



Rating: Buy  
 S&P 500: 1381

## BP plc Underlying Resource Strength

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$mm)</i>	48,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	64.41	<i>Natural Gas and Oil Production/Ebitda (%)</i>	79
<i>Pricing Date</i>	2/4/08	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	3163	<i>EV/Ebitda</i>	5.4
<i>Market Capitalization (US\$mm)</i>	203,700	<i>PV/Ebitda</i>	6.7
<i>Debt (US\$mm)</i>	57,800	<i>Undeveloped Reserves (%)</i>	44
<i>Enterprise Value (EV) (US\$mm)</i>	261,600	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	27.10
<i>Present Value (PV) (US\$mm)</i>	323,500	<i>Present Value Proven Reserves(US\$/boe)</i>	14.70
<i>Net Present Value (US\$/share)</i>	84	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.45
<i>Debt/Present Value</i>	0.18	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.02
<i>McDep Ratio - EV/PV</i>	0.81	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	5.0	<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 24% to estimated net present value (NPV) of \$84 a share, concentrated 66% on oil production. Fourth quarter results reported on February 5 are closer to our expectations after we adjust for one-time negative items. 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). On December 18 we increased NPV from \$75 a share prompted by an increase in long-term oil price for calculating present value to \$80 from \$66 a barrel. 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). New chief executive Tony Hayward discloses that BP has raised its assumption of oil price for evaluating new investments to \$60 a barrel. In a strong uptrend, the current quotes in the futures market for the next six years average \$89 a barrel (see chart Six-Year Commodity Price Meter). A welcome 25% boost in quarterly dividend raises indicated annual yield to 5.0%.

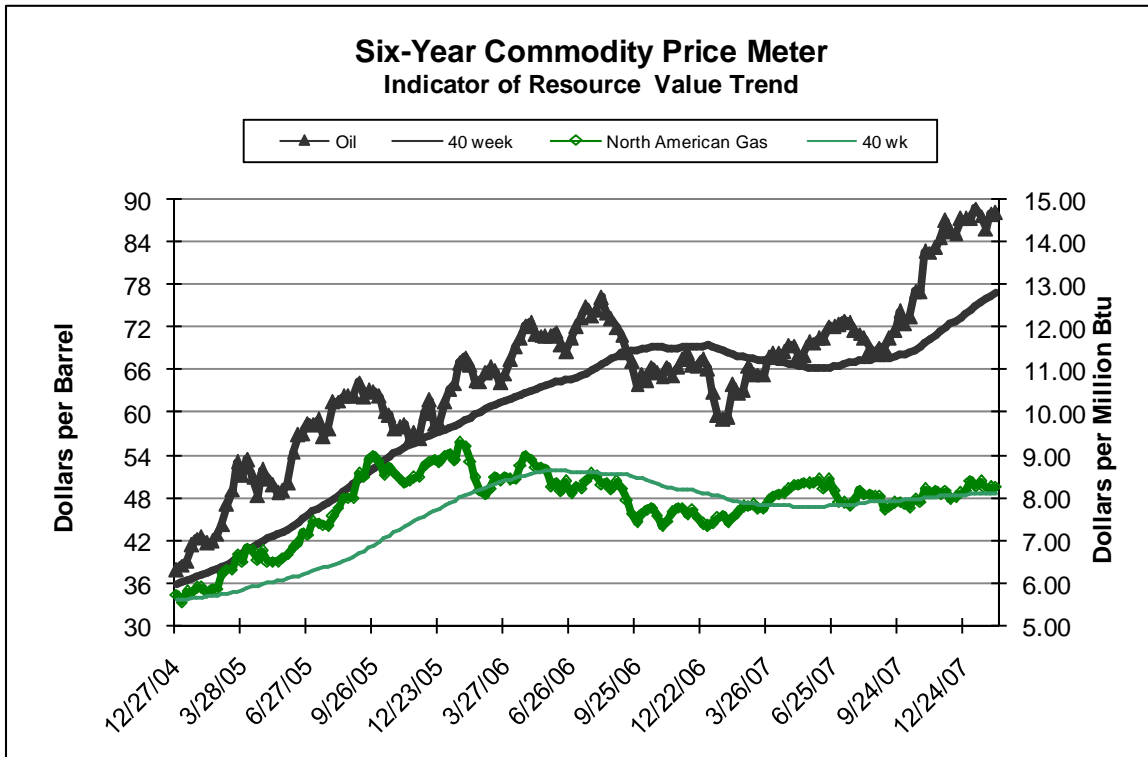
Kurt H. Wulff, CFA



<b>BP plc</b>									
<b>Next Twelve Months Operating and Financial Estimates</b>									
									<i>Next</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Twelve</i>
	<i>12/31/06</i>	<i>9/30/07</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>Months</i>
									<i>12/31/08</i>
<b>Volume</b>									
Natural Gas (mmcf)									
U.S. (or North America)	2,196	2,186	2,183	<b>2,174</b>	2,183	2,183	2,183	2,183	<b>2,183</b>
Overseas (or Int'l)	6,060	5,693	6,154	<b>5,969</b>	6,339	5,694	5,693	6,154	<b>5,986</b>
Total	8,256	7,879	8,337	<b>8,143</b>	8,522	7,877	7,876	8,337	<b>8,175</b>
Oil (mbd)	2,416	2,292	2,469	<b>2,414</b>	2,469	2,469	2,469	2,469	<b>2,469</b>
Total gas & oil (mmb)	349	332	355	<b>1,376</b>	354	344	348	355	<b>1,401</b>
Total gas & oil (mbd)	3,792	3,605	3,859	<b>3,771</b>	3,889	3,782	3,782	3,859	<b>3,828</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	<b>6.87</b>	7.66	7.96	8.17	8.55	<b>8.08</b>
U.S. (or North America)	5.03	4.64	5.41	<b>5.43</b>	5.95	6.17	6.34	6.63	<b>6.27</b>
Overseas (or Int'l)	4.14	3.66	4.62	<b>4.20</b>	4.55	3.88	3.66	4.62	<b>4.20</b>
Total	4.38	3.93	4.83	<b>4.53</b>	4.91	4.52	4.40	5.15	<b>4.75</b>
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	<b>72.28</b>	91.01	89.95	89.50	89.07	<b>89.88</b>
Worldwide	54.13	71.12	82.72	<b>67.50</b>	83.02	82.06	81.65	81.26	<b>81.99</b>
Total gas & oil (\$/bbl)	44.02	53.80	63.37	<b>52.98</b>	63.46	62.98	62.47	63.12	<b>63.01</b>
NY Harbor 3-2-1 (\$/bbl)	7.54	12.64	8.19	<b>14.37</b>	9.18	14.37	13.89	9.82	<b>11.81</b>
BP Refining Indicator	6.30	8.05	5.68						
<b>Revenue (\$mm)</b>									
Natural Gas									
U.S. (or North America)	1,016	933	1,087	<b>4,311</b>	1,181	1,227	1,273	1,332	<b>5,012</b>
Overseas (or Int'l)	2,311	1,916	2,618	<b>9,143</b>	2,626	2,012	1,916	2,618	<b>9,172</b>
Total	3,327	2,849	3,705	<b>13,455</b>	3,807	3,239	3,189	3,950	<b>14,185</b>
Oil	12,032	14,997	18,790	<b>59,473</b>	18,654	18,437	18,547	18,457	<b>74,094</b>
Other	47,474	54,993	59,448	<b>218,961</b>	59,448	59,448	59,448	59,448	<b>237,791</b>
Total	62,832	72,838	81,942	<b>291,888</b>	81,909	81,123	81,183	81,855	<b>326,070</b>
<b>Expense (\$mm)</b>									
Production	7,819	10,292	13,222	<b>43,044</b>	12,803	12,410	12,440	12,776	<b>50,429</b>
Other	45,638	53,038	58,192	<b>208,566</b>	56,575	55,136	57,493	58,192	<b>227,396</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	7,539	7,553	9,273	<b>29,884</b>	9,658	9,320	9,346	9,635	<b>37,960</b>
Other	1,836	1,955	1,256	<b>10,395</b>	2,872	4,312	1,955	1,256	<b>10,395</b>
Total Ebitda	9,375	9,508	10,529	<b>40,278</b>	12,531	13,632	11,301	10,891	<b>48,355</b>
Exploration	408	244	201	<b>756</b>	201	201	201	201	<b>804</b>
Deprec., Deplet., & Amort.	2,441	2,505	3,020	<b>10,579</b>	3,020	3,020	3,020	3,020	<b>12,080</b>
Other non cash									
<b>Ebit</b>	6,526	6,759	7,308	<b>28,943</b>	9,310	10,411	8,080	7,670	<b>35,471</b>
Interest	205	262	333	<b>1,110</b>	333	333	333	333	<b>1,332</b>
<b>Ebt</b>	6,321	6,497	6,975	<b>27,833</b>	8,977	10,078	7,747	7,337	<b>34,139</b>
Income Tax	2,212	2,274	2,441	<b>9,742</b>	3,142	3,527	2,711	2,568	<b>11,949</b>
<b>Net Income (\$mm)</b>									
Exploration and Production	5,240	6,321	8,264	<b>26,374</b>					
Other	620	671	90	<b>4,224</b>					
Unallocated	(1,751)	(2,769)	(3,820)	<b>(12,506)</b>					
Total	4,109	4,223	4,534	<b>18,092</b>	5,835	6,551	5,035	4,769	<b>22,190</b>
<b>Shares (millions)</b>									
Per share (\$)	1.26	1.33	1.43	<b>5.67</b>	1.84	2.07	1.59	1.51	<b>7.02</b>
Ebitda Margin (E&P)	49%	42%	41%	<b>41%</b>	43%	43%	43%	43%	<b>43%</b>
Tax Rate	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>



BP plc					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	2,160	14.7	12.0	26,000	8%
Rest of World Natural Gas	3,940	9.3	7.1	28,000	9%
Oil	31,860	8.9	6.7	215,000	66%
Downstream	10,390		5.3	55,000	17%
	48,350	9.6	6.7	324,000	100%
Debt (US\$mm)					57,800
Net Present Value (US\$mm)					265,700
Shares (mm)					3,163
Net Present Value - Standard Estimate (US\$/sh)					84
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					81



**McDep LLC**  
**Independent Stock Idea**  
February 5, 2008



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