



# Independent Stock Idea

September 16, 2009

rating: buy  
s&p 500: 1067 intraday

## Anadarko Petroleum (APC) Rebalance on New Basin Discovery

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 9/30/10 (US\$mm)</i>	5,040
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	44
<i>Price (US\$/sh)</i>	64.89	<i>Natural Gas and Oil Production/Ebitda (%)</i>	95
<i>Pricing Date</i>	9/16/09	<i>Adjusted Reserves/Production NTM</i>	9.2
<i>Shares (mm)</i>	495	<i>EV/Ebitda</i>	9.3
<i>Market Capitalization (US\$mm)</i>	32,100	<i>PV/Ebitda</i>	8.7
<i>Debt (US\$mm)</i>	14,700	<i>Undeveloped Reserves (%)</i>	30
<i>Enterprise Value (EV) (US\$mm)</i>	46,800	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	23.99
<i>Present Value (PV) (US\$mm)</i>	43,900	<i>Present Value Proven Reserves(US\$/boe)</i>	18.36
<i>Net Present Value (US\$/share)</i>	59	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.06
<i>Debt/Present Value</i>	0.33	<i>Earnings Next Twelve Months (US\$/sh)</i>	-0.98
<i>McDep Ratio - EV/PV</i>	1.07	<i>Price/Earnings Next Twelve Months</i>	-66
<i>Dividend Yield (%/year)</i>	0.6	<i>Indicated Annual Dividend (US\$/sh)</i>	0.36
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, \$8 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

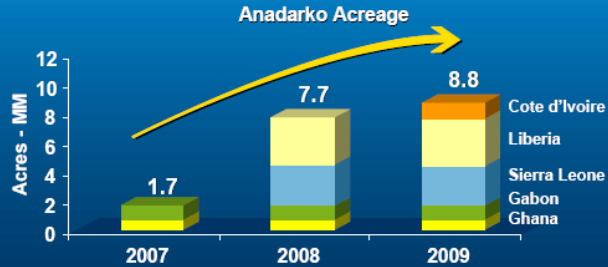
On the strength of favorable exploration results and in the context of a rising stock market, buy-recommended **Anadarko Petroleum (APC)** has appreciated beyond a McDep Ratio of 1.0 where stock price matched Net Present Value (NPV) of \$59 a share. The potential for increasing NPV and the momentum of the market justify continued buy interest, in our opinion. Yet, investors overweight in APC might rebalance toward lower McDep Ratio recommendations. Today the company announced that the Venus well drilled offshore Sierra Leone is an oil discovery. Though it is too soon to declare commerciality, Anadarko technologists are excited about the value of the information obtained. The well confirms the promise of the Liberian Basin where Anadarko has 6 large acreage blocks (see slide from management presentation). Referring to the general area as a Cretaceous Fan Play last month, APC now refines its disclosures to map a separate Liberian Basin and Ivorian Basin. The latter has the billion barrel Jubilee field under development by APC and partners. In the two basins the company has about a 40% share in some 30 leads to potential discoveries. It is too early for us to be more specific on the value of possible discoveries. Thus today's increase in stock price seems to reflect an increase in confidence in management's ability and in global economic growth rather than any readily identifiable value in the thrilling new basin discovery.

Kurt H. Wulff, CFA

## West Africa Deepwater Exploration

Enhancing the Value of our Vast West Africa Acreage Position

- **First-Mover Advantage**
- **Drilled Venus Discovery  
~45 Feet of Net Pay**
- **Drill South Grand  
Lahou Prospect**
- **Active Drilling  
Program in 2010**



NYSE:APC | [www.anadarko.com](http://www.anadarko.com)

Anadarko Petroleum Corporation 4

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	2,220	8.8	9.4	20,800	47%
Oil	2,580	10.0	8.2	21,100	48%
Downstream and Minerals	240		8.3	2,000	5%
	5,040	9.2	8.7	43,900	100%
Debt (US\$mm)					14,700
Net Present Value (US\$mm)					29,200
Shares (mm)					495
Net Present Value - Standard Estimate (US\$/sh)					59
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					62



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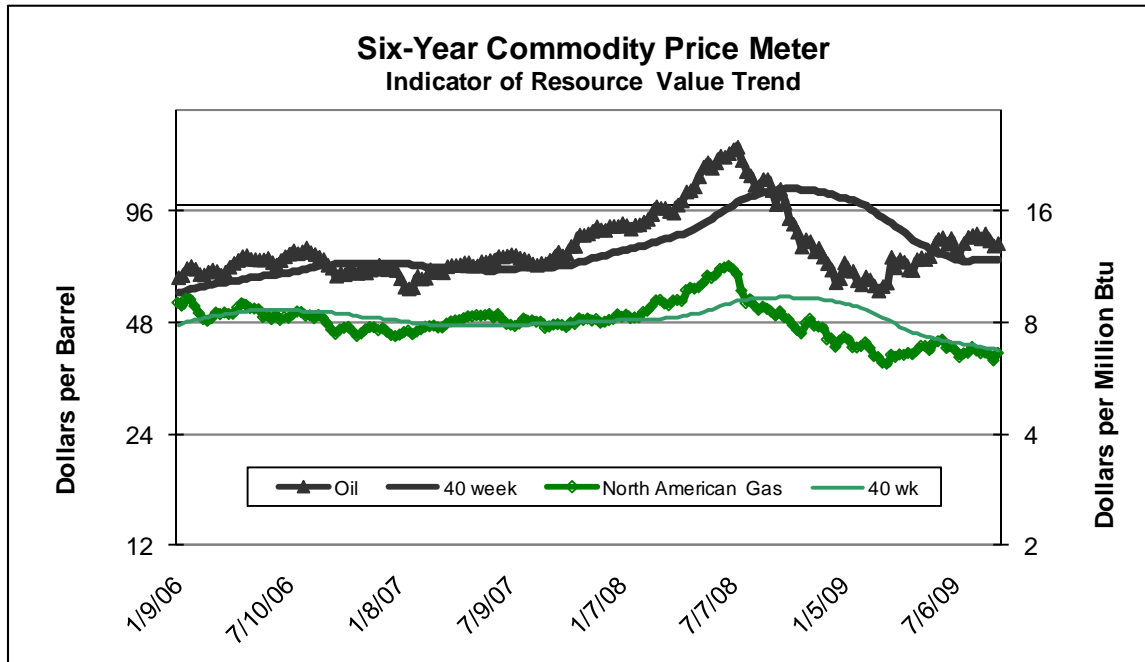
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Anadarko Petroleum Corporation									
Next Twelve Months Operating and Financial Estimates									
									<i>Next Twelve Months</i>
	<i>Q3</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>9/30/10</i>
	<i>9/30/08</i>	<i>6/30/09</i>	<i>9/30/09</i>	<i>12/31/09</i>	<i>2009E</i>	<i>3/31/10</i>	<i>6/30/10</i>	<i>9/30/10</i>	<i>9/30/10</i>
<b>Volume</b>									
Natural gas (bcf)	183	213	184	202	<b>807</b>	208	213	184	<b>807</b>
Natural Gas (mmcf)	1,994	2,336	2,000	2,200	<b>2,212</b>	2,315	2,336	2,000	<b>2,212</b>
Days	92	91	92	92	<b>365</b>	90	91	92	<b>365</b>
Oil (mmb)	20	21	20	19	<b>79</b>	18	18	20	<b>75</b>
Oil (mbd)	220	228	218	203	<b>216</b>	203	203	218	<b>207</b>
Total gas & oil (bcf)	305	337	304	314	<b>1,280</b>	318	323	304	<b>1,260</b>
Total gas & oil (mmcf)	3,314	3,704	3,308	3,418	<b>3,506</b>	3,533	3,554	3,308	<b>3,453</b>
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	10.25	3.50	3.39	4.20	<b>4.00</b>	5.30	5.38	5.66	<b>5.14</b>
Company (\$/mcf)	8.36	3.05	2.96	3.67	<b>3.43</b>	4.62	4.63	4.87	<b>4.44</b>
Oil (\$/bbl)									
WTI Cushing	117.99	59.52	68.10	69.36	<b>59.99</b>	70.91	72.62	74.02	<b>71.73</b>
Company	106.56	49.97	57.18	58.24	<b>50.73</b>	59.54	60.97	62.15	<b>60.26</b>
Total gas & oil (\$/mcf)	12.10	5.00	5.56	5.82	<b>5.29</b>	6.45	6.53	7.04	<b>6.45</b>
<b>Revenue (\$mm)</b>									
Natural Gas	1,534	648	544	742	<b>2,770</b>	964	984	896	<b>3,586</b>
Oil	2,157	1,037	1,147	1,088	<b>3,994</b>	1,088	1,126	1,246	<b>4,548</b>
Other	2,459	60			<b>96</b>				<b>-</b>
Total	6,149	1,745	1,691	1,830	<b>6,861</b>	2,051	2,110	2,142	<b>8,134</b>
<b>Expense (\$mm)</b>									
Exploration and Production	2,585	1,123	998	1,080	<b>3,945</b>	1,210	1,245	1,264	<b>4,799</b>
Other	90	60	60	60	<b>240</b>	60	60	60	<b>240</b>
Total	2,675	1,183	1,058	1,140	<b>4,185</b>	1,270	1,305	1,324	<b>5,039</b>
Exploration	429	288	288	288	<b>1,165</b>	288	288	288	<b>1,152</b>
Deprec., Deplet., & Amort.	844	956	956	956	<b>3,674</b>	956	956	956	<b>3,824</b>
<b>Ebit (\$mm)</b>									
Ebit	1,346	(61)	(186)	(104)	<b>(654)</b>	26	61	80	<b>63</b>
Interest	180	203	203	203	<b>682</b>	203	203	203	<b>812</b>
<b>Ebt (\$mm)</b>									
Ebt	1,166	(264)	(389)	(307)	<b>(1,336)</b>	(177)	(142)	(123)	<b>(749)</b>
Income Tax	408	(92)	(136)	(108)	<b>(468)</b>	(62)	(50)	(43)	<b>(262)</b>
<b>Net Income (\$mm)</b>									
Net Income	758	(172)	(253)	(200)	<b>(868)</b>	(115)	(92)	(80)	<b>(487)</b>
<b>Shares (millions)</b>									
Shares	468	477	495	495	<b>481</b>	495	495	495	<b>495</b>
Per share (\$)	1.62	(0.36)	(0.51)	(0.40)	<b>(1.80)</b>	(0.23)	(0.19)	(0.16)	<b>(0.98)</b>
Ebitda Margin (E&P)	70%	67%	59%	59%	<b>58%</b>	59%	59%	59%	<b>59%</b>
Tax Rate	35%	35%	35%	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>



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