

# Analysts say BP downturn on oil spill overdone

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BP **-1.33%** ▼ XOM **-2.06%** ▼

LONDON (MarketWatch) -- The \$20 billion drop in BP's market capitalization since an oil spill in the Gulf of Mexico last week is disproportionate, several analysts argued Friday, as it currently puts the cost of the incident to the U.K. oil firm at several times that of the Valdez to Exxon Mobil.

Citigroup analyst Mark Fletcher called the 11% drop in the BP (BP) **BP, -1.33%** share price since the April 22 rig fire off the coast of Louisiana "unwarranted," especially in the wake of "impressive" first-quarter results. He reiterated his price target of 730 pence, or about \$67.14 per U.S. share.

BP has disclosed that it's spending \$6 million a day on controlling the well and containing the spillage, which has now reached the Louisiana shore. Oil continues to leak at a possible estimate of around 5000 barrels a day.

Fletcher said that the drilling of a relief well, to intercept the Macondo exploration well, at a cost of \$150 million, now seems likely. He estimated that the incident could eventually cost BP around \$450 million net, or roughly 2% of this year's earnings.

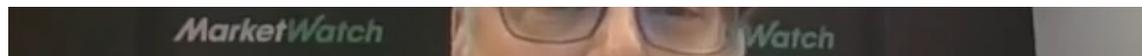
"Reaction to operational incidents are generally overdone and present an opportunity to outperform," Fletcher said, reminding investors that in the six months after the Texas City refinery fire in 2005, BP outperformed both the market and the sector, recovering by 19%. In the same way, rival Exxon Mobil Group **XOM**, **-2.06%** managed to outperform for the six months after the Valdez spillage in 1989.

Dominique Patry at the French broker Cheuvreux, however, said the potential cost of the incident to BP could reach well beyond \$450 million. Patry noted that in the Valdez case, Exxon spent the equivalent of \$4.1 billion to clean up Alaskan shores, and though costs

could be lower for BP as the oil is lighter, there can be no certainty that it wouldn't rise to near that level.

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