

Rating: Buy
 S&P 500: 1305

ConocoPhillips

Strong Cash Flow and Value

<i>Symbol</i>	COP	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	39,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	15
<i>Price (US\$/sh)</i>	67.15	<i>Natural Gas and Oil Production/Ebitda (%)</i>	74
<i>Pricing Date</i>	4/26/06	<i>Adjusted Reserves/Production NTM</i>	12.1
<i>Shares (mm)</i>	1693	<i>EV/Ebitda</i>	4.0
<i>Market Capitalization (US\$mm)</i>	113,700	<i>PV/Ebitda</i>	5.2
<i>Debt (US\$mm)</i>	46,000	<i>Undeveloped Reserves (%)</i>	28
<i>Enterprise Value (EV) (US\$mm)</i>	160,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	35.40
<i>Present Value (PV) (US\$mm)</i>	206,700	<i>Present Value Proven Reserves(US\$/boe)</i>	13.14
<i>Net Present Value (US\$/share)</i>	95	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.19
<i>Debt/Present Value</i>	0.22	<i>Earnings Next Twelve Months (US\$/sh)</i>	11.30
<i>McDep Ratio - EV/PV</i>	0.77	<i>Price/Earnings Next Twelve Months</i>	6
<i>Dividend Yield (%/year)</i>	2.1	<i>Indicated Annual Dividend (US\$/sh)</i>	1.44

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 **ConocoPhillips (COP)** offers 41% appreciation potential to estimated net present value of \$95 a share. That estimate appears low in a correlation of present value with adjusted reserve life and next twelve months cash flow taking account of first quarter 2006 results reported on April 26. The estimate also presumes a long-term oil price of \$50 a barrel. Since COP is priced less than our estimate, at a McDep Ratio of 0.78, the stock appears priced for a long-term oil price of about \$39 a barrel. Meanwhile the futures price for oil delivered over the next six years continues in a multi-year uptrend with the current quote at \$72. As a result of the widening price gap, we may soon be raising our estimates. Present value is concentrated about half on oil, and a quarter each on natural gas and downstream.

Functional Cash Flow and Present Value

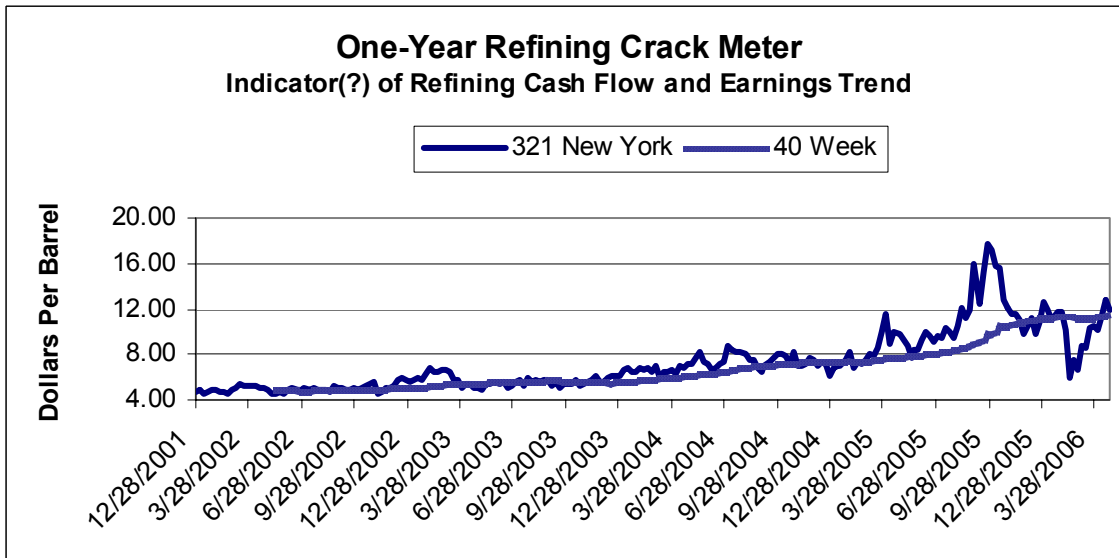
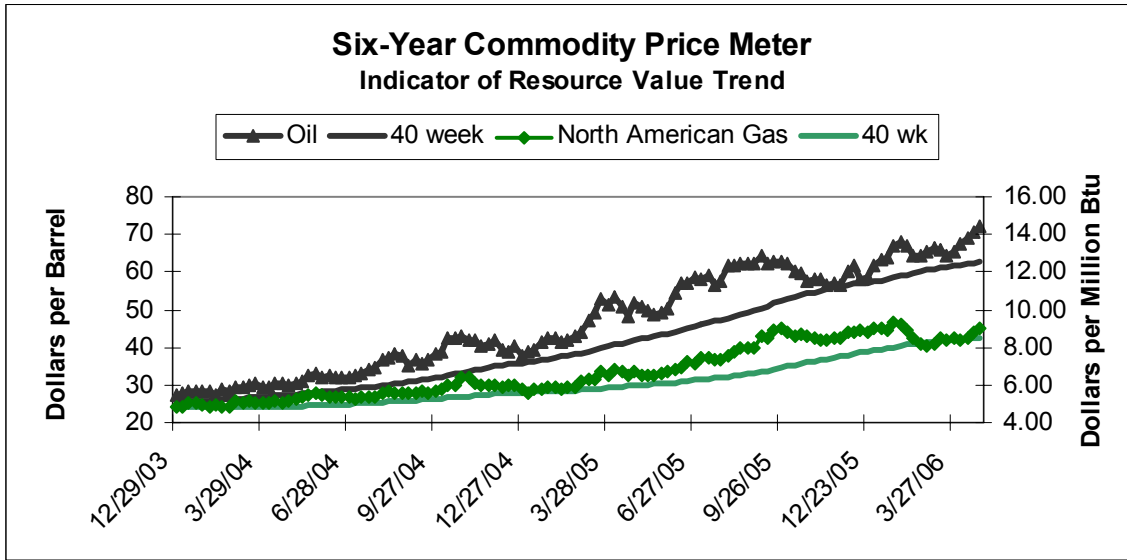
	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	5,860	11.6	5.8	34,000	16%
Rest of World Natural Gas	2,640	14.5	7.6	20,000	10%
Oil	20,720	11.9	4.7	97,000	47%
Downstream	10,400		5.4	56,000	27%
	39,620	12.1	5.2	207,000	100%
Debt (US\$mm)				46,000	
Net Present Value (US\$mm)				161,000	
Shares (mm)				1,693	
Net Present Value - Standard Estimate (US\$/sh)				95	
Net Present Value - Approximation by Correlation (US\$/sh)				112	

Please see disclosures on the final page.

ConocoPhillips
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/05</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>2006E</i>	<i>3/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	1,771	1,866	1,806	1,851	3,589	3,589	3,589	3,160	3,589
Overseas (or Int'l)	1,529	1,605	1,464	1,714	1,714	1,473	1,789	1,672	1,672
Total	3,300	3,471	3,270	3,565	5,303	5,062	5,378	4,833	5,261
Oil (mbd)	1,251	1,305	1,263	1,338	1,386	1,386	1,386	1,374	1,386
Total gas & oil (mbd)	1,801	1,884	1,808	1,932	2,270	2,230	2,282	2,180	2,263
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	7.53	8.24	9.99	8.68	9.44
U.S. (or North America)	5.45	9.33	7.13	7.42	6.23	6.81	8.26	7.15	7.28
Overseas (or Int'l)	4.89	6.33	5.26	7.05	7.05	7.05	7.05	7.05	7.05
Total	5.19	7.94	6.29	7.24	6.49	6.88	7.86	7.11	7.20
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	56.31	63.33	72.20	75.16	75.97	71.66	74.82
Worldwide	41.49	52.02	48.80	56.63	64.56	67.21	67.93	64.19	67.25
Total gas & oil (\$/mcf)	6.39	8.45	7.58	8.76	9.10	9.57	9.96	9.37	9.60
NY Harbor 3-2-1 (\$/bbl)	6.17	9.06	10.63	7.40	17.93	13.16	9.08	11.89	12.62
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	869	1,602	4,700	1,236	2,034	2,250	2,728	8,248	9,533
Overseas (or Int'l)	673	934	2,808	1,087	1,099	955	1,160	4,300	4,300
Total	1,541	2,535	7,508	2,323	3,133	3,205	3,888	12,548	13,833
Oil	4,671	6,246	22,498	6,819	8,143	8,570	8,662	32,194	33,723
Other	32,706	43,392	153,357	38,785	38,785	38,785	38,785	155,139	155,139
Total	38,918	52,173	183,364	47,927	50,060	50,560	51,334	199,881	202,695
Expense (\$mm)									
Fixed	1,431	883	3,986	944	1,050	1,050	1,050	4,094	4,200
Variable	1,431	2,648	9,095	2,833	3,494	3,649	3,889	13,865	14,140
Other	30,606	41,292	144,257	37,685	36,185	36,185	36,185	146,239	144,739
Ebitda (\$mm)									
Exploration and Production	3,350	5,251	16,925	5,365	6,732	7,076	7,611	26,783	29,216
Other	2,100	2,100	9,100	1,100	2,600	2,600	2,600	8,900	10,400
Total Ebitda	5,450	7,351	26,025	6,465	9,332	9,676	10,211	35,683	39,616
Exploration	171	229	661	112	240	240	240	832	960
Deprec., Deplet., & Amort.	1,041	1,178	4,253	1,180	1,800	1,800	1,800	6,580	6,939
Other non cash	(400)	11	(380)	-	150	150	150	450	600
Ebit	4,638	5,933	21,491	5,173	7,142	7,486	8,021	27,821	31,117
Interest	138	110	497	115	422	422	422	1,381	1,688
Ebt	4,500	5,823	20,994	5,058	6,720	7,064	7,599	26,440	29,429
Income Tax	1,575	2,038	7,348	1,770	2,352	2,472	2,660	9,254	10,300
Net Income (\$mm)									
Exploration and Production	1,988	2,619	9,091	2,802				2,802	
Other	1,210	1,313	5,327	657				657	
Unallocated	(273)	(147)	(772)	(171)				(171)	
Total	2,925	3,785	13,646	3,288	4,368	4,592	4,939	17,186	19,129
Shares (millions)									
Per share (\$)	2.06	2.69	9.64	2.34	2.58	2.71	2.92	10.55	11.30
Ebitda Margin (E&P)	54%	60%	56%	59%	60%	60%	61%	60%	61%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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