

Burlington Resources Inc.
Revise to Strong Buy from Buy

Symbol	Price	Shares	Market Cap	Net		McDep Ratio	EV/	EV/	P/E	Div'd NTM (%)	PV/ Ebitda NTM
	(\$/sh)			Present Value	Debt/ Present Value		Sales NTM	Ebitda NTM			
BR	39.75	215	8,500	50.50	0.21	0.82	4.4	7.4	34	1.4	9.0

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

EV = Enterprise Value = Market Cap and Debt:

\$mm 11,300

Ebitda = Earnings before interest, tax, depreciation and amortization:

\$mm 1,521

NTM = Next Twelve Months Ended June 30, 2002; P/E = Stock Price to Earnings

PV = Present Value of energy businesses:

\$mm 13,700

Summary and Recommendation

Despite long frustration with the stock's performance, we recommend current purchase of the common shares of Burlington Resources because they offer the largest concentrated ownership of natural gas reserves at a price twenty percent lower than a month ago (see Stock Idea, *Burlington Resources - Rocky Mountain Natural Gas Producer - Buy*, May 21, 2001). If we liked the stock then, we have to like it now. Considering the history since it first started trading little more than a decade ago, the stock is a "no-brainer" under 40, in our opinion. The company should be repurchasing its own stock in large quantities here and we expect that it is actually doing so. At the same time natural gas has become a timely investment again. From a high around \$10 per million Btu six months ago, the commodity is trading for less that \$3 today. The ratio of oil price to gas price has swung from an unsustainably low 3 times to an unsustainably high 9 times. We expect that ratio to be 5 times routinely in a few years. Nonetheless an investment in BR stock is subject to economic, political, business and management risk.

Kurt H. Wulff, CFA

McDep Associates

Stock Idea

July 2, 2001

Burlington Resources Income Model

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/00</i>	<i>2000</i>	<i>3/31/01</i>	<i>6/30/01</i>	<i>9/30/01</i>	<i>12/31/01</i>	<i>2001E</i>	<i>3/31/02</i>	<i>6/30/02</i>	<i>6/30/02</i>
Volume										
Natural Gas (mmcf)										
U.S.	1,380	1,441	1,360	1,310	1,310	1,310	1,319	1,310	1,310	1,310
Canada	403	397	479	440	440	480	458	480	440	460
Overseas	128	122	170	110	110	140	132	140	110	125
Total	1,911	1,961	2,009	1,860	1,860	1,930	1,909	1,930	1,860	1,895
Oil (mbd)	70	78	70	63	59	54	61	51	63	57
Total gas & oil (bcf)	214	889	219	204	203	208	833	201	204	816
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	6.52	4.31	6.31	4.36	3.07	3.54	4.32	3.77	3.38	3.44
U.S.	4.47	3.25	4.98	3.45	2.56	3.04	3.51	3.27	2.88	2.94
Canada	6.04	3.96	6.96	3.96	2.67	3.14	4.20	3.37	2.98	3.05
Overseas	2.58	2.21	2.94	3.10	2.91	2.90	2.96	2.86	2.81	2.87
Total	4.67	3.32	5.28	3.55	2.61	3.05	3.64	3.27	2.90	2.96
Oil (\$/bbl)										
WTI Cushing	32.00	30.31	28.81	27.90	26.19	26.06	27.24	25.77	25.26	25.82
Worldwide	26.39	25.40	26.43	24.90	23.19	23.06	24.51	22.77	22.26	22.81
Total gas & oil (\$/mcf)	4.66	3.54	5.23	3.70	2.86	3.21	3.77	3.39	3.09	3.14
Revenue (\$mm)										
Natural Gas										
U.S.	568	1,712	610	411	308	366	1,695	386	343	1,404
Canada	224	575	300	159	108	138	705	146	119	512
Overseas	30	99	45	31	29	37	143	36	28	131
Total	822	2,386	955	601	446	542	2,543	568	491	2,046
Oil	169	727	166	143	125	116	549	104	128	472
Other	8	34	22	10	10	10	52	10	10	40
Total	999	3,147	1,143	753	581	667	3,145	682	628	2,558
Cost (\$mm)										
Production Taxes	45	147	63	38	29	33	163	34	31	128
Operating	174	703	183	171	171	174	699	169	171	685
Administrative	50	165	46	46	46	46	184	46	46	184
Other	19	23	19	10	10	10	49	10	10	40
Total	288	1,038	311	265	256	264	1,095	259	258	1,037
Ebitda	711	2,109	832	489	325	404	2,049	423	370	1,521
Interest + current tax	58	270	159	79	65	73	376	75	71	283
Discretionary Cash Flow	653	1,839	673	410	261	330	1,673	348	299	1,238
Interest + current tax	(58)	(270)	(159)	(79)	(65)	(73)	(376)	(75)	(71)	(283)
Exploration	63	237	70	70	60	60	260	70	70	260
Deprec., Deplet., & Amort.	182	704	170	167	167	170	674	165	167	669
Other non cash	1	4	(10)	(2)	(2)	(2)	(16)	(2)	(2)	(8)
Ebit	465	1,164	602	254	100	175	1,131	190	135	600
Interest	46	197	45	45	45	45	180	45	45	180
Ebt	419	967	557	209	55	130	951	145	90	420
Income Tax Expense	115	292	224	83	22	52	382	58	36	168
Net Income (\$mm)	304	675	333	125	33	78	570	87	54	252
Per share (\$)	1.41	3.13	1.55	0.58	0.15	0.36	2.65	0.40	0.25	1.17
Shares (millions)	215	216	215	215	215	215	215	215	215	215

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Independent energy investment research by Kurt Wulff is accessible at <http://www.mcdep.com>. Owning shares in energy stocks, neither Mr. Wulff nor his spouse act contrary to a buy or sell rating. Mr. Wulff is not paid by covered companies.

McDep Associates

Stock Idea

July 2, 2001

Mega Cap and Large Cap Energy Companies Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 29-Jun 2001</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Mega Cap							
Exxon Mobil Corporation	XOM	87.35	3,510	307,000	74.30	0.09	1.16
BP PLC	BP	49.85	3,720	185,000	48.90	0.17	1.02
TOTAL Fina Elf S.A.	TOT	70.20	1,400	98,000	72.00	0.16	0.98
Royal Dutch/Shell	RD	58.27	3,580	209,000	60.80	0.09	0.96
Chevron (incl. Texaco)	CHV	90.50	1,060	95,900	103.40	0.15	0.89
	<i>Total or Median</i>			<i>895,000</i>		<i>0.15</i>	<i>0.98</i>
Power							
Enron Corp.	ENE	49.10	814	40,000	16.90	0.68	1.61
Dynegy Inc.	DYN	45.50	338	15,400	20.60	0.56	1.54
Mirant Corporation	MIR	34.40	353	12,100	11.70	0.75	1.49
AES Corporation	AES	43.05	538	23,200	15.80	0.73	1.47
Calpine Corporation	CPN	37.80	313	11,800	21.40	0.48	1.40
Duke Energy Corporation	DUK	39.01	752	29,300	20.90	0.62	1.33
El Paso Corporation	EPG	52.54	521	27,400	30.00	0.57	1.32
Williams Companies	WMB	32.95	485	16,000	16.60	0.69	1.30
American Electric Power Co. Inc.	AEP 2	46.17	324	15,000	25.90	0.73	1.21
Southern Company	SO	23.25	683	15,900	16.90	0.54	1.17
Exelon Corporation	EXC 2	64.12	324	20,800	55.30	0.51	1.08
	<i>Total or Median</i>			<i>227,000</i>		<i>0.62</i>	<i>1.33</i>
Natural Gas and Oil							
Occidental Petroleum	OXY	26.59	370	9,800	35.60	0.46	0.86
Anadarko Petroleum Corp.	APC	53.91	263	14,200	66.30	0.24	0.86
Burlington Resources, Inc	BR 1	39.75	215	8,500	50.50	0.21	0.83
ENI S.p.A.	E	61.70	800	49,400	91.90	0.10	0.70
Conoco Inc.	COC.B	28.90	623	18,000	48.00	0.21	0.68
Phillips (incl. Tosco)	P	57.00	379	21,600	102.10	0.27	0.68
	<i>Total or Median</i>			<i>122,000</i>		<i>0.22</i>	<i>0.77</i>
Service							
Schlumberger Ltd.	SLB	52.65	581	30,600	37.70	0.14	1.34
Halliburton Company	HAL	35.60	430	15,300	27.20	0.13	1.27

Buy/Sell rating after symbol: 1 - Strong Buy, 2 - Buy

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