



Independent Stock Idea

May 1, 2009

rating: hold
s&p 500: 874 intraday

Chevron Corporation (CVX) Creating Energy Wealth Globally

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	25,100
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (\$/sh)</i>	66.07	<i>Natural Gas and Oil Production/Ebitda (%)</i>	79
<i>Pricing Date</i>	5/1/09	<i>Adjusted Reserves/Production NTM</i>	9.9
<i>Shares (mm)</i>	2000	<i>EV/Ebitda</i>	6.6
<i>Market Capitalization (\$mm)</i>	132,000	<i>PV/Ebitda</i>	9.1
<i>Debt (\$mm)</i>	32,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	165,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	20.40
<i>Present Value (PV) (\$mm)</i>	228,000	<i>Present Value Proven Reserves(\$/boe)</i>	15.40
<i>Net Present Value (\$/share)</i>	98	<i>Present Value Proven Reserves(\$/mcf)</i>	2.60
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.94
<i>McDep Ratio - EV/PV</i>	0.72	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	3.9	<i>Indicated Annual Dividend (US\$/sh)</i>	2.60
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\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of CVX since 2002 see www.mcdep.com/1cvx.htm			

Summary and Recommendation

Hold-rated **Chevron (CVX)** offers unlevered appreciation potential of 39% to a McDep Ratio of 1.0 and levered appreciation potential of 48% to Net Present Value (NPV) of \$98 a share. During the first quarter, according to results released today, Chevron generated cash from oil and gas production of about \$18 a barrel of oil equivalent as the difference between price of about \$35 and cash operating costs of about \$17. Unlevered cash flow (Ebitda) exceeded our expectations from three months ago. We project gradual increases in Ebitda in the next few quarters (see table Next Twelve Months Operating and Financial Estimates). By latest disclosures, oil and gas reserves, weighted by development, are concentrated 81% by heating value outside the U.S. (see table Production and Reserves, 2008). Our valuation capitalizes annual cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil, and to an industry multiple for downstream (see table Functional Cash Flow and Present Value). Finally, pointing to expected oil price recovery, futures prices for the next six years averaged US\$66 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA



Independent Stock Idea

May 1, 2009

Chevron										
Next Twelve Months Operating and Financial Estimates										
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next	
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	Twelve	
									Months	
									3/31/10	
Volume										
Natural Gas (mmcf)										
U.S.	1,666	1,320	1,501	1,379	1,379	1,379	1,379	1,379	1,379	1,379
Rest of World	3,768	3,493	3,625	3,642	3,621	3,618	3,493	3,593	3,593	3,593
Total	5,434	4,813	5,125	5,021	5,000	4,997	4,872	4,972	4,972	4,972
Days	91	92	366	90	91	92	92	365	365	365
Oil (mbd)	1,766	1,738	1,722	1,826	1,826	1,826	1,826	1,826	1,826	1,826
Total gas & oil (mmb)	243	234	943	240	242	245	243	969	969	969
Total gas & oil (mbd)	2,672	2,540	2,576	2,663	2,659	2,659	2,638	2,655	2,655	2,655
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.42	3.62	4.57	4.13	4.30	4.30
U.S.	7.55	5.23	7.90	4.14	2.89	3.06	3.76	3.46	3.58	3.58
Rest of World	4.83	5.10	5.18	4.21	5.44	5.37	5.10	5.03	5.03	5.03
Total	5.66	5.14	5.98	4.19	4.74	4.73	4.72	4.60	4.63	4.63
Oil (\$/bbl)										
WTI Cushing	97.94	58.45	99.59	42.96	49.97	52.66	55.70	50.32	54.12	54.12
Worldwide	86.21	47.86	87.38	38.81	45.14	47.57	50.72	45.60	49.28	49.28
Total gas & oil (\$/bbl)	68.50	42.47	70.30	34.51	39.90	41.57	43.83	39.97	42.57	42.57
NY Harbor 3-2-1 (\$/bbl)	7.57	5.10	9.86	9.18	8.11	6.98	3.00	6.82	5.74	5.74
Revenue (\$mm)										
Natural Gas										
U.S.	1,145	635	4,339	514	362	389	477	1,742	1,802	1,802
Rest of World	1,656	1,639	6,875	1,380	1,793	1,787	1,639	6,599	6,599	6,599
Total	2,801	2,274	11,214	1,894	2,155	2,176	2,116	8,341	8,400	8,400
Oil	13,854	7,652	55,069	6,378	7,501	7,991	8,520	30,390	32,846	32,846
Other	49,291	35,277	206,722	27,859	27,859	27,859	28,659	112,235	113,035	113,035
Total	65,946	45,203	273,005	36,130	37,514	38,026	39,295	150,965	154,281	154,281
Expense (\$mm)										
Production	7,828	4,774	29,925	3,912	5,021	5,287	5,531	19,751	21,448	21,448
Other	47,714	31,610	197,693	26,747	26,559	26,288	27,304	106,897	107,697	107,697
Ebitda (\$mm)										
Exploration and Production	8,827	5,152	36,358	4,359	4,635	4,880	5,105	18,980	19,798	19,798
Other	1,577	3,667	9,028	1,112	1,300	1,571	1,354	5,337	5,337	5,337
Total Ebitda	10,404	8,819	45,386	5,471	5,935	6,451	6,460	24,317	25,136	25,136
Exploration	253	338	1,169	381	381	381	381	1,524	1,524	1,524
Deprec., Deplet., & Amort.	2,215	2,589	9,528	2,867	2,867	2,867	2,867	11,468	11,468	11,468
Other non cash										
Ebit	7,936	5,892	34,689	2,223	2,687	3,203	3,212	11,325	12,144	12,144
Interest	-	-	-	8	8	8	8	32	32	32
Ebt	7,936	5,892	34,689	2,215	2,679	3,195	3,204	11,293	12,112	12,112
Income Tax	2,778	2,062	12,141	775	938	1,118	1,121	3,953	4,239	4,239
Net Income (\$mm)										
Exploration and Production	5,128	1,908	20,466	1,269						
Other	295	2,148	3,651	462						
Unallocated	(265)	(226)	(1,569)	(291)						
Total	5,158	3,830	22,548	1,440	1,741	2,077	2,082	7,341	7,873	7,873
Shares (millions)	2,080	2,013	2,053	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Per share (\$)	2.48	1.90	10.98	0.72	0.87	1.04	1.04	3.67	3.94	3.94
Ebitda Margin (E&P)	53%	52%	55%	53%	48%	48%	48%	49%	48%	48%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%



Independent Stock Idea

May 1, 2009

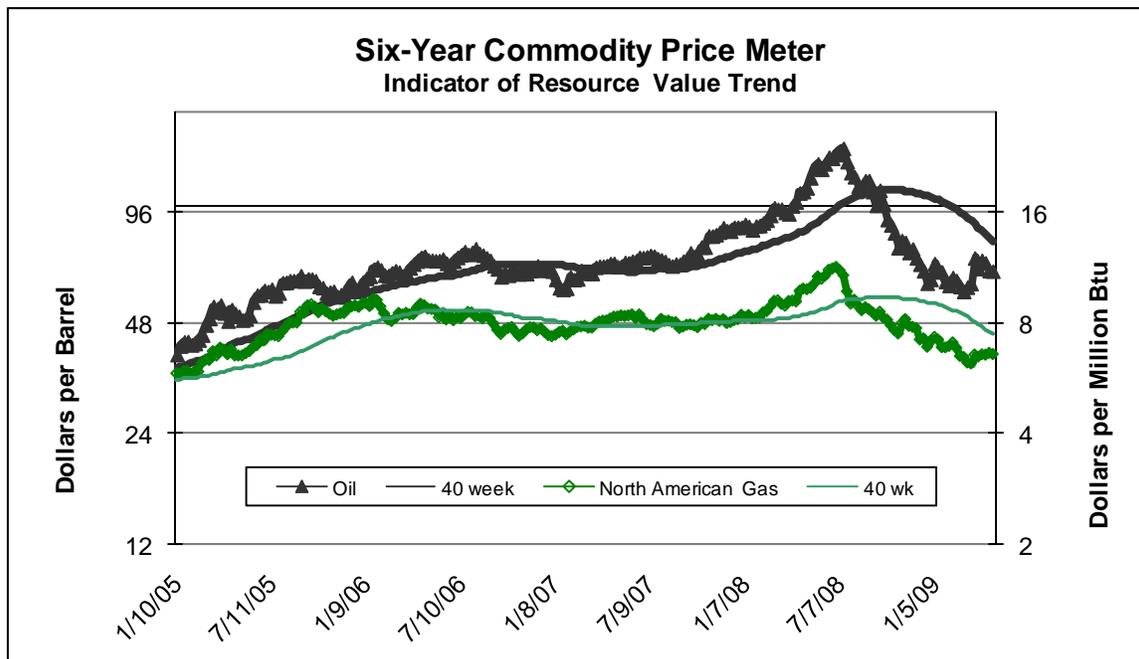
Chevron Corporation							
Production and Reserves, 2008							
		2008	12/31/2008 Proven Reserves			Weighted	NTM
		Production	Developed	Undeveloped	Weighted	Life Index	Adjusted
		(bcf or mmb)	(bcf or mmb)	(bcf or mmb)	(bcf or mmb)	(years)	R/P
							(years)
North American Natural Gas							
	California	32	247	46	270	8.4	
	Gulf of Mexico	161	669	202	770	4.8	
	Other U.S.	356	1,793	193	1,890	5.3	
	Total	549	2,709	441	2,930	5.3	5.8
Rest of World Natural Gas							
	Africa	27	1,209	1,847	2,133	79.0	
	Asia Pacific	725	5,374	4,109	7,429	10.2	
	Indonesia	101	302	173	389	3.8	
	Other International	279	2,245	613	2,552	9.1	
	Caspian	70	1,999	1,176	2,587	37.0	
	Venezuela	10	124	754	501	50.1	
	Total	1,212	11,253	8,672	15,589	12.9	11.9
Oil							
	California	75	679	123	741	9.9	
	Gulf of Mexico	43	140	146	213	5.0	
	Other U.S.	50	339	43	361	7.2	
	Africa	122	789	596	1,087	8.9	
	Asia Pacific	128	666	296	814	6.4	
	Indonesia	72	474	93	521	7.2	
	Other International	74	249	102	300	4.1	
	Caspian	53	1,369	807	1,773	33.4	
	Venezuela	24	263	176	351	14.6	
	Canada Oil Sands	10	200	236	318	32.3	
	Total	651	5,168	2,618	6,477	10.0	9.7
	Total Oil Equivalent	944	7,495	4,137	9,563	10.1	9.9
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.							



Independent Stock Idea

May 1, 2009

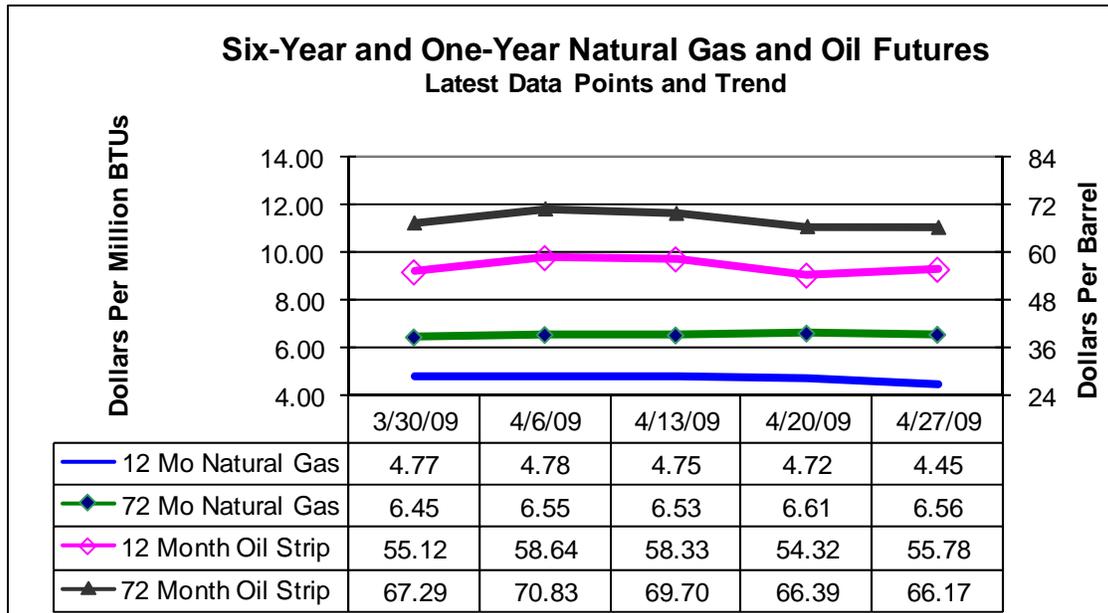
Chevron Corporation					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	860	5.8	11.6	10,000	4%
Rest of World Natural Gas	3,170	11.9	8.2	26,000	11%
Oil	15,770	9.7	9.5	150,000	66%
Downstream	5,340		7.9	42,000	18%
	25,140	9.9	9.1	228,000	100%
Debt (US\$mm)					32,000
Net Present Value (US\$mm)					196,000
Shares (mm)					2,000
Net Present Value - Standard Estimate (US\$/sh)					98
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					109





Independent Stock Idea

May 1, 2009



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.