

Rating: Buy
 S&P 500: 1229

Suncor Energy

Oil Price and Operating Reliability

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	3,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (US\$/sh)</i>	57.78	<i>Natural Gas and Oil Production/Ebitda (%)</i>	91
<i>Pricing Date</i>	8/10/05	<i>Adjusted Reserves/Production NTM</i>	20.7
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	8.8
<i>Market Capitalization (US\$mm)</i>	26,600	<i>PV/Ebitda</i>	10.1
<i>Debt (US\$mm)</i>	3,500	<i>Undeveloped Reserves (%)</i>	1
<i>Enterprise Value (EV) (US\$mm)</i>	30,100	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.10
<i>Present Value (PV) (US\$mm)</i>	34,800	<i>Present Value Proven Reserves(US\$/boe)</i>	17.18
<i>Net Present Value (US\$/share)</i>	68	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.86
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.05
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	19
<i>Dividend Yield (%/year)</i>	0.3	<i>Indicated Annual Dividend (US\$/sh)</i>	0.20

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 and Recommendation

Though we communicated on August 2 our increase in estimated net present value of buy-recommended **Suncor Energy (SU)** to \$68 a share, we did not comment on recent quarterly results. The low level of cash flow generation was expected with half of the company's capacity down since a costly fire earlier in the year. As our projections indicate and in line with management comments, we expect recovery before year end and sharply higher levels next year. We did hold back from raising net present value as much as for the sister Syncrude plant. Our new present value of Suncor is about 86% of that for Syncrude, down from near equal. Oil price is part of the opportunity as well as a risk. Operations should normally be smooth, but surprise interruptions can occur.

Kurt H. Wulff, CFA

Suncor 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	240	8.9	6.7	1,600	5%
Oil	2,880	21.8	10.7	30,900	89%
Downstream	320		7.2	2,300	7%
	3,440	20.7	10.1	34,800	100%
Debt (US\$mm)				3,500	
Net Present Value (US\$mm)				31,300	
Shares (mm)				461	
Net Present Value (US\$/sh)				68	

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Suncor
Next Twelve Months Operations
 (Canadian Dollars)

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>Twelve</i>
										<i>Months</i>
										<i>6/30/06</i>
Volume										
Natural Gas (mmcf)	193	200	191	175	175	175	179	175	175	175
Oil (mbd)	237	230	148	124	124	240	159	260	260	221
Total gas & oil (bcf)	148	576	97	84	85	149	414	156	158	547
Total gas & oil (mbd)	269	263	180	153	153	269	189	289	289	250
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	7.77	9.18	7.49	9.85	8.27	8.77
Currency (US\$/C\$)	0.82	0.77	0.82	0.80	0.83	0.83	0.82	0.83	0.83	0.83
Henry Hub (C\$/mmbtu)	8.66	7.96	7.64	8.40	9.41	11.11	9.14	11.92	10.01	10.61
U.S. (or North America)	6.98	6.72	6.74	7.26	8.13	9.60	7.91	10.30	8.65	9.16
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	61.58	65.42	57.43	66.21	65.95	64.79
WTI Cushing (C\$/bbl)	58.94	53.61	60.55	65.99	74.56	79.21	70.08	80.17	79.86	78.45
Company	54.31	49.75	54.51	57.21	64.64	68.67	62.40	69.50	69.23	68.50
Total gas & oil (\$/mcf)	8.80	8.09	8.67	9.10	10.27	11.24	10.01	11.45	11.25	11.15
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	13.01	9.74	9.88	9.49	12.59	11.21
Revenue (\$mm)										
Natural Gas	124	491	116	116	131	155	517	162	138	585
Oil	1,182	4,171	726	647	739	1,516	3,628	1,626	1,638	5,520
Other	1,004	3,959	1,220	1,617	1,617	1,617	6,071	1,617	1,617	6,469
Total	2,310	8,621	2,061	2,380	2,487	3,288	10,216	3,406	3,393	12,574
Expense										
Fixed	269	983	197	170	170	269	805	269	269	740
Variable	269	983	197	170	193	372	932	398	395	738
Other	909	3,699	1,200	1,531	1,885	2,163	6,780	2,190	2,172	7,169
Ebitda (\$mm)										
Exploration and Production	768	2,695	448	423	507	1,030	2,408	1,122	1,112	3,770
Other	95	277	19	86	96	95	296	94	109	393
Total Ebitda	863	2,955	467	509	603	1,125	2,704	1,215	1,221	4,164
Exploration	7	55	17	2	2	2	23	2	10	16
Deprec., Deplet., & Amort.	183	717	165	175	175	175	690	175	175	700
Hedging	208	624	100	120	156	165	541	170	171	663
Ebit	464	1,559	185	212	270	783	1,450	868	864	2,785
Interest	33	137	36	42	42	42	162	42	42	168
Ebt	432	1,422	149	170	228	741	1,288	826	822	2,617
Income Tax	151	459	52	60	80	259	451	289	288	916
Net Income (\$mm)										
Exploration and Production	297	1,110	143	144	203	717	1,207	806	792	2,517
Other	34	114	3	36	38	66	143	67	78	249
Unallocated	(50)	(260)	(49)	(69)	(93)	(302)	(513)	(336)	(335)	(1,066)
Total	281	964	97	111	148	481	837	537	535	1,701
Shares (millions)										
Per share (\$)	0.61	2.09	0.21	0.24	0.32	1.04	1.82	1.16	1.16	3.69
Ebitda Margin	37%	34%	23%	21%	24%	34%	26%	36%	36%	33%
Tax Rate	35%	32%	35%	35%	35%	35%	35%	35%	35%	35%

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Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>	<i>Price</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>		
	<i>Rating</i>	<i>(\$/sh)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>		
		<i>10-Aug</i>	<i>Shares</i>	<i>Value</i>	<i>Value</i>			
		<i>2005</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>			
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	93.85	123	11,550	20.00	0.76	1.90
Imperial Oil Limited (30%)	IMO	B	94.93	104	9,830	84.00	0.09	1.12
Marathon Oil Corporation	MRO	B	62.82	367	23,050	65.00	0.27	0.98
Petro-Canada	PCZ	B	79.42	263	20,890	84.00	0.18	0.96
Suncor Energy	SU	B	57.78	461	26,640	68.00	0.10	0.86
Norsk Hydro ASA	NHY	B	102.54	251	25,740	130.00	0.13	0.82
PetroChina Company Ltd (10%)	PTR	B	92.25	176	16,220	120.00	0.04	0.78
ConocoPhillips	COP	B	65.64	1,419	93,100	100.00	0.15	0.71
Lukoil Oil Company	LUKOY	B	44.65	830	37,000	65.00	0.02	0.69
	<i>Total or Median</i>				<i>264,000</i>		<i>0.13</i>	<i>0.86</i>

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