

Rating: Buy  
S&P 500: 1192

## **Exxon Mobil Corporation**

### **Nice Return for Low Risk**

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

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 [Functional Cash Flow and Present Value](#)). 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 [Next Twelve Months Operating and Financial Estimates](#)). Recent quarterly results also influence projections.

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**Exxon Mobil Corporation**  
**Functional Cash Flow and Present Value**

	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u><i>Ebitda</i></u>	<u><i>R/P</i></u>	<u><i>Ebitda</i></u>	<u><i>Value</i></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 [Futures as Cash Flow Indicators](#)). 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**

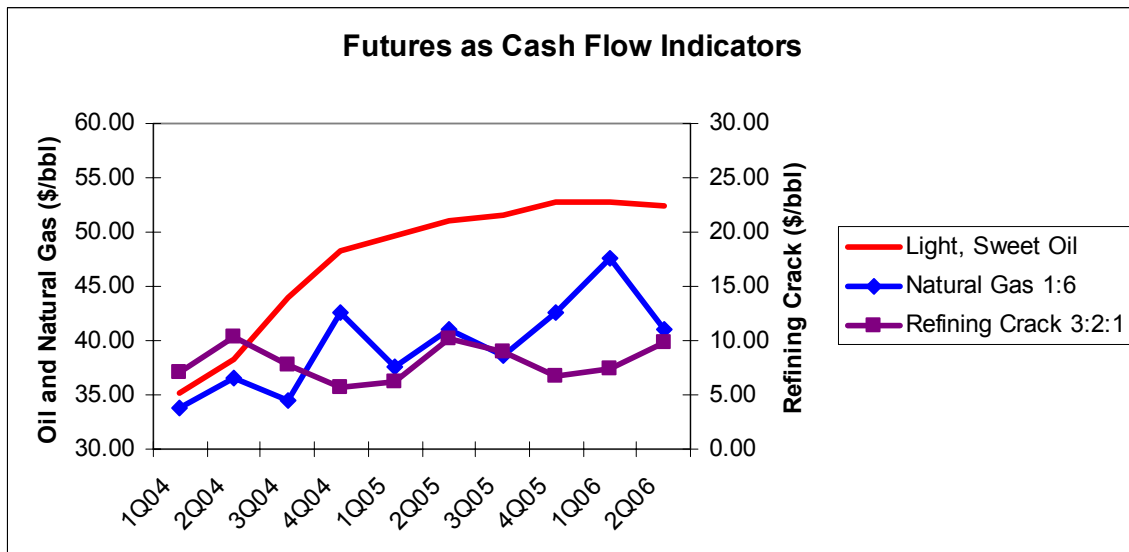
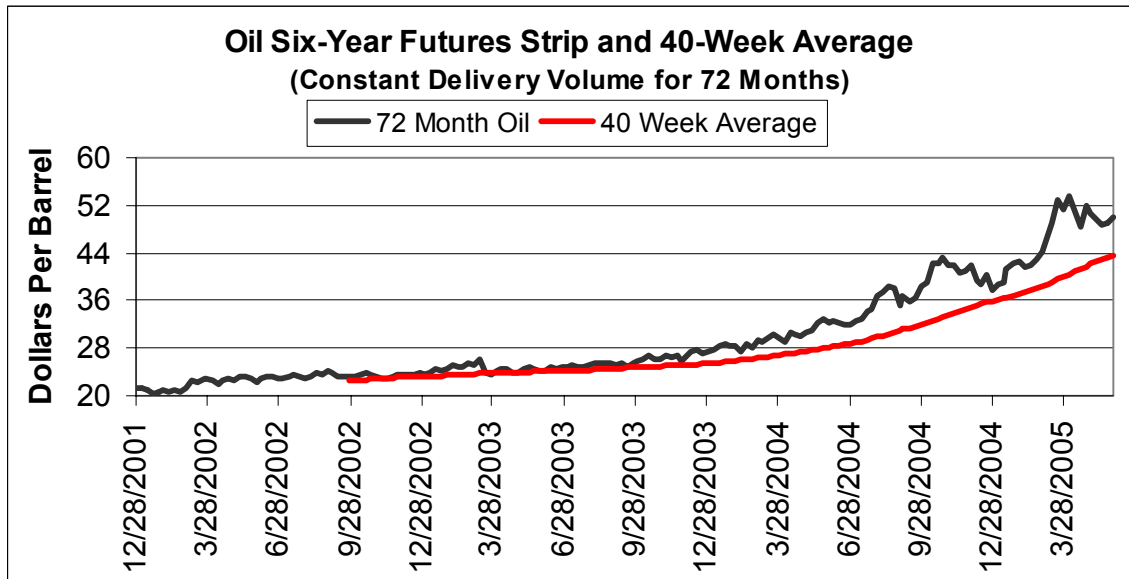
Multi-fold gain potential for oil and gas price over the years ahead justifies investment in recommended oil and gas producers, in our opinion. A McDep Ratio of 1.0 implies that a stock would be priced at present value assuming a constant real oil price of US\$40 (see table [Rank by McDep Ratio](#)).

Kurt H. Wulff, CFA

**Exxon Mobil Corporation**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</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>6/30/06</i>
<b>Volume</b>										
Natural Gas (mmcf)										
U.S. (or North America)	2,761	<b>2,911</b>	2,804	2,961	2,831	2,761	<b>2,839</b>	2,804	2,961	<b>2,839</b>
Overseas (or Int'l)	7,669	<b>6,946</b>	7,949	6,040	5,597	7,669	<b>6,810</b>	7,949	6,040	<b>6,810</b>
Total	10,430	<b>9,856</b>	10,753	9,001	8,428	10,430	<b>9,649</b>	10,753	9,001	<b>9,649</b>
Oil (mbd)	2,565	<b>2,572</b>	2,543	2,543	2,543	2,543	<b>2,543</b>	2,543	2,543	<b>2,543</b>
Total gas & oil (mmb)	396	<b>1,541</b>	390	368	363	394	<b>1,515</b>	390	368	<b>1,515</b>
<b>Price</b>										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	<b>6.15</b>	6.27	6.83	6.43	7.11	<b>6.66</b>	7.94	6.84	<b>7.08</b>
U.S. (or North America)	6.61	<b>5.93</b>	6.08	6.63	6.24	6.90	<b>6.46</b>	7.71	6.64	<b>6.86</b>
Overseas (or Int'l)	5.33	<b>4.56</b>	5.74	5.74	5.74	5.74	<b>5.74</b>	5.74	5.74	<b>5.74</b>
Total	5.67	<b>4.96</b>	5.83	6.03	5.91	6.04	<b>5.95</b>	6.25	6.03	<b>6.07</b>
Oil (\$/bbl)										
WTI Cushing	48.31	<b>41.44</b>	49.65	51.05	51.57	52.68	<b>51.24</b>	52.78	52.47	<b>52.38</b>
Worldwide	39.49	<b>35.76</b>	42.61	43.81	44.26	45.21	<b>43.98</b>	45.30	45.03	<b>44.95</b>
Total gas & oil (\$/bbl)	37.28	<b>33.43</b>	39.44	40.98	41.12	41.58	<b>40.77</b>	42.07	41.75	<b>41.64</b>
NY Harbor 3-2-1 (\$/bbl)	5.72	<b>7.74</b>	6.17	10.24	8.89	6.64	<b>7.99</b>	7.40	9.77	<b>8.18</b>
<b>Revenue (\$mm)</b>										
Natural Gas										
U.S. (or North America)	1,679	<b>6,304</b>	1,534	1,786	1,625	1,751	<b>6,698</b>	1,945	1,788	<b>7,110</b>
Overseas (or Int'l)	3,761	<b>11,548</b>	4,103	3,153	2,953	4,047	<b>14,256</b>	4,103	3,153	<b>14,256</b>
Total	5,440	<b>17,852</b>	5,638	4,939	4,579	5,798	<b>20,954</b>	6,048	4,941	<b>21,366</b>
Oil	9,319	<b>33,654</b>	9,752	10,139	10,355	10,578	<b>40,825</b>	10,368	10,421	<b>41,722</b>
Other	68,598	<b>246,521</b>	66,661	66,661	66,661	66,661	<b>266,644</b>	66,661	66,661	<b>266,644</b>
Total	83,357	<b>298,027</b>	82,051	81,739	81,595	83,037	<b>328,423</b>	83,077	82,023	<b>329,732</b>
<b>Expense</b>										
Production	5,319	<b>18,490</b>	5,774	5,712	5,683	5,972	<b>23,141</b>	5,980	5,769	<b>23,403</b>
Other	62,301	<b>228,846</b>	62,134	61,282	61,282	61,282	<b>245,980</b>	61,282	61,282	<b>245,128</b>
<b>Ebitda (\$mm)</b>										
Exploration and Production	9,440	<b>33,016</b>	9,616	9,366	9,251	10,405	<b>38,637</b>	10,436	9,593	<b>39,685</b>
Other	6,297	<b>17,675</b>	4,527	5,379	5,379	5,379	<b>20,664</b>	5,379	5,379	<b>21,516</b>
Total Ebitda	15,737	<b>50,691</b>	14,142	14,745	14,630	15,784	<b>59,301</b>	15,815	14,972	<b>61,201</b>
Exploration	334	<b>1,106</b>	173	350	350	350	<b>1,223</b>	350	350	<b>1,400</b>
Deprec., Deplet., & Amort.	2,431	<b>9,585</b>	2,553	2,553	2,553	2,553	<b>10,212</b>	2,553	2,553	<b>10,212</b>
Other non cash	-	-	-	-	-	-	-	-	-	-
<b>Ebit</b>	12,972	<b>40,000</b>	11,416	11,842	11,727	12,881	<b>47,866</b>	12,912	12,069	<b>49,589</b>
Interest	50	<b>198</b>	56	56	56	56	<b>224</b>	56	56	<b>224</b>
<b>Ebt</b>	12,922	<b>39,802</b>	11,360	11,786	11,671	12,825	<b>47,642</b>	12,856	12,013	<b>49,365</b>
Income Tax	4,523	<b>13,931</b>	3,976	4,125	4,085	4,489	<b>16,675</b>	4,500	4,205	<b>17,278</b>
<b>Net Income (\$mm)</b>										
Exploration and Production	4,887	<b>16,675</b>	5,054							
Other	3,592	<b>9,684</b>	2,425							
Unallocated	(80)	<b>(488)</b>	(95)							
Total	8,399	<b>25,871</b>	7,384	7,661	7,586	8,336	<b>30,967</b>	8,357	7,808	<b>32,087</b>
<b>Shares (millions)</b>										
Per share (\$)	6,461	<b>6,517</b>	6,421	6,421	6,421	6,421	<b>6,421</b>	6,421	6,421	<b>6,421</b>
Ebitda Margin (E&P)	1.30	<b>3.97</b>	1.15	1.19	1.18	1.30	<b>4.82</b>	1.30	1.22	<b>5.00</b>
Ebitda Margin (E&P)	64%	<b>64%</b>	62%	62%	62%	64%	<b>63%</b>	64%	62%	<b>63%</b>
Tax Rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>

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**Rank by McDep Ratio: Market Cap and Debt to Present Value**

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

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