



Rating: Buy  
 S&P 500: 1281  
 Intraday

## ConocoPhillips Cool Under Fire

<i>Symbol</i>	COP	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	38,800
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	11
<i>Price (US\$/sh)</i>	68.25	<i>Natural Gas and Oil Production/Ebitda (%)</i>	70
<i>Pricing Date</i>	1/23/08	<i>Adjusted Reserves/Production NTM</i>	10.6
<i>Shares (mm)</i>	1612	<i>EV/Ebitda</i>	4.0
<i>Market Capitalization (US\$m)</i>	110,000	<i>PV/Ebitda</i>	6.3
<i>Debt (US\$m)</i>	45,000	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (US\$m)</i>	155,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.90
<i>Present Value (PV) (US\$m)</i>	244,000	<i>Present Value Proven Reserves(US\$/boe)</i>	17.24
<i>Net Present Value (US\$/share)</i>	124	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.87
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	11.46
<i>McDep Ratio - EV/PV</i>	0.63	<i>Price/Earnings Next Twelve Months</i>	6
<i>Dividend Yield (%/year)</i>	2.4	<i>Indicated Annual Dividend (US\$/sh)</i>	1.64

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\$80 a barrel and natural gas, \$11 a million btu.  
 For historical analysis of COP since 2002 see [www.mcdep.com/2cocp.htm](http://www.mcdep.com/2cocp.htm)

### Summary and Recommendation

Despite seeing a steep decline in stock price for buy-recommended **ConocoPhillips (COP)**, we believe the oil and gas company is financially strong, well-managed and undervalued in the market. Discussing fourth quarter results reported today that exceeded our projections, chief executive Jim Mulva appeared calm and confident. Those results support our December 18 increase in Net Present Value (NPV) to \$124 a share from \$112 a share prompted by an increase in long-term oil price for calculating present value to \$80 from \$66 a barrel. We also allowed for higher taxes to be imposed by the state of Alaska and the province of Alberta. We judge current stock market turmoil to be a financial problem, not a fundamental problem with the oil and gas industry or ConocoPhillips. Likely government responses to debt-stressed capital markets may keep oil price on its long-term uptrend. Meanwhile COP stock trades at the lowest McDep Ratio of at least our last dozen analyses of the company.

Kurt H. Wulff, CFA



**ConocoPhillips**  
**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>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>12/31/08</i>
<b>Volume</b>									
Natural Gas (mmcf)									
U.S. (or North America)	3,521	3,404	3,276	<b>3,398</b>	3,276	3,276	3,276	3,276	<b>3,276</b>
Overseas (or Int'l)	1,873	1,512	1,705	<b>1,688</b>	1,858	1,681	1,512	1,705	<b>1,689</b>
Total	5,394	4,916	4,981	<b>5,087</b>	5,134	4,957	4,788	4,981	<b>4,965</b>
Oil (mbd)	1,586	1,372	1,431	<b>1,478</b>	1,431	1,431	1,431	1,431	<b>1,431</b>
Total gas & oil (bcf)	1,372	1,210	1,248	<b>5,094</b>	1,249	1,232	1,230	1,248	<b>4,960</b>
Total gas & oil (mbd)	2,485	2,191	2,261	<b>2,326</b>	2,287	2,257	2,229	2,261	<b>2,258</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	<b>6.87</b>	7.69	7.97	8.16	8.53	<b>8.09</b>
U.S. (or North America)	5.86	5.29	5.97	<b>5.99</b>	6.59	6.82	6.99	7.31	<b>6.93</b>
Overseas (or Int'l)	6.60	6.17	7.98	<b>6.79</b>	7.98	7.98	7.98	7.98	<b>7.98</b>
Total	6.12	5.56	6.66	<b>6.26</b>	7.09	7.22	7.30	7.54	<b>7.29</b>
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	<b>72.28</b>	91.12	89.15	88.23	87.38	<b>88.97</b>
Worldwide	52.84	67.88	78.84	<b>64.58</b>	78.23	76.54	75.75	75.02	<b>76.81</b>
Total gas & oil (\$/mcf)	7.84	9.16	10.76	<b>9.12</b>	10.81	10.73	10.72	10.68	<b>10.74</b>
NY Harbor 3-2-1 (\$/bbl)	7.54	12.64	8.19	<b>14.37</b>	9.18	14.37	13.89	9.82	<b>11.81</b>
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S. (or North America)	1,899	1,656	1,800	<b>7,436</b>	1,963	2,035	2,106	2,202	<b>8,306</b>
Overseas (or Int'l)	1,138	859	1,252	<b>4,181</b>	1,350	1,221	1,110	1,252	<b>4,934</b>
Total	3,037	2,515	3,052	<b>11,616</b>	3,313	3,256	3,216	3,454	<b>13,239</b>
Oil	7,711	8,568	10,380	<b>34,844</b>	10,187	9,967	9,973	9,876	<b>40,003</b>
Other	31,787	36,850	40,866	<b>148,035</b>	40,866	40,866	40,866	40,866	<b>163,466</b>
Total	42,535	47,933	54,298	<b>194,495</b>	54,366	54,089	54,056	54,197	<b>216,708</b>
<b>Expense</b>	<b>34,559</b>	<b>39,363</b>	<b>44,710</b>	<b>159,054</b>	<b>45,295</b>	<b>43,125</b>	<b>44,611</b>	<b>44,905</b>	<b>177,934</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	5,916	5,852	7,094	<b>23,821</b>	6,885	6,744	6,726	6,799	<b>27,154</b>
Other	2,060	2,719	2,494	<b>11,620</b>	2,187	4,221	2,719	2,494	<b>11,620</b>
Total Ebitda	7,976	8,570	9,588	<b>35,441</b>	9,071	10,965	9,445	9,293	<b>38,774</b>
Exploration	391	218	268	<b>1,007</b>	250	250	250	250	<b>1,000</b>
Deprec., Deplet., & Amort.	2,002	2,133	2,206	<b>8,379</b>	2,100	2,100	2,100	2,100	<b>8,400</b>
Other non cash	366	188	157	<b>345</b>					<b>-</b>
<b>Ebit</b>	<b>5,217</b>	<b>6,031</b>	<b>6,957</b>	<b>25,710</b>	<b>6,721</b>	<b>8,615</b>	<b>7,095</b>	<b>6,943</b>	<b>29,374</b>
Interest	304	391	236	<b>1,253</b>	236	236	236	236	<b>944</b>
<b>Ebt</b>	<b>4,913</b>	<b>5,640</b>	<b>6,721</b>	<b>24,457</b>	<b>6,485</b>	<b>8,379</b>	<b>6,859</b>	<b>6,707</b>	<b>28,430</b>
Income Tax	1,720	1,974	2,352	<b>8,560</b>	2,270	2,933	2,401	2,347	<b>9,950</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	2,389	2,469	3,257						
Other	1,114	1,521	1,383						
Unallocated	(309)	(324)	(271)						
Total	3,194	3,666	4,369	<b>15,897</b>	4,215	5,446	4,458	4,359	<b>18,479</b>
<b>Shares (millions)</b>	<b>1,672</b>	<b>1,644</b>	<b>1,612</b>	<b>1,644</b>	<b>1,612</b>	<b>1,612</b>	<b>1,612</b>	<b>1,612</b>	<b>1,612</b>
Per share (\$)	1.91	2.23	2.71	<b>9.67</b>	2.62	3.38	2.77	2.70	<b>11.46</b>
Ebitda Margin (E&P)	55%	53%	53%	<b>51%</b>	51%	51%	51%	51%	<b>51%</b>
Tax Rate	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>



**ConocoPhillips**  
**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	4,240	10.5	8.7	37,000	15%
Rest of World Natural Gas	2,520	13.1	7.1	18,000	7%
Oil	20,390	10.1	6.7	136,000	56%
Downstream	11,620		4.6	54,000	22%
	38,770	10.6	6.3	245,000	100%
Debt (US\$mm)					45,000
Net Present Value (US\$mm)					200,000
Shares (mm)					1,612
Net Present Value - Standard Estimate (US\$/sh)					124
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					132

**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was 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.

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