

Rating: Buy  
S&P 500: 1258

## **Burlington Resources ConocoPhillips with Cash Back**

<i>Symbol</i>	BR
<i>Rating</i>	Buy
<i>Price (\$/sh)</i>	86.15
<i>Pricing Date</i>	12/28/05
<i>Shares (mm)</i>	381
<i>Market Capitalization (\$mm)</i>	32,800
<i>Debt (\$mm)</i>	0
<i>Enterprise Value (EV) (\$mm)</i>	32,800
<i>Present Value (PV) (\$mm)</i>	43,800
<i>Net Present Value (\$/share)</i>	115
<i>Debt/Present Value</i>	0.00
<i>McDep Ratio - EV/PV</i>	0.75

### **Summary and Recommendation**

Buy-recommended **Burlington Resources (BR)** now essentially represents ownership of buy-recommended **ConocoPhillips (COP)** with cash back when the deal closes. Buyers of a share of BR would get .7214 share of COP plus \$46.50 cash back in a few months. At the latest stock price of about \$58 for COP the package is worth about \$88 or a couple dollars more than the current price of about \$86 for BR. The difference reflects the risk that the deal does not close as assessed primarily by arbitrageurs. At the pro forma net present value of \$95 for COP the package is worth about \$115 or about \$29 more than the old net present value of BR. The difference reflects our estimated undervaluation of the new COP that would accrue to BR owners. Once a deal is announced, investors typically lose almost all interest in the specifics of the target company and focus instead on the new combined company. Thus, for a fundamental analysis of BR we shift to the fundamental analysis of the new COP (see *Stock Idea, ConocoPhillips*, December 29, 2005)

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**Please see disclosures on the final page.**

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