

Rating: Buy
S&P 500: 1115

ConocoPhillips Lukoil Investment Confirmed

<i>Symbol</i>	COP	<i>Ebitda Next Twelve Months ending 9/30/05 (US\$m)</i>	18,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	12
<i>Price (US\$/sh)</i>	81.57	<i>Natural Gas and Oil Production/Ebitda (%)</i>	74
<i>Pricing Date</i>	9/29/04	<i>Adjusted Reserves/Production NTM</i>	11.2
<i>Shares (mm)</i>	699	<i>EV/Ebitda</i>	4.5
<i>Market Capitalization (US\$m)</i>	57,000	<i>PV/Ebitda</i>	5.6
<i>Debt (US\$m)</i>	26,200	<i>Undeveloped Reserves (%)</i>	33
<i>Enterprise Value (EV) (US\$m)</i>	83,200	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	23.10
<i>Present Value (PV) (US\$m)</i>	103,100	<i>Present Value Proven Reserves(US\$/boe)</i>	9.66
<i>Net Present Value (US\$/share)</i>	110	<i>Present Value Proven Reserves(US\$/mcf)</i>	1.61
<i>Debt/Present Value</i>	0.25	<i>Earnings Next Twelve Months (US\$/sh)</i>	12.46
<i>McDep Ratio - EV/PV</i>	0.81	<i>Price/Earnings Next Twelve Months</i>	7
<i>Dividend Yield (%/year)</i>	2.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.72

Note: Estimated cash flow and earnings tied to one-year futures prices for oil, natural gas and refinery crack.
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

We continue to recommend the common shares of **ConocoPhillips (COP)** for near mega cap size participation in the rising profit opportunities in oil and gas production and refined products. A tender offer announced today combined with auction results announced yesterday implies that COP is investing about five billion dollars for a 20% interest in Russian oil giant, Lukoil. Our separate buy recommendation of Lukoil attests to the attraction of the deal in terms of resource value and the association of the two companies appears to reduce political risk. On the basis of our analysis before the latest news we conclude the company's current stock price corresponds to a 7% real return on a constant real oil price of just \$27 a barrel. In contrast, our estimated net present value of equity of \$110 a share assumes about \$35 constant real and the current spot price for the commodity is about \$49.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

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