

ANADARKO PETROLEUM CORPORATION **NON-GAAP FINANCIAL MEASURE DEFINITIONS**

This list of non-GAAP financial measure definitions and related reconciliations is intended to satisfy the requirements of Regulation G of the Securities Exchange Act of 1934, as amended. This information is historical in nature. Anadarko Petroleum Corporation (the "Company") undertakes no obligation to publicly update or revise any non-GAAP financial measure definitions and related reconciliations.

Adjusted EBITDAX

The Company defines income (loss) before income taxes; interest expense; exploration expense; depreciation, depletion, and amortization (DD&A); impairments; Deepwater Horizon settlement and related costs; Algeria exceptional profits tax settlement; Tronox-related contingent loss; unrealized (gains) losses on derivatives, net; and realized (gains) losses on other derivatives, net, less net income attributable to noncontrolling interests.

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 and should be considered in conjunction with net income (loss) attributable to common stockholders and other performance measures prepared in accordance with GAAP, such as operating income or cash flows from operating activities. Adjusted EBITDAX has important limitations as an analytical tool because it excludes certain items that affect net income (loss) attributable to common stockholders and net cash provided by operating activities. Adjusted EBITDAX should not be considered in isolation or as a substitute for an analysis of the Company's results as reported under GAAP.

Discretionary Cash Flow from Operations and Free Cash Flow

The Company defines discretionary cash flow from operations as net cash provided by operating activities before changes in accounts receivable, changes in accounts payable and accrued expenses, and changes in other items-net.

The Company defines free cash flow as discretionary cash flow less capital expenditures.

Management uses discretionary cash flow from operations and free cash flow to demonstrate the Company's ability to internally fund capital expenditures and to service or incur additional debt. It is useful in comparisons of oil and gas exploration and production companies because it excludes fluctuations in assets and liabilities.

Adjusted Net Income (Loss)

The Company defines adjusted net income (loss) as net income (loss) attributable to common stockholders less certain items affecting comparability.

Management uses adjusted net income (loss) to evaluate the Company's operational trends and performance.

Net Debt to Adjusted Capitalization Ratio

The Company defines net debt as total current and long-term debt less cash and cash equivalents.

The Company defines net debt to adjusted capitalization ratio as $\text{Net Debt} / (\text{Net Debt} + \text{Stockholders' Equity})$.

Management uses net debt as a measure of the Company's outstanding debt obligations that would not be readily satisfied by its cash and cash equivalents on hand.

Oil and Gas Exploration and Development Costs

The Company defines oil and gas exploration and development costs as total costs incurred less non-cash increases to the asset retirement obligation liabilities, plus actual cash payments related to asset retirement obligations.

Management believes oil and gas exploration and development costs is a more accurate reflection of the expenditures incurred during the current year; excluding certain obligations to be paid in future periods.

Finding and Development Costs

The Company defines finding and development costs as total costs incurred divided by reserve additions. In addition, the Company will use several variations of this calculation, including isolating development costs, incorporating non-price related reserve additions and reserve additions including price-related revisions.

Management believes that the presentation of Finding and Development (F&D) Costs provides useful information in assessing the Company's ability to efficiently manage its capital programs.

Anadarko Petroleum Corporation (1st Quarter)
Reconciliation of GAAP to Non-GAAP Measures

Discretionary Cash Flow and Free Cash Flow

<i>(millions)</i>	Quarter Ended March 31,	
	2012	2011
Net cash provided by operating activities (GAAP)	\$ 1,891	\$ 1,289
Add back:		
Deepwater Horizon Settlement and related costs	(22)	26
Change in accounts receivable	27	251
Change in accounts payable and accrued expenses	258	177
Change in other items - net	(232)	(43)
Discretionary Cash Flow from Operations (Non-GAAP)	\$ 1,922	1,700
Discretionary cash flow from operations	1,922	1,700
Less: Capital Expenditures*	1,790	1,587
Free Cash Flow (Non-GAAP)	\$ 132	\$ 113

* Includes Western Gas Partners, LP (WES) capital expenditures of \$98 million and \$317 million for the three months ended March 31, 2012, and 2011, respectively.

Adjusted Net Income

<i>(millions except per-share amounts)</i>	Quarter Ended March 31, 2012		Quarter Ended March 31, 2011	
	After Tax	Per Share (diluted)	After Tax	Per Share (diluted)
Net income (loss) attributable to common stockholders	\$ 2,156	\$ 4.28	216	\$ 0.43
Less: Certain items affecting comparability	1,681	3.36	(150)	(0.30)
Adjusted net income (Non-GAAP)	\$ 475	4 0.92	366	\$ 0.73

Net Debt to Adjusted Capitalization Ratio

<i>(millions)</i>	March 31, 2012
Current debt	\$ 39
Long-term debt	15,347
Total debt (GAAP)	\$ 15,386
Total debt	\$ 15,386
Less: Cash and cash equivalents	2,957
Net debt (Non-GAAP)	\$ 12,429
Net debt	\$ 12,429
Stockholders' Equity	20,279
Adjusted capitalization (Non-GAAP)	\$ 32,708
Net debt	\$ 12,429
Adjusted Capitalization	\$ 32,708
Net debt to adjusted capitalization ratio (Non-GAAP)	38%