



ACES

Anadarko[®]
Petroleum Corporation

House Oil & Gas
October 23, 2007

APC Operational Overview

Rockies

- Large acreage holdings

International

- World class targets
- Focused exploration

A
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Alaska



Onshore
U.S.



Gulf of Mexico



ANADARKO HQ
Houston, Texas



Trinidad



Brazil



Sub Sahara
Africa



Qatar



Tunisia
Algeria



China



Indonesia



Exploration Areas



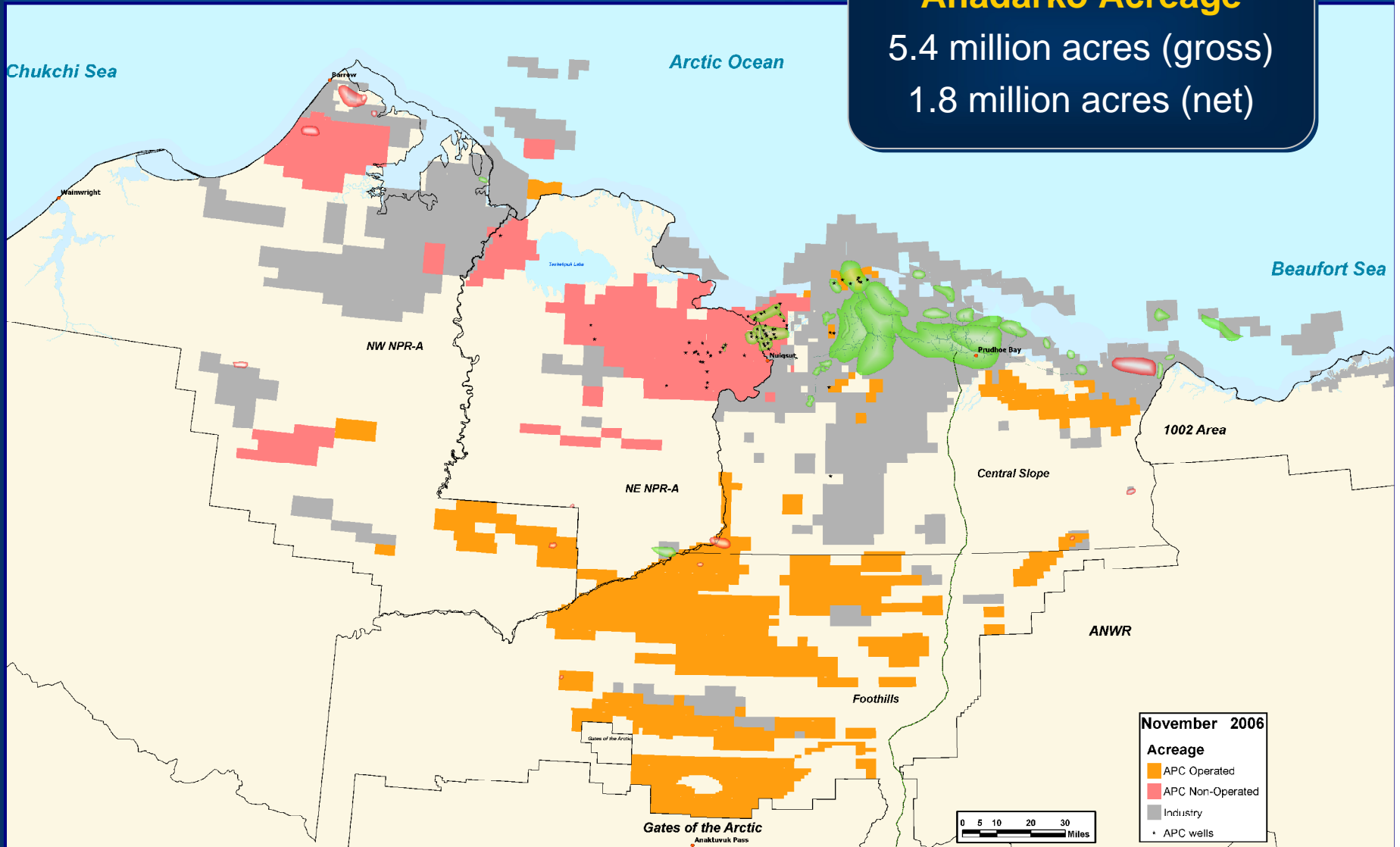
Producing Areas

Anadarko's Investment in Alaska-Land

Anadarko Acreage

5.4 million acres (gross)

1.8 million acres (net)



Alaska Opportunities

- ▲ **World class petroleum basin**
- ▲ **Significant remaining resource potential**
- ▲ **Legacy type prospectivity (i.e. Anchor Fields)**
- ▲ **New entrants/partnering opportunities**
- ▲ **APC possesses tangible competitive advantages**

Alaska Challenges

- ▲ **Maturing basin/materiality/smaller prospects**
- ▲ **High costs**
- ▲ **Lack of infrastructure and competition**
- ▲ **Extremely long lead-time exploration**
- ▲ **Seasonal drilling & regulatory timing requirements**
- ▲ **Distance from market**
- ▲ **Lack of gas transportation**

Our View of PPT & Recap of 2006 Testimony

- ▲ **Significant tax increase at existing fields**
 - *Can be offset by increased exploration & development investment*
- ▲ **Improvement in exploration economics versus elf system encourages new investment**
 - *Credits help reduce high costs & improve NPV*
 - *25 – 20 worse than old elf system*
- ▲ **On balance supportive of PPT system**

Support Net Profits Approach

- ▲ **Appreciate Administration work to evaluate gross vs. net and conclusion to stick with net**
- ▲ **Net considers varying economics & costs**
 - *Tax paid on net income after costs*
 - *Accounts for costs and levels playing field*
 - *Still doesn't account for risk*
- ▲ **Gross collects on income regardless of profit**
 - *Gross tax with proper incentives harder to develop equitably and still complicated to administer*
- ▲ **Royalty acts like a gross tax**

Our View of ACES- Negatives Outweigh Positives

▲ Support some parts of ACES

- *Expand time to qualify for Exploration Incentive Credits (offset by new exclusions and requirements)*
- *Modify Net Loss carry forward to create level playing field*
- *Goal of increased transparency & state auditor capability*

▲ Stability

- *Concern that PPT/ACES will be revisited again in next few years to deal with gas*
 - Gas definitely needs to be addressed, but will reopen everything again

▲ The significant tax increases would decrease exploration & development economics and far outweigh any positives in the bill

- *Tax rate increase*
- *Tax escalator changes increase costs*
- *Transition Investment Expenditure Credits Elimination*
 - Fairness and Investment Impact



Administration Field Economics Estimates

Table below from Sept 4, 2007 Administration Presentation

Project Net Present Value of Cash Flows (10% Discount Rate)				
\$40 Test Price (\$ Millions)				
	Status Quo PPT	ACES Plan	16% Gross Tax <i>No Capital Credits</i>	19% Gross Tax <i>With Capital Credits</i>
Field/Project A	178	128	-35	27
Field/Project B	72	48	-22	9
Field/Project C	59	27	-53	-22
Field/Project D	-64	-90	-398	-282
<i>Production Tax Revenues FY2008 @ \$60 oil price</i>	<i>\$1.3B</i>	<i>\$2.0B</i>	<i>\$2.1B</i>	<i>\$2.0B</i>

- ▲ Project Economics decrease by 33% to 54%
- ▲ What geologic & commercial risks were assigned?
- ▲ Where are dry holes & failed projects accounted for?

Summary

- ▶ **Significant tax increases outweigh any potential benefits**