



Rating: Buy
 S&P 500: 1391

Petro-Canada (PCZ) Low McDep Ratio

<i>Symbol</i>	PCZ	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$mm)</i>	9,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	12
<i>Price (US\$/sh)</i>	49.34	<i>Natural Gas and Oil Production/Ebitda (%)</i>	87
<i>Pricing Date</i>	4/29/08	<i>Adjusted Reserves/Production NTM</i>	6.5
<i>Shares (mm)</i>	488	<i>EV/Ebitda</i>	3.0
<i>Market Capitalization (US\$mm)</i>	24,100	<i>PV/Ebitda</i>	4.2
<i>Debt (US\$mm)</i>	4,900	<i>Undeveloped Reserves (%)</i>	43
<i>Enterprise Value (EV) (US\$mm)</i>	29,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	61.90
<i>Present Value (PV) (US\$mm)</i>	40,100	<i>Present Value Proven Reserves(US\$/boe)</i>	30.00
<i>Net Present Value (US\$/share)</i>	72	<i>Present Value Proven Reserves(US\$/mcf)</i>	5.00
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.12
<i>McDep Ratio - EV/PV</i>	0.72	<i>Price/Earnings Next Twelve Months</i>	5
<i>Dividend Yield (%/year)</i>	1.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.51
Note: Estimated cash flow and earnings tied to one-year futures prices for oil, natural gas and refinery crack.			
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\$80 a barrel and natural gas, \$11 a million btu.			
For historical research on PCZ since 2004 see www.mcdep.com/2pcz.htm			

Summary and Recommendation

Sporting estimated Net Present Value (NPV) of \$72 a share, **Petro-Canada (PCZ)** stock has the lowest McDep Ratio of all our buy recommendations outside emerging market countries. First quarter results reported today exceeded expectations for production volume, cash flow and earnings from our analysis 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). NPV could be higher than estimated considering projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). Pointing to more volatility in production, latest proven oil and gas reserves imply an unusually short life in important areas (see table Production and Reserves, 2007). Reserve life should lengthen as the company commits to the Fort Hills oil sands mine and upgrader project in the last quarter of 2008. While embarking on a large capital project entails large risk, PCZ has the cash flow and assets to bear it. Meanwhile oil price continues to trend upward (see chart (Six-Year Commodity Price Meter)).

Kurt H. Wulff, CFA

McDep LLC
Independent Stock Idea
 April 29, 2008

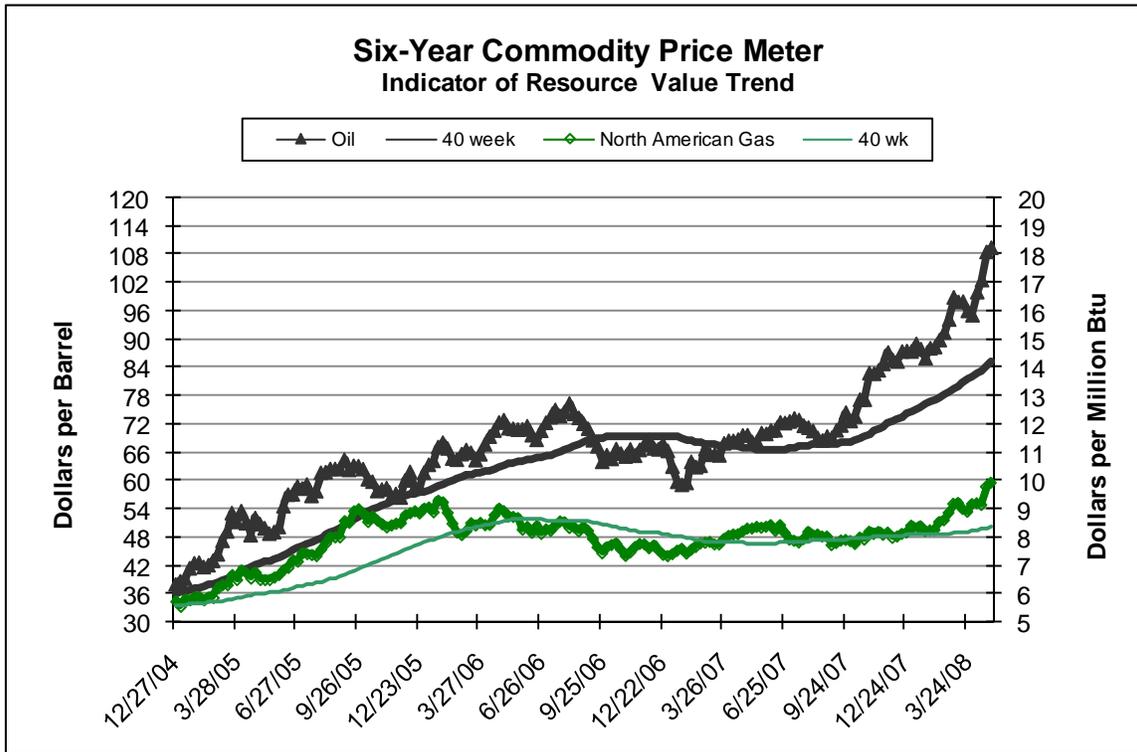


Petro-Canada										
Next Twelve Months Operating and Financial Estimates										
(Canadian Dollars)										
									<i>Next Twelve Months</i>	
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>2008E</i>	<i>3/31/09</i>
	<i>3/31/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008E</i>		
Volume										
Natural Gas (mmcf)										
U.S. (or North America)	477	462	471	466	466	466	466	466	466	466
Overseas	118	104	100	126	86	91	104	102	102	102
Total	595	566	571	592	552	557	570	569	569	568
Days	90	92	365	91	91	92	92	366	366	365
Oil (mbd)	258	261	270	276	276	276	276	276	276	276
Total gas & oil (mbd)	357	355	365	375	368	369	371	371	371	371
Price										
Natural gas (\$/mcf)										
Henry Hub (US\$/mmbtu)	6.81	6.97	6.87	8.02	10.75	11.49	11.85	10.52	11.58	11.58
Currency (US\$/C\$)	0.85	1.02	0.94	1.00	0.99	0.99	0.99	0.99	0.99	0.99
Henry Hub (C\$/mmbtu)	7.97	6.84	7.35	8.05	10.88	11.64	12.00	10.64	11.73	11.73
U.S. (or North America)	7.39	5.78	6.30	7.51	10.15	10.85	11.19	9.93	10.93	10.93
Overseas	7.00	6.48	6.57	7.59	10.15	10.85	11.19	9.78	11.00	11.00
Total	7.31	5.91	6.35	7.53	10.15	10.85	11.19	9.90	10.95	10.95
Oil (\$/bbl)										
WTI Cushing (US\$/bbl)	58.08	90.67	72.28	97.94	116.85	116.98	115.03	111.70	115.57	115.57
WTI Cushing (C\$/bbl)	68.01	88.91	76.78	98.40	118.33	118.46	116.48	112.92	117.03	117.03
Worldwide	63.46	82.71	72.73	93.38	112.29	112.42	110.54	107.18	111.07	111.07
Total gas & oil (\$/bbl)	55.71	68.27	61.91	78.13	97.07	97.83	96.29	92.30	96.47	96.47
NY Harbor 3-2-1 (\$/bbl)	11.68	8.19	14.37	7.57	13.66	12.76	9.80	10.95	12.07	12.07
Revenue (\$mm)										
Natural Gas										
U.S. (or North America)	317	246	1,083	318	430	465	480	1,694	1,860	1,860
Overseas	74	62	239	87	79	91	107	364	408	408
Total	392	308	1,322	405	510	556	587	2,058	2,268	2,268
Oil	1,474	1,986	7,175	2,345	2,820	2,855	2,807	10,827	11,190	11,190
Downstream	3,088	3,583	13,353	3,762	3,762	3,762	3,762	15,048	15,048	15,048
Other	(112)	(443)	(601)	73	73	73	73	293	293	293
Total	4,841	5,434	21,250	6,586	7,165	7,246	7,229	28,226	28,798	28,798
Expense										
Upstream	687	831	3,090	998	1,232	1,262	1,256	4,748	4,979	4,979
Downstream	2,737	3,386	12,102	3,404	3,292	3,528	3,565	13,789	13,789	13,789
Other	(112)	(443)	(601)	73	73	73	73	293	293	293
Total	3,312	3,775	14,591	4,476	4,597	4,864	4,894	18,830	19,061	19,061
Ebitda (\$mm)										
Upstream	1,178	1,463	5,408	1,752	2,098	2,149	2,138	8,137	8,478	8,478
Downstream	351	197	1,251	358	470	234	197	1,259	1,259	1,259
Total	1,529	1,659	6,659	2,110	2,568	2,382	2,335	9,396	9,737	9,737
Exploration	142	183	490	143	143	143	143	572	519	519
Deprec., Deplet., & Amort.										
Upstream	372	567	1,809	448	448	448	448	1,792	1,792	1,792
Downstream	69	69	282	75	75	75	75	300	300	300
Other										
Total	441	636	2,091	523	523	523	523	2,092	2,092	2,092
Ebit	946	840	4,078	1,444	1,902	1,716	1,669	6,732	7,126	7,126
Interest	42	43	165	48	48	48	48	192	192	192
Ebt	904	797	3,913	1,396	1,854	1,668	1,621	6,540	6,934	6,934
Income Tax	316	279	1,370	489	649	584	567	2,289	2,427	2,427
Net Income (\$mm)										
Upstream	440	388	2,130	897						
Downstream	183	83	630	184						
Other	(36)	47	(217)	(173)						
Total	587	518	2,543	908	1,205	1,084	1,053	4,251	4,507	4,507
Shares (millions)	502	489	496	488	488	488	488	488	488	488
Per share (\$)	1.17	1.06	5.13	1.86	2.47	2.22	2.16	8.71	9.24	9.24
Ebitda Margin (E&P)	63%	64%	64%	64%	63%	63%	63%	63%	63%	63%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



Petro-Canada					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	1,157	6.5	3.9	4,500	11%
Rest of World Natural Gas	254	5.2	5.9	1,500	4%
Oil	6,961	6.6	4.0	28,000	70%
Downstream	1,243		4.8	6,000	15%
	9,615	6.5	4.2	40,000	100%
Debt (US\$mm)					4,900
Net Present Value (US\$mm)					35,100
Shares (mm)					488
Net Present Value - Standard Estimate (US\$/sh)					72
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					86

Petro-Canada									
Production and Reserves, 2007									
									2007
			<i>12/31/2007 Proven Reserves</i>			<i>Weighted</i>	<i>Adjusted</i>		
		<i>2007 Production</i>	<i>Developed</i>	<i>Undeveloped</i>	<i>Weighted</i>	<i>Life Index</i>	<i>R/P</i>		
		<i>(daily)</i>	<i>(annual)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(years)</i>	<i>(years)</i>	
North American Natural Gas									
	Western Canada	414	151	948	52	974	6.5		
	U.S. Rockies	58	21	105	38	124	5.9		
	Total	471	172	1,053	90	1,098	6.4	6.5	
Rest of World Natural Gas									
	North Sea	58	21	89	2	90	4.3		
	Northern Latin America	66	24	44	121	105	4.4		
	Total	123	45	133	123	195	4.3	5.2	
Oil									
	Western Canada	8	3	27		27	9.0		
	East Coast	85	31	53	20	63	2.0		
	Oil Sands	19	7	46	201	147	20.9		
	U.S. Rockies	3	1	4	5	7	6.5		
	North Sea	82	30	120	20	130	4.3		
	North Africa/Near East	44	16	99	2	100	6.3		
	Syncrude	30	11	92	197	191	17.3		
	Total	271	99	441	445	664	6.7	6.6	
	Total Oil Equivalent	473	173	750	583	1,041	6.0	6.5	
Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume.									
NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.									



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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