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RESEARCH NOTE

Prior DTE Research Reports

December 13, 2006

August 31, 2006

Rating: Hold – Income

**DTE Energy
(DTE-NYSE)**

(Stock Price Rise Along with Reserve Estimates)

DTE Energy	2/12					
Price	48					
52-week range	49-39				Price	Yr.-end
Book value (9/30/06)	32.94	145%	p/b		2/12	12 Mos.
Earnings ongoing				DTE Energy	48	(2)
2004 actual	1.18	40.3	p/e	Phila. Elec. Index	510	3
2005 actual	1.96	24.3		Dow Industrials	12,646	1
2006 Estimate	2.20	21.8		Shares-millions	178	
2007 Estimate	2.55	18.7		Equity Value -Bil.	8	
2008 Estimate	2.80	17.0		Analyst Coverage	13	15%
Dividend	2.12	4.5	Yield			Buys

Ongoing earnings exclude Synfuels and Mark to Market

Reserves Boosted at Barnett & Antrim -- Should Have Been Expected

DTE Energy shares traded over a point higher yesterday following release of an 8K that significantly increased proved and probable reserve estimates of its unconventional gas business.

Proved reserves in the Barnett field in Texas were raised to 174 bcfe equivalent from 59 bcfe while probable reserves were increased to 266 bcfe from 120 bcfe. The older Antrim field on the northern peninsular of Michigan had proven reserves boosted to 442 bcfe up from 338 bcfe and probable to 59 bcfe versus 35 bcfe. Increases at Barnett were expected. The field is huge, often compared to the Permian Basin, and risk of not finding gas is minimal. Barnett became economically viable in the late 1990s with the convergence of improved fracturing and drilling techniques and high gas prices. Our December 2006 report calculated break-even at Barnett at \$4.74 per mcf and at Antrim, \$2.86 per mcf. Current natural gas prices in the \$7.30 per mcf area versus \$10.50 per mcf in April 2006 could dampen upside potential from asset sales.

Earlier reserve estimates (refer to August 31, 2006 report) indicated pretax cash proceeds potential in the \$641 to \$1,036 million range. Revised reserves (using the same price guidelines as 2006) doubled that potential to the \$1,305 to \$2,058 million range.

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See page 4 of report for Analyst's Certification, pages 4-5 for Important Disclosures and page 5 for Other Disclosures and Disclaimers

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Table 1
Estimated Reserve Values
As of February 2007

Column	(1)	(2)	(3)	(4)	(5)
	Reserves	Value Range	Average	Low	High
Antrim	Bcfe	\$/mcf	\$-Mil.	\$-Mil.	\$-Mil.
Probable	59	0.50-1.00	44	30	59
Proved	442	2.50-3.00	1,216	1,105	1,326
Total	501		1,260	1,135	1,385
Less					
Cost of Capacity Hedges			280	280	280
Allocated Debt			150	150	150
Net \$-Millions			830	705	955
Per Share			4.64	3.94	5.34
Barnett					
Probable	266	1.50-2.50	532	399	665
Proved	174	1.50-3.00	392	261	522
Total	440		924	660	1,187
Less					
Allocated Debt			60	60	60
Net \$-Millions			864	600	1127
Per Share			4.82	3.35	6.30
Combined \$-Millions			1,693	1,305	2,082
Per Share			9.46	7.29	11.63
Estimate April 2006					
Combined \$-Millions			839	641	1,036
Per Share			4.68	3.58	5.79
Percent Change			102	104	101
Combined \$-Millions			102	104	101

Our December report estimated that asset sales (including cash flows from SNG, and other properties) would be marginally accretive to 2008 earnings. Table 2 raises estimates by \$1,000 million on the high end (column 2) and by \$625 million on average versus our August forecast (column 3). The \$2.80 a share earnings estimate in column 1 assumes no asset sales. Pro forma 2008 earnings based on original reserve valuations were \$2.90-\$2.86 a share and, for the most recent estimates, \$3.22-\$3.05 a share. The pro forma P/E ranges from 14.9 to 15.7 and the yield based on a \$2.18 a share dividend is 4.5%.

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Table 2
Projected 2008 Earnings Profile

Column	(1)	(2)	(3)
Earnings Report	Before Asset Sales	2008 Post Sales High	Post Sales Average
Asset Sales (Est 12/06)		2,200	1,550
\$-Millions	496	461	469
Shares Millions	177	159	164
Per Share	2.80	2.90	2.86
Additional Sales (2/14/07) \$-Mil.		1,000	625
Debt retirement \$-Millions		500	313
After Tax Interest rate %		3.8%	3.8%
Interest Savings \$-Millions		19	12
Pro forma Earnings		480	481
Share Price		50	50
Shares Bot – Millions		10	6
Pro Forma Shares		149	158
Pro Forma EPS		3.22	3.05
% EPS Change from 12/06		11	7
Price		48	48
Pro Forma p/e		14.9	15.7
Current Dividend		2.12	2.12
Current Yield		4.4	4.4
Estimated Dividend		2.18	2.18
Pro Forma Yield		4.5	4.5

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I Raymond E. Moore certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. Other DTE reports issued by me are: 8/31/06 (\$42) – Hold, 12/13/06 (\$49) - Hold.

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Guide to Investment Ratings:

Buy Total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.

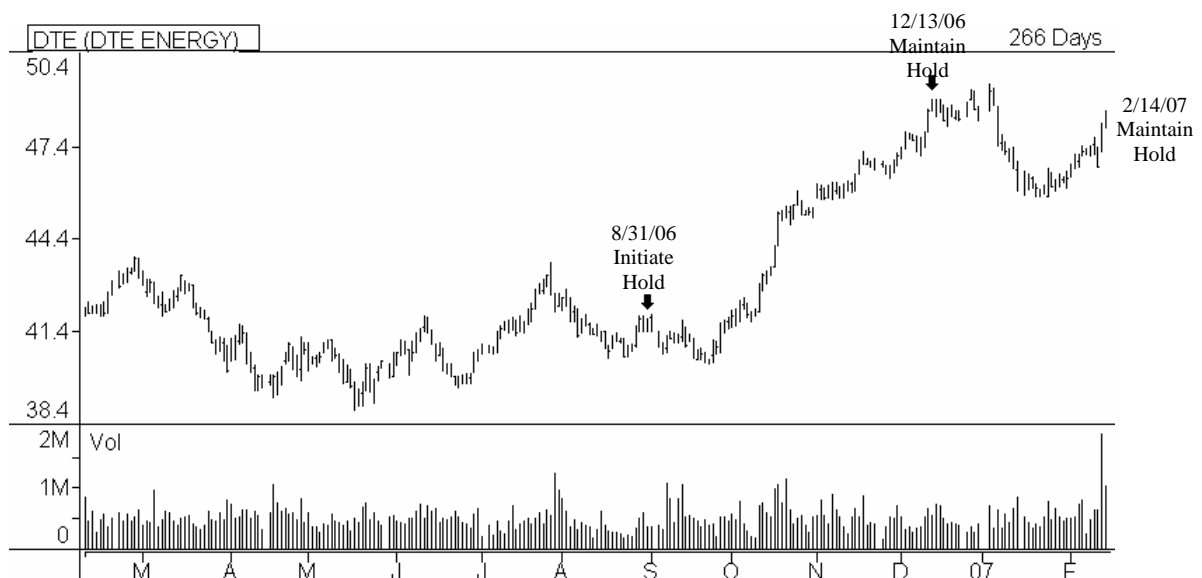
Market Perform & Hold Total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.

Sell Total return is expected to significantly under perform (15% plus) the total return of the industry coverage universe over the next 12 months.

Analyst's Ratings Distribution

		% Investment Banking
Buy	12%	0%
Hold	82%	0%
Sell	6%	0%

The principal risks to the achievement of our price targets include general market trends, disappointing earnings and lower energy prices and adverse regulatory developments



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