

Rating: Buy
S&P 500: 1431

BP plc **New Leader Designated**

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	43,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	5
<i>Price (US\$/sh)</i>	64.64	<i>Natural Gas and Oil Production/Ebitda (%)</i>	63
<i>Pricing Date</i>	1/12/07	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	3303	<i>EV/Ebitda</i>	6.0
<i>Market Capitalization (US\$mm)</i>	213,500	<i>PV/Ebitda</i>	7.1
<i>Debt (US\$mm)</i>	49,200	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	262,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	20.00
<i>Present Value (PV) (US\$mm)</i>	313,500	<i>Present Value Proven Reserves(US\$/boe)</i>	11.00
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcf)</i>	1.83
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.50
<i>McDep Ratio - EV/PV</i>	0.84	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	3.6	<i>Indicated Annual Dividend (US\$/sh)</i>	2.36

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\$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

Announcement of the early departure by mid-2007 of Lord Browne of Madingly follows buy-recommended **BP plc (BP)**'s lagging stock price for the past half year. The company's recent performance was not up to the standards of the John Browne we admired when we first met him a few decades ago. As the chief executive leaves, BP retains a rich suite of energy assets that we estimate are worth \$80 a share in net present value. Mr. Tony Hayward, designated by the board of directors to be the new chief executive on August 1, currently is responsible for the exploration and production operations that account for 70% of the company's value. Adverse publicity continued to build before the latest announcement including a feature story by Bloomberg about potential failure of welded joints in the newly constructed BTC, for Baku, Tblisi, Ceyhan, pipeline from Azerbaijan across Turkey to the Mediterranean. Stock price below the 200-day average confirms that BP stock remains out of favor with investors. With patience, 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 to support global growth.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

BP plc
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>2005</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	2,359	2,547	2,332	2,332	2,410	2,332	2,332	2,332	2,332
Overseas (or Int'l)	6,099	5,911	5,754	6,099	6,052	6,228	6,131	5,754	6,052
Total	8,458	8,472	8,086	8,431	8,462	8,560	8,463	8,086	8,384
Oil (mbd)	2,564	2,562	2,422	2,422	2,477	2,422	2,422	2,422	2,422
Total gas & oil (mmb)	366	1,456	347	352	1,419	346	349	347	1,394
Total gas & oil (mbd)	3,974	3,966	3,770	3,827	3,887	3,849	3,833	3,770	3,819
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	13.00	8.65	6.58	6.57	7.23	6.38	6.85	7.09	7.07
U.S. (or North America)	9.48	6.77	5.51	5.50	5.84	5.34	5.73	5.93	5.92
Overseas (or Int'l)	4.99	4.09	4.08	4.99	4.53	4.99	4.03	4.08	4.53
Total	6.24	4.90	4.49	5.13	4.90	5.09	4.50	4.61	4.92
Oil (\$/bbl)									
WTI Cushing	60.02	56.31	70.42	59.99	66.05	53.28	55.17	56.58	55.69
Worldwide	52.44	48.65	64.15	54.65	59.39	48.54	50.26	51.55	50.75
Total gas & oil (\$/bbl)	47.12	41.84	50.85	45.88	48.52	41.86	41.70	43.01	42.97
NY Harbor 3-2-1 (\$/bbl)	9.06	10.63	11.67	7.54	10.50	8.24	12.40	12.61	10.50
BP Refining Indicator	7.60	8.58	8.40						
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	2,057	6,327	1,182	1,179	5,141	1,121	1,216	1,273	5,038
Overseas (or Int'l)	2,798	8,834	2,158	2,798	10,005	2,799	2,250	2,158	10,005
Total	4,856	15,162	3,340	3,977	15,146	3,920	3,466	3,431	15,043
Oil	12,370	45,741	14,294	12,178	53,689	10,581	11,078	11,486	44,863
Other	48,889	270,551	55,368	55,368	217,721	55,368	55,368	55,368	221,471
Total	66,115	331,454	73,002	71,523	286,556	69,868	69,912	70,284	281,377
Expense									
Production	9,926	32,203	9,346	8,607	38,098	7,779	7,801	7,987	32,069
Other	45,285	255,582	50,842	51,763	201,671	51,659	51,157	50,842	205,421
Ebitda (\$mm)									
Exploration and Production	7,300	28,700	8,288	7,548	30,737	6,721	6,743	6,929	27,837
Other	3,604	14,969	4,526	3,604	16,050	3,709	4,211	4,526	16,050
Total Ebitda	10,904	43,669	12,814	11,153	46,786	10,430	10,954	11,455	43,887
Exploration	208	684	351	351	988	351	351	351	1,404
Deprec., Deplet., & Amort.	2,351	9,055	2,194	2,194	8,880	2,194	2,194	2,194	8,776
Other non cash	1,350	3,601	(106)		75				
Ebit	6,995	30,329	10,375	8,608	36,843	7,885	8,409	8,910	33,707
Interest	172	616	169	169	682	169	169	169	676
Ebt	6,823	29,713	10,206	8,439	36,161	7,716	8,240	8,741	33,031
Income Tax	2,388	10,400	3,572	2,954	12,656	2,701	2,884	3,059	11,561
Net Income (\$mm)									
Exploration and Production	6,567	25,363	7,469		22,027				
Other	(84)	5,907	2,140		5,675				
Unallocated	(2,048)	(11,957)	(2,975)		(9,682)				
Total	4,435	19,313	6,634	5,485	23,505	5,015	5,356	5,682	21,470
Shares (millions)	3,465	3,524	3,303	3,303	3,344	3,303	3,303	3,303	3,303
Per share (\$)	1.28	5.48	2.01	1.66	7.03	1.52	1.62	1.72	6.50
Ebitda Margin (E&P)	42%	47%	47%	47%	45%	46%	46%	46%	46%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	<u>(US\$mm)</u>	
North American Natural Gas	2,340	12.8	10.3	24,000	8%
Rest of World Natural Gas	4,650	9.7	7.7	36,000	12%
Oil	20,850	9.2	7.6	158,000	50%
Downstream	16,050		5.9	95,000	30%
	43,890	9.7	7.1	313,000	100%
Debt (US\$mm)				49,200	
Net Present Value (US\$mm)				264,200	
Shares (mm)				3,303	
Net Present Value - Standard Estimate (US\$/sh)				80	
Net Present Value - Approximation by Correlation (US\$/sh)				79	

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