

March 9, 2010

Upside in Anadarko's Oil and Gas Portfolio

Summary and Recommendation

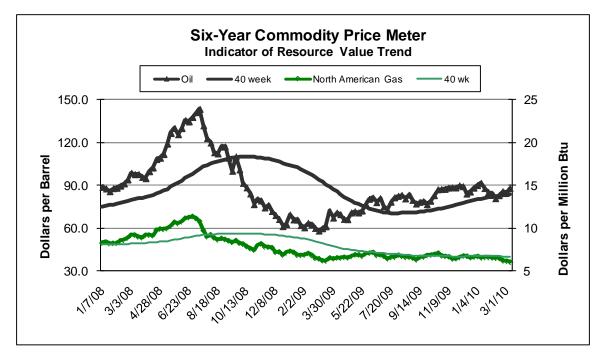
At its meeting for analysts in New York on March 2, management of buy-recommended Anadarko Petroleum (APC) estimated that a low (conservative) value of its oil and gas portfolio could be \$55 billion compared to \$46 billion that we estimate in arriving at Net Present Value (NPV) of \$64 a share. Chief financial officer Bob Gwin also gave high (aggressive) estimates that imply as much as \$96 billion though he cautioned against adding the high estimates because they have a wide range of uncertainty. Excluding any management estimates for exploration, the range from low to high forms a balanced bracket around our estimate of \$46 billion (see table below, Oil and Gas Portfolio Values). Management illustrates West Africa exploration potential as 30 prospects times a 33% chance of success times 600 million barrels each times 40% for Anadarko times \$10 a barrel equals \$24 billion. Favorable upside keeps us recommending buy. Yet, because the stock's McDep Ratio at 1.08 is high, we encourage rebalancing to trim the position to average size on an enterprise value basis in the McDep Energy Portfolio. Meanwhile, long-term oil price trends up with current quote of \$88 a barrel above the 40-week average of \$83 (see charts on page 2, Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures). We also restore more stocks to buy from contrarian buy leaving four stocks with price below the 200-day average (see Tables 1-3).

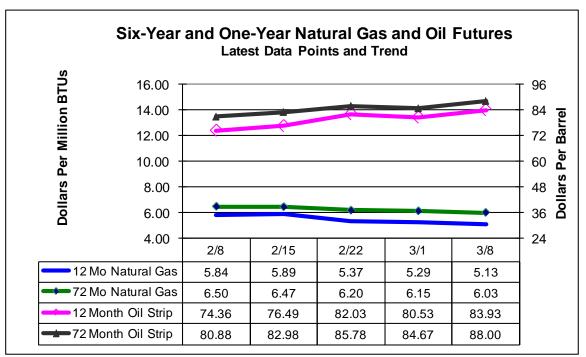
			darko Petrole	-				
		0	il and Gas Po	rtfolio Value	es			
		2009	Lower Risk					
		Proven	Development	Managemen	nt Estimated	Management E	stimated	
		Reserves	Resources	Value (\$	billion)	Value (\$billion)		
		(mmboe)	<u>(mmboe)</u>	<u>Low</u>	<u>High</u>	Low	<u>High</u>	
U.S	S. Onshore	1,725	4,000	17	19			
	Major Shale Plays			6	7			
	Exploration					1	2	
De	ep Gulf of Mexico	275	270	5	7			
	Sanctioned Projects			1	2			
	Emerging Projects			3	6			
	Exploration					6	10	
Int	ernational	300	100	4	5			
	West Africa					5	30	
	Brazil					2	4	
Mi	idstream and Minerals			5	6			
Total Management Estimated Value				41	52	14	46	
Мс	cDep NPV \$64 = \$46 billion	PV						

Kurt H. Wulff, CFA

Management estimates assume an oil price of \$75 a barrel and a natural gas price of \$6 a thousand cubic feet. McDep estimates of value assume long-term price of \$75 a barrel and \$8 a million Btu (or thousand cubic feet).









March	9,	20	1	0

				Table						
		N	/IcDep	Energy	y Portfoli	0				
	Geogr	aphio	: Domio	cile and	l Busines	s Segn	nents			
							t Value by	Segment	t (%)	
			Price			North	Rest			
			(US\$/sh)	EV/	Enterprise	Amer.	of World			
	Symbol/	0	8-Mar	Market	Value	Natural	Natural		Down-	McDep
	y, CB (see	below)	2010	Cap	(\$mm)	Gas	Gas	Prod'n	stream	Ratic
U.S. Integrated										
Exxon Mobil Corporation	XOM	CB	66.48	1.18	409,000	10	23	50	17	0.78
Chevron Corporation	CVX	В	74.64	1.20	180,000	4	10	72	14	0.72
Marathon Oil Corporation	MRO	CB	30.80	1.55	33,900	7	3	64	26	0.68
ConocoPhillips	COP	В	50.73	1.70	129,000	12	10	64	13	0.61
Total or Median *	30%	9%	13%		752,000					0.70
Europe										
BG Group	BRGXF	В	17.91	1.14	69,200		22	47	31	0.83
Royal Dutch Shell plc	RDS-A	В	57.15	1.36	238,000	3	26	48	23	0.78
BP plc	BP	В	56.17	1.33	237,000	6	9	63	22	0.76
Statoil ASA (33%)	STO	В	23.37	1.43	35,000		49	51	-	0.74
Total S.A.	TOT	CB	57.62	1.27	164,000		19	59	22	0.69
Total or Median *	30%	11%	17%		743,000					0.76
Australia/Brazil/China/Russ	ia									
CNOOC Limited (34%)	CEO	В	162.61	1.01	25,000		11	89	-	1.20
Woodside Petroleum Ltd.	WOPEY	В	41.20	1.18	37,000		71	29	-	0.95
Petrobras	PBR	В	44.76	1.27	249,000		5	80	15	0.81
PetroChina Company Ltd (14%		В	118.90	1.09	33,100		15	69	15	0.81
Gazprom (50%)	OGZPY	В	24.10	1.30	93,000		76	24		0.44
Lukoil Oil Company	LUKOY	B	54.55	1.12	51,900		10	66	34	0.43
Total or Median *	20%	13%	20%	1.12	489,000			00	51	0.81
U.S. Independent	2070	1570	2070		409,000					0.01
Anadarko Petroleum Corp.	APC	В	71.14	1.42	49,800	45		50	4	1.08
EOG Resources	EOG		97.37	1.13	27,600	69	5	27	-	1.05
XTO Energy Inc.	XTO	B	46.86	1.13	38,000	73	5	27	-	1.00
Occidental Petroleum Corp.	OXY	B		1.40		10	1	82	- 7	0.87
	CHK	D	81.49 25.59		71,400	89	1		-	0.87
Chesapeake Energy Corp.	DVN	В		1.86	29,900 39,700	53		47		
Devon Energy Corporation Total or Median *	10%	ы 13%	69.69 17%	1.26	,			47	-	0.76
	10%	1370	1770		256,000					0.93
Canada En Como Como antion	ECA	р	24.10	1.24	24 500	02		7		0.00
EnCana Corporation	ECA	B	34.18	1.34	34,500	93 23		7	-	0.98
Cenovus Energy Inc.	CVE	B	25.79	1.35	26,200			70	7	0.97
Canadian Natural Resources	CNQ	B	72.21	1.29	50,600	13		87	-	0.84
Imperial Oil Limited (30%)	IMO	В	38.48	1.09	10,700	5		81	15	0.81
Canadian Oil Sands Trust	COSWF	B	27.40	1.10	14,600			100	-	0.74
Suncor Energy	SU	CB	31.14	1.38	67,300	5		84	11	0.72
Total or Median *	8%	13%	20%		204,000					0.83
Income and Small Cap (see se	•		- · ·							
	2%	41%	13%		50,700	37		63		0.95
Composite										
Enterprise Value Weighting	100%				2,494,700	11	16	58	15	0.76
Equal Weighting		100%				31	8	55	6	0.86
Equal Weighted Buys			100%			14	12	64	9	0.81
			. 1	1, 00	0-day average					

* Percentages in Price column refer to equal weighted buys.



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		Table 2					
McI)ep]	Energy	Portfol	io			
	-						
		Duin			Net		
				Mankat		Deht/	
Sumb a 1/D	a tin a		Chanaa				MaDar
							McDep Ratio
, CD (see t	elow)	2010	(mm)	(US\$mm)	$(US\phi/sn)$	vaiue	Кано
XOM	CB	66.48	5 215	347 000	89.00	0.12	0.78
			- , -	,			0.72
							0.68
							0.61
001	D	50.75	1,001	,	105.00		0.70
				575,000		0.10	0.70
BRGXF	В	17.91	3,397	60,800	22.00	0.10	0.83
RDS-A	В			175,000	79.00	0.21	0.78
BP	В	56.17		178,000		0.19	0.76
STO	В	23.37		24,600	35.00	0.22	0.74
TOT	CB	57.62		129,000	90.00	0.15	0.69
				567,000		0.19	0.76
CEO	В	162.61	152	24,700	135.00	0.01	1.20
WOPEY	В	41.20	763	31,400	44.00	0.14	0.95
PBR	В	44.76	4,387	196,400	58.00	0.17	0.81
PTR	В	118.90	256	30,500	150.00	0.06	0.81
OGZPY	В	24.10	2,955	71,200	64.00	0.10	0.44
LUKOY	В	54.55	847	46,200	135.00	0.05	0.43
				400,000		0.08	0.81
A PC	B	71.14	/0/	35 100	64.00	0.32	1.08
							1.08
	_						1.00
							0.87
	D						0.87
	P						0.85
DVIN	D	07.07	4.50		70.00		0.93
				200,000		0.22	0.75
FCA	B	34.18	751	25 700	35.00	0.25	0.98
							0.97
							0.97
							0.81
							0.81
				,			0.74
50	CD	51.14	1,502		-70.00		0.72
	non d. o	oppored to	200 day ar			0.17	0.05
	Prese Symbol/R CB (see b) CCB (see b) COP MRO COP BRGXF RDS-A BP STO TOT OCEO WOPEY PBR PTR OGZPY LUKOY APC EOG XTO OXY CHK DVN ECA CVE SU	Present Value Symbol/Ruting Symbol/Ruting CB (see build) XOM CB CVX B MRO CB CVX B MRO CB COP B BRGXF B BROS-A B BP B STO B TOT CB VOPEY B PBR B OGZPY B DVN B APC B EOG B XTO B OXY B CEO B PBR B PBR B QGZPY B LUKOY B OXY B CHK I PR B QGZ B KTO B COSW B SU CB	Present Value and Price US Price (US\$/sh) Symbol/Rating 8-Mar CB (see bow) 2010 XOM CB 66.48 CVX B 74.64 MRO CB 30.80 COP B 50.73 MRO CB 30.80 COP B 50.73 BRGXF B 17.91 RDS-A B 57.15 BP B 56.17 STO B 23.37 TOT CB 57.62 MOPEY B 41.20 PBR B 162.61 WOPEY B 41.20 PBR B 118.90 OGZPY B 24.10 LUKOY B 54.55 MO B 97.37 XTO B 46.86 OXY B 81.49 CHK 25.59 55 DVN B 69.69	McDep Energy Portfol Present Value and McDet Price C Price Symbol/Rating 8-Mar Shares CB (see bow) 2010 (mm) ZOM CB 66.48 5,215 CVX B 74.64 2,004 MRO CB 66.48 5,215 CVX B 74.64 2,004 MRO CB 30.80 711 COP B 50.73 1,501 MRO CB 30.80 711 COP B 50.73 1,501 MRO CB 30.80 711 COP B 50.73 1,501 BRGXF B 17.91 3,397 RDS-A B 57.15 3,064 BP B 56.17 3,162 STO B 23.37 1,050 TOT CB 57.62 2,241 MDP B 14.20 763 PTR B 14.20	McDep Energy PortfolioPresent Value and McDep RatioPricePrice(US\$/sh)MarketSymbol/Rating8-MarSharesCapCB (see bow)2010(mm)(US\$mm)XOMCB66.485,215347,000CVXB74.642,004150,000MROCB30.8071121,900COPB50.731,50176,000MROCB30.8071121,900COPB50.731,50176,000MROCB30.8071121,900COPB50.731,50176,000MROCB30.8071121,900COPB57.153,064175,000BPB56.173,162178,000STOB23.371,05024,600TOTCB57.622,241129,000CEOB162.6115224,700WOPEYB41.2076331,400PBRB44.764,387196,400PTRB118.9025630,500OGZPYB24.102,95571,200LUKOYB54.5584746,200CAB97.3725124,500XTOB46.8658027,200OXYB81.4981466,300CHK	Hybright System Present Value and Water Present Price Narket Present Symbol/Rating 8-Mar Shares Cap Value Value Sof Cap <td>McDerbergerber</td>	McDerbergerber

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Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.

Please see disclosures on the final page.



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	McDe	p E	nergy l	Portfoli	0			
Value		-			on Yiel	d		
	^							
			Price	Adjustd				Divd or
			(US\$/sh)	Resrvs/	PV/	EV/		Distrik
S	ymbol/Ra	ting	8-Mar	Prod	Ebitda	Ebitda	P/E	NTM
B = Buy,	CB (see be	low)	2010	NTM	NTM	NTM	NTM	(%)
•								
U.S. Integrated								
Exxon Mobil Corporation	XOM	CB	66.48	12.1	8.3	6.4	12	2.5
Marathon Oil Corporation	MRO	CB	30.80	8.8	7.3	5.0	10	3.1
ConocoPhillips	COP	В	50.73	14.2	8.1	4.9	9	3.9
Chevron Corporation	CVX	В	74.64	9.0	6.5	4.7	9	3.6
Total or Median				10.6	7.7	5.0	10	3.4
Europe								
BG Group plc	BRGXF	В	17.91	8.3	8.9	7.4	14	1.0
Royal Dutch Shell plc	RDS-A	В	57.15	7.8	6.5	5.1	10	5.9
BP plc	BP	В	56.17	9.5	6.7	5.0	9	6.0
Total S.A.	TOT	CB	57.62	9.3	7.1	4.9	9	5.4
Statoil ASA (33%)	STO	В	23.37	7.4	6.0	4.5	11	4.4
Total or Median				8.3	6.7	5.0	10	5.4
Australia/Brazil/China/Russia								
Woodside Petroleum Ltd.	WOPEY	В	41.20	17.8	11.8	11.2	19	2.4
Petrobras	PBR	В	44.76	9.1	8.9	7.2	12	3.0
CNOOC Limited (34%)	CEO	В	162.61	6.5	5.5	6.6	12	3.2
PetroChina Company Ltd (14%)	PTR	В	118.90	13.9	7.5	6.0	15	3.4
Gazprom (50%)	OGZPY	В	24.10	24.6	8.4	3.7	5	0.2
Lukoil Oil Company	LUKOY	В	54.55	15.6	8.5	3.7	7	2.3
Total or Median				14.8	8.5	6.3	12	2.7
U.S. Independent								
XTO Energy Inc.	XTO	В	46.86	11.3	10.7	10.7	19	1.1
EOG Resources	EOG	В	97.37	10.8	9.5	10.0	45	0.6
Chesapeake Energy Corp.	CHK		25.59	11.8	11.4	9.7	20	1.2
Anadarko Petroleum Corp.	APC	В	71.14	9.2	7.6	8.1	88	0.5
Occidental Petroleum Corp.	OXY	В	81.49	10.9	7.5	6.5	14	1.6
Devon Energy Corporation	DVN	В	69.69	10.3	8.5	6.4	13	0.9
Total or Median				10.8	9.0	8.9	20	1.0
Canada								
EnCana Corporation	ECA	В	34.18	9.1	9.9	9.8	87	2.3
Canadian Oil Sands Trust	COSWF	В	27.40	23.1	13.0	9.6	19	5.0
Imperial Oil Limited (30%)	IMO	В	38.48	20.1	11.5	9.3	18	1.0
Canadian Natural Resources	CNQ	В	72.21	15.9	11.0	9.3	15	0.8
Cenovus Energy Inc.	CVE	В	25.79	10.2	9.0	8.7	18	3.1
Suncor Energy	SU	CB	31.14	14.3	10.1	7.2	21	1.3
Total or Median				15.1	10.6	9.3	19	1.8
CB=Contrarian Buy, Stock Price may be		nd co	ompared to					
EV = Enterprise Value = Market Cap and			-			reciation		
and amortization; $NTM = Next Twelve N$								

Earnings; PV = Present Value of oil and gas and other businesses



			Index of Reco	ent Research
Stock I	[de	as		
<u>Date</u>		<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
5-Mar		SJT	San Juan Basin Royalty Trust	Raise NPV to \$23 (ISC Weekly)
5-Mar		CNQ	Canadian Natural Resources	Raise NPV to US\$90 a Share from \$80
26-Feb		DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income (ISCW)
25-Feb		WOPEY	Woodside Petroleum	Financing in Place for 2010
22-Feb			XTO Energy, ExxonMobil	Merger on Track for Second Quarter Completion
19-Feb		BIREF	Birchcliff Energy Ltd.	Raise NPV to US\$11 a Share from US\$9
19-Feb	1	XEC	Cimarex Energy Company	On a Roll - Raise NPV to \$65 (ISC Weekly)
18-Feb	-	DVN	Devon Energy Corporation	Proven Reserves Increase 19%
15-Feb		CVE	Cenovus Energy Inc.	Quadruple Bitumen by 2017
15-Feb		STO	Statoil ASA	Reposition Dividend for Growth
15-Feb	-	EOG	EOG Resources Inc.	Proven Reserves Increase 24%
12-Feb		TOT	Total S.A.	Secure Income at 5.5%
12-Feb		ECA	EnCana Corporation	Best Large Cap Clean Energy Investment
9-Feb	*	PTR	PetroChina Company Limited	Change Buy to Contrarian Buy (Meter Reader)
8-Feb		XEC	Cimarex Energy Company	Booming Production Estimated up 18% in 2010
5-Feb	*	BRGXF	BG Group	Natural Gas Growth in Australia
5-Feb	-	COSWF	Canadian Oil Sands Trust	Sycrude Transaction in the Works (ISC Weekly)
4-Feb	_	RDSA	Royal Dutch Shell plc	Cautious Outlook, Nice Dividend
3-Feb	-	IMO		
	-		Imperial Oil Limited	Horn River Shale Gas Explorer
3-Feb	-	CEO	CNOOC Ltd	Blockbuster Growth Forecast
3-Feb	-	MRO	Marathon Oil Corporation	Ready for Recovery in Demand for Diesel Fuel
3-Feb	*	1110	Anadarko Petroleum Corporation	Raise Net Present Value to \$64 a Share from \$59
2-Feb	*	50	Suncor Energy	Reduce Net Present Value to US\$48 a Share from US\$52
2-Feb	-	BP	BP p.l.c.	Credibility Reestablished
1-Feb	-	XOM	ExxonMobil Corporation	Modify to Contrarian Buy from Buy
1-Feb	-	OGZPY	Gazprom	European Natural Gas Sales Rebound
29-Jan	-	CVX	Chevron Corporation	Raise Net Present Value to \$110 a Share from \$102
29-Jan	_	COSWF	Canadian Oil Sands Trust	Distribution Unchanged, Reduce NPV to \$38 from \$US4.
28-Jan	-	OXY	Occidental Petroleum Corporation	Volume Growth Supporting Appreciation Potential
27-Jan	*	COP	ConocoPhillips	Lowest Large Cap McDep Ratio
8-Jan	*	HGT	Hugoton Royalty Trust	Lower Net Present Value to \$21 a Unit from \$23
8-Dec	_	PBR	Petrobras	Buy for Long-Term Growth (Meter Reader)
8-Dec	*	LUKOY	Lukoil Oil Company	Reemphasizing Oil
20-Nov	*	FRHLF	Freehold Royalty Trust	Highest Distribution Rate Unhedged (ISC Weekly)
13-Nov		PEYUF	Peyto Energy Trust	Deep Basin Drilling "Going to Explode" (ISC Weekly)
2-Nov		EAC	Encore Acquisition Company	Denbury Resources Offers \$50 a Share to Acquire Encor
Meter	R	eader		
9-Mar			Weekly	
2-Mar			Weekly	Oil Growth of 70% to 2020 for COSWF
23-Feb			Weekly	Cheap Oil
16-Feb	*		Weekly	Free Downstream in Stock Prices
Income	e a	nd Small (Cap Weekly	
5-Mar		SJT	San Juan Basin Royalty Trust	Raise Distribution, Net Present Value
26-Feb		DMLP	Dorchester Minerals, L.P.	Replaces Reserves and Pays 8% Income
19-Feb		XEC	Weekly	Cimarex on a Roll - Raise NPV to \$65
12-Feb	*		Weekly	Natural Gas Ideas
	*	Archived or	n www.mcdep.com	

Please see disclosures on the final page.



Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC. 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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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations are expected to deliver a total return less than inflation.