



Rating: Buy  
 S&P 500: 1407

## Anadarko Petroleum Corporation

### Positives Outweigh Negatives

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$mm)</i>	10,440
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	48
<i>Price (US\$/sh)</i>	68.14	<i>Natural Gas and Oil Production/Ebitda (%)</i>	96
<i>Pricing Date</i>	5/5/08	<i>Adjusted Reserves/Production NTM</i>	9.5
<i>Shares (mm)</i>	470	<i>EV/Ebitda</i>	4.7
<i>Market Capitalization (US\$mm)</i>	32,000	<i>PV/Ebitda</i>	5.4
<i>Debt (US\$mm)</i>	17,400	<i>Undeveloped Reserves (%)</i>	33
<i>Enterprise Value (EV) (US\$mm)</i>	49,400	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	48.99
<i>Present Value (PV) (US\$mm)</i>	56,000	<i>Present Value Proven Reserves(US\$/boe)</i>	22.15
<i>Net Present Value (US\$/share)</i>	82	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.69
<i>Debt/Present Value</i>	0.31	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.42
<i>McDep Ratio - EV/PV</i>	0.88	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	1.1	<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\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of APC since 2003 see <a href="http://www.mcdep.com/lapc.htm">www.mcdep.com/lapc.htm</a>			

### Summary and Recommendation

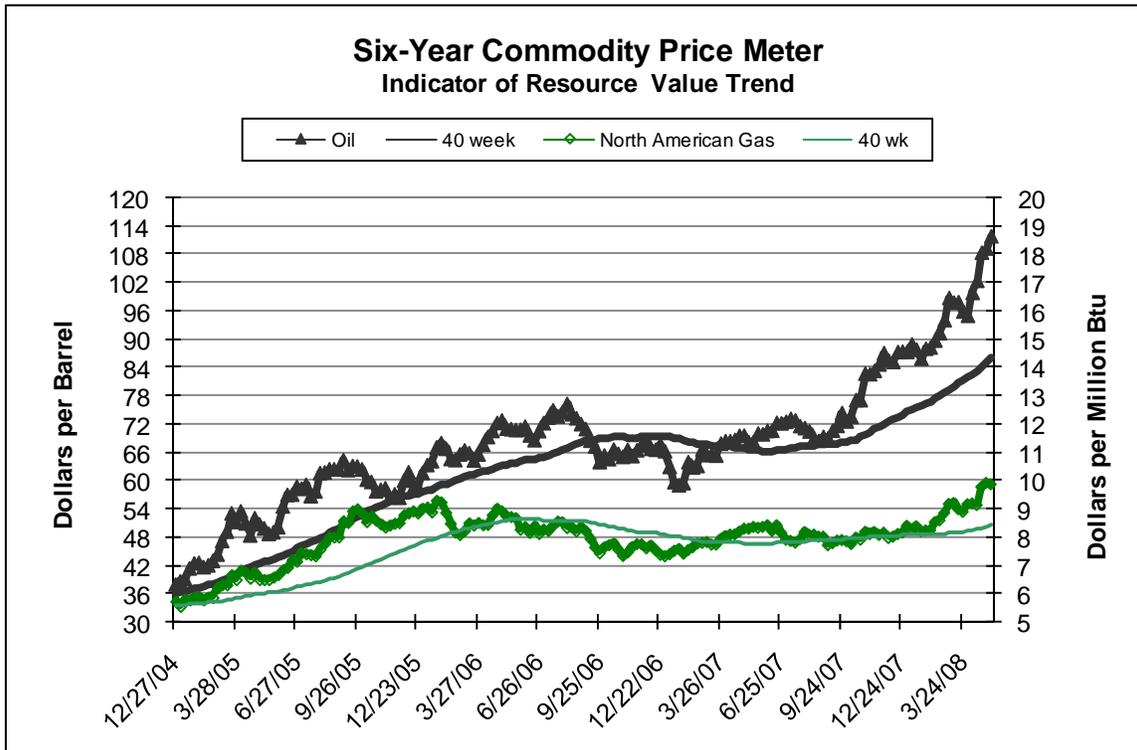
Potential appreciation to estimated Net Present Value (NPV) of \$82 a share and beyond justifies investor interest in buy-recommended **Anadarko Petroleum (APC)**. First quarter results reported after the market close on May 5 notched revenue gains ahead of our projections of three months ago. Meanwhile, projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) before hedging (see table Next Twelve Months Operating and Financial Estimates). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports NPV (see table Functional Cash Flow and Present Value). NPV may soon be raised as oil and gas price trends point upward (see chart Six-Year Commodity Price Meter). Finally, aside from hedging, the negative in the stock in our mind is the 50% escalated compensation for the general partner interest in a public offering of limited partner units announced on April 30. Though the size of the deal may be negligible, Anadarko shareholders don't need to seek deceptive gains at the expense of long-term performance for partnership investors.

Kurt H. Wulff, CFA



<b>Anadarko Petroleum Corporation</b>									
<b>Next Twelve Months Operating and Financial Estimates</b>									
									<i>Next</i>
	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Twelve</i>
	<i>3/31/07</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>2008E</i>	<i>Months</i>
	<i>3/31/07</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>2008E</i>	<i>3/31/09</i>
<b>Volume</b>									
Natural gas (bcf)	198	185	<b>698</b>	194	194	197	197	<b>782</b>	<b>777</b>
Natural Gas (mmcf)	2,204	2,013	<b>1,912</b>	2,137	2,137	2,137	2,137	<b>2,137</b>	<b>2,128</b>
Days	90	92	<b>365</b>	91	91	92	92	<b>366</b>	<b>365</b>
Oil (mmb)	26	22	<b>95</b>	21	21	21	21	<b>84</b>	<b>84</b>
Oil (mbd)	286	240	<b>259</b>	229	229	229	229	<b>229</b>	<b>229</b>
Total gas & oil (bcf)	353	318	<b>1,265</b>	320	320	323	323	<b>1,285</b>	<b>1,278</b>
Total gas & oil (mmcf)	3,920	3,453	<b>3,466</b>	3,511	3,511	3,511	3,511	<b>3,511</b>	<b>3,502</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.97	<b>6.87</b>	8.02	10.68	11.38	11.76	<b>10.46</b>	<b>11.50</b>
Company (\$/mcf)	6.24	5.69	<b>5.74</b>	7.58	9.61	10.24	10.59	<b>9.51</b>	<b>10.34</b>
Oil (\$/bbl)									
WTI Cushing	58.08	90.67	<b>72.28</b>	97.94	117.66	118.86	117.23	<b>112.92</b>	<b>117.37</b>
Company	51.20	83.76	<b>64.92</b>	86.78	104.25	105.31	103.87	<b>100.07</b>	<b>104.00</b>
Total gas & oil (\$/mcf)	7.24	9.14	<b>8.02</b>	10.27	12.65	13.10	13.22	<b>12.32</b>	<b>13.09</b>
NY Harbor 3-2-1 (\$/bbl)	11.68	8.19	<b>14.37</b>	7.57	13.66	12.76	9.80	<b>10.95</b>	<b>12.07</b>
<b>Revenue (\$mm)</b>									
Natural Gas	1,238	1,054	<b>4,004</b>	1,474	1,870	2,014	2,081	<b>7,439</b>	<b>8,033</b>
Oil	1,318	1,849	<b>6,139</b>	1,808	2,172	2,219	2,188	<b>8,388</b>	<b>8,693</b>
Other	127	159	<b>1,945</b>	(304)	(304)	(304)	(304)	<b>(1,218)</b>	<b>(1,218)</b>
Total	2,683	3,062	<b>12,088</b>	2,978	3,738	3,928	3,965	<b>14,609</b>	<b>15,508</b>
<b>Expense</b>	897	1,403	<b>5,130</b>	670	1,212	1,289	1,303	<b>4,474</b>	<b>5,073</b>
<b>Ebitda (\$mm)</b>									
Exploration and Production	1,721	1,559	<b>6,663</b>	2,208	2,425	2,540	2,562	<b>9,735</b>	<b>10,036</b>
Other	65	100	<b>295</b>	100	100	100	100	<b>400</b>	<b>400</b>
Total	1,786	1,659	<b>6,958</b>	2,308	2,525	2,640	2,662	<b>10,135</b>	<b>10,436</b>
Exploration	-	291	<b>544</b>	243	243	243	243	<b>972</b>	<b>972</b>
Deprec., Deplet., & Amort.	845	750	<b>2,983</b>	810	810	810	810	<b>3,240</b>	<b>3,240</b>
<b>Ebit</b>	941	618	<b>3,655</b>	1,255	1,472	1,587	1,609	<b>5,923</b>	<b>6,224</b>
Interest	310	213	<b>1,051</b>	214	214	214	214	<b>856</b>	<b>856</b>
<b>Ebt</b>	631	405	<b>2,604</b>	1,041	1,258	1,373	1,395	<b>5,067</b>	<b>5,368</b>
Income Tax	157	142	<b>848</b>	364	440	480	488	<b>1,773</b>	<b>1,879</b>
<b>Net Income (\$mm)</b>	474	263	<b>1,757</b>	677	818	892	907	<b>3,293</b>	<b>3,489</b>
<b>Shares (millions)</b>	465	470	<b>467</b>	470	470	470	470	<b>470</b>	<b>470</b>
Per share (\$)	1.02	0.56	<b>3.76</b>	1.44	1.74	1.90	1.93	<b>7.01</b>	<b>7.42</b>
Ebitda Margin (E&P)	67%	54%	<b>66%</b>	67%	60%	60%	60%	<b>62%</b>	<b>60%</b>
Tax Rate	25%	35%	<b>33%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

<b>Functional Cash Flow and Present Value</b>					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	5,010	9.5	5.8	29,000	52%
Oil	5,030	9.5	5.1	25,500	46%
Downstream	400		3.5	1,400	3%
	10,440	9.5	5.4	55,900	100%
Debt (US\$mm)					17,400
Net Present Value (US\$mm)					38,500
Shares (mm)					470
Net Present Value - Standard Estimate (US\$/sh)					82
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					89



**Disclaimer:** This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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