



Independent Stock Idea

April 27, 2010

rating: buy
s&p 500: 1212

BP plc (BP)

Raise Net Present Value to \$85 a Share from \$80

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 3/31/11 (US\$mm)</i>	52,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	3
<i>Price (US\$/sh)</i>	57.91	<i>Natural Gas and Oil Production/Ebitda (%)</i>	82
<i>Pricing Date</i>	4/26/10	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	3167	<i>EV/Ebitda</i>	4.6
<i>Market Capitalization (US\$mm)</i>	183,400	<i>PV/Ebitda</i>	6.3
<i>Debt (US\$mm)</i>	58,300	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$mm)</i>	241,700	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	30.10
<i>Present Value (PV) (US\$mm)</i>	327,500	<i>Present Value Proven Reserves(US\$/boe)</i>	15.20
<i>Net Present Value (US\$/share)</i>	85	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.53
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.90
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	7
<i>Dividend Yield (%/year)</i>	5.8	<i>Indicated Annual Dividend (US\$/sh)</i>	3.36
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\$75 a barrel and natural gas, \$8 a million btu.			
For historical analysis of BP since 2004 see www.mcdep.com/lbp.htm			

Summary and Recommendation

Buy-recommended **BP plc (BP)** offers unlevered appreciation potential of 35% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of \$85 a share. Not to shrug off the sinking of a drilling rig in the deep Gulf of Mexico, we raise estimated NPV from \$80 a share on the basis of first quarter results released today. Unlevered cash flow (Ebitda) exceeded our expectations of three months ago in the upstream business (see table [Next Twelve Months Operating and Financial Estimates](#)). Supported by cash flow and reserve life, natural gas outside North America increases to 12% of NPV and oil increases to \$201 billion (see table [Functional Cash Flow and Present Value](#)). Under Chief Executive Tony Hayward, BP has boosted its profitability in upstream operations toward the higher levels of peer companies (see chart [Unlevered Cash Flow Margin](#)). Meanwhile, an oil spill has yet to be contained following the rig accident. There may be an adverse regulatory impact that restricts supply of deep water oil, the otherwise most promising source of new conventional supply. That could further strengthen the upward trend in oil price indicated by current quote for the next six years at \$93 a barrel compared to the 40-week average of \$85 (see chart [Six-Year Commodity Price Meter](#)). BP's dividend at the current yield of 5.8% could be especially attractive in a U.S. Individual Retirement Account because there is no 15% withholding tax usually charged by most non-U.S. sources.

Kurt H. Wulff, CFA



Independent Stock Idea

April 27, 2010

BP plc									
Next Twelve Months Operating and Financial Estimates									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next
	3/31/09	12/31/09	2009	3/31/10	6/30/10	9/30/10	12/31/10	2010E	Twelve
									Months
									3/31/11
Volume									
Natural Gas (mmcf)									
U.S.	2,335	2,313	2,316	2,221	2,221	2,221	2,221	2,221	2,221
Overseas (or Int'l)	6,432	6,255	6,169	6,379	6,241	5,753	6,255	6,156	6,156
Total	8,767	8,568	8,485	8,600	8,462	7,974	8,476	8,377	8,377
Days	90	92	365	90	91	92	92	365	365
Oil (mbd)	2,504	2,577	2,535	2,527	2,527	2,527	2,527	2,527	2,527
Total gas & oil (mmb)	357	368	1,441	356	358	355	362	1,432	1,432
Total gas & oil (mbd)	3,965	4,005	3,949	3,960	3,937	3,856	3,940	3,923	3,923
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	4.90	4.16	3.99	5.32	4.15	4.54	5.09	4.78	4.80
U.S.	3.38	3.69	3.07	4.84	3.78	3.50	3.51	3.90	3.63
Overseas (or Int'l)	3.72	3.68	3.32	4.06	4.34	4.53	4.64	4.39	4.54
Total	3.63	3.68	3.25	4.26	4.19	4.24	4.34	4.26	4.30
Oil (\$/bbl)									
WTI Cushing	42.96	76.09	61.70	78.67	84.20	87.73	89.91	85.13	88.05
Worldwide	41.26	70.01	56.79	72.42	77.51	80.76	82.76	78.40	81.05
Total gas & oil (\$/bbl)	34.08	52.92	43.44	55.46	58.76	61.69	62.43	59.59	61.39
NY Harbor 3-2-1 (\$/bbl)	9.18	5.22	8.34	7.15	11.87	10.50	6.62	9.03	9.21
BP Refining Indicator	6.20	1.49	4.02	3.08					
Revenue (\$mm)									
Natural Gas									
U.S.	710	785	2,593	967	763	715	718	3,163	2,945
Overseas (or Int'l)	2,154	2,116	7,481	2,330	2,467	2,395	2,669	9,860	10,206
Total	2,864	2,901	10,074	3,297	3,230	3,110	3,386	13,023	13,151
Oil	9,298	16,598	52,547	16,470	17,823	18,775	19,241	72,310	74,753
Other	35,922	54,137	183,517	54,649	54,649	54,649	54,649	218,597	218,597
Total	48,085	73,636	246,138	74,417	75,702	76,534	77,277	303,930	306,501
Expense									
Production	8,296	10,156	35,278	9,909	10,551	10,967	11,339	42,766	44,250
Other	32,492	52,964	173,438	52,357	52,149	52,149	52,449	209,105	209,297
Ebitda (\$mm)									
Exploration and Production	3,867	9,343	27,343	9,859	10,316	10,723	11,087	41,986	43,073
Other	3,430	1,174	10,079	2,292	2,500	2,500	2,200	9,492	9,300
Total Ebitda	7,297	10,517	37,422	12,151	12,816	13,223	13,287	51,478	52,373
Exploration	119	272	1,116	120	120	120	120	480	660
Deprec., Deplet., & Amort.	2,823	3,200	12,479	2,996	2,996	2,996	2,996	11,984	12,288
Other non cash									
Ebit	4,355	7,045	23,827	9,035	9,700	10,107	10,171	39,014	39,425
Interest	318	252	1,110	238	238	238	238	952	952
Ebt	4,037	6,793	22,717	8,797	9,462	9,869	9,933	38,062	38,473
Income Tax	1,413	2,377	7,951	3,079	3,312	3,454	3,477	13,322	13,466
Net Income (\$mm)									
Exploration and Production	3,851	7,083	21,616	8,188					
Other	1,549	15	3,607	789					
Unallocated	(2,776)	(2,683)	(10,457)	(3,259)					
Total	2,624	4,415	14,766	5,718	6,150	6,415	6,457	24,740	25,007
Shares (millions)	3,153	3,162	3,157	3,167	3,167	3,167	3,167	3,167	3,167
Per share (\$)	0.83	1.40	4.68	1.81	1.94	2.03	2.04	7.81	7.90
Ebitda Margin (E&P)	32%	48%	44%	50%	49%	49%	49%	49%	49%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

Please see disclosures on the final page.

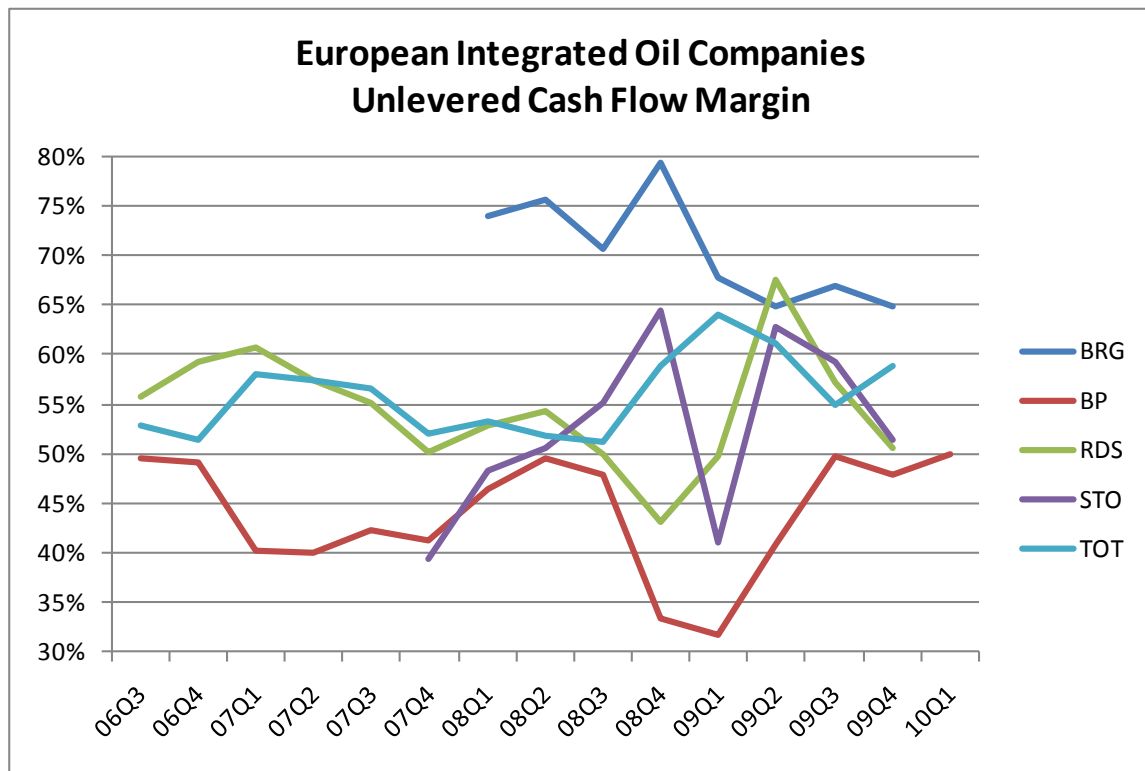
Page 2



Independent Stock Idea

April 27, 2010

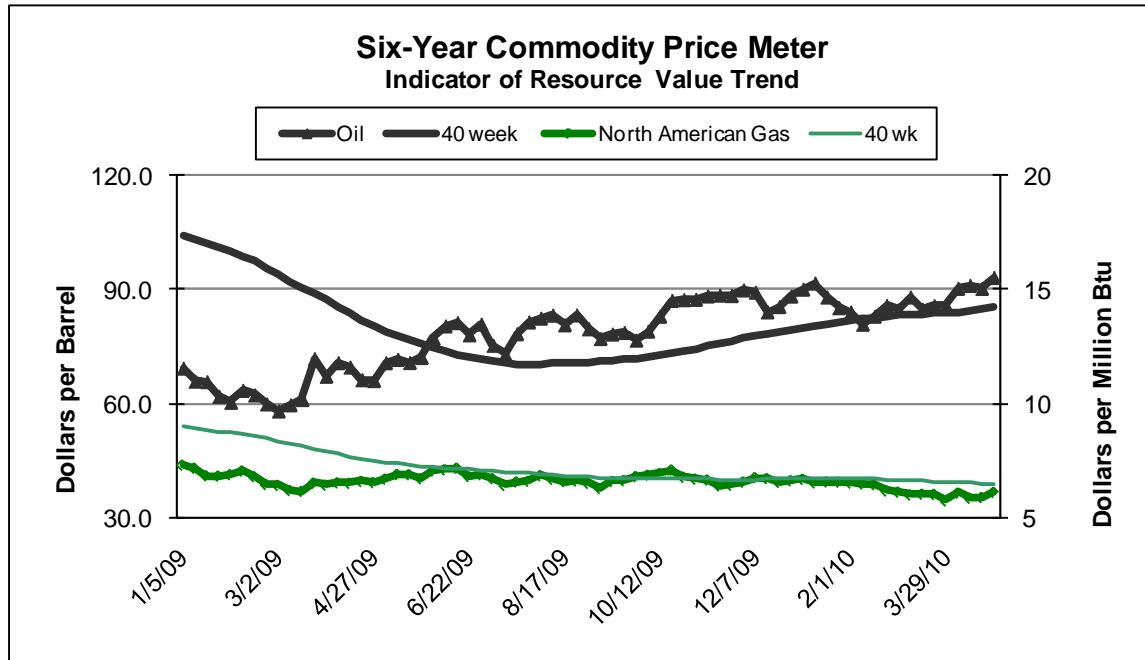
BP plc					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	1,440	15.3	13.2	19,000	6%
Rest of World Natural Gas	5,000	9.5	7.6	38,000	12%
Oil	36,630	8.9	5.5	201,000	61%
Downstream	9,300		7.5	70,000	21%
	52,370	9.7	6.3	328,000	100%
Debt (US\$mm)					58,300
Net Present Value (US\$mm)					269,200
Shares (mm)					3,167
Net Present Value - Standard Estimate (US\$/sh)					85
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					91





Independent Stock Idea

April 27, 2010



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. 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.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.