



Rating: Buy
 S&P 500: 1381

Anadarko Petroleum Corporation Rising Natural Gas Volume

<i>Symbol</i>	APC	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	7,430
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	46
<i>Price (US\$/sh)</i>	59.75	<i>Natural Gas and Oil Production/Ebitda (%)</i>	95
<i>Pricing Date</i>	2/4/08	<i>Adjusted Reserves/Production NTM</i>	9.9
<i>Shares (mm)</i>	470	<i>EV/Ebitda</i>	6.1
<i>Market Capitalization (US\$m)</i>	28,100	<i>PV/Ebitda</i>	7.5
<i>Debt (US\$m)</i>	17,200	<i>Undeveloped Reserves (%)</i>	33
<i>Enterprise Value (EV) (US\$m)</i>	45,300	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	36.27
<i>Present Value (PV) (US\$m)</i>	55,800	<i>Present Value Proven Reserves(US\$/boe)</i>	21.72
<i>Net Present Value (US\$/share)</i>	82	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.62
<i>Debt/Present Value</i>	0.31	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.34
<i>McDep Ratio - EV/PV</i>	0.81	<i>Price/Earnings Next Twelve Months</i>	18
<i>Dividend Yield (%/year)</i>	1.2	<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\$80 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 23% to estimated net present value (NPV) of \$82 a share, concentrated 52% on North American natural gas. Natural gas and oil volume gained 13% in the fourth quarter over the third quarter according to results reported after 6:00 PM EST on February 4. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). On December 18 we increased NPV from \$74 a share prompted by an increase in long-term oil price for calculating present value to \$80 from \$66 a barrel. NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). By the final estimates for the latest year, only 10% of hydrocarbon reserves are in Algeria where the host government appears to have reneged on its contracts (see table Production and Reserves, 2007). Finally, a strong uptrend in oil price portends catch up for natural gas (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA



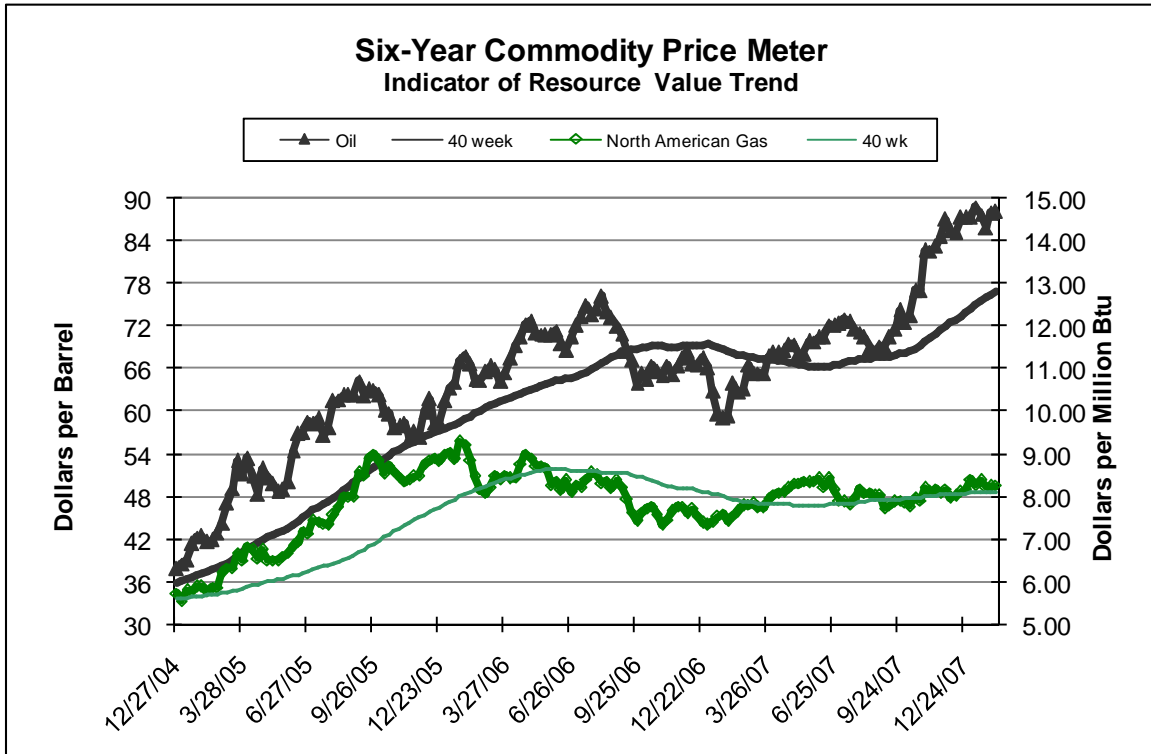
Anadarko Petroleum Corporation									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Months</i>
	<i>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>12/31/08</i>
Volume									
Natural Gas (mmcf)	2,226	1,637	2,013	1,912	2,100	2,100	2,100	2,100	2,100
Days	92	92	92	365	91	91	92	92	366
Oil (mmb)	27	22	22	95	19	19	19	19	77
Oil (mbd)	294	237	240	259	210	210	210	210	210
Total gas & oil (bcf)	367	281	318	1,265	306	306	309	309	1,230
Total gas & oil (mmcf)	3,990	3,059	3,453	3,466	3,360	3,360	3,360	3,360	3,360
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	7.66	7.96	8.17	8.55	8.08
Company (\$/mcf)	5.55	4.70	5.69	5.92	6.25	6.49	6.67	6.97	6.95
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	72.28	91.01	89.95	89.50	89.07	89.88
Worldwide	50.79	68.64	83.76	64.92	84.06	83.09	82.67	82.28	83.02
Total gas & oil (\$/mcf)	6.89	8.15	9.32	8.12	9.37	9.47	9.56	9.73	9.53
Revenue (\$mm)									
Natural Gas	1,156	797	1,110	4,131	1,259	1,307	1,357	1,419	5,342
Oil	1,374	1,497	1,849	6,139	1,606	1,588	1,597	1,590	6,381
Other	649	736	736	2,452	736	736	736	736	2,945
Total	3,179	3,030	3,696	12,722	3,602	3,631	3,691	3,745	14,669
Expense									
	1,470	1,340	2,037	5,764	1,782	1,794	1,818	1,840	7,235
Ebitda (\$mm)									
Exploration and Production	1,644	1,625	1,559	6,663	1,719	1,737	1,773	1,805	7,034
Other	65	65	100	295	100	100	100	100	400
Total	1,709	1,690	1,659	6,958	1,819	1,837	1,873	1,905	7,434
Exploration	-	253	291	544	291	291	291	291	1,164
Deprec., Deplet., & Amort.	775	655	750	2,983	750	750	750	750	3,000
Hedging and other	(79)	(224)	-						
Ebit	1,014	1,006	618	3,655	778	796	832	864	3,270
Interest	357	214	213	1,051	213	213	213	213	852
Ebt	657	792	405	2,604	565	583	619	651	2,418
Income Tax	230	277	142	848	198	204	216	228	846
Net Income (\$mm)	427	515	263	1,757	367	379	402	423	1,572
Shares (millions)	464	468	470	467	470	470	470	470	470
Per share (\$)	0.92	1.10	0.56	3.76	0.78	0.81	0.86	0.90	3.34
Ebitda Margin (E&P)	65%	71%	53%	65%	60%	60%	60%	60%	60%
Tax Rate	35%	35%	35%	33%	35%	35%	35%	35%	35%

Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	3,390	9.6	8.6	29,000	52%
Oil	3,640	10.3	7.0	25,300	45%
Downstream	400		3.5	1,400	3%
	7,430	9.9	7.5	55,700	100%
Debt (US\$mm)					17,200
Net Present Value (US\$mm)					38,500
Shares (mm)					470
Net Present Value - Standard Estimate (US\$/sh)					82
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					84



Anadarko Petroleum								
Production and Reserves, 2007								
		12/31/2007 Proven Reserves					Weighted Life Index (years)	NTM Adjusted R/P (years)
		2007 Production		Developed	Undeveloped	Weighted		
		(daily)	(annual)	(bcf or mmb)	(bcf or mmb)	(bcf or mmb)		
Natural Gas - U.S.		1,912	698	6,308	2,196	7,406	10.6	9.6
Oil								
U.S.		175	64	392	270	527	8.2	
Algeria		68	25	158	106	211	8.4	
Other		19	7	24	64	56	8.0	
		263	96	574	440	794	8.3	10.3
Total Oil Equivalent		582	212	1,625	806	2,028	9.6	9.9

Note: Weighted reserves equal developed plus half of undeveloped.



McDep LLC
Independent Stock Idea
February 5, 2008



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