

Rating: Buy
 S&P 500: 1226

Total S.A. Oil Sands OUI!

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$mm)</i>	33,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	126.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	73
<i>Pricing Date</i>	8/5/05	<i>Adjusted Reserves/Production NTM</i>	9.2
<i>Shares (mm)</i>	1182	<i>EV/Ebitda</i>	5.3
<i>Market Capitalization (US\$mm)</i>	150,000	<i>PV/Ebitda</i>	6.4
<i>Debt (US\$mm)</i>	27,000	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (US\$mm)</i>	177,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	27.80
<i>Present Value (PV) (US\$mm)</i>	216,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.81
<i>Net Present Value (US\$/share)</i>	160	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.30
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	14.37
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.6	<i>Indicated Annual Dividend (US\$/sh)</i>	3.34

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **Total S.A.** gains a position with mega cap peers in the development of Canadian oil sands by offering to buy an independent lease holder for US\$1.1 billion. Following buy-recommended **Chevron (CVX)**'s pending acquisition of buy-recommended **Unocal (UCL)**, the deal advances an early trend to acquire resource-rich companies. Meanwhile, random, temporary factors kept quarterly earnings reported on August 4 slightly below the powerful industry trend. Nevertheless, the stock has 26% appreciation potential to net present value of \$160 a share. Risk is low with globally diversified, integrated operations and miniscule debt. Dividend increases seem likely along with stock repurchase.

Total Bets a Billion on Oil Sands Mining

The French mega cap overnight becomes a leading player in the future mining of Alberta oil sands with the announced intention to buy Deer Creek Energy (DCE.TO). A startup only a few years ago, Deer Creek was one of three small cap, publicly traded energy companies well-positioned in North America's leading future oil source (<http://www.mcdep.com/MR50621.pdf>). As a result, Total succeeds to Deer Creek's 84% interest in the Joslyn Project that would develop 200,000 barrels daily of oil production in the next decade (see table [Oil Sands Mining Projects](#)). The deal both ratifies oil sands prospects and makes strategic sense for the buyer as we see it.

In addition to mining projects, oil is produced from sands too deep to be mined. The processes include cold flow, steam assisted gravity drainage (SAGD) and cyclic steam. Total has a large SAGD project at Surmount, 75 miles south of Joslyn. The company expects to be involved in upgrading in Alberta, but not in refining in the U.S.

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Oil Sands Mining Projects

<u>Project</u>	<u>Owners</u>	<i>Volume (thousand barrels daily)</i>				
		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2010</u>	<u>2020</u>
Syncrude	35% Canadian Oil Sands Trust (COSWF) 25% Imperial Oil (IMO) 12% Petro-Canada (PCZ) 9% ConocoPhillips (COP) 19% Others	226	280	350	390	500
Suncor	100% Suncor (SU)	171	260	260	350	500
Athabasca	60% Shell Canada (SHC) 20% Chevron (CVX) 20% Western Oil Sands (WTO.TO)	130	130	190	300	500
Horizon	100% Canadian Natural Resources (CNQ)				110	230
Joslyn	84% Total (TOT) 16% Enerplus (ERF)				25	200
Fort Hills	60% Petro-Canada (PCZ) 40% UTS Energy (UTS.TO)				20	100
Northern Lights	60% Synenco 40% Sinopec (SHI)					100
Kearl	70% Imperial Oil (IMO) 30% ExxonMobil (XOM) direct ownership					300
		527	670	800	1195	2430

McDep Buy Recommendations in **bold type**.

Source: Company presentations, McDep estimates, www.mcdep.com

Total 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>	
Rest of World Natural Gas	8,100	10.1	7.3	59,000	27%
Oil	16,510	8.7	5.0	82,000	38%
Downstream	8,890		8.4	75,000	35%
	33,500	9.2	6.4	216,000	100%
Debt (US\$mm)				27,000	
Net Present Value (US\$mm)				189,000	
Shares (mm)				1,182	
Net Present Value (US\$/sh)				160	

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Total S.A.
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</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>Twelve</i>
										<i>Months</i>
										<i>6/30/06</i>
Volume										
Natural Gas (mmcf)	5,323	4,907	4,945	4,797	4,797	4,797	4,833	4,797	4,797	4,797
Oil (mbd)	1,684	1,695	1,657	1,630	1,630	1,630	1,637	1,630	1,630	1,630
Total gas & oil (mmb)	237	919	223	221	224	224	891	219	221	887
Price										
Dollar (euro/\$)	1.30	1.24	1.31	1.26	1.24	1.24	1.26	1.24	1.24	1.24
Natural gas (\$/mmbtu)	4.40		4.40	4.39	5.05	5.29	3.80	5.37	5.37	4.26
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	61.04	63.89	56.91	64.93	64.88	63.69
Brent	44.00	38.23	47.60	51.60	59.36	62.14	55.18	63.15	63.11	59.17
Company	43.48		44.10	48.00	55.22	57.81	51.45	58.75	58.70	57.61
Refining Margin										
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	13.01	9.28	9.76	8.97	12.02	10.82
Europe (\$/t)	42.40	32.83	31.70	45.00	56.37	40.21	43.32	38.87	52.08	46.88
Revenue (mmeuro)										
Natural gas	1,658		1,495	1,521	1,804	1,888	6,708	1,877	1,897	7,466
Oil	5,182		5,020	5,651	6,702	7,015	24,388	6,975	7,047	27,738
Total production	6,839	22,083	6,515	7,172	8,505	8,904	31,096	8,852	8,943	35,204
Other	27,993	100,617	20,173	20,655	20,655	20,655	82,139	20,655	20,655	82,622
Total	34,832	122,700	26,688	27,827	29,161	29,559	113,235	29,507	29,599	117,826
Expense										
Production	3,122	8,121	2,554	3,005	3,672	3,871	13,104	3,845	3,891	15,280
Other	25,778	94,454	18,330	18,894	18,855	18,855	74,935	18,855	18,855	75,422
Ebitda (mmeuro)										
Production	3,717	13,962	3,961	4,166	4,833	5,032	17,992	5,006	5,052	19,923
Other	2,215	6,163	1,843	1,761	1,800	1,800	7,204	1,800	1,800	7,200
Total Ebitda	5,932	20,125	5,804	5,927	6,633	6,832	25,196	6,806	6,852	27,123
Exploration	151	414	72	92	110	110	384	110	110	440
Deprec., Deplet., & Amort.	1,794	5,579	1,191	1,308	1,308	1,308	5,115	1,308	1,400	5,324
Excess tax and other	(1,090)	(2,991)	(1,572)	(910)						
Operating Income										
Upstream	3,460	12,820	4,010	4,212						
Downstream	1,192	3,217	891	944						
Chemicals	425	1,086	555	381						
Total operating income	5,077	17,123	6,113	5,437						
Excess tax and other	1,090	2,991	1,572	910						
Ebit	3,987	14,132	4,541	4,527	5,215	5,414	19,697	5,388	5,342	21,359
Interest	118	236	47	53	53	53	206	53	53	212
Ebt	3,869	13,896	4,494	4,474	5,162	5,361	19,491	5,335	5,289	21,147
Income Tax	1,354	4,863	1,573	1,566	1,807	1,876	6,822	1,867	1,851	7,402
Net Income (mmeuro)	2,515	9,032	2,921	2,908	3,355	3,485	12,669	3,468	3,438	13,746
Shares (millions)	1,218	1,231	1,192	1,182	1,182	1,182	1,184	1,182	1,182	1,182
Per share (euro)	2.07	7.34	2.45	2.46	2.84	2.95	10.70	2.93	2.91	11.63
Ebitda Margin (E&P)	54%	63%	61%	58%	57%	57%	58%	57%	56%	57%
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>Price</i>		<i>Market</i>	<i>Net</i>	<i>Debt/</i>	
	<i>Rating</i>		<i>(\$/sh)</i>	<i>Shares</i>	<i>Cap</i>	<i>Present</i>	<i>Present</i>	<i>McDep</i>
			<i>5-Aug</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>Value</i>	<i>Value</i>	<i>Ratio</i>
			<i>2005</i>			<i>(\$/sh)</i>		
Mega Cap								
BP plc	BP	B	67.90	3,545	241,000	82.00	0.10	0.85
Total S.A.	TOT	B	126.86	1,182	150,000	160.00	0.12	0.82
Exxon Mobil Corporation	XOM	B	58.09	6,370	370,000	74.00	0.04	0.79
Royal Dutch Shell plc	RDS-A	B	63.32	3,372	214,000	84.00	0.11	0.78
Chevron Corporation	CVX	B	60.34	2,086	126,000	90.00	0.08	0.70
			<i>Total or Median</i>		<i>1,101,000</i>		<i>0.10</i>	<i>0.79</i>

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