

Rating: None
 S&P 500: 1312

Canadian Natural Resources Heavy Oil Discount Hits

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	5,500
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	38
<i>Price (US\$/sh)</i>	59.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/4/06	<i>Adjusted Reserves/Production NTM</i>	7.1
<i>Shares (mm)</i>	537	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (US\$m)</i>	32,000	<i>PV/Ebitda</i>	7.7
<i>Debt (US\$m)</i>	7,100	<i>Undeveloped Reserves (%)</i>	31
<i>Enterprise Value (EV) (US\$m)</i>	39,100	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.84
<i>Present Value (PV) (US\$m)</i>	42,600	<i>Present Value Proven Reserves(US\$/boe)</i>	20.48
<i>Net Present Value (US\$/share)</i>	66	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.41
<i>Debt/Present Value</i>	0.17	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.34
<i>McDep Ratio - EV/PV</i>	0.92	<i>Price/Earnings Next Twelve Months</i>	25
<i>Dividend Yield (%/year)</i>	0.5	<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.

Summary

Canadian Natural Resources (CNQ) stock offers 11% appreciation potential to estimated net present value (NPV) of US\$66 a share. The estimate presumes a long-term oil price of \$50 a barrel compared to the current quote of \$70 a barrel in the futures market for delivery over the next six years. First quarter 2006 results disclosed on May 4 illustrated the vulnerability of the company to the volatile spread between global benchmark oil price and the price for the company's heavy crude production. Because some of the wider discount may persist for a few months, our unchanged estimate of NPV now looks high compared to a correlation with adjusted reserve life and next twelve months cash flow. Yet, the volatile heavy oil discount demonstrates the wisdom of the company's strategy to build an upgrader as part of the Horizon oil sands project. Patient investors in CNQ are likely to be rewarded as the oil price trend continues upward.

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	2,110	5.8	6.2	13,000	31%
Oil	3,390	8.0	5.8	19,500	46%
Horizon (risked at 75%)				10,000	24%
	5,500	7.1	7.7	42,500	100%
Debt					7,100
Net Present Value (US\$mm)					35,400
Shares					537
Net Present Value - Standard Estimate (US\$/sh)					66
Net Present Value - Approximation by Correlation (US\$/sh)					54

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

	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</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	1,436	1,500	1,500	1,500	1,484	1,500
Oil (mbd)	335	340	313	324	340	340	340	336	340
Total (bcf)	316	319	1,211	304	322	326	326	1,278	1,292
Total (mmcfed)	3,433	3,463	3,318	3,380	3,540	3,540	3,540	3,501	3,540
Price									
Henry Hub (US\$/mmbtu)	8.56	13.00	8.65	8.97	7.13	7.40	9.38	8.22	8.81
Currency (US\$/C\$)	0.85	0.85	0.83	0.87	0.90	0.90	0.90	0.89	0.90
Henry Hub (C\$/mmbtu)	10.09	15.26	10.36	10.31	7.90	8.20	10.39	9.20	9.76
Differential (C\$/mmbtu)	1.48	3.59	1.79	2.01	1.54	1.60	2.03	1.81	1.92
Company (C\$/mcf)	8.61	11.67	8.57	8.30	6.36	6.60	8.36	7.39	7.85
WTI Cushing (US\$/bbl)	62.52	60.02	56.31	63.33	69.81	72.44	73.80	69.84	72.53
WTI Cushing (C\$/bbl)	73.66	70.42	67.46	72.79	77.37	80.29	81.80	78.20	80.39
Differential (C\$/bbl)	16.31	24.04	20.50	29.00	26.83	23.84	24.29	25.97	24.83
Company (C\$/bbl)	57.35	46.38	46.96	43.79	50.55	56.45	57.51	52.22	55.56
Total (\$/bbl)	54.99	56.09	48.89	46.34	45.29	49.31	54.41	48.89	51.97
Revenue (\$mm)									
Natural Gas	1,127	1,528	4,500	1,073	868	911	1,154	4,006	4,298
Oil	1,768	1,451	5,367	1,277	1,564	1,766	1,799	6,406	6,895
Total	2,895	2,979	9,867	2,350	2,432	2,677	2,953	10,411	11,192
Expense	1,072	1,000	3,597	978	1,032	1,193	1,376	4,579	5,083
Ebitda (\$mm)	1,823	1,978	6,270	1,372	1,400	1,483	1,577	5,833	6,109
Exploration									
Deprec., Deplet., & Amort.	505	550	2,048	538	538	538	538	2,152	2,152
Hedging	368	476	940	396	353	425	463	1,636	1,710
Interest	38	28	149	25	25	25	25	100	100
Ebt	912	924	3,133	413	484	495	552	1,944	2,147
Income tax	319	324	1,096	145	170	173	193	681	751
Net Income (\$mm)	593	601	2,036	269	315	322	359	1,264	1,396
Per share (\$)	1.10	1.12	3.79	0.50	0.59	0.60	0.67	2.35	2.60
Shares (millions)	539	536	537	537	537	537	537	537	537
Ebitda margin	63%	66%	64%	58%	58%	55%	53%	56%	55%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%