

Rating: Buy
 S&P 500: 1480

BP plc CEO Cycle

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	47,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	6
<i>Price (US\$/sh)</i>	67.76	<i>Natural Gas and Oil Production/Ebitda (%)</i>	71
<i>Pricing Date</i>	4/24/07	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	3231	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (US\$mm)</i>	218,900	<i>PV/Ebitda</i>	6.6
<i>Debt (US\$mm)</i>	53,400	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$mm)</i>	272,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	24.00
<i>Present Value (PV) (US\$mm)</i>	311,900	<i>Present Value Proven Reserves(US\$/boe)</i>	12.80
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.13
<i>Debt/Present Value</i>	0.17	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.11
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	3.7	<i>Indicated Annual Dividend (US\$/sh)</i>	2.48

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\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of BP since 2004 see www.mcdep.com/1bp.htm

Summary and Recommendation

Buy-recommended **BP plc (BP)** performed in first quarter 2007 at a level somewhat below expectations as has been the case for the past few years. Investors' disenchantment following enthusiasm for outgoing Chief Executive Officer John Browne reminds us of similar circumstances for predecessor Robert Horton a decade and a half earlier. There does not appear to be any undervaluation of BP compared to peers this time though the stock has not done quite as well as that of peers. Yet with solid, low risk returns to investors the stock is back in favor trading above the 200-day average. Dividends of near 4% a year were enhanced by stock repurchase of 6% for the past four quarters. Estimated net present value (NPV) of \$80 a share is close to that indicated by a correlation with reserve life and cash flow for some thirty companies (see table, Functional Cash Flow and Present Value). NPV may be in a rising trend along with six-year oil and natural gas both trading above 40-week averages (see chart, Six-Year Commodity Price Meter). We include BP stock at a half weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean energy for global growth.

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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	2,670	14.9	10.5	28,000	9%
Rest of World Natural Gas	4,380	9.1	6.4	28,000	9%
Oil	26,330	9.0	6.9	181,000	58%
Downstream	13,710		5.5	75,000	24%
	47,090	9.6	6.6	312,000	100%
Debt (US\$mm)					53,400
Net Present Value (US\$mm)					258,500
Shares (mm)					3,231
Net Present Value - Standard Estimate (US\$/sh)					80
Net Present Value - Approximation by Correlation (US\$/sh)					78

Production and Reserves, 2006

	<i>2006 Production</i>		<i>12/31/2006 Proven Reserves</i>			<i>Weighted</i> <i>Life Index</i> <i>(years)</i>	<i>2007</i> <i>Adjusted</i> <i>R/P</i> <i>(years)</i>
	<i>(daily)</i>	<i>(annual)</i>	<i>Developed</i> <i>(bcf or mmb)</i>	<i>Undeveloped</i> <i>(bcf or mmb)</i>	<i>Weighted</i> <i>(bcf or mmb)</i>		
North American Natural Gas							
U.S. Production	2,578	941	10,438	4,660	12,768	13.6	
Non-marketed	202						
Marketed	2,376	867	9,618	4,294	11,765	13.6	14.9
Rest of World Natural Gas							
Rest of Americas	3,159	1,153	5,392	9,929	10,357	9.0	
U.K.	1,014	370	1,968	825	2,381	6.4	
Rest of Europe	104	38	242	56	270	7.1	
Asia Pacific	789	288	1,411	5,225	4,024	14.0	
Africa	463	169	1,032	1,675	1,870	11.1	
Russia	559	204	1,087	184	1,179	5.8	
Other	244	89	501	1,306	1,154	13.0	
ROW Production	6,332	2,311	11,633	19,200	21,233	9.2	
Non-marketed	290						
Marketed	6,042	2,205	11,101	18,322	20,262	9.2	9.1
Oil							
U.S.	488	178	1,916	1,292	2,562	14.4	
Rest of Americas	184	67	351	376	539	8.0	
U.K.	252	92	458	146	531	5.8	
Rest of Europe	63	23	189	97	238	10.3	
Asia Pacific	47	17	68	86	111	6.5	
Africa	175	64	193	512	449	7.0	
Russia	877	320	2,200	644	2,522	7.9	
Other	332	121	608	645	931	7.7	
Total Production	2,416	882	5,983	3,798	7,882	8.9	
Balance	59						
Total	2,475	903	6,128	3,890	8,073	8.9	9.0
Total Oil Equivalent	3,878	1,415	9,581	7,659	13,411	9.5	9.6

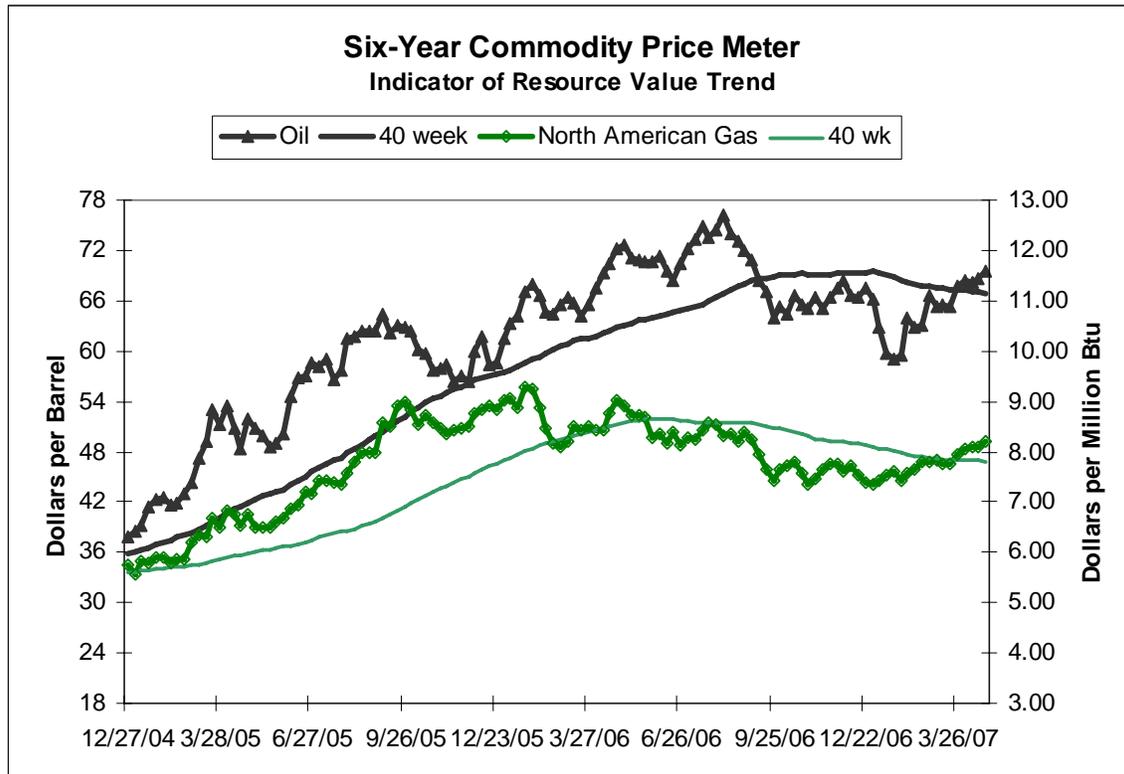
Weighted Life Index counts undeveloped reserves at half stated value and is computed on latest calendar year volume.
 NTM Adjusted R/P also counts undeveloped reserves at half and is computed on next twelve months production.

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BP plc
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>3/31/08</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	2,196	2,376	2,163	2,163	2,163	2,163	2,163	2,163	2,163
Overseas (or Int'l)	6,060	6,042	6,339	6,131	5,754	6,060	6,069	6,339	6,069
Total	8,256	8,418	8,502	8,294	7,917	8,223	8,232	8,502	8,232
Oil (mbd)	2,416	2,475	2,446	2,446	2,446	2,446	2,446	2,446	2,446
Total gas & oil (mmb)	349	1,415	348	348	346	351	1,394	348	1,394
Total gas & oil (mbd)	3,792	3,878	3,863	3,828	3,766	3,817	3,818	3,863	3,818
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	7.23	6.81	7.60	7.95	8.80	7.79	9.71	8.52
U.S. (or North America)	5.03	5.74	5.76	6.43	6.72	7.44	6.59	8.21	7.20
Overseas (or Int'l)	4.14	4.32	4.55	4.03	4.08	4.14	4.21	4.55	4.21
Total	4.38	4.72	4.86	4.66	4.80	5.01	4.83	5.48	4.99
Oil (\$/bbl)									
WTI Cushing	59.99	66.05	58.08	65.07	67.85	69.47	65.12	70.42	68.20
Worldwide	54.13	59.27	53.43	59.87	62.42	63.91	59.94	64.78	62.74
Total gas & oil (\$/bbl)	44.02	48.07	44.53	48.34	50.64	51.76	48.82	53.09	50.96
NY Harbor 3-2-1 (\$/bbl)	7.54	10.50	11.68	21.91	17.36	11.15	15.53	10.96	15.35
BP Refining Indicator	6.30	8.39	9.45						
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	1,016	4,978	1,121	1,266	1,338	1,481	5,206	1,599	5,684
Overseas (or Int'l)	2,311	9,518	2,597	2,250	2,158	2,311	9,316	2,597	9,316
Total	3,327	14,496	3,719	3,516	3,496	3,792	14,523	4,197	15,001
Oil	12,032	53,543	11,762	13,326	14,047	14,382	53,517	14,261	56,016
Other	47,474	209,827	47,235	47,235	47,235	47,235	188,941	47,235	188,941
Total	62,832	277,865	62,716	64,077	64,778	65,409	256,980	65,693	259,957
Expense									
Production	7,819	35,996	9,262	9,943	10,293	10,609	40,107	9,783	40,627
Other	45,638	196,860	44,363	42,312	43,155	45,399	175,229	44,363	175,229
Ebitda (\$mm)									
Exploration and Production	7,539	32,042	6,219	7,916	8,245	8,542	30,921	8,675	33,378
Other	1,836	12,966	2,872	4,923	4,080	1,836	13,712	2,872	13,712
Total Ebitda	9,375	45,008	9,091	12,839	12,325	10,378	44,633	11,547	47,089
Exploration	408	1,045	156	156	156	156	624	156	624
Deprec., Deplet., & Amort.	2,441	9,127	2,519	2,519	2,519	2,519	10,076	2,519	10,076
Other non cash		75							
Ebit	6,526	34,761	6,416	10,164	9,650	7,703	33,933	8,872	36,389
Interest	205	718	264	264	264	264	1,056	264	1,056
Ebt	6,321	34,043	6,152	9,900	9,386	7,439	32,877	8,608	35,333
Income Tax	2,212	11,915	2,153	3,465	3,285	2,604	11,507	3,013	12,367
Net Income (\$mm)									
Exploration and Production	5,240	27,267	5,295				5,295		
Other	620	6,295	1,264				1,264		
Unallocated	(1,751)	(11,434)	(2,560)				(2,560)		
Total	4,109	22,128	3,999	6,435	6,101	4,835	21,370	5,596	22,967
Shares (millions)									
Per share (\$)	3,268	3,340	3,231	3,231	3,231	3,231	3,231	3,231	3,231
Ebitda Margin (E&P)	1.26	6.63	1.24	1.99	1.89	1.50	6.61	1.73	7.11
Ebitda Margin (E&P)	49%	47%	40%	47%	47%	47%	45%	47%	47%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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