

Rating: Buy
S&P 500: 1466
Intraday

Chevron Corporation **Oil and Downstream Vigor**

<i>Symbol</i>	CVX	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$m)</i>	41,700
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	5
<i>Price (\$/sh)</i>	86.03	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	7/27/07	<i>Adjusted Reserves/Production NTM</i>	10.1
<i>Shares (mm)</i>	2206	<i>EV/Ebitda</i>	5.1
<i>Market Capitalization (\$mm)</i>	190,000	<i>PV/Ebitda</i>	6.1
<i>Debt (\$mm)</i>	22,000	<i>Undeveloped Reserves (%)</i>	39
<i>Enterprise Value (EV) (\$mm)</i>	212,000	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	29.20
<i>Present Value (PV) (\$mm)</i>	253,000	<i>Present Value Proven Reserves(\$/boe)</i>	14.10
<i>Net Present Value (\$/share)</i>	105	<i>Present Value Proven Reserves(\$/mcf)</i>	2.30
<i>Debt/Present Value</i>	0.09	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.65
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.7	<i>Indicated Annual Dividend (US\$/sh)</i>	2.32

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.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of CVX since 2002 see www.mcdep.com/1cvx.htm

Summary and Recommendation

Buy-recommended **Chevron Corporation (CVX)** offers unlevered appreciation potential of 20% to estimated net present value (NPV) of \$105 a share revised up from \$92 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. In second quarter results reported on July 27, downstream (Other) demonstrated the strongest gains in unlevered cash flow (Ebitda) driven by record industry refining margin (NY Harbor 3-2-1) (see table [Next Twelve Months Operating and Financial Estimates](#)). Concentrated 63% on oil production, NPV for the mega cap stock looks low compared to our estimates for some thirty other producers (see table [Functional Cash Flow and Present Value](#)). Construction work at Chevron's El Segundo, California refinery may have limited profit gains in the second quarter, but the new investment should lead to enhanced profits in future quarters. Currently quoted at \$71, long-term oil price appears to be in an uptrend despite volatility of short-term quotes (see chart [Six-Year Commodity Price Meter](#)). Finally, CVX stock also has positive momentum as it trades above its 200-day average.

Kurt H. Wulff, CFA

strength

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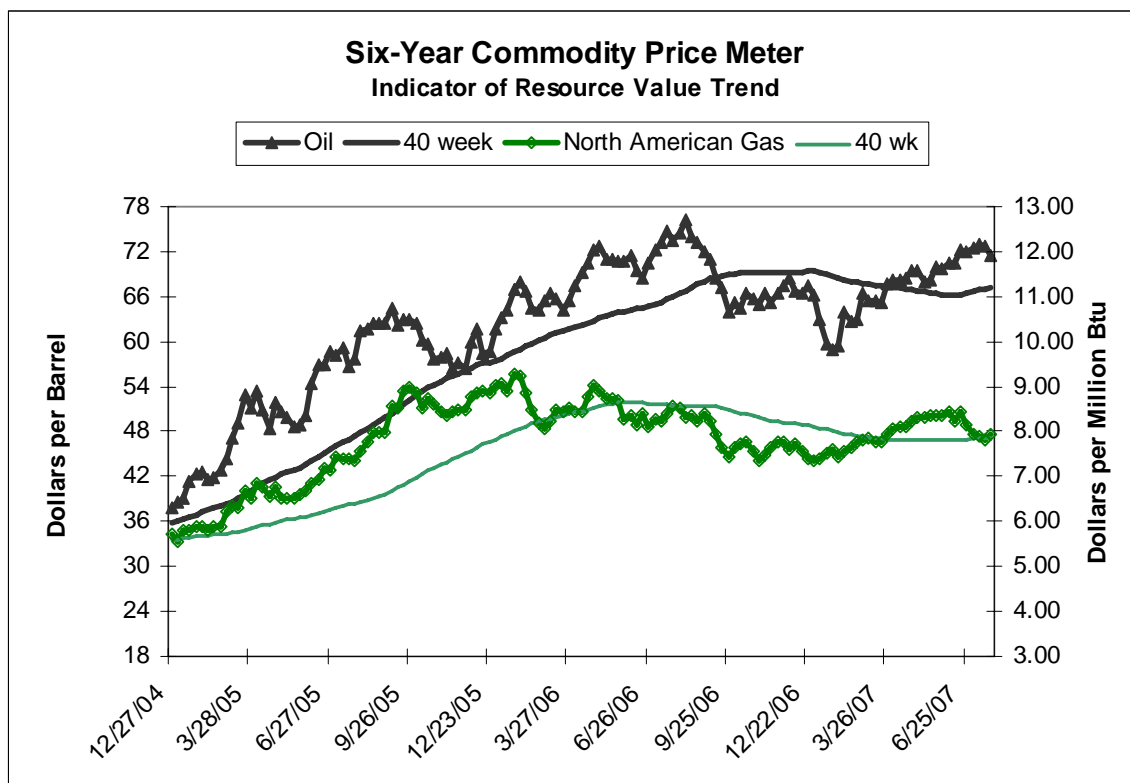
Chevron
Next Twelve Months Operating and Financial Estimates

	Q2	Q3	Year	Q1	Q2	Q3E	Q4E	Year	Next Twelve Months
	6/30/06	9/30/06	2006	3/31/07	6/30/07	9/30/07	12/31/07	2007E	6/30/08
Volume									
Natural Gas (mmcf)									
U.S.	1,832	1,846	1,811	1,723	1,703	1,703	1,703	1,708	1,703
Rest of World	3,234	3,119	3,146	3,271	3,314	3,314	3,314	3,303	3,314
Total	5,066	4,965	4,957	4,994	5,017	5,017	5,017	5,011	5,017
Oil (mbd)	1,825	1,872	1,841	1,811	1,794	1,794	1,794	1,798	1,794
Total gas & oil (mbd)	2,669	2,700	2,667	2,643	2,630	2,630	2,630	2,633	2,630
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.36	7.22	6.97	7.49
U.S.	5.89	5.93	6.28	6.40	6.56	5.52	6.17	6.16	6.41
Rest of World	3.82	3.66	3.73	3.85	3.64	3.66	3.66	3.70	3.70
Total	4.57	4.50	4.66	4.73	4.63	4.29	4.51	4.54	4.62
Oil (\$/bbl)									
WTI Cushing	70.47	70.42	66.05	58.08	64.91	74.48	74.58	64.35	74.07
Worldwide	61.69	61.92	57.50	50.07	60.26	69.15	69.65	62.33	69.47
Total gas & oil (\$/bbl)	50.85	51.22	48.36	43.24	49.94	55.35	56.11	51.20	56.20
NY Harbor 3-2-1 (\$/bbl)	15.39	11.67	10.57	11.68	24.96	14.68	10.24	10.49	13.10
Revenue (\$mm)									
Natural Gas									
U.S.	982	1,007	4,153	992	1,017	865	966	3,841	3,985
Rest of World	1,124	1,050	4,287	1,133	1,098	1,116	1,116	4,463	4,478
Total	2,106	2,057	8,439	2,126	2,114	1,981	2,082	8,304	8,463
Oil	10,245	10,665	38,633	8,161	9,838	11,413	11,495	40,907	45,487
Other	41,185	41,490	163,046	37,941	44,141	44,141	44,941	171,165	178,966
Total	53,536	54,212	210,118	48,227	56,094	57,536	58,519	220,375	232,915
Expense									
Production	6,052	6,234	22,504	5,040	5,618	6,429	6,517	23,605	25,896
Other	38,355	37,952	151,177	34,668	40,200	40,603	42,001	157,472	165,273
Ebitda (\$mm)									
Exploration and Production	6,299	6,488	24,568	5,246	6,335	6,965	7,060	25,606	28,054
Other	2,830	3,538	11,869	3,272	3,941	3,538	2,941	13,693	13,693
Total Ebitda	9,129	10,027	36,437	8,518	10,276	10,503	10,001	39,299	41,747
Exploration	265	284	1,364	306	273	273	273	1,125	1,066
Deprec., Deplet., & Amort.	1,807	1,923	7,506	1,963	2,156	2,156	2,156	8,431	8,624
Other non cash	250	-	-	-	(520)				
Ebit	6,807	7,820	26,817	6,249	8,367	8,074	7,572	30,263	32,057
Interest	121	104	451	74	63	63	63	263	252
Ebt	6,686	7,716	26,366	6,175	8,304	8,011	7,509	30,000	31,805
Income Tax	2,340	2,700	9,228	2,161	2,907	2,804	2,628	10,500	11,132
Net Income (\$mm)									
Exploration and Production	3,272	3,503	13,142	2,907	3,639				
Other	1,092	1,609	4,512	1,045	1,402				
Unallocated	(18)	(97)	(516)	62	357				
Total	4,346	5,015	17,138	4,014	5,398	5,207	4,881	19,500	20,673
Shares (millions)	2,206	2,190	2,197	2,158	2,142	2,142	2,142	2,145	2,142
Per share (\$)	1.97	2.29	7.80	1.86	2.52	2.43	2.28	9.09	9.65
Ebitda Margin (E&P)	51%	51%	52%	51%	53%	52%	52%	52%	52%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Chevron Corporation
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	1,860	6.1	6.5	12,000	5%
Rest of World Natural Gas	2,090	11.9	7.2	15,000	6%
Oil	24,110	10.2	6.7	161,000	63%
Downstream	13,690		4.8	66,000	26%
	41,750	10.1	6.1	254,000	100%
Debt (US\$mm)					22,000
Net Present Value (US\$mm)					232,000
Shares (mm)					2,206
Net Present Value - Standard Estimate (US\$/sh)					105
Net Present Value - Approximation by Correlation (US\$/sh)					113



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