

Rating: None
 S&P 500: 1464
 Intraday

Canadian Natural Resources Hidden Value Relative to Recent Deals?

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	6,900
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	40
<i>Price (US\$/sh)</i>	68.22	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/2/07	<i>Adjusted Reserves/Production NTM</i>	8.1
<i>Shares (mm)</i>	539	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (US\$mm)</i>	36,800	<i>PV/Ebitda</i>	8.6
<i>Debt (US\$mm)</i>	12,400	<i>Undeveloped Reserves (%)</i>	39
<i>Enterprise Value (EV) (US\$mm)</i>	49,200	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.93
<i>Present Value (PV) (US\$mm)</i>	59,300	<i>Present Value Proven Reserves(US\$/boe)</i>	22.99
<i>Net Present Value (US\$/share)</i>	87	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.83
<i>Debt/Present Value</i>	0.21	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.77
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	0.5	<i>Indicated Annual Dividend (US\$/sh)</i>	0.32

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

Canadian Natural Resources (CNQ) offers unlevered appreciation potential of 21% to estimated net present value (NPV) of \$87 a share revised up from \$77 a share as a result of our increase in expected long-term oil price to \$66 a barrel from \$60 on May 29. Second quarter results reported on August 2 essentially matched the first quarter record in volume, unlevered cash flow (Ebitda) and earnings (see table [Next Twelve Months Operating and Financial Estimates](#)). Half of NPV is concentrated on oil sands including 24% for the Horizon project and another 30% for the in situ oil sands portion of existing oil production (see table [Functional Cash Flow and Present Value](#)). There is probably some hidden value in the company's oil sands properties considering blockbuster prices for new projects announced by **Petro-Canada (PCZ)** and **Royal Dutch Shell (RDS)** as well as for **Marathon (MRO)**'s acquisition bid for Western Oil Sands (WTO), all in the past few weeks. Undoubtedly managements of those companies take confidence from a rising trend in long-term natural gas and oil price despite volatility of short-term quotes (see chart [Six-Year Commodity Price Meter](#)). Finally, CNQ stock also has positive momentum as it trades above its 200-day average.

Kurt H. Wulff, CFA

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

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>6/30/06</i>	<i>9/30/06</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>Twelve</i>
									<i>Months</i>
									<i>3/31/08</i>
Volume (before royalty)									
Natural Gas (mmcf)	1,475	1,437	1,492	1,717	1,722	1,722	1,722	1,721	1,722
Oil (mbd)	338	322	332	327	327	327	327	327	327
Total (bcf)	319	310	1,272	331	332	339	339	1,341	1,345
Total (mmcf)	3,503	3,369	3,485	3,679	3,684	3,684	3,684	3,683	3,684
Price									
Henry Hub (US\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.64	7.64	7.16	7.83
Currency (US\$/C\$)	0.89	0.89	0.88	0.85	0.91	0.94	0.94	0.91	0.94
Henry Hub (C\$/mmbtu)	7.63	7.38	8.20	7.97	8.29	7.09	8.15	7.88	8.36
Differential (C\$/mmbtu)	1.47	1.55	1.48	0.23	0.85	0.73	0.84	0.67	0.87
Company (C\$/mcf)	6.16	5.83	6.72	7.74	7.44	6.36	7.31	7.21	7.49
WTI Cushing (US\$/bbl)	70.47	70.42	66.05	58.08	64.91	75.91	75.47	68.59	74.50
WTI Cushing (C\$/bbl)	79.00	78.95	74.90	68.01	71.25	81.02	80.54	75.44	79.51
Differential (C\$/bbl)	18.95	16.40	21.49	16.30	17.51	19.91	19.79	18.57	19.53
Company (C\$/bbl)	60.05	62.55	53.41	51.71	53.74	61.11	60.75	56.87	59.98
Total (\$/bbl)	50.33	50.79	47.82	49.25	49.49	50.38	52.86	50.51	52.95
Revenue (\$mm)									
Natural Gas	827	771	3,663	1,196	1,153	1,007	1,158	4,515	4,708
Oil	1,847	1,853	6,473	1,522	1,582	1,838	1,828	6,769	7,159
Royalties	(302)	(310)	(1,245)	(376)	(331)	(344)	(361)	(1,413)	(1,436)
Total	2,372	2,314	8,891	2,342	2,404	2,501	2,625	9,871	10,431
Expense	597	631	2,494	596	677	721	777	2,772	3,077
Ebitda (\$mm)	1,775	1,683	6,397	1,746	1,726	1,780	1,848	7,099	7,354
Deprec., Deplet., & Amort.	573	589	2,442	709	737	737	737	2,920	2,824
Hedging	381	350	1,253					-	-
Interest	28	25	140	83	77	77	77	314	308
Ebt	793	719	2,562	954	912	966	1,034	3,865	4,222
Income tax	278	252	897	334	319	338	362	1,353	1,478
Net Income (\$mm)	516	467	1,665	620	593	628	672	2,512	2,744
Per share (\$)	0.96	0.87	3.10	1.15	1.10	1.16	1.25	4.66	5.09
Shares (millions)	537	537	537	539	539	539	539	539	539
Ebitda margin (after royalty)	75%	73%	72%	75%	72%	71%	70%	72%	70%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Canadian Natural Resources
Functional Cash Flow and Present Value

	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	2,740	6.5	6.6	18,000	30%
Oil	4,160	9.5	6.4	26,800	45%
Horizon				14,500	24%
	6,900	8.1	8.6	59,300	100%
Debt					12,400
Net Present Value (US\$mm)					46,900
Shares					539
Net Present Value - Standard Estimate (US\$/sh)					87
Net Present Value - Approximation by Correlation (US\$/sh)					90

