

Rating: Buy  
S&P 500: 1263

## **Exxon Mobil Corporation** **Volume and Cash Advancing**

|                                     |         |  |        |
|-------------------------------------|---------|--|--------|
| <i>Symbol</i>                       | XOM     | <i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i> | 78,300 |
| <i>Rating</i>                       | Buy     | <i>North American Natural Gas/Ebitda (%)</i>             | 5      |
| <i>Price (\$/sh)</i>                | 66.47   | <i>Natural Gas and Oil Production/Ebitda (%)</i>         | 70     |
| <i>Pricing Date</i>                 | 7/27/06 | <i>Adjusted Reserves/Production NTM</i>                  | 11.4   |
| <i>Shares (mm)</i>                  | 6030    | <i>EV/Ebitda</i>   | 5.4    |
| <i>Market Capitalization (\$mm)</i> | 401,000 | <i>PV/Ebitda</i>   | 6.2    |
| <i>Debt (\$mm)</i>                  | 19,000  | <i>Undeveloped Reserves (%)</i>                          | 36     |
| <i>Enterprise Value (EV) (\$mm)</i> | 420,000 | <i>Natural Gas and Oil Ebitda (\$/boe)</i>               | 35.30  |
| <i>Present Value (PV) (\$mm)</i>    | 489,000 | <i>Present Value Proven Reserves(\$/boe)</i>             | 15.80  |
| <i>Net Present Value (\$/share)</i> | 78      | <i>Present Value Proven Reserves(\$/mcf)</i>             | 2.60   |
| <i>Debt/Present Value</i>           | 0.04    | <i>Earnings Next Twelve Months (US\$/sh)</i>             | 7.14   |
| <i>McDep Ratio - EV/PV</i>          | 0.86    | <i>Price/Earnings Next Twelve Months</i>                 | 9      |
| <i>Dividend Yield (%/year)</i>      | 1.9     | <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.

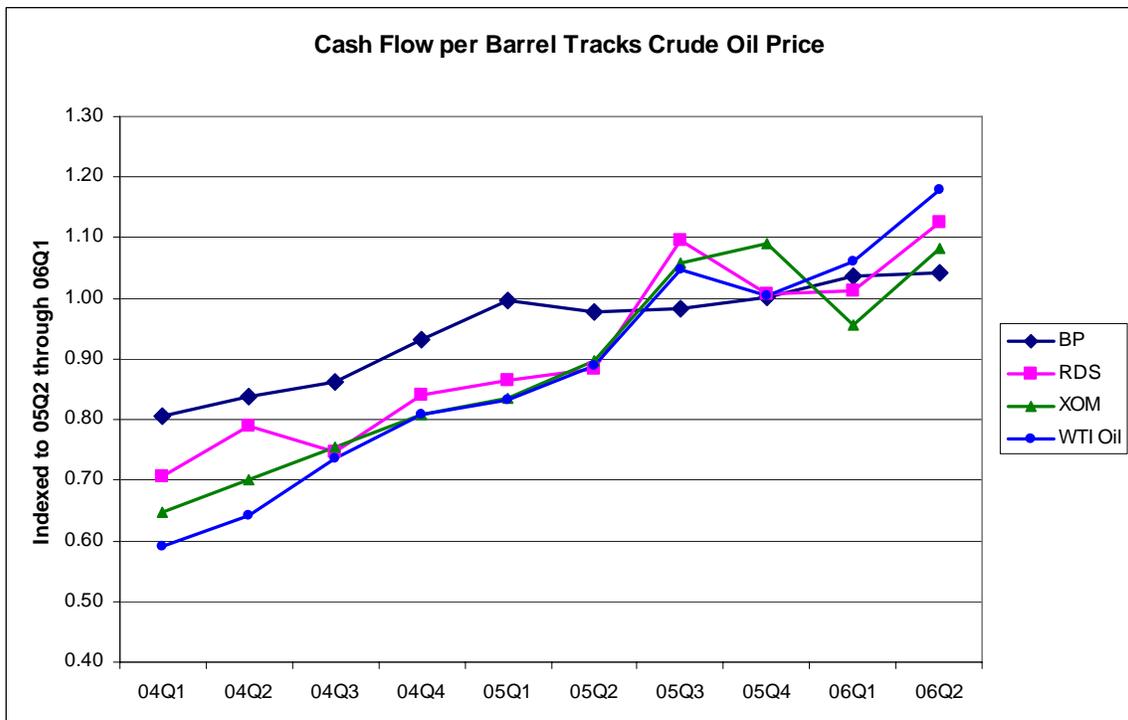
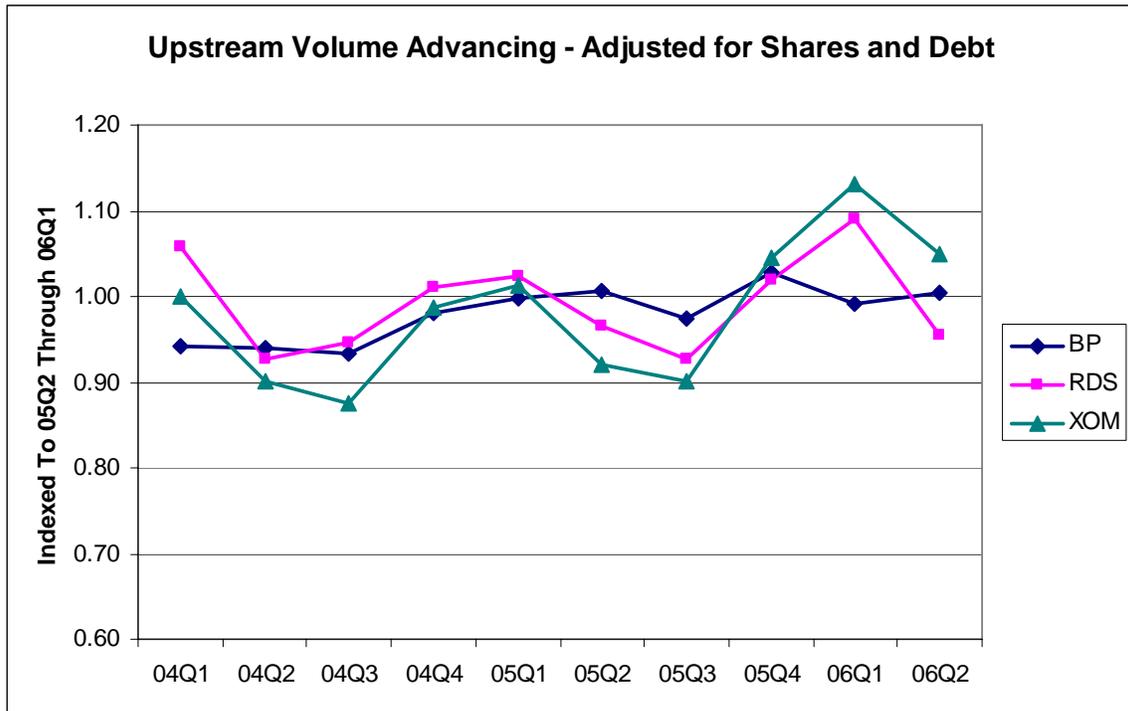
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

### **Summary and Recommendation**

Increases in oil production magnify the impact on profits of rising crude oil price for buy-recommended **Exxon Mobil Corporation (XOM)**. The benefits are further multiplied by share buyback and debt reduction through the quarter just reported on July 27 (see chart). Meanwhile XOM stock offers 16% appreciation potential to estimated net present value (NPV) of \$78 a share presuming a long-term oil price of \$60 a barrel. The estimate was revised from \$74 a share on June 6 when we revised our oil price from \$50 a barrel. The current quote for six-year oil futures is \$74. Our vision for oil price in 2010 is \$150. Our caution in raising NPV less than oil price reflected concern that the company would report lower volume in overseas production sharing contracts for accounting reasons. Yet the net barrels are growing and cash flow per barrel is mostly keeping up with oil price (see chart). An investment in XOM stock offers participation in the outlook for oil price, natural gas price and refining margin on terms that seem favorable to us.

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

|                            | <i>Q2</i>      | <i>Year</i>    | <i>Q1</i>      | <i>Q2</i>      | <i>Q3E</i>     | <i>Q4E</i>      | <i>Year</i>    | <i>Q1E</i>     | <i>Next</i>    |
|----------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|
|                            | <i>6/30/05</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>2006E</i>   | <i>3/31/07</i> | <i>Twelve</i>  |
|                            |                |                |                |                |                |                 |                |                | <i>Months</i>  |
|                            |                |                |                |                |                |                 |                |                | <i>6/30/07</i> |
| <b>Volume</b>              |                |                |                |                |                |                 |                |                |                |
| Natural Gas (mmcf)         |                |                |                |                |                |                 |                |                |                |
| North America              | 2,722          | <b>2,648</b>   | 2,589          | 2,514          | 2,514          | 2,514           | <b>2,532</b>   | 2,514          | <b>2,514</b>   |
| Overseas                   | 5,964          | <b>6,591</b>   | 8,610          | 6,255          | 5,184          | 7,290           | <b>6,827</b>   | 8,610          | <b>6,827</b>   |
| Total                      | 8,686          | <b>9,240</b>   | 11,199         | 8,769          | 7,698          | 9,804           | <b>9,359</b>   | 11,124         | <b>9,341</b>   |
| Oil (mbd)                  | 2,466          | <b>2,521</b>   | 2,696          | 2,701          | 2,701          | 2,701           | <b>2,700</b>   | 2,701          | <b>2,701</b>   |
| Total gas & oil (mbd)      | 3,914          | <b>4,061</b>   | 4,563          | 4,163          | 3,984          | 4,335           | <b>4,260</b>   | 4,555          | <b>4,258</b>   |
| <b>Price</b>               |                |                |                |                |                |                 |                |                |                |
| Natural gas (\$/mcf)       |                |                |                |                |                |                 |                |                |                |
| Henry Hub (\$/mmbtu)       | 6.76           | <b>8.65</b>    | 8.97           | 6.81           | 6.41           | 8.47            | <b>7.67</b>    | 10.62          | <b>8.50</b>    |
| U.S.                       | 6.65           | <b>7.96</b>    | 8.31           | 6.39           | 6.01           | 7.95            | <b>7.17</b>    | 9.97           | <b>7.96</b>    |
| International              | 5.43           | <b>5.99</b>    | 7.43           | 6.67           | 7.00           | 7.35            | <b>7.15</b>    | 7.72           | <b>7.57</b>    |
| Total                      | 5.81           | <b>6.56</b>    | 7.63           | 6.59           | 6.68           | 7.51            | <b>7.16</b>    | 8.23           | <b>7.68</b>    |
| Oil (\$/bbl)               |                |                |                |                |                |                 |                |                |                |
| WTI Cushing                | 53.05          | <b>56.31</b>   | 63.33          | 70.47          | 74.90          | 76.58           | <b>71.32</b>   | 77.63          | <b>76.73</b>   |
| Worldwide                  | 47.14          | <b>50.18</b>   | 56.95          | 64.91          | 69.00          | 70.55           | <b>65.40</b>   | 71.51          | <b>70.68</b>   |
| Total gas & oil (\$/bbl)   | 42.59          | <b>46.07</b>   | 52.39          | 56.00          | 59.68          | 60.93           | <b>57.18</b>   | 62.50          | <b>61.68</b>   |
| NY Harbor 3-2-1 (\$/bbl)   | 10.59          | <b>10.63</b>   | 7.40           | 15.39          | 16.36          | 11.35           | <b>12.62</b>   | 12.25          | <b>14.60</b>   |
| <b>Revenue (\$mm)</b>      |                |                |                |                |                |                 |                |                |                |
| Natural Gas                |                |                |                |                |                |                 |                |                |                |
| U.S.                       | 1,647          | <b>7,700</b>   | 1,936          | 1,462          | 1,390          | 1,838           | <b>6,627</b>   | 2,255          | <b>7,305</b>   |
| International              | 2,945          | <b>14,407</b>  | 5,758          | 3,797          | 3,340          | 4,932           | <b>17,826</b>  | 5,983          | <b>18,870</b>  |
| Total                      | 4,592          | <b>22,107</b>  | 7,694          | 5,258          | 4,730          | 6,770           | <b>24,453</b>  | 8,238          | <b>26,175</b>  |
| Oil                        | 10,578         | <b>46,182</b>  | 13,819         | 15,955         | 17,146         | 17,531          | <b>64,451</b>  | 17,384         | <b>69,676</b>  |
| Other                      | 73,398         | <b>302,709</b> | 67,467         | 77,820         | 77,820         | 77,820          | <b>300,928</b> | 77,820         | <b>311,281</b> |
| Total                      | 88,568         | <b>370,998</b> | 88,980         | 99,034         | 99,696         | 102,121         | <b>389,832</b> | 103,443        | <b>407,132</b> |
| <b>Expense (\$mm)</b>      |                |                |                |                |                |                 |                |                |                |
| Production                 | 5,761          | <b>25,933</b>  | 9,940          | 9,124          | 9,455          | 10,668          | <b>39,187</b>  | 11,329         | <b>40,995</b>  |
| Other                      | 67,778         | <b>281,287</b> | 63,040         | 71,474         | 71,958         | 71,958          | <b>278,430</b> | 71,958         | <b>287,833</b> |
| <b>Ebitda (\$mm)</b>       |                |                |                |                |                |                 |                |                |                |
| Exploration and Production | 9,409          | <b>42,357</b>  | 11,573         | 12,090         | 12,421         | 13,633          | <b>49,717</b>  | 14,294         | <b>54,856</b>  |
| Other                      | 5,620          | <b>21,422</b>  | 4,428          | 6,346          | 5,862          | 5,862           | <b>22,497</b>  | 5,862          | <b>23,448</b>  |
| Total Ebitda               | 15,029         | <b>63,779</b>  | 16,001         | 18,435         | 18,283         | 19,495          | <b>72,214</b>  | 20,156         | <b>78,304</b>  |
| Exploration                | 215            | <b>969</b>     | 280            | 170            | 170            | 170             | <b>790</b>     | 170            | <b>860</b>     |
| Deprec., Deplet., & Amort. | 2,516          | <b>10,256</b>  | 2,644          | 2,644          | 2,644          | 2,644           | <b>10,576</b>  | 2,644          | <b>10,576</b>  |
| Other non cash             | -              | -              | -              | (500)          | -              | -               | <b>(500)</b>   | -              | -              |
| <b>Ebit</b>                | 12,298         | <b>52,554</b>  | 13,077         | 16,121         | 15,469         | 16,681          | <b>61,348</b>  | 17,342         | <b>66,868</b>  |
| Interest                   | 244            | <b>573</b>     | 165            | 165            | 165            | 165             | <b>660</b>     | 165            | <b>660</b>     |
| <b>Ebt</b>                 | 12,054         | <b>51,981</b>  | 12,912         | 15,956         | 15,304         | 16,516          | <b>60,688</b>  | 17,177         | <b>66,208</b>  |
| Income Tax                 | 4,219          | <b>18,193</b>  | 4,519          | 5,585          | 5,356          | 5,781           | <b>21,241</b>  | 6,012          | <b>23,173</b>  |
| <b>Net Income (\$mm)</b>   |                |                |                |                |                |                 |                |                |                |
| Exploration and Production | 4,908          | <b>22,729</b>  | 6,383          | 7,134          |                |                 |                |                |                |
| Other                      | 3,035          | <b>11,285</b>  | 2,220          | 3,325          |                |                 |                |                |                |
| Unallocated                | (108)          | <b>(227)</b>   | (210)          | (87)           |                |                 |                |                |                |
| Total                      | 7,835          | <b>33,787</b>  | 8,393          | 10,372         | 9,947          | 10,736          | <b>39,447</b>  | 11,165         | <b>43,035</b>  |
| <b>Shares (millions)</b>   |                |                |                |                |                |                 |                |                |                |
| Per share (\$)             | 6,370          | <b>6,315</b>   | 6,126          | 6,030          | 6,030          | 6,030           | <b>6,050</b>   | 6,030          | <b>6,030</b>   |
| Ebitda Margin (E&P)        | 1.23           | <b>5.35</b>    | 1.37           | 1.72           | 1.65           | 1.78            | <b>6.52</b>    | 1.85           | <b>7.14</b>    |
| Ebitda Margin (E&P)        | 62%            | <b>62%</b>     | 54%            | 57%            | 57%            | 56%             | <b>56%</b>     | 56%            | <b>57%</b>     |
| Tax Rate                   | 35%            | <b>35%</b>     | 35%            | 35%            | 35%            | 35%             | <b>35%</b>     | 35%            | <b>35%</b>     |

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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                                 | 4,180                | 15.0              | 9.6                  | 40,000              | 8%      |
| Rest of World Natural Gas                                  | 10,800               | 16.7              | 10.2                 | 110,000             | 22%     |
| Oil  | 39,880               | 8.6               | 4.9                  | 194,000             | 40%     |
| Downstream   | 23,450               |                   | 6.2                  | 145,000             | 30%     |
|  | 78,310               | 11.4              | 6.2                  | 489,000             | 100%    |
| Debt   |                      |                   |                      |                     | 19,000  |
| Net Present Value (\$mm)                                   |                      |                   |                      |                     | 470,000 |
| Shares   |                      |                   |                      |                     | 6,030   |
| Net Present Value - Standard Estimate (US\$/sh)            |                      |                   |                      |                     | 78      |
| Net Present Value - Approximation by Correlation (US\$/sh) |                      |                   |                      |                     | 76      |

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