

Rating: Buy
S&P 500: 1179

Exxon Mobil Corporation **Momentum Challenge**

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 9/30/06 (US\$mm)</i>	72,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	9
<i>Price (\$/sh)</i>	55.60	<i>Natural Gas and Oil Production/Ebitda (%)</i>	64
<i>Pricing Date</i>	10/27/05	<i>Adjusted Reserves/Production NTM</i>	11.7
<i>Shares (mm)</i>	6303	<i>EV/Ebitda</i>	5.2
<i>Market Capitalization (\$mm)</i>	350,000	<i>PV/Ebitda</i>	6.8
<i>Debt (\$mm)</i>	21,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	372,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	31.80
<i>Present Value (PV) (\$mm)</i>	487,000	<i>Present Value Proven Reserves(\$/boe)</i>	15.10
<i>Net Present Value (\$/share)</i>	74	<i>Present Value Proven Reserves(\$/mcf)</i>	2.50
<i>Debt/Present Value</i>	0.04	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.21
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.1	<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

Buy-recommended **ExxonMobil (XOM)** offers 33% appreciation potential to estimated net present value of \$74 a share. Taking account of latest quarterly results, our correlation of 30 companies indicates net present value about \$2 a share lower than estimated. For several days, XOM stock has traded below its 200-day moving average of about \$58.60 a share. That could be interpreted as a change in momentum to a temporarily declining price trend. Yet it is not corroborated by other buy recommendations or by commodity price trends. The decline in Exxon stock may be due to artificial factors possibly connected to derivative strategies and/or the salvage of the failed commodity broker, Refco. In any event, the stock has fundamental appeal.

Cash Flow and Reserve Life Point to Present Value

McDep analysis presumes that fundamental value is measured by the projection of cash flows far into the future and discounting them to the present at a rate of return, currently 7% a year before inflation. Next Twelve Months (NTM) cash flow represents the volumes and costs that form the base for future projections. Reserve life index tells how long cash flow will last. NTM cash flow and reserve life are the two main variables in our correlation by function for about 30 companies. Net present value indicated by the current combined correlation is about \$2 a share lower than our ongoing standard estimate for the company (see table Functional Cash Flow and Present Value).

Please see disclosures on the final page.

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	6,360	13.6	7.4	47,000	10%
Rest of World Natural Gas	9,170	14.8	10.3	94,000	19%
Oil	30,760	9.9	6.0	186,000	38%
Downstream	25,740		6.2	160,000	33%
	72,030	11.7	6.8	487,000	100%
Debt					21,000
Net Present Value (\$mm)					466,000
Shares					6,303
Net Present Value (\$/sh)					74
Over (-)/ Under (+) Correlation (US\$/sh)					(2)

Cash Flow by Quarter Depends on Latest Results and Futures Prices

Cash flow for the next year is projected from a base through the latest reported quarter (see table Next Twelve Months Operating and Financial Estimates). Company disclosures provide the clues for future volumes and costs as well as geographic and quality differences in price. Futures prices from the New York Mercantile Exchange determine industry benchmarks for the next year.

Industry Conditions Support Long-Term Price Expectation

Present value estimates that form the denominator of the McDep Ratio and change only occasionally for all companies, most recently in early August, are tied to expected constant real long-term prices. Recent futures price for oil delivered over the next six years at \$58 a barrel exceeds our long-term expectation of \$50. One-year futures for natural gas exceed our long-term expectation while six-year futures for natural gas also have appreciation potential, in our opinion.

Oil and Gas Commodity and Stock Price
Thursday, October 27, 2005

	<u><i>Units</i></u>	<u><i>Futures Price</i></u>		<u><i>McDep Ratio</i></u>
		<u><i>Six-Year</i></u>	<u><i>One-Year</i></u>	<u><i>Denominator</i></u>
Crude Oil	\$/barrel	58.13	62.00	50
Natural Gas	\$/million btu	8.65	11.96	10
Oil Refining	\$/barrel		12.41	10
	<u><i>Stocks</i></u>			<u><i>Median</i></u>
	Mega Cap			0.76
	XOM			0.76

Source: McDep Associates, Bloomberg, New York Mercantile Exchange, Yahoo and company disclosures

Please see disclosures on the final page.

Exxon Mobil Corporation
 Next Twelve Months Operating and Financial Estimates

	Q4	Year	Q1	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	12/31/04	2004	3/31/05	6/30/05	9/30/05	12/31/05	2005E	3/31/06	6/30/06	9/30/06	9/30/06
Volume											
Natural Gas (mmcf)											
U.S. (or North America)	2,761	2,911	2,804	2,722	2,540	2,540	2,650	2,540	2,540	2,540	2,540
Overseas (or Int'l)	7,669	6,946	7,949	5,964	5,184	7,669	6,687	7,949	5,964	5,184	6,687
Total	10,430	9,856	10,753	8,686	7,724	10,209	9,337	10,489	8,504	7,724	9,227
Oil (mbd)	2,565	2,572	2,543	2,466	2,447	2,447	2,475	2,447	2,447	2,447	2,447
Total gas & oil (mmb)	396	1,541	390	356	344	382	1,472	378	352	344	1,454
Price											
Natural gas (\$/mcf)											
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	8.56	13.83	8.85	13.80	10.66	10.64	12.23
U.S. (or North America)	6.61	5.93	6.08	6.65	8.03	12.96	8.36	12.94	10.00	9.98	11.47
Overseas (or Int'l)	5.33	4.56	5.74	5.43	5.60	5.88	5.68	6.17	6.48	6.81	6.28
Total	5.67	4.96	5.83	5.81	6.40	7.64	6.44	7.81	7.53	7.85	7.71
Oil (\$/bbl)											
WTI Cushing	48.31	41.44	49.65	53.05	62.52	61.68	56.73	62.03	62.24	62.20	62.03
Worldwide	39.49	35.76	42.61	47.14	58.01	57.23	51.21	57.55	57.75	57.71	57.56
Total gas & oil (\$/bbl)	37.28	33.43	39.44	42.59	51.25	52.56	46.37	53.10	53.15	54.05	53.20
NY Harbor 3-2-1 (\$/bbl)	5.72	7.74	6.17	10.59	16.70	11.73	11.30	12.23	13.62	12.83	12.60
Revenue (\$mm)											
Natural Gas											
U.S. (or North America)	1,679	6,304	1,534	1,647	1,876	3,029	8,088	2,958	2,311	2,332	10,630
Overseas (or Int'l)	3,761	11,548	4,103	2,945	2,671	4,149	13,868	4,417	3,518	3,246	15,330
Total	5,440	17,852	5,638	4,592	4,547	7,178	21,955	7,375	5,830	5,578	25,960
Oil	9,319	33,654	9,752	10,578	13,060	12,884	46,273	12,675	12,859	12,992	51,410
Other	68,598	246,521	66,661	73,398	83,110	83,110	306,279	83,110	83,110	83,110	332,440
Total	83,357	298,027	82,051	88,568	100,717	103,172	374,508	103,160	101,799	101,680	409,810
Expense (\$mm)											
Production	5,319	18,490	5,774	5,761	6,900	8,127	26,563	8,121	7,441	7,382	31,071
Other	62,301	228,846	62,134	67,778	78,102	76,674	284,689	76,674	76,674	76,674	306,698
Ebitda (\$mm)											
Exploration and Production	9,440	33,016	9,616	9,409	10,707	11,934	41,666	11,928	11,248	11,189	46,299
Other	6,297	17,675	4,527	5,620	5,008	6,435	21,590	6,435	6,435	6,435	25,742
Total Ebitda	15,737	50,691	14,142	15,029	15,715	18,370	63,256	18,364	17,683	17,624	72,041
Exploration	334	1,106	173	215	249	249	886	249	350	350	1,198
Deprec., Deplet., & Amort.	2,431	9,585	2,553	2,516	2,516	2,516	10,101	2,516	2,516	2,516	10,064
Other non cash	-	-	-	-	-	-	-	-	-	-	-
Ebit	12,972	40,000	11,416	12,298	12,950	15,605	52,269	15,599	14,817	14,758	60,779
Interest	50	198	56	244	150	150	600	150	150	150	600
Ebt	12,922	39,802	11,360	12,054	12,800	15,455	51,669	15,449	14,667	14,608	60,179
Income Tax	4,523	13,931	3,976	4,219	4,480	5,409	18,084	5,407	5,134	5,113	21,063
Net Income (\$mm)											
Exploration and Production	4,887	16,675	5,054	4,908	5,729						
Other	3,592	9,684	2,425	3,035	2,600						
Unallocated	(80)	(488)	(95)	(108)	(9)						
Total	8,399	25,871	7,384	7,835	8,320	10,046	33,585	10,042	9,534	9,495	39,117
Shares (millions)	6,461	6,517	6,421	6,370	6,303	6,303	6,344	6,303	6,303	6,303	6,303
Per share (\$)	1.30	3.97	1.15	1.23	1.32	1.59	5.29	1.59	1.51	1.51	6.21
Ebitda Margin (E&P)	64%	64%	62%	62%	61%	59%	61%	59%	60%	60%	60%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

Buy Mega Cap Energy Stocks

Energy is necessary for world economic growth and clean energy provides a better quality of life. Mega Cap major oil companies are among the leading global suppliers of clean energy. Headquartered in the U.K., France and the U.S., buy recommendations also offer political diversification. McDep Ratios that compare Enterprise Value with Present Value of energy and other businesses imply that the stock market undervalues the fundamental prospects. Stocks are ranked in descending order of McDep Ratio connoting "buy low, sell high" (see table Rank by McDep Ratio).

Kurt H. Wulff, CFA

Please see disclosures on the final page.

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>27-Oct</i>	<i>Shares</i> <i>(mm)</i>	<i>Market</i> <i>Cap</i> <i>(\$mm)</i>	<i>Net</i> <i>Present</i> <i>Value</i> <i>(\$/sh)</i>	<i>Debt/</i> <i>Present</i> <i>Value</i>	<i>McDep</i> <i>Ratio</i>
Mega Cap								
BP plc	BP	B	65.15	3,501	228,000	77.00	0.11	0.86
Total S.A.	TOT	B	122.00	1,182	144,000	160.00	0.12	0.79
Exxon Mobil Corporation	XOM	B	55.60	6,303	350,000	74.00	0.04	0.76
Royal Dutch Shell plc	RDS-A	B	60.65	3,352	203,000	84.00	0.10	0.75
Chevron Corporation	CVX	B	56.50	2,256	128,000	90.00	0.12	0.67
	<i>Total or Median</i>				<i>1,053,000</i>		<i>0.11</i>	<i>0.76</i>

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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

Please see disclosures on the final page.