

Rating: Buy
 S&P 500: 1235

Chevron Corporation

Raise Net Present Value to \$90 a Share

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	34,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	8
<i>Price (\$/sh)</i>	58.43	<i>Natural Gas and Oil Production/Ebitda (%)</i>	73
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	2086	<i>EV/Ebitda</i>	4.1
<i>Market Capitalization (\$mm)</i>	122,000	<i>PV/Ebitda</i>	6.0
<i>Debt (\$mm)</i>	16,000	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (\$mm)</i>	138,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	27.90
<i>Present Value (PV) (\$mm)</i>	204,000	<i>Present Value Proven Reserves(\$/boe)</i>	15.30
<i>Net Present Value (\$/share)</i>	90	<i>Present Value Proven Reserves(\$/mcf)</i>	2.60
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.59
<i>McDep Ratio - EV/PV</i>	0.68	<i>Price/Earnings Next Twelve Months</i>	7
<i>Dividend Yield (%/year)</i>	3.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.80

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.

Includes Unocal for all of Next Twelve Months except for earnings where Unocal is included only in 2006.

Summary and Recommendation

We raise our estimated net present value of buy-recommended **Chevron (CVX)** to \$90 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 54% appreciation potential to net present value. Risk is low with globally diversified, integrated operations and miniscule debt. Dividend increases seem likely along with stock repurchase.

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>	<i>(US\$mm)</i>	
North American Natural Gas	2,740	8.6	6.6	18,000	9%
Rest of World Natural Gas	1,390	12.6	9.4	13,000	6%
Oil	20,670	9.1	5.2	108,000	53%
Downstream	9,200		7.1	65,000	32%
	34,000	9.6	6.0	204,000	100%
Debt (US\$mm)				16,000	
Net Present Value (US\$mm)				188,000	
Shares (mm)				2,086	
Net Present Value (US\$/sh)				90	

Please see disclosures on the final page.

Chevron
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>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
Volume										
Natural Gas (mmcf)										
U.S. (or North America)	1,618	1,872	1,600	1,621	1,621	1,621	1,616	1,621	1,621	1,621
Overseas (or Int'l)	2,107	2,072	2,155	2,151	2,151	2,151	2,152	2,151	2,151	2,151
Total	3,725	3,944	3,755	3,772	3,772	3,772	3,768	3,772	3,772	3,772
Oil (mbd)	1,792	1,850	1,785	1,792	1,792	1,792	5,896	1,792	1,792	1,792
Total gas & oil (mmb)	222	915	217	220	223	223	883	218	220	884
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)	6.05	5.52	5.76	6.31	7.09	8.11	6.83	8.81	7.51	7.88
Overseas (or Int'l)	2.89	2.68	2.95	3.01	3.01	3.01	3.00	3.01	3.01	3.01
Total	4.26	4.03	4.15	4.43	4.76	5.20	4.64	5.50	4.94	5.10
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	37.61	34.21	39.98	44.90	51.30	53.58	47.49	55.40	54.85	53.77
Total gas & oil (\$/bbl)	34.51	31.57	36.06	40.14	45.40	47.77	42.39	49.59	48.31	47.76
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)	901	3,769	829	931	1,058	1,210	4,028	1,286	1,108	4,661
Overseas (or Int'l)	560	2,025	572	589	596	596	2,353	583	589	2,363
Total	1,461	5,794	1,402	1,520	1,653	1,806	6,381	1,868	1,697	7,024
Oil	6,201	23,097	6,423	7,321	8,458	8,834	31,036	8,935	8,945	35,172
Other	35,030	126,383	33,783	39,502	39,502	39,502	152,288	39,502	39,502	158,007
Total	42,692	155,274	41,607	48,343	49,613	50,141	189,704	50,305	50,143	200,203
Expense (\$mm)										
Production	3,262	11,991	3,424	3,541	4,176	4,440	15,582	4,523	4,442	17,581
Other	32,469	118,017	32,453	37,590	37,202	37,202	144,447	37,202	37,202	148,807
Ebitda (\$mm)										
Exploration and Production	4,400	16,900	4,400	5,300	5,935	6,199	21,834	6,281	6,200	24,616
Other	2,561	8,367	1,329	1,911	2,300	2,300	7,841	2,300	2,300	9,200
Total Ebitda	6,961	25,267	5,729	7,211	8,235	8,499	29,675	8,581	8,500	33,816
Exploration	275	697	153	139	139	139	570	139	139	556
Deprec., Deplet., & Amort.	1,283	4,945	1,334	1,320	1,320	1,320	5,294	1,320	1,320	5,280
Other non cash										
Ebit	5,403	19,625	4,242	5,752	6,776	7,040	23,811	7,122	7,041	27,980
Interest	112	405	107	104	104	104	419	104	104	416
Ebt	5,291	19,220	4,135	5,648	6,672	6,936	23,392	7,018	6,937	27,564
Income Tax	1,852	6,727	1,447	1,977	2,335	2,428	8,187	2,456	2,428	9,647
Net Income (\$mm)										
Exploration and Production	2,227		2,379	2,772						
Other	1,151		546	1,060						
Unallocated	61		(237)	(161)						
Total	3,439	12,493	2,688	3,671	4,337	4,508	15,205	4,562	4,509	17,916
Shares (millions)	2,110	2,123	2,100	2,086	2,086	2,086	2,088	2,086	2,086	2,086
Per share (\$)	1.63	5.89	1.28	1.76	2.08	2.16	7.28	2.19	2.16	8.59
Ebitda Margin (E&P)	57%	58%	56%	60%	59%	58%	58%	58%	58%	58%
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>Rating</i>	<i>Price</i> <i>(\$/sh)</i>	<i>Shares</i>	<i>Market</i>	<i>Net</i>	<i>Debt/</i>	<i>McDep</i>
			<i>1-Aug</i>	<i>(mm)</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>Ratio</i>
			<i>2005</i>		<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	
Mega Cap								
BP plc	BP	B	66.63	3,545	236,000	82.00	0.10	0.83
Total S.A.	TOT	B	126.26	1,192	151,000	160.00	0.12	0.81
Exxon Mobil Corporation	XOM	B	59.23	6,370	377,000	74.00	0.04	0.81
Royal Dutch Shell plc	RDS-A	B	63.02	3,372	213,000	84.00	0.11	0.78
Chevron Corporation	CVX	B	58.43	2,086	122,000	90.00	0.08	0.68
	<i>Total or Median</i>				<i>1,099,000</i>		<i>0.10</i>	<i>0.81</i>

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