



Independent Stock Idea

May 8, 2009

rating: buy
s&p 500: 907

Imperial Oil (IMO), Petro-Canada (PCZ) and Suncor (SU) Restore Buy on New Price Trend

Summary and Recommendation

The stocks of buy recommendations Imperial Oil (IMO), Petro-Canada (PCZ) and Suncor (SU) are trading above their 200-day averages again for the first time in more than nine months. While stock price is the catalyst for us to restore our buy recommendations, low McDep Ratios provide the fundamental rationale. For valuation measures updated for latest stock price see tables below. For recent analysis on each stock, see Independent Stock Idea:

Imperial Oil, April 30, 2009
Petro-Canada, April 28, 2009
Suncor, April 23, 2009

Presuming that the pending acquisition of Petro-Canada by Suncor becomes final in the third quarter, we value the two securities in a combined entity. On that basis, a share of PCZ stock today would be equivalent to 1.28 shares of SU. On its closing price of US\$36.84, PCZ is equivalent to buying SU at US\$28.78. The discount to SU's closing price of US\$29.77 is a measure of the risk that the deal does not close. Finally, investors in Imperial can look forward to an analyst presentation in New York on May 27.

Kurt H. Wulff, CFA

<i>Symbol</i>	IMO	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$mm)</i>	2,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (US\$/sh)</i>	36.54	<i>Natural Gas and Oil Production/Ebitda (%)</i>	69
<i>Pricing Date</i>	5/7/09	<i>Adjusted Reserves/Production NTM</i>	18.5
<i>Shares (mm)</i>	856	<i>EV/Ebitda</i>	12.5
<i>Market Capitalization (US\$mm)</i>	31,300	<i>PV/Ebitda</i>	16.1
<i>Debt (US\$mm)</i>	2,500	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$mm)</i>	33,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	18.90
<i>Present Value (PV) (US\$mm)</i>	43,600	<i>Present Value Proven Reserves(US\$/boe)</i>	12.81
<i>Net Present Value (US\$/share)</i>	48	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.14
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.47
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	25
<i>Dividend Yield (%/year)</i>	0.9	<i>Indicated Annual Dividend (US\$/sh)</i>	0.34
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\$75 a barrel and natural gas, \$10 a million btu.			
For historical research on Imperial Oil since 2004 see http://www.mcdep.com/2imo.htm			



Independent Stock Idea

May 8, 2009

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$mm)</i>	8,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (US\$/sh)</i>	29.77	<i>Natural Gas and Oil Production/Ebitda (%)</i>	90
<i>Pricing Date</i>	5/7/09	<i>Adjusted Reserves/Production NTM</i>	12.1
<i>Shares (mm) - Pro-Forma</i>	1565	<i>EV/Ebitda</i>	7.8
<i>Market Capitalization (US\$mm)</i>	46,600	<i>PV/Ebitda</i>	12.1
<i>Debt (US\$mm)</i>	15,700	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (US\$mm)</i>	62,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	31.33
<i>Present Value (PV) (US\$mm)</i>	97,100	<i>Present Value Proven Reserves(US\$/boe)</i>	27.26
<i>Net Present Value (US\$/share)</i>	52	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.54
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.78
<i>McDep Ratio - EV/PV</i>	0.64	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	0.6	<i>Indicated Annual Dividend (US\$/sh)</i>	0.17
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\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of SU since 2004 see www.mcdep.com/2su.htm			

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. 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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.