

ENERGY RESEARCH: Integrated Oils

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XOM/XTO: STRATEGIC MERIT BUT HIGHLY DILUTIVE; MAINTAIN NEUTRAL

ExxonMobil to Acquire XTO Energy for \$40 Billion

ExxonMobil to acquire XTO for \$30 B in equity (0.71 XOM/XTO) and will assume \$10 B in debt. Legal and regulatory approvals needed, closure likely during 2Q 2010.

Strategic, Operational Benefits Present

Purchase enhances ExxonMobil's global reserve profile over the intermediate-term. The transaction blends XTO's technical and operational strengths with ExxonMobil's industry leading scale, research and development, and financial capabilities.

Dilution to Returns Surprisingly High

Corporate and E&P returns for ExxonMobil are 24% and 40% (normalized). However, XTO purchase generates returns of only 5%, leading to pro-forma corporate returns of 19%. Returns gap to narrow but over decades not years according to Chairman Tillerson.

ExxonMobil Shifting From Value to Volume?

Chairman asserts that while dilution is likely near-term, that the commitment to sustained value creation remains strong. Nearer-term, lower returns will lead to lower valuation for XOM shares in the equity market. We remain Neutral XOM.

Prefer "Super-Majors": COP, CVX; Remain Neutral XOM

ConocoPhillips return enhancement story and Chevron strengthening growth and returns profile drive our Buy ratings in the "Super-Major" category. Reiterate top Integrated Oil picks COP (Buy, PT \$65), CVX (Buy, PT \$86) and OXY (Buy, PT \$100).

<i>YEAR</i>	<i>EPS ESTIMATE</i>
2009	\$3.90/sh
2010	\$6.50/sh
2011	\$7.50/sh
Normalized	\$6.50/sh

<i>2009 COMMODITY</i>	<i>Px FORECAST</i>
Crude Oil	\$60/bbl
NA Natural Gas	\$4.00/mcf
Global Refining Margin	\$8.50/bbl

<i>2010 COMMODITY</i>	<i>Px FORECAST</i>
Crude Oil	\$80/bbl
NA Natural Gas	\$5.75/mcf
Global Refining Margin	\$8.75/bbl

<i>2011 COMMODITY</i>	<i>Px FORECAST</i>
Crude Oil	\$90/bbl
NA Natural Gas	\$6.50/mcf
Global Refining Margin	\$8.75/bbl

<i>2012 COMMODITY</i>	<i>Px FORECAST</i>
Crude Oil	\$90/bbl
NA Natural Gas	\$7.50/mcf
Global Refining Margin	\$10.00/bbl

<i>TOP PICKS</i>	<i>Px TARGET</i>
COP	\$65/sh
CVX	\$86/sh
OXY	\$100/sh
VLO	\$23/sh

Exxon-Mobil to Purchase XTO Energy

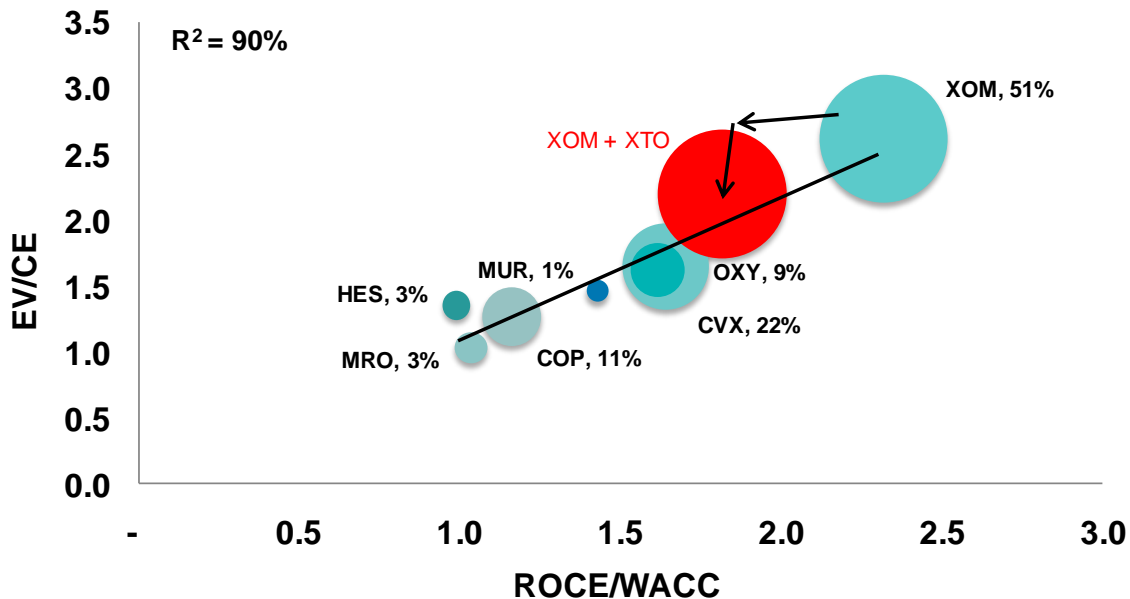
Exxon Mobil Corporation and XTO Energy Inc. announced an all-stock transaction valued near \$40 billion. The purchase was approved by the board of directors of both companies. Shareholders of XTO must approve the transaction with regulatory review required too. Both issues will likely be satisfied with closure of the purchase of XTO expected during the second quarter of 2010, in our opinion.

Capital employed by ExxonMobil approximates \$40 billion for the purchase of XTO. The company will issue 0.71 shares of XOM for each share of XTO. With approximately 580 MM shares of XTO outstanding, the equity component of the transaction approximates \$28.5 billion. ExxonMobil will assume approximately \$10 billion in debt, leading to purchase price near \$40 billion.

The transaction contains strategic and operational merit. It appears significantly dilutive from a financial returns perspective, which is important because returns drive valuation for Integrated oil equities as Exhibit 1 illustrates. Chairman Tillerson asserted however, that returns on the transaction will rise as the technological and operational expertise of XTO is applied to ExxonMobil's global asset base. We concur with positive financial developments likely over the longer-term.

Exhibit 1

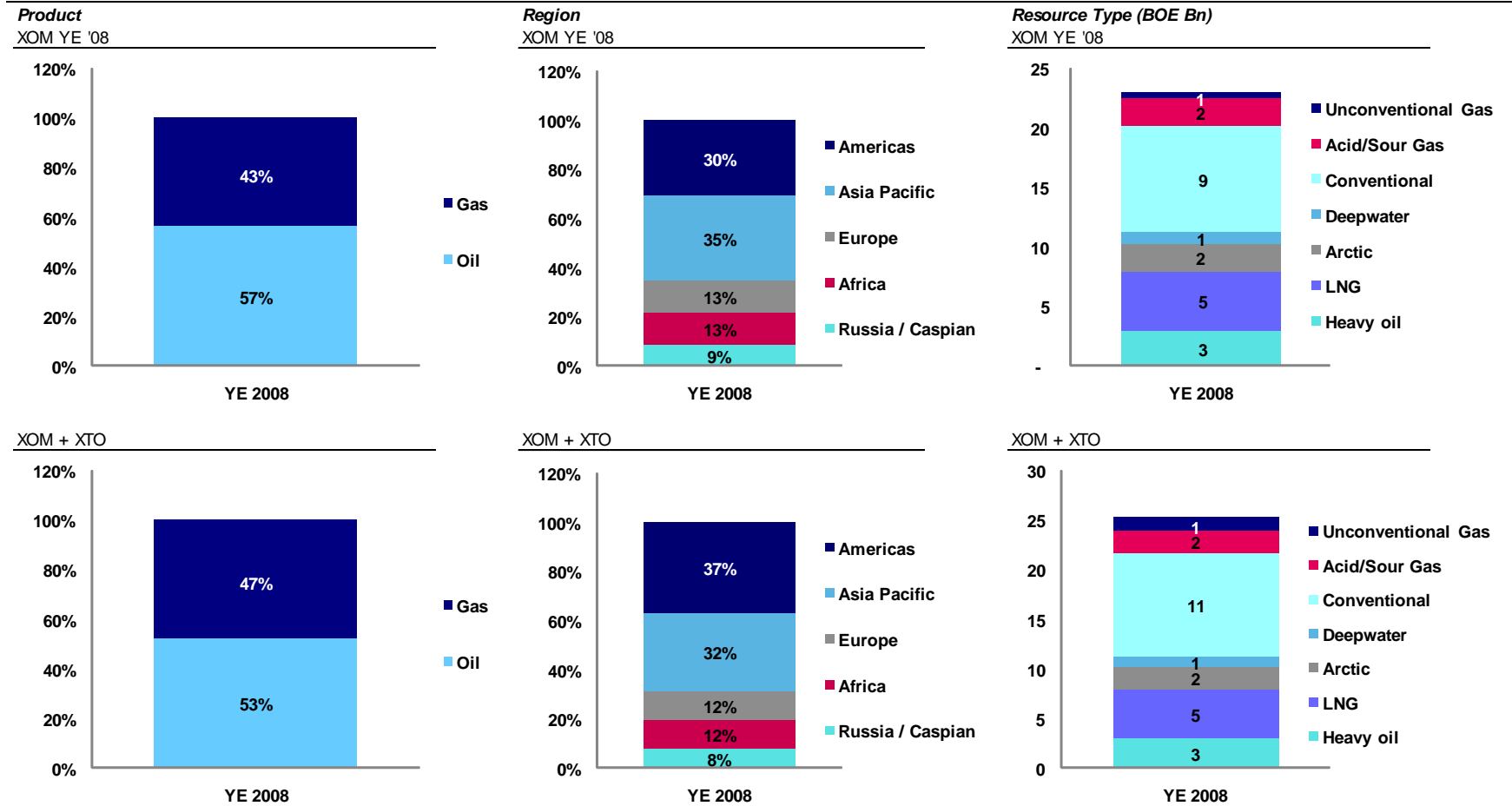
Returns Drives Valuation For Integrated Oils



Source: Bloomberg, ISI Energy Research

Exhibit 2

Proven Reserves by Product, Region and Resource Type

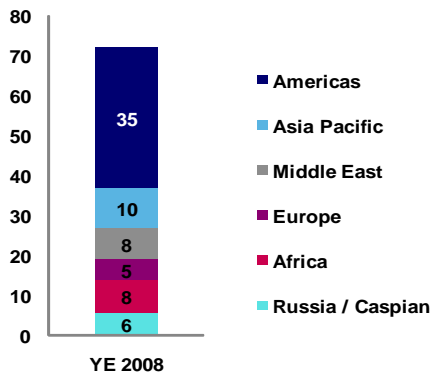


Source: Company Data, ISI Energy Research

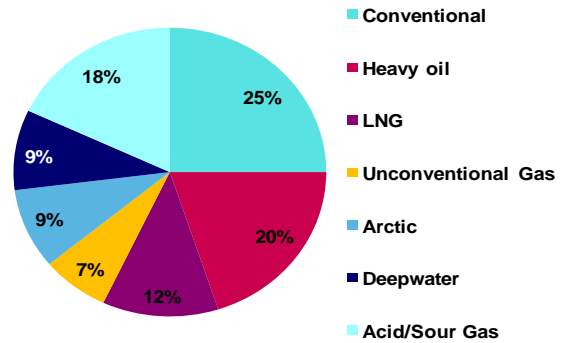
Exhibit 3

Resource Distribution, Unconventional Gas Exposure to Rise

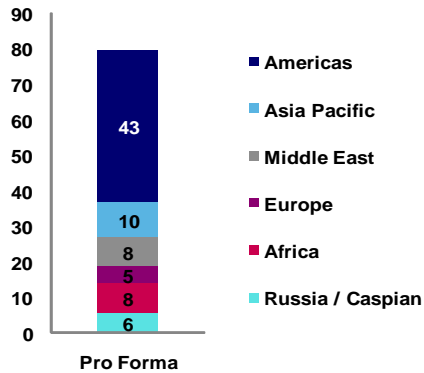
Resource Distribution (BOE Bn)
XOM YE '08



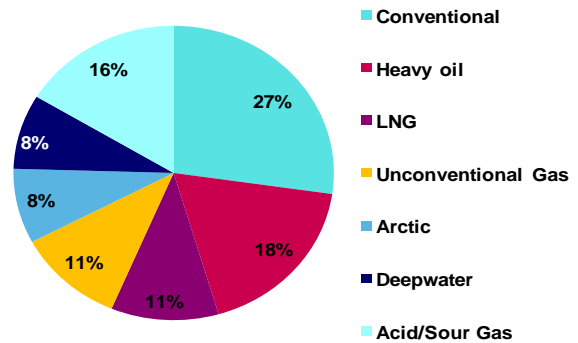
Resource Type
XOM YE '08



XOM + XTO



XOM + XTO



Source: Company Data, ISI Energy Research

Operational Benefits Present

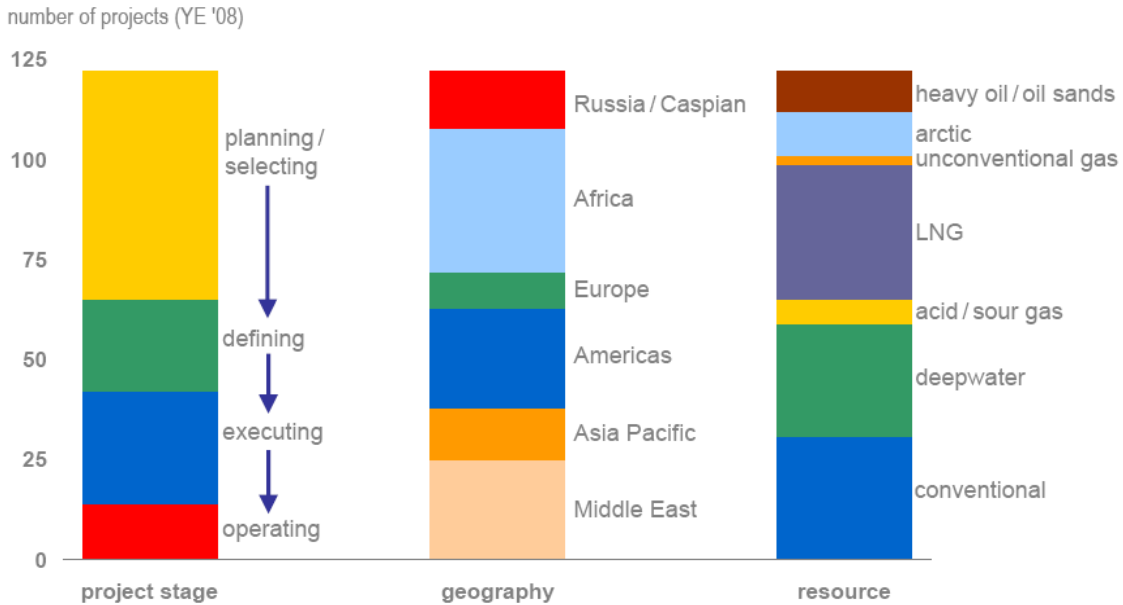
Operationally, significant benefits are present. XTO's is an efficient player in the unconventional natural gas arena. When combining XTO's operational and technological expertise with ExxonMobil's industry leading research and development, scale and financial capabilities; development efficiencies are likely.

Importantly, ExxonMobil has a concise plan to capture these benefits. The company will create a new upstream organization which will manage global development and production of unconventional resources. Headquarters will be in Fort Worth, Texas in XTO's current offices.

This step is important because it addresses a significant risk in the transaction: employee retention in the acquired entity. When considering the history of low employee retention rates of acquired companies following 1) "Super-Major" mergers (1998-2004) and 2) acquisitions of E&P companies by "Super-Majors"; the point is valid.

Exhibit 4

Strong Project Inventory Enhanced In Unconventional Gas



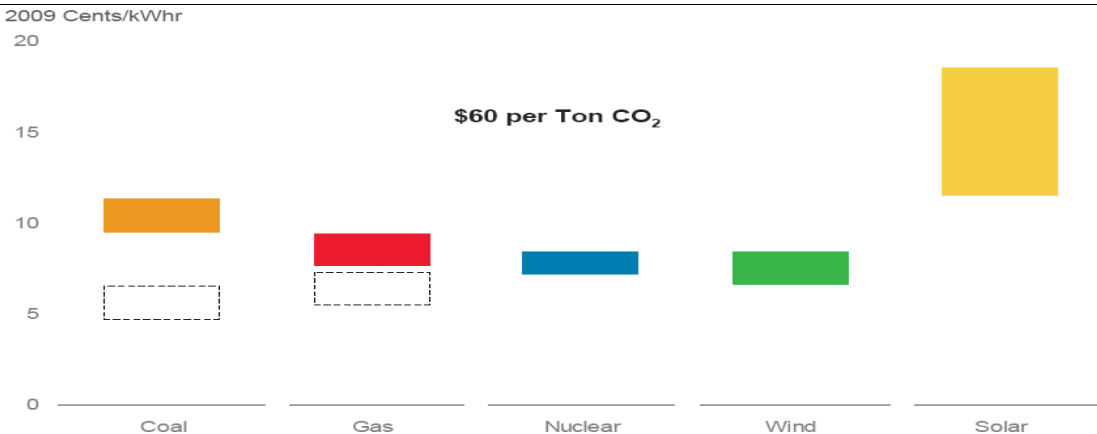
Source: Company Data,

Strategically: Important Area is Addressed

Strategically, benefits are present as well. XTO's resource base holds the equivalent of 45 Tcf of natural gas with proven reserves of 14 Tcf. The portfolio contains important positions in unconventional areas including: shale gas, tight gas, coal bed methane and shale oil. Geographically, the acquisition of XTO complements ExxonMobil's holdings in the United States, Canada, Germany, Poland, Hungary and Argentina.

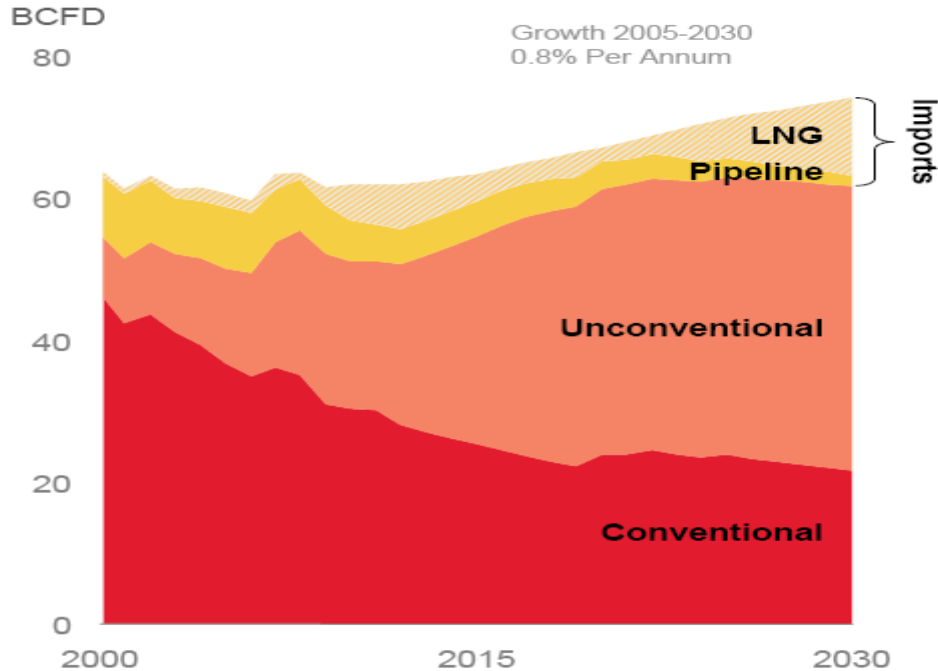
Exhibit 5

Natural Gas Competitive in New Carbon Cost Environment



Source: Company Data,

Exhibit 6

Unconventional Gas to Gain Share in US Market

Source: Company Data,

While ExxonMobil's reserve base contains a significant natural gas component (43%), underrepresentation is present in unconventional areas both in terms of reserves and project inventory. Exhibit 2 illustrates that conventional resources are many times larger than unconventional resources in ExxonMobil's current reserve base. XTO's proved reserves approximate 14 Tcf, leading to enhanced balances in this area (Exhibit 3).

The project inventory in unconventional areas improves as well, with Exhibit 4 illustrating the current project portfolio. When considering the improving economic profile in unconventional natural gas investment and ExxonMobil's positive longer-term outlook for global natural gas demand; strategic merit is present.

The point is especially true when considering an environment in which unconventional supplies displace those of the conventional variety and one in which carbon costs are significant, both of which appear likely. Exhibit 5-6 highlights these outcomes.

Exhibit 7

XTO Acquisition Dilutive to Earnings By 5%

<u>Earnings (\$MM)</u>	2010	2011	2012	2013	Normalized
ExxonMobil	30,204	33,882	35,486	29,351	29,351
XTO	1,326	1,483	2,445	2,654	1,483
New Depreciation	(293)	(293)	(293)	(293)	(293)
Savings	253	253	253	253	253
New Debt Costs	(400)	(400)	(400)	(400)	(400)
Total	31,090	34,925	37,490	31,564	30,394
Shares Outstanding	4,649	4,515	4,463	4,515	4,515
New Shares	412	412	412	412	412
Total Shares Outstanding	5,061	4,927	4,876	4,927	4,927
<u>Earnings Per Share</u>	2010	2011	2012	2013	Normalized
ExxonMobil	\$6.50	\$7.50	\$7.95	\$6.50	\$6.50
XTO	(\$0.35)	(\$0.42)	(\$0.26)	(\$0.09)	(\$0.33)
Total	\$6.14	\$7.09	\$7.69	\$6.41	\$6.17
Accretion/Dilution	-5%	-6%	-3%	-1%	-5%

Source: Company data, ISI Energy Research

Financial: Dilution to Returns Significant

Financially, the transaction appears dilutive on an earnings and returns basis and neutral on cash flow under normalized conditions. Exhibits 7 and 8 illustrate our projections for earnings and cash flow.

While the company is yet to quantify several items surrounding the transaction, and specifically fair value of the acquired entity; we project that the transaction is dilutive to normalized earnings by 6%. The transaction appears neutral on a cash flow basis at normal conditions as Exhibit 8 illustrates. We define normal conditions as those in which prices for crude oil and natural gas approximate \$75/bbl and \$5.50/MMCFD.

More importantly, the transaction appears significantly dilutive from a returns perspective. Currently, ExxonMobil's Corporate and E&P return on capital approximates 24% and 40% respectively under normalized conditions. The acquisition of XTO provides returns near 5%, lowering ExxonMobil's Corporate return from 24% to 19%. The decline approximates 20% although Chairman Tillerson asserts that financial benefits will accrue longer-term, leading to higher returns.

Exhibit 8

XTO Acquisition Neutral to Cash Flow

<u>Cash Flow (\$/Share)</u>	2010	2011	2012	2013	Normalized
ExxonMobil	\$9.67	\$11.04	\$11.92	\$4.83	\$11.04
XTO	\$0.98	\$1.01	\$1.02	\$1.01	\$1.01
Total	\$9.96	\$11.22	\$12.03	\$11.91	\$11.22
Accretion/Dilution	3%	2%	1%	147%	2%

Source: Company data, ISI Energy Research

Exhibit 9

Transaction Dilutive to ROCE

<u>NOPAT</u>	2010	2011	2012	2013	Normalized
XOM	30,684	34,301	35,957	29,351	29,351
XTO	1,625	1,779	2,727	2,937	1,779
New Depreciation	(293)	(293)	(293)	(293)	(293)
Synergies	253	253	253	253	253
Total	32,269	36,040	38,644	32,247	31,090

<u>GAAP</u>	2010	2011	2012	2013	Normalized
Capital Employed					
XOM	105,962	113,347	119,493	104,245	119,586
XTO	40,089	40,939	38,179	32,167	38,179
Total	146,051	154,286	157,671	136,412	157,764

<u>ROCE</u>	2010	2011	2012	2013	Normalized
XOM	29.0%	30.3%	30.1%	28.2%	24.5%
XTO	4.7%	5.0%	7.8%	9.9%	5.3%
Total	22.1%	23.4%	24.5%	23.6%	19.7%

Source: Company data, ISI Energy Research

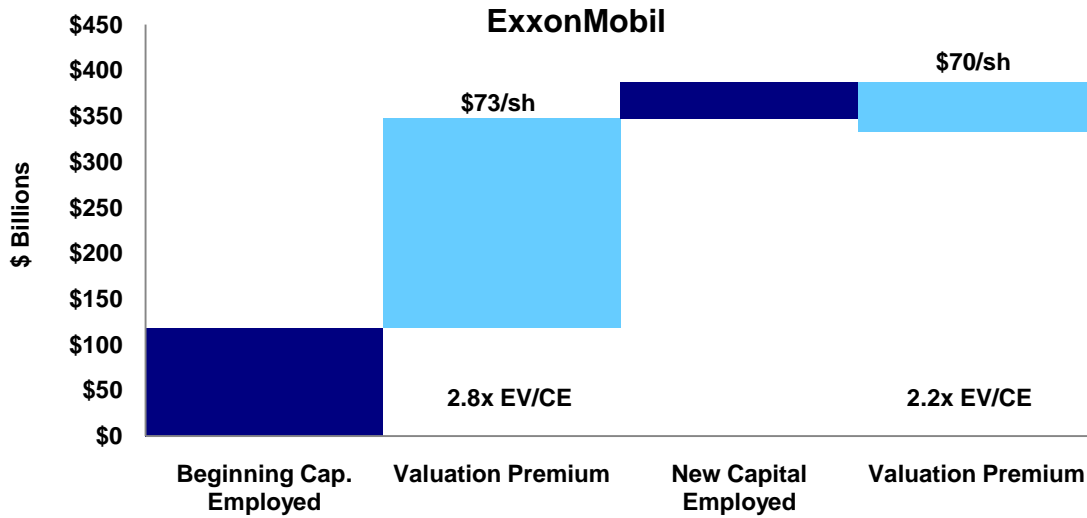
Returns are important for Integrated Oils because they drive valuation in the equity market. Exhibit 1 illustrates that risk-adjusted returns explain approximately 90% of valuation for Integrated Oils at this time. Similar positive correlation is present in every major sector of the S&P 500.

The chart illustrates that as returns rise in relation to capital costs, higher valuation premiums are afforded to the capital bases of individual companies. The relation between corporate returns and required returns accounts for share price premiums or discounts embedded in the valuation of Integrated Oil shares.

Exhibit 10 illustrates the market's financial evaluation of ExxonMobil's purchase of XTO. ExxonMobil and XTO equity changed by -\$15 billion and \$3.5 billion, with the net decline near \$11.5 billion. The chart suggests that expectations for ExxonMobil's returns declined by 20% (24% to 19%), leading to a nearly identical decline in valuation of 22% (EV/CE from 2.8 to 2.2).

If returns rise on the purchase of XTO as Chairman Tillerson suggests then valuation should improve. Exhibit 1 illustrates the close relationship between returns and valuation for Integrated Oils.

Exhibit 10

XOM/XTO; Higher Capital Employed, Lower Valuation Premium (20%)

Source: Company data, ISI Energy Research

	Pre-XTO	Change	Post
Capital Employed	118	40	158
Valuation Premium	229	(55)	174
Market Value	347	(15)	332

Prefer Occidental, Chevron, ConocoPhillips

Regarding the Integrated Oil stocks, we maintain Buy ratings on equities with positive growth and returns profiles and ample financial leverage to rising prices for crude oil and natural gas. Companies which enhance returns through return enhancement plans or major strategic actions will likely outperform too, especially if economic value creation unfolds.

Our top investment ideas in the Integrated Oil sector are Occidental Petroleum, ConocoPhillips and Chevron, Occidental and Chevron are likely to demonstrate strong growth and returns profiles during 2010-2011 (See: OXY:Major Momentum 11-10-2009).

ConocoPhillips is likely to lower costs, divest underperforming assets and invest capital in a disciplined fashion. The objective is a rise in returns from 10% to 12% with higher valuation in the equity market likely. ConocoPhillips equity is the least recommended stock in the Integrated Oil group, suggesting consensus would be surprised by activities which create economic value. ConocoPhillips management understanding of the drivers of its equity i.e. higher returns is clear, in our opinion.

Exhibit 11

ExxonMobil – Annual Income Statement**Operating Income**

Exploration and Production	2006	2007	2008	2009E	2010E	2011E	2012E	Normalized
United States	5,168	4,870	6,243	2,762	4,497	5,997	4,479	4,536
Foreign	21,062	21,627	27,539	13,477	23,025	24,363	27,190	19,450
Total	26,230	26,497	33,782	16,239	27,522	30,360	31,669	23,986
Refining and Marketing								
United States	4,250	4,120	1,649	147	901	1,110	1,110	2,097
Foreign	4,204	5,453	6,502	2,466	2,436	2,979	2,979	2,754
Total	8,454	9,573	8,151	2,614	3,338	4,089	4,089	4,851
Chemicals								
United States	1,360	1,181	724	652	231	249	323	772
Foreign	3,022	3,382	2,233	1,307	913	984	1,279	1,392
Total	4,382	4,563	2,957	1,959	1,144	1,232	1,602	2,164
Coal/Power/Other								
Total	0	0	0	0	0	0	0	0
Corporate\Nonoperating	24	(23)	(830)	(1,970)	(1,800)	(1,800)	(1,875)	(1,650)
Net Income	39,090	40,610	44,060	18,842	30,204	33,882	35,486	29,351
Income Available - Common	39,090	40,610	44,060	18,842	30,204	33,882	35,486	29,351
Shares at Year end	5,729	5,382	5,284	4,738	4,590	4,474	4,461	4,474
Shares Outstanding Basic (MM)	5,930	5,503	5,130	4,807	4,616	4,482	4,430	4,482
Shares Outstanding FD (MM)	5,976	5,589	5,225	4,840	4,649	4,515	4,463	4,515
Per Share Data								
Earnings	\$6.55	\$7.28	\$8.42	\$3.90	\$6.50	\$7.50	\$7.95	\$6.50
Cash Flow	\$8.93	\$9.53	\$11.16	\$6.81	\$9.67	\$11.04	\$11.92	\$4.83
Free Cash Flow	\$5.02	\$5.36	\$5.85	-\$0.15	\$2.02	\$2.88	\$3.37	
Dividends	\$1.32	\$1.42	\$1.61	\$1.77	\$1.99	\$2.21	\$2.42	

Free Cash Flow = NI+ DD&A+ Exploration Exp+ Deferred Taxes - CapEx - Dividends

Source: ISI Energy Research

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Exhibit 12

ExxonMobil – Quarterly Income Statement

	2009E				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Exploration and Production												
United States	360	813	709	880	1,124	1,124	1,124	1,124	1,499	1,499	1,499	1,499
Foreign	3,143	2,999	3,303	4,032	5,756	5,756	5,756	5,756	6,091	6,091	6,091	6,091
Total	3,503	3,812	4,012	4,912	6,881	6,881	6,881	6,881	7,590	7,590	7,590	7,590
Refining and Marketing												
United States	352	(15)	(203)	13	224	225	226	226	276	277	279	279
Foreign	781	527	528	630	569	614	607	647	693	751	743	792
Total	1,133	512	325	644	792	839	833	873	969	1,029	1,021	1,071
Chemicals												
United States	83	79	315	175	52	64	64	51	52	64	71	62
Foreign	267	288	528	224	217	233	238	224	217	233	262	271
Total	350	367	843	399	269	297	303	276	269	297	333	334
Coal/Power/Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	4,986	4,691	5,180	5,955	7,942	8,017	8,016	8,030	8,827	8,916	8,944	8,994
Corporate\Nonoperating	(436)	(601)	(483)	(450)	(450)	(450)	(450)	(450)	(450)	(450)	(450)	(450)
Net Income	4,550	4,090	4,697	5,505	7,492	7,567	7,566	7,580	8,377	8,466	8,494	8,544
Income Available - Common	4,550	4,090	4,697	5,505	7,492	7,567	7,566	7,580	8,377	8,466	8,494	8,544
Shares at Period end												
Shares Outstanding Basic (MM)	4,864	4,776	4,803	4,728	4,708	4,668	4,628	4,590	4,557	4,528	4,501	4,474
Shares Outstanding FD (MM)	4,959	4,871	4,803	4,728	4,708	4,668	4,628	4,590	4,557	4,528	4,501	4,474
Per Share Data												
Earnings	\$0.92	\$0.84	\$0.98	\$1.16	\$1.59	\$1.62	\$1.63	\$1.65	\$1.84	\$1.87	\$1.89	\$1.91
Exploration & Production												
Crude Oil (mbpd)												
United States	396	382	373	383	345	345	345	345	326	326	326	326
Canada/S. America	308	241	267	272	273	273	273	273	273	273	273	273
Europe	411	383	350	381	363	363	363	363	343	343	343	343
Africa	715	702	666	694	753	753	753	753	784	784	784	784
Asia Pacific/Middle East	466	462	494	483	501	501	501	501	483	483	483	483
Russia/Caspian	179	177	185	180	200	200	200	200	200	200	200	200
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,475	2,347	2,335	2,393	2,435	2,435	2,435	2,435	2,408	2,408	2,408	2,408

Source: ISI Energy Research

Exhibit 13

ExxonMobil – Annual Cash Flow Statement**Statement of Cash Flows**

	2006	2007	2008	2009E	2010E	2011E	2012E
Operations:							
Net Income	40,551	41,615	46,867	18,842	30,204	33,882	35,486
Depreciation & Depletion	11,416	12,250	12,379	13,125	13,616	4,383	4,657
Asset Sales (Gain)	(1,531)	(2,217)	(3,757)	(1,000)	(1,000)	9,398	10,684
Exploration Expense	1,181	1,471	1,441	1,381	1,477	1,494	1,706
Deferred Taxes	1,717	124	1,399	627	645	666	672
Pension Contribution	(2,453)	(249)	(6)	502	503	504	505
Working Capital Changes	(463)	1,139	1,432	0	0	0	0
Other	(1,132)	(2,131)	(30)	0	0	0	0
Total	49,286	52,002	59,725	33,477	45,445	50,327	53,710
Investing:							
Capital Expenditures	(15,462)	(15,387)	(19,318)	(25,138)	(26,317)	(26,830)	(27,370)
Acquisitions	0	0	0	0	0	0	0
Asset Sales	3,080	4,204	5,985	3,000	3,000	3,000	3,000
Investments (net)	(2,604)	(3,038)	(2,495)	0	0	0	0
Other	756	4,493	329	0	0	0	0
Total	(14,230)	(9,728)	(15,499)	(22,138)	(23,317)	(23,830)	(24,370)
Financing:							
Short-Term Debt, Net	(212)	402	(414)	0	0	0	0
Long-Term Debt, Net	285	196	(113)	0	0	0	0
Dividends Paid	(7,867)	(7,910)	(8,433)	(8,559)	(9,244)	(9,984)	(10,782)
Stock Repurchase	(28,385)	(30,743)	(34,981)	(19,000)	(14,500)	(12,000)	(8,000)
Preferred Stock Issued	0	0	0	0	0	0	0
Other	(31)	(290)	(86)	0	0	0	0
Total	(36,210)	(38,345)	(44,027)	(27,559)	(23,744)	(21,984)	(18,782)
Foreign Exchange Effects	727	1,808	(2,743)	0	0	0	0
Cash Flow Summary							
Cash from Operations	49,286	52,002	59,725	33,477	45,445	50,327	53,710
Cash from Investing	(14,230)	(9,728)	(15,499)	(22,138)	(23,317)	(23,830)	(24,370)
Cash from Financing	(36,210)	(38,345)	(44,027)	(27,559)	(23,744)	(21,984)	(18,782)
Change to Cash	(427)	5,737	(2,544)	(16,220)	(1,616)	4,513	10,558

Source: ISI Energy Research

Exhibit 14

ExxonMobil – Balance Sheet

BALANCE SHEET	2006	2007	2008	2009E	2010E	2011E	2012E
Assets							
Cash & Equiv.	\$28,244	\$33,981	\$31,437	\$15,217	\$13,600	\$18,113	\$28,671
Marketable Securities	\$0	\$519	\$570	\$570	\$570	\$570	\$570
AR	\$28,942	\$36,450	\$24,702	\$24,702	\$24,702	\$24,702	\$24,702
Inventories							
Crude Products & Merchandise	\$8,979	\$8,863	\$9,331	\$9,331	\$9,331	\$9,331	\$9,331
Materials & Supplies	\$1,735	\$2,226	\$2,315	\$2,315	\$2,315	\$2,315	\$2,315
Prepaid Exp and Other	\$7,877	\$3,924	\$3,911	\$3,911	\$3,911	\$3,911	\$3,911
Total Current Assets	\$75,777	\$85,963	\$72,266	\$56,046	\$54,429	\$58,942	\$69,500
Investments & Advances	\$23,237	\$28,194	\$28,556	\$28,556	\$28,556	\$28,556	\$28,556
Gross PPE							
E&P	\$163,087	\$178,712	\$168,977	\$186,500	\$205,043	\$224,019	\$243,258
R&M	\$62,392	\$65,841	\$64,618	\$67,677	\$70,766	\$73,886	\$77,037
Chemicals	\$22,197	\$24,081	\$25,463	\$28,576	\$31,721	\$34,897	\$38,104
Other	\$11,608	\$11,706	\$11,787	\$8,849	\$5,912	\$2,976	\$42
Accumulated DD&A							
E&P	\$94,677	\$105,188	\$95,564	\$104,784	\$114,278	\$123,676	\$134,361
R&M	\$33,474	\$35,693	\$35,364	\$37,590	\$39,827	\$42,135	\$44,541
Chemicals	\$12,878	\$14,010	\$14,033	\$15,139	\$16,439	\$17,917	\$19,559
Other	\$4,568	\$4,580	\$4,538	\$5,111	\$5,696	\$6,292	\$6,901
Net PPE							
E&P	\$68,410	\$73,524	\$73,413	\$81,716	\$90,765	\$100,342	\$108,897
R&M	\$28,918	\$30,148	\$29,254	\$30,087	\$30,939	\$31,751	\$32,496
Chemicals	\$9,319	\$10,071	\$11,430	\$13,438	\$15,282	\$16,980	\$18,545
Other	\$7,040	\$7,126	\$7,249	\$3,738	\$216	(\$3,316)	(\$6,859)
Total Net PPE	\$113,687	\$120,869	\$121,346	\$128,978	\$137,202	\$145,757	\$153,080
Other Assets	\$6,314	\$7,056	\$5,884	\$5,884	\$5,884	\$5,884	\$5,884
Total Assets	\$219,015	\$242,082	\$228,052	\$219,464	\$226,072	\$239,140	\$257,020
Liabilities and Equity							
ST Debt	\$1,702	\$2,383	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
AP & AL	\$28,201	\$34,394	\$36,643	\$36,643	\$36,643	\$36,643	\$36,643
Accrued Liabilities							
Income Taxes Payable	\$10,881	\$10,881	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$8,033	\$10,654	\$10,057	\$10,057	\$10,057	\$10,057	\$10,057
	\$0	\$0	\$0	(\$498)	(\$995)	(\$491)	\$14
Total Current Liabilities	\$48,817	\$58,312	\$49,100	\$48,602	\$48,105	\$48,609	\$49,114
LTD	\$6,645	\$7,183	\$7,025	\$7,025	\$7,025	\$7,025	\$7,025
Annuity Reserves & Accrued Liabilities	\$21,047	\$13,278	\$20,729	\$20,729	\$20,729	\$20,729	\$20,729
Deferred Income Taxes	\$20,851	\$22,899	\$19,726	\$20,353	\$20,998	\$21,664	\$22,336
Deferred Credits	\$4,007	\$4,282	\$13,949	\$13,949	\$13,949	\$13,949	\$13,949
Minority Interest	\$3,804	\$14,366	\$4,558	\$4,558	\$4,558	\$4,558	\$4,558
Total Liabilities	\$105,171	\$120,320	\$115,087	\$115,216	\$115,364	\$116,534	\$117,711
Shareholders Equity							
Class A Preferred Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Class B Preferred Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Benefit Plan Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Common Stock w/o Par Value	\$4,786	\$4,933	\$5,314	\$5,314	\$5,314	\$5,314	\$5,314
Earnings Reinvested	\$195,207	\$228,518	\$265,680	\$275,963	\$296,923	\$320,821	\$345,524
Cumulative Forex translation Adj.	\$3,733	\$7,972	\$1,146	\$1,146	\$1,146	\$1,146	\$1,146
Minimum Pension Liability Adj	(\$6,495)	(\$5,983)	(\$11,077)	(\$11,077)	(\$11,077)	(\$11,077)	(\$11,077)
Unrealized G/L on Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Common Stock Held in Treasury	(\$83,387)	(\$113,678)	(\$148,098)	(\$167,098)	(\$181,598)	(\$193,598)	(\$201,598)
Stockholders Equity	113,844	121,762	112,965	104,248	110,708	122,606	139,309
Total Liabilities and SE	\$219,015	\$242,082	\$228,052	\$219,464	\$226,072	\$239,140	\$257,020

Source: ISI Energy Research

Exhibit 15

Comp Sheet – Integrated Oils and Independent Refiners

Integrated Oils	TKR	Rating	Target	Price at	Dividend	Equity	Enterprise	Earnings Per Share				Price to Earnings Ratio				Relative Price / Earnings				EV/EBITDA		
			Price	12/11/09	Yield	Value	Value	'09E	'10E	'11E	Normal	'09E	'10E	'11E	Normal	'09E	'10E	'11E	Normal	'09E	'10E	'11E
ConocoPhillips	COP	B	\$65	\$50.92	3.9%	\$75,550	\$110,612	\$3.60	\$6.50	\$8.15	\$6.10	14.1x	7.8x	6.2x	8.4x	75%	53%	48%	63%	5.4x	3.9x	3.3x
Chevron	CVX	B	\$86	\$77.76	3.5%	\$156,007	\$158,914	\$4.75	\$8.20	\$10.25	\$9.15	16.4x	9.5x	7.6x	8.5x	86%	64%	58%	47%	5.2x	3.7x	3.1x
Hess	HES	H	NA	\$55.63	0.7%	\$18,195	\$21,672	\$2.15	\$4.50	\$5.70	\$4.10	25.8x	12.4x	9.8x	13.6x	136%	83%	74%	103%	5.7x	4.1x	3.5x
Marathon	MRO	H	NA	\$31.30	3.1%	\$22,156	\$29,472	\$2.15	\$4.00	\$5.30	\$4.10	14.5x	7.8x	5.9x	7.6x	77%	53%	45%	58%	4.6x	3.1x	2.5x
Occidental	OXY	B	\$100	\$76.00	1.7%	\$61,687	\$62,921	\$3.85	\$6.50	\$7.50	\$6.00	19.7x	11.7x	10.1x	12.7x	104%	78%	77%	96%	7.6x	5.1x	4.6x
Exxon-Mobil	XOM	H	NA	\$72.83	2.3%	\$345,745	\$343,618	\$3.90	\$6.50	\$7.50	\$6.50	18.7x	11.2x	9.7x	11.2x	99%	75%	74%	61%	7.5x	5.3x	5.5x
Average					2.5%							18.2x	10.1x	8.2x	10.3x	96%	68%	63%	71%	6.0x	4.2x	3.8x

Integrated Oils	TKR	Price at	Cash Flow Per Share			Price to Cash Flow Ratio			ROCE				EV / Capital Employed		
		12/11/09	'09E	'10E	'11E	'09E	'10E	'11E	'09E	'10E	'11E	Normal	'09E	'10E	'11E
ConocoPhillips	COP	\$50.92	\$9.46	\$13.18	\$14.92	5.4x	3.9x	3.4x	6.9%	11.2%	12.7%	10.6%	1.3x	1.2x	1.1x
Chevron	CVX	\$77.76	\$11.52	\$14.99	\$17.42	6.8x	5.2x	4.5x	9.4%	14.8%	16.6%	16.4%	1.6x	1.4x	1.3x
Hess	HES	\$55.63	\$10.60	\$12.86	\$13.49	5.2x	4.3x	4.1x	6.1%	8.2%	10.2%	8.2%	1.3x	1.2x	1.1x
Marathon	MRO	\$31.30	\$6.34	\$8.37	\$9.81	4.9x	3.7x	3.2x	5.1%	9.0%	10.9%	9.3%	1.0x	0.9x	0.8x
Occidental	OXY	\$76.00	\$7.98	\$11.24	\$12.27	9.5x	6.8x	6.2x	10.3%	15.6%	15.9%	16.4%	2.0x	1.8x	1.6x
Exxon-Mobil	XOM	\$72.83	\$6.81	\$9.67	\$11.04	10.7x	7.5x	6.6x	16.4%	24.6%	25.1%	24.8%	2.9x	2.8x	2.5x
Average						7.1x	5.2x	4.7x	9.1%	13.9%	15.2%	14.3%	1.7x	1.5x	1.4x

Independent Refiners	TKR	Rating	Target	Price at	Dividend	Equity	Enterprise	Earnings Per Share				Price to Earnings Ratio				Relative Price / Earnings				EV/EBITDA		
			Price	12/11/09	Yield	Value	Value	'09E	'10E	'11E	Normal	'09E	'10E	'11E	Normal	'09E	'10E	'11E	Normal	'09E	'10E	'11E
Frontier	FTO	H	NA	\$11.47	2.1%	\$1,200	\$1,064	(\$0.52)	\$0.90	\$1.75	\$1.55	NA	12.8x	6.5x	7.4x	NA	86%	50%	41%	58.3x	4.2x	2.7x
Sunoco	SUN	S	NA	\$26.13	4.6%	\$3,055	\$5,617	(\$0.26)	\$2.05	\$3.50	\$3.45	NA	12.7x	7.5x	7.6x	NA	85%	57%	42%	10.1x	5.8x	4.6x
Tesoro	TSO	H	NA	\$12.87	1.6%	\$1,804	\$3,109	(\$1.14)	\$0.95	\$1.75	\$2.25	NA	13.6x	7.4x	5.7x	NA	91%	56%	31%	10.0x	4.0x	3.3x
Valero	VLO	B	\$23	\$16.61	3.6%	\$9,374	\$15,000	(\$1.03)	\$1.60	\$3.00	\$2.50	NA	10.4x	5.5x	6.6x	NA	69%	42%	36%	16.4x	4.7x	3.4x
Average, Equity Value Weighted					3.4%							NA	11.4x	6.2x	6.8x	NA	76%	47%	37%	17.7x	4.8x	3.6x

Independent Refiners	TKR	Price at	Crude	Weighted	Cash Flow/Share			Price to Cash Flow Ratio			ROCE				Price / Book Ratio		
		12/11/09	Volume	Complexity	'09E	'10E	'11E	'09E	'10E	'11E	'09E	'10E	'11E	Normal	'09E	'10E	'11E
Frontier	FTO	\$11.47	182	10.3	\$0.26	\$1.67	\$2.51	44.5x	6.9x	4.6x	-3.0%	8.5%	16.1%	8.3%	1.3x	1.3x	1.2x
Sunoco	SUN	\$26.13	825	8.3	\$4.35	\$6.63	\$7.95	6.0x	3.9x	3.3x	0.2%	5.2%	8.0%	9.0%	1.2x	1.1x	1.0x
Tesoro	TSO	\$12.87	665	9.6	\$1.76	\$3.84	\$4.66	7.3x	3.3x	2.8x	-1.7%	4.2%	6.1%	8.3%	0.6x	0.6x	0.5x
Valero	VLO	\$16.61	2990	12.3	\$1.56	\$4.16	\$5.55	10.6x	4.0x	3.0x	-1.5%	5.3%	8.4%	9.1%	0.6x	0.6x	0.5x
Average, Equity Value Weighted								12.0x	4.1x	3.1x	-1.3%	5.4%	8.6%	8.9%	0.8x	0.7x	0.7x

S&P 500	SPX	Price at	Current	Earnings Per Share			Price to Earnings Ratio		
		12/11/09	Yield	'09E	'10E	'11E	'09E	'10E	'11E
		1,106.4	2.2%	58.47	74.24	84.33	18.9x	14.9x	13.1x

Source: ISI Energy Research

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Buy Low Risk ETR >+10%	Buy Medium Risk ETR >+15%	Buy High Risk ETR >+20%
Hold Low Risk ETR 0% to +10%	Hold Medium Risk ETR -5% to +15%	Hold High Risk ETR -10% to +20%
Sell Low Risk ETR ->0%	Sell Medium Risk ETR ->5%	Sell High Risk ETR ->10%

RISK RATING: 30% based on stock price volatility, 30% on EPS volatility, 30% on debt rating, 10% on mkt cap