



Rating: Buy  
 S&P 500: 1391

## BP plc Getting Back on Track

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	58,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	6
<i>Price (US\$/sh)</i>	72.18	<i>Natural Gas and Oil Production/Ebitda (%)</i>	84
<i>Pricing Date</i>	4/29/08	<i>Adjusted Reserves/Production NTM</i>	9.9
<i>Shares (mm)</i>	3146	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (US\$m)</i>	227,100	<i>PV/Ebitda</i>	5.5
<i>Debt (US\$m)</i>	60,700	<i>Undeveloped Reserves (%)</i>	45
<i>Enterprise Value (EV) (US\$m)</i>	287,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	35.20
<i>Present Value (PV) (US\$m)</i>	325,000	<i>Present Value Proven Reserves(US\$/boe)</i>	15.20
<i>Net Present Value (US\$/share)</i>	84	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.53
<i>Debt/Present Value</i>	0.19	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.28
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	4.5	<i>Indicated Annual Dividend (US\$/sh)</i>	3.25
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 BP since 2004 see <a href="http://www.mcdep.com/1bp.htm">www.mcdep.com/1bp.htm</a>			

### Summary and Recommendation

Buy-recommended **BP plc (BP)** offers unlevered appreciation potential of 13% to estimated net present value (NPV) of \$84 a share, concentrated 67% on oil production. First quarter results reported today exceeded our expectations for total cash flow with more from production and less from downstream than projected in our analysis three months ago. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). According to latest estimates, proven oil reserves are concentrated a third in Russia where we are optimistic about the company's prospects despite political concerns (see table Production and Reserves, 2007). Finally, we are encouraged that BP's quarterly financial results better reflect oil price as it continues to trend upward (see chart (Six-Year Commodity Price Meter)).

Kurt H. Wulff, CFA



<b>BP plc</b>									
<b>Next Twelve Months Operating and Financial Estimates</b>									
									<i>Next</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>3/31/07</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>2008E</i>	<i>Months</i>
									<i>3/31/09</i>
<b>Volume</b>									
Natural Gas (mmcf)									
U.S. (or North America)	2,163	2,183	<b>2,174</b>	2,149	2,149	2,149	2,149	<b>2,149</b>	<b>2,149</b>
Overseas (or Int'l)	6,339	6,154	<b>5,969</b>	6,315	5,694	5,693	6,154	<b>5,980</b>	<b>5,963</b>
Total	8,502	8,337	<b>8,143</b>	8,464	7,843	7,842	8,303	<b>8,135</b>	<b>8,112</b>
Days	90	92	<b>365</b>	91	91	92	92	<b>366</b>	<b>365</b>
Oil (mbd)	2,446	2,469	<b>2,414</b>	2,469	2,469	2,469	2,469	<b>2,469</b>	<b>2,469</b>
Total gas & oil (mmb)	348	355	<b>1,376</b>	353	344	347	354	<b>1,399</b>	<b>1,395</b>
Total gas & oil (mbd)	3,863	3,859	<b>3,771</b>	3,880	3,776	3,776	3,853	<b>3,821</b>	<b>3,821</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.97	<b>6.87</b>	8.02	10.75	11.49	11.85	<b>10.52</b>	<b>11.58</b>
U.S. (or North America)	5.76	5.41	<b>5.43</b>	6.73	9.02	9.65	9.94	<b>8.84</b>	<b>9.72</b>
Overseas (or Int'l)	4.55	4.62	<b>4.20</b>	5.59	3.88	3.66	4.62	<b>4.47</b>	<b>4.47</b>
Total	4.86	4.83	<b>4.53</b>	5.88	5.29	5.30	6.00	<b>5.63</b>	<b>5.86</b>
Oil (\$/bbl)									
WTI Cushing	58.08	90.67	<b>72.28</b>	97.94	116.85	116.98	115.03	<b>111.70</b>	<b>115.57</b>
Worldwide	53.43	82.72	<b>67.50</b>	90.92	108.47	108.59	106.78	<b>103.71</b>	<b>107.29</b>
Total gas & oil (\$/bbl)	44.53	63.37	<b>52.98</b>	70.69	81.91	82.01	81.36	<b>78.96</b>	<b>81.77</b>
NY Harbor 3-2-1 (\$/bbl)	11.68	8.19	<b>14.37</b>	7.57	13.66	12.76	9.80	<b>10.95</b>	<b>12.07</b>
BP Refining Indicator	9.45	5.68							
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S. (or North America)	1,121	1,087	<b>4,311</b>	1,316	1,764	1,907	1,966	<b>6,954</b>	<b>7,624</b>
Overseas (or Int'l)	2,597	2,618	<b>9,143</b>	3,213	2,012	1,916	2,618	<b>9,759</b>	<b>9,723</b>
Total	3,719	3,705	<b>13,455</b>	4,529	3,776	3,823	4,584	<b>16,712</b>	<b>17,348</b>
Oil	11,762	18,790	<b>59,473</b>	20,428	24,370	24,666	24,254	<b>93,718</b>	<b>96,687</b>
Other	47,235	59,448	<b>218,961</b>	65,191	65,191	65,191	65,191	<b>260,765</b>	<b>260,765</b>
Total	62,716	81,942	<b>291,888</b>	90,148	93,338	93,680	94,030	<b>371,196</b>	<b>374,800</b>
<b>Expense (\$mm)</b>									
Production	9,262	13,222	<b>43,044</b>	13,453	15,048	15,219	15,394	<b>59,116</b>	<b>61,942</b>
Other	44,363	58,192	<b>208,566</b>	63,167	60,880	63,237	63,935	<b>251,218</b>	<b>251,218</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	6,219	9,273	<b>29,884</b>	11,503	12,103	12,250	12,401	<b>48,257</b>	<b>49,035</b>
Other	2,872	1,256	<b>10,395</b>	2,024	4,312	1,955	1,256	<b>9,547</b>	<b>9,547</b>
Total Ebitda	9,091	10,529	<b>40,278</b>	13,528	16,415	14,205	13,657	<b>57,804</b>	<b>58,582</b>
Exploration	156	201	<b>756</b>	293	293	293	293	<b>1,172</b>	<b>1,172</b>
Deprec., Deplet., & Amort.	2,519	3,020	<b>10,579</b>	2,782	2,782	2,782	2,782	<b>11,128</b>	<b>11,128</b>
Other non cash									
<b>Ebit</b>	6,416	7,308	<b>28,943</b>	10,453	13,340	11,130	10,582	<b>45,504</b>	<b>46,282</b>
Interest	264	333	<b>1,110</b>	337	337	337	337	<b>1,348</b>	<b>1,348</b>
<b>Ebt</b>	6,152	6,975	<b>27,833</b>	10,116	13,003	10,793	10,245	<b>44,156</b>	<b>44,934</b>
Income Tax	2,153	2,441	<b>9,742</b>	3,540	4,551	3,777	3,586	<b>15,455</b>	<b>15,727</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	5,295	8,264	<b>26,374</b>	10,448				<b>10,448</b>	
Other	1,264	90	<b>4,224</b>	640				<b>640</b>	
Unallocated	(2,560)	(3,820)	<b>(12,506)</b>	(4,513)				<b>(4,513)</b>	
Total	3,999	4,534	<b>18,092</b>	6,575	8,452	7,015	6,659	<b>28,701</b>	<b>29,207</b>
<b>Shares (millions)</b>	3,231	3,163	<b>3,191</b>	3,146	3,146	3,146	3,146	<b>3,146</b>	<b>3,146</b>
Per share (\$)	1.24	1.43	<b>5.67</b>	2.09	2.69	2.23	2.12	<b>9.12</b>	<b>9.28</b>
Ebitda Margin (E&P)	40%	41%	<b>41%</b>	46%	43%	43%	43%	<b>44%</b>	<b>43%</b>
Tax Rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

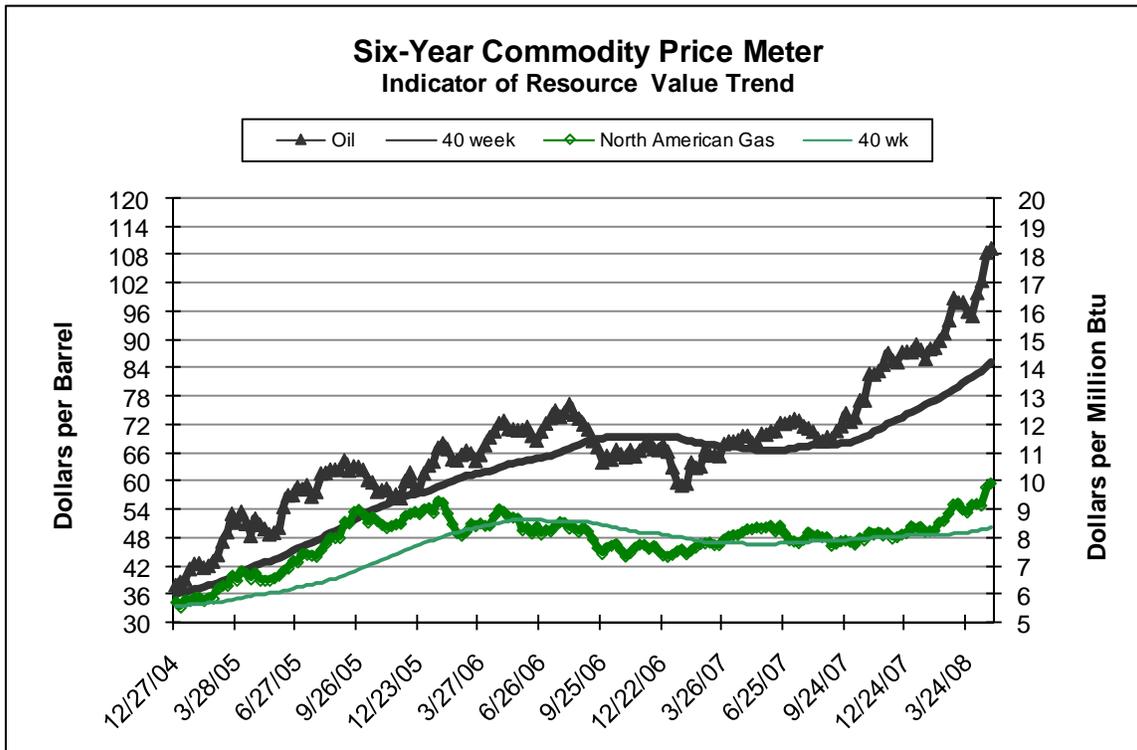


<b>BP plc</b>					
<b>Functional Cash Flow and Present Value</b>					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	3,280	16.4	8.5	28,000	9%
Rest of World Natural Gas	4,180	9.1	6.9	29,000	9%
Oil	41,570	9.3	5.2	218,000	67%
Downstream	9,550		5.2	50,000	15%
	58,580	9.9	5.5	325,000	100%
Debt (US\$mm)					60,700
Net Present Value (US\$mm)					264,300
Shares (mm)					3,146
Net Present Value - Standard Estimate (US\$/sh)					84
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					86

<b>BP plc</b>								
<b>Production and Reserves, 2007</b>								
				<i>12/31/2007 Proven Reserves</i>			<i>Weighted</i>	<i>NTM</i>
		<i>2007 Production</i>	<i>Developed</i>	<i>Undeveloped</i>	<i>Weighted</i>	<i>Life Index</i>	<i>Adjusted</i>	
		<i>(daily)</i>	<i>(annual)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(years)</i>	<i>R/P</i>
								<i>(years)</i>
North American Natural Gas								
	U.S. Production	2,408	879	10,670	4,705	13,023	14.8	
	Non-marketed	33						
	Marketed	2,376	867	10,525	4,641	12,846	14.8	16.4
Rest of World Natural Gas								
	Rest of Americas	3,351	1,223	5,161	9,225	9,774	8.0	
	U.K.	819	299	2,049	553	2,326	7.8	
	Rest of Europe	38	14	63	410	268	19.1	
	Asia Pacific	751	274	1,861	4,854	4,288	15.6	
	Africa	512	187	990	1,410	1,695	9.1	
	Russia	490	179	808	353	985	5.5	
	Other	337	123	731	1,057	1,260	10.2	
	ROW Production	6,299	2,299	11,663	17,862	20,594	9.0	
	Non-marketed	257						
	Marketed	6,042	2,205	11,188	17,134	19,755	9.0	9.1
Oil								
	U.S.	463	169	1,882	1,265	2,515	14.9	
	Rest of Americas	151	55	443	446	666	12.1	
	U.K.	200	73	414	123	476	6.5	
	Rest of Europe	52	19	105	169	190	10.0	
	Asia Pacific	41	15	62	77	101	6.7	
	Africa	195	71	256	350	431	6.1	
	Russia	833	304	2,094	1,137	2,663	8.8	
	Other	419	153	677	573	964	6.3	
	Total Production	2,353	859	5,933	4,140	8,003	9.3	
	Balance	122						
	Total	2,475	903	6,240	4,354	8,417	9.3	9.3
	Total Oil Equivalent	3,878	1,415	9,858	7,983	13,850	9.8	9.9

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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