

Rating: Buy
S&P 500: 1438
Intraday

ConocoPhillips Buying Itself

<i>Symbol</i>	COP	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	31,300
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	15
<i>Price (US\$/sh)</i>	65.64	<i>Natural Gas and Oil Production/Ebitda (%)</i>	69
<i>Pricing Date</i>	1/24/07	<i>Adjusted Reserves/Production NTM</i>	10.9
<i>Shares (mm)</i>	1672	<i>EV/Ebitda</i>	4.8
<i>Market Capitalization (US\$mm)</i>	109,800	<i>PV/Ebitda</i>	6.7
<i>Debt (US\$mm)</i>	41,000	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$mm)</i>	151,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	23.70
<i>Present Value (PV) (US\$mm)</i>	208,400	<i>Present Value Proven Reserves(US\$/boe)</i>	12.56
<i>Net Present Value (US\$/share)</i>	100	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.09
<i>Debt/Present Value</i>	0.20	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.12
<i>McDep Ratio - EV/PV</i>	0.72	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	2.2	<i>Indicated Annual Dividend (US\$/sh)</i>	1.44

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.

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of COP since 2002 see www.mcdep.com/2copc.htm

Summary and Recommendation

Buy-recommended **ConocoPhillips (COP)** may repurchase some \$3 billion of its own shares in 2007. Smart move, in our mind, as our estimate of net present value of \$100 a share is 52% higher than current stock price. Projected unlevered cash flow of \$31 billion for the year would also cover a dividend increase likely to be declared next month, a disciplined capital investment program of \$13 billion, debt reduction, interest and taxes. Fourth quarter 2006 results reported on January 24 continue the pace of high cash flow generation consistent with commodity price trends. Current futures quotes point to an average oil price in 2007 of \$56 a barrel for the WTI benchmark that is lower than \$60 in the latest quarter. Natural gas price and refinery margin for 2007 are higher than in the fourth quarter of 2006 (see table Next Twelve Months Operating and Financial Estimates). The company's oil exposure at 51% of present value is balanced by natural gas at 25% and downstream at 24% (see table Functional Cash Flow and Present Value).

A favorite U.S. mega cap energy company, COP has a double weight in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean energy to support global growth.

Kurt H. Wulff, CFA

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ConocoPhillips
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	1,866	3,597	3,521	3,156	3,521	3,521	3,521	3,521	3,521
Overseas (or Int'l)	1,605	1,790	1,873	1,814	1,873	1,876	1,790	1,873	1,853
Total	3,471	5,387	5,394	4,970	5,394	5,397	5,311	5,394	5,374
Oil (mbd)	1,305	1,574	1,586	1,530	1,586	1,586	1,586	1,586	1,586
Total gas & oil (bcf)	1,040	1,364	1,372	5,165	1,342	1,357	1,364	1,372	5,435
Total gas & oil (mbd)	1,884	2,472	2,485	2,358	2,485	2,486	2,471	2,485	2,482
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	6.38	6.85	7.09	7.95	7.07
U.S. (or North America)	9.33	5.80	5.86	6.02	6.23	6.69	6.92	7.77	6.90
Overseas (or Int'l)	6.33	6.12	6.60	6.48	6.60	6.60	6.60	6.60	6.60
Total	7.94	5.91	6.12	6.19	6.36	6.66	6.81	7.36	6.80
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	53.21	55.17	56.58	57.74	55.68
Worldwide	52.02	62.30	52.84	58.40	45.87	47.56	48.78	49.77	47.57
Total gas & oil (\$/mcf)	8.45	8.76	7.84	8.49	7.18	7.47	7.66	7.96	7.57
NY Harbor 3-2-1 (\$/bbl)	9.06	11.67	7.54	10.50	7.78	11.89	11.67	7.82	9.79
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	1,602	1,921	1,899	6,932	1,974	2,142	2,242	2,516	8,874
Overseas (or Int'l)	934	1,008	1,138	4,289	1,113	1,127	1,088	1,138	4,466
Total	2,535	2,929	3,037	11,221	3,087	3,270	3,329	3,654	13,340
Oil	6,246	9,021	7,711	32,614	6,548	6,864	7,117	7,262	27,792
Other	43,392	37,953	31,787	145,005	31,787	31,787	31,787	31,787	127,149
Total	52,173	49,903	42,535	188,841	41,422	41,921	42,234	42,703	168,281
Expense (\$mm)									
Fixed	883	1,540	1,268	4,952	1,268	1,268	1,268	1,268	5,072
Variable	2,648	4,621	3,804	14,856	3,410	3,587	3,697	3,863	14,557
Other	41,292	34,853	29,487	135,217	30,287	28,799	28,787	29,487	117,360
Ebitda (\$mm)									
Exploration and Production	5,251	5,789	5,676	24,028	4,957	5,280	5,481	5,785	21,503
Other	2,100	3,100	2,300	9,789	1,500	2,989	3,000	2,300	9,789
Total Ebitda	7,351	8,889	7,976	33,816	6,457	8,268	8,481	8,085	31,292
Exploration	229	197	391	834	200	200	200	200	800
Deprec., Deplet., & Amort.	1,178	2,211	2,002	7,358	2,100	2,100	2,100	2,100	8,400
Other non cash	11	217	366	633					-
Ebit	5,933	6,264	5,217	24,991	4,157	5,968	6,181	5,785	22,092
Interest	110	308	304	1,087	304	304	304	304	1,216
Ebt	5,823	5,956	4,913	23,904	3,853	5,664	5,877	5,481	20,876
Income Tax	2,038	2,085	1,720	8,367	1,349	1,983	2,057	1,918	7,307
Net Income (\$mm)									
Exploration and Production	2,619	2,391	2,389	10,872					
Other	1,313	1,775	1,114	5,453					
Unallocated	(147)	(294)	(309)	(787)					
Total	3,785	3,872	3,194	15,538	2,505	3,682	3,820	3,563	13,569
Shares (millions)	1,407	1,676	1,672	1,610	1,672	1,672	1,672	1,672	1,672
Per share (\$)	2.69	2.31	1.91	9.65	1.50	2.20	2.28	2.13	8.12
Ebitda Margin (E&P)	60%	48%	53%	55%	51%	52%	52%	53%	52%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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ConocoPhillips
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	4,640	11.8	7.5	35,000	17%
Rest of World Natural Gas	2,330	13.1	6.9	16,000	8%
Oil	14,530	10.2	7.4	107,000	51%
Downstream	9,790		5.1	50,000	24%
	31,290	10.9	6.6	208,000	100%
Debt (US\$mm)				41,000	
Net Present Value (US\$mm)				167,000	
Shares (mm)					1,672
Net Present Value - Standard Estimate (US\$/sh)					100
Net Present Value - Approximation by Correlation (US\$/sh)					118

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