

Rating: Buy
S&P 500: 1285

Exxon Mobil Corporation **World's Most Profitable Company**

<i>Symbol</i>	XOM	<i>Ebitda Next Twelve Months ending 12/31/06 (US\$mm)</i>	77,800
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	6
<i>Price (\$/sh)</i>	63.11	<i>Natural Gas and Oil Production/Ebitda (%)</i>	68
<i>Pricing Date</i>	1/30/06	<i>Adjusted Reserves/Production NTM</i>	11.2
<i>Shares (mm)</i>	6211	<i>EV/Ebitda</i>	5.3
<i>Market Capitalization (\$mm)</i>	392,000	<i>PV/Ebitda</i>	6.2
<i>Debt (\$mm)</i>	21,000	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	413,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	34.90
<i>Present Value (PV) (\$mm)</i>	481,000	<i>Present Value Proven Reserves(\$/boe)</i>	15.80
<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>	6.88
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.0	<i>Indicated Annual Dividend (US\$/sh)</i>	1.28

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.

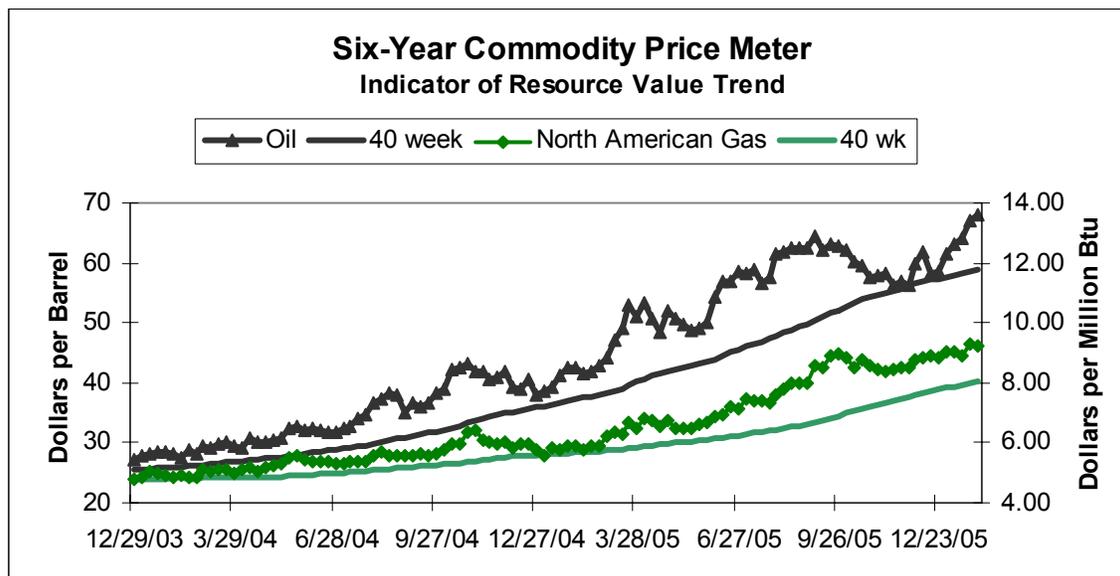
Summary and Recommendation

Fourth quarter earnings reported on January 30 reflected improving global industry conditions while stock price for buy-recommended **Exxon Mobil Corporation (XOM)** may correspond to a long-term oil price of perhaps just \$43 a barrel. The stock offers 17% appreciation potential to estimated net present value of \$74 a share that presumes a long-term oil price of \$50 a barrel. Futures investors price Light, Sweet Crude Oil at \$68 a barrel for the next six years. Among mega cap peers XOM has the second highest unlevered multiple of cash flow at 5.3 times. Adjusted reserve life at 11.2 years is the highest among peers thereby justifying higher cash flow multiple. The mega cap has a mix of business close to the median of peers with a slight tilt to natural gas. The Standard of Value, Exxon has delivered superior investment performance for decades and decades.

McDep Ratio Relates Oil Price to Opportunity

A McDep Ratio below 1.0 tells us that XOM's market cap and debt, or enterprise value, is less than the estimated present value of its energy resources. The estimate has been increasing with six-year oil futures. Futures price momentum has been positive for more than three years as the current quote stays above the 40-week average (see chart [Six-Year Commodity Price Meter](#)). Six-year oil has tripled in the four years we have been calculating it on a weekly basis. We do not need further gains in oil price to make money in buy recommendations. Yet our vision of \$150 oil in 2010 implies additional scope to exceed common expectations. Meanwhile the McDep Ratio for XOM ranks in the midst of peers (see table [Rank by McDep Ratio](#)).

Please see disclosures on the final page.



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

	Symbol/ Rating	Price (\$/sh) 30-Jan 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio
Mega Cap							
BP plc	BP B	72.27	3,501	253,000	77.00	0.11	0.95
Total S.A.	TOT B	138.37	1,176	163,000	160.00	0.12	0.88
Exxon Mobil Corporation	XOM B	63.11	6,211	392,000	74.00	0.04	0.86
Royal Dutch Shell plc	RDS-A B	67.47	3,352	226,000	84.00	0.10	0.82
ConocoPhillips	COP B	65.25	1,693	111,000	95.00	0.22	0.76
Chevron Corporation	CVX B	60.75	2,236	136,000	85.00	0.11	0.75
<i>Total or Median</i>				<i>1,281,000</i>		<i>0.11</i>	<i>0.84</i>

Low Cash Flow Multiple

Unlevered cash flow multiples in single digits attest to low valuation (see table Rank by EV/Ebitda). Cash flow estimated for the next twelve months, Ebitda NTM, reflects latest futures prices. Reserve life is measured as adjusted reserves divided by next twelve months production. XOM's adjusted reserve life index of 11.2 years is the longest of peers. Longest life justifies high unlevered cash flow multiple, EV/Ebitda, among peers.

Slight Tilt to Natural Gas

Each oil and gas stock has its own unique mix of energy resources (see table Business Segments). XOM's business mix is close to peer group medians with a slightly greater emphasis on natural gas. With the world moving from the oil economy to the natural gas economy, XOM may want more exposure to the clean fuel.

Please see disclosures on the final page.

Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating		Price (\$/sh) 30-Jan 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	72.27	9.5	6.0	5.6	9	3.0
Exxon Mobil Corporation	XOM	B	63.11	11.2	6.2	5.3	9	2.0
Total S.A.	TOT	B	138.37	9.2	5.9	5.2	9	2.6
Royal Dutch Shell plc	RDS-A	B	67.47	7.5	5.3	4.4	8	3.3
Chevron Corporation	CVX	B	60.75	9.7	5.4	4.0	7	3.0
ConocoPhillips	COP	B	65.25	10.9	5.3	4.0	6	1.9
	<i>Median</i>			9.6	5.6	4.8	8	2.8

Home Country and Business Segments

	Symbol/ Rating		Non- U.S. Domicile	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	Total Present Value (US\$m)
Mega Cap								
Exxon Mobil Corporation	XOM	B		10	20	37	33	481,000
Royal Dutch Shell plc	RDS-A	B	UK	4	19	33	45	313,000
BP plc	BP	B	UK	10	12	42	36	302,000
Total S.A.	TOT	B	France	-	28	37	35	214,000
Chevron Corporation	CVX	B		9	9	51	30	214,000
ConocoPhillips	COP	B		23	7	43	28	207,000
	<i>Total or Median</i>			9	15	40	34	1,731,000

Correlation Verifies Present Value in Real Time

Our underlying quantitative method for estimating present value projects cash flows years into the future and brings them to the present by applying a real discount rate, currently 7% a year. Around that traditional discounted cash flow analysis (DCF) we deal with uncertainty on a qualitative basis. "Option value" to us, for example, is "upside potential". After awhile DCF analyses fall into a pattern where differences among companies depend mostly on first year cash flow and reserve life. Meanwhile input information is continually changing as companies make new disclosures, each on a different day or at a different hour and commodity prices fluctuate. We aggregate latest information into a correlation analysis that determines a real-time present value approximation. When that approximation deviates too much from our steady, official estimate of present value and we cannot justify the difference with company-specific explanation, we change the official estimate. Net present value indicated by the current correlation matches 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	4,960	13.7	9.5	47,000	10%
Rest of World Natural Gas	11,670	15.0	8.1	94,000	20%
Oil	36,160	9.2	5.0	180,000	37%
Downstream	24,960		6.4	160,000	33%
	77,750	11.2	6.2	481,000	100%
Debt					21,000
Net Present Value (\$mm)					460,000
Shares					6,211
Net Present Value - Standard Estimate (US\$/sh)					74
Net Present Value - Approximation by Correlation (US\$/sh)					74

Futures Prices and Company Disclosures Propel Estimated Cash Flow by Quarter

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 in our model.

XOM the Standard of Value

For decades, the implicit goal of oil investors and analysts was to beat the performance of Exxon. After all, if one can make just as much money in XOM stock, why bother with professional investment analysis and management. The truth is that during rising oil markets it does not seem hard to beat the performance of Exxon. The opposite is true in declining oil markets. In the end through up and down markets, over decades and decades, Exxon has a profit record matched by none. It is the world's most profitable company.

Kurt H. Wulff, CFA

Exxon Mobil Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>12/31/06</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	2,761	2,540	2,532	2,648	2,532	2,532	2,532	2,532	2,532
Overseas (or Int'l)	7,669	5,184	7,290	6,591	7,949	5,964	5,184	7,290	6,591
Total	10,430	7,724	9,822	9,240	10,481	8,496	7,716	9,822	9,123
Oil (mbd)	2,565	2,447	2,629	2,521	2,629	2,629	2,629	2,629	2,629
Total gas & oil (mmb)	396	344	392	1,482	394	368	360	392	1,515
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	7.10	8.56	13.00	8.65	10.04	9.54	9.77	10.72	10.02
U.S. (or North America)	6.61	8.03	11.34	7.96	8.76	8.32	8.52	9.35	8.74
Overseas (or Int'l)	5.33	5.60	6.99	5.99	7.34	7.71	8.09	8.50	7.89
Total	5.67	6.40	8.11	6.56	7.68	7.89	8.23	8.72	8.13
Oil (\$/bbl)									
WTI Cushing	48.31	62.52	60.02	56.31	67.44	69.57	70.44	70.76	69.56
Worldwide	39.49	58.01	52.89	50.18	59.44	61.31	62.08	62.36	61.31
Total gas & oil (\$/bbl)	37.28	51.25	51.27	46.07	54.11	56.42	57.91	58.50	56.71
NY Harbor 3-2-1 (\$/bbl)	5.72	16.70	9.06	10.63	8.37	12.57	13.40	11.09	11.36
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	1,679	1,876	2,642	7,700	1,996	1,918	1,984	2,178	8,076
Overseas (or Int'l)	3,761	2,671	4,688	14,407	5,251	4,182	3,859	5,698	18,991
Total	5,440	4,547	7,330	22,107	7,247	6,100	5,843	7,876	27,066
Oil	9,319	13,060	12,793	46,182	14,063	14,668	15,014	15,083	58,829
Other	68,598	83,110	79,540	302,709	79,540	79,540	79,540	79,540	318,159
Total	83,357	100,717	99,662	370,998	100,849	100,308	100,397	102,499	404,055
Expense									
Production	5,319	6,900	7,598	26,033	8,191	7,921	7,966	9,016	33,094
Other	62,301	78,102	73,300	281,314	73,300	73,300	73,300	73,300	293,199
Ebitda (\$mm)									
Exploration and Production	9,440	10,707	12,524	42,256	13,118	12,848	12,892	13,943	52,801
Other	6,297	5,008	6,240	21,395	6,240	6,240	6,240	6,240	24,960
Total Ebitda	15,737	15,715	18,764	63,651	19,358	19,088	19,132	20,183	77,761
Exploration	334	249	332	969	332	350	350	350	1,382
Deprec., Deplet., & Amort.	2,431	2,516	2,516	10,101	2,516	2,516	2,516	2,516	10,064
Other non cash	-	-	-	-	-	-	-	-	-
Ebit	12,972	12,950	15,916	52,581	16,510	16,222	16,266	17,317	66,315
Interest	50	150	150	600	150	150	150	150	600
Ebt	12,922	12,800	15,766	51,981	16,360	16,072	16,116	17,167	65,715
Income Tax	4,523	4,480	5,518	18,193	5,726	5,625	5,641	6,008	23,000
Net Income (\$mm)									
Exploration and Production	4,887	5,729	7,038	22,729					
Other	3,592	2,600	3,225	11,285					
Unallocated	(80)	(9)	(15)	(227)					
Total	8,399	8,320	10,248	33,787	10,634	10,447	10,475	11,159	42,715
Shares (millions)									
Per share (\$)	6,461	6,303	6,211	6,315	6,211	6,211	6,211	6,211	6,211
Ebitda Margin (E&P)	1.30	1.32	1.65	5.35	1.71	1.68	1.69	1.80	6.88
Ebitda Margin (E&P)	64%	61%	62%	62%	62%	62%	62%	61%	61%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Please see disclosures on the final page.

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.