

Rating: Buy
S&P 500: 1448

Chevron Corporation **Momentum despite Chavez**

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$m)</i>	34,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	7
<i>Price (\$/sh)</i>	74.04	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	2/2/07	<i>Adjusted Reserves/Production NTM</i>	10.9
<i>Shares (mm)</i>	2206	<i>EV/Ebitda</i>	5.3
<i>Market Capitalization (\$mm)</i>	163,000	<i>PV/Ebitda</i>	6.5
<i>Debt (\$mm)</i>	21,000	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (\$mm)</i>	184,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	23.80
<i>Present Value (PV) (\$mm)</i>	224,000	<i>Present Value Proven Reserves(\$/boe)</i>	12.00
<i>Net Present Value (\$/share)</i>	92	<i>Present Value Proven Reserves(\$/mcf)</i>	2.00
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.52
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	2.8	<i>Indicated Annual Dividend (US\$/sh)</i>	2.08

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 CVX since 2002 see www.mcdep.com/lcvx.htm

Summary and Recommendation

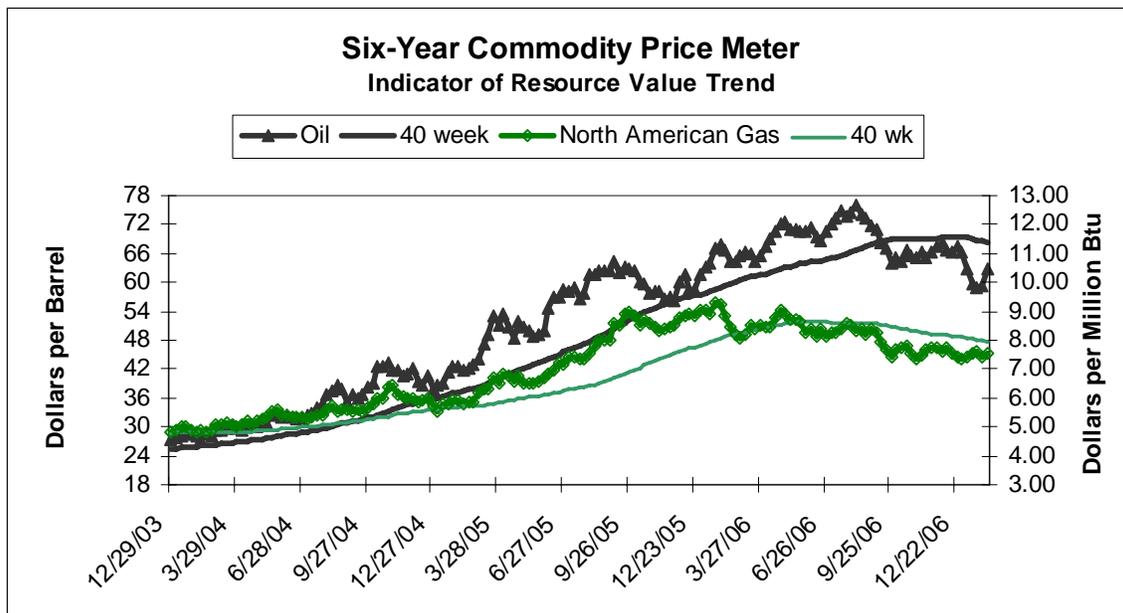
Buy the common shares of **Chevron Corporation (CVX)** for appreciation potential of 24% to estimated net present value (NPV) of \$92 a share which depends first on crude oil production (59%), second on refined products (27%) and third on natural gas (14%). Estimated NPV essentially includes no value for Venezuela as the total for the company is some \$10 a share less than that implied by correlation with thirty producers (see table, Functional Cash Flow and Present Value). Chairman Dave O'Reilly on the quarterly earnings call on February 2 remained a statesman in expressing his openness to negotiation with Mr. Chavez who has assumed dictatorial powers in the oil producing country. Another political threat back home in California last fall was defeated when voters turned down an onerous tax on oil. Meanwhile, Chevron stock continues to gain investor favor indicated by a price above a rising 200-day average. Prospects could be further strengthened if oil for delivery over the next six years, priced currently at \$64 a barrel, resumes an uptrend by crossing above the 40-week average later in 2007 (see chart, Six-Year Commodity Price Meter). We favor CVX stock at a double weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

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Chevron Corporation
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	2,540	6.3	5.5	14,000	6%
Rest of World Natural Gas	2,330	12.9	7.3	17,000	8%
Oil	18,160	11.1	7.3	133,000	59%
Downstream	11,410		5.3	60,000	27%
	34,440	10.9	6.5	224,000	100%
Debt (US\$mm)					21,000
Net Present Value (US\$mm)					203,000
Shares (mm)					2,206
Net Present Value - Standard Estimate (US\$/sh)					92
Net Present Value - Approximation by Correlation (US\$/sh)					102



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Chevron
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.	1,638	1,846	1,782	1,811	1,782	1,782	1,782	1,782	1,782
Rest of World	3,289	3,119	3,067	3,146	3,067	3,067	3,067	3,067	3,067
Total	4,927	4,965	4,849	4,957	4,849	4,849	4,849	4,849	4,849
Oil (mbd)	1,862	1,872	1,847	1,841	1,847	1,847	1,847	1,847	1,847
Total gas & oil (mbd)	2,683	2,700	2,655	2,667	2,655	2,655	2,655	2,655	2,655
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	7.06	7.70	7.90	8.56	7.81
U.S.	10.22	5.93	5.90	6.28	6.34	6.92	7.10	7.59	6.99
Rest of World	3.50	3.66	3.67	3.73	3.78	3.82	3.66	3.66	3.73
Total	5.73	4.50	4.49	4.66	4.72	4.96	4.92	5.10	4.93
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	56.84	59.51	61.14	62.33	59.95
Worldwide	50.70	61.92	53.15	57.89	51.16	53.56	55.03	56.50	54.08
Total gas & oil (\$/bbl)	45.71	51.22	45.17	48.63	44.21	46.32	47.27	48.62	46.62
NY Harbor 3-2-1 (\$/bbl)	9.06	11.67	7.54	10.57	8.01	11.89	12.22	8.06	10.05
Revenue (\$mm)									
Natural Gas									
U.S.	1,540	1,007	967	4,153	1,017	1,122	1,164	1,244	4,548
Rest of World	1,059	1,050	1,036	4,287	1,043	1,066	1,033	1,033	4,175
Total	2,599	2,057	2,003	8,439	2,060	2,189	2,197	2,277	8,723
Oil	8,685	10,665	9,032	38,899	8,504	9,003	9,351	9,600	36,458
Other	42,510	41,490	36,711	162,780	36,711	36,711	36,711	37,511	147,644
Total	53,794	54,212	47,746	210,118	47,276	47,902	48,259	49,389	192,826
Expense									
Production	4,484	6,234	5,407	22,634	5,172	5,485	5,664	5,828	22,149
Other	39,878	37,952	34,232	151,372	34,151	33,881	33,173	35,032	136,237
Ebitda (\$mm)									
Exploration and Production	6,800	6,488	5,628	24,704	5,393	5,706	5,884	6,049	23,032
Other	2,632	3,538	2,479	11,408	2,560	2,830	3,538	2,479	11,408
Total Ebitda	9,432	10,027	8,107	36,111	7,953	8,536	9,423	8,529	34,440
Exploration	274	284	221	1,038	260	260	260	260	1,040
Deprec., Deplet., & Amort.	1,725	1,923	1,988	7,506	1,988	1,988	1,988	1,988	7,952
Other non cash	900	-	-						
Ebit	6,533	7,820	5,898	26,817	5,705	6,288	7,175	6,281	25,448
Interest	135	104	92	451	92	92	92	92	368
Ebt	6,398	7,716	5,806	26,366	5,613	6,196	7,083	6,189	25,080
Income Tax	2,239	2,700	2,032	9,228	1,964	2,169	2,479	2,166	8,778
Net Income (\$mm)									
Exploration and Production	3,250	3,503	2,909	13,142					
Other	879	1,609	1,078	4,512					
Unallocated	30	(97)	(213)	(516)					
Total	4,159	5,015	3,774	17,138	3,648	4,027	4,604	4,023	16,302
Shares (millions)	2,236	2,190	2,169	2,197	2,169	2,169	2,169	2,169	2,169
Per share (\$)	1.86	2.29	1.74	7.80	1.68	1.86	2.12	1.85	7.52
Ebitda Margin (E&P)	60%	51%	51%	52%	51%	51%	51%	51%	51%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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