

Rating: Buy
S&P 500: 1497

Anadarko Petroleum Corporation Natural Gas Resource Value

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	7,540
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	36
<i>Price (US\$/sh)</i>	57.83	<i>Natural Gas and Oil Production/Ebitda (%)</i>	97
<i>Pricing Date</i>	11/5/07	<i>Adjusted Reserves/Production NTM</i>	11.4
<i>Shares (mm)</i>	468	<i>EV/Ebitda</i>	6.1
<i>Market Capitalization (US\$mm)</i>	27,100	<i>PV/Ebitda</i>	7.1
<i>Debt (US\$mm)</i>	18,800	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$mm)</i>	45,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	40.40
<i>Present Value (PV) (US\$mm)</i>	53,500	<i>Present Value Proven Reserves(US\$/boe)</i>	20.18
<i>Net Present Value (US\$/share)</i>	74	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.36
<i>Debt/Present Value</i>	0.35	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.23
<i>McDep Ratio - EV/PV</i>	0.86	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	1.2	<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.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

For historical analysis of APC since 2003 see www.mcdep.com/1apc.htm

Summary and Recommendation

Buy-recommended **Anadarko Petroleum (APC)** offers unlevered appreciation potential of 16% to estimated net present value (NPV) of \$74 a share concentrated 56% on U.S. natural gas. Third quarter results reported late last night disclosed a favorable production trend to benefit from higher prices ahead (see table Next Twelve Months Operating and Financial Estimates). By a margin that covers tax increases on Algerian oil, NPV is well 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). A recent change in accounting to expensing exploration has no impact on our valuation that relies on underlying cash flow rather than reported earnings. We are disturbed that a master limited partnership holding natural gas gathering facilities to be sold to the public in the next several weeks may use misleading accounting. That potential ethical negative may be subsumed by APC's NPV upside with strong industry conditions. A renewed rise in oil price may take six-year futures to another double as was the case from the end of 2004 to mid 2006, subject to short declines from time to time (see chart Six-Year Commodity Price Meter).

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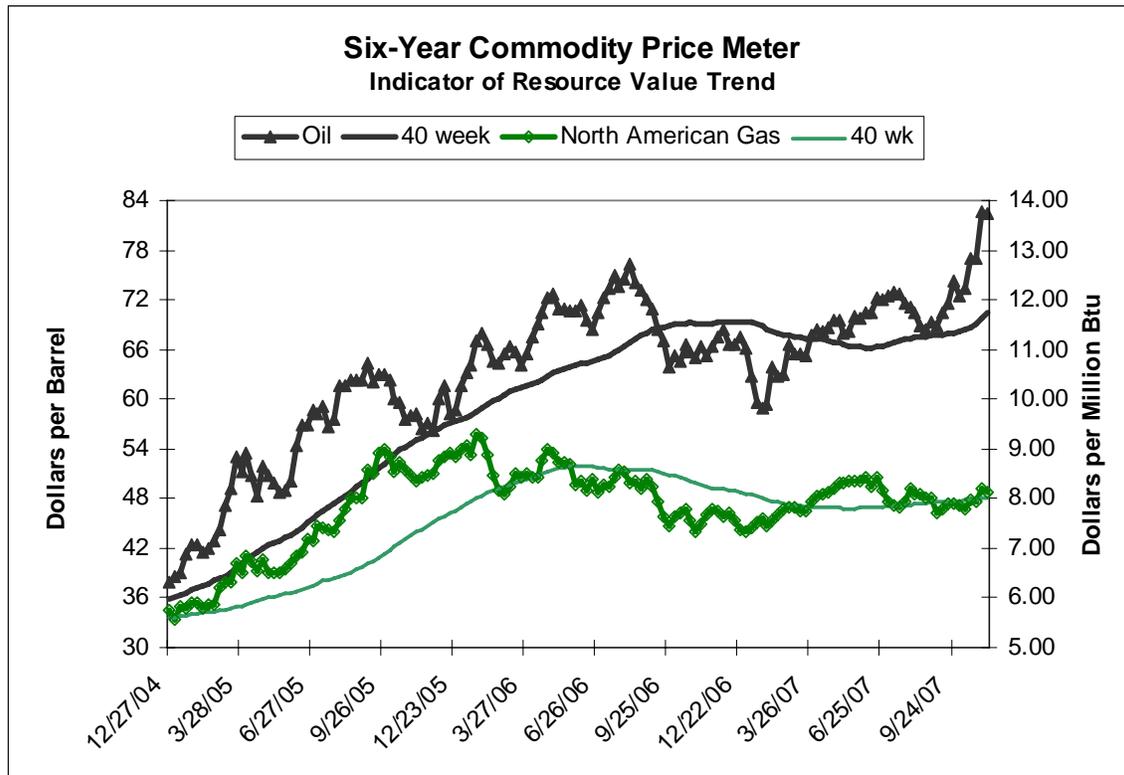
Anadarko Petroleum Corporation
Next Twelve Months Operating and Financial Estimates

	Q3 9/30/06	Q2 6/30/07	Q3 9/30/07	Q4E 12/31/07	Year 2007E	Q1E 3/31/08	Q2E 6/30/08	Q3E 9/30/08	Next Twelve Months 9/30/08
Volume									
Natural Gas (mmcf)	1,639	1,798	1,637	1,637	1,817	1,637	1,637	1,637	1,637
Days	92	91	92	92	365	91	91	92	366
Oil (mmb)	23	25	22	22	94	22	22	22	87
Oil (mbd)	248	274	237	237	258	237	237	237	237
Total gas & oil (bcf)	288	313	281	281	1,229	278	278	281	1,120
Total gas & oil (mmcf)	3,127	3,442	3,059	3,059	3,367	3,059	3,059	3,059	3,059
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	7.24	6.94	8.38	7.97	8.15	7.93
Company (\$/mcf)	6.03	6.14	4.70	5.52	5.97	6.40	6.09	6.22	6.82
Oil (\$/bbl)									
WTI Cushing	70.42	64.91	75.48	91.29	72.44	92.23	89.70	87.47	90.17
Worldwide	60.99	59.14	68.64	83.02	64.69	83.88	81.57	79.55	82.00
Total gas & oil (\$/mcf)	7.80	8.10	8.15	9.76	8.18	10.35	9.99	9.91	10.00
Revenue (\$mm)									
Natural Gas	853	1,063	797	937	3,958	1,073	1,021	1,055	4,085
Oil	1,392	1,475	1,497	1,810	6,099	1,809	1,759	1,734	7,113
Other	1,253	776	736	736	2,452	736	736	736	2,945
Total	3,498	3,313	3,030	3,483	12,509	3,618	3,517	3,525	14,143
Expense (\$mm)									
65	1,490	1,340	1,633	5,359	1,680	1,644	1,648	6,605	
Ebitda (\$mm)									
Exploration and Production	1,459	1,758	1,625	1,785	6,890	1,873	1,807	1,813	7,279
Other	65	65	65	65	260	65	65	65	260
Total	1,524	1,823	1,690	1,850	7,150	1,938	1,872	1,878	7,539
Exploration	-	-	253	253	506	253	253	253	1,012
Deprec., Deplet., & Amort.	546	733	655	655	2,888	655	655	657	2,622
Hedging and other	(388)		(224)						
Ebit	1,367	1,090	1,006	942	3,980	1,030	964	968	3,905
Interest	209	314	214	214	1,052	214	214	220	862
Ebt	1,158	776	792	728	2,928	816	750	748	3,043
Income Tax	347	272	277	255	961	286	263	262	1,065
Net Income (\$mm)	810	504	515	474	1,967	530	488	486	1,978
Shares (millions)	463	467	468	468	467	468	468	468	468
Per share (\$)	1.75	1.08	1.10	1.01	4.21	1.13	1.04	1.04	4.23
Ebitda Margin (E&P)	65%	69%	71%	65%	69%	65%	65%	65%	65%
Tax Rate	30%	35%	35%	35%	33%	35%	35%	35%	35%

Anadarko Petroleum Corporation
Functional Cash Flow and Present Value

	NTM Ebitda (US\$mm)	Adjusted R/P	PV/ Ebitda	Present Value (US\$mm)	
North American Natural Gas	2,750	12.8	10.9	30,000	56%
Oil	4,530	9.7	4.9	22,000	41%
Downstream	260		5.4	1,400	3%
	7,540	11.4	7.1	53,400	100%
Debt (US\$mm)					18,800
Net Present Value (US\$mm)					34,600
Shares (mm)					468
Net Present Value - Standard Estimate (US\$/sh)					74
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					86

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