	66.05	57.90	61.18	63.41	64.62	61.78	63.65
WTI Cushing (C\$/bbl)	78.95	68.32	74.90	68.34	72.22	74.85	76.28	72.92	75.13
Differential (C\$/bbl)	16.40	21.05	21.49	21.06	22.25	23.06	23.50	22.45	23.15
Company (C\$/bbl)	62.55	47.27	53.41	47.28	49.97	51.78	52.78	50.47	51.98
Total (\$/bbl)	50.79	44.06	47.82	45.35	48.41	50.29	52.91	49.27	51.75
Revenue (\$mm)									
Natural Gas	771	993	3,663	1,089	1,191	1,255	1,376	4,911	5,292
Oil	1,853	1,496	6,473	1,489	1,591	1,667	1,699	6,448	6,640
Royalties	(310)	(317)	(1,245)	(328)	(354)	(372)	(392)	(1,447)	(1,520)
Total	2,314	2,172	8,891	2,250	2,428	2,550	2,683	9,912	10,412
Expense	631	604	2,494	640	720	775	835	2,969	3,194
Ebitda (\$mm)	1,683	1,567	6,397	1,610	1,709	1,776	1,849	6,943	7,218
Deprec., Deplet., & Amort.	589	742	2,442	675	675	675	675	2,700	2,700
Hedging	350	126	1,253					-	-
Interest	25	62	140	62	62	62	62	248	248
Ebt	719	637	2,562	873	972	1,039	1,112	3,995	4,270
Income tax	252	223	897	306	340	364	389	1,398	1,495
Net Income (\$mm)	467	414	1,665	568	631	675	723	2,597	2,776
Per share (\$)	0.87	0.77	3.10	1.06	1.17	1.25	1.34	4.83	5.16
Shares (millions)	537	538	537	538	538	538	538	538	538
Ebitda margin (after royalty)	73%	72%	72%	72%	70%	70%	69%	70%	69%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%