



Rating: Buy  
 S&P 500: 1398

## Canadian Natural Resources

### Raise Net Present Value to \$124 a Share

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	10,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	38
<i>Price (US\$/sh)</i>	90.90	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	5/7/08	<i>Adjusted Reserves/Production NTM</i>	8.7
<i>Shares (mm)</i>	540	<i>EV/Ebitda</i>	6.2
<i>Market Capitalization (US\$m)</i>	49,100	<i>PV/Ebitda</i>	8.0
<i>Debt (US\$m)</i>	13,800	<i>Undeveloped Reserves (%)</i>	38
<i>Enterprise Value (EV) (US\$m)</i>	62,900	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	9.20
<i>Present Value (PV) (US\$m)</i>	80,800	<i>Present Value Proven Reserves(US\$/boe)</i>	30.88
<i>Net Present Value (US\$/share)</i>	124	<i>Present Value Proven Reserves(US\$/mcfe)</i>	5.15
<i>Debt/Present Value</i>	0.17	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.35
<i>McDep Ratio - EV/PV</i>	0.78	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	0.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.39
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\$100 a barrel and natural gas, \$14 a million btu.			

### Summary and Recommendation

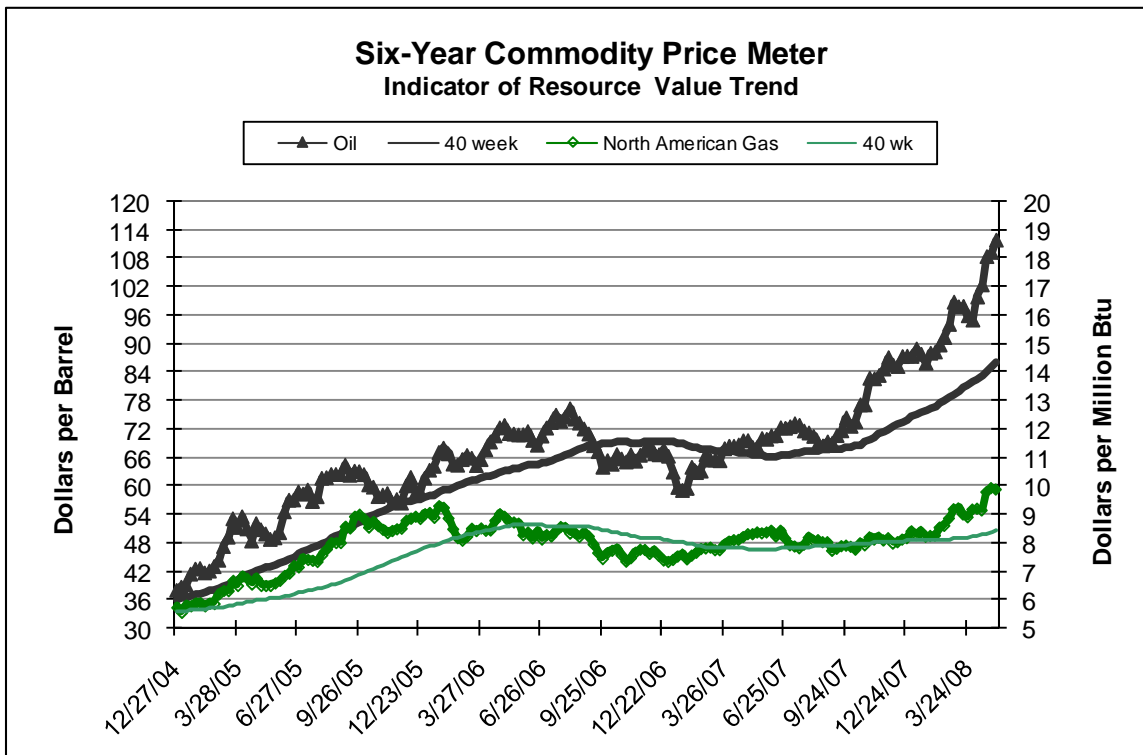
Buy-recommended **Canadian Natural Resources (CNQ)** offers unlevered appreciation potential of 28% to estimated net present value (NPV) of \$124 a share, up from \$99 a share. For calculating NPV, we raise our long-term oil price assumption to \$100 a barrel from \$80. Futures prices for oil to be delivered over the next six years have reached \$117 a barrel. First quarter results released by CNQ after the market close on May 8 reflected oil and natural gas prices that exceeded expectations of three months ago. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). Volumes do not include Phase I of the Horizon oil sands mine/upgrader that may reach design capacity of 110,000 barrels daily next year. NPV includes Horizon along with existing natural gas and oil operations, all estimated at 20% higher value (see table Functional Cash Flow and Present Value). Our increase of 25% in Present Value for oil price is tempered to 20% to reflect management's use of financial hedging. Oil price continues in a strong uptrend though a pause in the advance of the current quote would allow the 40-week average to catch up in order to better support higher levels of the current quote (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA



Canadian Natural Resources									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	
	3/31/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	2008E	3/31/09
<b>Volume (before royalty)</b>									
Natural Gas (mmcf/d)	1,717	1,589	<b>1,668</b>	1,538	1,538	1,538	1,538	<b>1,538</b>	<b>1,538</b>
Days	90	92	<b>365</b>	91	91	92	92	<b>366</b>	<b>365</b>
Oil (mbd)	327	337	<b>331</b>	327	327	327	327	<b>327</b>	<b>327</b>
Total (bcf)	331	332	<b>1,334</b>	319	319	322	322	<b>1,281</b>	<b>1,278</b>
Total (mmcfed)	3,679	3,611	<b>3,655</b>	3,500	3,500	3,500	3,500	<b>3,500</b>	<b>3,500</b>
<b>Price</b>									
Henry Hub (US\$/mmbtu)	6.81	6.97	<b>6.87</b>	8.02	10.68	11.38	11.76	<b>10.46</b>	<b>11.50</b>
Currency (US\$/C\$)	0.85	1.02	<b>0.93</b>	1.00	0.99	0.99	0.99	<b>0.99</b>	<b>0.99</b>
Henry Hub (C\$/mmbtu)	7.97	6.84	<b>7.39</b>	8.05	10.83	11.53	11.92	<b>10.58</b>	<b>11.65</b>
Differential (C\$/mmbtu)	0.23	0.56	<b>0.54</b>	0.28	0.38	0.40	0.42	<b>0.36</b>	<b>0.41</b>
Company (C\$/mcf)	7.74	6.28	<b>6.85</b>	7.77	10.45	11.13	11.50	<b>10.22</b>	<b>11.24</b>
WTI Cushing (US\$/bbl)	58.08	90.67	<b>72.28</b>	97.94	117.66	118.86	117.23	<b>112.92</b>	<b>117.37</b>
WTI Cushing (C\$/bbl)	68.01	88.91	<b>77.67</b>	98.36	119.23	120.45	118.80	<b>114.23</b>	<b>118.94</b>
Differential (C\$/bbl)	16.30	30.88	<b>22.22</b>	19.37	34.11	34.46	33.99	<b>30.50</b>	<b>34.02</b>
Company (C\$/bbl)	51.71	58.03	<b>55.45</b>	78.99	85.12	85.99	84.81	<b>83.74</b>	<b>84.92</b>
Total (\$/bbl)	49.25	49.08	<b>48.89</b>	64.77	75.26	77.55	77.87	<b>73.89</b>	<b>77.25</b>
<b>Revenue (\$mm)</b>									
Natural Gas	1,196	918	<b>4,169</b>	1,087	1,462	1,575	1,628	<b>5,753</b>	<b>6,312</b>
Oil	1,522	1,799	<b>6,700</b>	2,351	2,533	2,587	2,551	<b>10,022</b>	<b>10,136</b>
Royalties	(376)	(343)	<b>(1,391)</b>	(449)	(522)	(544)	(546)	<b>(2,060)</b>	<b>(2,416)</b>
Total	2,342	2,374	<b>9,479</b>	2,989	3,474	3,618	3,633	<b>13,714</b>	<b>14,031</b>
<b>Expense</b>									
Ebitda (\$mm)	596	581	<b>2,512</b>	606	917	955	959	<b>3,436</b>	<b>3,751</b>
Deprec., Deplet., & Amort.	1,746	1,793	<b>6,967</b>	2,383	2,557	2,664	2,675	<b>10,278</b>	<b>10,280</b>
Other non-cash	709	719	<b>2,880</b>	705	705	705	705	<b>2,820</b>	<b>2,820</b>
Interest		176	<b>176</b>	291	291	291	291	<b>1,164</b>	<b>1,073</b>
Ebt	83	51	<b>276</b>	49	49	49	49	<b>196</b>	<b>196</b>
Income tax	954	847	<b>3,635</b>	1,338	1,512	1,619	1,630	<b>6,098</b>	<b>6,190</b>
Net Income (\$mm)	334	297	<b>1,230</b>	468	529	566	570	<b>2,134</b>	<b>2,167</b>
Per share (\$)	620	551	<b>2,405</b>	869	983	1,052	1,059	<b>3,963</b>	<b>4,024</b>
Shares (millions)	1.15	1.02	<b>4.46</b>	1.61	1.82	1.95	1.96	<b>7.34</b>	<b>7.45</b>
Ebitda margin (after royalty)	539	540	<b>539</b>	540	540	540	540	<b>540</b>	<b>540</b>
Tax rate	75%	76%	<b>73%</b>	80%	74%	74%	74%	<b>75%</b>	<b>73%</b>
	35%	35%	<b>34%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

Canadian Natural Resources					
Functional Cash Flow and Present Value					
	NTM	Adjusted	PV/	Present	
	<u>Ebitda</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	
North American Natural Gas	3,880	7.0	5.7	22,000	27%
Oil	6,220	9.9	6.2	38,800	48%
Horizon				20,000	25%
	10,100	8.7	8.0	80,800	100%
Debt					13,800
Net Present Value (US\$mm)					67,000
Shares					540
Net Present Value - Standard Estimate (US\$/sh)					124



**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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