

Rating: Buy
S&P 500: 1502
Intraday

Chevron Corporation **A Bias to be Oilier**

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	43,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	5
<i>Price (\$/sh)</i>	87.76	<i>Natural Gas and Oil Production/Ebitda (%)</i>	72
<i>Pricing Date</i>	11/2/07	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	2206	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (\$mm)</i>	194,000	<i>PV/Ebitda</i>	5.8
<i>Debt (\$mm)</i>	21,000	<i>Undeveloped Reserves (%)</i>	39
<i>Enterprise Value (EV) (\$mm)</i>	215,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	33.30
<i>Present Value (PV) (\$mm)</i>	253,000	<i>Present Value Proven Reserves(\$/boe)</i>	15.10
<i>Net Present Value (\$/share)</i>	105	<i>Present Value Proven Reserves(\$/mcf)</i>	2.50
<i>Debt/Present Value</i>	0.08	<i>Earnings Next Twelve Months (US\$/sh)</i>	10.02
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.6	<i>Indicated Annual Dividend (US\$/sh)</i>	2.32

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\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of CVX since 2002 see www.mcdep.com/1cvx.htm

Summary and Recommendation

Buy-recommended **Chevron Corporation (CVX)** offers unlevered appreciation potential of 18% to estimated net present value (NPV) of \$105 a share. In third quarter results reported today, production generated a high level of unlevered cash flow (Ebitda) while the more volatile downstream (Other) was lower than normal (see table Next Twelve Months Operating and Financial Estimates). Concentrated 66% on oil, NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). On the quarterly call, Executive Vice President George Kirkland, citing current oil and gas price trends, said he had “a bias to be oilier”. Mr. Kirkland reviewed progress on major expansion projects in the Gulf of Mexico, Nigeria, and Kazakhstan while stressing a modest 4-5% annual decline in existing production. Meanwhile, a renewed rise in oil price may take six-year futures to another double as was the case from the end of 2004 to mid 2006, subject to short declines from time to time (see chart Six-Year Commodity Price Meter).

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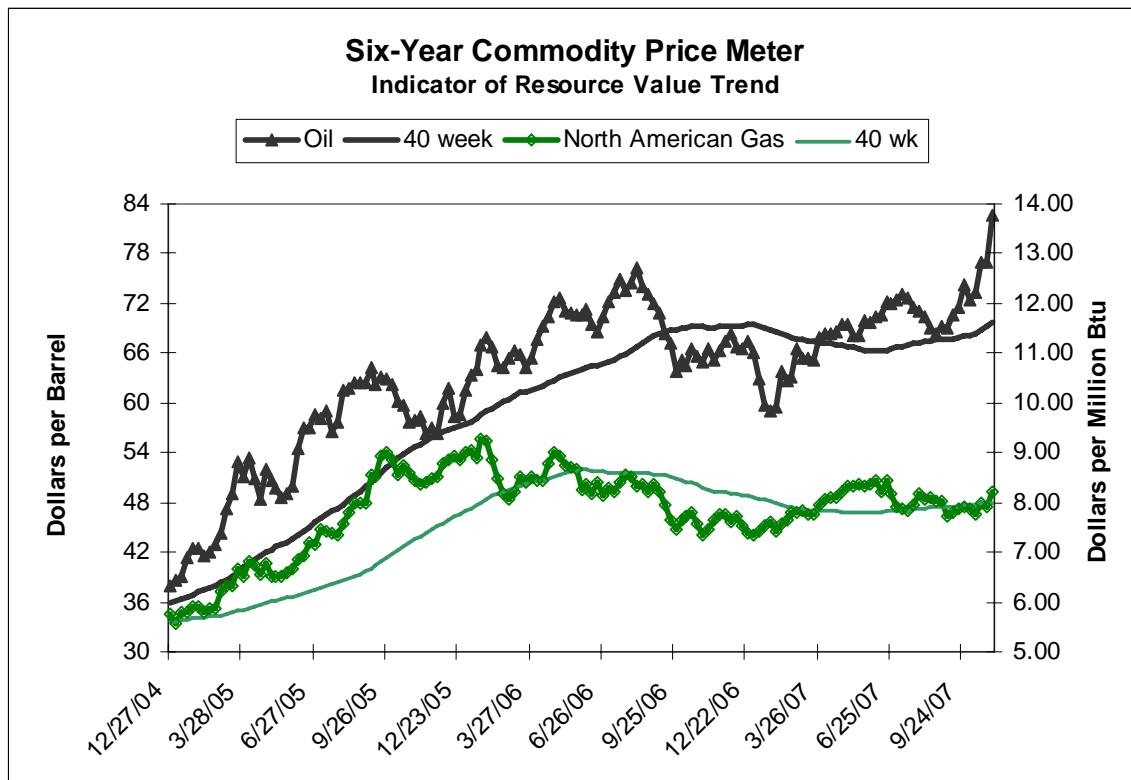
Chevron
Next Twelve Months Operating and Financial Estimates

	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/06	6/30/07	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	9/30/08
Volume									
Natural Gas (mmcf)									
U.S.	1,846	1,703	1,695	1,695	1,704	1,695	1,695	1,695	1,700
Rest of World	3,119	3,314	3,288	3,288	3,290	3,288	3,288	3,288	3,297
Total	4,965	5,017	4,983	4,983	4,994	4,983	4,983	4,983	4,997
Oil (mbd)	1,872	1,794	1,760	1,760	1,781	1,760	1,760	1,760	1,760
Total gas & oil (mbd)	2,700	2,630	2,591	2,591	2,613	2,591	2,591	2,591	2,593
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	7.46	7.00	8.26	7.90	8.11	7.93
U.S.	5.93	6.56	5.43	6.48	6.22	7.17	6.86	7.05	6.89
Rest of World	3.66	3.64	3.78	3.78	3.76	3.85	3.64	3.78	3.76
Total	4.50	4.63	4.34	4.70	4.60	4.98	4.74	4.89	4.83
Oil (\$/bbl)									
WTI Cushing	70.42	64.91	75.48	91.02	72.37	91.70	89.32	87.41	89.86
Worldwide	61.92	60.26	66.96	81.15	64.58	82.55	80.41	78.69	80.70
Total gas & oil (\$/bbl)	51.22	49.94	53.84	64.17	52.80	65.67	63.74	62.87	64.11
NY Harbor 3-2-1 (\$/bbl)	11.67	24.96	12.64	7.35	14.16	9.14	14.06	13.09	10.91
Revenue (\$mm)									
Natural Gas									
U.S.	1,007	1,017	847	1,010	3,866	1,106	1,059	1,099	4,275
Rest of World	1,050	1,098	1,143	1,143	4,518	1,152	1,089	1,143	4,528
Total	2,057	2,114	1,990	2,154	8,384	2,258	2,148	2,242	8,802
Oil	10,665	9,838	10,842	13,140	41,980	13,221	12,878	12,741	51,981
Other	41,490	44,141	42,341	43,141	167,564	43,141	43,141	43,141	172,563
Total	54,212	56,094	55,173	58,434	217,928	58,621	58,167	58,125	233,346
Expense									
Production	6,234	5,618	6,416	7,341	24,415	7,430	7,213	7,192	29,176
Other	37,952	40,200	40,226	40,200	155,295	39,869	39,199	41,026	160,294
Ebitda (\$mm)									
Exploration and Production	6,488	6,335	6,416	7,953	25,950	8,049	7,814	7,792	31,607
Other	3,538	3,941	2,114	2,941	12,269	3,272	3,941	2,114	12,269
Total Ebitda	10,027	10,276	8,530	10,893	38,218	11,322	11,755	9,906	43,876
Exploration	284	273	295	295	1,169	260	260	260	1,075
Deprec., Deplet., & Amort.	1,923	2,156	2,495	2,495	9,109	2,495	2,495	2,495	9,980
Other non cash	-	(520)							
Ebit	7,820	8,367	5,740	8,103	28,460	8,567	9,000	7,151	32,821
Interest	104	63	22	22	181	22	22	22	88
Ebt	7,716	8,304	5,718	8,081	28,279	8,545	8,978	7,129	32,733
Income Tax	2,700	2,907	2,001	2,828	9,898	2,991	3,142	2,495	11,457
Net Income (\$mm)									
Exploration and Production	3,503	3,639	3,431						
Other	1,609	1,402	480						
Unallocated	(97)	357	(194)						
Total	5,015	5,398	3,717	5,253	18,382	5,554	5,836	4,634	21,276
Shares (millions)	2,190	2,142	2,124	2,124	2,137	2,124	2,124	2,124	2,124
Per share (\$)	2.29	2.52	1.75	2.47	8.60	2.61	2.75	2.18	10.02
Ebitda Margin (E&P)	51%	53%	50%	52%	52%	52%	52%	52%	52%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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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	1,770	6.1	6.8	12,000	5%
Rest of World Natural Gas	1,880	11.9	6.9	13,000	5%
Oil	27,960	10.3	6.0	168,000	66%
Downstream	12,270		4.9	60,000	24%
	43,880	10.2	5.8	253,000	100%
Debt (US\$mm)					21,000
Net Present Value (US\$mm)					232,000
Shares (mm)					2,206
Net Present Value - Standard Estimate (US\$/sh)					105
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					106



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