

Rating: Buy
 S&P 500: 1312

Suncor Energy Retaking the Oil Sands Lead

<i>Symbol</i>	SU	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	5,200
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	86.99	<i>Natural Gas and Oil Production/Ebitda (%)</i>	97
<i>Pricing Date</i>	5/4/06	<i>Adjusted Reserves/Production NTM</i>	18.5
<i>Shares (mm)</i>	461	<i>EV/Ebitda</i>	8.4
<i>Market Capitalization (US\$mm)</i>	40,100	<i>PV/Ebitda</i>	7.3
<i>Debt (US\$mm)</i>	3,400	<i>Undeveloped Reserves (%)</i>	23
<i>Enterprise Value (EV) (US\$mm)</i>	43,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	44.90
<i>Present Value (PV) (US\$mm)</i>	38,000	<i>Present Value Proven Reserves(US\$/boe)</i>	17.06
<i>Net Present Value (US\$/share)</i>	75	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.84
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	5.59
<i>McDep Ratio - EV/PV</i>	1.15	<i>Price/Earnings Next Twelve Months</i>	16
<i>Dividend Yield (%/year)</i>	0.2	<i>Indicated Annual Dividend (US\$/sh)</i>	0.22

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

Stock price of buy-recommended **Suncor (SU)** has surpassed estimated net present value (NPV) of \$75 a share that presumes a long-term oil price of \$50 a barrel. Considering that oil for delivery over the next six years is \$70 in the futures market, we may be raising our estimate of NPV. First quarter results disclosed on May 4 attest to smooth operations after a costly fire last year. Oil sands production of 264,000 barrels daily exceeds the rate for the next producer, Syncrude, for the second consecutive quarter. The race is on as Syncrude dedicates its recently completed expansion to capacity of 350,000 barrels daily on May 24. Suncor proceeds on an expansion to take its capacity to 350,000 barrels daily by 2009.

Functional Cash Flow and Present Value

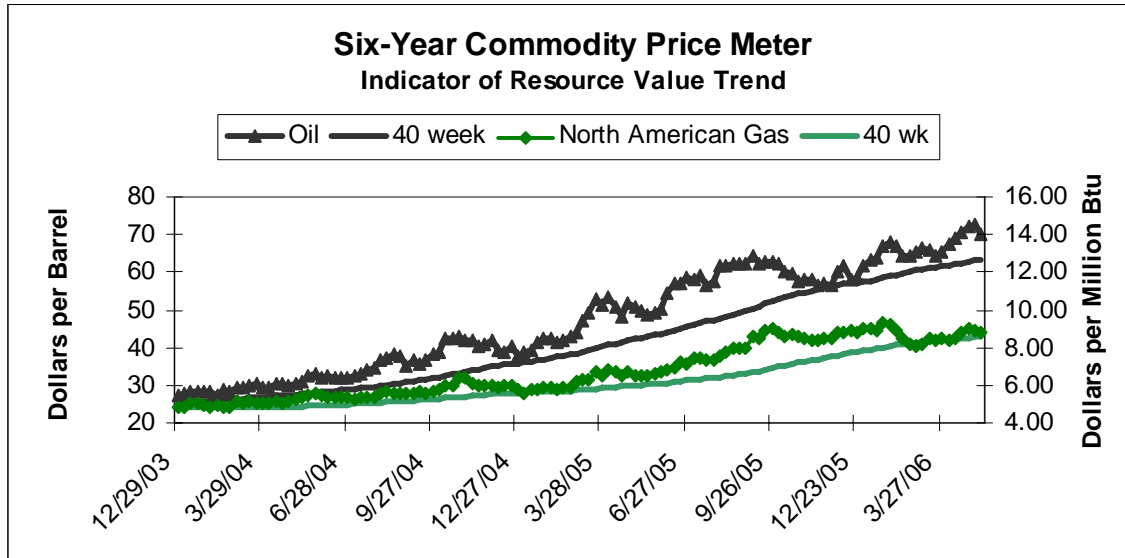
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	270	7.9	5.6	1,500	4%
Oil	4,760	19.4	7.1	33,800	89%
Downstream	170		15.9	2,700	7%
	5,200	18.5	7.3	38,000	100%
Debt (US\$mm)				3,400	
Net Present Value (US\$mm)				34,600	
Shares (mm)				461	
Net Present Value - Standard Estimate (US\$/sh)				75	
Net Present Value - Approximation by Correlation (US\$/sh)				79	

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Suncor
Next Twelve Months Operations
 (Canadian Dollars)

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
Volume									
Natural Gas (mmcf)	191	193	190	196	196	196	196	196	196
Oil (mbd)	148	254	169	279	279	279	279	279	274
Total gas & oil (bcf)	97	158	438	168	170	172	172	681	671
Total gas & oil (mbd))	180	286	200	311	311	311	311	311	307
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	7.13	7.40	9.38	8.22	8.81
Currency (US\$/C\$)	0.82	0.85	0.83	0.87	0.90	0.90	0.90	0.89	0.90
Henry Hub (C\$/mmbtu)	7.64	15.30	10.41	10.31	7.90	8.20	10.39	9.20	9.76
U.S. (or North America)	6.74	11.83	8.59	8.75	6.70	6.96	8.82	7.81	8.28
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	56.31	63.33	69.81	72.44	73.80	69.84	72.53
WTI Cushing (C\$/bbl)	60.55	70.61	68.07	72.79	77.37	80.29	81.80	78.06	80.39
Company	54.51	66.61	62.52	65.61	69.74	72.37	73.73	70.39	72.43
Total gas & oil (\$/mcf)	8.67	11.18	10.13	10.71	11.11	11.53	11.92	11.32	11.67
NY Harbor 3-2-1 (\$/bbl)	6.17	9.06	10.63	7.40	15.12	11.39	7.69	10.40	10.17
Revenue (\$mm)									
Natural Gas	116	210	595	154	120	125	159	558	592
Oil	726	1,554	3,846	1,645	1,768	1,854	1,889	7,156	7,242
Other	1,220	1,739	6,645	2,059	2,059	2,059	2,059	8,236	8,236
Total	2,061	3,503	11,086	3,858	3,946	4,039	4,107	15,950	16,071
Expense (\$mm)									
Fixed	197	282	941	271	271	271	271	1,083	842
Variable	197	282	941	271	284	298	308	1,161	842
Other	1,200	1,591	6,237	2,011	2,566	2,580	2,590	9,748	7,864
Ebitda (\$mm)									
Exploration and Production	448	1,201	2,559	1,257	1,332	1,411	1,469	5,470	5,572
Other	19	147	408	48	48	48	48	190	190
Total Ebitda	467	1,348	2,967	1,305	1,380	1,459	1,517	5,661	5,763
Exploration	17	8	56	31	147	147	147	472	588
Deprec., Deplet., & Amort.	165	213	727	158	158	158	158	632	632
Hedging and Insurance	100	35	203	-	-	-	-	-	-
Ebit	185	1,092	1,981	1,116	1,075	1,154	1,212	4,557	4,543
Interest	36	42	165	38	38	38	38	151	151
Ebt	149	1,050	1,816	1,078	1,037	1,116	1,174	4,405	4,392
Income Tax	52	367	636	377	363	391	411	1,542	1,537
Net Income (\$mm)									
Exploration and Production	143	664	1,228	762	722	779	820	3,084	3,064
Other	3	77	183	16	26	26	27	95	105
Unallocated	(49)	(59)	(231)	(77)	(74)	(80)	(84)	(315)	(314)
Total	97	682	1,180	701	674	725	763	2,863	2,854
Shares (millions)	461	461	461	461	461	461	461	461	461
Per share (\$)	0.21	1.48	2.56	1.52	1.46	1.57	1.65	6.21	6.19
Ebitda Margin	23%	38%	27%	34%	35%	36%	37%	35%	36%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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