

Rating: Buy
 S&P 500: 1235

Anadarko Petroleum Corporation Raise Net Present Value to \$140 a Share

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i>	5,390
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	52
<i>Price (US\$/sh)</i>	88.72	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	12.5
<i>Shares (mm)</i>	238	<i>EV/Ebitda</i>	4.7
<i>Market Capitalization (US\$m)</i>	21,100	<i>PV/Ebitda</i>	7.0
<i>Debt (US\$m)</i>	4,200	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (US\$m)</i>	25,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.60
<i>Present Value (PV) (US\$m)</i>	37,600	<i>Present Value Proven Reserves(US\$/boe)</i>	15.88
<i>Net Present Value (US\$/share)</i>	140	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.65
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	9.57
<i>McDep Ratio - EV/PV</i>	0.68	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.72

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

We raise our estimated net present value of buy-recommended **Anadarko (APC)** to \$140 a share from \$113 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. The stock has 58% appreciation potential to net present value. The main risk in independent producer stocks is commodity price, the flip side of the opportunity.

Kurt H. Wulff, CFA

Anadarko Petroleum Corporation 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	2,800	12.4	8.0	22,500	60%
Oil	2,590	12.5	5.8	15,000	40%
	5,390	12.5	7.0	37,500	100%
Debt (US\$m)				4,200	
Net Present Value (US\$m)				33,300	
Shares (mm)				238	
Net Present Value (US\$/sh)				140	

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Anadarko Petroleum Corporation
 Next Twelve Months Operating and Financial Estimates

	<i>Q4</i> 12/31/04	<i>Year</i> 2004	<i>Q1</i> 3/31/05	<i>Q2</i> 6/30/05	<i>Q3E</i> 9/30/05	<i>Q4E</i> 12/31/05	<i>Year</i> 2005E	<i>Q1E</i> 3/31/06	<i>Q2E</i> 6/30/06	<i>Next Twelve Months</i> 6/30/06
Volume										
Natural Gas (mmcf)	1,641	1,741	1,454	1,434	1,434	1,434	1,439	1,434	1,434	1,434
Oil (mbd)	223	230	213	188	188	188	194	188	188	188
Total gas & oil (bcf)	274	1,142	246	233	236	236	950	231	233	935
Price										
Natural gas (\$/mcf)										
Henry Hub (\$/mmbtu)	7.10	6.15	6.27	6.76	7.60	8.69	7.33	9.44	8.04	8.44
Company (\$/mcf)	6.10	5.30	5.54	6.25	7.03	8.04	6.34	8.73	7.44	7.25
Oil (\$/bbl)										
WTI Cushing	48.31	41.44	49.65	53.05	60.62	63.32	56.66	64.52	63.88	63.09
Worldwide	42.15	33.92	42.37	43.05	49.20	51.38	46.40	52.36	51.84	51.19
Total gas & oil (\$/mcf)	6.52	5.31	6.25	6.41	7.26	7.95	7.26	8.38	7.67	8.22
Revenue (\$mm)										
Natural Gas	921	3,375	725	758	861	985	3,329	1,047	902	3,795
Oil	865	2,855	812	737	851	889	3,288	886	887	3,513
Other	(184)	(164)	(7)	96	96	96	279	96	96	382
Total	1,602	6,067	1,530	1,590	1,808	1,970	6,897	2,028	1,884	7,690
Expense										
Fixed	191	766	191	215	215	215	837	215	215	862
Variable	191	766	191	215	247	270	923	279	258	1,053
Ebitda (\$mm)	1,219	4,535	1,149	1,159	1,250	1,389	4,947	1,439	1,316	5,393
Deprec., Deplet., & Amort.	355	1,447	324	333	333	333	1,323	333	333	1,332
Hedging and other	-	9	19	-	75	92	186	100	91	358
Ebit	864	3,079	806	826	842	964	3,437	1,006	892	3,703
Interest	92	352	52	50	50	50	202	50	50	200
Ebt	772	2,727	754	776	792	914	3,235	956	842	3,503
Income Tax	270	954	264	272	277	320	1,132	335	295	1,226
Net Income (\$mm)	502	1,773	490	505	515	594	2,103	621	547	2,277
Shares (millions)	246	251	239	238	238	238	238	238	238	238
Per share (\$)	2.04	7.05	2.05	2.12	2.16	2.50	8.83	2.61	2.30	9.57
Ebitda Margin	76%	75%	75%	73%	69%	71%	72%	71%	70%	70%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%

Oil and Gas Producers
 Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i> <i>Rating</i>	<i>Price</i> (\$/sh)	<i>1-Aug</i> <i>2005</i>	<i>Shares</i> <i>(mm)</i>	<i>Market</i> <i>Cap</i> <i>(\$mm)</i>	<i>Net</i> <i>Present</i> <i>Value</i> <i>(\$/sh)</i>	<i>Debt/</i> <i>Present</i> <i>Value</i>	<i>McDep</i> <i>Ratio</i>
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA B	41.86	892	37,300	51.00	0.16	0.85	
CNOOC Limited (29%)	CEO B	69.33	119	8,270	84.00	0.01	0.83	
Unocal Corporation	UCL B	64.39	275	17,700	85.00	0.15	0.79	
XTO Energy Inc.	XTO B	35.58	370	13,150	48.00	0.17	0.79	
Burlington Resources	BR B	65.03	385	25,000	86.00	0.09	0.78	
Devon Energy Corporation	DVN B	56.63	496	28,100	82.00	0.13	0.73	
Occidental Petroleum Corp.	OXY B	82.78	406	33,600	120.00	0.11	0.72	
Anadarko Petroleum Corp.	APC B	88.72	238	21,100	140.00	0.11	0.67	
	<i>Total or Median</i>			<i>184,000</i>		<i>0.12</i>	<i>0.78</i>	

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