

Rating: Buy
 S&P 500: 1302

BP plc Understated Russian Resource

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	52,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	6
<i>Price (US\$/sh)</i>	74.88	<i>Natural Gas and Oil Production/Ebitda (%)</i>	67
<i>Pricing Date</i>	4/25/06	<i>Adjusted Reserves/Production NTM</i>	9.3
<i>Shares (mm)</i>	3420	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (US\$m)</i>	256,100	<i>PV/Ebitda</i>	5.9
<i>Debt (US\$m)</i>	48,800	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$m)</i>	304,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	24.50
<i>Present Value (PV) (US\$m)</i>	312,100	<i>Present Value Proven Reserves(US\$/boe)</i>	11.70
<i>Net Present Value (US\$/share)</i>	77	<i>Present Value Proven Reserves(US\$/mcf)</i>	1.95
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.10
<i>McDep Ratio - EV/PV</i>	0.98	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	3.0	<i>Indicated Annual Dividend (US\$/sh)</i>	2.25

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.

Summary and Recommendation

Buy-recommended **BP plc (BP)** appears priced near our estimate of net present value of \$77 a share. The estimate presumes a long-term oil price of \$50 a barrel while the futures price for oil delivered over the next six years continues in a multi-year uptrend with the current quote at \$72. The oil price trend suggests we may be increasing our present value estimates before long. After taking account of first quarter 2006 results, our correlation of present value with adjusted reserve life and twelve months cash flow indicates a possible lower net present value. The reconciliation is in a table with the detail of production and reserves. A low weighted life index of 5.8 years especially understates what we believe to be the potential of Russian oil resources. Similarly, cash flow per barrel in Russia has not yet reached the global level.

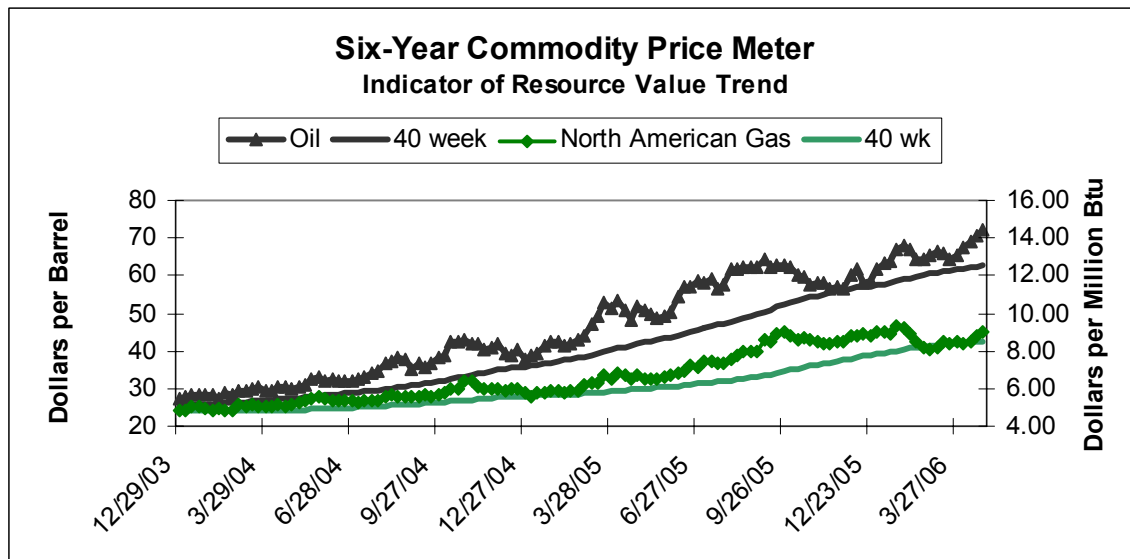
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$m)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$m)</i>	
North American Natural Gas	2,920	12.0	7.9	23,000	7%
Rest of World Natural Gas	5,690	9.4	6.3	36,000	12%
Oil	27,060	8.8	5.2	140,000	45%
Downstream	17,200		6.6	113,000	36%
	52,870	9.3	5.9	312,000	100%
Debt (US\$m)				48,800	
Net Present Value (US\$m)				263,300	
Shares (mm)				3,420	
Net Present Value - Standard Estimate (US\$/sh)				77	
Net Present Value - Approximation by Correlation (US\$/sh)				67	

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BP plc
Production and Reserves, 2005

	<u>12/31/2005 Proven Reserves</u>					<u>Weighted Life Index (years)</u>	<u>2006 Adjusted R/P (years)</u>
	<u>2005 Production (daily)</u>	<u>(annual)</u>	<u>Developed (bcf or mmb)</u>	<u>Undeveloped (bcf or mmb)</u>	<u>Weighted (bcf or mmb)</u>		
North American Natural Gas							
U.S. Production	2,756	1,006	9,916	3,678	11,755	11.7	
Non-marketed	209						
Marketed	2,547	930	9,164	3,399	10,863	11.7	12.6
Rest of World Natural Gas							
Rest of Americas	2,759	1,007	4,836	11,514	10,593	10.5	
U.K.	1,082	395	1,962	771	2,348	5.9	
Rest of Europe	107	39	184	46	207	5.3	
Asia Pacific	797	291	1,473	5,528	4,237	14.6	
Africa	422	154	987	1,909	1,942	12.6	
Russia	482	176	1,019	177	1,108	6.3	
Other	219	80	373	1,236	991	12.4	
Total	5,868	2,142	10,834	21,181	21,425	10.0	9.6
Oil							
U.S.	548	200	1,801	1,513	2,558	12.8	
Rest of Americas	214	78	413	411	619	7.9	
U.K.	277	101	475	184	567	5.6	
Rest of Europe	77	28	209	85	252	9.0	
Asia Pacific	47	17	74	96	122	7.2	
Africa	175	64	202	891	648	10.1	
Russia	912	333	1,682	486	1,925	5.8	
Other	249	91	676	1,209	1,281	14.1	
Natural Gas Liquids	58	21	184		184	8.7	
Total	2,557	933	5,716	4,875	8,154	8.7	8.7



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Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>
Volume									
Natural Gas (mmcf)									
U.S. (or North America)	2,648	2,359	2,561	2,359	2,359	2,359	2,359	2,359	2,359
Overseas (or Int'l)	6,097	6,099	5,911	6,099	6,099	6,099	6,099	6,099	6,099
Total	8,745	8,458	8,472	8,458	8,458	8,458	8,458	8,458	8,458
Oil (mmb)	239	236	940	231	233	236	236	936	936
Oil (mbd)	2,593	2,564	2,562	2,564	2,564	2,564	2,564	2,564	2,564
Total gas & oil (mbd)	4,051	3,974	3,966	3,974	3,974	3,974	3,974	3,974	3,974
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.27	13.00	8.65	8.97	7.87	8.73	10.44	9.00	9.86
U.S. (or North America)	5.31	9.48	6.77	6.54	5.73	6.37	7.61	6.57	7.18
Overseas (or Int'l)	3.80	4.99	4.09	5.24	5.50	5.77	6.06	5.64	5.92
Total	4.26	6.24	4.90	5.60	5.56	5.94	6.49	5.90	6.27
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	56.31	63.33	71.86	75.02	75.52	71.43	74.45
Worldwide	41.74	52.44	48.65	55.34	62.79	65.55	65.98	62.45	65.05
Total gas & oil (\$/bbl)	35.92	47.12	41.84	47.63	52.36	54.94	56.40	52.86	55.33
NY Harbor 3-2-1 (\$/bbl)	6.17	9.06	10.63	7.40	18.22	13.52	9.30	12.11	13.07
BP Refining Indicator	5.94	7.60	8.58						
Revenue (\$mm)									
Natural Gas									
U.S. (or North America)	1,294	2,057	6,327	1,389	1,231	1,382	1,652	5,654	6,185
Overseas (or Int'l)	2,134	2,798	8,834	2,874	3,051	3,239	3,401	12,566	13,185
Total	3,427	4,856	15,162	4,263	4,282	4,621	5,053	18,220	19,370
Oil	9,957	12,370	45,741	12,769	14,650	15,463	15,565	58,447	60,879
Other	66,425	48,889	270,551	48,889	48,889	48,889	48,889	195,558	195,558
Total	79,810	66,115	331,454	65,922	67,822	68,973	69,507	272,224	275,807
Expense (\$mm)									
Production	5,985	9,926	32,203	9,829	10,779	11,355	11,622	43,584	45,376
Other	62,492	45,285	255,582	44,589	44,589	44,589	44,589	178,358	178,358
Ebitda (\$mm)									
Exploration and Production	7,400	7,300	28,700	7,203	8,153	8,729	8,996	33,082	34,873
Other	3,934	3,604	14,969	4,300	4,300	4,300	4,300	17,200	17,200
Total Ebitda	11,334	10,904	43,669	11,503	12,453	13,029	13,296	50,282	52,073
Exploration	160	208	684	208	208	208	208	832	832
Deprec., Deplet., & Amort.	2,288	2,351	9,055	2,351	2,351	2,351	2,351	9,404	9,404
Other non cash	246	1,350	3,601					-	
Ebit	8,640	6,995	30,329	8,944	9,894	10,470	10,737	40,046	41,837
Interest	172	172	616	172	172	172	172	688	688
Ebt	8,468	6,823	29,713	8,772	9,722	10,298	10,565	39,358	41,149
Income Tax	2,964	2,388	10,400	3,070	3,403	3,604	3,698	13,775	14,402
Net Income (\$mm)									
Exploration and Production	5,706	6,567	25,363					-	
Other	2,032	(84)	5,907					-	
Unallocated	(2,234)	(2,048)	(11,957)					-	
Total	5,504	4,435	19,313	5,702	6,320	6,694	6,867	25,583	26,747
Shares (millions)	3,574	3,465	3,524	3,465	3,465	3,465	3,465	3,465	3,465
Per share (\$)	1.54	1.28	5.48	1.65	1.82	1.93	1.98	7.38	7.72
Ebitda Margin (E&P)	55%	42%	47%	42%	43%	43%	44%	43%	43%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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