



Independent Stock Idea

February 3, 2009

rating: hold
s&p 500: 825

Anadarko Petroleum (APC) Deep Water Explorer

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 12/31/09 (US\$m)</i>	4,240
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	55
<i>Price (US\$/sh)</i>	36.09	<i>Natural Gas and Oil Production/Ebitda (%)</i>	93
<i>Pricing Date</i>	2/2/09	<i>Adjusted Reserves/Production NTM</i>	9.3
<i>Shares (mm)</i>	460	<i>EV/Ebitda</i>	7.8
<i>Market Capitalization (US\$m)</i>	16,600	<i>PV/Ebitda</i>	11.5
<i>Debt (US\$m)</i>	16,400	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (US\$m)</i>	33,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	20.42
<i>Present Value (PV) (US\$m)</i>	48,600	<i>Present Value Proven Reserves(US\$/boe)</i>	19.94
<i>Net Present Value (US\$/share)</i>	70	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.32
<i>Debt/Present Value</i>	0.34	<i>Earnings Next Twelve Months (US\$/sh)</i>	-1.70
<i>McDep Ratio - EV/PV</i>	0.68	<i>Price/Earnings Next Twelve Months</i>	-21
<i>Dividend Yield (%/year)</i>	2.0	<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\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of APC since 2003 see www.mcdep.com/lapc.htm			

Summary and Recommendation

Estimated Net Present Value (NPV) of \$70 a share is more than 90% higher than stock price for hold-rated **Anadarko Petroleum (APC)**. Released last night, fourth quarter results displayed lower unlevered cash flow (Ebitda) driven by crude oil and natural gas prices (see table [Next Twelve Months Operating and Financial Estimates](#)). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil. Latest calculations result in NPV concentrated 57% on natural gas and 38% on oil (see table [Functional Cash Flow and Present Value](#)). By the final estimates for the latest year, a low year-end natural gas price contributed to a slight reduction in proven natural gas reserves (see table [Production and Reserves, 2008](#)). Pointing to expected oil price recovery, futures prices for the next six years averaged US\$62 a barrel recently (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#)). Recent exploration success in the Gulf of Mexico, offshore Brazil and especially the Jubilee field offshore Africa are encouraging though not represented explicitly in NPV.

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Anadarko Petroleum Corporation									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/07	9/30/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	12/31/09
Volume									
Natural gas (bcf)	185	183	202	750	198	200	202	202	802
Natural Gas (mmcf)	2,013	1,994	2,197	2,050	2,197	2,197	2,197	2,197	2,197
Days	92	92	92	366	90	91	92	92	365
Oil (mmb)	22	20	19	81	18	18	19	19	74
Oil (mbd)	240	220	203	222	203	203	203	203	203
Total gas & oil (bcf)	318	305	314	1,238	307	311	314	314	1,246
Total gas & oil (mmcf)	3,453	3,314	3,415	3,381	3,415	3,415	3,415	3,415	3,415
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.97	10.25	6.95	9.04	5.06	4.70	5.00	5.72	5.12
Company (\$/mcf)	5.69	8.36	5.21	7.65	3.79	4.23	4.50	5.15	4.42
Oil (\$/bbl)									
WTI Cushing	90.67	117.99	58.45	99.59	40.97	45.90	49.75	52.08	47.18
Company	83.76	106.56	47.51	89.11	33.30	37.31	40.43	42.33	38.37
Total gas & oil (\$/mcf)	9.14	12.10	6.18	10.49	4.42	4.94	5.30	5.83	5.13
NY Harbor 3-2-1 (\$/bbl)	8.19	11.84	5.10	9.86	8.63	8.34	5.90	5.39	7.06
Revenue (\$mm)									
Natural Gas	1,054	1,534	1,053	5,741	750	845	910	1,041	3,546
Oil	1,849	2,157	887	7,238	608	689	755	791	2,843
Other	159	2,459	1,870	2,743	1,870	1,870	1,870		5,609
Total	3,062	6,149	3,810	15,723	3,228	3,404	3,535	1,831	11,998
Expense	1,403	3,474	2,296	6,740	2,316	2,383	2,433	626	7,757
Ebitda (\$mm)									
Exploration and Production	1,559	2,585	1,493	8,682	842	951	1,033	1,136	3,961
Other	100	90	21	301	70	70	70	70	280
Total	1,659	2,675	1,514	8,983	912	1,021	1,103	1,206	4,241
Exploration	291	429	489	1,425	489	489	489	200	1,667
Deprec., Deplet., & Amort.	750	844	739	3,188	739	739	739	840	3,057
Ebit	618	1,346	286	4,314	(316)	(207)	(125)	166	(483)
Interest	213	180	180	725	180	180	180	180	720
Ebt	405	1,166	106	3,589	(496)	(387)	(305)	(14)	(1,203)
Income Tax	142	408	37	1,256	(174)	(135)	(107)	(5)	(421)
Net Income (\$mm)	263	758	69	2,333	(322)	(251)	(199)	(9)	(782)
Shares (millions)	470	468	460	469	460	460	460	460	460
Per share (\$)	0.56	1.62	0.15	4.97	(0.70)	(0.55)	(0.43)	(0.02)	(1.70)
Ebitda Margin (E&P)	54%	70%	77%	67%	62%	62%	62%	62%	62%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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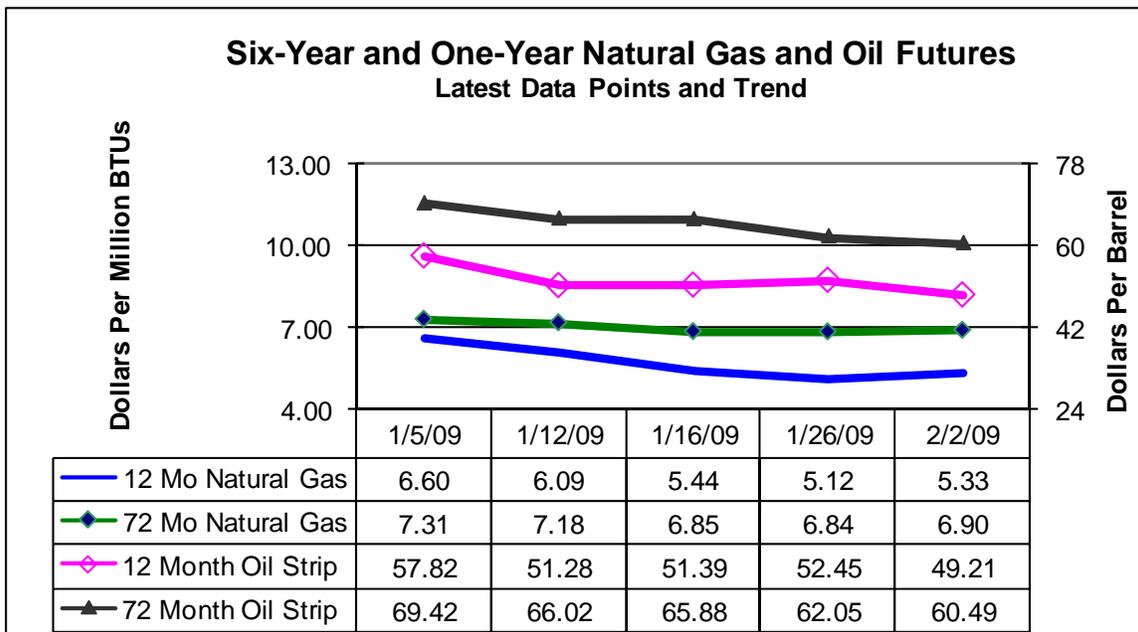
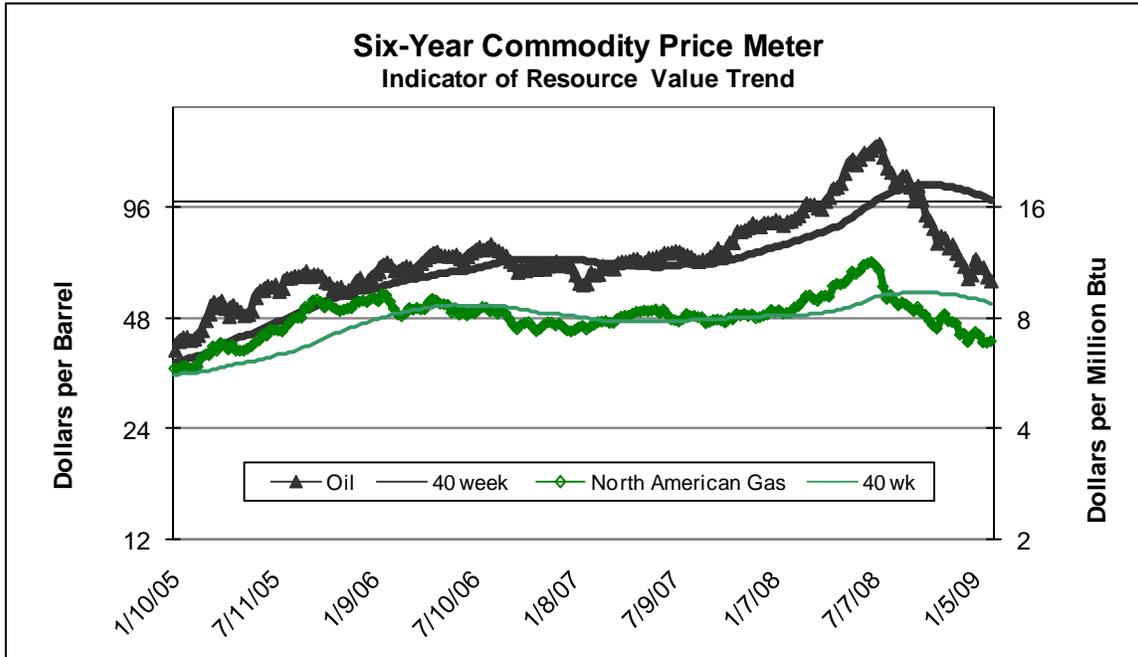
Anadarko Petroleum Corporation					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	2,350	8.9	11.7	27,500	57%
Oil	1,610	10.2	11.6	18,700	38%
Downstream and Minerals	280		8.6	2,400	5%
	4,240	9.3	11.5	48,600	100%
Debt (US\$mm)					16,400
Net Present Value (US\$mm)					32,200
Shares (mm)					460
Net Present Value - Standard Estimate (US\$/sh)					70
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					69

Anadarko Petroleum Corporation								
Production and Reserves, 2008								
				<i>12/31/2008 Proven Reserves</i>			<i>Weighted</i>	<i>NTM</i>
		<i>2008 Production</i>	<i>Developed</i>	<i>Undeveloped</i>	<i>Weighted</i>	<i>Life Index</i>	<i>Adjusted</i>	
		<i>(daily)</i>	<i>(annual)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(bcf or mmb)</i>	<i>(years)</i>	<i>R/P</i>
								<i>(years)</i>
Natural Gas - U.S.		2,049	750	6,117	1,988	7,111	9.5	8.9
Oil								
U.S.		148	54	435	257	564	10.4	
Algeria		57	21	123	83	165	7.8	
Other		14	5	22	6	25	5.0	
		219	80	580	346	753	9.4	10.2
Total Oil Equivalent		560	205	1,600	677	1,938	9.5	9.3



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