Rating: Buy S&P 500: 1192

Exxon Mobil Corporation Nice Return for Low Risk

Symbol	XOM	Ebitda Next Twelve Months ending 6/30/06 (US\$mm)	61,200
Rating	Buy	North American Natural Gas/Ebitda (%)	7
Price (\$/sh)	56.20	Natural Gas and Oil Production/Ebitda (%)	65
Pricing Date	5/31/05	Adjusted Reserves/Production NTM	11.2
Shares (mm)	6421	EV/Ebitda	6.3
Market Capitalization (\$mm)	361,000	PV/Ebitda	6.7
Debt (\$mm)	24,000	Undeveloped Reserves (%)	36
Enterprise Value (EV) (\$mm)	384,000	Natural Gas and Oil Ebitda (\$/boe)	26.20
Present Value (PV) (\$mm)	409,000	Present Value Proven Reserves(\$/boe)	12.80
Net Present Value (\$/share)	60	Present Value Proven Reserves(\$/mcfe)	2.10
Debt/Present Value	0.06	Earnings Next Twelve Months (US\$/sh)	5.00
McDep Ratio - EV/PV	0.94	Price/Earnings Next Twelve Months	11
Dividend Yield (%/vear)	1.9	Indicated Annual Dividend (US\$/sh)	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

Delivering a total return to investors of 16% a year for the past ten years, buy-recommended **ExxonMobil (XOM)** would return more than 11% per year for the next ten years assuming a constant real oil price of \$38 a barrel. The current average futures price for oil for the next six years is more than \$50 in a rising trend. Risk is low with globally diversified, integrated operations and miniscule debt. Large dividend increases seem likely along with large scale stock repurchase.

Present Value Low Relative to Cash Flow

Estimated originally on a discounted cash flow basis assuming \$40 oil, present value looks low relative to next twelve months cash flow (see table <u>Functional Cash Flow and Present Value</u>). Cash flow multiple for the company compares closely to our current correlation with adjusted reserve life index for thirty producers. North American Natural Gas is above the correlation multiple by 0.6. Overseas Natural Gas is above by 0.5. Oil is above by 0.5. The downstream multiple is 0.3 above the median of fourteen companies.

Cash Flow Rising with Commodity Price

A dynamic measure, projected cash flow is updated frequently with latest futures quotes (see table <u>Next Twelve Months Operating and Financial Estimates</u>). Recent quarterly results also influence projections.

Exxon Mobil Corporation Functional Cash Flow and Present Value

	NTM	Adjusted	PV/	Present	
	<u>Ebitda</u>	<u>R/P</u>	<i>Ebitda</i>	<u>Value</u>	
North American Natural Gas	4,470	12.2	8.5	38,000	9%
Overseas Natural Gas	8,970	14.5	8.2	74,000	18%
Oil	26,240	9.5	5.9	155,000	38%
Downstream	21,520		6.6	142,000	35%
	61,200	11.2	6.7	409,000	100%
Debt					24,000
Net Present Value (\$mm)					385,000
Shares					6,421
Net Present Value (\$/sh)					60

Oil Price Trend Rising

Average oil price for the next six years has reached about \$50 a barrel suggesting that recent quotes have staying power. Moreover the trend appears to be continuing upward (see chart Oil Six-Year Futures Strip and 40-Week Average).

Futures Guide Estimates of Next Twelve Months Cash Flow

The quarterly trend of futures illustrates (1) gradually higher oil cash flow, (2) buildup in natural gas to a winter peak and (3) a downstream summer peak (see chart <u>Futures as Cash Flow Indicators</u>). Cash flow estimates reflect the trend in Light, Sweet Crude Oil traded on the New York Mercantile Exchange though different grades of crude oil can exhibit their own patterns. Nymex natural gas guides our estimates of cash flow in North America though regional differences can be pronounced. Refining crack spreads calculated from futures prices are indicative of market pressures, but not broad enough to justify continuous adjustment of downstream projections.

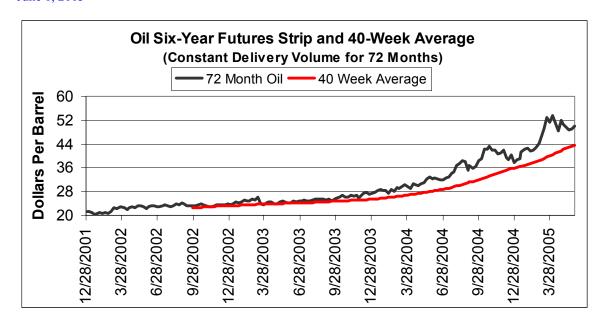
Buy Oil and Gas Producers at Mid Decade

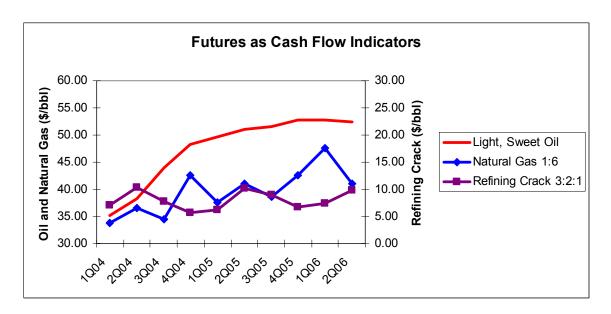
Multi-fold gain potential for oil and gas price over the years ahead justifies investment in recommended oil and gas producers, in our opinion. A McDep Ratio of 1.0 implies that a stock would be priced at present value assuming a constant real oil price of US\$40 (see table Rank by McDep Ratio).

Kurt H. Wulff, CFA

Exxon Mobil Corporation Next Twelve Months Operating and Financial Estimates

New Part	Next Twelve Months Operating and Financial Estimates										
Post											
Natural Gas (mmerfet)		~		~						~	Months
Natural Gas (mmcrit)	Volume	12/31/07	200.	5/51/00	0/20/02	3,20,00	12/01/00	20002	5/51/00	0,50,00	0,00,00
US. (or North America) 2,61 2,911 2,801 2,831 2,761 2,839 2,804 2,961 6,246 7949 6,046 6,149 6,040 5,597 7,669 6,810 7,349 6,046 6,810 7,049 6,046 6,810 7,049 6,046 6,810 7,049 6,040 6,810 7,049 6,040 6,810 7,049 6,040 6,151 2,543 </td <td></td>											
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Total 10430 9,866 10,753 9,001 8,428 10,430 9,649 10,753 9,001 9,649 01 (mbd) 2,565 2,72 2,543 2,543 2,543 2,543 2,543 2,543 2,543 2,543 7 total gas & oil (mmb) 396 1,541 390 368 363 363 374 1,515 390 368 1,515 Price Natural gas (Simcr) Henry Hub (Simmbhu) 7,10 6,15 6,27 6,83 6,43 7,11 6,666 7,44 6,84 7,08 U.S. (or North America) 5,33 4,56 5,74 5,74 5,74 5,74 5,74 5,74 5,74 5,74	,		,				,			,	
Dill (mbd)	,		,		,		,			,	
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Overseas (or Int'll) 5.33 4.56 5.74 5.74 5.74 5.74 5.74 5.74 5.74 5.74 5.74 5.74 70 10 10 5.91 6.04 5.95 6.25 6.25 6.03 6.07 Oil (Sbbl) WITC Ushing 48.31 41.44 49.65 51.57 51.57 52.68 51.24 52.78 52.47 52.34 44.95 Worldwide 39.49 35.76 42.61 43.81 44.26 45.21 41.38 44.93 44.95 79.97 7.40 9.77 8.18 Revenue (Sibbl) 37.28 33.43 39.44 40.98 41.12 41.58 40.77 42.07 41.75 41.64 NY Harbor 3-2-1 (Sibbl) 37.28 33.43 39.44 40.98 41.12 41.58 40.07 42.07 41.64 NY Harbor 3-2-1 (Sibbl) 37.61 11.548 41.03 31.53 2.953 4.047 14.256 4.103 3.13 4.256 <td>• •</td> <td></td>	• •										
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Worldwide		48 31	41.44	49 65	51.05	51 57	52.68	51.24	52.78	52.47	52.38
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Other 6,297 17,675 4,527 5,379 5,379 5,379 20,664 5,379 5,379 21,516 Total Ebitda 15,737 50,691 14,142 14,745 14,630 15,784 59,301 15,815 14,972 61,201 Exploration 334 1,106 173 350 350 350 1,223 350 350 1,400 Deprec., Deplet., & Amort. 2,431 9,585 2,553 2,553 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 2,553 10,212 2,553 <td>* *</td> <td>9 440</td> <td>33.016</td> <td>9 616</td> <td>9 366</td> <td>9 251</td> <td>10 405</td> <td>38.637</td> <td>10 436</td> <td>9 593</td> <td>39.685</td>	* *	9 440	33.016	9 616	9 366	9 251	10 405	38.637	10 436	9 593	39.685
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Ebt 12,922 39,802 11,360 11,786 11,671 12,825 47,642 12,856 12,013 49,365 Income Tax 4,523 13,931 3,976 4,125 4,085 4,489 16,675 4,500 4,205 17,278 Net Income (Smm) Exploration and Production 4,887 16,675 5,054					,	,				,	
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Net Income (Smm) Exploration and Production Other 4,887 16,675 5,054 Other 3,592 9,684 2,425 Unallocated (80) (488) (95) Total 8,399 25,871 7,384 7,661 7,586 8,336 30,967 8,357 7,808 32,087 Shares (millions) 6,461 6,517 6,421			,		,	,	,			,	,
Exploration and Production Other 4,887 16,675 5,054 Other 3,592 9,684 2,425 Unallocated (80) (488) (95) Total 8,399 25,871 7,384 7,661 7,586 8,336 30,967 8,357 7,808 32,087 Shares (millions) 6,461 6,517 6,421		.,525	10,501	3,,,,	.,120	1,000	.,	10,070	1,500	.,200	11,210
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Per share (\$) 1.30 3.97 1.15 1.19 1.18 1.30 4.82 1.30 1.22 5.00 Ebitda Margin (E&P) 64% 64% 62% 62% 62% 64% 63% 64% 62% 63%			,		,	,	,	,		,	
Ebitda Margin (E&P) 64% 64% 62% 62% 62% 64% 63% 64% 62% 63%			,	-	,			,			,
	* /										
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Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol	/ Rating	Price (\$/sh) 31-May 2005	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap								
BP plc	BP	В	60.20	3,574	215,000	64.00	0.13	0.95
Shell Transport and Trading Co. plc	SC	В	52.45	1,587	83,000	56.00	0.14	0.95
Exxon Mobil Corporation	XOM	В	56.20	6,421	361,000	60.00	0.06	0.94
Royal Dutch Petroleum	RD	В	58.58	2,018	118,000	66.00	0.14	0.90
Total S.A.	TOT	В	111.19	1,192	133,000	126.00	0.15	0.90
Chevron Corporation	CVX	В	53.78	2,311	124,000	70.00	0.13	0.80
Total or Median					1,034,000		0.13	0.92

Disclaimer: This analysis was prepared by Kurt Wulff doing business as McDep Associates. 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.

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