

Rating: Buy
 S&P 500: 1235

ConocoPhillips

Raise Net Present Value to \$100 a Share

<i>Symbol</i>	COP	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i>	27,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	10
<i>Price (US\$/sh)</i>	63.00	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	11.2
<i>Shares (mm)</i>	1419	<i>EV/Ebitda</i>	4.2
<i>Market Capitalization (US\$m)</i>	89,400	<i>PV/Ebitda</i>	6.1
<i>Debt (US\$m)</i>	25,900	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (US\$m)</i>	115,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.60
<i>Present Value (PV) (US\$m)</i>	167,800	<i>Present Value Proven Reserves(US\$/boe)</i>	13.19
<i>Net Present Value (US\$/share)</i>	100	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.20
<i>Debt/Present Value</i>	0.15	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.40
<i>McDep Ratio - EV/PV</i>	0.69	<i>Price/Earnings Next Twelve Months</i>	6
<i>Dividend Yield (%/year)</i>	2.0	<i>Indicated Annual Dividend (US\$/sh)</i>	1.24

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

We raise our estimated net present value of buy-recommended **ConocoPhillips (COP)** to \$100 a share from \$70 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. Our long-term real price expectation for the 3-2-1 refining crack (margin) in New York Harbor is now \$10 a barrel up from \$8. The stock has 59% appreciation potential to net present value. Risk is moderate with globally diversified, integrated operations and low debt.

Kurt H. Wulff, CFA

ConocoPhillips

Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$m)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$m)</i>	
North American Natural Gas	2,770	12.9	7.6	21,000	13%
Rest of World Natural Gas	1,500	12.8	8.0	12,000	7%
Oil	14,190	10.5	5.4	76,800	46%
Downstream	9,200		6.3	58,000	35%
	27,660	11.2	6.1	167,800	100%
Debt (US\$m)				25,900	
Net Present Value (US\$m)				141,900	
Shares (mm)				1,419	
Net Present Value (US\$/sh)				100	

Please see disclosures on the final page.

ConocoPhillips
 Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2004E</i>	<i>3/31/05</i>	<i>6/30/06</i>	<i>6/30/06</i>
Volume										
Natural Gas (mmcf)										
U.S. (or North America)	1,819	1,821	1,771	1,765	1,765	1,765	1,766	1,765	1,765	1,765
Overseas (or Int'l)	1,541	1,496	1,529	1,433	1,374	1,541	1,469	1,529	1,529	1,493
Total	3,360	3,317	3,300	3,198	3,139	3,306	3,236	3,294	3,294	3,258
Oil (mbd)	1,195	1,046	1,251	1,227	1,227	1,227	1,233	1,227	1,227	1,227
Total gas & oil (bcf)	969	3,511	973	961	966	981	3,881	959	970	3,876
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	7.60	8.69	7.33	9.44	8.04	8.44
U.S. (or North America)	5.92	5.25	5.45	6.07	6.82	7.81	6.54	8.48	7.22	7.58
Overseas (or Int'l)	4.20	3.89	4.89	4.84	4.84	4.84	4.85	4.84	4.84	4.84
Total	5.13	4.63	5.19	5.52	5.96	6.42	5.78	6.79	6.12	6.32
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	60.62	63.32	56.66	64.52	63.88	63.09
Worldwide	42.84	36.78	44.03	47.08	53.80	56.19	50.29	57.26	56.69	56.13
Total gas & oil (\$/mcf)	6.50	5.61	6.68	7.14	8.07	8.45	7.59	8.69	8.42	8.41
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	12.11	7.97	9.21	8.32	11.22	9.91
Revenue (\$mm)										
Natural Gas										
U.S. (or North America)	991	3,497	869	975	1,108	1,267	4,219	1,347	1,160	4,882
Overseas (or Int'l)	595	2,128	673	631	612	687	2,603	666	674	2,639
Total	1,586	5,625	1,541	1,606	1,720	1,954	6,822	2,013	1,834	7,521
Oil	4,710	14,082	4,957	5,257	6,073	6,343	22,631	6,323	6,330	25,070
Other	33,776	117,209	32,419	35,750	35,750	35,750	139,671	35,750	35,750	143,002
Total	40,072	136,916	38,918	42,614	43,544	44,048	169,123	44,087	43,915	175,593
Expense (\$mm)										
Fixed	1,535	4,337	1,574	774	774	774	3,897	774	774	3,097
Variable	1,535	4,337	1,574	2,323	2,637	2,808	9,342	2,821	2,763	11,029
Other	31,726	110,459	30,319	33,450	33,450	33,450	130,671	33,450	33,450	133,802
Ebitda (\$mm)										
Exploration and Production	3,226	11,032	3,350	3,767	4,382	4,715	16,214	4,741	4,627	18,465
Other	2,050	6,750	2,100	2,300	2,300	2,300	9,000	2,300	2,300	9,200
Total Ebitda	5,276	17,782	5,450	6,067	6,682	7,015	25,214	7,041	6,927	27,665
Exploration	192	703	171	121	121	121	534	121	121	484
Deprec., Deplet., & Amort.	1,030	3,798	1,041	985	985	985	3,996	985	985	3,940
Other non cash	101	164	(400)	9	9	9	(373)	9	9	36
Ebit	3,953	13,117	4,638	4,952	5,567	5,900	21,057	5,926	5,812	23,205
Interest	141	546	138	127	127	127	519	127	127	508
Ebt	3,812	12,571	4,500	4,825	5,440	5,773	20,538	5,799	5,685	22,697
Income Tax	1,334	4,400	1,575	1,689	1,904	2,021	7,188	2,030	1,990	7,944
Net Income (\$mm)										
Exploration and Production	1,745	5,776	1,988	1,929						
Other	912	3,045	1,210	1,313						
Unallocated	(179)	(650)	(273)	(106)						
Total	2,478	8,171	2,925	3,136	3,536	3,752	13,349	3,769	3,695	14,753
Shares (millions)										
Per share (\$)	1.412	1,402	1,420	1,419	1,419	1,419	1,419	1,419	1,419	1,419
Ebitda Margin (E&P)	51%	56%	52%	55%	56%	57%	55%	57%	57%	57%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>		<i>Price</i>		<i>Market</i>	<i>Net</i>		
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Debt/</i>	<i>McDep</i>
			<i>1-Aug</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Present</i>	<i>Ratio</i>
			<i>2005</i>			<i>(\$/sh)</i>	<i>Value</i>	
Producer/Refiners - Large Cap and Mid Cap								
Kinder Morgan, Inc.	KMI	S2	88.61	123	10,910	20.00	0.76	1.83
Imperial Oil Limited (30%)	IMO	B	86.93	104	9,000	84.00	0.09	1.03
Marathon Oil Corporation	MRO	B	59.67	367	21,900	65.00	0.27	0.94
Petro-Canada	PCZ	B	73.30	263	19,280	84.00	0.18	0.90
PetroChina Company Ltd (10%)	PTR	B	92.67	176	16,290	120.00	0.04	0.78
Suncor Energy	SU	B	50.43	461	23,250	68.00	0.10	0.77
Norsk Hydro ASA	NHY	B	95.98	251	24,090	130.00	0.12	0.77
ConocoPhillips	COP	B	63.00	1,419	89,400	100.00	0.15	0.69
Lukoil Oil Company	LUKOY	B	41.75	830	35,000	65.00	0.02	0.65
		<i>Total or Median</i>			<i>249,000</i>		<i>0.12</i>	<i>0.78</i>

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