

Rating: None
 S&P 500: 1195

Canadian Natural Resources Conventional Plus Horizon

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i>	4,600
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	44
<i>Price (US\$/sh)</i>	38.91	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/6/05	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	536	<i>EV/Ebitda</i>	5.6
<i>Market Capitalization (US\$m)</i>	20,900	<i>PV/Ebitda</i>	6.1
<i>Debt (US\$m)</i>	5,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (US\$m)</i>	25,900	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.61
<i>Present Value (PV) (US\$m)</i>	28,100	<i>Present Value Proven Reserves(US\$/boe)</i>	18.56
<i>Net Present Value (US\$/share)</i>	43	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.09
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.51
<i>McDep Ratio - EV/PV</i>	0.92	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	1.0	<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.

Summary

The conventional oil and gas business of Canadian Natural Resources combined with the Horizon Oil Sands Project may have present value of US\$43 a share assuming \$40 oil. On that basis the current stock price implies a McDep Ratio of 0.92 close to the median for buy-recommended peers. The critical relationships in the analysis include projected next twelve months cash flow, reported reserves, and the timing and costs of the Horizon project. Present value cash flow multiples for natural gas and oil production are slightly less than indicated by the correlation with our estimates for about 30 producers. Estimated present value of Horizon is consistent with assumptions for Syncrude except that we give Horizon credit for expansion to full capacity and we do not give Syncrude credit for expansion beyond that currently constructed.

Kurt H. Wulff, CFA

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

	<i>Symbol/</i>	<i>Rating</i>	<i>Price</i> <i>(\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
			<i>6-Jul</i>	<i>(mm)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
			<i>2005</i>		<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	42.15	909	38,300	38.50	0.19	1.08
Unocal Corporation	UCL	B	65.02	273	17,800	65.00	0.19	1.00
XTO Energy Inc.	XTO	B	36.61	366	13,410	36.00	0.19	1.01
CNOOC Limited (29%)	CEO	B	63.45	119	7,570	67.00	0.01	0.95
Occidental Petroleum Corp.	OXY	B	80.06	406	32,500	94.00	0.13	0.87
Burlington Resources	BR	B	57.58	389	22,400	67.00	0.12	0.88
Devon Energy Corporation	DVN	B	53.15	496	26,400	63.00	0.16	0.87
Anadarko Petroleum Corp.	APC	B	85.75	239	20,500	113.00	0.14	0.79
			<i>Total or Median</i>		<i>179,000</i>		<i>0.15</i>	<i>0.91</i>

Canadian Natural Resources
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next</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 (bcf)	105	107	108	108	428	105	107	428
Natural Gas (mmcf)	1,172	1,172	1,172	1,172	1,172	1,172	1,172	1,172
Days	90	91	92	92	365	90	91	365
Oil (mmb)	23.7	24.0	24.2	24.2	96	23.7	24.0	96
Oil (mbd)	263	263	263	263	263	263	263	263
Total (bcf)	248	250	253	253	1,004	248	250	1,004
Total (mmcf)	2,752	2,752	2,752	2,752	2,752	2,752	2,752	2,752
Price								
Henry Hub (US\$/mmbtu)	6.27	6.76	7.12	7.88	7.01	8.80	7.73	7.88
Differential	(0.41)	(0.45)	(0.47)	(0.52)	(0.47)	(0.58)	(0.51)	(0.52)
Company (\$/mcf)	6.68	7.20	7.59	8.40	7.47	9.38	8.24	8.40
WTI Cushing (US\$/bbl)	49.65	53.02	59.10	60.73	55.63	61.05	60.69	60.39
Differential	9.84	10.51	11.71	12.04	10.99	12.10	12.03	11.97
Company (\$/bbl)	39.81	42.51	47.39	48.69	44.63	48.95	48.66	48.42
Total (\$/bbl)	39.92	42.81	46.61	49.42	44.72	52.07	49.00	49.26
Revenue (\$mm)								
Natural Gas	705	768	818	906	3,197	989	879	3,592
Oil	943	1,019	1,148	1,179	4,289	1,160	1,166	4,653
Total	1,648	1,787	1,966	2,085	7,486	2,149	2,045	8,245
Expense								
	527	562	607	637	2,333	653	627	2,523
Ebitda (\$mm)								
	1,120	1,225	1,359	1,448	5,153	1,496	1,418	5,722
Deprec., Deplet., & Amort.	492	492	492	492	1,968	492	492	1,968
Hedging								
Interest	43	43	43	43	172	43	43	172
Ebt								
	585	690	824	913	3,013	961	883	3,582
Income tax	205	241	289	320	1,054	336	309	1,254
Net Income (\$mm)								
	381	448	536	594	1,958	625	574	2,328
Per share (\$)	0.71	0.84	1.00	1.11	3.65	1.17	1.07	4.34
Shares (millions)								
	536	536	536	536	536	536	536	536
Ebitda margin	68%	69%	69%	69%	69%	70%	69%	69%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%

Canadian Natural Resources
Functional Cash Flow and Present Value

	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	2,000	5.8	4.6	9,200	33%
Oil	2,600	8.7	4.6	12,000	43%
Horizon				6,800	24%
	4,600	7.4	6.1	28,000	100%
Debt					5,000
Net Present Value (US\$m)					23,000
Shares					536
Net Present Value (US\$/sh)					43

Horizon Oil Sands Project
Present Value of Future Cash Flow

Nymex Crude (US\$/b): PV/share (US\$): Discount rate (%/yr):

Year	Volume (mbd)	Price (US\$/bbl)	Revenue (C\$m)	Prod Cost (C\$/bbl)	Natural Gas (C\$/bbl)	Other & NonOper (C\$/bbl)	Capital Exp. (C\$m)	Royalty (C\$m)	Cash Flow (C\$m)	Disc Factor	Present Value (C\$m)	
Total 2005 through 2045; years ending on 6/30												
	2975		147145				22796	15756	48371	0.17	8400	
2006							2000	0	-2000	0.97	-1933	
2007							2000	0	-2000	0.90	-1807	
2008							2000	0	-2000	0.84	-1689	
2009	110	40.2	40.00	1986	14.00	4.04	1.80	1659	20	-490	0.79	-387
2010	110	40.2	40.00	1986	14.00	4.12	1.80	1659	20	-493	0.74	-364
2011	135	49.3	40.00	2437	14.00	4.20	1.80	1195	24	232	0.69	160
2012	135	49.4	40.00	2444	14.00	4.29	1.80	1196	24	231	0.64	149
2013	232	84.7	40.00	4188	14.00	4.37	1.80	336	42	2102	0.60	1266
2014	232	84.7	40.00	4188	14.00	4.46	1.80	336	42	2095	0.56	1179
2015	232	84.7	40.00	4188	14.00	4.46	1.80	336	42	2095	0.53	1101
2016	232	84.9	40.00	4199	14.00	4.46	1.80	337	42	2100	0.49	1032
2017	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.46	736
2018	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.43	688
2019	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.40	643
2020	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.37	602
2021	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.35	561
2022	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.33	525
2023	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.31	490
2024	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.29	460
2025	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.27	428
2026	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.25	400
2027	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.23	374
2028	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.22	351
2029	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.20	327
2030	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.19	305
2031	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.18	285
2032	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.17	267
2033	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.16	249
2034	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.15	233
2035	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.14	218
2036	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.13	204
2037	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.12	190
2038	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.11	178
2039	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.10	166
2040	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.10	156
2041	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.09	145
2042	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.08	136
2043	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.08	127
2044	232	84.9	40.00	4199	14.00	4.46	1.80	337	536	1607	0.07	119
2045	232	84.7	40.00	4188	14.00	4.46	1.80	336	534	1602	0.07	111