

Rating: Buy
S&P 500: 1234

Exxon Mobil Corporation

New Highs Ahead

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 9/30/06 (US\$m)</i>	73,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	9
<i>Price (\$/sh)</i>	63.47	<i>Natural Gas and Oil Production/Ebitda (%)</i>	65
<i>Pricing Date</i>	9/16/05	<i>Adjusted Reserves/Production NTM</i>	11.5
<i>Shares (mm)</i>	6370	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (\$mm)</i>	404,000	<i>PV/Ebitda</i>	6.7
<i>Debt (\$mm)</i>	21,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	425,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	31.90
<i>Present Value (PV) (\$mm)</i>	492,000	<i>Present Value Proven Reserves(\$/boe)</i>	15.40
<i>Net Present Value (\$/share)</i>	74	<i>Present Value Proven Reserves(\$/mcf)</i>	2.60
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.28
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	1.8	<i>Indicated Annual Dividend (US\$/sh)</i>	1.16

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 think buy-recommended **ExxonMobil (XOM)** is poised for a jump in stock market recognition to estimated present value of \$74 a share. The three main indicators of future industry performance all point upward. The refinery crack for the current quarter is twice the average of the previous four quarters. Natural gas is strong worldwide as a newly global market looks to winter shy of stored volumes from hurricane curtailed production. Crude oil continues in a long-term uptrend with six-year futures at \$62 compared to some \$43 a barrel embedded in current stock price. The stock has low risk with globally diversified, integrated operations and miniscule debt.

Stock Price Less Than Present Value

Though ExxonMobil stock price has often been more than our estimate of present value the reverse seems the case today. Estimated present value of North American natural gas presumes a long-term real price of \$10 a million BTU at the Henry Hub in Louisiana. Estimated present value of oil production presumes a long-term real price of \$50 a barrel for Light Sweet Crude. Estimated present value of downstream operations presumes a long-term real 3-2-1 refining crack (margin) of \$10 a barrel in New York Harbor. We hold the long-term price parameters constant from month to month usually while we recalculate cash flow multiples weekly and correlate them with peer companies (see table Functional Cash Flow and Present Value).

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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	6,350	12.7	7.4	47,000	10%
Rest of World Natural Gas	9,400	14.6	10.0	94,000	19%
Oil	31,420	9.8	6.1	191,000	39%
Downstream	25,910		6.2	160,000	33%
	73,080	11.5	6.7	492,000	100%
Debt					21,000
Net Present Value (\$mm)					471,000
Shares					6,370
Net Present Value (\$/sh)					74

Cash Flow and Earnings May be Underestimated

Futures prices drive estimates of cash flow for North American natural gas (see table [Next Twelve Months Operating and Financial Estimates](#)). We raise the lagging price of Rest of World natural gas by 5% a quarter. Futures prices drive estimates of oil cash flow.

Estimated downstream cash flow is stated simply at a constant level 25% higher than the average for the past four quarters. The New York Harbor crack for the current quarter is twice the average of the past quarters. The sharp increases following the hurricane have subsided but the outlook for the four quarters ahead remains about 60% higher.

Downstream includes marketing and chemicals that may not respond in the same amount as the refining crack. The New York Harbor crack is the only one that can be calculated from widely quoted futures prices. Local segments of global markets each have their own nuances. Finally, an ExxonMobil shared refinery in Chalmette, Louisiana remains shut down after the hurricane. We presume that hurricane related costs are swamped by temporarily high industry margins, but we cannot know yet. Finally, there always remains some mystery of exactly what the company includes in any single quarter's results.

Industry Indicators Positive

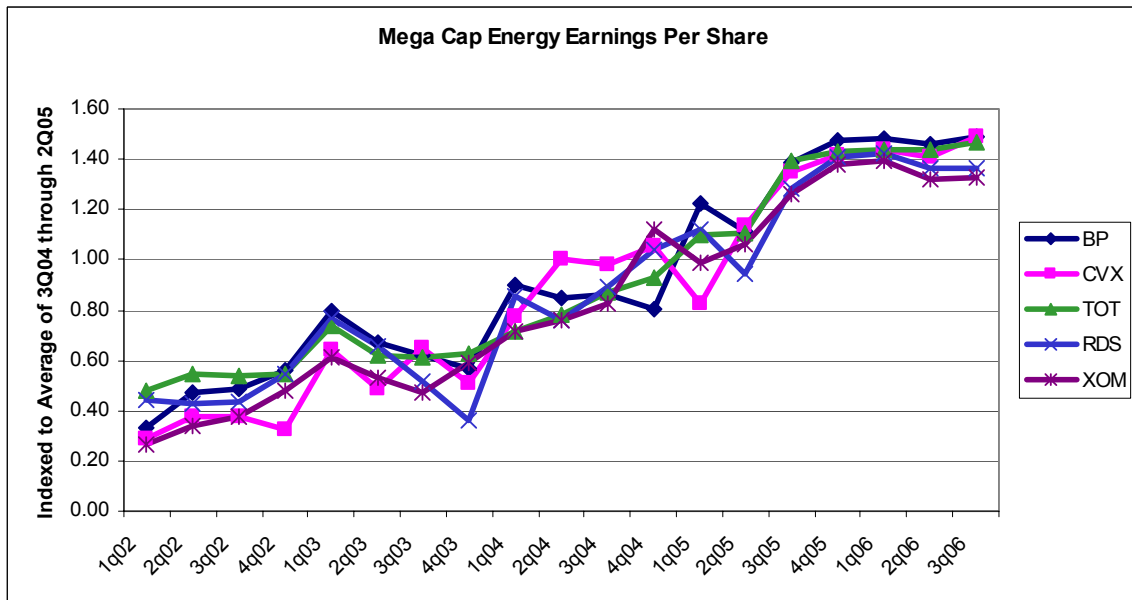
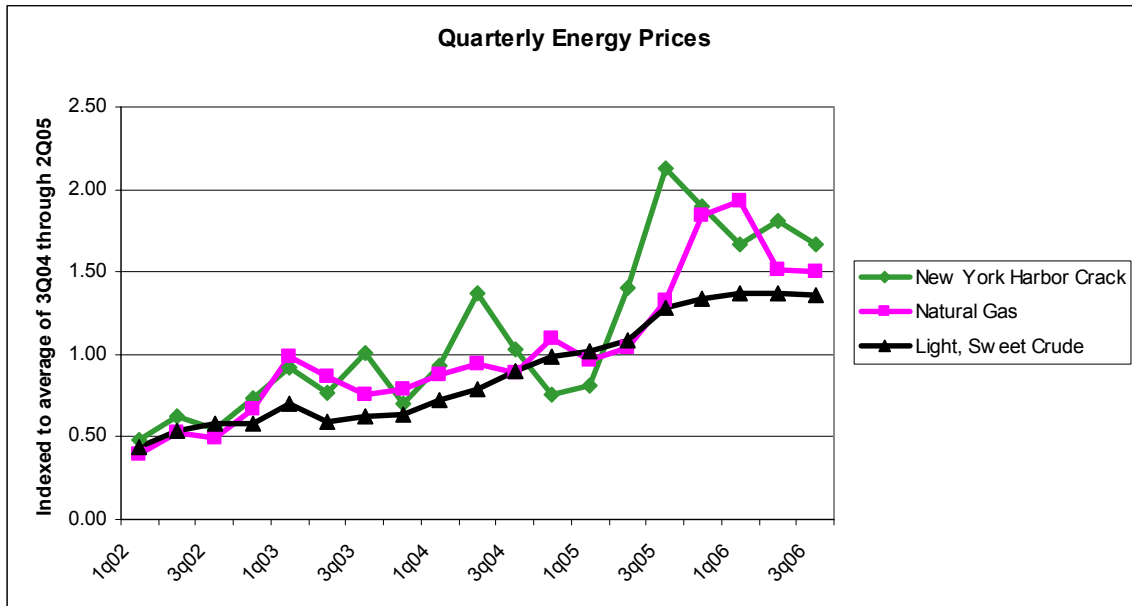
Most natural gas producers, oil producers and refiners should earn more under the indicated industry conditions ahead (see chart [Quarterly Energy Prices](#)). The expected earnings pattern of ExxonMobil is similar to that for its peers (see table [Mega Cap Earnings per Share](#)). Similarly peer companies also appear undervalued (see table [Rank by McDep Ratio](#)).

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Exxon Mobil Corporation
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>Q3E</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>9/30/06</i>	<i>9/30/06</i>
Volume											
Natural Gas (mmcf)											
U.S. (or North America)	2,761	2,911	2,804	2,722	2,722	2,722	2,742	2,722	2,722	2,722	2,722
Overseas (or Int'l)	7,669	6,946	7,949	5,964	5,597	7,669	6,791	7,949	5,964	5,597	6,791
Total	10,430	9,856	10,753	8,686	8,319	10,391	9,533	10,671	8,686	8,319	9,513
Oil (mbd)	2,565	2,572	2,543	2,466	2,466	2,466	2,485	2,466	2,466	2,466	2,466
Total gas & oil (mmb)	396	1,541	390	356	354	386	1,487	382	356	354	1,479
Price											
Natural gas (\$/mcf)											
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	8.56	11.92	8.38	12.46	9.76	9.71	10.96
U.S. (or North America)	6.61	5.93	6.08	6.65	8.43	11.73	8.22	12.26	9.61	9.56	10.79
Overseas (or Int'l)	5.33	4.56	5.74	5.43	5.70	5.98	5.73	6.28	6.60	6.93	6.40
Total	5.67	4.96	5.83	5.81	6.59	7.49	6.45	7.81	7.54	7.79	7.65
Oil (\$/bbl)											
WTI Cushing	48.31	41.44	49.65	53.05	62.34	65.26	57.58	66.54	66.81	66.49	66.27
Worldwide	39.49	35.76	42.61	47.14	55.38	57.98	50.77	59.12	59.36	59.07	58.88
Total gas & oil (\$/bbl)	37.28	33.43	39.44	42.59	49.68	52.60	46.06	53.97	54.14	54.63	53.81
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	16.06	14.33	11.79	12.61	13.65	12.61	13.30
Revenue (\$mm)											
Natural Gas											
U.S. (or North America)	1,679	6,304	1,534	1,647	2,111	2,937	8,229	3,004	2,380	2,394	10,716
Overseas (or Int'l)	3,761	11,548	4,103	2,945	2,934	4,221	14,203	4,494	3,580	3,566	15,861
Total	5,440	17,852	5,638	4,592	5,044	7,158	22,433	7,498	5,960	5,960	26,576
Oil	9,319	33,654	9,752	10,578	12,565	13,154	46,050	13,120	13,321	13,402	52,997
Other	68,598	246,521	66,661	73,398	73,398	73,398	286,855	73,398	73,398	73,398	293,592
Total	83,357	298,027	82,051	88,568	91,008	93,711	355,337	94,017	92,679	92,760	373,166
Expense (\$mm)											
Production	5,319	18,490	5,774	5,737	6,957	8,309	26,777	8,461	7,793	7,833	32,396
Other	62,301	228,846	62,134	67,953	66,920	66,920	263,927	66,920	66,920	66,920	267,679
Ebitda (\$mm)											
Exploration and Production	9,440	33,016	9,616	9,433	10,653	12,004	41,705	12,157	11,488	11,529	47,178
Other	6,297	17,675	4,527	5,445	6,478	6,478	22,929	6,478	6,478	6,478	25,913
Total Ebitda	15,737	50,691	14,142	14,878	17,131	18,482	64,634	18,635	17,967	18,007	73,092
Exploration	334	1,106	173	215	215	215	818	215	350	350	1,130
Deprec., Deplet., & Amort.	2,431	9,585	2,553	2,553	2,553	2,553	10,212	2,553	2,553	2,553	10,212
Other non cash	-	-	-	-	-	-	-	-	-	-	-
Ebit	12,972	40,000	11,416	12,110	14,363	15,714	53,604	15,867	15,064	15,104	61,750
Interest	50	198	56	56	56	56	224	56	56	56	224
Ebt	12,922	39,802	11,360	12,054	14,307	15,658	53,380	15,811	15,008	15,048	61,526
Income Tax	4,523	13,931	3,976	4,219	5,007	5,480	18,683	5,534	5,253	5,267	21,534
Net Income (\$mm)											
Exploration and Production	4,887	16,675	5,054	4,908							
Other	3,592	9,684	2,425	3,035							
Unallocated	(80)	(488)	(95)	(108)							
Total	8,399	25,871	7,384	7,835	9,300	10,178	34,697	10,277	9,755	9,781	39,992
Shares (millions)	6,461	6,517	6,421	6,370	6,370	6,370	6,381	6,370	6,370	6,370	6,370
Per share (\$)	1.30	3.97	1.15	1.23	1.46	1.60	5.44	1.61	1.53	1.54	6.28
Ebitda Margin (E&P)	64%	64%	62%	62%	60%	59%	61%	59%	60%	60%	59%
Tax Rate	35%	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/ Rating</i>		<i>Price (\$/sh) 16-Sep 2005</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/sh)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
Mega Cap								
BP plc	BP	B	70.76	3,545	251,000	82.00	0.10	0.88
Exxon Mobil Corporation	XOM	B	63.47	6,370	404,000	74.00	0.04	0.86
Total S.A.	TOT	B	134.46	1,182	159,000	160.00	0.12	0.86
Royal Dutch Shell plc	RDS-A	B	65.67	3,372	221,000	84.00	0.09	0.80
Chevron Corporation	CVX	B	63.13	2,256	142,000	90.00	0.12	0.74
	<i>Total or Median</i>				<i>1,177,000</i>		<i>0.10</i>	<i>0.86</i>

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