

Rating: Buy
S&P 500: 1222

ExxonMobil Corporation

Raise Net Present Value to \$60 a Share

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 3/31/06 (US\$m)</i>	60,800
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	8
<i>Price (\$/sh)</i>	63.57	<i>Natural Gas and Oil Production/Ebitda (%)</i>	65
<i>Pricing Date</i>	3/4/05	<i>Adjusted Reserves/Production NTM</i>	11.1
<i>Shares (mm)</i>	6461	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (\$mm)</i>	411,000	<i>PV/Ebitda</i>	6.8
<i>Debt (\$mm)</i>	24,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	434,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	25.60
<i>Present Value (PV) (\$mm)</i>	411,000	<i>Present Value Proven Reserves(\$/boe)</i>	12.80
<i>Net Present Value (\$/share)</i>	60	<i>Present Value Proven Reserves(\$/mcf)</i>	2.10
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.99
<i>McDep Ratio - EV/PV</i>	1.06	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	1.7	<i>Indicated Annual Dividend (US\$/sh)</i>	1.08

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.

Summary and Recommendation

We continue a buy rating on the common shares of **ExxonMobil (XOM)** for low risk mega cap participation in a positive outlook for natural gas, crude oil and refined products. We raise our estimate of net present value to \$60 a share from \$54. A present value gap opened with Number 2 U.S. oil company, **ChevronTexaco (CVX)**, after taking account of recently reported year-end reserves. We are closing the gap with an upward revision for XOM rather than a downward revision for CVX. As a result, we are paying careful attention to the consistency of reported reserves while recognizing that the absolute level is too conservative for equity valuation. Though XOM stock price now exceeds present value even after the revision, our buy recommendation can be justified up to a McDep Ratio of 1.2, or a stock price of about \$73. It is hard for large investors attracted to energy to avoid putting new money in the stock with an unmatched historical record and that accounts for more than half the market cap of U.S. energy producers.

The Most Value in Each Functional Area

The internationally and functionally diversified industry leader has the most present value of publicly traded companies in each of the four most important functions of the global oil and gas producing industry (see table Present Value by Line of Business). Our attempt to make estimates of value on a consistent basis among companies includes regular testing of cash flow multiples by function (see table Functional Cash Flow and Present Value).

On the new estimate, the company's present value is about eleven percent higher than cash flow and reserve life would indicate compared to our estimates for 30 companies currently. Present value for three of the company's four mega cap peers is also higher than our correlation indicates. Perhaps we undervalue refining/marketing where the mega caps are strong and the independents are absent. We are continually assessing new information for its impact on estimates.

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Projected Cash Flow Remains High

ExxonMobil reported record quarterly cash flow exceeding \$15 billion (see table Next Twelve Months Operating and Financial Estimates). The trend is solid with steady volume and price that “captures more of the upside” as Mr. Henry Hubble, the investor relations person, stated on the latest earnings call.

Buy Oil and Gas Producers at Mid Decade

XOM stock appears to have positive appeal in an attractive group for investment (see table Rank by McDep Ratio). Three to five-fold gain potential for oil and gas price over the next 5 to 13 years justifies investment in recommended oil and gas producers, in our opinion. Supporting improving prospects, the average futures price of oil for continuous delivery over the next six years is in a multi-year uptrend as defined by the current quotes above the 40-week average. The current benchmark oil average futures price for the next six years is about \$46 a barrel. Our estimates of present value are tied to an assumption of a constant real oil price of \$40 a barrel.

Kurt H. Wulff, CFA

Present Value by Line of Business
 (US\$millions)

	<i>North American Natural Gas</i>	<i>Over- seas Natural Gas</i>	<i>Oil Production</i>	<i>Down- stream</i>	<i>Total</i>
Exxon Mobil Corporation	40,000	76,000	154,000	142,000	412,000
Royal Dutch/Shell	9,000	44,000	93,000	118,000	264,000
BP plc	28,000	29,000	118,000	88,000	263,000
ChevronTexaco Corporation	11,000	14,000	93,000	60,000	178,000
Total S.A.	-	39,000	75,000	61,000	175,000

Exxon Mobil Corporation
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted R/P</i>	<i>PV/ Ebitda</i>	<i>Present Value</i>	
North American Natural Gas	4,620	11.9	8.7	40,000	10%
Overseas Natural Gas	8,680	14.3	8.8	76,000	18%
Oil	26,020	9.4	5.9	154,000	37%
Downstream	21,520		6.6	142,000	34%
	60,840	11.1	6.8	412,000	100%
Debt				24,000	
Net Present Value (\$mm)				388,000	
Shares				6,461	
Net Present Value (\$/sh)				60	

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Exxon Mobil Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>9/30/04</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>3/31/06</i>
Volume										
Natural Gas (mmcf)										
U.S. (or North America)	2,831	2,761	2,911	3,060	2,961	2,831	2,761	2,902	3,060	2,902
Overseas (or Int'l)	5,597	7,669	6,946	8,407	6,040	5,597	7,669	6,923	8,407	6,923
Total	8,428	10,430	9,856	11,467	9,001	8,428	10,430	9,825	11,467	9,825
Oil (mbd)	2,506	2,565	2,572	2,565	2,565	2,565	2,565	2,565	2,565	2,565
Total gas & oil (mmb)	360	396	1,541	403	370	365	396	1,534	403	1,534
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	5.75	7.10	6.15	6.27	6.76	6.97	7.37	6.84	7.90	7.25
U.S. (or North America)	5.70	6.61	5.93	5.84	6.30	6.49	6.87	6.36	7.36	6.76
Overseas (or Int'l)	4.24	5.33	4.56	5.33	5.33	5.33	5.33	5.33	5.33	5.33
Total	4.73	5.67	4.96	5.47	5.65	5.72	5.74	5.63	5.87	5.75
Oil (\$/bbl)										
WTI Cushing	43.89	48.30	41.44	49.17	53.90	53.51	52.36	52.23	51.09	52.72
Worldwide	39.34	39.49	35.76	40.20	44.08	43.75	42.81	42.72	41.78	43.11
Total gas & oil (\$/bbl)	35.40	37.28	33.43	37.04	40.32	40.41	39.42	39.25	38.98	39.76
NY Harbor 3-2-1 (\$/bbl)	7.83	5.57	8.39	6.17	8.89	8.37	7.30	7.68	6.78	7.84
Revenue (\$mm)										
Natural Gas										
U.S. (or North America)	1,485	1,679	6,304	1,607	1,697	1,690	1,745	6,740	2,027	7,160
Overseas (or Int'l)	2,183	3,761	11,548	4,033	2,930	2,745	3,761	13,468	4,033	13,468
Total	3,668	5,440	17,852	5,640	4,627	4,435	5,505	20,207	6,060	20,627
Oil	9,070	9,319	33,654	9,281	10,288	10,325	10,103	39,996	9,645	40,360
Other	63,637	68,598	246,521	68,598	68,598	68,598	68,598	274,393	68,598	274,393
Total	76,375	83,357	298,027	83,519	83,513	83,358	84,206	334,596	84,303	335,380
Expense (\$mm)										
Production	4,719	5,319	18,490	5,351	5,350	5,319	5,488	21,508	5,508	21,665
Other	59,175	62,301	228,846	63,219	63,219	63,219	63,219	252,875	63,219	252,875
Ebitda (\$mm)										
Exploration and Production	8,019	9,440	33,016	9,570	9,565	9,441	10,120	38,695	10,197	39,322
Other	4,462	6,297	17,675	5,379	5,379	5,379	5,379	21,518	5,379	21,518
Total Ebitda	12,481	15,737	50,691	14,950	14,944	14,820	15,499	60,213	15,576	60,840
Exploration	388	334	1,106	334	334	334	334	1,336	334	1,336
Deprec., Deplet., & Amort.	2,431	2,431	9,585	2,431	2,431	2,431	2,431	9,724	2,431	9,724
Other non cash	-	-	-	-	-	-	-	-	-	-
Ebit	9,662	12,972	40,000	12,185	12,179	12,055	12,734	49,153	12,811	49,780
Interest	50	50	198	50	50	50	50	200	50	200
Ebt	9,612	12,922	39,802	12,135	12,129	12,005	12,684	48,953	12,761	49,580
Income Tax	3,364	4,523	13,931	4,247	4,245	4,202	4,439	17,134	4,467	17,353
Net Income (\$mm)										
Exploration and Production	3,929	4,887	16,675							
Other	2,410	3,592	9,684							
Unallocated	(91)	(80)	(488)							
Total	6,248	8,399	25,871	7,887	7,884	7,803	8,245	31,819	8,295	32,227
Shares (millions)										
Per share (\$)	0.96	1.30	3.97	1.22	1.22	1.21	1.28	4.92	1.28	4.99
Ebitda Margin (E&P)	63%	64%	64%	64%	64%	64%	65%	64%	65%	64%
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>4-Mar</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								
Exxon Mobil Corporation	XOM	B	63.57	6,461	411,000	60.00	0.06	1.06
Shell Transport and Trading Co. plc	SC	B	58.65	1,587	93,000	55.90	0.16	1.04
BP plc	BP	B	66.36	3,601	239,000	64.00	0.12	1.03
Total S.A.	TOT	B	121.69	1,218	148,000	120.00	0.16	1.01
Royal Dutch Petroleum	RD	B	64.94	2,016	131,000	66.00	0.16	0.99
ChevronTexaco Corporation	CVX	B	61.71	2,123	131,000	76.00	0.10	0.83
	<i>Total or Median</i>				<i>1,153,000</i>		<i>0.14</i>	<i>1.02</i>

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