



Rating: Buy
 S&P 500: 1311
 Intraday

Suncor Energy Oil Sands for Taxable Investors

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	5,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	85.66	<i>Natural Gas and Oil Production/Ebitda (%)</i>	88
<i>Pricing Date</i>	1/22/08	<i>Adjusted Reserves/Production NTM</i>	23.8
<i>Shares (mm)</i>	473	<i>EV/Ebitda</i>	8.1
<i>Market Capitalization (US\$m)</i>	40,500	<i>PV/Ebitda</i>	11.1
<i>Debt (US\$m)</i>	4,800	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (US\$m)</i>	45,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	46.40
<i>Present Value (PV) (US\$m)</i>	62,500	<i>Present Value Proven Reserves(US\$/boe)</i>	22.02
<i>Net Present Value (US\$/share)</i>	122	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.67
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.88
<i>McDep Ratio - EV/PV</i>	0.73	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	0.5	<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\$80 a barrel and natural gas, \$11 a million btu.

For historical analysis of SU since 2004 see www.mcdep.com/2su.htm

Summary and Recommendation

Reinvesting all of its cash flow and paying just a nominal dividend, buy-recommended **Suncor (SU)** offers low cost participation in growing production from oil sands for taxable investors. Fourth quarter results reported today exceeded our projections while management was disappointed not to meet its expectations. The lowest McDep Ratio in our regular analysis of the company in at least eight quarters reflects a recent decline in stock price as well as an increase in Net Present Value to \$122 a share from \$105 a share. NPV increased on December 18 when we raised our long-term oil price for calculating present value to \$80 from \$66 a barrel. We also allowed for higher taxes to be imposed by the province of Alberta, though Suncor has protection to about 2015. Despite formidable operating and construction challenge, management expects Suncor to exit 2008 with 350,000 barrels daily of oil sands capacity, up from about 250,000 today. Likely government responses to debt-stressed capital markets may keep oil price on its long-term uptrend, reinforcing the appeal of Suncor stock.

Kurt H. Wulff, CFA



Suncor
Next Twelve Months Operations
 (Canadian Dollars)

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/06</i>	<i>9/30/07</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>12/31/08</i>
Volume									
Natural Gas (mmcf)	192	193	210	196	210	210	210	210	211
Oil (mbd)	277	227	255	238	255	255	255	255	255
Total gas & oil (bcf)	170	143	160	592	158	158	160	160	637
Total gas & oil (mbd)	309	259	290	270	290	290	290	290	290
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.69	7.97	8.16	8.53	8.09
Currency (US\$/C\$)	0.88	0.96	1.02	0.93	0.97	0.97	0.97	0.97	0.97
Henry Hub (C\$/mmbtu)	7.48	6.44	6.84	7.39	7.90	8.19	8.38	8.76	8.31
Company	6.40	5.14	6.02	6.27	6.95	7.21	7.38	7.72	7.32
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	72.28	91.12	89.15	88.23	87.38	88.97
WTI Cushing (C\$/bbl)	68.33	78.95	88.91	76.78	93.60	91.58	90.64	89.76	91.39
Company	60.51	76.71	82.09	73.84	86.41	84.55	83.68	82.87	84.37
Total gas & oil (\$/mcf)	9.70	11.84	12.76	11.58	13.50	13.26	13.15	13.08	13.25
NY Harbor 3-2-1 (\$/bbl)	7.54	12.64	8.19	14.37	9.18	14.37	13.89	9.82	11.81
Revenue (\$mm)									
Natural Gas	113	91	116	449	133	138	143	149	562
Oil	1,541	1,602	1,926	6,406	2,005	1,962	1,963	1,944	7,874
Other	2,133	2,973	2,916	11,078	2,916	2,916	2,916	2,916	11,664
Total	3,787	4,666	4,958	17,933	5,054	5,016	5,022	5,009	20,100
Expense (\$mm)									
2,976	3,341	3,678	13,127	3,563	3,393	3,631	3,739	14,326	
Ebitda (\$mm)									
Exploration and Production	722	1,198	1,266	4,093	1,283	1,260	1,263	1,256	5,062
Other	89	127	14	712	208	363	127	14	712
Total Ebitda	811	1,325	1,280	4,806	1,491	1,622	1,391	1,270	5,774
Exploration	24	9	17	95	20	20	20	20	80
Deprec., Deplet., & Amort.	199	228	266	900	266	266	266	266	1,064
Hedging and Insurance	-	-	-	-	-	-	-	-	-
Ebit									
588	1,088	997	3,811	1,205	1,336	1,105	984	4,630	
Interest	37	50	58	194	58	58	58	58	232
Ebt									
551	1,038	939	3,616	1,147	1,278	1,047	926	4,398	
Income Tax	193	363	329	1,266	401	447	366	324	1,539
Net Income (\$mm)									
-	-	-	-	-	-	-	-	-	-
Exploration and Production	407	556	1,031	2,459	1,084	1,090	1,044	1,006	4,224
Other	31	40	-	345	176	314	105	11	606
Unallocated	(80)	79	(421)	(453)	(514)	(573)	(469)	(415)	(1,972)
Total	358	675	610	2,351	745	831	680	602	2,859
Shares (millions)									
471	472	473	472	473	473	473	473	473	473
Per share (\$)	0.76	1.43	1.29	4.98	1.58	1.76	1.44	1.27	6.04
Ebitda Margin (E&P)	44%	71%	62%	60%	60%	60%	60%	60%	60%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Suncor
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	270	7.2	6.3	1,700	3%
Oil	4,660	25.7	12.2	56,800	91%
Downstream	690		5.8	4,000	6%
	5,620	23.8	11.1	62,500	100%
Debt (US\$mm)					4,800
Net Present Value (US\$mm)					57,700
Shares (mm)					473
Net Present Value - Standard Estimate (US\$/sh)					122

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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