

Rating: Buy
S&P 500: 1474

Anadarko Petroleum Corporation Transition Maturing

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	6,730
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	43
<i>Price (US\$/sh)</i>	50.10	<i>Natural Gas and Oil Production/Ebitda (%)</i>	96
<i>Pricing Date</i>	7/30/07	<i>Adjusted Reserves/Production NTM</i>	11.2
<i>Shares (mm)</i>	467	<i>EV/Ebitda</i>	6.7
<i>Market Capitalization (US\$mm)</i>	23,400	<i>PV/Ebitda</i>	8.3
<i>Debt (US\$mm)</i>	21,500	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$mm)</i>	44,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	35.55
<i>Present Value (PV) (US\$mm)</i>	56,100	<i>Present Value Proven Reserves(US\$/boe)</i>	21.07
<i>Net Present Value (US\$/share)</i>	74	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.51
<i>Debt/Present Value</i>	0.38	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.42
<i>McDep Ratio - EV/PV</i>	0.80	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	1.4	<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 25% to estimated net present value (NPV) of \$74 a share revised up from \$70 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. Second quarter results reported at 8:00 pm Eastern Time on July 30 disclosed higher than expected unlevered cash flow (Ebitda) including properties that have since been divested (see table Next Twelve Months Operating and Financial Estimates). Concentrated 53/44 on natural gas and oil production, respectively, NPV for the large cap stock looks low compared to our estimates for some thirty other producers (see table Functional Cash Flow and Present Value). The high financial risk phase in the company's transition is mostly completed while the new opportunities in the Gulf of Mexico and the Rocky Mountains are set to unfold. Currently above \$8 a million btu and at \$71 a barrel, long-term natural gas and oil price appear to be in uptrends despite volatility of short-term quotes (see chart Six-Year Commodity Price Meter). Finally, APC stock also has positive momentum as it trades above its 200-day average.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

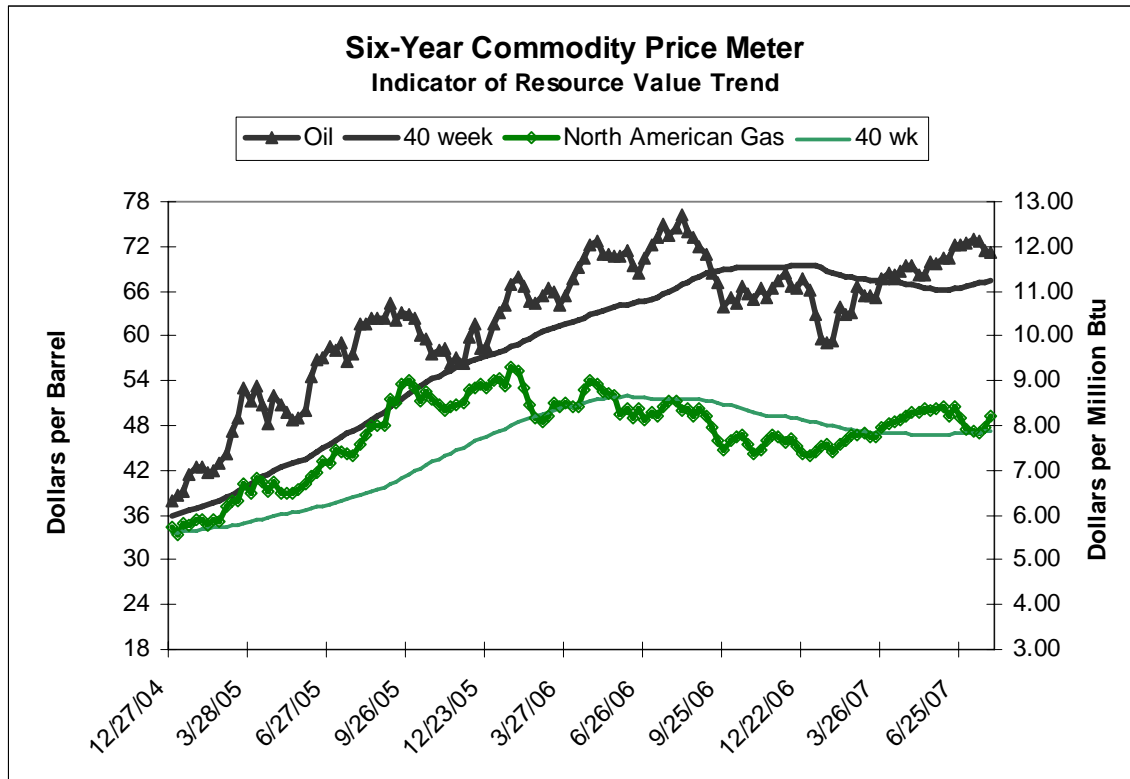
Anadarko Petroleum Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>6/30/06</i>	<i>9/30/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>6/30/08</i>
Volume									
Natural Gas (mmcf)	1,375	1,639	1,654	2,204	1,798	1,730	1,730	1,864	1,730
Oil (mbd)	218	248	238	286	274	230	230	255	230
Total gas & oil (bcf)	244	288	1,125	353	313	286	286	1,238	1,135
Total gas & oil (mmcf)	2,683	3,127	3,082	3,920	3,442	3,110	3,110	3,392	3,110
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.64	7.64	7.16	7.83
Company (\$/mcf)	6.26	6.03	6.11	6.24	6.14	5.40	6.21	6.14	6.73
Oil (\$/bbl)									
WTI Cushing	70.47	70.42	66.05	58.08	64.91	75.91	75.47	68.59	74.50
Worldwide	60.17	60.99	56.41	51.20	59.14	69.17	68.76	61.41	67.89
Total gas & oil (\$/mcf)	7.89	7.80	7.64	7.03	8.10	8.29	8.74	7.99	8.76
Revenue (\$mm)									
Natural Gas	732	853	3,690	1,161	1,063	909	1,045	4,178	4,247
Oil	1,194	1,392	4,902	1,318	1,475	1,464	1,455	5,711	5,699
Other		1,253	1,966	204	776	776	776	2,531	3,103
Total	1,926	3,498	10,557	2,683	3,313	3,148	3,276	12,420	13,049
Expense									
	-	65	2,051	897	1,490	1,541	1,586	5,513	6,324
Ebitda (\$mm)									
Exploration and Production	1,444	1,459	5,985	1,721	1,758	1,542	1,625	6,646	6,465
Other		65	130	65	65	65	65	260	260
Total	1,444	1,524	6,115	1,786	1,823	1,607	1,690	6,906	6,725
Deprec., Deplet., & Amort.	362	546	2,043	845	733	668	668	2,913	2,670
Hedging and other	5	(388)	(450)						
Ebit	1,077	1,367	4,522	941	1,090	939	1,022	3,993	4,055
Interest	51	209	668	310	314	220	220	1,064	880
Ebt	1,026	1,158	3,854	631	776	719	802	2,929	3,175
Income Tax	359	347	1,291	157	272	252	281	961	1,111
Net Income (\$mm)	667	810	2,563	474	504	468	522	1,968	2,064
Shares (millions)	463	463	463	465	467	467	467	467	467
Per share (\$)	1.44	1.75	5.53	1.02	1.08	1.00	1.12	4.22	4.42
Ebitda Margin (E&P)	75%	65%	70%	69%	69%	65%	65%	67%	65%
Tax Rate	35%	30%	33%	25%	35%	35%	35%	33%	35%

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	2,870	12.2	10.5	30,000
Oil	3,600	10.0	6.9	24,700
Downstream	260		5.4	1,400
	6,730	11.2	8.3	56,100
Debt (US\$mm)				21,500
Net Present Value (US\$mm)				34,600
Shares (mm)				467
Net Present Value - Standard Estimate (US\$/sh)				74
Net Present Value - Approximation by Correlation (US\$/sh)				77

Please see disclosures on the final page.



Disclaimer: This analysis was prepared by Kurt Wulff 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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty 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 assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.

Please see disclosures on the final page.