Zacks Equity Research

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NOBLE ENERGY (NBL-NYSE)

Current Recommendation	**Buy**
Prior Recommendation	Hold
Date of Last Change	04/18/2003
Current Price (04/22/03)	$33.99
Target Price	**$38.80**

OUTLOOK

Zacks raised 2003 earnings estimates from $1.77 to $1.94 and lowered 2003 revenue estimates from $1,410 to $1,315. Commodity prices are expected to fall for oil though not as much for gasoline and fuel oil products. Net income fell 86% in 2002 though NBL made significant progress in developing international growth. The company expects to record a full year 2002 reserve replacement rate of 127% of global production from all sources. We have set a target price of $39 per share, which is 14% higher than the current price.

SUMMARY DATA

52 Week High	**$40.50**
52 Week Low	**$26.65**
One Year Return (%)	**-14.41**
Beta	**0.87**
Average Daily Volume (sh)	**384,909**
Shares Outstanding (mil)	**57**
Market Capitalization ($mil)	**$1,937**
Short Interest Ratio (days)	**3.46**
Institution Ownership (%)	**83.51**
Insider Ownership (%)	**6.30**
Annual Cash Dividend	**$0.16**
Dividend Yield (%)	**0.47**
PE using 12 months EPS	**109.65**
Historical Growth Rates	
Sales (%)	**12.87**
Earnings Per Share (%)	**9.04**
Dividend (%)	**0.00**
P/E using 2003 Estimate	**17.52**
P/E using 2004 Estimate	**29.05**
Zacks Rank	**1**

Risk Level	**LOW**
Type of Stock	**Mid-Blend**
Industry	**OIL-US EXP&PROD**
Company Rank in Industry	**29 of 62**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2001	561 A	413 A	305 A	293 A	1,572 A
2002	318 A	330 A	340 A	456 A	1,444 A
2003	N/A E	N/A E	N/A E	N/A E	1,315 E
2004	N/A E	N/A E	N/A E	N/A E	1,790 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2001	$1.88 A	$0.91 A	$0.07 A	-$0.48 A	$2.36 A
2002	-$0.27 A	$0.30 A	-$0.02 A	$0.29 A	$0.31 A
2003	$0.71 E	$0.40 E	$0.38 E	$0.45 E	$1.94 E
2004	$0.44 E	N/A E	N/A E	N/A E	$1.17 E

Zacks Projected EPS Growth Rate- Next 5 Yrs **18**

KEY POINTS

- Target price of $39 per share is 14% higher than the current price.

- For the full year 2002 Nobel reported net income of $17.7 million, or 31 cents per basic share. This compares to net income of $133.6 million, or $2.36 per share, for the year ago period. This year-on-year decline resulted from lower production volumes and realized natural gas prices. However, the company made significant progress in developing international growth while maintaining domestic business.

- The company expects to record a full year 2002 reserve replacement rate of 127% of global production from all sources excluding sales.

- Commodity prices are expected to decline due to several factors. Zacks estimates that the price paid by U.S. refiners for imported oil will fall from a first quarter average of $31.35 per barrel to $28.08 in the second quarter and to $23.33 by the third quarter. However, gasoline, natural gas and fuel oil prices will fall less over the coming year because of unusually lean stocks of these commodities heading into the summer driving season.

OVERVIEW

Noble Energy is engaged in the exploration, production and marketing of crude oil and natural gas. The Company is noted for its methods of marketing its international gas reserves through projects such as its methanol plant in Equatorial Guinea and its gas-to-power project in Ecuador. As of January 1, 2003, the Company's wholly owned subsidiary, NEMI, marketed the majority of its domestic natural gas, as well as third-party natural gas.

Noble Energy has been actively engaged in exploration, exploitation and development of crude oil and natural gas properties in the Gulf of Mexico and California since 1968. The Company has shifted its domestic offshore exploration focus to the Gulf of Mexico deep-shelf and deepwater areas and away from the Gulf of Mexico's conventional shallow shelf, in order to take advantage of lower operating costs, larger prospect sizes and higher rates of return. The Company's offshore production is derived from 194 gross wells operated by Noble Energy and 304 gross wells operated by other exploration companies. As of December 31, 2002, the Company held 685,162 gross developed acres and 398,815 gross undeveloped acres onshore on which it may conduct future exploration activities. Noble Energy is also actively engaged in exploration and development of crude oil and natural gas properties in Argentina, China, Ecuador, Equatorial Guinea (West Africa) and in the North Sea (Denmark, Netherlands and United Kingdom).

NEMI seeks opportunities to enhance the value of the Company's domestic natural gas by marketing directly to end users and aggregating gas to be sold to natural gas marketers and pipelines. NEMI, through its wholly owned subsidiary, Noble Gas Pipeline, Inc., engages in the installation, purchase and operation of natural gas gathering systems. Noble Energy has a short-term natural gas sales contract with NEMI, whereby the Company is paid an index price for all natural gas sold to NEMI. The Company sold approximately 66% of its natural gas production to NEMI in 2002.

INDUSTRY OUTLOOK

Energy prices rose sharply late last year and early this year primarily because of a general strike in Venezuela that cut petroleum exports by nearly 3 million barrels per day. As a result of the shortfall, commercial crude oil stocks in the OECD began to slide toward 25-year lows and petroleum product inventories similarly were drawn down to very low levels. In addition, a war premium began to build into oil prices, which caused prices to surge even more. In February, the price of West Texas Intermediate (WTI) oil averaged almost $36 per barrel, about $15 per barrel higher from the year ago period.

Recently, several factors have combined to drive prices lower: 1) the administration announced its intentions to use the strategic petroleum reserve to buffer any significant loss of oil from the Middle-East; 2) the Saudis announced that they were prepared to make up any lost production from Iraq and oil from stepped up Saudi production in response to the strike in Venezuela; and 3) technical factors in the oil market related to derivative transactions resulted in increased selling of oil in the futures market. These factors, combined with an end to a 12-day disruption of oil production in Nigeria, put oil prices under further downward pressure in early April. We believe that the price paid by U.S. refiners for imported oil will fall from a first quarter average of $31.35 per barrel to $28.08 in the second quarter and to $23.33 by the third quarter.

However, we see the prices of gasoline, natural gas and fuel oil falling by less in percentage terms over the coming year because there are unusually lean stocks of these energy commodities heading into the summer driving season when gasoline consumption begins to rise.

Analysts feel that companies should forgo worrying about additional hedging in 2003, in which higher prices are a necessity for storage refill purposes, and should instead begin to focus on 2004 hedging activities. As there is little evidence for a soft landing in natural gas, analysts feel that sustained demand destruction this year could lead to a surplus next year. Purchasing put contracts would offer some insurance against this scenario.

INDUSTRY POSITION

Analysts remain positive on the E&P group with only modest oil and gas price assumptions leading to 22% upside to target prices. Additionally, prospects for the sustainability of historically strong natural gas prices are compelling. Strong natural gas and crude price realizations should be a common theme across the group and cash flow per share to grow an estimated 81% over last year's first quarter and 23% sequentially.

In 2002, the average E&P company earned less than $3.00 per barrel of oil equivalent (boe), with oil at $26 and natural gas north of $3.00. Analysts feel that conditions will be even better in 2003 but diligence about costs should never cease. With a little effort, most E&Ps could reduce costs by $0.25 to $0.50 per boe which could represent as much as a 10% improvement in sustainable profitability per boe.

First quarter 2003 results will reflect FAS 143, a new accounting standard which changes the method by which oil and gas companies account for plugging and abandonment liabilities. Analysts do not expect earnings to be materially affected.

On average, first quarter E&P cash flow estimates were reduced only modestly. It appears that the beneficial pricing impact of gas volumes sold at bid week were about equally offset by the more negative effects of hedging and wider basis differentials. Production estimates remain intact: analysts made no more than minor tweaks to production estimates for the first quarter and full-year 2003.

Top 5 Public Companies in the industry

Ticker	*Company*	**Market Share**	*Zacks Rec*
DVN	Devon Energy	14%	Buy
APC	Anadarko Petrol	13%	Buy
BR	Burlngtn Res	10%	Buy
APA	Apache Corp	9%	Hold
NBL	Noble Energy	5%	Buy

RECENT NEWS

For the full year 2002 Nobel reported net income of $17.7 million, or 31 cents per basic share. This compares to net income of $133.6 million, or $2.36 per share, for the year ago period. Fourth quarter net income of $16.8 million, or 29 cents per share, compared favorably to a net loss of $27.5 million, or 48 cents per share, for the same period in 2001.

The year-on-year decline in net income and discretionary cash flow resulted primarily from lower production volumes and realized natural gas prices. Full year 2002 net income includes an effective tax rate of 59%, generally resulting from foreign tax rates that exceeded the U.S. tax benefit. Deferred taxes were 69% of the total income tax provision.

However, the company made significant progress in developing international growth while maintaining domestic business. International operations contributed significant production, earnings and cash flow. North Sea operations also made an important contribution and substantial progress was made in Israel. In addition, two new phases of development were approved for Equatorial Guinea, paving the way for growth in future years. Domestic operations remain core to Noble Energy, as they contributed significant cash flow and earnings, despite lower natural gas prices earlier in 2002 and reduced production volumes. Domestic production has now stabilized and will significantly benefit from the current rebound in natural gas prices.

Noble Energy benefited from higher realized prices for liquids during the year, which increased 3%, compared to the full year 2001. The company's average realized liquids price was $23.98 per barrel (Bbl) compared to $23.30 per Bbl last year. Earnings and cash flow were negatively impacted by lower natural gas prices, which declined nearly 27% year-on-year. The company's average realized natural gas price was $2.92 per thousand cubic feet (Mcf) compared to $3.98 per Mcf last year.

Compared to 2001, overall production volumes for the year decreased 2% to 98,641 barrels of oil equivalent per day (Boepd) from 101,068 Boepd. International volumes increased 34% compared to last year, primarily because of increased natural gas volumes in Equatorial Guinea and the mid-September start up of Noble Energy's power plant in Ecuador.

In January the company announced that it expects to record a full year 2002 reserve replacement rate of 127% of global production from all sources excluding sales. The average finding and development cost is expected to be $1.78 per thousand cubic feet equivalent (Mcfe). Excluding revisions and sales, Noble Energy expects to replace 160% of global production at an average cost of $1.42 per Mcfe. Worldwide production totaled 216 billion cubic feet equivalent (Bcfe) in 2002.

Noble declared a quarterly cash dividend of $0.04 per share, payable February 24, 2003.

VALUATION

NBL stock is currently trading at 17.5x its forward estimate. We feel its expected increase in production and above average ROE (2% versus -67% for the industry) warrants a premium to its forward multiple. Currently NBL is trading on its forward earnings at a multiple that is in line with the industry P/E (which at present is 17). Taking into consideration the above factors, we are taking a multiple of 20x. Using the forward earning estimate of $1.94/share and a forward multiple of 20x, we have set a target price of $38.80/share.

RISKS

- Additional revenues may be lost if commodity prices increase beyond the hedged levels.
- As NBL is highly leveraged to the natural gas market, any significant pullback in natural gas prices will have significant impact on its revenues.
- NBL has a high debt-to-market capitalization ratio of 49%.

SIGNALING & OWNERSHIP

Currently, the three largest holders of the stock are Primecap Management (10.5%), Capital Research & Management (9.7%) and Morgan Stanley Investment Management (3.4%). Together they control in aggregate roughly 24% of the shares.

There has been an insignificant amount of insider trading in the past three months. Kirby Hedrick, Director, bought 1,000 shares of NBL in February of this year.

PROJECTED INCOME STATEMENT & BALANCE SHEET

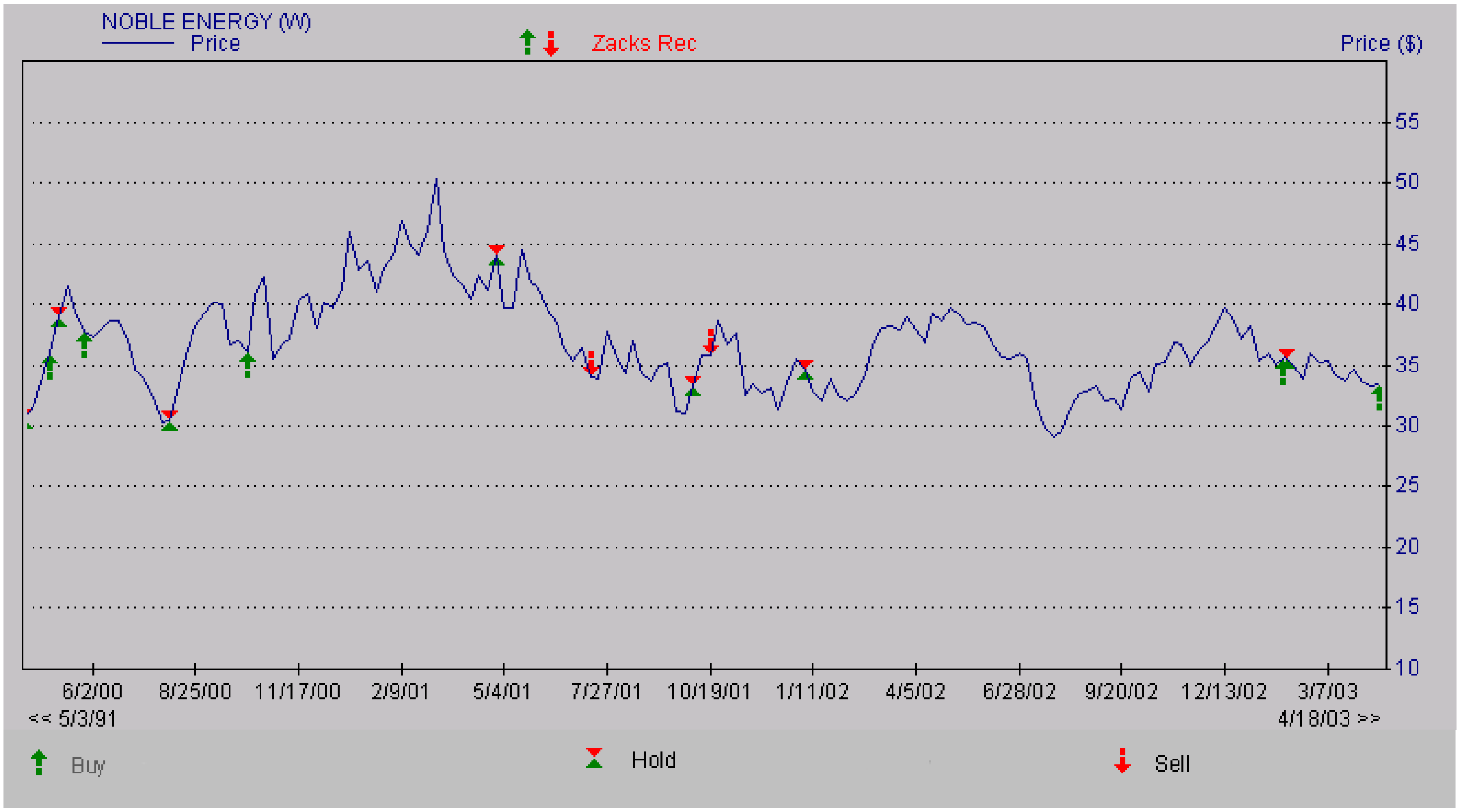
NOBLE ENERGY

Income Statement and Balance Sheet

(Dollars in millions, except EPS data)

	12/98	12/99	12/00	12/01	12/02	12/03E
Sales	912	910	1,394	1,572	1,444	1,315
Cost of Goods Sold	259	487	574	285	853	777
SG&A	319	48	257	752	215	196
Other operating expenses	313	255	231	284	285	260
Interest and other	184	71	140	117	73	66
Zacks Adjusted Income before NRI	-30	39	192	134	18	111
Net Income	-164	49	192	134	18	111
Diluted EPS before NRI	-0.52	0.69	3.42	2.36	0.31	1.94
Reported EPS	-2.88	0.87	3.42	2.36	0.31	1.94
Cash & Marketable Securities	19	3	23	73	15	15
Current Assets	188	148	271	352	310	310
Current Liabilities	139	184	325	381	472	472
Long Term Debt	745	445	525	837	977	977
Shareholder's Equity	642	684	850	1,010	1,009	1,121

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The analyst writing this report holds no position in the company.

Zacks Rank
Zacks Buy, Hold, Sell recommendations are based on the value of the Zacks Rank, which can equal 1,2,3,4,5 and on the Zacks Analysts assessment of the investment potential of the company.

Zacks EPS and Revenue Forecasts
Zacks forecasts of EPS and Revenue are based on a historical analysis of the EPS and Revenue accuracy of the brokerage analysts who have forecast EPS and Revenue over the last eight years. The Zacks EPS forecast is not the consensus forecast.