



Independent Stock Idea

October 14, 2016

Chevron (CVX) Oilier Global Integrated

| | | | |
|---|----------|--|--------|
| Symbol | CVX | Ebitda Next Twelve Months ending 9/30/17 (US\$m) | 27,000 |
| Rating | | North American Natural Gas/Ebitda (%) | 2 |
| Price (\$/sh) | 100.79 | Natural Gas and Oil Production/Ebitda (%) | 70 |
| Pricing Date | 10/13/16 | Adjusted Reserves/Production NTM | 9.2 |
| Shares (mm) | 1872 | EV/Ebitda | 9.4 |
| Market Capitalization (\$mm) | 189,000 | PV/Ebitda | 11.9 |
| Debt (\$mm) | 67,000 | Undeveloped Reserves (%) | 38 |
| Enterprise Value (EV) (\$mm) | 255,000 | Natural Gas and Oil Ebitda (\$/boe) | 19.40 |
| Present Value (PV) (\$mm) | 320,000 | Present Value Proven Reserves(\$/boe) | 20.20 |
| Net Present Value (\$/share) | 135 | Present Value Proven Reserves(\$/mcf) | 3.40 |
| Debt/Present Value | 0.21 | Earnings Next Twelve Months (US\$/sh) | 2.91 |
| McDep Ratio - EV/PV | 0.80 | Price/Earnings Next Twelve Months | 35 |
| Dividend Yield (%/year) | 4.2 | Indicated Annual Dividend (US\$/sh) | 4.28 |
| 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\$70 a barrel and natural gas, \$4.00 a million btu | | | |
| For historical analysis of CVX since 2002 see www.mcdep.com/1cvx.htm | | | |

Summary and Recommendation

An uptrend in oil price contributes to an uptrend in **Chevron (CVX)** stock price toward estimated Net Present Value of \$135 a share (see stock price chart and table Present Value on page 2). High oil concentration at 66% of NPV makes Chevron stock proportionately more sensitive to crude oil price than other global integrated oil producers in our coverage. Oil commentary by Saudi Arabia appears more price friendly again after a price unfriendly tone for the past two years. Among the factors that could support a gradual uptrend are growing global demand, simultaneous monetary policies among developed countries to encourage inflation and fragility of supply in unstable producing countries. We expect Chevron's production to be stable and possibly growing (see table Operating and Financial Estimates on page 3). Oil and gas reserves are spread around the globe, which diversifies political risk (see table Production and Reserves, 2015 on page 4). Shale oil in the U.S. Permian Basin is a bright spot (see slide Permian on page 5). Successful operations ultimately support dividend growth, which compounded at 9% a year for the past decade (see slide Financial Priorities on page 5). CVX's current 4.2% dividend yield beats widely held U.S. Treasury issues. Finally, a McDep Ratio of 0.80 outlines investment potential and a low 0.21 ratio of debt to present value highlights financial strength. We like the stock for the stability it can add to a diversified portfolio that also includes high-potential independent producers.

Kurt H. Wulff, CFA



| Chevron Corporation | | | | | |
|---|-------------------|-----------------|---------------|-----------------|---------|
| 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 | 460 | 7.4 | 15.2 | 7,000 | 2% |
| Rest of World Natural Gas | 3,080 | 12.8 | 14.0 | 43,000 | 13% |
| Oil | 15,450 | 8.1 | 13.6 | 210,000 | 66% |
| Downstream | 8,000 | | 7.5 | 60,000 | 19% |
| | 26,990 | 9.2 | 11.9 | 320,000 | 100% |
| Debt (US\$mm) | | | | | 67,000 |
| Net Present Value (US\$mm) | | | | | 253,000 |
| Shares (mm) | | | | | 1,872 |
| Net Present Value - Standard Estimate (US\$/sh) | | | | | 135 |
| NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh) | | | | | 127 |



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| Chevron | | | | | | | | | | |
|--|---------|----------------|---------|---------|----------|----------------|---------|---------|---------|--------------------------|
| Next Twelve Months Operating and Financial Estimates | | | | | | | | | | |
| | Q3 | Year | Q2 | Q3E | Q4E | Year | Q1E | Q2E | Q3E | Next Twelve Months |
| | 9/30/15 | 2015E | 6/30/16 | 9/30/16 | 12/31/16 | 2016E | 3/31/17 | 6/30/17 | 9/30/17 | 9/30/17 |
| Volume | | | | | | | | | | |
| Natural Gas (mmcf) | | | | | | | | | | |
| U.S. | 1,351 | 1,310 | 1,266 | 1,266 | 1,266 | 1,266 | 1,279 | 1,279 | 1,279 | 1,275 |
| Rest of World | 3,814 | 3,959 | 4,044 | 4,044 | 4,044 | 4,044 | 4,084 | 4,084 | 4,084 | 4,074 |
| Total | 5,165 | 5,269 | 5,310 | 5,310 | 5,310 | 5,310 | 5,363 | 5,363 | 5,363 | 5,350 |
| Days | 92 | 365 | 91 | 92 | 92 | 366 | 90 | 91 | 92 | 365 |
| Oil (mmb) | 154 | 636 | 162 | 164 | 164 | 652 | 162 | 164 | 165 | 655 |
| Oil (mbd) | 1,678 | 1,744 | 1,781 | 1,781 | 1,781 | 1,781 | 1,799 | 1,799 | 1,799 | 1,794 |
| Total gas & oil (mmb) | 234 | 957 | 243 | 245 | 245 | 976 | 242 | 245 | 248 | 980 |
| Total gas & oil (mbd) | 2,539 | 2,622 | 2,666 | 2,666 | 2,666 | 2,666 | 2,693 | 2,693 | 2,693 | 2,686 |
| Price | | | | | | | | | | |
| Natural gas (\$/mcf) | | | | | | | | | | |
| Henry Hub (\$/mmbtu) | 2.76 | 2.67 | 1.95 | 2.81 | 3.18 | 2.51 | 3.50 | 3.17 | 3.19 | 3.26 |
| U.S. | 1.96 | 1.92 | 1.21 | 1.74 | 1.87 | 1.54 | 2.06 | 1.87 | 1.88 | 1.92 |
| Rest of World | 4.68 | 4.53 | 3.93 | 4.00 | 4.00 | 3.96 | 4.00 | 4.00 | 4.00 | 4.00 |
| Total | 3.97 | 3.88 | 3.28 | 3.46 | 3.49 | 3.38 | 3.54 | 3.49 | 3.49 | 3.50 |
| Oil (\$/bbl) | | | | | | | | | | |
| WTI Cushing | 46.39 | 48.79 | 45.66 | 44.91 | 50.00 | 43.51 | 51.51 | 52.68 | 53.34 | 51.88 |
| Worldwide | 43.99 | 45.39 | 38.93 | 38.29 | 42.63 | 37.08 | 43.92 | 47.41 | 48.01 | 45.50 |
| Total gas & oil (\$/bbl) | 37.15 | 37.99 | 32.54 | 32.47 | 35.43 | 31.51 | 36.38 | 38.63 | 39.03 | 37.37 |
| Revenue (\$mm) | | | | | | | | | | |
| Natural Gas | | | | | | | | | | |
| U.S. | 244 | 917 | 139 | 203 | 218 | 712 | 237 | 217 | 221 | 892 |
| Rest of World | 1,642 | 6,552 | 1,446 | 1,488 | 1,488 | 5,862 | 1,470 | 1,487 | 1,503 | 5,948 |
| Total | 1,886 | 7,469 | 1,586 | 1,691 | 1,706 | 6,574 | 1,707 | 1,704 | 1,724 | 6,841 |
| Oil | 6,790 | 28,887 | 6,309 | 6,273 | 6,985 | 24,172 | 7,110 | 7,761 | 7,945 | 29,800 |
| Other | 25,639 | 102,121 | 21,387 | 21,387 | 21,387 | 81,520 | 21,387 | 21,387 | 21,387 | 85,550 |
| Total | 34,315 | 138,477 | 29,282 | 29,352 | 30,078 | 112,265 | 30,205 | 30,852 | 31,056 | 122,191 |
| Expense (\$mm) | | | | | | | | | | |
| Production | 5,177 | 17,903 | 4,579 | 4,415 | 4,415 | 17,305 | 4,362 | 4,411 | 4,459 | 17,647 |
| Other | 21,891 | 90,757 | 19,590 | 19,387 | 19,387 | 73,760 | 19,387 | 19,387 | 19,387 | 77,550 |
| Ebitda (\$mm) | | | | | | | | | | |
| Exploration and Production | 3,499 | 18,452 | 3,316 | 3,550 | 4,276 | 13,440 | 4,455 | 5,054 | 5,209 | 18,995 |
| Other | 3,748 | 11,365 | 1,797 | 2,000 | 2,000 | 7,760 | 2,000 | 2,000 | 2,000 | 8,000 |
| Total Ebitda | 7,247 | 29,817 | 5,113 | 5,550 | 6,276 | 21,200 | 6,455 | 7,054 | 7,209 | 26,995 |
| Exploration | 315 | 3,340 | 214 | 214 | 214 | 1,012 | 400 | 400 | 400 | 1,414 |
| Deprec., Deplet., & Amort. | 4,023 | 16,957 | 3,891 | 4,000 | 4,000 | 16,099 | 4,400 | 4,400 | 4,400 | 17,200 |
| Ebit | 2,909 | 9,520 | 1,008 | 1,336 | 2,062 | 4,089 | 1,655 | 2,254 | 2,409 | 8,381 |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Ebt | 2,909 | 9,520 | 1,008 | 1,336 | 2,062 | 4,089 | 1,655 | 2,254 | 2,409 | 8,381 |
| Income Tax | 1,018 | 3,332 | 353 | 468 | 722 | 1,431 | 579 | 789 | 843 | 2,933 |
| Net Income (\$mm) | | | | | | | | | | |
| Exploration and Production | 46 | 1,394 | 109 | | | | | | | |
| Other | 2,070 | 5,844 | 814 | | | | | | | |
| Unallocated | (225) | (1,050) | (268) | | | | | | | |
| Total | 1,891 | 6,188 | 655 | 868 | 1,340 | 2,658 | 1,076 | 1,465 | 1,566 | 5,447 |
| Shares (millions) | 1,872 | 1,875 | 1,872 | 1,872 | 1,872 | 1,872 | 1,872 | 1,872 | 1,872 | 1,872 |
| Per share (\$) | 1.01 | 3.30 | 0.35 | 0.46 | 0.72 | 1.42 | 0.57 | 0.78 | 0.84 | 2.91 |
| Ebitda Margin (E&P) | 40% | 51% | 42% | 45% | 49% | 44% | 51% | 53% | 54% | 52% |
| Tax Rate | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |



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| Chevron Corporation | | | | | | | |
|-------------------------------|----------------------|--------------|----------------------------|--------------|--------------|------------|----------|
| Production and Reserves, 2015 | | | | | | | |
| | | 2015 | 12/31/2015 Proven Reserves | | | Weighted | NTM |
| | | Production | Developed | Undeveloped | Weighted | Life Index | Adjusted |
| | | (bcf or mmb) | (bcf or mmb) | (bcf or mmb) | (bcf or mmb) | (years) | R/P |
| | | | | | | | (years) |
| North American Natural Gas | | | | | | | |
| | U.S. | 478 | 2,683 | 1,559 | 3,463 | 7.2 | |
| | Total | 478 | 2,683 | 1,559 | 3,463 | 7.2 | 7.4 |
| Rest of World Natural Gas | | | | | | | |
| | Other Americas | 121 | 597 | 117 | 656 | 5.4 | |
| | Africa | 114 | 1,100 | 1,837 | 2,019 | 17.7 | |
| | Asia | 851 | 4,935 | 1,023 | 5,447 | 6.4 | |
| | Australia | 160 | 4,330 | 7,543 | 8,102 | 50.6 | |
| | Europe | 60 | 166 | 58 | 195 | 3.3 | |
| | Kazakhstan | 127 | 1,504 | 764 | 1,886 | 14.9 | |
| | Other affiliates | 11 | 288 | 935 | 756 | 68.7 | |
| | Total | 1,444 | 12,920 | 12,277 | 19,059 | 13.2 | 12.8 |
| Oil | | | | | | | |
| | U.S. | 183 | 933 | 453 | 1,160 | 6.3 | |
| | Other Americas | 21 | 109 | 127 | 173 | 8.2 | |
| | Africa | 132 | 702 | 255 | 830 | 6.3 | |
| | Asia | 133 | 660 | 130 | 725 | 5.5 | |
| | Australia | 8 | 60 | 93 | 107 | 13.3 | |
| | Europe | 20 | 76 | 67 | 110 | 5.5 | |
| | Kazakhstan | 102 | 1,020 | 656 | 1,348 | 13.2 | |
| | Other affiliates | 10 | 91 | 40 | 111 | 11.1 | |
| | Synthetic Crude Oil | 28 | 652 | 138 | 721 | 25.8 | |
| | Total | 637 | 4,303 | 1,959 | 5,283 | 8.3 | 8.1 |
| | Total Oil Equivalent | 957 | 6,904 | 4,265 | 9,036 | 9.4 | 9.2 |

Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume
NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.



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Competitive Permian growth

Advantaged acreage

- ~2 MM acres
 - 1 MM acres in Delaware Basin
 - 0.5 MM acres in Midland Basin
- ~85% no or low royalty
- ~9 BBOE resource¹

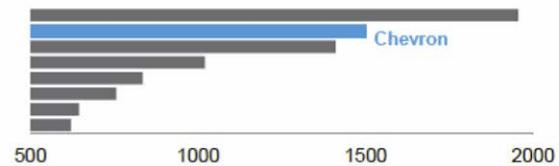
Breakevens²

\$ WTI



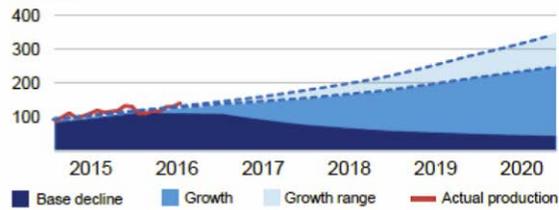
¹ Potentially recoverable resources as defined in the Supplement to the Annual Report
² Figures reflect cumulative well counts for ~30% of operated acreage
 Breakevens per Wood Mackenzie definition: 10% rate of return at flat real oil price
³ Per Wood Mackenzie, top eight acreage holders in the Delaware and Midland Basins
⁴ Reflects CVX share and tight production only
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Midland & Delaware net acres³ (1000 acres)



Net production⁴ – Midland & Delaware

MBOED



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Financial priorities

Maintain and grow dividend

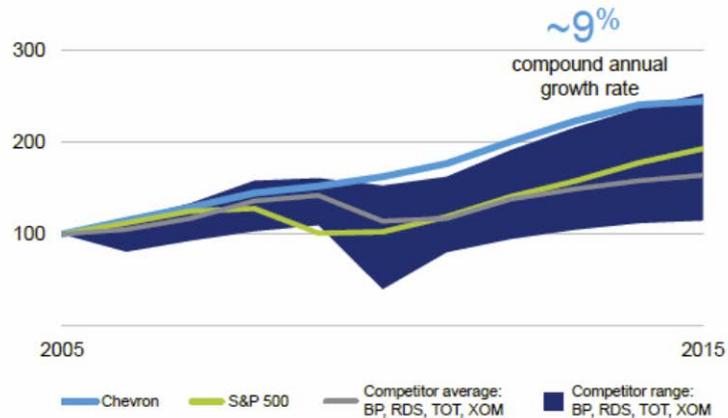
Fund capital program for future earnings

Maintain strong balance sheet

Return surplus cash to stockholders

Indexed dividend growth

Basis: 2005 = 100



Source: Public information

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