

Rating: Buy
S&P 500: 1482

Anadarko Petroleum Corporation **Adjust NPV to \$70 a Share on Lower Debt**

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	6,610
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	48
<i>Price (US\$/sh)</i>	46.66	<i>Natural Gas and Oil Production/Ebitda (%)</i>	96
<i>Pricing Date</i>	4/30/07	<i>Adjusted Reserves/Production NTM</i>	11.2
<i>Shares (mm)</i>	465	<i>EV/Ebitda</i>	6.5
<i>Market Capitalization (US\$mm)</i>	21,700	<i>PV/Ebitda</i>	8.1
<i>Debt (US\$mm)</i>	21,000	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$mm)</i>	42,700	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.91
<i>Present Value (PV) (US\$mm)</i>	53,600	<i>Present Value Proven Reserves(US\$/boe)</i>	20.11
<i>Net Present Value (US\$/share)</i>	70	<i>Present Value Proven Reserves(US\$/mcf)</i>	3.35
<i>Debt/Present Value</i>	0.39	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.05
<i>McDep Ratio - EV/PV</i>	0.80	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	1.5	<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\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of APC since 2003 see www.mcdep.com/1apc.htm

Summary and Recommendation

First quarter 2007 results reported at 9:00 pm Eastern Time on April 30 support estimated unlevered present value for buy-recommended **Anadarko Petroleum (APC)** while we adjust net present value (NPV) to \$70 a share from \$75 a share as Debt/Present Value declines to 0.39 from 0.44. A leading resource position in the deep water Gulf of Mexico supports estimated NPV that otherwise looks high considering a correlation with reserve life and cash flow for some thirty companies (see table [Functional Cash Flow and Present Value](#)). High-tax Algeria accounted for 9% of weighted oil equivalent reserves at year end before 2007 asset sales (see table [Production and Reserves, 2006](#)). The drop in Debt/Present Value confirms that Chief Executive Jim Hackett has gotten past the most vulnerable time in reshaping the company with large acquisitions and divestitures. Prospects have become more appealing since natural gas for delivery over the next six years, priced currently at \$8.30 a million Btu, resumed an uptrend by crossing above the 40-week average in recent weeks (see chart, [Six-Year Commodity Price Meter](#)). Back above the 200-day average price signifying a stock currently in favor, APC has a full unlevered weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA

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Anadarko Petroleum Corporation
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	3,180	12.2	8.8	28,000	52%
Oil	3,170	10.0	7.6	24,200	45%
Downstream	260		5.4	1,400	3%
	6,610	11.2	8.1	53,600	100%
Debt (US\$mm)					21,000
Net Present Value (US\$mm)					32,600
Shares (mm)					465
Net Present Value - Standard Estimate (US\$/sh)					70
Net Present Value - Approximation by Correlation (US\$/sh)					66

Anadarko Petroleum
Production and Reserves, 2006

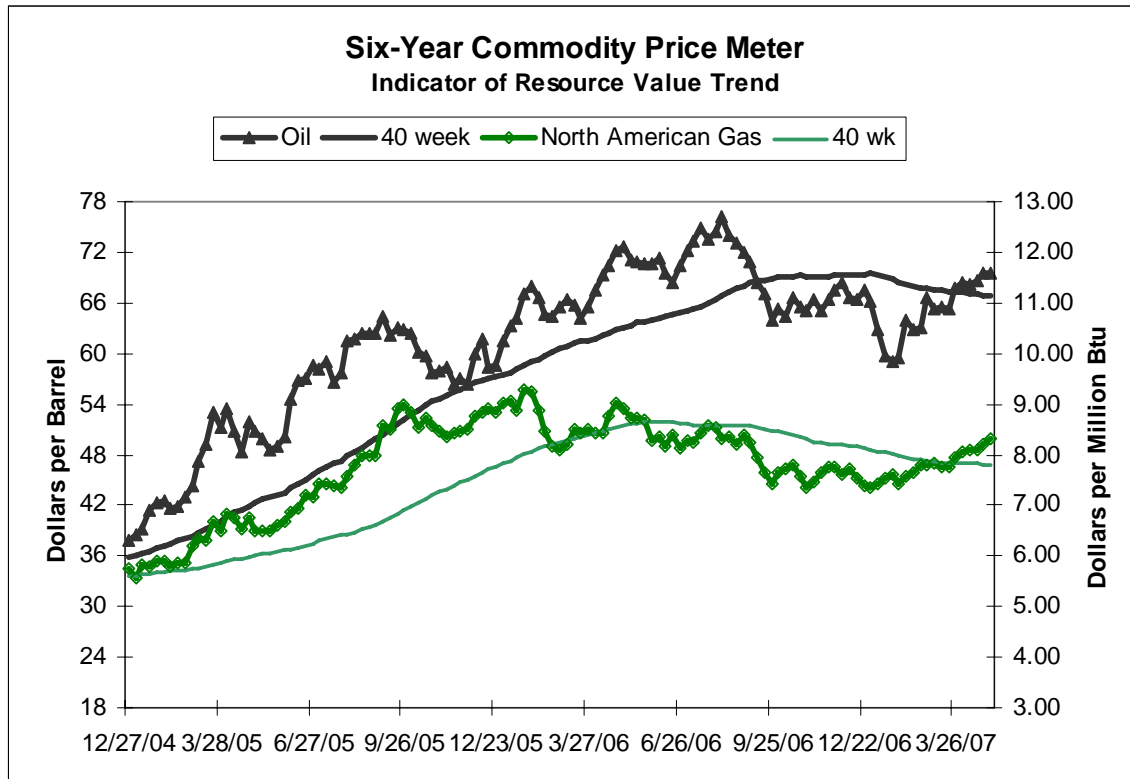
	<i>2006 Production</i>		<i>12/31/2006 Proven Reserves</i>			<i>Weighted</i> <i>Life Index</i> <i>(years)</i>
	<i>(daily)</i>	<i>(annual)</i>	<i>Developed</i> <i>(bcf or mmb)</i>	<i>Undeveloped</i> <i>(bcf or mmb)</i>	<i>Weighted</i> <i>(bcf or mmb)</i>	
Natural Gas - U.S.	1,529	558	7,618	2,868	9,052	16.2
Oil						
U.S.	148	54	505	420	715	13.2
Algeria	60	22	176	111	232	10.5
Other	22	8	38	14	45	5.6
	230	84	719	545	992	11.8
Total Oil Equivalent	485	177	1,989	1,023	2,500	14.1

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Anadarko Petroleum Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q4</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>3/31/06</i>	<i>12/31/06</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>3/31/08</i>	<i>3/31/08</i>
Volume									
Natural Gas (mmcf)	1,366	2,226	2,204	1,730	1,730	1,730	1,847	1,730	1,730
Oil (mbd)	191	294	286	230	230	230	244	230	230
Total gas & oil (bcf)	226	367	353	283	286	286	1,208	280	1,135
Total gas & oil (mmcf)	2,512	3,990	3,920	3,110	3,110	3,110	3,310	3,110	3,110
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.97	6.57	6.81	7.66	8.11	8.98	7.89	9.90	8.66
Company (\$/mcf)	7.62	5.55	6.24	7.02	7.44	8.23	6.73	9.07	7.44
Oil (\$/bbl)									
WTI Cushing	63.33	59.99	58.08	65.13	68.03	69.72	65.24	70.68	68.39
Worldwide	54.85	50.79	51.20	57.43	59.98	61.47	57.19	62.32	60.29
Total gas & oil (\$/mcf)	8.36	6.89	7.03	7.91	8.32	8.84	7.97	9.34	8.60
Revenue (\$mm)									
Natural Gas	948	1,156	1,161	1,037	1,110	1,229	4,537	1,325	4,701
Oil	943	1,374	1,318	1,202	1,269	1,301	5,090	1,290	5,062
Other	63	649	204	204	204	204	816	204	816
Total	1,954	3,179	2,683	2,442	2,583	2,733	10,442	2,819	10,578
Expense	516	1,470	897	922	972	1,024	3,815	1,054	3,972
Ebitda (\$mm)									
Exploration and Production	1,438	1,644	1,721	1,455	1,546	1,644	6,367	1,700	6,346
Other		65	65	65	65	65	260	65	260
Total	1,438	1,709	1,786	1,520	1,611	1,709	6,627	1,765	6,606
Deprec., Deplet., & Amort.	360	775	845	678	678	678	2,879	678	2,711
Hedging and other	13	(79)							
Ebit	1,065	1,014	941	842	934	1,031	3,748	1,087	3,894
Interest	51	357	310	249	249	249	1,056	249	995
Ebt	1,014	657	631	594	685	783	2,692	838	2,899
Income Tax	355	230	157	208	240	274	878	293	1,015
Net Income (\$mm)	659	427	474	386	445	509	1,814	545	1,885
Shares (millions)	464	464	465	465	465	465	465	465	465
Per share (\$)	1.42	0.92	1.02	0.83	0.96	1.09	3.90	1.17	4.05
Ebitda Margin (E&P)	76%	65%	69%	65%	65%	65%	63%	65%	62%
Tax Rate	35%	35%	25%	35%	35%	35%	33%	35%	35%

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