

ANADARKO PETROLEUM CORP

Form 10-Q

August 07, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 2008
Commission File No. 1-8968

ANADARKO PETROLEUM CORPORATION

1201 Lake Robbins Drive, The Woodlands, Texas 77380-1046
(832) 636-1000

Incorporated in the
State of Delaware

Employer Identification
No. 76-0146568

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer X Accelerated filer ____ Non-accelerated filer ____ Smaller reporting company .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ____ No X.

The number of shares outstanding of the Company's common stock as of June 30, 2008 is shown below:

Title of Class	Number of Shares Outstanding
Common Stock, par value \$0.10 per share	468,473,419

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ANADARKO PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

millions except per share amounts	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007*	2008	2007*
Revenues and Other				
Gas sales	\$ 1,495	\$ 1,162	\$ 2,694	\$ 2,237
Oil and condensate sales	344	1,225	1,694	2,296
Natural gas liquids sales	258	179	459	336
Gathering, processing and marketing sales	319	486	587	847
Gains (losses) on divestitures and other, net	370	1,533	330	4,119
Total	<u>2,786</u>	<u>4,585</u>	<u>5,764</u>	<u>9,835</u>
Costs and Expenses				
Oil and gas operating	259	272	504	612
Oil and gas transportation and other	130	117	260	229
Exploration	264	222	507	361
Gathering, processing and marketing	222	329	414	623
General and administrative	199	246	403	510
Depreciation, depletion and amortization	784	712	1,594	1,435
Other taxes	523	265	882	600
Impairments	<u>11</u>	<u>28</u>	<u>11</u>	<u>40</u>
Total	<u>2,392</u>	<u>2,191</u>	<u>4,575</u>	<u>4,410</u>
Operating Income	394	2,394	1,189	5,425
Interest Expense, Other (Income) Expense and Minority Interests				
Interest expense	151	323	378	639
Other (income) expense	(14)	(23)	(27)	(52)
Minority interests	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
Total	<u>142</u>	<u>300</u>	<u>356</u>	<u>587</u>
Income from Continuing Operations Before Income Taxes	252	2,094	833	4,838
Income Tax Expense	<u>236</u>	<u>788</u>	<u>580</u>	<u>1,837</u>
Income (Loss) from Continuing Operations	16	1,306	253	3,001
Income from Discontinued Operations, net of taxes	<u>7</u>	<u>7</u>	<u>57</u>	<u>34</u>

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Net Income	<u>23</u>	<u>1,313</u>	<u>310</u>	<u>3,035</u>
Preferred Stock Dividends	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net Income Available to Common Stockholders	\$ 23	\$ 1,313	\$ 309	\$ 3,034
Per Common Share				
Income from continuing operations - basic	\$ 0.03	\$ 2.81	\$ 0.54	\$ 6.46
Income from continuing operations - diluted	\$ 0.03	\$ 2.79	\$ 0.53	\$ 6.43
Income from discontinued operations, net of taxes - basic	\$ 0.02	\$ 0.02	\$ 0.12	\$ 0.07
Income from discontinued operations, net of taxes - diluted	\$ 0.02	\$ 0.02	\$ 0.12	\$ 0.07
Net income available to common stockholders - basic	\$ 0.05	\$ 2.82	\$ 0.66	\$ 6.54
Net income available to common stockholders - diluted	\$ 0.05	\$ 2.81	\$ 0.66	\$ 6.51
Dividends	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.18
Average Number of Common Shares Outstanding - Basic	<u>468</u>	<u>465</u>	<u>468</u>	<u>464</u>
Average Number of Common Shares Outstanding - Diluted	<u>471</u>	<u>467</u>	<u>471</u>	<u>466</u>

* Financial information for the 2007 periods has been revised to reflect the retrospective application of the successful efforts method of accounting. See

Note 1.

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

millions	June 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 652	\$ 1,268

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Accounts receivable, net of allowance:

Customers	1,995	1,465
Others	1,285	1,111
Other current assets	1,229	642
Current assets held for sale	<u>6</u>	<u>-</u>
Total	<u>5,167</u>	<u>4,486</u>

Properties and Equipment

Cost (includes unproved properties of \$11,680 and \$13,106

as of June 30, 2008 and December 31, 2007, respectively)

Less accumulated depreciation, depletion and amortization

Net properties and equipment - based on the successful efforts method of accounting for oil and gas properties

Other Assets

Goodwill and Other Intangible Assets

Long-term Assets Held for Sale

Total Assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable

Accrued expenses

Current debt

Current liabilities associated with assets held for sale

Total

Long-term Debt

Midstream Subsidiary Note Payable to a Related Party

Other Long-term Liabilities

Deferred income taxes

Other

Long-term liabilities associated with assets held for sale

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Total	<u>14,484</u>	<u>13,502</u>
Minority Interests	<u>348</u>	<u>-</u>
Stockholders' Equity		
Preferred stock, par value \$1.00 per share (2.0 million shares authorized, zero and 0.05 million shares issued as of June 30, 2008 and December 31, 2007, respectively)	-	45
Common stock, par value \$0.10 per share (1.0 billion shares authorized, 469.6 million and 469.1 million shares issued as of June 30, 2008 and December 31, 2007, respectively)	47	47
Paid-in capital	5,611	5,511
Retained earnings	11,316	11,089
Treasury stock (1.2 million and 1.1 million shares as of June 30, 2008 and December 31, 2007, respectively)	(59)	(55)
Accumulated other comprehensive loss:		
Unrealized loss on derivative instruments	(126)	(132)
Foreign currency translation adjustments	(1)	(1)
Pension and other postretirement plans	<u>(137)</u>	<u>(140)</u>
Total	<u>(264)</u>	<u>(273)</u>
Total	<u>16,651</u>	<u>16,364</u>
Commitments and Contingencies (		
<u>Note 14)</u>		
Total Liabilities and Stockholders' Equity	<u>\$ 49,337</u>	<u>\$ 48,451</u>

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

Three Months Ended	Six Months Ended
<u>June 30</u>	<u>June 30</u>

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millions	<u>2008</u>	<u>2007*</u>	<u>2008</u>	<u>2007*</u>
Net Income Available to Common Stockholders	\$ 23	\$,313	\$ 309	\$3,034
Add: Preferred Stock Dividends	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net Income	<u>23</u>	<u>1,313</u>	<u>310</u>	<u>3,035</u>
Other Comprehensive Income (Loss), net of taxes				
Unrealized gains (losses) on derivative instruments:				
Reclassification of (gains) losses to net income ⁽¹⁾	2	2	6	-
Foreign currency translation adjustments	-	(1)	-	(1)
Pension and other postretirement plans adjustments ⁽²⁾	1	3	3	3
	<u>3</u>	<u>4</u>	<u>9</u>	<u>2</u>
Total	<u>3</u>	<u>4</u>	<u>9</u>	<u>2</u>
Comprehensive Income	<u>\$ 26</u>	<u>\$,317</u>	<u>\$ 319</u>	<u>\$3,037</u>
(1)	\$ (1)	\$ (1)	\$ (3)	\$ -
net of income tax benefit (expense) of:				
(2)	(1)	(2)	(2)	(2)
<u>net of income tax benefit (expense) of:</u>				

* Financial information for the 2007 periods has been revised to reflect the retrospective application of the successful efforts method of accounting. See

Note 1.

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

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(Unaudited)

	Six Months Ended	
	June 30	
millions	2008	2007*
Cash Flow from Operating Activities		
Net income	\$ 310	\$ 3,035
Less income from discontinued operations, net of taxes	57	34
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,594	1,435
Deferred income taxes	37	(745)
Dry hole expense and impairments of unproved properties	332	257
Minority interests	5	-
Impairments	11	40
(Gains) losses on divestitures, net	(164)	(4,092)
Unrealized (gains) losses on derivatives	2,091	557
Other non-cash items	22	73
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(648)	1,042
Increase (decrease) in accounts payable and accrued expenses	(823)	(1,345)
Other items – net	(226)	660
Cash provided by (used in) operating activities - continuing operations	2,484	883
Cash provided by (used in) operating activities - discontinued operations	-	165
Net cash provided by (used in) operating activities	2,484	1,048
Cash Flow from Investing Activities		
Additions to properties and equipment and dry hole costs	(2,204)	(2,166)
Divestitures of properties and equipment and other assets	664	7,566
Other – net	(94)	(2)
Cash provided by (used in) investing activities - continuing operations	(1,634)	5,398
Cash provided by (used in) investing activities - discontinued operations	-	(69)
Net cash provided by (used in) investing activities	(1,634)	5,329
Cash Flow from Financing Activities		
Borrowings from unconsolidated affiliates	1	1,000
Repayments of debt	(1,396)	(6,125)

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Repayments on midstream subsidiary note payable	(330)	-
Increase (decrease) in accounts payable, banks	39	(42)
Dividends paid	(87)	(87)
Settlement of derivatives with a financing element	(1)	(43)
Purchase of treasury stock	(4)	(10)
Repurchase and retirement of preferred stock	(45)	-
Issuance of common stock	15	66
Sale of subsidiary interests	343	-
Cash provided by (used in) financing activities - continuing operations	(1,465)	(5,241)
Cash provided by (used in) financing activities - discontinued operations	-	-
Net cash provided by (used in) financing activities	(1,465)	(5,241)
Net Increase (Decrease) in Cash and Cash Equivalents	(615)	1,136
Cash and Cash Equivalents at Beginning of Period	1,268	511
Cash and Cash Equivalents at End of Period	\$ 653	\$ 1,647

* Financial information for the 2007 period has been revised to reflect the retrospective application of the successful efforts method of accounting. See

Note 1.

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

General

Anadarko Petroleum Corporation is engaged in the exploration, development, production, gathering, processing and marketing of natural gas, crude oil, condensate and natural gas liquids (NGLs). The Company also engages in the hard minerals business through non-operated joint ventures and royalty arrangements. The terms "Anadarko" and "Company" refer to Anadarko Petroleum Corporation and its consolidated subsidiaries.

The information, as furnished herein, reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of financial position as of June 30, 2008 and December 31, 2007, the results of operations for the three and six months ended June 30, 2008 and 2007 and cash flows for the six months ended June 30, 2008 and 2007. Certain amounts for prior periods have been reclassified to conform to the current presentation.

In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management reviews its estimates, including those related to determination of proved reserves, litigation, environmental liabilities, income taxes and fair values. Changes in facts and circumstances or discovery of new information may result in revised estimates and actual results may differ from these estimates.

The accompanying financial statements and notes should be read in conjunction with the Company's 2007 Annual Report on Form 10-K.

Assets Held for Sale and Discontinued Operations

Certain assets were classified as held for sale as of June 30, 2008 and December 31, 2007. Additionally, the Company's Canadian operations, which were substantially divested in 2006, have been classified as discontinued operations. Unless otherwise indicated, information presented in the notes to the financial statements relates only to Anadarko's continuing operations. See Note 2.

Changes in Accounting Principles

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," as of January 1, 2008. SFAS No. 157 does not require any additional fair value measurements. Rather, the pronouncement defines fair value, establishes a framework for measuring fair value under existing accounting pronouncements that require fair value measurements, and expands disclosures about fair value measurements. The Company elected to implement this Statement with the one-year deferral permitted by Financial Accounting Standards Board (FASB) Staff Position (FSP) 157-2 for nonfinancial assets and nonfinancial liabilities initially measured at fair value, except those that are recognized or disclosed on a recurring basis (at least annually). The deferral applies to nonfinancial assets and liabilities initially measured at fair value such as business combinations and exchanges measured at fair value; impaired long lived assets (asset groups); intangible assets and goodwill; and initial recognition of asset retirement obligations and restructuring costs for which Anadarko uses fair value. The Company does not expect any significant impact to Anadarko's consolidated financial statements when the Company implements SFAS No. 157 for these assets and liabilities. See Note 6.

Additionally, as of January 1, 2008, Anadarko adopted FASB FSP FASB Interpretation (FIN) No. 39-1, "Amendment of FASB Interpretation No. 39," which effectively amends FIN No. 39, "Offsetting of Amounts Related to Certain Contracts." The FSP permits netting fair values of derivative assets and liabilities for financial reporting purposes, if such assets and liabilities are with the same counterparty, and subject to a master netting arrangement. The Company has elected to employ net presentation of derivative assets and liabilities when FSP FIN No. 39-1 conditions are met. This election is consistent with the Company's historical practice and, therefore, did not affect prior periods presented. However, the FSP also requires that when derivative assets and liabilities are presented net, fair value of the right to reclaim collateral assets held by counterparties or the obligation to return cash collateral received from counterparties is also offset against the net fair value of the corresponding derivative. Netting collateral assets and liabilities against corresponding derivative balances represents a change in accounting policy for Anadarko, and has been applied to all periods presented. As a result, collateral assets of \$30 million at December 31, 2007 were reclassified and are presented as a reduction of liabilities. See

Note 6.

In the third quarter of 2007, Anadarko changed its method of accounting for its oil and gas exploration and development activities from full cost to the successful efforts method. In accordance with SFAS No. 154, "Accounting Changes and Error Corrections," financial information for prior periods has been revised to reflect retrospective application of the successful efforts method, as prescribed by SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." The effect of the accounting change on net income for the three and six months ended June 30, 2007 was an increase of approximately \$661 million and \$2.3 billion, respectively, or \$1.42 and \$4.89 per diluted share, respectively. The increase in income primarily results from the recognition of gains on oil and gas property divestitures, which were previously recognized as an adjustment to the full cost pool under the full cost method.

Derivative Instruments

Anadarko utilizes derivative instruments in conjunction with its marketing and trading activities and to manage the price risk attributable to the Company's forecasted sales of oil, natural gas and NGLs production. Anadarko utilizes derivatives to manage its exposure associated with NGLs processing, interest rates and foreign currency exchange rates. All derivatives that do not satisfy the normal purchases and sales exception criteria are carried on the balance sheet at fair value and are included in other current assets, other assets, accrued expenses or other long-term liabilities, depending on the position (netted when appropriate) and the expected timing of settlement.

Effective January 1, 2007, Anadarko discontinued its application of hedge accounting to all commodity and interest rate derivatives. As a result of this change, both realized and unrealized gains and losses on derivative instruments are recognized in gas sales, oil and condensate sales or interest expense as they occur. Net derivative losses attributable to derivatives previously subject to hedge accounting and residing in accumulated other comprehensive loss will be reclassified to earnings in future periods as the economic transactions to which the derivatives relate affect earnings.

Earnings Per Share

The Company's basic earnings per share (EPS) amounts have been computed based on the average number of shares of common stock outstanding for the period. Diluted EPS amounts include the effect of the Company's outstanding stock options, restricted stock awards, restricted stock units and performance-based stock awards under the treasury stock method, if including such potential shares of common stock is dilutive. See Note 9.

Accounting for Sales of Subsidiary Member Interest

Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary" (SAB 51), provides guidance on accounting for the effect of issuances of a subsidiary's stock on the parent's investment in that subsidiary. SAB 51 allows registrants to elect an accounting policy of recording such increases or decreases in a parent's investment (SAB 51 credits or charges, respectively) either in income or in stockholders' equity. In accordance with the election provided in SAB 51, Anadarko adopted a policy of recording such SAB 51 credits or charges directly to paid-in capital in stockholders' equity. See Note 8.

Recently Issued Accounting Standards Not Yet Adopted

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 does not change the accounting policy for derivatives, but requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items (if any) are accounted for, and how they affect the Company's financial position, financial performance and cash flows. SFAS No. 161 is effective for Anadarko for annual and interim periods beginning with the first quarter of 2009. Early adoption is

permitted. The Company is evaluating the provisions of SFAS No. 161. SFAS No. 161 is a disclosure requirement that does not affect Anadarko's consolidated financial position or net income.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, "Earnings per Share." FSP EITF No. 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. The Company is currently evaluating the impact of FSP EITF No. 03-6-1 on the Company's reported earnings per share.

2. Divestitures and Other, Assets Held for Sale and Discontinued Operations

Gains (Losses) on Divestitures and Other

During the first six months of 2008, the Company closed the sale of certain oil and gas properties, primarily in the United States, for approximately \$660 million. In May 2008, the Company's then wholly-owned subsidiary, Western Gas Partners, LP, completed an initial public offering. Net proceeds from the initial public offering were \$321 million. See Note 8.

Since its adoption of the successful efforts method of accounting in the third quarter of 2007, the Company continues to evaluate the accuracy and completeness of its detailed records for properties and equipment. As part of this process, in March 2008, management identified in its oil and gas property records capitalized costs of \$163 million attributable to properties that were divested in 2007. Because these costs were inadvertently excluded from the gain calculations, pretax gains on divestitures reported in the first and second quarter of 2007 were overstated by \$75 million and \$88 million, respectively. Management concluded that the misstatements were not material relative to 2007 interim and annual results, or to the 2008 period, and corrected the error in the first quarter of 2008. Accordingly, the accompanying consolidated statement of income for the six months ended June 30, 2008 reflects a \$163 million reduction in gains (losses) on divestitures and other, net for 2007 divestiture transactions.

Additionally, an unrelated analysis led management to conclude that the net properties and equipment balance was understated by \$81 million when compared to the detailed accounting records by property. That amount arose as a result of accounting adjustments to convert from the full cost to the successful efforts method, and could not be reasonably associated with specific properties. Accordingly, management removed the unidentified amount from the balance sheet, increasing the properties and equipment balance and increasing first quarter of 2008 earnings. The \$81 million correction is reported in gains (losses) on divestitures and other, net for the six months ended June 30, 2008.

After considering the effect of income taxes, the two adjustments recorded in the first quarter of 2008 related to the adoption of the successful efforts method of accounting described above, reduced net earnings for the six months ended June 30, 2008 by \$52 million. Net gains on divestitures for the three and six months ended June 30, 2008 of \$335 million and \$327 million, respectively, related to the divestiture of certain oil and gas properties primarily in the United States in several unrelated transactions. Net gains on divestitures for the three and six months ended June 30, 2007 of \$1.5 billion and \$4.1 billion, respectively, related primarily to the divestiture of oil and gas properties in the United States in several unrelated transactions.

Pending Divestitures and Assets Held for Sale

In March 2008, the Company entered into an agreement to divest its 50% interest in the Peregrino field offshore Brazil and certain related assets. The agreement provides for consideration to Anadarko of \$1.5 billion at closing.

Additionally, in connection with the sale of its interest in the Peregrino field, Anadarko may receive contingent consideration in future periods. Contingent consideration is based on the value of oil produced from properties subject to the sale transaction. The Peregrino field is currently under development, with initial production expected in 2010. The timing of the closing of the Peregrino divestiture is contingent on approvals by the appropriate authorities, which are expected to be obtained in late 2008.

Assets and liabilities associated with the Peregrino development are classified as held for sale as of June 30, 2008. For each held-for-sale asset, sale proceeds are expected to exceed the net carrying amount of the relevant asset and, therefore, no impairment was indicated. Income tax expense for the six months ended June 30, 2008 includes \$83 million of deferred tax expense attributable to the Peregrino divestiture that was required to be recognized in the first quarter of 2008 notwithstanding that the associated gain on sale is anticipated to be recognized in a subsequent period.

In April 2008, Anadarko entered into an agreement to sell a wholly-owned subsidiary, which owns an 18% interest in a Venezuelan joint venture, for \$200 million. The closing of this transaction is subject to customary closing conditions, including receipt of approvals by the appropriate authorities. Anadarko's investment in Venezuela is included in other assets at June 30, 2008.

Net proceeds from pending asset divestitures are expected to be used for debt reduction.

Discontinued Operations

In late 2006, Anadarko divested its Canadian oil and gas operations. Activity in 2008 and 2007 relates primarily to the impact of an adjustment to an indemnity obligation provided by the Company to the purchaser, as well as expenses associated with finalizing exit activities. See [Note 14](#).

3. Inventories

The major classes of inventories, included in other current assets, are as follows:

millions	June 30, 2008	December 31, 2007
Materials and supplies	\$ 221	\$ 202
Natural gas	27	42
Crude oil and NGLs	153	114
Total	\$ 401	\$ 358

4. Properties and Equipment

Suspended Exploratory Drilling Costs

If an exploratory well has found sufficient quantities of hydrocarbons to justify its potential completion as a producing well, drilling costs associated with the well are initially capitalized, or suspended, pending determination of whether proved reserves can be attributed to the area as a result of drilling.

The following table presents the amount of suspended exploratory drilling costs at June 30, 2008 and December 31, 2007, and changes in those amounts for the first six months of 2008. The table excludes amounts capitalized and either reclassified to proved oil and gas properties or charged to expense in the same reporting period.

millions

Balance at December 31, 2007	\$ 308
Additions pending the determination of proved reserves	128
Reclassifications to proved oil and gas properties	(44)
Charges to exploration expense	(9)
Balance at June 30, 2008	\$ 383

The following table presents the total amount of suspended exploratory drilling costs as of June 30, 2008 by geographic area, including the year the costs were originally incurred.

millions	Year Costs Incurred			
	Total	2008	2007	2006 & Prior
United States - Offshore	\$ 159	\$ -	\$ 88	\$ 71
United States - Onshore	90	30	42	18
International	134	58	76	-
	\$ 383	\$ 88	\$ 206	\$ 89

The well costs that have been suspended for longer than one year are associated with 21 projects. The majority of such costs associated with projects in the United States are suspended pending the completion of an economic evaluation including, but not limited to, results of additional appraisal drilling, facilities, infrastructure, well test analysis, additional geological and geophysical data and approval of a development plan. The international projects with costs suspended for longer than one year are primarily suspended pending the results of additional appraisal drilling. Management believes these projects related to exploratory drilling costs have sufficient quantities of hydrocarbons to justify their potential development and is actively pursuing efforts to assess whether reserves can be attributed to their respective areas. If additional information becomes available that raises substantial doubt about the economic or operational viability of any of these projects, the associated costs will be expensed.

5. Debt and Interest Expense

Debt

The following table represents the debt of the Company as of June 30, 2008 and December 31, 2007:

June 30, 2008	December 31, 2007
---------------	-------------------

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millions	Principal	Carrying Value	Principal	Carrying Value
Current and long-term debt		\$ 11,165		\$ 12,547
Midstream subsidiary note payable to a related party		1,870		2,200
Total debt	\$ 14,831	\$ 13,035	\$ 16,558	\$ 14,747

As of December 31, 2007, current debt included \$1 billion under a variable-rate 354-day facility. This facility was fully repaid and concurrently retired in February 2008. During the first six months of 2008, the Company repaid an aggregate principal amount of \$1.7 billion (including the variable-rate 354-day facility) that was outstanding at December 31, 2007.

In March 2008, the Company entered into a \$1.3 billion, five-year Revolving Credit Agreement (RCA) with a syndicate of United States and foreign lenders. Under the terms of the RCA, the Company can, under certain conditions, request an increase in the borrowing capacity under the RCA up to a total available credit amount of \$2.0 billion. The RCA has a maximum 65% debt to total book capitalization covenant (excluding non-cash charges). The RCA terminates in March 2013. The RCA replaced a \$750 million revolving credit facility which was scheduled to mature in 2009 and was retired. As of June 30, 2008, the Company had no

outstanding borrowings under the RCA.

See

Note 7 for Anadarko's notes payable to certain investees that do not affect the reported debt balance.

Interest Expense

The following table summarizes the amounts included in interest expense.

millions	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Gross interest expense -				
Current debt, long-term debt and other	\$ 175	\$ 367	\$ 386	\$ 722
Midstream subsidiary note payable to a related party	27	-	62	-
Capitalized interest*	(51)	(44)	(70)	(83)
Net interest expense	\$ 151	\$ 323	\$ 378	\$ 639

*Included in the three and six month periods ended June 30, 2008 is additional capitalized interest related to prior periods of \$25 million and \$16 million, respectively.

See

Note 7 for interest expense incurred on certain notes payable to unconsolidated affiliates which is reported in other (income) expense.

6. Financial Instruments

Derivative Instruments

In the normal course of business, the Company is exposed to commodity price risk. Management believes it is prudent to periodically reduce the Company's exposure to cash flow variability resulting from changing commodity prices by entering into derivative financial instruments intended to manage price risk associated with the Company's oil and gas production or gas processing operations. The types of derivative financial instruments utilized by the Company include futures, swaps and options. In addition to derivative financial instruments, the Company may also enter into fixed-price physical delivery sales contracts to manage cash flow variability. The Company's marketing and trading business routinely enters into derivative financial instruments and physical delivery contracts for trading purposes with the objective of generating profits from exposure to changes in market prices of natural gas, NGLs and crude oil. Derivative financial instruments are also used to manage price risk that is incurred to meet customers' pricing requirements and to fix margins on the future sale of natural gas and NGLs from the Company's leased storage facilities. The Company may also use options and swaps to manage exposure associated with changes in interest rates and foreign currency exchange rates.

Futures contracts are generally used to fix the price of expected future gas sales and oil sales at major industry trading locations; for example, Henry Hub, Louisiana for gas and Cushing, Oklahoma for oil. Commodity swap agreements are generally used to fix or float the price of oil and gas at major trading locations. Basis swaps are used to fix, or float, the price differential between the price of gas at Henry Hub and various other market locations. Physical delivery purchase and sale agreements require the receipt or delivery of physical product at a specified location and price. The pricing can be fixed or market-based. Options are generally used to fix a floor and a ceiling price (collar) for expected future oil and gas sales. Interest rate swaps are used to fix or float interest rates attributable to the Company's existing or anticipated debt issuances.

Settlements of exchange-traded contracts are guaranteed by the New York Mercantile Exchange (NYMEX) or the Intercontinental Exchange and have nominal credit risk. Over-the-counter traded swaps, options and physical delivery contracts expose the Company to credit risk to the extent the counterparty is unable to meet its settlement commitment. The Company monitors the creditworthiness of each counterparty and assesses the impact, if any, on fair value. In addition, the Company routinely exercises its contractual right to net realized gains against realized losses when settling with its swap and option counterparties.

Oil and Gas Activities

At June 30, 2008 and December 31, 2007, the Company was party to derivative financial instruments intended to manage price risk associated with a portion of its expected future sales of its oil and gas production. Realized and unrealized gains and losses related to derivative financial instruments entered into to economically hedge the sales price of the Company's future sales of its gas and oil production are recognized in gas sales and oil and condensate sales, respectively, as they occur. For the quarters ended June 30, 2008 and 2007, unrealized losses of \$1.6 billion and \$18 million, respectively, and realized gains (losses) of \$(328) million and \$129 million, respectively, were recorded in natural gas, oil and NGLs sales. For the six months ended June 30, 2008 and 2007, unrealized losses of \$2.1 billion and \$512 million, respectively, and realized gains (losses) of \$(401) million and \$380 million, respectively, were recorded in natural gas, oil and NGLs sales.

The following table presents the fair value of the Company's commodity derivative financial instruments (excluding physical delivery sales contracts) and the accumulated other comprehensive loss representing net unrealized losses on those commodity derivatives that were previously subject to cash flow hedge accounting.

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millions	June 30, 2008	December 31, 2007
Fair Value -		
Current asset	\$ 94	\$ 47
Current liability	(1,870)	(156)
Long-term asset	337	52
Long-term liability	(936)	(207)
Total	\$ (2,375)	\$ (264)
Accumulated other comprehensive loss before income taxes	\$ (22)	\$ (21)
Accumulated other comprehensive loss after income taxes	\$ (14)	\$ (14)

Below is a summary of the Company's derivative financial instruments related to its oil and gas production as of June 30, 2008. The natural gas prices are NYMEX Henry Hub. The crude oil prices reflect a combination of NYMEX Cushing and London Brent Dated.

		Average Price per MMBtu		
	Volume (thousand MMBtu/d)	Ceiling Sold Price	Floor Purchased Price	Floor Sold Price
Natural Gas				
Three-Way Collars ^(a)				
Remainder of 2008	500	\$ 14.26	\$ 7.50	\$ 5.00
Remainder of 2008	900	\$ 9.14	\$ 7.50	\$ 5.50
	1,400	\$ 10.97	\$ 7.50	\$ 5.32
2009	530	\$ 11.25	\$ 7.50	\$ 5.45
			Volume (thousand MMBtu/d)	Price per MMBtu
Basis Swaps				
Remainder of 2008				
Gulf Coast			560	\$ (0.24)
Mid Continent			365	\$ (1.01)
Rocky Mountains			455	\$ (1.47)
West Texas			35	\$ (0.92)
			1,415	\$ (0.85)
2009			1,200	\$ (0.85)
2010			345	\$ (1.08)

MMBtu - million British thermal units

MMBtu/d - million British thermal units per day

(a)

A three-way collar is a combination of options: a sold call, a purchased put and a sold put. The sold call establishes the maximum price that the Company will receive for the contracted commodity volumes. The purchased put establishes the minimum price that the Company will receive for the contracted volumes unless the market price for the commodity falls below the sold put strike price, at which point the minimum price equals the reference price (i.e., NYMEX) plus the excess of the purchased put strike price over the sold put strike price.

		Average Price per Barrel		
			Floor	
	Volume	Ceiling	Purchased	Floor
	(MBbls/d)	Sold Price	Price	Sold Price
Crude Oil				
Three-Way Collars ^(a)				
Remainder of 2008	31	\$ 87.09	\$ 49.09	\$ 34.09
Remainder of 2008	20	\$ 87.38	\$ 60.00	\$ 45.00
Remainder of 2008	<u>35</u>	\$101.39	\$ 60.00	\$ 45.00
	86	\$ 92.98	\$ 56.07	\$ 41.07
2009	48	\$ 87.04	\$ 52.51	\$ 37.51
2010	18	\$ 86.76	\$ 49.19	\$ 34.18
2011	3	\$ 86.00	\$ 50.00	\$ 35.00
2012	2	\$ 92.50	\$ 50.00	\$ 35.00

MBbls/d - thousand barrels per day

(a)

A three-way collar is a combination of options: a sold call, a purchased put and a sold put. The sold call establishes the maximum price that the Company will receive for the contracted commodity volumes. The purchased put establishes the minimum price that the Company will receive for the contracted volumes unless the market price for the commodity falls below the sold put strike price, at which point the minimum price equals the reference price (i.e., NYMEX) plus the excess of the purchased put strike price over the sold put strike price.

Marketing and Trading Activities

Gains and losses attributable to the Company's marketing and trading derivative instruments (both physically and financially settled) are recognized currently in earnings. The marketing and trading gains and losses attributable to the Company's production are reported in gas sales, oil and condensate sales and NGLs sales. The marketing and trading gains and losses attributable to third-party production are reported in gathering, processing and marketing sales. The

fair values of these derivatives as of June 30, 2008 and December 31, 2007 are as follows:

millions	June 30, 2008	December 31, 2007
Fair Value -		
Current asset	\$ 45	\$ 37
Current liability	(30)	(25)
Long-term asset	21	4
Long-term liability	(20)	(5)
Total	\$ 16	\$ 11

Interest Rate Swaps

In January 2008, Anadarko entered into 18-month interest rate swaps effective March 2008 with an aggregate notional value of \$1.0 billion whereby the Company pays a weighted-average fixed interest rate of 2.74% and receives a floating interest rate indexed to the three-month LIBOR rate.

Gains or (losses) (realized and unrealized) on interest rate swaps of \$11 million and \$(37) million were recorded as interest expense for the quarters ended June 30, 2008 and June 30, 2007, respectively. Gains or (losses) (realized and unrealized) on interest rate swaps of \$5 million and \$(45) million were recorded as interest expense for the six months ended June 30, 2008 and June 30, 2007, respectively.

In 2006, the Company realized a pretax loss of \$211 million (\$132 million after tax) upon the settlement of interest rate swaps that hedged the interest rate risk of a then-anticipated debt issuance. Since the swaps qualified and were designated as cash flow hedges of the forecasted debt issuances, this loss was recognized in accumulated other comprehensive income, and is being amortized to interest expense over the term of the related debt. As of June 30, 2008 and December 31, 2007, the unamortized balance of the pretax accumulated other comprehensive loss was \$177 million and \$187 million, respectively, or \$113 million and \$119 million, respectively, net of tax effects.

Fair Value

As discussed in Note 1, the Company adopted SFAS No. 157 effective January 1, 2008. To estimate fair value, the Company utilizes observable market data when available, or models that utilize observable market data. In addition to market information, the Company incorporates transaction-specific details that, in management's judgment, market participants would utilize in a fair value measurement.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

Level 1

- inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives).

Level 2

- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).

Level 3

- inputs that are not observable from objective sources, such as the Company's internally developed assumptions about market participant assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in the Company's internally developed present value of future cash flows model that underlies the fair value measurement).

In forming fair value estimates, the Company utilizes the most observable inputs available for the valuation technique utilized. If a fair value measurement reflects inputs of different levels within the hierarchy, the measurement is categorized based upon the lowest level of input that is significant to the fair value measurement. For Anadarko, recurring fair value measurements are performed for interest rate and commodity derivatives. The fair value of commodity futures contracts is based on inputs that are quoted prices in active markets for identical assets or liabilities, thus resulting in Level 1 categorization of such measurements. The valuation of physical delivery purchase and sale agreements, over-the-counter financial swaps, and three-way collars are based on similar transactions observable in active markets or industry standard models that primarily rely on market observable inputs. Substantially all of the assumptions for industry standard models are observable in active markets throughout the full term of the instrument. The Company categorizes these measurements as Level 2.

The following table sets forth, by level within the hierarchy, the fair value of the Company's financial assets and liabilities at June 30, 2008 that are measured at fair value each reporting period.

millions	Level 1	Level 2	Level 3	Netting and Collateral ⁽¹⁾	Total
Assets:					
Commodity derivatives	\$ 10	\$ 1,273	\$ -	\$ (816)	\$ 467
Interest rate derivatives	-	5	-	-	5
Total	\$ 10	\$ 1,278	\$ -	\$ (816)	\$ 472
Liabilities:					
	\$ 12	\$ 3,630	\$ -	\$ (2,044)	\$ 1,598

Commodity
derivatives

██████████ ██████████ ██████████ ██████████ ██████████

████████████████████

(1)

Represents the impact of netting assets, liabilities and collateral with counterparties with which the right of setoff exists. Cash collateral held by counterparties was \$1.3 billion at June 30, 2008. Cash collateral held by Anadarko was \$106 million at June 30, 2008.

The following table is a reconciliation of changes in the fair value of the net derivative assets (liabilities) classified as Level 3 in the fair value hierarchy.

millions	Three Months Ended	Six Months Ended
	June 30, 2008	June 30, 2008
Balance as of the beginning of the period	\$ (1,127)	\$ (291)
Realized and unrealized gains (losses)	-	(874)
Purchases, issuances and settlements	-	38
Transfers in and/or out of Level 3	1,127	1,127
Balance as of June 30, 2008	\$ -	\$ -

Transfers out of Level 3 were the result of the Company implementing a marketing system in the second quarter of 2008. The new system utilizes observable market data or interpolates valuations using observable market data for all significant inputs.

7. Unconsolidated Affiliates

Noncontrolling Mandatorily Redeemable Interests

In 2007, Anadarko contributed certain of its oil and gas properties and gathering and processing assets with an aggregate fair value of approximately \$2.9 billion at the time of the contribution to newly formed unconsolidated entities in exchange for non-controlling mandatorily redeemable interests in those entities. Subsequent to their formation, the investee entities loaned Anadarko an aggregate of \$2.9 billion. The Company accounts for its investments in these entities under the equity method of accounting. At June 30, 2008, the carrying amount of these investments was \$2.84 billion, while the carrying amount of notes payable to affiliates was \$2.85 billion. Anadarko has legal right of setoff and intends to net-settle its obligations under each of the notes payable to the investees and the distributable value of its interest in the corresponding investee. Accordingly, the investment and the obligation are presented net on the consolidated balance sheet and are included in other long-term liabilities - other for all periods presented. Other income (expense) for the three and six months ended June 30, 2008 includes interest expense on the notes payable to the investee entities of \$(28) million and \$(69) million, respectively, and equity in earnings from Anadarko's investments in the investee entities of \$30 million and \$74 million, respectively. Other income (expense) for the three and six months ended June 30, 2007 includes interest expense on the notes payable to the investee entities of \$(17) million and equity in earnings from Anadarko's investments in the investee entities of \$17 million.

8. Minority Interests

Master Limited Partnership

During the second quarter of 2008, Anadarko issued 20.8 million common units (representing a 38.4% limited partner interest) of its subsidiary, Western Gas Partners, LP (WES), through an initial public offering (IPO), for net proceeds of \$321 million (\$343 million less \$22 million for underwriting discounts and structuring fees). Anadarko contributed assets to WES in exchange for a 2% general partner interest and 100% of the WES incentive distribution rights and common and subordinated units, together representing an aggregate 59.6% limited partner interest in WES. In addition, Anadarko maintains control over the assets owned by WES through ownership of the general partner. Proceeds were used to reduce debt.

The common units have preference over the subordinated units with respect to cash distributions. Accordingly, we recorded all proceeds from the sale of the partnership units as minority interest on the consolidated balance sheet. The subordinated units will convert into an equal number of common units upon termination of the subordination period. Generally, the subordination period will end when either:

(i) WES has paid at least \$0.30 per quarter on each outstanding common unit, subordinated unit and general partner unit for any three consecutive four quarterly periods ending on or after June 30, 2011;

or

(ii) WES has paid at least \$0.45 per quarter on each outstanding common unit, subordinated unit and general partner unit for any consecutive four quarters.

When the subordinated units convert to common units, the Company will recognize additional paid-in capital in stockholders' equity in accordance with SAB 51.

The Company consolidates the results of operations and financial position of WES in the consolidated financial statements of Anadarko, and recognizes the portion of WES' results of operations that are not owned by Anadarko as minority interests.

WES is required to pay a minimum quarterly distribution of \$0.30 per unit to the extent it has sufficient cash available as defined in its partnership agreement.

9. Stockholders' Equity

Preferred Stock

For the first and second quarters of 2008 and 2007, dividends of \$13.65 per share (equivalent to \$1.365 per depositary share) were paid to holders of the Company's preferred stock. Anadarko redeemed and subsequently retired the remaining depositary shares for \$45 million in the second quarter of 2008.

Common Stock

The reconciliation between basic and diluted EPS from continuing operations is as follows:

Three Months Ended
June 30, 2008

Three Months Ended
June 30, 2007

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millions except per share amounts	Per Share			Per Share		
	Income	Shares	Amount	Income	Shares	Amount
Basic EPS						
Income from continuing operations	\$ 16			\$ 1,306		
Preferred stock dividends	<u>-</u>			<u>-</u>		
Income from continuing operations available to common stockholders	\$ 16	468	\$ 0.03	\$ 1,306	465	\$ 2.81
Diluted EPS						
Effect of dilutive stock options, restricted stock and performance-based stock awards	<u>-</u>	<u>3</u>		<u>-</u>	<u>2</u>	
Income from continuing operations available to common stockholders	\$ 16	471	\$ 0.03	\$ 1,306	467	\$ 2.79
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

millions except per share amounts	Six Months Ended June 30, 2008			Six Months Ended June 30, 2007		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income from continuing operations	\$ 253			\$ 3,001		
Preferred stock dividends	<u>(1)</u>			<u>(1)</u>		
Income from continuing operations available to common stockholders	\$ 252	468	\$ 0.54	\$ 3,000	464	\$ 6.46
Diluted EPS						
Effect of dilutive stock options, restricted stock and performance-based stock awards	<u>-</u>	<u>3</u>		<u>-</u>	<u>2</u>	
Income from continuing operations available to						

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common stockholders	\$ 252	471	\$ 0.53	\$ 3,000	466	\$ 6.43

For the three and six months ended June 30, 2008, awards for 1.1 million and 1.4 million average shares, respectively, of common stock were excluded from the diluted EPS calculation because their inclusion would have been anti-dilutive. For the three and six months ended June 30, 2007, awards for 1.6 million and 3.6 million average shares, respectively, of common stock were excluded from the diluted EPS calculation because their inclusion would have been anti-dilutive.

The covenants in certain of the Company's agreements provide for a maximum book capitalization ratio of 65% debt. Although these covenants do not specifically restrict the payment of dividends, the impact of dividends paid on the Company's debt to total book capitalization ratio must be considered prior to the payment of dividends in order to ensure the maximum debt to total book capitalization ratio is not exceeded. Based on these covenants, as of June 30, 2008, retained earnings of approximately \$9.6 billion were not limited as to the payment of dividends.

10. Statements of Cash Flows Supplemental Information

The following table presents supplemental cash flow information. Cash paid for interest is net of amounts capitalized.

millions	Six Months Ended June 30	
	2008	2007
Cash paid (including discontinued operations):		
Interest	\$ 396	\$ 566
Income taxes	\$ 486	\$ 1,080
Non-cash investing activities:		
Receipt of an equity investment in exchange for interests in oil and gas properties (See	\$ -	\$ 1,000
<u>Note 7)</u>		
Fair value of properties and equipment received in non-cash exchange transactions	\$ 108	\$ 88

The difference between cash and cash equivalents on the consolidated balance sheet and statement of cash flows at June 30, 2008 is \$1 million related to Peregrino assets, which is included in current assets held for sale on the consolidated balance sheet.

11. Segment Information

Anadarko's primary business segments are vertically integrated within the oil and gas industry. These segments are managed separately because of the nature of their products and services, as well as unique technology, distribution and marketing requirements. The Company's three operating segments are oil and gas exploration and production, midstream, and marketing. The exploration and production segment explores for and produces natural gas, crude oil, condensate and NGLs. The midstream segment engages in gathering, processing, treating and transporting Anadarko's and third-party oil and gas production. The marketing segment sells most of Anadarko's production, as well as commodities purchased from third parties.

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To assess the operating results of Anadarko's segments, management uses income from continuing operations before income taxes, interest expense, exploration expense, DD&A and impairments (Adjusted EBITDAX). Anadarko's definition of Adjusted EBITDAX excludes exploration expense, as exploration expense is not an indicator of operating efficiency for a given reporting period, but is monitored by management as part of costs incurred in exploration and development activities. Similarly, depreciation expense and impairments are excluded from Adjusted EBITDAX as a measure of segment operating performance, because capital expenditures are evaluated at the time capital costs are incurred. The Company's Adjusted EBITDAX also excludes interest expense to allow for assessment of segment operating results without regard to Anadarko's financing methods or capital structure. Management believes that the presentation of Adjusted EBITDAX provides information useful in assessing the Company's financial condition and results of operations and that Adjusted EBITDAX is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures and make distributions to stockholders.

Adjusted EBITDAX, as defined by Anadarko, may not be comparable to similarly titled measures used by other companies. Therefore, Anadarko's consolidated Adjusted EBITDAX should be considered in conjunction with income from continuing operations and other performance measures, such as operating income or cash flow from operating activities. Below is a reconciliation of consolidated Adjusted EBITDAX to income from continuing operations before income taxes.

	Three Months Ended June 30		Six Months Ended June 30	
millions	2008	2007	2008	2007
Consolidated Adjusted EBITDAX	\$ 1,462	\$ 3,379	\$ 3,323	\$ 7,313
Exploration expense	264	222	507	361
Depreciation, depletion and amortization	784	712	1,594	1,435
Impairments	11	28	11	40
Interest expense	151	323	378	639
Income from continuing operations before income taxes	\$ 252	\$ 2,094	\$ 833	\$ 4,838

The following table presents selected financial information for Anadarko's operating segments. Information presented as "Other and Intersegment Eliminations" includes results from hard minerals joint ventures and royalty arrangements, operating activities that are not considered operating segments, as well as corporate and financing activities.

millions	Oil and Gas Exploration & Production	Midstream	Marketing	Other and Intersegment Eliminations	Total
Three Months Ended June 30:					
2008					
Sales revenues	\$ 157	\$ 61	\$ 2,196	\$ 2	\$ 2,416
Intersegment revenues	1,858	335	(2,043)	(150)	-
Gains (losses) on divestitures and other, net	251	3	-	116	370
Total revenues and other	2,266	399	153	(32)	2,786

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Operating costs and expenses ⁽¹⁾	971	266	118	(22)	1,333
Other (income) expense	-	-	-	(14)	(14)
Minority interests	-	5	-	-	5
Total costs and expenses	<u>971</u>	<u>271</u>	<u>118</u>	<u>(36)</u>	<u>1,324</u>
Adjusted EBITDAX	<u>\$ 1,295</u>	<u>\$ 128</u>	<u>\$ 35</u>	<u>\$ 4</u>	<u>\$ 1,462</u>

2007

Sales revenues	\$ 1,525	\$ 37	\$ 1,506	\$ (16)	\$ 3,052
Intersegment revenues	949	418	(1,291)	(76)	-
Gains (losses) on divestitures and other, net	<u>1,305</u>	<u>190</u>	<u>-</u>	<u>38</u>	<u>1,533</u>
Total revenues and other	<u>3,779</u>	<u>645</u>	<u>215</u>	<u>(54)</u>	<u>4,585</u>
Operating costs and expenses ⁽¹⁾	631	349	103	146	1,229
Other (income) expense	-	-	-	(23)	(23)
Total costs and expenses	<u>631</u>	<u>349</u>	<u>103</u>	<u>123</u>	<u>1,206</u>
Adjusted EBITDAX	<u>\$ 3,148</u>	<u>\$ 296</u>	<u>\$ 112</u>	<u>\$ (177)</u>	<u>\$ 3,379</u>

(1)

Operating costs and expenses exclude exploration, DD&A and impairment expenses since they are excluded from Adjusted EBITDAX. Included in the Midstream segment for the three months ended June 30, 2008 is a reduction of accrued expenses related to prior periods of \$41 million.

millions	Oil and Gas Exploration & Production	Midstream	Marketing	Other and Intersegment Eliminations	Total
Six Months Ended June 30:					
2008					
Sales revenues	\$ 1,365	\$ 143	\$ 3,926	\$ -	\$ 5,434
Intersegment revenues	3,353	585	(3,680)	(258)	-
Gains (losses) on divestitures and other, net	<u>167</u>	<u>(3)</u>	<u>-</u>	<u>166</u>	<u>330</u>
Total revenues and other	<u>4,885</u>	<u>725</u>	<u>246</u>	<u>(92)</u>	<u>5,764</u>
Operating costs and expenses ⁽¹⁾	1,740	498	221	4	2,463
Other (income) expense	-	-	-	(27)	(27)
Minority interests	-	5	-	-	5
Total costs and expenses	<u>1,740</u>	<u>503</u>	<u>221</u>	<u>(23)</u>	<u>2,441</u>
Adjusted EBITDAX	<u>\$ 3,145</u>	<u>\$ 222</u>	<u>\$ 25</u>	<u>\$ (69)</u>	<u>\$ 3,323</u>

2007

Sales revenues	\$ 2,887	\$ 103	\$ 2,787	\$ (61)	\$ 5,716
Intersegment revenues	1,834	766	(2,464)	(136)	-
Gains (losses) on divestitures and other, net	<u>3,862</u>	<u>232</u>	<u>-</u>	<u>25</u>	<u>4,119</u>
Total revenues and other	<u>8,583</u>	<u>1,101</u>	<u>323</u>	<u>(172)</u>	<u>9,835</u>
Operating costs and expenses ⁽¹⁾	1,433	668	216	257	2,574
Other (income) expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52)</u>	<u>(52)</u>
Total costs and expenses	<u>1,433</u>	<u>668</u>	<u>216</u>	<u>205</u>	<u>2,522</u>
Adjusted EBITDAX	<u>\$ 7,150</u>	<u>\$ 433</u>	<u>\$ 107</u>	<u>\$ (377)</u>	<u>\$ 7,313</u>
June 30, 2008:					
Net properties and equipment	<u>\$ 32,284</u>	<u>\$ 2,933</u>	<u>\$ 27</u>	<u>\$ 1,567</u>	<u>\$ 36,811</u>
Goodwill	<u>\$ 4,845</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,955</u>
December 31, 2007:					
Net properties and equipment	<u>\$ 33,150</u>	<u>\$ 2,694</u>	<u>\$ 28</u>	<u>\$ 1,579</u>	<u>\$ 37,451</u>
Goodwill	<u>\$ 4,847</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,955</u>

(1)

Operating costs and expenses exclude exploration, DD&A and impairment expenses since they are excluded from Adjusted EBITDAX. Included in the Midstream segment for the six months ended June 30, 2008 is a reduction of accrued expenses related to a prior period of \$29 million.

12. Income Taxes

Following is a summary of income tax expense and effective tax rates for the three and six months ended June 30, 2008 and June 30, 2007, respectively.

millions except percentages	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Income tax expense	\$ 236	\$ 788	\$ 580	\$ 1,837
Effective tax rate	94 %	38 %	70 %	38 %

The variance from the 35% statutory rate for the three months ended June 30, 2008 is primarily attributable to the accrual of the Algerian exceptional profits tax which is non-deductible for Algerian income tax purposes, other foreign taxes in excess of federal statutory rates, state income taxes and other items. The variance from the 35% statutory rate for the six months ended June 30, 2008 also includes the recognition of tax expense on the Company's pending divestiture of its 50% interest in the Peregrino field offshore Brazil in advance of the recognition of any associated gain or loss on sale. The variance from the 35% statutory rate in 2007 is attributable to the accrual of the Algerian exceptional profits tax, other foreign taxes in excess of federal statutory rates, state income taxes and other

items.

During the second quarter of 2008, \$48 million of previously established Financial Accounting Standards Board Interpretation No. 48 (FIN 48), "Accounting for Uncertainty of Income Taxes - an interpretation of SFAS No. 109" liability and associated interest was settled with the taxing authorities.

13. Pension Plans and Other Postretirement Benefits

The Company has non-contributory defined benefit pension plans, including both qualified and supplemental plans, and a foreign contributory defined benefit pension plan. The Company also provides certain health care and life insurance benefits for retired employees. Health care benefits are funded by contributions from the Company and the retiree. The Company's retiree life insurance plan is noncontributory.

During the six months ended June 30, 2008, the Company made contributions of \$6 million to its funded pension plans, \$4 million to its unfunded pension plans and \$12 million to its unfunded other postretirement benefit plans. Contributions to the funded plans increase the plan assets while contributions to unfunded plans are used for current benefit payments. During the remainder of 2008, the Company expects to contribute about \$60 million to its funded pension plans, \$9 million to its unfunded pension plans and \$10 million to its unfunded other postretirement benefit plans.

The following table sets forth the Company's pension and other postretirement benefit costs.

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	June 30		June 30	
millions	2008	2007	2008	2007
Components of net periodic benefit cost				
Service cost	\$ 13	\$ 15	\$ 3	\$ 5
Interest cost	20	20	5	5
Expected return on plan assets	(20)	(21)	-	-
Amortization of prior service cost (credit)	1	1	(1)	-
Amortization of actuarial losses	2	5	-	-
Termination benefits	-	12	-	5
Settlements	-	4	-	-
Curtailments	-	(4)	-	(1)
Net periodic benefit cost	\$ 16	\$ 32	\$ 7	\$ 14

	Pension Benefits		Other Benefits	
	Six Months Ended		Six Months Ended	
	June 30		June 30	
millions	2008	2007	2008	2007
Components of net periodic benefit cost				
Service cost	\$ 27	\$ 31	\$ 7	\$ 9

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Interest cost	39	40	10	10
Expected return on plan assets	(40)	(42)	-	-
Amortization of prior service cost (credit)	1	1	(1)	-
Amortization of actuarial losses	5	10	-	1
Termination benefits	-	26	-	5
Settlements	-	(1)	-	-
Curtailments	-	(4)	-	(1)
Net periodic benefit cost	<u>\$ 32</u>	<u>\$ 61</u>	<u>\$ 16</u>	<u>\$ 24</u>

14. Commitments and Contingencies

Commitments

In February 2008, the Company extended the terms of a drilling rig contract, which gave rise to an additional \$586 million commitment for minimum lease payments in years 2010 through 2013. The portion of these lease payments associated with exploratory wells and development wells, net of amounts billed to partners, will initially be capitalized as a component of oil and gas properties, and either depreciated in future periods or written off as exploration expense. The future minimum lease payments for the Company's operating leases were \$5.3 billion at June 30, 2008 compared to \$5.5 billion at December 31, 2007.

Contingencies

Litigation charges and adjustments of \$3 million and \$6 million were expensed for the three and six months ended June 30, 2008, respectively. Litigation charges and adjustments of zero and \$34 million were expensed for the three and six months ended June 30, 2007, respectively. The Company is a defendant in a number of lawsuits and is involved in governmental proceedings arising in the ordinary course of business, including, but not limited to, royalty claims, contract claims and environmental claims. The Company has also been named as a defendant in various personal injury claims, including claims by employees of third-party contractors alleging exposure to asbestos, silica and benzene while working at refineries (previously owned by predecessors of acquired companies) located in Texas, California and Oklahoma. While the ultimate outcome and impact on the Company cannot be predicted with certainty, management believes that the resolution of these proceedings will not have a material adverse effect on the consolidated financial position, results of operations or cash flow of the Company.

Litigation

The Company is subject to various claims from its royalty owners in the regular course of business as an oil and gas producer, including disputes regarding measurement, costs and expenses beyond the wellhead and basis for royalty valuations. The Company was named as a defendant in a case styled *U.S. of America ex rel. Harold E. Wright v. AGIP Company, et al.* filed in September 2000 in the U.S. District Court for the Eastern District of Texas, Lufkin Division. Kerr-McGee was also named as a defendant in this legal proceeding. This lawsuit generally alleges that the Company, including Kerr-McGee, and 117 other defendants undervalued natural gas in connection with a payment of royalties on production from federal and Indian lands. Based on the Company's present understanding of these various governmental and False Claims Act proceedings, the Company believes that it has substantial defenses to these claims and intends to vigorously assert such defenses. However, if the Company is found to have violated the False Claims Act, the Company could be subject to a variety of sanctions, including treble damages and substantial monetary fines. All defendants jointly filed a motion to dismiss the action on jurisdictional grounds based on Mr. Wright's failure to qualify as the original source of the information underlying his fraud claims, and the Company filed additional motions to dismiss on separate grounds. On September 14, 2005, the trial court declined an early appeal of its order

denying the defendants' motion to dismiss. Meanwhile, the discovery process is ongoing. The court has entered an order whereby the case will be tried in phases, with Phase I beginning on August 5, 2008, and Phase II beginning on February 3, 2009, with additional phases to be scheduled at a later date. Prior to its acquisition by Anadarko, Kerr-McGee reached a settlement with the government; however, the court has permitted Mr. Wright to conduct additional discovery to test the reasonableness of the settlement. Discovery is currently underway. Neither the Anadarko nor the Kerr-McGee cases are scheduled for trial. Management has accrued a liability for only the settlement amount. The Company believes that an additional loss, if any, is unlikely to have a material adverse effect on Anadarko's financial position, results of operations or cash flows.

The Company was named as a defendant in a case styled *Ivan J. Simmons, Madaline M. Thompson and Gaylon Lee Mitchusson v. Anadarko Petroleum Corporation*, which was filed in February 2004 and is pending in the District Court in Caddo County, Oklahoma. Plaintiffs claim the Company failed to correctly pay royalties on gas, arguing that costs associated with compression, gathering, dehydration, and processing should not have been deducted or factored into the royalty calculation. Plaintiffs are seeking an award of monetary and punitive damages. In January 2008, the District Judge issued an order certifying this case as a class action. The defined class generally includes all royalty interest owners in Oklahoma wells where the Company is or was the operator, working interest owner or lessee and relates only to payment of hydrocarbons produced from those wells since 1985. The Company has accrued a liability for this matter and has filed an interlocutory appeal of this class certification order with the Oklahoma Supreme Court seeking to reverse the District Court's certification order. Currently, no hearing date has been scheduled with regard to the Company's appeal.

Deepwater Royalty Relief Act

In 1995, the United States Congress passed the Deepwater Royalty Relief Act (DWRRA) to stimulate exploration and production of oil and natural gas by providing relief from the obligation to pay royalty on certain federal leases located in the deep waters of the Gulf of Mexico. After the passage of the DWRRA, the Minerals Management Service (MMS) included price thresholds on leases issued in 1996, 1997 and 2000 that eliminated this royalty relief if these price thresholds were exceeded. The 1998 and 1999 leases did not contain price threshold provisions. The Company currently owns interests in several deepwater Gulf of Mexico leases granted during the 1996-2000 time period (some originally owned by Kerr-McGee). In January 2006, the Department of the Interior (DOI) ordered Kerr-McGee Oil and Gas Corporation (KMOG) to pay oil and gas royalties and accrued interest on KMOG's deepwater Gulf of Mexico production associated with eight 1996, 1997 and 2000 leases, for which KMOG believes royalties are suspended under the DWRRA. MMS is an agency of the DOI. The DOI issued the Order to Pay based on the assertion that the DOI has the discretion to eliminate royalty relief under the DWRRA when oil and gas prices exceed certain levels specified by the DOI. KMOG believes that the DOI does not have the discretion to eliminate royalty relief on the DWRRA leases issued 1996 through 2000 and accordingly, is contesting the Order to Pay additional royalties. In that regard, on March 17, 2006, KMOG filed a lawsuit styled *Kerr-McGee Oil and Gas Corp. v. C. Stephen Allred, Assistant Secretary for Land & Minerals Mgt. and the Dept of the Interior* in the U.S. District Court for the Western District of Louisiana against the DOI for injunctive and declaratory relief with respect to the DOI's claims for additional royalties. KMOG and the DOI agreed to mediate the dispute voluntarily and although the parties participated actively in the mediation, the mediation concluded without resolution of the dispute.

KMOG filed a motion for summary judgment, and in October 2007 the District Court ruled in favor of KMOG. The DOI has appealed the decision to the U.S. Court of Appeals for the Fifth Circuit, which is pending.

In addition to interests in the eight KMOG deepwater Gulf of Mexico leases subject to this proceeding, Anadarko and KMOG own interests in other 1996, 1997 and 2000 deepwater Gulf of Mexico leases, and these leases contain similar pricing thresholds as the eight KMOG leases. The Company has accrued a liability of approximately \$504 million, which, as of June 30, 2008, is equal to the royalties (plus accrued interest) that could be owed on the 1996, 1997 and 2000 leases granted to the Company in the Gulf of Mexico that contain price threshold provisions. The liability will continue to be adjusted monthly as production is sold and sales prices are confirmed, until the resolution

of the matter is final. Under the applicable statutes, regulations and lease terms attributable to the 1998 and 1999 leases, no royalties are owed on production from these leases until the applicable royalty suspension volumes are exhausted; accordingly, no amounts have been accrued for potential royalty payments under those leases.

Guarantees and Indemnifications

Under the terms of the Master Separation Agreement entered into between Kerr-McGee and Tronox Incorporated (Tronox), a former wholly-owned subsidiary that held Kerr-McGee's chemical business, Kerr-McGee agreed to reimburse Tronox for 50% of certain qualifying environmental remediation costs incurred and paid by Tronox and its subsidiaries before November 28, 2012, subject to certain limitations and conditions. The reimbursement obligation is limited to a maximum aggregate reimbursement of \$100 million. As of June 30, 2008 the Company has a liability recorded for the remaining guarantee obligation of \$96 million.

The Company also provides certain indemnifications in connection with asset dispositions. These indemnifications typically relate to disputes, litigation or tax matters existing at the date of disposition. In connection with the 2006 sale of its Canadian subsidiary, the Company indemnified the purchaser for potential future audit adjustments that may be imposed by the Canadian taxing authorities for tax years prior to the sale. During the first and second quarter of 2008, the purchaser notified Anadarko that \$73 million and \$11 million, respectively, of the indemnity is no longer relevant as a result of effective settlement of the underlying contingent obligation. Accordingly, the Company reversed a portion of its recorded liability. At June 30, 2008, the liability for the remaining indemnity obligation is \$48 million. The Company believes it is probable that this obligation will be settled with the purchaser in cash.

Other

The Company is subject to other legal proceedings, claims and liabilities which arise in the ordinary course of its business. In the opinion of Anadarko, the liability with respect to these actions will not have a material effect on the Company.

Anadarko is also subject to various environmental remediation and reclamation obligations arising from federal, state and local laws and regulations. As of June 30, 2008, the Company's balance sheet included a \$120 million liability for remediation and reclamation obligations, most of which were incurred by companies that Anadarko has acquired. The Company continually monitors the liability recorded and the remediation and reclamation process.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company has made in this report, and may from time to time otherwise make in other public filings, press releases and discussions with Company management, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 concerning the Company's operations, economic performance and financial condition. These forward-looking statements include information concerning future production and reserves, schedules, plans, timing of development, contributions from oil and gas properties, and those statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates," "projects," "target," "goal," "plans," "objective," "should" or similar expressions or variations on such expressions. For such statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations include, but are not limited to, the Company's assumptions about energy markets, production levels, reserve levels, operating results, competitive conditions, technology, the availability of

capital resources, capital expenditures and other contractual obligations, the supply and demand for and the price of oil, natural gas, NGLs and other products or services, the weather, inflation, the availability of goods and services, drilling risks, future processing volumes and pipeline throughput, general economic conditions, either internationally or nationally or in the jurisdictions in which the Company or its subsidiaries are doing business, legislative or regulatory changes, including changes in environmental regulation, environmental risks and liability under federal, state and foreign environmental laws and regulations, potential environmental obligations arising from Kerr-McGee's former chemical business, the securities or capital markets, our ability to repay debt, the outcome of any proceedings related to the Algerian exceptional profits tax, and other factors discussed below and elsewhere in "Risk Factors" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" included in the Company's 2007 Annual Report on Form 10-K, this Form 10-Q and in the Company's other public filings, press releases and discussions with Company management. Anadarko undertakes no obligation to publicly update or revise any forward-looking statements.

Overview

General

Anadarko Petroleum Corporation's primary line of business is the exploration, development, production, gathering, processing and marketing of natural gas, crude oil, condensate and natural gas liquids (NGLs). The Company's major areas of operations are located in the United States and Algeria. The Company also has activity in China, Brazil and several other countries. The Company's focus is on adding high-margin oil and natural gas reserves at competitive costs and continuing to develop more efficient and effective ways of exploring for and producing oil and gas. Unless the context otherwise requires, the terms "Anadarko" or "Company" refer to Anadarko Petroleum Corporation and its consolidated subsidiaries.

The following discussion pertains to Anadarko's financial condition, results of operations and changes in financial condition. Following is an index by major category of discussion including a brief description of the contents:

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Financial Results	
- comparative discussion of financial results of operations	-
Operating Results	
- discussion of business activities	-
Capital Resources and Liquidity	
- discussion of sources and uses of cash, outlook on operations and material financial arrangements, obligations and commitments	-
Recent Accounting Developments	
- discussion of accounting guidance effective in future periods	-

Results of Continuing Operations

Selected Data

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millions except per share amounts	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Financial Results				
Sales revenues	\$ 2,416	\$3,052	\$ 5,434	\$ 5,716
Gains (losses) on divestitures and other, net	370	1,533	330	4,119
Total revenues and other	2,786	4,585	5,764	9,835
Costs and expenses	2,392	2,191	4,575	4,410
Interest expense, other (income) expense and minority interests	142	300	356	587
Income tax expense	236	788	580	1,837
Income from continuing operations	\$ 16	\$1,306	\$ 253	\$ 3,001
Earnings per common share - diluted	\$ 0.03	\$ 2.79	\$ 0.53	\$ 6.43
Average number of common shares outstanding - diluted	471	467	471	466
Operating Results				
Adjusted EBITDAX ⁽¹⁾	1,462	3,379	3,323	7,313
Sales volumes (MMBOE)	50	52	103	111
Capital Resources and Liquidity				
Cash provided by operating activities			\$ 2,484	\$ 883
Capital expenditures			\$ 2,288	\$ 2,167

(1)

See *Segment Analysis-Adjusted EBITDAX* for a description of Adjusted EBITDAX, which is not a Generally Accepted Accounting Principles (GAAP) measure, and a reconciliation of Adjusted EBITDAX to income from continuing operations before income taxes, which is presented in accordance with GAAP.

In conjunction with the 2006 acquisitions of Kerr-McGee and Western, Anadarko implemented an asset realignment program. The goal of the Kerr-McGee and Western acquisitions was to provide a more economically efficient platform with higher and more consistent growth potential, with the intent of divesting properties that were no longer deemed to be core to Anadarko's operations. During 2007, the Company successfully completed the majority of the divestitures associated with the realignment program. Divestitures under the realignment program in 2007 and 2006 contributed proceeds of approximately \$17 billion before income taxes. Unless noted otherwise, the following information relates to continuing operations. See

Outlook for additional information.

In the third quarter of 2007, Anadarko changed its method of accounting for its oil and gas exploration and development activities from full cost to the successful efforts method. *In accordance with Statement of Financial Accounting Standards (SFAS) No. 154, "Accounting Changes and Error Corrections," financial information for prior*

periods has been revised to reflect retrospective application of the successful efforts method, as prescribed by SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." The effect of the accounting change on net income for the three and six months ended June 30, 2007 was an increase of approximately \$661 million and \$2.3 billion, respectively, or \$1.42 and \$4.89 per diluted share, respectively. The increase in income primarily results from the recognition of gains on oil and gas property divestitures, which were previously recognized as an adjustment to the full cost pool under the full cost method.

Since its adoption of the successful efforts method of accounting in the third quarter of 2007, the Company continues to evaluate the accuracy and completeness of its detailed records for properties and equipment. As part of this process, in March 2008, management identified in its oil and gas property records capitalized costs of \$163 million attributable to properties that were divested in 2007. Because these costs were inadvertently excluded from the gain calculations, pretax gains on divestitures reported in the first and second quarter of 2007 were overstated by \$75 million and \$88 million, respectively. Management concluded that the misstatements were not material relative to 2007 interim and annual results, or to the 2008 periods, and corrected the error in the first quarter of 2008. Accordingly, the accompanying consolidated statement of income for the six months ended June 30, 2008 reflects a \$163 million reduction in gains (losses) on divestitures and other, net for 2007 divestiture transactions.

Additionally, an unrelated analysis led management to conclude that the net properties and equipment balance was understated by \$81 million when compared to the detailed accounting records by property. That amount arose as a result of accounting adjustments to convert from the full cost to the successful efforts method, and could not be reasonably associated with specific properties. Accordingly, management removed the unidentified amount from the balance sheet, increasing the properties and equipment balance and increasing first quarter of 2008 earnings. The \$81 million correction is reported in gains (losses) on divestitures and other, net for the six months ended June 30, 2008.

After considering the effect of income taxes, the two adjustments recorded in the first quarter of 2008 related to the adoption of the successful efforts method of accounting described above, reduced net earnings for the six months ended June 30, 2008 by \$52 million.

Financial Results

Net Income

In the second quarter of 2008, Anadarko's income from continuing operations was \$16 million or \$0.03 per share (diluted). This compares to income from continuing operations of \$1.3 billion or \$2.79 per share (diluted) for the second quarter of 2007. For the six months ended June 30, 2008, Anadarko's income from continuing operations was \$253 million or \$0.53 per share (diluted). This compares to income from continuing operations of \$3.0 billion or \$6.43 per share (diluted) for the same period of 2007.

The decrease in income from continuing operations for the three and six months ended June 30, 2008 compared to the same periods of 2007 was primarily due to a decrease in gains on divestitures, an increase in losses on derivatives and higher costs and expenses, partially offset by higher natural gas, oil and NGLs sales, excluding the impact of derivatives, lower income tax expense and lower interest expense. Gains on divestitures in 2007 relate primarily to the Company's asset realignment program which was initiated in 2006 in conjunction with the Kerr-McGee and Western acquisitions.

	Sales Revenues			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
millions				

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Gas sales	\$ 1,495	\$ 1,162	\$ 2,694	\$ 2,237
Oil and condensate sales	344	1,225	1,694	2,296
Natural gas liquids sales	258	179	459	336
Gathering, processing and marketing sales	319	486	587	847
Total	<u>\$ 2,416</u>	<u>\$ 3,052</u>	<u>\$ 5,434</u>	<u>\$ 5,716</u>

Anadarko's sales revenues for the three and six months ended June 30, 2008 decreased 21% and 5%, respectively, compared to the same periods of 2007. The decrease for both the quarter and year to date was due primarily to losses on derivatives and lower sales volumes associated with properties that were divested in 2007, partially offset by higher natural gas, oil and condensate and NGLs commodity prices, excluding the impact of derivatives, and higher sales volumes in the Gulf of Mexico and the Rockies.

The Company's sales revenues for the three months ended June 30, 2008 and 2007 were reduced by \$1.6 billion and \$5 million, respectively, of net unrealized losses on derivatives. The Company's sales revenues for the six months ended June 30, 2008 and 2007 were reduced by \$2.1 billion and \$557 million, respectively, of net unrealized losses on derivatives. Any realization of these losses is expected to be substantially offset by an increase in the value of that portion of the Company's production covered by the derivative instruments.

Analysis of Oil and Gas Operations Sales Revenues

The following table provides a summary of the effects of changes in volumes, prices and derivatives gains and losses on Anadarko's sales revenues for the three and six months ended June 30, 2008 compared to the same period of 2007.

Three Months Ended June 30			
millions	Natural Gas	Oil and Condensate	NGLs
2007 sales revenues	\$ 1,162	\$ 1,225	\$ 179
Changes associated with sales volumes	40	(157)	(24)
Changes in prices, excluding derivatives	636	1,018	103
Changes in realized derivative gains and losses	(164)	(293)	-
Changes in unrealized derivative gains and losses	(179)	(1,449)	-

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2008 sales revenues	\$ 1,495	\$ 344	\$ 258

Six Months Ended
June 30

	Natural Gas	Oil and Condensate	NGLs
millions			
2007 sales revenues	\$ 2,237	\$ 2,296	\$ 336
Changes associated with sales volumes	16	(379)	(55)
Changes in prices, excluding derivatives	895	1,694	178
Changes in realized derivative gains and losses	(353)	(428)	-
Changes in unrealized derivative gains and losses	(101)	(1,489)	-
2008 sales revenues	\$ 2,694	\$ 1,694	\$ 459

The Company utilizes derivative instruments to manage the risk of a decrease in the market prices for its anticipated sales of natural gas, crude oil, condensate and NGLs. This activity is referred to as price risk management. The impact of price risk management (including realized and unrealized gains and losses) decreased revenues \$2.0 billion during the second quarter of 2008 compared to an increase of \$111 million in the second quarter of 2007. The impact of price risk management (including realized and unrealized gains and losses) decreased revenues \$2.5 billion during the first six months of 2008 compared to a decrease of \$132 million in the first six months of 2007. See

Energy Price Risk under Part I, Item 3 and Note 6 - Financial Instruments under Part I, Item 1 of this Form 10-Q.

The following sections provide a more detailed analysis of the Company's natural gas, crude oil and NGLs sales volumes and prices.

Analysis of Oil and Gas Operations Sales Volumes

Three Months Ended

Six Months Ended

	June 30		June 30	
	2008	2007	2008	2007
Barrels of Oil Equivalent (MMBOE)				
United States	43	44	90	95
Algeria	5	5	10	12
Other International	2	3	3	4
Total	50	52	103	111
Barrels of Oil Equivalent per Day (MBOE/d)				
United States	475	486	495	524
Algeria	56	55	54	64
Other International	17	29	17	23
Total	548	570	566	611

MMBOE - million barrels of oil equivalent

MBOE/d - thousand barrels of oil equivalent per day

Anadarko's daily sales volumes for the second

quarter of 2008 include a decrease in sales volumes of 50 MBOE/d associated with the impact of the 2007 divestitures. Excluding 2007 divested property volumes, daily sales volumes in the second quarter of 2008 increased 28 MBOE/d compared to the same period of 2007. Volumes in the United States increased 35 MBOE/d in the second quarter of 2008 primarily due to higher sales volumes in the Rockies and the Gulf of Mexico. Other international volumes decreased during the second quarter of 2008 primarily due to lower sales volumes in China of 4 MBOE/d. For the six months ended June 30, 2008, Anadarko's daily sales volumes include a decrease of 80 MBOE/d associated with the impact of the 2007 divestitures. Excluding 2007 divested property volumes, daily sales volumes for the first six months of 2008 increased 35 MBOE/d compared to the same period of 2007. Volumes in the United States increased 48 MBOE/d the first six months of 2008 primarily due to higher sales volumes in the Gulf of Mexico and the Rockies. Volumes in Algeria decreased 10 MBOE/d for the first six months of 2008 primarily as a result of lower production due to maintenance and a statutory shutdown.

Natural Gas Sales Volumes, Average Prices and Revenues

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
United States				
Sales volumes-Bcf	170	164	365	362
MMcf/d	1,869	1,798	2,003	2,000
Price per Mcf, excluding derivatives	\$ 9.88	\$ 6.14	\$ 8.64	\$ 6.19
Realized gains (losses) on derivatives	(0.51)	0.47	(0.29)	0.68
Unrealized gains (losses) on derivatives	(0.58)	0.49	(0.96)	(0.69)
Gains (losses) on derivatives	\$ (1.09)	\$ 0.96	\$ (1.25)	\$ (0.01)

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	\$ 8.79	\$ 7.10		
Total average price per Mcf			\$ 7.39	\$ 6.18
	\$ 1,495	\$ 1,162		
Gas sales revenues (millions)			\$ 2,694	\$ 2,237
Bcf - billion cubic feet				
MMcf/d - million cubic feet per day				
Mcf - thousand cubic feet				

The Company's daily natural gas sales volumes for the three and six months ended June 30, 2008 include a decrease in sales volumes of 151 MMcf/d and 278 MMcf/d, respectively, associated with the 2007 divestitures. Excluding 2007 divested property volumes, daily sales volumes for the three and six months ended June 30, 2008 increased 222 MMcf/d and 281 MMcf/d, respectively, compared to the same periods of 2007. The increase for both the quarter and year to date periods of 2008 compared to the same periods of 2007 was primarily due to higher sales volumes in the Gulf of Mexico as a result of the start up of the Independence Hub and increased production in the Rockies. Production of natural gas is generally not directly affected by seasonal swings in demand.

Excluding the impact of gains and losses on derivatives, Anadarko's average natural gas price for the three and six months ended June 30, 2008 increased 61% and 40%, respectively, compared to the same periods of 2007. The relative difference in 2008 and 2007 prices is primarily attributed to a cooler North American winter in 2008 coupled with lower liquefied natural gas volumes available to the United States consumer as a result of increased demand and pricing in both Europe and Asia. As of June 30, 2008, the Company has implemented price risk management on about 64% of its anticipated natural gas wellhead sales volumes for the remainder of 2008.

Crude Oil and Condensate Sales Volumes, Average Prices and Revenues

Three Months Ended		Six Months Ended	
June 30		June 30	
2008	2007	2008	2007

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United States

Sales volumes-MMBbbls	11	13	22	26
MBbbls/d	122	139	121	143
Price per barrel, excluding derivatives	\$ 117.63	\$ 60.69	\$ 105.19	\$ 56.63
Realized gains (losses) on derivatives	(16.14)	4.09	(9.69)	5.14
Unrealized gains (losses) on derivatives	(85.80)	(5.77)	(49.29)	(8.61)
Total gains (losses) on derivatives	<u>\$ (101.94)</u>	<u>\$ (1.68)</u>	<u>\$ (58.98)</u>	<u>\$ (3.47)</u>
Total average price per barrel	<u>\$ 15.69</u>	<u>\$ 59.01</u>	<u>\$ 46.21</u>	<u>\$ 53.16</u>

Algeria

Sales volumes-MMBbbls	5	5	10	12
MBbbls/d	56	55	54	64
Price per barrel, excluding derivatives	\$ 127.15	\$ 69.51	\$ 113.27	\$ 63.97
Realized gains (losses) on derivatives	(11.98)	-	(8.08)	-
Unrealized gains (losses) on derivatives	(115.46)	(5.16)	(67.25)	(3.36)
Total gains (losses) on derivatives	<u>\$ (127.44)</u>	<u>\$ (5.16)</u>	<u>\$ (75.33)</u>	<u>\$ (3.36)</u>
Total average price per barrel	<u>\$ (0.29)</u>	<u>\$ 64.35</u>	<u>\$ 37.94</u>	<u>\$ 60.61</u>

Other International

Sales volumes-MMBbbls	2	3	3	4
MBbbls/d	17	29	17	23
Total average price per barrel	\$ 111.01	\$ 58.95	\$ 95.86	\$ 53.43

Total

Sales volumes-MMBbbls	18	21	35	42
MBbbls/d	195	223	192	230
Total price per barrel, excluding derivatives	\$ 119.81	\$ 62.65	\$ 106.62	\$ 58.32
Realized gains (losses) on derivatives	(13.56)	2.54	(8.38)	3.22
Unrealized gains (losses) on derivatives	(86.93)	(4.86)	(49.93)	(6.31)
Total gains (losses) on derivatives	<u>\$ (100.49)</u>	<u>\$ (2.32)</u>	<u>\$ (58.31)</u>	<u>\$ (3.09)</u>

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	\$ 19.32	\$ 60.33	\$ 48.31	\$ 55.23
Total average price per barrel				
	\$ 344	\$ 1,225	\$ 1,694	\$ 2,296
Total oil and condensate sales revenues (millions)				
MMBbls - million barrels				
MBbls/d - thousand barrels per day				

Anadarko's daily crude oil and condensate sales volumes for the three and six months ended June 30, 2008

include a decrease in sales volumes of 16 MBbls/d and 25 MBbls/d, respectively, associated with the 2007 divestitures. Excluding 2007 divested property volumes, daily sales volumes in the three and six months ended June 30, 2008 decreased 12 MBbls/d and 13 MBbls/d, respectively, compared to the same periods of 2007. The decrease in the second quarter of 2008 was primarily due to lower crude oil sales volumes of 4 MBbls/d in the onshore United States, and lower sales volumes of 4 MBbls/d in China. The decrease during the first six months of 2008 was primarily due to lower sales volumes in Algeria, primarily as a result of lower production due to maintenance and a statutory shutdown. Production of oil usually is not affected by seasonal swings in demand.

Excluding the impact of gains and losses on derivatives, Anadarko's average crude oil price for the three and six months ended June 30, 2008 increased 91% and 83%, respectively, compared to the same periods of 2007. The higher crude oil prices were attributed primarily to limited excess production capacity, heightened geopolitical tension and weakening of the United States dollar. As of June 30, 2008, the Company has utilized price risk management on approximately 46% of its anticipated oil and condensate sales volumes for the remainder of 2008.

Natural Gas Liquids Sales Volumes, Average Prices and Revenues

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
United States				
Sales volumes-MMBbls	4	4	7	9
MBbls/d	41	47	40	48

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Price per barrel	\$ 69.71	\$ 41.88	\$ 63.19	\$ 38.73
Natural gas liquids sales revenues (millions)	\$ 258	\$ 179	\$ 459	\$ 336

NGLs sales represent revenues derived from the processing of Anadarko's natural gas production. The Company's daily NGLs sales volumes for the three and six months ended June 30, 2008 decreased 13% and 17%, respectively, compared to the same periods of 2007 primarily due to a decrease of 8 MBbls/d and 9 MBbls/d, respectively, associated with the 2007 divestitures. For the three and six months ended June 30, 2008, the average NGLs price increased 66% and 63%, respectively, compared to the same periods of 2007. NGLs production is dependent on natural gas and NGLs prices as well as the economics of processing the natural gas to extract NGLs. Production of NGLs usually is not affected by seasonal swings in demand.

Gathering, Processing and Marketing Revenues

millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Gathering and processing sales	\$ 311	\$ 434	\$ 583	\$ 762
Marketing sales	8	52	4	85
Total	\$ 319	\$ 486	\$ 587	\$ 847

Gathering and processing revenues represent revenues derived from gathering and processing natural gas from sources other than the Company's production. Marketing sales primarily represent the margin earned on sales of gas, oil and NGLs purchased from third parties. During the quarter ended June 30, 2008, gathering and processing sales decreased \$123 million compared to the same period of 2007. During the six months ended June 30, 2008, gathering and processing sales decreased \$179 million compared to the first six months of 2007. These decreases were primarily due to lower volumes as a result of the 2007 divestitures, partially offset by increases in revenues due to higher product prices and gathering rates. Marketing sales in the three and six months ended June 30, 2008 decreased due to lower margins on firm transportation contracts, partially offset by improved margins related to storage.

Costs and Expenses

millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Oil and gas operating	\$ 259	\$ 272	\$ 504	\$ 612
Oil and gas transportation and other	130	117	260	229
Exploration	264	222	507	361
Gathering, processing and marketing	222	329	414	623
General and administrative	199	246	403	510

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Depreciation, depletion and amortization	784	712	1,594	1,435
Other taxes	523	265	882	600
Impairments	<u>11</u>	<u>28</u>	<u>11</u>	<u>40</u>
Total	<u>\$ 2,392</u>	<u>\$ 2,191</u>	<u>\$ 4,575</u>	<u>\$ 4,410</u>

During the second quarter of 2008, Anadarko's costs and expenses increased 9% compared to the second quarter of 2007 due to the following factors:

- Oil and gas operating expense decreased 5% primarily due to a decrease of \$38 million associated with the 2007 divestitures, partially offset by an increase of \$11 million in the Gulf of Mexico associated with the startup of the Independence Hub in the second half of 2007.
- Oil and gas transportation and other expenses increased 11% primarily due to higher surface owner payments in the Rockies and higher transportation charges in the Rockies and the Independence Hub startup.
- Exploration expense increased \$42 million due primarily to a \$40 million impairment of unproved properties in Brazil, a \$32 million impairment of unproved properties in the Gulf of Mexico, and \$17 million related to a joint-venture termination, partially offset by lower dry hole expense of \$31 million in the United States and \$20 million primarily in Nigeria and China.
- Gathering, processing and marketing (GPM) expenses decreased \$107 million. Costs associated with gathering and processing operations decreased \$102 million primarily due to 2007 divestitures and a reduction of accrued expenses related to prior periods of \$41 million, partially offset by an increase in cost of product due to higher prices. Marketing transportation costs decreased \$5 million.
- General and administrative (G&A) expense decreased 19% primarily due to a \$40 million decrease in employee severance and termination benefits and decreases in legal, consulting and audit fees primarily associated with the 2007 asset realignment program and 2007 system integration projects.
- Depreciation, depletion and amortization (DD&A) expense increased 10%. DD&A expense associated with oil and gas properties increased approximately \$35 million due to higher costs associated with acquiring, finding and developing oil and gas reserves and approximately \$34 million due to higher sales volumes from retained properties. Depreciation of other properties and equipment increased \$1 million.
- Other taxes increased 97% primarily due to increased production and severance taxes related to higher commodity prices, an increase in the Algerian exceptional profits tax expense of \$73 million, an increase in the windfall profits tax in China of \$30 million, increases associated with the effects of a new Alaskan severance tax of \$27 million and increased ad valorem taxes.

For the six months ended June 30, 2008, Anadarko's costs and expenses increased 4% compared to the same period of 2007 due to the following factors:

- Oil and gas operating expense decreased 18% primarily due to a decrease of \$89 million associated with the 2007 divestitures, decreases in the deepwater Gulf of Mexico primarily related to lower subsurface expenses, partially offset by higher gas processing fees and higher demand charges of \$41 million in the Gulf of Mexico associated with the startup of the Independence Hub in the second half of 2007.
- Oil and gas transportation and other expenses increased 14% primarily due to higher surface owner payments in the Rockies and higher transportation charges in the Rockies and the Independence Hub startup.
- Exploration expense increased \$146 million due primarily to a \$67 million impairment of unproved properties in the Gulf of Mexico, a \$40 million impairment of unproved properties in Brazil, a \$28 million increase in geological and geophysical costs, primarily in Mozambique and the Gulf of Mexico, \$17

million related to a joint-venture termination and increases in other miscellaneous exploration costs, partially offset by lower dry hole expense of \$22 million primarily in Nigeria, Indonesia and China.

- GPM expenses decreased \$209 million. Costs associated with gathering and processing operations decreased \$181 million primarily due to 2007 divestitures and a reduction of accrued expenses related to a prior period of \$29 million, partially offset by an increase in cost of product due to higher prices. Marketing transportation costs decreased \$28 million.
- G&A expense decreased 21% primarily due to a \$77 million decrease in employee severance and termination benefits, lower benefit and compensation expense, and decreases in contract employee and legal, consulting and audit fees primarily associated with the 2007 asset realignment program and 2007 system integration projects.
- DD&A expense increased 11%. DD&A expense associated with oil and gas properties increased approximately \$93 million due to higher costs associated with acquiring, finding and developing oil and gas reserves and approximately \$91 million due to higher sales volumes from retained properties. This increase was partially offset by a decrease in depreciation of other properties and equipment of \$28 million.
- Other taxes increased 47% primarily due to increased production and severance taxes related to higher commodity prices, increases associated with the effects of a windfall profits tax in China of \$49 million, a new Alaskan severance tax of \$45 million, an increase in the Algerian exceptional profits tax of \$39 million and increased ad valorem taxes. This increase was partially offset by a decrease in the Algerian exceptional profits tax expense primarily attributable to a change in the estimate of the 2006 exceptional profits tax recognized in the first quarter of 2007.

Interest Expense, Other (Income) Expense and Minority Interests

millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Interest Expense				
Gross interest expense -				
Current debt, long-term debt and other	\$ 175	\$ 367	\$ 386	\$ 722
Midstream subsidiary note payable to a related party	27	-	62	-
Capitalized interest	(51)	(44)	(70)	(83)
Net interest expense	<u>151</u>	<u>323</u>	<u>378</u>	<u>639</u>
Other (Income) Expense				
Interest income	(11)	(34)	(21)	(45)
Other	(3)	11	(6)	(7)
Total other (income) expense	<u>(14)</u>	<u>(23)</u>	<u>(27)</u>	<u>(52)</u>
Minority interests	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
Total	<u>\$ 142</u>	<u>\$ 300</u>	<u>\$ 356</u>	<u>\$ 587</u>

Anadarko's gross interest expense for the three and six months ended June 30, 2008 decreased 45% and 38%, respectively, compared to the same periods of 2007. The decreases in 2008 were primarily due to a decrease in average debt levels.

For the three and six months ended June 30, 2008, capitalized interest increased 16% and decreased 16%, respectively, compared to the same periods of 2007. For the quarter ended June 30, 2008, interest capitalized increased \$7 million compared to the quarter ended June 30, 2007 primarily due to a project in the Gulf of Mexico that includes prior period adjustments of \$25 million. For the first six months of 2008, the decrease was due to the completion of several large projects in 2007 that qualified for capitalized interest in the first six months of 2007.

Income Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
millions except percentages				
Income tax expense	\$ 236	\$ 788	\$ 580	\$ 1,837
Effective tax rate	94 %	38 %	70 %	38 %

For the three months and six months ended June 30, 2008, income tax expense related to continuing operations decreased 70% and 68%, respectively, compared to the same periods of 2007 primarily due to a decrease in income before income taxes. In addition, income tax expense for the six months ended June 30, 2008 includes \$83 million deferred tax expense attributable to the Peregrino field divestiture that was required to be recognized in the first quarter of 2008 notwithstanding that the associated gain on sale is anticipated to be recognized in a subsequent period. The \$83 million deferred tax expense recognized in the first quarter of 2008 will reverse through current tax expense with no impact to total tax expense in subsequent periods.

The variance from the 35% statutory rate for the three months ended June 30, 2008 is primarily attributable to the accrual of the Algerian exceptional profits tax which is non-deductible for Algerian income tax purposes, other foreign taxes in excess of federal statutory rates, state income taxes and other items. The variance from the 35% statutory rate for the six months ended June 30, 2008 also includes the recognition of tax expense on the Company's pending divestiture of its 50% interest in the Peregrino field offshore Brazil in advance of the recognition of any associated gain or loss on sale. The variance from the 35% statutory rate in 2007 is attributable to the accrual of the Algerian exceptional profits tax, other foreign taxes in excess of federal statutory rates, state income taxes and other items.

During the second quarter of 2008, \$48 million of the previously established Financial Accounting Standards Board Interpretation No. 48 (FIN 48), "Accounting for Uncertainty of Income Taxes - an interpretation of SFAS No. 109" liability and associated interest was settled with the taxing authorities. The Company estimates that \$130 million to \$140 million of unrecognized tax benefits related to adjustments to taxable income, credits, and associated interest previously recorded pursuant to FIN 48 will reverse within the next 12 months due to statute expirations and audit settlements. The Company does not anticipate these reversals to have a significant impact on the effective tax rate.

Operating Results

Segment Analysis - Adjusted EBITDAX

To assess the operating results of Anadarko's segments, management uses income from continuing operations before income taxes, interest expense, exploration expense, DD&A expense and impairments (Adjusted EBITDAX). The Company's definition of Adjusted EBITDAX, which is not a GAAP measure, excludes exploration expense, as exploration expense is not an indicator of operating efficiency for a given reporting period, but is monitored by management as part of costs incurred in exploration and development activities. Similarly, DD&A expense and impairments are excluded from Adjusted EBITDAX as a measure of segment operating performance, as capital expenditures are evaluated at the time capital costs are incurred. Anadarko's definition of Adjusted EBITDAX also excludes interest expense to allow for assessment of segment operating results without regard to the Company's financing methods or capital structure. Management believes that the presentation of Adjusted EBITDAX provides information useful in assessing the Company's financial condition and results of operations and that Adjusted EBITDAX is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures and make distributions to shareholders.

Adjusted EBITDAX, as defined by Anadarko, may not be comparable to similarly titled measures used by other companies, and therefore, the Company's consolidated Adjusted EBITDAX should be considered in conjunction with income from continuing operations and other performance measures prepared in accordance with GAAP, such as operating income or cash flow from operating activities. Adjusted EBITDAX has important limitations as an analytical tool because it excludes certain items that affect income from continuing operations and net cash provided by operating activities. Adjusted EBITDAX should not be considered in isolation or as a substitute for an analysis of Anadarko's results as reported under GAAP. Below is a reconciliation of consolidated Adjusted EBITDAX to income from continuing operations before income taxes.

Adjusted EBITDAX

millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Oil and gas exploration and production	\$ 1,295	\$ 3,148	\$ 3,145	\$ 7,150
Midstream	128	296	222	433
Marketing	35	112	25	107
Other and intersegment eliminations	4	(177)	(69)	(377)
Consolidated Adjusted EBITDAX	\$ 1,462	\$ 3,379	\$ 3,323	\$ 7,313
Exploration expense	264	222	507	361
Depreciation, depletion and amortization expense	784	712	1,594	1,435
Impairments	11	28	11	40
Interest expense	151	323	378	639
Income from continuing operations before income taxes	\$ 252	\$ 2,094	\$ 833	\$ 4,838

Oil and Gas Exploration and Production

The decreases in Adjusted EBITDAX for the three and six months ended June 30, 2008 compared to the same periods of 2007 were primarily due to losses on derivatives, decreases in gains (losses) on divestitures and other, net of \$1.1 billion and \$3.7 billion, respectively, and lower sales volumes as a result of the 2007 divestitures, partially offset by the impact of higher commodity prices and higher sales volumes primarily in the Gulf of Mexico and the

Rockies. The Company's sales revenues include the impact of price risk management (including realized and unrealized gains and losses) which decreased oil and gas revenues \$2.0 billion during the second quarter of 2008, compared to an increase of \$111 million in the second quarter of 2007. Of these amounts for the second quarter of 2008 and 2007, \$1.6 billion and \$18 million, respectively, were related to net unrealized losses on derivatives intended to manage price risk on oil and gas sales. The Company's sales revenues include the impact of price risk management activities (including realized and unrealized gains and losses) which decreased oil and gas revenues by \$2.5 billion during the first six months of 2008, compared to a decrease of \$132 million in the first six months of 2007. Of these amounts, \$2.1 billion and \$512 million for the six months ended June 30, 2008 and 2007, respectively, were related to net unrealized losses on derivatives intended to manage price risk on oil and gas sales.

Midstream

The decrease in Adjusted EBITDAX for the three and six months ended June 30, 2008 compared to the same periods of 2007 resulted primarily from decreases in gains (losses) on divestitures and other, net of \$187 million and \$235 million, respectively, and lower volumes as a result of the 2007 divestitures, partially offset by increases in revenues due to higher product prices and gathering rates.

Marketing

Marketing earnings primarily represent the margin earned on sales of gas, oil and NGLs purchased from third parties. Adjusted EBITDAX for the three and six months ended June 30, 2008 was lower compared to the same periods of 2007 primarily due to lower margins on firm transportation contracts, partially offset by improved margins related to storage.

Other and Intersegment Eliminations

Other and intersegment eliminations consists primarily of corporate costs that are not allocated to the operating segments and income from hard minerals investments and royalties. The increase in Adjusted EBITDAX for the three and six months ended June 30, 2008 compared to the same periods of 2007 was primarily due to a decrease in employee severance and termination benefits and decreases in legal, consulting and audit fees primarily associated with the 2007 asset realignment program and the 2007 system integration projects.

Divestitures

During the first six months of 2008, the Company closed the sale of certain oil and gas properties primarily in the United States for approximately \$660 million. Net gains on divestitures for the three and six months ended June 30, 2008 of \$335 million and \$327 million, respectively, primarily related to the divestiture of oil and gas properties in the United States in several unrelated transactions. Net gains on divestitures for the three and six months ended June 30, 2007 of \$1.5 billion and \$4.1 billion, respectively, related primarily to the divestiture of oil and gas properties in the United States in several unrelated transactions.

The sale of Anadarko's interest in the Kaskida prospect closed in April 2008. In addition, in May 2008, Anadarko sold certain of its oil and gas properties in northern Louisiana.

In March 2008, the Company entered into an agreement to divest its 50% interest in the Peregrino field offshore Brazil and certain related assets. The agreement provides for consideration to Anadarko of \$1.5 billion at closing. Additionally, in connection with the sale of its interest in the Peregrino field, Anadarko may receive contingent consideration in future periods. Contingent consideration is based on the value of oil produced from properties subject to the sale transaction. The Peregrino field is currently under development, with initial production expected in 2010. The timing of the closing of the Peregrino divestiture is contingent on approvals by the appropriate authorities, which are expected to be obtained in late 2008.

In April 2008, Anadarko entered into an agreement to sell a wholly-owned subsidiary, which owns an 18% interest in a Venezuelan joint venture, for \$200 million. The closing of this transaction is subject to customary closing conditions, including receipt of approvals by the appropriate authorities. Anadarko's investment in Venezuela is included in other assets at June 30, 2008.

Net proceeds from pending asset divestitures are expected to be used for debt reduction.

Capital Resources and Liquidity

Overview

Anadarko's primary sources of cash during the first six months of 2008 were cash flow from operating activities, proceeds from divestitures and the master limited partnership initial public offering. The Company used cash primarily to fund Anadarko's capital spending program, to retire debt, to fund margin deposits, to pay dividends and redeem preferred stock.

Sources of Cash

Cash Flow from Operating Activities

Anadarko's cash flow from continuing operating activities during the six months ended June 30, 2008 was \$2.5 billion compared to \$883 million for the same period of 2007. The increase in cash flow was attributed to higher commodity prices and lower estimated income tax payments in 2008 compared to 2007 primarily related to the 2007 divestitures, partially offset by the effect of lower sales volumes primarily associated with the 2007 divestitures, and margin deposits. Excluding the impact of acquisitions and divestitures, fluctuations in commodity prices have been the primary reason for the Company's short-term changes in cash flow from operating activities.

Divestitures

During the first six months of 2008, the Company closed the sale of certain oil and gas properties primarily in the United States for approximately \$660 million. Net gains on divestitures for the six months ended June 30, 2008 of \$327 million primarily related to the divestiture of oil and gas properties in the United States in several unrelated transactions. Net gains on divestitures for the six months ended June 30, 2007 of \$4.1 billion related primarily to the divestiture of oil and gas properties in the United States in several unrelated transactions.

Master Limited Partnership Initial Public Offering

During the second quarter of 2008, Anadarko issued 20.8 million common units (representing a 38.4% limited partner interest) of its subsidiary, Western Gas Partners, LP (WES), through an initial public offering (IPO), for net proceeds of \$321 million (\$343 million less \$22 million for underwriting discounts and structuring fees). Anadarko contributed assets to WES in exchange for a 2% general partner interest and 100% of the WES incentive distribution rights and common and subordinated units, together representing an aggregate 59.6% limited partner interest in WES. In addition, Anadarko maintains control over the assets owned by WES through ownership of the general partner interests. Proceeds were used to reduce debt.

The common units have preference over the subordinated units with respect to cash distributions. Accordingly, we recorded all proceeds from the sale of the partnership units as minority interest on the consolidated balance sheet. The subordinated units will convert into an equal number of common units upon termination of the subordination period. Generally, the subordination period will end when either:

(i) WES has paid at least \$0.30 per quarter on each outstanding common unit, subordinated unit and general partner unit for any three consecutive four quarterly periods ending on or after June 30, 2011;

or

(ii) WES has paid at least \$0.45 per quarter on each outstanding common unit, subordinated unit and general partner unit for any consecutive four quarters.

When the subordinated units convert to common units, the Company will recognize additional paid-in capital in stockholders' equity in accordance with Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary" (SAB 51).

The Company consolidates the results of operations and financial position of WES in the consolidated financial statements of Anadarko, and recognizes the portion of WES' results of operations that are not owned by Anadarko as minority interests.

WES is required to pay a minimum quarterly distribution of \$0.30 per unit to the extent it has sufficient cash available as defined in its partnership agreement. On July 14, 2008, WES declared a prorated quarterly cash distribution of \$0.1582 per unit for the second quarter of 2008.

Uses of Cash

Capital Expenditures

The following table shows the Company's capital expenditures relating to continuing operations, by category.

	Six Months Ended	
	June 30	
millions	2008	2007
Property acquisition		
Development - proved	\$ -	\$ 8
Exploration - unproved	186	19
Development	1,425	1,380
Exploration	298	311
Capitalized interest	68	83
Total oil and gas capital expenditures	1,977	1,801
Gathering, processing and marketing and other	311	366
Total capital expenditures*	\$ 2,288	\$ 2,167

* Capital expenditures in the table above are presented on an accrual basis. Additions to properties and equipment on

the consolidated statement of cash flows reflect capital expenditures on a cash basis, when payments are made.

During the six months ended June 30, 2008, Anadarko's capital spending increased 6% compared to the same

period of 2007 primarily due to an increase in exploratory drilling in international locations.

Debt

At June 30, 2008, Anadarko's total debt was \$13.0 billion compared to total debt of \$14.7 billion at December 31, 2007. As of December 31, 2007, current debt included \$1 billion under a variable-rate 354-day facility. This facility was fully repaid and concurrently retired in February 2008. During the first six months of 2008, the Company repaid an aggregate principal amount of \$1.7 billion of debt (including the variable-rate 354-day facility) that was outstanding at December 31, 2007.

In March 2008, the Company entered into a \$1.3 billion, five-year Revolving Credit Agreement (RCA) with a syndicate of United States and foreign lenders. Under the terms of the RCA, the Company can, under certain conditions, request an increase in the borrowing capacity under the RCA up to a total available credit amount of \$2.0 billion. The RCA has a maximum 65% debt to total book capitalization covenant (excluding non-cash charges). The RCA terminates in March 2013. The RCA replaced a \$750 million revolving credit facility which was scheduled to mature in 2009 and was retired. As of June 30, 2008, the Company had no outstanding borrowings under the RCA.

The following table shows the Company's debt-to-capital ratio.

millions	June 30, 2008	December 31, 2007
Current debt	\$ 52	\$ 1,396
Long-term debt	11,113	11,151
Total debt excluding related party debt	11,165	12,547
Midstream subsidiary note payable to a related party	1,870	2,200
Total debt	\$ 13,035	\$ 14,747
Equity	\$ 16,651	\$ 16,364
Debt-to-capital ratio	43.9 %	47.4 %

Margin Deposits

The Company is required to provide margin deposits whenever its unrealized losses with a counterparty exceed predetermined credit limits, and in some cases only until negotiated maximum limits are reached. Both exchange and over-the-counter traded derivative instruments may be subject to margin deposit requirements. Given the Company's price risk management position and price volatility, the Company may be required from time to time to deposit cash or provide letters of credit with its counterparties in order to satisfy these deposit requirements. The Company manages its exposure to margin requirements through negotiated credit arrangements with counterparties, which may include collateral caps. If credit thresholds are exceeded, the Company utilizes available cash or letters of credit to satisfy margin requirements and maintains ample available committed credit facilities to meet its obligations. The Company's current derivative positions continue to ratably settle such that at year end, the Company's working capital along with its RCA could withstand margin calls resulting from a significant increase in commodity prices. The Company had net margin deposits (cash collateral) of \$1.2 billion and \$51 million outstanding at June 30, 2008 and December 31, 2007, respectively. See Note 1 - Summary of Significant Accounting Policies and Note 6 - Financial Instruments of the Notes to Consolidated Financial Statements under Part I, Item 1 of this Form 10-Q.

Dividends

In the first six months of 2008 and 2007, Anadarko paid \$86 million in dividends to its common stockholders (nine cents per share in the first and second quarters of both 2008 and 2007). Anadarko has paid a dividend to its common stockholders continuously since becoming an independent company in 1986. The amount of future dividends for Anadarko common stock will depend on earnings, financial conditions, capital requirements and other factors, and will be determined by the Board of Directors on a quarterly basis.

The covenants in the Company's credit agreements provide for a maximum book capitalization ratio of 65% debt, exclusive of the effect of any non-cash writedowns. Although the covenants of the agreements do not specifically restrict the payment of dividends, the Company could be limited in the amount of dividends it could pay in order to stay below the maximum book capitalization ratio. Based on these covenants, retained earnings of approximately \$9.6 billion were not limited as to the payment of dividends.

During the six months ended June 30, 2008 and 2007, Anadarko also paid \$1 million in preferred stock dividends.

Fair Value

The Company adopted the provisions of SFAS No. 157 effective January 1, 2008. The Company determined that as of January 1, 2008 and March 31, 2008, it utilized unobservable (Level 3) inputs in determining the fair value of its commodity options. The Company uses the Black-Scholes-Merton option pricing model to determine the value of commodity option contracts. In the second quarter of 2008, the Company implemented a marketing system. The new system utilizes observable market data or interpolates valuations using observable market data for all significant inputs. Commodity options are now categorized as Level 2. Changes in the fair values of derivatives affect results of operations, but, excluding cash collateral requirements, will not affect Anadarko's liquidity or capital until settled. See margin deposits discussed above for information on cash collateral.

Changes in the fair value of commodity option derivatives are reflected in income before taxes within revenues, net, in the period of the change. The Company has historical experience in valuing the derivative instruments it holds, and compares these values against market and its counterparties. The Company believes it is unlikely that an independent third party would value the Company's option contracts at a significantly different amount than what is reflected in the Company's financial statements.

See

Note 1 - Summary of Significant Accounting Policies and Note 6 - Financial Instruments of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Outlook

The Company's goals include continuing to find or acquire high-margin oil and gas reserves at competitive prices while keeping operating costs at efficient levels.

The objective of the Kerr-McGee and Western acquisitions in 2006 was to provide a more economically efficient platform with higher and more consistent growth potential, with the intent of divesting properties that were no longer deemed to be core to Anadarko's operations. During 2007, the Company successfully completed the majority of the divestiture stage of the realignment program. As expected, Anadarko's proved reserves after completing the divestitures were about equal to levels before the acquisitions. The new portfolio is intended to be better balanced, with lower-risk U.S. onshore resource plays complementing the volatility inherent in the Company's deepwater Gulf of Mexico and international programs.

The Company has an approved 2008 capital spending budget of \$5.1 billion. The Company has allocated about 65% of capital spending to development activities, 20% to exploration activities, 10% to gas gathering and processing activities, and the remaining 5% for capitalized interest and other items. The Company expects capital spending by area to be approximately 30% for the Rockies, 20% for the Southern region, 25% for the Gulf of Mexico, 15% for International and Alaska and 10% for Midstream. Emphasis will be on production growth in the Rockies and continued development in the Gulf of Mexico, including the start-up of the Blind Faith platform. The Company's capital discipline strategy is to set capital activity at levels that can be funded with operating cash flows. Anadarko believes that its expected level of cash flow will be sufficient to fund the Company's projected operational program for 2008.

If capital expenditures were to exceed operating cash flow, funds would be supplemented as needed by short-term borrowings. To facilitate such borrowings, the Company has in place a \$1.3 billion committed credit agreement, which is supplemented by various noncommitted credit lines that may be offered by certain banks from time to time at then-quoted rates. As of June 30, 2008, the Company had no outstanding borrowings under its credit facility. The Company's policy is to limit commercial paper borrowings to levels that are fully supported by unused balances from its committed credit facilities. The Company may choose to refinance certain portions of these short-term borrowings by issuing long-term debt in the public or private debt markets. To facilitate such financings, the Company may sell securities under its shelf registration statement filed with the Securities and Exchange Commission (SEC) in September 2006.

The Company continuously monitors its debt position and coordinates its capital expenditure program with expected cash flows and projected debt repayment schedules. The Company will continue to evaluate funding alternatives, including property divestitures and additional borrowings, to secure funds when needed.

Obligations and Commitments

In 2007, Anadarko entered into notes payable, due in 2042, with unconsolidated affiliates with an aggregate value of \$2.9 billion. Anadarko has the legal right to setoff and intends to net-settle these obligations with the distributable value of its interest in the corresponding unconsolidated affiliate. The related interest expense on these obligations is approximately \$111 million per year for a total interest expense over the remaining life of the obligation of approximately \$3.8 billion. The related interest expense on these obligations and Anadarko's equity in earnings for Anadarko's investments in these entities are recorded in other income (expense), net. *See Note 7 - Unconsolidated Affiliates of the Notes to Consolidated Financial Statements under Part I, Item 1 of this Form 10-Q.*

Recent Accounting Developments

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (SFAS No. 161). SFAS No. 161 does not change the accounting policy for derivatives, but requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items (if any) are accounted for, and how they affect the Company's financial position, financial performance, and cash flows. SFAS No. 161 is effective for Anadarko for annual and interim periods beginning with the first quarter of 2009. Early adoption is permitted. The Company is evaluating the provisions of SFAS No. 161. SFAS No. 161 is a disclosure requirement that does not affect Anadarko's consolidated financial position or net income.

In June 2008, the FASB issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share

under the two-class method described in SFAS No. 128, "Earnings per Share." FSP EITF No. 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008; earlier application is not permitted. The Company is currently evaluating the impact of FSP EITF No. 03-6-1 on the Company's reported earnings per share.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risks are fluctuations in energy prices and interest rates. These fluctuations can affect revenues and the cost of operating, investing and financing activities. The Company's risk management policy provides for the use of derivative instruments to manage these risks. The types of derivative instruments utilized by the Company include futures, swaps, options and fixed price physical delivery contracts. The volume of derivative instruments utilized by the Company is governed by the risk management policy and can vary from year to year. Both exchange and over-the-counter traded derivative instruments may be subject to margin deposit requirements. Given the Company's price risk management position and price volatility, the Company may be required from time to time to deposit cash or provide letters of credit with its counterparties in order to satisfy these margin requirements. For additional information see *Capital Resources and Liquidity - Margin Deposits* under Part I, Item 2 of this Form 10-Q.

For information regarding the Company's accounting policies and additional information related to the Company's derivative and financial instruments, see Note 1 - Summary of Significant Accounting Policies, Note 5 - Debt and Interest Expense and Note 6 - Financial Instruments of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Energy Price Risk

The Company's most significant market risk is the pricing for natural gas, crude oil and NGLs. Management expects energy prices to remain volatile and unpredictable. If energy prices decline significantly, revenues and cash flow would significantly decline. In addition, a non-cash write down of the Company's oil and gas properties could be required under successful efforts accounting rules if future oil and gas commodity prices sustained significant decline. Below is a sensitivity analysis of the Company's commodity price related derivative instruments.

Derivative Instruments Held for Non-Trading Purposes

The Company had derivative instruments in place to reduce the price risk associated with future equity production of 451 Bcf of natural gas and 42 MMBbls of crude oil as of June 30, 2008. As of June 30, 2008, the Company had a net unrealized loss of \$2.4 billion on these derivative instruments. Utilizing the actual derivative contractual volumes, a 10% increase in underlying commodity prices would increase the loss by approximately \$954 million. However, this loss would be substantially offset by an increase in the value of that portion of the Company's production covered by the derivative instruments.

Derivative Instruments Held for Trading Purposes

As of June 30, 2008, the Company had a net unrealized gain of \$16 million (losses of \$50 million and gains of \$66 million) on derivative financial instruments entered into for trading purposes. Utilizing the actual derivative contractual volumes, a 10% increase in underlying commodity prices would result in a reduction of the gain on these derivative instruments by \$6 million.

Interest Rate Risk

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As of June 30, 2008, Anadarko had outstanding \$3.9 billion of variable-rate debt (including the midstream subsidiary note payable to a related party) and \$9.1 billion of fixed-rate debt. A 10% increase in LIBOR interest rates would increase gross interest expense approximately \$11 million per year.

In January 2008, Anadarko entered into 18-month interest rate swaps effective March 2008 with an aggregate notional value of \$1.0 billion whereby the Company pays a weighted-average fixed interest rate of 2.74% and receives a floating interest rate indexed to the three-month LIBOR rate.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Anadarko's Chief Executive Officer and Chief Financial Officer performed an evaluation of the Company's disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of June 30, 2008.

Changes in Internal Control over Financial Reporting

There were no changes in Anadarko's internal control over financial reporting during the second quarter of 2008 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Environmental Matters

The Environmental Protection Agency (EPA) and the Department of Justice (DOJ) have alleged that spills at the Company's Salt Creek and Elk Basin fields violated provisions of the federal Clean Water Act and that the facilities had inadequate Spill Prevention Control and Countermeasure (SPCC) plans and facility response plans (FRP). The Company sold Elk Basin to a third party in 2007 but the Company agreed to retain responsibility for the historical spills, SPCC and FRP issues. The Company is currently in discussions with the EPA and DOJ and has a tentative understanding to resolve the matter by paying a fine of approximately \$1 million, subject to negotiating the terms of a satisfactory settlement agreement. In the opinion of management, the liability with respect to these actions will not have a material effect on the consolidated financial position, results of operations or cash flow of the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information with respect to repurchases by the Company of its shares of common stock during the second quarter of 2008.

Total number
of

Approximate dollar

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Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	shares purchased as part of publicly announced plans or programs	value of shares that may yet be purchased under the plans or programs ⁽²⁾
April 1-30	30,307	\$ 63.92	-	
May 1-31	23,637	\$ 74.63	-	
June 1-30	1,654	\$ 75.28	-	
Second Quarter 2008	55,598	\$ 68.81	-	\$ 636,000,000

(1) During the second quarter of 2008, no shares were purchased under the Company's share repurchase program. During the second quarter of 2008, the 55,598 shares purchased were related to stock received by the Company for the payment of withholding taxes due on shares issued under employee stock plans.

(2) In November 2005, the Company announced a stock buyback program to purchase up to \$1 billion in shares of common stock. The Company may purchase additional shares under this program in the future; however, the repurchase program does not obligate Anadarko to acquire any specific number of shares and may be discontinued at any time.

Item 4. Submission of Matters to a Vote of Security Holders

On May 20, 2008, the Company held its Annual Meeting of Stockholders. The following table presents the voting results for the items that were presented for stockholder approval:

	For	Against	Withheld or Abstained
(a) Election of Class III Directors: *			
John R. Butler, Jr.	411,304,607	6,842,833	3,803,704
Luke R. Corbett	410,568,240	7,551,578	3,831,326
John R. Gordon	325,684,750	92,314,551	3,951,843

(b)	Ratification of the appointment of KPMG LLP as the independent auditors for 2008	395,011,919	5,409,189	21,530,036
(c)	Approval of the 2008 Omnibus Incentive Compensation Plan	285,271,131	60,888,174	3,873,752
(d)	Approval of the 2008 Director Compensation Plan	313,793,394	32,341,498	3,898,166
(e)	Stockholder Proposal - Declassification of Board*	300,628,720	45,334,508	4,069,649
(f)	Stockholder Proposal - Amendment to Non-Discrimination Policy*	30,041,083	279,148,242	40,843,807

* The other incumbent directors whose term of office continued were as follows: Robert J. Allison, Jr., Larry Barcus, James L. Bryan, H. Paulett Eberhart, Peter J. Fluor, James T. Hackett, John W. Poduska, Sr. and Paula Rosput Reynolds. Items (e) and (f) were non-binding stockholder proposals.

All three nominated directors were elected, the two equity compensation plans were approved and the appointment of the independent auditors was ratified. The non-binding stockholder proposal under Item (e) passed and the non-binding stockholder proposal under Item (f) did not pass.

For additional information on these proposals, see the Company's definitive proxy statement filed on March 31, 2008.

Item 6. Exhibits

Exhibits not incorporated by reference to a prior filing are designated by an asterisk (*) and are filed herewith; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

Exhibit Number	Description	Original Filed Exhibit	File Number
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3(a)	Restated Certificate of Incorporation of Anadarko Petroleum Corporation, dated August 28, 1986	4(a) to Form S-3 dated May 9, 2001	333-60496
(b)	By-laws of Anadarko Petroleum Corporation, amended and restated as of May 20, 2008	3.1 to Form 8-K dated May 27, 2008	1-8968
(c)	Certificate of Amendment of Anadarko's Restated Certificate of Incorporation	4.1 to Form 8-K dated July 28, 2000	1-8968
(d)	Certificate of Amendment of Anadarko's Restated Certificate of Incorporation	3(d) to Form 10-Q for quarter ended June 30, 2006	1-8968
4(a)	Certificate of Designation of 5.46% Cumulative Preferred Stock, Series B	4(a) to Form 8-K dated May 6, 1998	1-8968
(b)	Rights Agreement, dated as of October 29, 1998, between Anadarko Petroleum Corporation and The Chase Manhattan Bank	4.1 to Form 8-A dated October 30, 1998	1-8968
(c)	Amendment No. 1 to Rights Agreement, dated as of April 2, 2000 between Anadarko and The Rights Agent	2.4 to Form 8-K dated April 2, 2000	1-8968
(d)	Underwriting Agreement, dated September 14, 2006, among Anadarko Petroleum Corporation and the Underwriters	1.1 to Form 8-K dated September 19, 2006	1-8968
(e)	Trustee Indenture dated as of September 19, 2006, Anadarko Petroleum Corporation to The Bank of New York Trust Company, N.A.	4.1 to Form 8-K dated September 19, 2006	1-8968
(f)	Second Supplemental Indenture dated October 4, 2006, among Anadarko Petroleum Corporation, Kerr-McGee Corporation, and Citibank, N.A.	4.1 to Form 8-K dated October 5, 2006	1-8968
(g)	Ninth Supplemental Indenture dated October 4, 2006, among Anadarko Petroleum Corporation, Kerr-McGee Corporation, and Citibank, N.A.	4.2 to Form 8-K dated October 5, 2006	1-8968

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10(a)	Anadarko Petroleum Corporation 2008 Omnibus Incentive Compensation Plan	10.1 to Form 8-K dated May 27, 2008	1-8968
(b)	Anadarko Petroleum Corporation 2008 Director Compensation Plan	10.2 to Form 8-K dated May 27, 2008	1-8968
(c)	Form of Award Letter for Anadarko Petroleum Corporation 2008 Director Compensation Plan	10.3 to Form 8-K dated May 27, 2008	1-8968
*31(a)	Rule 13a-14(a)/15d-14(a) Certification - Chief Executive Officer		
*(b)	Rule 13a-14(a)/15d-14(a) Certification - Chief Financial Officer		
*32	Section 1350 Certifications		

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized officer and principal financial officer.

ANADARKO PETROLEUM CORPORATION
(Registrant)

August 6, 2008

By: /s/ R. A. WALKER
R. A. Walker
Senior Vice President, Finance and
Chief Financial Officer