



Rating: Buy
 S&P 500: 1380

Canadian Natural Resources Horizon Approaching

<i>Symbol</i>	CNQ	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	8,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	38
<i>Price (US\$/sh)</i>	73.39	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/27/08	<i>Adjusted Reserves/Production NTM</i>	8.4
<i>Shares (mm)</i>	540	<i>EV/Ebitda</i>	6.6
<i>Market Capitalization (US\$m)</i>	39,600	<i>PV/Ebitda</i>	8.3
<i>Debt (US\$m)</i>	13,900	<i>Undeveloped Reserves (%)</i>	38
<i>Enterprise Value (EV) (US\$m)</i>	53,500	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	7.14
<i>Present Value (PV) (US\$m)</i>	67,300	<i>Present Value Proven Reserves(US\$/boe)</i>	25.55
<i>Net Present Value (US\$/share)</i>	99	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.26
<i>Debt/Present Value</i>	0.21	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.02
<i>McDep Ratio - EV/PV</i>	0.79	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	0.6	<i>Indicated Annual Dividend (US\$/sh)</i>	0.41
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.			

Summary and Recommendation

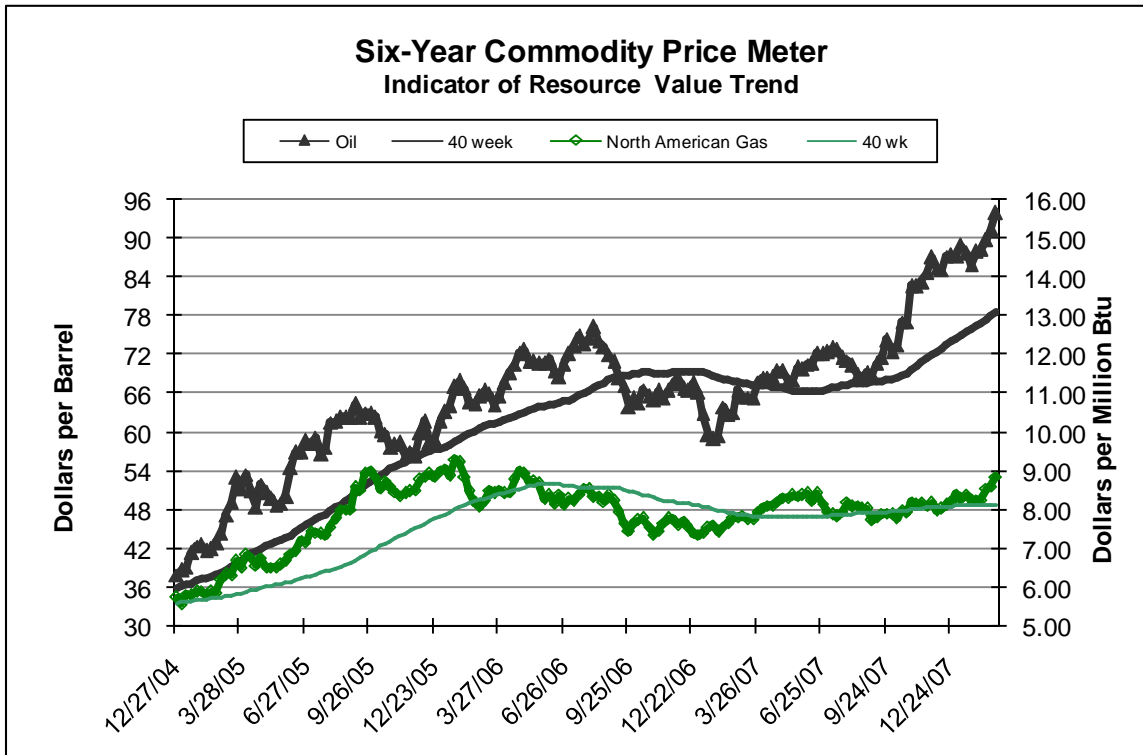
Buy-recommended **Canadian Natural Resources (CNQ)** offers unlevered appreciation potential of 26% to estimated net present value (NPV) of \$99 a share, concentrated 73% on oil and 27% on natural gas. Fourth quarter results released today reflected a lagging price for the company's heavy oil compared to Light, Sweet Crude. Year-end oil and gas reserves matched those of a year ago. Earlier on December 18, we increased NPV from \$87 a share when we increased long-term oil price for calculating present value to \$80 from \$66 a barrel. 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 is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table [Functional Cash Flow and Present Value](#)). The Horizon oil sands mining and upgrading project remains scheduled for startup in the third quarter. Recently disclosed cost increases may have contradicted earlier management insistence, but were well anticipated in our present value estimate. The company's prospects are boosted by a continued uptrend for oil price and more recently natural gas price (see chart [Six-Year Commodity Price Meter](#)).

Kurt H. Wulff, CFA



Canadian Natural Resources									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	12/31/08
	12/31/06	9/30/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Volume (before royalty)									
Natural Gas (mmcf)	1,620	1,647	1,589	1,668	1,589	1,589	1,589	1,589	1,589
Oil (mbd)	344	333	337	331	337	337	337	337	337
Total (bcf)	339	335	332	1,334	329	329	332	332	1,322
Total (mmcfed)	3,684	3,645	3,611	3,655	3,611	3,611	3,611	3,611	3,611
Price									
Henry Hub (US\$/mmbtu)	6.57	6.16	6.97	6.87	8.10	9.25	9.39	9.77	9.13
Currency (US\$/C\$)	0.88	0.96	1.02	0.93	1.02	1.02	1.02	1.02	1.02
Henry Hub (C\$/mmbtu)	7.48	6.44	6.84	7.39	7.95	9.07	9.21	9.59	8.96
Differential (C\$/mmbtu)	0.82	0.57	0.56	0.54	0.65	0.74	0.75	0.78	0.73
Company (C\$/mcf)	6.66	5.87	6.28	6.85	7.30	8.33	8.46	8.81	8.23
WTI Cushing (US\$/bbl)	59.99	75.48	90.67	72.28	95.93	98.86	97.77	96.93	97.37
WTI Cushing (C\$/bbl)	68.32	78.95	88.91	77.67	94.12	97.00	95.93	95.10	95.54
Differential (C\$/bbl)	21.05	20.85	30.88	22.22	32.69	33.69	33.32	33.03	33.18
Company (C\$/bbl)	47.27	58.10	58.03	55.45	61.43	63.31	62.61	62.07	62.35
Total (\$/bbl)	44.06	47.76	49.08	48.89	53.67	57.45	57.40	58.01	56.64
Revenue (\$mm)									
Natural Gas	993	889	918	4,169	1,056	1,205	1,237	1,287	4,785
Oil	1,496	1,780	1,799	6,700	1,884	1,941	1,941	1,924	7,691
Royalties	(317)	(341)	(343)	(1,391)	(371)	(397)	(401)	(405)	(1,575)
Total	2,172	2,328	2,374	9,479	2,568	2,749	2,777	2,806	10,901
Expense									
	604	627	581	2,512	687	736	743	751	2,916
Ebitda (\$mm)									
	1,567	1,701	1,793	6,967	1,881	2,014	2,034	2,056	7,985
Deprec., Deplet., & Amort.	742	715	719	2,880	719	719	719	719	2,876
Other non-cash	126		176	176					-
Interest	62	65	51	276	51	51	51	51	204
Ebt									
	637	921	847	3,635	1,111	1,244	1,264	1,286	4,905
Income tax	223	280	297	1,230	389	435	442	450	1,717
Net Income (\$mm)									
	414	641	551	2,405	722	808	822	836	3,188
Per share (\$)	0.77	1.19	1.02	4.46	1.34	1.50	1.52	1.55	5.90
Shares (millions)									
	538	539	540	539	540	540	540	540	540
Ebitda margin (after royalty)	72%	73%	76%	73%	73%	73%	73%	73%	73%
Tax rate	35%	30%	35%	34%	35%	35%	35%	35%	35%

Canadian Natural Resources					
Functional Cash Flow and Present Value					
	NTM	Adjusted	PV/	Present	
	<u>Ebitda</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	
North American Natural Gas	3,110	6.8	5.8	18,000	27%
Oil	4,990	9.6	6.5	32,400	48%
Horizon				17,000	25%
	8,100	8.4	8.3	67,400	100%
Debt					13,900
Net Present Value (US\$mm)					53,500
Shares					540
Net Present Value - Standard Estimate (US\$/sh)					99
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					99



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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