UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2009
or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 1-8968

ANADARKO PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**76-0146568**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1201 Lake Robbins Drive, The Woodlands, Texas 77380-1046
(Address of principal executive offices)

Registrant's telephone number, including area code **(832) 636-1000**

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ 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 ☒ 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 ☒

The number of shares outstanding of the Company's common stock as of September 30, 2009 is shown below:

Title of Class	Number of Shares Outstanding
Common Stock, par value $0.10 per share	491,511,430

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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 September 30 **2009**	Three Months Ended September 30 2008	Nine Months Ended September 30 **2009**	Nine Months Ended September 30 2008
Revenues and Other				
Gas sales	**$ 446**	$ 2,395	**$ 1,779**	$ 5,089
Oil and condensate sales	**1,252**	3,217	**2,634**	4,911
Natural gas liquids sales	**166**	244	**365**	703
Gathering, processing and marketing sales	**169**	353	**531**	940
Gains (losses) on divestitures and other, net	**50**	(60)	**114**	270
Reversal of accrual for DWRRA dispute (Note 10)	**657**	—	**657**	—
Total	**2,740**	6,149	**6,080**	11,913
Costs and Expenses				
Oil and gas operating	**219**	274	**720**	778
Oil and gas transportation and other	**151**	140	**467**	400
Exploration	**224**	373	**813**	880
Gathering, processing and marketing	**151**	265	**469**	679
General and administrative	**223**	216	**658**	619
Depreciation, depletion and amortization	**909**	844	**2,648**	2,438
Other taxes	**213**	424	**543**	1,306
Impairments	**5**	56	**79**	67
Total	**2,095**	2,592	**6,397**	7,167
Operating Income (Loss)	**645**	3,557	**(317)**	4,746
Other (Income) Expense				
Interest expense	**121**	180	**505**	558
Other (income) expense, net	**111**	22	**(339)**	(4)
Total	**232**	202	**166**	554
Income (Loss) from Continuing Operations Before Income Taxes	**413**	3,355	**(483)**	4,192
Income Tax Expense (Benefit)	**207**	1,181	**(142)**	1,761
Income (Loss) from Continuing Operations	**206**	2,174	**(341)**	2,431
Income (Loss) from Discontinued Operations, net of taxes	**—**	1	**—**	58
Net Income (Loss)	**206**	2,175	**(341)**	2,489
Net Income Attributable to Noncontrolling Interests	**6**	10	**23**	15
Net Income (Loss) Attributable to Common Stockholders	**$ 200**	$ 2,165	**$ (364)**	$ 2,474
Amounts Attributable to Common Stockholders				
Income (loss) from continuing operations attributable to common stockholders	**$ 200**	$ 2,164	**$ (364)**	$ 2,416
Income (loss) from discontinued operations, net of taxes	**—**	1	**—**	58
Net income (loss) attributable to common stockholders	**$ 200**	$ 2,165	**$ (364)**	$ 2,474
Per Common Share (amounts attributable to common stockholders):				
Income (loss) from continuing operations attributable to common stockholders – basic	**$ 0.40**	$ 4.59	**$ (0.77)**	$ 5.11
Income (loss) from continuing operations attributable to common stockholders – diluted	**$ 0.40**	$ 4.58	**$ (0.77)**	$ 5.10
Income (loss) from discontinued operations, net of taxes – basic	**$ —**	$ —	**$ —**	$ 0.12
Income (loss) from discontinued operations, net of taxes – diluted	**$ —**	$ —	**$ —**	$ 0.12
Net income (loss) attributable to common stockholders – basic	**$ 0.40**	$ 4.59	**$ (0.77)**	$ 5.23
Net income (loss) attributable to common stockholders – diluted	**$ 0.40**	$ 4.58	**$ (0.77)**	$ 5.22
Average Number of Common Shares Outstanding – Basic	**491**	466	**476**	467
Average Number of Common Shares Outstanding – Diluted	**493**	467	**476**	468
Dividends (per Common Share)	**$ 0.09**	$ 0.09	**$ 0.27**	$ 0.27

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

millions	**September 30, 2009**	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 3,586**	$ 2,360
Accounts receivable, net of allowance:		
Customers	**806**	791
Others	**1,043**	896
Other current assets	**621**	1,048
Total	**6,056**	5,095
Properties and Equipment		
Cost	**49,124**	47,073
Less accumulated depreciation, depletion and amortization	**12,421**	10,026
Net properties and equipment	**36,703**	37,047
Other Assets	**1,394**	1,368
Goodwill and Other Intangible Assets	**5,323**	5,413
Total Assets	**$ 49,476**	$ 48,923

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

millions	**September 30, 2009**	December 31, 2008
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	**$ 2,043**	$ 3,166
Accrued expenses	**839**	898
Current debt	**—**	1,472
Total	**2,882**	5,536
Long-term Debt	**11,141**	9,128
Midstream Subsidiary Note Payable to a Related Party	**1,639**	1,739
Other Long-term Liabilities		
Deferred income taxes	**10,174**	9,974
Other	**3,455**	3,390
Total	**13,629**	13,364
Equity		
Stockholders' Equity		
Common stock, par value $0.10 per share (1.0 billion shares authorized, 503.7 million and 471.6 million shares issued as of September 30, 2009 and December 31, 2008, respectively)	**50**	47
Paid-in capital	**7,184**	5,696
Retained earnings	**13,684**	14,179
Treasury stock (12.2 million and 11.7 million shares as of September 30, 2009 and December 31, 2008, respectively)	**(703)**	(686)
Accumulated other comprehensive income (loss):		
Gains (losses) on derivative instruments	**(101)**	(118)
Foreign currency translation adjustments	**—**	(1)
Pension and other postretirement plans	**(294)**	(322)
Total	**(395)**	(441)
Total Stockholders' Equity	**19,820**	18,795
Noncontrolling Interests	**365**	361
Total Equity	**20,185**	19,156
Commitments and Contingencies (Note 10)		
Total Liabilities and Equity	**$ 49,476**	$ 48,923

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

	Total Stockholders' Equity							
millions	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2009	$ 47	$ 5,696	$ 14,179	$ (686)	$ (441)	$ 18,795	$ 361	$ 19,156
Net income (loss)	**—**	**—**	**(364)**	**—**	**—**	**(364)**	**23**	**(341)**
Common stock issued	**3**	**1,488**	**—**	**—**	**—**	**1,491**	**—**	**1,491**
Dividends - common	**—**	**—**	**(131)**	**—**	**—**	**(131)**	**—**	**(131)**
Repurchase of common stock	**—**	**—**	**—**	**(17)**	**—**	**(17)**	**—**	**(17)**
Distributions to noncontrolling interest owners	**—**	**—**	**—**	**—**	**—**	**—**	**(22)**	**(22)**
Contributions from noncontrolling interest owners	**—**	**—**	**—**	**—**	**—**	**—**	**3**	**3**
Previously deferred losses on derivative instruments	**—**	**—**	**—**	**—**	**17**	**17**	**—**	**17**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**1**	**1**	**—**	**1**
Pension and other postretirement plans adjustments	**—**	**—**	**—**	**—**	**28**	**28**	**—**	**28**
Balance at September 30, 2009	**$ 50**	**$ 7,184**	**$ 13,684**	**$ (703)**	**$ (395)**	**$ 19,820**	**$ 365**	**$ 20,185**

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

millions	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Net Income (Loss)	**$ 206**	$ 2,175	**$ (341)**	$ 2,489
Other Comprehensive Income (Loss), net of taxes				
Previously deferred losses on derivative instruments[(1)]	**5**	4	**17**	10
Foreign currency translation adjustments	**1**	—	**1**	—
Pension and other postretirement plans adjustments[(2)]	**8**	3	**28**	7
Total	**14**	7	**46**	17
Comprehensive Income (Loss)	**220**	2,182	**(295)**	2,506
Comprehensive Income Attributable to Noncontrolling Interests	**6**	10	**23**	15
Comprehensive Income (Loss) Attributable to Common Stockholders	**$ 214**	$ 2,172	**$ (318)**	$ 2,491

[(1)]Net of income tax benefit (expense) of $(3) million for the three months ended September 30, 2009 and 2008, and $(9) million and $(6) million for the nine months ended September 30, 2009 and 2008, respectively.
[(2)]Net of income tax benefit (expense) of $(4) million and $(1) million for the three months ended September 30, 2009 and 2008, respectively, and $(16) million and $(3) million for the nine months ended September 30, 2009 and 2008, respectively.

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

millions	**Nine Months Ended September 30 2009**	Nine Months Ended September 30 2008
Cash Flow from Operating Activities		
Net income (loss)	**$ (341)**	$ 2,489
Less income (loss) from discontinued operations, net of taxes	**—**	58
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	**2,648**	2,438
Deferred income taxes	**(8)**	94
Dry hole expense and impairments of unproved properties	**608**	637
Impairments	**79**	67
(Gains) losses on divestitures, net	**(44)**	(165)
Unrealized (gains) losses on derivatives	**1,073**	(277)
Reversal of accrual for DWRRA dispute (Note 10)	**(657)**	—
Other non-cash items	**185**	88
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(139)**	340
Increase (decrease) in accounts payable and accrued expenses	**(180)**	548
Other items – net	**(398)**	(142)
Cash provided by (used in) operating activities – continuing operations	**2,826**	6,059
Cash provided by (used in) operating activities – discontinued operations	**—**	(4)
Net cash provided by (used in) operating activities	**2,826**	6,055
Cash Flow from Investing Activities		
Additions to properties and equipment and dry hole costs	**(2,934)**	(3,354)
Divestitures of properties and equipment and other assets	**113**	688
Other – net	**(107)**	(202)
Net cash provided by (used in) investing activities	**(2,928)**	(2,868)
Cash Flow from Financing Activities		
Borrowings, net of issuance costs	**1,975**	—
Borrowings from affiliates, net of issuance costs	**—**	1
Repayments of debt	**(1,470)**	(1,737)
Repayments on midstream subsidiary note payable	**(100)**	(330)
Increase (decrease) in accounts payable, banks	**(270)**	19
Dividends paid	**(131)**	(129)
Settlement of derivatives with a financing element	**—**	3
Repurchase of common stock	**(17)**	(619)
Repurchase and retirement of preferred stock	**—**	(45)
Issuance of common stock	**1,360**	19
Sale of subsidiary interests	**—**	347
Distributions to noncontrolling interest owners	**(22)**	(3)
Contributions from noncontrolling interest owners	**3**	—
Net cash provided by (used in) financing activities	**1,328**	(2,474)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,226**	713
Cash and Cash Equivalents at Beginning of Period	**2,360**	1,268
Cash and Cash Equivalents at End of Period	**$ 3,586**	$ 1,981

See accompanying notes to consolidated financial statements.

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 owns interests in the hard minerals business through its ownership of 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 the fair presentation of the Company's consolidated financial position as of September 30, 2009 and December 31, 2008, the consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2009 and 2008, cash flows for the nine months ended September 30, 2009 and 2008, and the consolidated statement of equity for the nine months ended September 30, 2009. Certain amounts for prior periods have been reclassified to conform to the current-period presentation.

In preparing financial statements in accordance with accounting principles generally accepted in the United States, management makes informed judgments and estimates that affect both the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods reported. Management reviews its estimates periodically, including those related to the carrying value of properties and equipment, proved reserves, goodwill, intangible assets, asset retirement obligations, litigation reserves, environmental liabilities, pension liabilities and costs, income taxes and fair values. Changes in facts and circumstances or additional 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 2008 Annual Report on Form 10-K.

Oil and Gas Properties The Company uses the successful efforts method of accounting for oil and gas properties. The Company adopted the successful efforts method of accounting in the third quarter of 2007 and all periods presented reflect application of the successful efforts method of accounting.

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 and include the effect of any participating securities as appropriate. Diluted EPS includes the effect of the Company's outstanding stock options, restricted stock awards, restricted stock units and performance-based stock awards if the inclusion of these items is dilutive. Diluted net loss per share for the nine months ended September 30, 2009, does not assume an increase in the average number of shares outstanding from future stock option exercises, unvested restricted stock or similar sources because the inclusion of shares attributable to these sources would have an anti-dilutive effect. See Note 9.

Changes in Accounting Principles The Company adopted a new fair-value-measurement standard as of January 1, 2008. The standard defines fair value, establishes a framework for measuring fair value under existing accounting pronouncements that require fair value measurements and expands fair-value-measurement disclosures. The Company elected to implement the standard with the one-year deferral permitted for nonfinancial assets and nonfinancial liabilities, except those nonfinancial items recognized or disclosed at fair value on a recurring basis (at least annually). The deferral period ended on January 1, 2009. Accordingly, the Company now applies the fair-value framework to nonfinancial assets and nonfinancial liabilities initially measured at fair value, such as assets acquired in a business combination; impaired long-lived assets (asset groups); intangible assets and goodwill; and initial recognition of asset retirement obligations and exit or disposal costs.

1. Summary of Significant Accounting Policies (Continued)

The Company adopted new accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of subsidiaries, effective January 1, 2009. Specifically, these standards require the recognition of noncontrolling interests (formerly referred to as minority interests) as a component of total equity. Prior to January 1, 2009, the share of a subsidiary's net assets allocable to minority interest investors was reported outside of equity. Included in noncontrolling interests is approximately $90 million that will be transferred to paid-in capital if and when the Western Gas Partners, LP subordinated units convert to common units. These standards also establish a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. Dispositions of subsidiary stock are now required to be accounted for as equity transactions. Finally, consolidated net income and comprehensive income are presented to include amounts attributable to both the parent and noncontrolling interests. All prior periods have been conformed to the current-year presentation.

The Company adopted a new standard for its derivative instruments and hedging activities, effective January 1, 2009. The standard does not change the Company's accounting for derivatives, but requires enhanced disclosures regarding the Company's methodology and purpose for entering into derivative instruments, accounting for derivative instruments and related hedged items (if any), and the impact of derivative instruments on the Company's consolidated financial position, results of operations and cash flows. See Note 7.

The Company adopted a new accounting standard for business combinations, effective January 1, 2009. The standard applies prospectively to the Company for future business combinations. The standard expands the definition of what qualifies as a business, thereby increasing the scope of transactions that qualify as business combinations. Furthermore, under the standard, changes in estimates of income tax liabilities existing at the date of, or arising in connection with, past business combinations are accounted for as adjustments to current period income as opposed to adjustments to goodwill. The adoption of the standard had no impact on the Company's consolidated financial position, results of operations or cash flows.

Effective January 1, 2009, the Company adopted a new standard on determining whether instruments granted in share-based payment transactions constitute participating securities. This standard addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore included in the allocation of earnings for purposes of computing EPS. Unvested share-based payment awards, whether paid or unpaid, that contain nonforfeitable rights to dividends or dividend equivalents constitute participating securities and are included in the computation of EPS. The Company's restricted stock awards and restricted stock units contain nonforfeitable rights to dividends, thereby qualifying these instruments as participating securities and requiring the underlying securities to be taken into account for purposes of computing EPS. However, because the Company's restricted stock awards and restricted stock units do not participate in losses, these instruments were not taken into account for purposes of calculating EPS for the nine months ended September 30, 2009. All prior periods have been conformed to the current year presentation. See Note 9.

The Company adopted a new standard on subsequent events, effective April 1, 2009. The standard defines subsequent events as either recognized subsequent events (events that provide additional evidence about conditions at the balance sheet date) or nonrecognized subsequent events (events that provide evidence about conditions that arose after the balance sheet date). Recognized subsequent events are recorded in the financial statements for the current period presented, while nonrecognized subsequent events are not. Both types of subsequent events require disclosure in the consolidated financial statements if nondisclosure of such events causes the financial statements to be misleading. The Company is also required to disclose the date through which subsequent events have been evaluated. The adoption of this standard had no impact on the financial statements of the Company. The Company has evaluated subsequent events through November 2, 2009.

During the second quarter of 2009, Anadarko adopted a standard that requires the Company to disclose the fair value of financial instruments quarterly rather than annually.

1. Summary of Significant Accounting Policies (Continued)

During the third quarter of 2009, the Company changed its annual goodwill impairment testing date from January 1 to October 1 of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting. Accordingly, management considers this accounting change preferable. This change does not accelerate, delay, avoid, or cause an impairment charge, nor does this change result in adjustments to previously issued financial statements. The Company will complete its annual goodwill impairment test during the fourth quarter of 2009.

Fair Value The carrying amount of cash and cash equivalents, accounts receivable and accounts payable reported on the balance sheet approximates fair value.

The fair value of debt is the estimated amount the Company would have to pay to repurchase its debt, including any premium or discount attributable to the difference between the stated interest rate and market rate of interest at the balance sheet date. Fair values are based on quoted market prices or average valuations of similar debt instruments at the balance sheet date for those debt instruments for which quoted market prices are not available. See Note 8 for disclosures regarding the fair value of debt.

See Note 7 for disclosures regarding the fair value of derivative instruments.

Recently Issued Accounting Standards Not Yet Adopted In June 2009, the FASB issued amendments to the consolidation standard applicable to variable interest entities. The amendments significantly reduce the previously required quantitative consolidation analysis, and require ongoing reassessments of whether the Company is the primary beneficiary of a variable interest entity. This standard requires enhanced disclosures about an enterprise's involvement with a variable interest entity. This standard is effective for the first annual reporting period beginning after November 15, 2009. The adoption of this standard will not have an impact on the Company's consolidated financial statements, other than the expanded disclosures.

2. Acquisitions, Divestitures and Other

Gains (Losses) on Divestitures and Other For the nine months ended September 30, 2008, gains (losses) on divestitures and other, net includes a net $82 million ($52 million after tax) charge related to corrections resulting from an analysis of property records after the adoption of the successful efforts method of accounting. This net amount includes a charge of $163 million related to 2007. Management concluded that this misstatement was not material to 2007 interim and annual results, nor to the 2008 period, and corrected the error in the first quarter of 2008.

3. Inventories

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

millions	**September 30, 2009**	December 31, 2008
Crude oil and NGLs	**$ 91**	$ 89
Natural gas	**69**	51
Total	**$ 160**	$ 140

4. Properties and Equipment

Suspended Exploratory Drilling Costs The Company's capitalized suspended well costs at September 30, 2009 and December 31, 2008 were $581 million and $279 million, respectively. The $302 million increase primarily related to drilling in the Gulf of Mexico, Ghana, Brazil and Sierra Leone. For the nine months ended September 30, 2009, $41 million of exploratory well costs previously capitalized as suspended well costs for greater than one year were charged to dry hole expense. Also, for the nine months ended September 30, 2009, $42 million of capitalized suspended well costs were reclassified to proved properties.

Management believes projects with suspended exploratory drilling costs exhibit sufficient quantities of hydrocarbons to justify potential development and is actively pursuing efforts to assess whether reserves can be attributed to these areas. If additional information becomes available that raises substantial doubt as to the economic or operational viability of any of these projects, the associated costs will be expensed at that time.

5. Impairments

For the three and nine months ended September 30, 2009, the Company recognized impairments of $5 million and $74 million, respectively, related to certain transportation contracts included in intangible assets, due to changes in price differentials at specific locations, and also recognized impairments of zero and $5 million, respectively, related to long-lived assets due to the current economic and commodity price environment. These assets were impaired to fair value. The transportation contract impairments relate to the Marketing segment and the long-lived asset impairments relate to the Oil and Gas Exploration and Production segment.

The $74 million impairment of transportation contracts reduced the net book value of these contracts to $8 million. Fair value was determined using a discounted cash flow approach, incorporating market-based inputs. The Company determined that this represented a Level 2 fair value measurement. Amortization expense for transportation contracts for the nine months ended September 30, 2009 was $13 million.

6. Investments

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 noncontrolling 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 investment in these entities under the equity method of accounting. At September 30, 2009, the carrying amount of these investments was $2.79 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 with the distributable value of its interest in the corresponding investee. Accordingly, the investments and the obligations are presented net on the consolidated balance sheet with the excess of the notes payable to affiliates over the aggregate investment carrying amount included in other long-term liabilities - other for all periods presented. Other income (expense) for the three and nine months ended September 30, 2009 includes interest expense on the notes payable to the investee entities of $(12) million and $(48) million, respectively, and equity in earnings from Anadarko's investments in the investee entities of $11 million and $34 million, respectively. Other income (expense) for the three and nine months ended September 30, 2008 includes interest expense on the notes payable to the investee entities of $(27) million and $(96) million, respectively, and equity in earnings from Anadarko's investments in the investee entities of $32 million and $106 million, respectively.

7. Derivative Instruments

Objective & Strategy The Company is exposed to commodity price and interest rate risk, and management considers it prudent to periodically reduce the Company's exposure to cash-flow variability resulting from commodity price changes and interest rate fluctuations. Accordingly, the Company enters into certain derivative instruments in order to manage its exposure to these risks.

Futures, swaps and options are used to manage the Company's exposure to commodity price risk inherent in the Company's oil and gas production and gas processing operations (Oil and Gas Production/Processing Derivative Activities). Futures contracts and commodity swap agreements are used to fix the price of expected future oil and gas sales at major industry trading locations, such as Henry Hub, Louisiana for gas and Cushing, Oklahoma for oil. Basis swaps are used to fix or float the price differential between the product price at one market location versus another. Options are used to establish a floor and a ceiling price (collar) for expected future oil and gas sales. Derivative instruments are also used to manage commodity price risk inherent in customer pricing requirements and to fix margins on the future sale of natural gas and NGLs from the Company's leased storage facilities (Marketing and Trading Derivative Activities).

The Company may also enter into physical-delivery sales contracts to manage cash-flow variability. These contracts call for the receipt or delivery of physical product at a specified location and price, which may be fixed or market-based.

Interest rate swaps are used to fix or float interest rates on existing or anticipated indebtedness. The purpose of these instruments is to mitigate the Company's existing or anticipated exposure to unfavorable interest rate changes.

The Company does not apply hedge accounting to any of its derivative instruments. The application of hedge accounting was discontinued by the Company for periods beginning on or after January 1, 2007. As a result, both realized and unrealized gains and losses associated with derivative instruments are recognized in earnings. Net derivative losses attributable to derivatives previously subject to hedge accounting and residing in accumulated other comprehensive income (loss) are reclassified to earnings in future periods as the economic transactions to which the derivatives relate are recorded in earnings.

The accumulated other comprehensive loss balances related to commodity derivatives at September 30, 2009 and December 31, 2008, were $13 million ($8 million after tax) and $22 million ($14 million after tax), respectively. The accumulated other comprehensive loss balances related to interest rate derivatives at September 30, 2009 and December 31, 2008, were $145 million ($93 million after tax) and $163 million ($104 million after tax), respectively.

7. Derivative Instruments (Continued)

Oil and Gas Production/Processing Derivative Activities Below is a summary of the Company's derivative instruments related to its oil and gas production as of September 30, 2009. The natural gas prices listed below are New York Mercantile Exchange (NYMEX) Henry Hub prices. The crude oil prices listed below reflect a combination of NYMEX Cushing and London Brent Dated prices.

	2009	2010	2011	2012
Natural Gas				
Three-Way Collars (thousand MMBtu/d)	530	1,630	420	420
Average price per MMBtu				
Ceiling sold price (call)	$ 11.25	$ 8.23	$ 8.29	$ 9.04
Floor purchased price (put)	$ 7.50	$ 5.59	$ 6.50	$ 6.50
Floor sold price (put)	$ 5.45	$ 4.22	$ 5.00	$ 5.00
Fixed-Price Contracts (thousand MMBtu/d)	—	90	90	—
Average price per MMBtu	$ —	$ 6.10	$ 6.17	$ —
Basis Swaps (thousand MMBtu/d)	1,200	465	45	—
Price per MMBtu	$ (0.85)	$ (1.16)	$ (1.74)	$ —

MMBtu— million British thermal units
MMBtu/d— million British thermal units per day

	2009	2010	2011	2012
Crude Oil				
Three-Way Collars (MBbls/d)	48	110	3	2
Average price per barrel				
Ceiling sold price (call)	$ 87.04	$ 87.65	$ 86.00	$ 92.50
Floor purchased price (put)	$ 52.51	$ 63.37	$ 50.00	$ 50.00
Floor sold price (put)	$ 37.51	$ 48.37	$ 35.00	$ 35.00

MBbls/d— thousand barrels per day

A three-way collar is a combination of three 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 Derivative Activities In addition to the positions in the above tables, the Company also engages in marketing and trading activities, which include physical product sales and derivative transactions entered into to reduce commodity price risk associated with certain physical product sales. At September 30, 2009 and December 31, 2008, the Company had outstanding physical transactions for 57 billion cubic feet (Bcf) and 51 Bcf, respectively, offset by derivative transactions for 32 Bcf and 34 Bcf, respectively, for net positions of 25 Bcf and 17 Bcf, respectively.

Interest Rate Derivatives As discussed in Note 8, during the first nine months of 2009, Anadarko issued fixed-rate senior notes in the aggregate principal amount of $2.0 billion. In advance of certain of these debt issuances, Anadarko entered into derivative financial instruments, effectively hedging the U.S. Treasury portion of the coupon rate on a portion of this debt. These derivative instruments were settled concurrently with the associated debt issuances, resulting in a realized loss of $16 million for the nine months ended September 30, 2009, reflected in other (income) expense, net.

7. Derivative Instruments (Continued)

As of September 30, 2009, the Company had scheduled debt maturities of approximately $3.5 billion in 2011 and 2012. In anticipation of refinancing a portion of these maturing debt obligations, in December 2008 and January 2009 Anadarko entered into interest rate swap agreements to hedge a portion of the fixed interest rate it would pay on an aggregate notional principal amount of $3.0 billion, over a reference term of either 10 years or 30 years, beginning in 2011 and 2012. The swap instruments include a provision that requires both the termination of the swaps and cash settlement in full at the start of the reference period. A summary of the swaps detailing the outstanding notional principal amounts and the associated reference periods is shown in the table below.

Increases in the reference U.S. Treasury rates since contract inception have increased the value of this swap portfolio to Anadarko, the fixed-rate payor. During the second quarter of 2009, the Company revised the contractual terms of this swap portfolio to increase the weighted average interest rate it is required to pay on the $3.0 billion notional principal amount from approximately 3.25% to approximately 4.80%, and realized $552 million in cash. This realized gain was recorded to other income (expense), net for the nine months ended September 30, 2009. Unrealized losses of $131 million and $220 million were recorded to other income (expense), net for the three and nine months ended September 30, 2009, respectively, attributable to further fair value changes of this swap portfolio.

The Company's interest rate derivative positions outstanding as of September 30, 2009, are as follows:

millions	**Reference Period**		**Weighted–Average**
Notional Principal Amount:	**Start**	**End**	**Interest Rate**
$750	October 2011	October 2021	4.72%
$1,250	October 2011	October 2041	4.83%
$250	October 2012	October 2022	4.91%
$750	October 2012	October 2042	4.80%

In 2008, Anadarko also entered into 18-month interest rate swaps with a notional principal amount of $1.0 billion, whereby the Company paid a fixed interest rate and received a floating interest rate indexed to the three-month LIBOR rate. These swaps expired and final settlement was made in September 2009.

7. Derivative Instruments (Continued)

Effect of Derivative Instruments – Balance Sheet The fair value of all oil and gas and interest rate derivative instruments not designated as hedging instruments (including physical-delivery sales contracts) is included in the table below.

millions Derivatives	Balance Sheet Classification	Gross Asset Derivatives September 30, 2009	Gross Asset Derivatives December 31, 2008	Gross Liability Derivatives September 30, 2009	Gross Liability Derivatives December 31, 2008
Commodity	Other Current Assets	**$ 168**	$ 709	**$ (48)**	$ (134)
	Other Assets	**8**	156	**(4)**	(24)
	Accrued Expenses	**134**	—	**(269)**	(14)
	Other Liabilities	**24**	1	**(201)**	(28)
	Total Commodity Derivatives	**334**	866	**(522)**	(200)
Interest Rate	Other Assets	**1**	3	**—**	—
	Accrued Expenses	**—**	—	**—**	(10)
	Other Liabilities	**—**	—	**(217)**	—
Total Derivatives		**$ 335**	$ 869	**$ (739)**	$ (210)

Effect of Derivative Instruments – Statement of Income The unrealized and realized gain or loss amounts and classification related to derivative instruments not designated as hedging instruments are as follows:

		Amount of Gain (Loss) Recognized			
millions Derivatives	Classification of Gain (Loss) Recognized	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Commodity	Gas Sales	**$ (151)**	$ 859	**$ (302)**	$ 397
	Oil and Condensate Sales	**34**	1,312	**(134)**	(729)
	Gathering, Processing and Marketing Sales*	**(38)**	30	**(106)**	21
Interest Rate	Other Income (Expense), net	**(131)**	—	**316**	—
	Interest Expense	**—**	(2)	**(1)**	3
Total Derivative Gain (Loss)		**$ (286)**	$ 2,199	**$ (227)**	$ (308)

*Represents the effect of marketing and trading derivative activities.

The unrealized gain or loss amounts and classification related to derivative instruments included in the table above not designated as hedging instruments are as follows:

		Amount of Unrealized Gain (Loss) Recognized			
millions Derivatives	Classification of Unrealized Gain (Loss) Recognized	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Commodity	Gas Sales	**$ (257)**	$ 835	**$ (638)**	$ 480
	Oil and Condensate Sales	**34**	1,505	**(173)**	(242)
	Gathering, Processing and Marketing Sales	**(14)**	29	**(43)**	35
Interest Rate	Other Income (Expense), net	**(131)**	—	**(220)**	—
	Interest Expense	**5**	(2)	**10**	3
Total Derivative Unrealized Gain (Loss)		**$ (363)**	$ 2,367	**$ (1,064)**	$ 276

7. Derivative Instruments (Continued)

Credit Risk Considerations The financial integrity of exchange-traded contracts are assured by NYMEX or the Intercontinental Exchange through their systems of financial safeguards and transaction guarantees and are subject to nominal credit risk. Over-the-counter traded swaps, options and futures contracts expose the Company to counterparty credit risk. The Company monitors the creditworthiness of each of its counterparties, establishes credit limits according to the Company's credit policies and guidelines, and assesses the impact, if any, of counterparties' creditworthiness on fair value. The Company has the ability to require cash collateral or letters of credit to mitigate credit-risk exposure. The Company also routinely exercises its contractual right to net realized gains against realized losses when settling with its counterparties.

The Company's net asset derivatives recorded at fair value on the balance sheet include amounts attributable to agreements entered into with financial institutions. Approximately $238 million of the Company's $335 million gross derivative asset balance at September 30, 2009 was attributable to open positions with financial institutions. The Company has netting and setoff agreements with each of these counterparties, which permit the net settlement of these gross derivative assets against gross derivative liabilities with this same group of counterparties. As of September 30, 2009, $221 million of the Company's $739 million gross derivative liability balance is permitted to offset the gross derivative asset balance. The table below includes the financial impact of our netting arrangements on the fair value of our outstanding derivative positions.

Certain of the Company's derivative instruments contain provisions requiring either full or partial collateralization of the Company's obligations, or the immediate settlement of all such obligations in the event of a downgrade in the Company's credit rating to a level below investment grade from major credit rating agencies. The aggregate fair value of all derivative instruments with credit-risk-related contingent features for which a net liability position existed on September 30, 2009 was $275 million. This amount represents the amount that the Company would have to either collateralize or cash settle in the event the Company's credit rating was downgraded to a level below investment grade and the credit-risk-related features of such instruments were exercised.

Fair Value The fair value of commodity futures contracts are based on inputs that are quoted prices in active markets for identical assets or liabilities, 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. Therefore, the Company categorizes these measurements as Level 2.

The following table sets forth, by level within the fair value hierarchy, the fair value of the Company's financial assets and liabilities at September 30, 2009.

millions	Level 1	Level 2	Level 3	Netting and Collateral [1]	Total
Assets:					
Commodity derivatives	$ 1	$ 333	$ —	$ (209)	$ 125
Interest rate derivatives	—	1	—	—	1
Total	$ 1	$ 334	$ —	$ (209)	$ 126
Liabilities:					
Commodity derivatives	$ (5)	$ (517)	$ —	$ 261	$ (261)
Interest rate derivatives	—	(217)	—	—	(217)
Total	$ (5)	$ (734)	$ —	$ 261	$ (478)

[1] Represents the impact of netting assets, liabilities and collateral with counterparties with which the right of setoff exists. Cash collateral held by counterparties from Anadarko was $97 million at September 30, 2009. Anadarko held no cash collateral from counterparties at September 30, 2009.

8. Debt and Interest Expense

Debt The following table presents the outstanding debt of the Company as of September 30, 2009 and December 31, 2008.

	September 30, 2009			December 31, 2008		
millions	**Principal**	**Carrying Value**	**Fair Value**	Principal	Carrying Value	Fair Value
Current and long-term debt	**$ 12,909**	**$ 11,141**	**$ 11,714**	$ 12,381	$ 10,600	$ 9,592
Midstream subsidiary note payable to a related party	**1,639**	**1,639**	**1,639**	1,739	1,739	1,739
Total debt	**$ 14,548**	**$ 12,780**	**$ 13,353**	$ 14,120	$ 12,339	$ 11,331

The following table presents the debt activity of the Company for the nine months ended September 30, 2009.

millions	**Activity**	**Principal**	**Carrying Value**	**Description**
Balance as of December 31, 2008		$ 14,120	$ 12,339	
First Quarter 2009				
	Issuance	**500**	**499**	7.625% Senior Notes due 2014
	Issuance	**600**	**598**	8.70% Senior Notes due 2019
	Repayments	**(452)**	**(452)**	Floating Rate Notes due 2009
	Other, net	**—**	**6**	Accretion and discount amortization
Second Quarter 2009				
	Issuance	**275**	**274**	5.75% Senior Notes due 2014
	Issuance	**300**	**297**	6.95% Senior Notes due 2019
	Issuance	**325**	**324**	7.95% Senior Notes due 2039
	Repayments	**(968)**	**(968)**	Floating Rate Notes due 2009
	Repayments	**(52)**	**(52)**	7.30% Notes due 2009
	Other, net	**—**	**8**	Accretion and discount amortization
Third Quarter 2009				
	Repayments	**(100)**	**(100)**	Midstream Subsidiary Note Payable to a Related Party
	Other, net	**—**	**7**	Accretion and discount amortization
Balance as of September 30, 2009		**$ 14,548**	**$ 12,780**	

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 terminates in March 2013. As of September 30, 2009, the Company had no outstanding borrowings under the RCA. The Company was in compliance with existing covenants and the full amount of the RCA was available for borrowing at September 30, 2009.

See Note 6 for disclosure regarding Anadarko's notes payable to certain investees that do not affect its reported debt balance.

8. Debt and Interest Expense (Continued)

Interest Expense The following table summarizes the amounts included in interest expense.

	Three Months Ended September 30		Nine Months Ended September 30	
millions	**2009**	2008	**2009**	2008
Gross interest expense –				
Current debt, long-term debt and other[1]	**$ 129**	$ 188	**$ 521**	$ 574
Midstream subsidiary note payable to a related party	**9**	20	**32**	82
Capitalized interest[2]	**(17)**	(28)	**(48)**	(98)
Net interest expense	**$ 121**	$ 180	**$ 505**	$ 558

[1] Included in the three-month and nine-month periods ended September 30, 2009, is the reversal of the $78 million liability for unpaid interest related to the DWRRA dispute. See Note 10.

[2] Included in the nine-month period ended September 30, 2008 is additional capitalized interest related to a prior period of $16 million.

See Note 6 for disclosure regarding interest expense incurred on certain notes payable to unconsolidated affiliates which is reported in other (income) expense.

9. Stockholders' Equity

Common Stock The reconciliation between basic and diluted EPS from continuing operations attributable to common stockholders is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
millions except per share amounts	**2009**	2008	**2009**	2008
Income:				
Income (loss) from continuing operations attributable to common stockholders	**$ 200**	$ 2,164	**$ (364)**	$ 2,416
Less: Distributions to participating securities	**—**	1	**—**	2
Less: Undistributed income allocated to participating securities	**2**	27	**—**	29
Basic	**$ 198**	$ 2,136	**$ (364)**	$ 2,385
Diluted	**$ 198**	$ 2,136	**$ (364)**	$ 2,385
Shares:				
Basic				
Weighted-average common shares outstanding	**491**	466	**476**	467
Dilutive effect of stock options and performance-based stock awards	**2**	1	**—**	1
Diluted	**493**	467	**476**	468
Income (loss) per common share:				
Basic	**$ 0.40**	$ 4.59	**$ (0.77)**	$ 5.11
Diluted	**$ 0.40**	$ 4.58	**$ (0.77)**	$ 5.10

9. Stockholders' Equity (Continued)

All prior-period EPS data presented above have been adjusted retrospectively to conform to the requirements of a new accounting standard, which addresses whether instruments granted in share-based payment transactions constitute participating securities. For the nine months ended September 30, 2009, basic EPS was not impacted by the two-class method because the Company's participating securities are not obligated to share in the losses of the Company, and diluted EPS was not impacted because the inclusion of these securities would have had an anti-dilutive effect on diluted EPS. For both the three and nine months ended September 30, 2008, basic and diluted EPS, as previously reported, decreased $0.06 and $0.04, respectively, under the two-class method.

For the three and nine months ended September 30, 2009, awards for 5.8 million and 14.1 million average shares, respectively, of common stock were excluded from the diluted EPS calculation because the inclusion of these shares would have had an anti-dilutive effect. For the three and nine months ended September 30, 2008, awards for 6.8 million and 6.9 million average shares, respectively, of common stock were excluded from the diluted EPS calculation because the inclusion of these shares would have had an anti-dilutive effect.

In May 2009, Anadarko completed a public offering of 30 million shares of common stock at $45.50 per share. After deducting the underwriting discount and other offering costs of $28 million, net proceeds to the Company were approximately $1.3 billion. Net proceeds from the offering are to be used for general corporate purposes, including capital expenditures.

For all periods presented, quarterly dividends of nine cents per share were paid to holders of common stock. As of September 30, 2009, the covenants contained in certain of the Company's credit and lease agreements provided for a maximum debt-to-capitalization ratio of 60%. The covenants do not specifically restrict the payment of dividends; however, the impact of dividends paid on the Company's debt-to-capitalization ratio must be considered in order to ensure covenant compliance. Based on these covenants, as of September 30, 2009, retained earnings of approximately $11.8 billion were not limited as to the payment of dividends.

10. Commitments and Contingencies

General Litigation charges and adjustments of $1 million and $46 million decreased income from continuing operations before income taxes for the three and nine months ended September 30, 2009, respectively. Litigation charges and adjustments of $103 million and $109 million decreased income from continuing operations before income taxes for the three and nine months ended September 30, 2008, respectively. The Company is a defendant in a number of lawsuits and is involved in government proceedings, 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 flows 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 Corporation (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 royalty payments 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. The discovery process is ongoing. The court has entered an order whereby the case will be tried in phases. The claims against the Company have yet to be set for trial. Prior to its acquisition by Anadarko, Kerr-McGee reached a settlement with the government; however, the court permitted Mr. Wright to conduct additional discovery to test the reasonableness of the settlement. The Company believes that any additional loss is unlikely to have a material adverse effect on Anadarko's consolidated financial position, results of operations or cash flows.

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 royalties on certain federal leases located in the deep waters of the Gulf of Mexico. 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). After the passage of the DWRRA, the Minerals Management Service (MMS), an agency of the Department of the Interior (DOI), inserted price thresholds into leases issued in 1996, 1997 and 2000 that effectively eliminated the DWRRA royalty relief if these price thresholds were exceeded. The Company's 1998 and 1999 leases did not contain price threshold provisions.

In January 2006, the DOI issued an order (the 2006 Order) to Kerr-McGee Oil and Gas Corporation (KMOG), a subsidiary of Kerr-McGee, 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 considered royalties to be suspended under the DWRRA. 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 (Kerr-McGee v. Allred)* 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 on the eight leases listed in the 2006 Order. In May 2007, KMOG filed a motion for summary judgment with the District Court for the Western District of Louisiana which ruled in favor of KMOG in October 2007. The DOI appealed the decision to the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit). In January 2009, a three-judge Fifth Circuit panel unanimously affirmed the District Court's ruling in favor of KMOG. At the end of March 2009, the DOI filed a petition for rehearing by the full Fifth Circuit (en banc) which was denied on April 14, 2009. The DOI filed a petition for a *writ of certiorari* with the U.S. Supreme Court which was denied on October 5, 2009.

10. Commitments and Contingencies (Continued)

The MMS issued two additional orders to Anadarko in 2008 and 2009 to pay "past-due" royalties and interest covering several deepwater Gulf of Mexico leases, including certain leases contained in the 2006 Order. Generally, the orders issued in 2008 and 2009 cover time periods not included in the 2006 Order. Anadarko has filed administrative appeals of the 2008 and 2009 orders with the MMS and the appeals are currently stayed pending a final non-appealable judgment of *Kerr-McGee v. Allred*. The MMS has approved Anadarko's request to "self-bond" the appeal of the order issued in 2008 in lieu of filing a letter of credit or other surety instrument. Anadarko is awaiting a response from the MMS on its request to "self-bond" the appeal of the 2009 order.

Based on the U.S. Supreme Court's denial of the DOI's petition for review by the court, Anadarko reversed its $657 million accrued liability for royalties that could be owed on leases listed in the 2006 Order, similar orders to pay issued in 2008 and 2009, and other deepwater Gulf of Mexico leases with similar price threshold provisions. The Company's accrued liability of $657 million related to royalties on production from January 2003 through September 2009, including a $165 million liability related to pre-acquisition contingencies recorded in purchase accounting. In addition, the Company reversed its $78 million accrued liability for interest on these unpaid royalty amounts, substantially all of which related to post-acquisition periods.

Guarantees and Indemnifications Under the terms of the Master Separation Agreement entered into between Kerr-McGee and Tronox Incorporated (Tronox), a former wholly-owned Kerr-McGee 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 September 30, 2009, the Company has a long-term liability of $95 million recorded for the remaining guarantee obligation of $95 million.

The Company also provides certain indemnifications in relation to dispositions of assets. 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. At September 30, 2009, other long-term liabilities included a $46 million liability for this contingency. The Company believes it is probable that this remaining indemnification will be settled with the purchaser in cash.

Value Creation Plan As a part of its employee compensation program, the Company offers an incentive compensation program that generally provides non-officer employees the opportunity to earn cash bonus awards based on the Company's total shareholder return for the year, compared to the total shareholder return of a predetermined group of peer companies, with a possible aggregate payout range of zero to approximately $146 million. As of September 30, 2009, the Company has accrued approximately $30 million for the 2009 performance period; this amount represents the Company's best estimate of the fair value of the liability associated with this plan at September 30, 2009.

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 (if any) with respect to these claims will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Anadarko is also subject to various environmental remediation and reclamation obligations arising from federal, state and local laws and regulations. As of September 30, 2009, the Company's balance sheet included a $96 million liability for remediation and reclamation obligations. The Company continually monitors the remediation and reclamation process and the liability recorded.

In October 2009, the Company entered into an agreement to indirectly fund a portion of loans to a third party constructing a floating production, storage and offloading vessel that will be used in the Company's Ghana operations. The Company's commitment to fund this loan is approximately $128 million. Approximately $27 million is expected to be loaned in the fourth quarter of 2009, and the balance of $101 million in 2010. The Company previously funded $33 million in loans to this entity, under a similar agreement, which is reported as a receivable and included in other long-term assets in the consolidated balance sheet.

11. Income Taxes

Following is a summary of income tax expense (benefit) and effective tax rates for the three and nine months ended September 30, 2009 and September 30, 2008, respectively.

	Three Months Ended September 30		Nine Months Ended September 30	
millions except percentages	**2009**	2008	**2009**	2008
Income tax expense (benefit)	**$ 207**	$ 1,181	**$ (142)**	$ 1,761
Effective tax rate	**50%**	35%	**29%**	42%

The variance from the 35% statutory rate for the three months ended September 30, 2009 is primarily attributable to U.S. residual income tax on foreign income, the accrual of the Algerian exceptional profits tax, which is non-deductible for Algerian income tax purposes, changes in uncertain tax positions and other foreign taxes in excess of the federal statutory rate, partially offset by U.S. income tax benefits from investments in foreign subsidiaries, state income taxes and other items. The variance from the 35% statutory rate for the nine months ended September 30, 2009 is primarily attributable to the accrual of the Algerian exceptional profits tax, other foreign taxes in excess of the federal statutory rate, U.S. residual income tax on foreign income, partially offset by benefits associated with changes in uncertain tax positions, state income taxes, including a change in the state income tax rate expected to be in effect at the time the Company's deferred state income tax liability is expected to be settled or realized, and U.S. income tax benefits from investments in foreign stock and other items. The variance from the 35% statutory rate for the three months ended September 30, 2008 is primarily attributable to the accrual of the Algerian exceptional profits tax, other foreign taxes in excess of the federal statutory rate, state income taxes and other items. The variance from the 35% statutory rate for the nine months ended September 30, 2008 also includes the recognition of tax expense on the Company's subsequent divestiture in December 2008 of its 50% interest in the Peregrino field offshore Brazil in advance of the recognition of the associated gain on sale and the tax effect of the prior-period book income correction recorded in the first quarter of 2008.

12. Statements of Cash Flows Supplemental Information

The following table presents amounts of cash paid for interest (net of amounts capitalized) and income taxes, including amounts related to discontinued operations, and non-cash transactions.

	Nine Months Ended September 30	
millions	**2009**	2008
Cash paid:		
Interest	**$ 593**	$ 619
Income taxes[(1)]	**$ 145**	$ 823
Non-cash investing activities:		
Fair value of properties and equipment received in non-cash exchange transactions	**$ 39**	$ 108

(1) Includes $567 million of federal income tax refunds received during the nine months ended September 30, 2008.

13. Segment Information

Anadarko's primary business segments are vertically integrated within the oil and gas industry. These segments are separately managed 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 production purchased.

To assess the operating results of Anadarko's segments, management analyzes income from continuing operations before income taxes, interest expense, exploration expense, depreciation, depletion and amortization (DD&A) expense and impairments, less net income attributable to noncontrolling interests (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, DD&A 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 definition of 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 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 (loss) from continuing operations attributable to common stockholders and other performance measures, such as operating income or cash flow from operating activities. Below is a reconciliation of consolidated Adjusted EBITDAX to income (loss) from continuing operations before income taxes.

	Three Months Ended September 30		Nine Months Ended September 30	
millions	**2009**	2008	**2009**	2008
Income (loss) from continuing operations before income taxes	**$ 413**	$ 3,355	**$ (483)**	$ 4,192
Exploration expense	**224**	373	**813**	880
Depreciation, depletion and amortization expense	**909**	844	**2,648**	2,438
Impairments	**5**	56	**79**	67
Interest expense	**121**	180	**505**	558
Less: Net income attributable to noncontrolling interests	**6**	10	**23**	15
Consolidated Adjusted EBITDAX	**$ 1,666**	$ 4,798	**$ 3,539**	$ 8,120

13. Segment Information (Continued)

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 September 30, 2009:					
Sales revenues	**$ 973**	**$ 49**	**$ 1,011**	**$ —**	**$ 2,033**
Intersegment revenues	**835**	**178**	**(931)**	**(82)**	**—**
Gains (losses) on divestitures and other, net	**27**	**(1)**	**—**	**24**	**50**
Reversal of accrual for DWRRA dispute	**657**	**—**	**—**	**—**	**657**
Total revenues and other	**$ 2,492**	**$ 226**	**$ 80**	**$ (58)**	**$ 2,740**
Operating costs and expenses [1]	**646**	**135**	**121**	**55**	**957**
Other (income) expense, net	**—**	**—**	**—**	**111**	**111**
Net income attributable to noncontrolling interests	**—**	**6**	**—**	**—**	**6**
Total	**646**	**141**	**121**	**166**	**1,074**
Adjusted EBITDAX	**$ 1,846**	**$ 85**	**$ (41)**	**$ (224)**	**$ 1,666**
Three Months Ended September 30, 2008:					
Sales revenues	$ 3,397	$ 76	$ 2,736	$ —	$ 6,209
Intersegment revenues	2,355	326	(2,565)	(116)	—
Gains (losses) on divestitures and other, net	1	—	—	(61)	(60)
Total revenues and other	$ 5,753	$ 402	$ 171	$ (177)	$ 6,149
Operating costs and expenses [1]	901	288	122	8	1,319
Other (income) expense, net	—	—	—	22	22
Net income attributable to noncontrolling interests	—	10	—	—	10
Total	901	298	122	30	1,351
Adjusted EBITDAX	$ 4,852	$ 104	$ 49	$ (207)	$ 4,798

[1] Operating costs and expenses exclude exploration, DD&A and impairment expenses since these expenses are excluded from Adjusted EBITDAX.

13. Segment Information (Continued)

millions	Oil and Gas Exploration & Production	Midstream	Marketing	Other and Intersegment Eliminations	Total
Nine Months Ended September 30, 2009:					
Sales revenues	**$ 1,933**	**$ 172**	**$ 3,204**	**$ —**	**$ 5,309**
Intersegment revenues	**2,659**	**511**	**(2,913)**	**(257)**	**—**
Gains (losses) on divestitures and other, net	**41**	**3**	**—**	**70**	**114**
Reversal of accrual for DWRRA dispute	**657**	**—**	**—**	**—**	**657**
Total revenues and other	**$ 5,290**	**$ 686**	**$ 291**	**$ (187)**	**$ 6,080**
Operating costs and expenses [(1)]	**1,887**	**423**	**356**	**191**	**2,857**
Other (income) expense, net	**—**	**—**	**—**	**(339)**	**(339)**
Net income attributable to noncontrolling interests	**—**	**23**	**—**	**—**	**23**
Total	**1,887**	**446**	**356**	**(148)**	**2,541**
Adjusted EBITDAX	**$ 3,403**	**$ 240**	**$ (65)**	**$ (39)**	**$ 3,539**
Nine Months Ended September 30, 2008:					
Sales revenues	$ 4,762	$ 219	$ 6,662	$ —	$ 11,643
Intersegment revenues	5,708	911	(6,245)	(374)	—
Gains (losses) on divestitures and other, net	168	(3)	—	105	270
Total revenues and other	$ 10,638	$ 1,127	$ 417	$ (269)	$ 11,913
Operating costs and expenses [(1)]	2,641	786	343	12	3,782
Other (income) expense, net	—	—	—	(4)	(4)
Net income attributable to noncontrolling interests	—	15	—	—	15
Total	2,641	801	343	8	3,793
Adjusted EBITDAX	$ 7,997	$ 326	$ 74	$ (277)	$ 8,120
September 30, 2009:					
Net properties and equipment	**$** 32,028	$ 3,100	$ 21	$ 1,554	$ 36,703
December 31, 2008:					
Net properties and equipment	$ 32,436	$ 2,987	$ 27	$ 1,597	$ 37,047

[(1)] Operating costs and expenses exclude exploration, DD&A and impairment expenses since these expenses are excluded from Adjusted EBITDAX. Included in the Midstream segment for the nine months ended September 30, 2008 is a reduction of accrued expenses related to a prior period of $29 million.

14. 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. Retiree health care benefits are funded by contributions from the Company and the retiree. The Company's retiree life insurance plan is noncontributory.

During the nine months ended September 30, 2009, the Company made contributions of $133 million to its funded pension plans, $17 million to its unfunded pension plans and $14 million to its unfunded other postretirement benefit plans. Contributions to funded plans increase plan assets while contributions to unfunded plans are used to fund current benefit payments. During the remainder of 2009, the Company expects to contribute approximately $14 million to its funded pension plans, approximately $6 million to its unfunded pension plans and approximately $8 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 September 30		**Three Months Ended September 30**	
millions	**2009**	2008	**2009**	2008
Components of net periodic benefit cost				
Service cost	**$ 13**	$ 14	**$ 1**	$ 4
Interest cost	**20**	19	**4**	5
Expected return on plan assets	**(17)**	(19)	**—**	—
Amortization of actuarial loss (gain)	**11**	2	**—**	—
Amortization of prior service cost (credit)	**—**	—	**—**	—
Settlements	**—**	—	**—**	—
Net periodic benefit cost	**$ 27**	$ 16	**$ 5**	$ 9

	Pension Benefits		**Other Benefits**	
	Nine Months Ended September 30		**Nine Months Ended September 30**	
millions	**2009**	2008	**2009**	2008
Components of net periodic benefit cost				
Service cost	**$ 40**	$ 41	**$ 6**	$ 11
Interest cost	**59**	58	**13**	15
Expected return on plan assets	**(53)**	(59)	**—**	—
Amortization of actuarial loss (gain)	**36**	7	**(1)**	—
Amortization of prior service cost (credit)	**1**	1	**(1)**	(1)
Settlements	**10**	—	**—**	—
Net periodic benefit cost	**$ 93**	$ 48	**$ 17**	$ 25

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, marketing and midstream activities 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 of, demand for and the price of natural gas, oil, NGLs and other products or services, volatility in the commodity futures market, 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 or other obligations arising from Kerr-McGee's former chemical business, the capital or credit 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 Estimates" included in the Company's 2008 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.

The following discussion should be read together with the *Consolidated Financial Statements* and the *Notes to Consolidated Financial Statements*, which are included in this report in Item 1, and the *Risk Factors* information, which is included in this report in Item 1A, as well as the *Consolidated Financial Statements* and the *Notes to Consolidated Financial Statements*, which are included in Item 8, and the *Risk Factors* information, which is set forth in Item 1A of the 2008 Annual Report on Form 10-K.

Overview

Anadarko Petroleum Corporation is among the world's largest independent oil and natural gas exploration and production companies. Anadarko'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, with additional activity in Brazil, China, Ghana, Indonesia, Mozambique, Sierra Leone and several other countries.

Operating Highlights

Significant operational highlights by area during the third quarter of 2009 include:

United States Onshore

- The Company’s Rocky Mountain region achieved third-quarter production of approximately 249 thousand barrels of oil equivalent per day (MBOE/d), representing an approximate 15% increase over the third quarter of 2008.
- The Chipeta natural gas processing plant (75% ownership interest) continued to perform better than expected with a gross average daily natural gas liquids (NGLs) production of approximately 14,000 barrels per day (Bbls/d).
- The Company expanded its activity in the Marcellus Shale during the third quarter, spudding six operated horizontal wells and participating in eleven new horizontal wells and six completions as a non-operating partner. Anadarko holds interests in more than 630,000 gross acres in the Marcellus Shale play and operates about half of the acreage with an average working interest of 50%.

Gulf of Mexico

- The Company announced a discovery at the Vito exploration well (20% working interest) in Mississippi Canyon Block 984 encountering more than 250 net feet of oil pay.
- The Company successfully drilled a development well (33.75% working interest) near the Tonga West discovery as part of the Caesar/Tonga complex in the Green Canyon area. The well encountered more than 500 net feet of oil pay and will be tied back to Anadarko’s Constitution spar.
- The Company’s Gulf of Mexico region achieved third-quarter production of approximately 162 MBOE/d, representing a 10 MBOE/d sales-volume increase over the second quarter of 2009.

International

- The Company announced a deepwater discovery at the Venus prospect (40% working interest) in Block SL-6/07 offshore Sierra Leone encountering more than 45 net feet of hydrocarbon pay; thereby, confirming an active petroleum system in the Liberian basin.
- The Company recently announced a success at the Mahogany-4 appraisal well (30.875% working interest in the West Cape Three Points Block) offshore Ghana, which was spud during the third quarter. The well, which is located outside the existing Jubilee Unit boundary, encountered more than 140 net feet of oil pay and expanded the potentially productive area of the Jubilee field into the West Cape Three Points Block.
- The Company’s production at Bohai Bay in China increased 2,000 Bbl/d over the second quarter of 2009, achieving average production of approximately 47,500 Bbl/d for the third quarter.
- The Company commenced drilling of the South Grand Lahou exploration well (50% working interest) in Block CI-105 offshore Cote d’Ivoire during the third quarter which was subsequently declared a dry hole after reaching the targeted objective.
- The Ghanaian government formally approved the Jubilee field Phase I Plan of Development and Unitization Agreement. Jubilee remains on schedule to achieve first production during the fourth quarter of 2010.

Financial Highlights

Significant financial highlights during the third quarter of 2009 include:

- The Company generated $1.0 billion of cash flow from operations for the third quarter and ended the quarter on September 30, 2009 with $3.6 billion of cash on hand.
- The Company reversed its $735 million accrued liability for potential royalties and interest to be paid related to the Deepwater Royalty Relief Act (DWRRA) dispute.

The following discussion pertains to Anadarko's financial condition, results of operations and changes in financial condition. Unless noted otherwise, the following information relates to continuing operations and any increases or decreases "for the three months ended September 30, 2009" refer to the comparison of the three months ended September 30, 2009 to the three months ended September 30, 2008 and any increases or decreases "for the nine months ended September 30, 2009" refer to the comparison of the nine months ended September 30, 2009 to the nine months ended September 30, 2008. The primary factors that affect the Company's results of operations include, among other things, commodity prices for natural gas, crude oil and NGLs, production volumes, the Company's ability to discover additional oil and natural gas reserves, as well as the cost of finding reserves and costs and expenses required for continuing operations. Unless the context otherwise requires, the terms "Anadarko" or "Company" refer to Anadarko Petroleum Corporation and its consolidated subsidiaries. Below is an index by major category of discussion including a brief description of contents:

Table of Contents

Results of Continuing Operations

Selected Data

millions except per share amounts	Three Months Ended September 30 **2009**	2008	Nine Months Ended September 30 **2009**	2008
Financial Results				
Total revenues and other	**$ 2,740**	$ 6,149	**$ 6,080**	$ 11,913
Costs and expenses	**2,095**	2,592	**6,397**	7,167
Other (income) expense	**232**	202	**166**	554
Income tax expense (benefit)	**207**	1,181	**(142)**	1,761
Income (loss) from continuing operations attributable to common stockholders	**$ 200**	$ 2,164	**$ (364)**	$ 2,416
Income (loss) from continuing operations per common share attributable to common stockholders – diluted	**$ 0.40**	$ 4.58	**$ (0.77)**	$ 5.10
Average number of common shares outstanding – diluted	**493**	467	**476**	468
Operating Results				
Adjusted EBITDAX[1]	**$ 1,666**	$ 4,798	**$ 3,539**	$ 8,120
Sales volumes (MMBOE)	**57**	51	**167**	154

MMBOE – million barrels of oil equivalent

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

Financial Results

Income (Loss) from Continuing Operations Attributable to Common Stockholders For the third quarter of 2009, Anadarko's income from continuing operations attributable to common stockholders was $200 million or $0.40 per share (diluted). This compares to income from continuing operations attributable to common stockholders of $2.2 billion or $4.58 per share (diluted) for the third quarter of 2008. For the nine months ended September 30, 2009, Anadarko's loss from continuing operations attributable to common stockholders was $364 million or $0.77 per share (diluted). This compares to income from continuing operations attributable to common stockholders of $2.4 billion or $5.10 per share (diluted) for the same period of 2008.

Sales Revenues

millions except percentages	Three Months Ended September 30 **2009**	2008	Inc/(Dec) vs. 2008	Nine Months Ended September 30 **2009**	2008	Inc/(Dec) vs. 2008
Gas sales	**$ 446**	$ 2,395	(81)%	**$ 1,779**	$ 5,089	(65)%
Oil and condensate sales	**1,252**	3,217	(61)	**2,634**	4,911	(46)
Natural gas liquids sales	**166**	244	(32)	**365**	703	(48)
Gathering, processing and marketing sales	**169**	353	(52)	**531**	940	(44)
Total	**$ 2,033**	$ 6,209	(67)	**$ 5,309**	$ 11,643	(54)

Anadarko's sales revenues for the three and nine months ended September 30, 2009 decreased primarily due to lower commodity prices, including the impact of losses on commodity derivatives, partially offset by increased production volumes. The Company's sales revenues for the three months ended September 30, 2009 and 2008 include $(240) million and $2.4 billion, respectively, of net unrealized gains (losses) on derivatives. The Company's sales revenues for the nine months ended September 30, 2009 and 2008 include $(863) million and $274 million, respectively, of net unrealized gains (losses) on derivatives. Derivatives are entered into in order to manage price risk on natural gas, crude oil and condensate, NGLs and marketing sales. Realization of these unrealized losses is expected to be substantially offset by the value realized from the actual sale of 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 derivative gains and losses on Anadarko's sales revenues for the three and nine months ended September 30, 2009.

	Three Months Ended September 30		
millions	**Natural Gas**	**Oil and Condensate**	**NGLs**
2008 sales revenues	$ 2,395	$ 3,217	$ 244
Changes associated with sales volumes	116	250	100
Changes in prices, excluding derivatives	(1,053)	(936)	(178)
Changes in realized derivative gains and losses	82	194	—
Changes in unrealized derivative gains and losses	(1,094)	(1,473)	—
2009 sales revenues	**$ 446**	**$ 1,252**	**$ 166**

	Nine Months Ended September 30		
millions	**Natural Gas**	**Oil and Condensate**	**NGLs**
2008 sales revenues	$ 5,089	$ 4,911	$ 703
Changes associated with sales volumes	600	(84)	129
Changes in prices, excluding derivatives	(3,205)	(2,784)	(467)
Changes in realized derivative gains and losses	419	526	—
Changes in unrealized derivative gains and losses	(1,124)	65	—
2009 sales revenues	**$ 1,779**	**$ 2,634**	**$ 365**

The Company utilizes commodity derivative instruments to manage the risk of a decrease in the market prices for its anticipated sales of natural gas and crude oil. The impact of commodity price risk management (comprised of realized and unrealized derivative gains and losses) was a revenue decrease of $120 million during the third quarter of 2009 compared to an increase of $2.2 billion in the third quarter of 2008. The impact of commodity price risk management was a revenue decrease of $445 million during the first nine months of 2009 compared to a decrease of $331 million in the first nine months of 2008. See *Energy Price Risk* under Part I, Item 3 and *Note 7 – Derivative Instruments* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Analysis of Oil and Gas Operations Sales Volumes

	Three Months Ended September 30		Inc/(Dec)	Nine Months Ended September 30		Inc/(Dec)
	2009	2008	vs. 2008	**2009**	2008	vs. 2008
Barrels of Oil Equivalent (MMBOE except percentages)						
United States	**51**	44	16 %	**148**	134	10 %
Algeria	**5**	6	(17)	**15**	16	(6)
Other International	**1**	1	—	**4**	4	—
Total	**57**	51	12	**167**	154	8
Barrels of Oil Equivalent per Day (MBOE/d except percentages)						
United States	**547**	473	16	**541**	489	11
Algeria	**57**	64	(11)	**55**	57	(4)
Other International	**12**	15	(20)	**15**	16	(6)
Total	**616**	552	12	**611**	562	9

Anadarko's daily sales volumes for the three and nine months ended September 30, 2009 increased 64 MBOE/d and 49 MBOE/d, respectively. Volumes in the United States increased 74 MBOE/d for the three months ended September 30, 2009 primarily due to higher volumes in the Gulf of Mexico of 36 MBOE/d related to additional offshore production that came online during the fourth quarter of 2008, favorable weather conditions as compared to hurricane-related downtime experienced during the third quarter of 2008, and increased Independence Hub runtime during the current quarter as production returned to full capacity as compared to the third quarter of 2008, wherein Independence Hub experienced downtime as a result of export pipeline repair work. These items were partially offset by a decrease in production attributable to scheduled maintenance at Independence Hub. The current-quarter production increase in the United States was also attributable to higher volumes in the Rockies of 33 MBOE/d resulting from base-production increases triggered by dewatering coalbed methane wells, higher production uptime due to favorable weather, increased ethane recovery and bringing a new processing train online during the second quarter of 2009. Algerian volumes decreased 7 MBOE/d for the three months ended September 30, 2009 due to the timing of cargo liftings and variances in Organization of Petroleum Exporting Countries (OPEC) quotas. Anadarko's daily sales volumes for the nine months ended September 30, 2009 increased primarily due to increased production in the Rockies and in the Gulf of Mexico due to the items discussed above.

Sales volumes represent actual production volumes adjusted for changes in commodity inventories. Anadarko employs marketing strategies to help manage volumes and mitigate the effect of price volatility, which is likely to continue into the future.

Natural Gas Sales Volumes, Average Prices and Revenues

	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Inc/(Dec) vs. 2008 *(Percentages)*	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008	Inc/(Dec) vs. 2008 *(Percentages)*
United States						
Sales volumes — Bcf	**197**	183	8 %	**618**	548	13 %
MMcf/d	**2,144**	1,994	8	**2,264**	2,000	13
Price per Mcf, excluding derivatives	**$ 3.02**	$ 8.36	(64)	**$ 3.37**	$ 8.55	(61)
Realized gains (losses) on derivatives	**0.54**	0.13	315	**0.54**	(0.15)	460
	3.56	8.49	(58)	**3.91**	8.40	(53)
Unrealized gains (losses) on derivatives	**(1.30)**	4.57	(128)	**(1.03)**	0.89	(216)
Total	**$ 2.26**	$ 13.06	(83)	**$ 2.88**	$ 9.29	(69)
Gas sales revenues (millions)	**$ 446**	$ 2,395	(81)	**$ 1,779**	$ 5,089	(65)

Bcf – billion cubic feet
MMcf/d – million cubic feet per day
Mcf – thousand cubic feet

The Company's daily natural gas sales volumes increased 150 MMcf/d and 264 MMcf/d, respectively, for the three and nine months ended September 30, 2009. These increases were primarily related to higher sales volumes in the Rockies of 103 MMcf/d and 176 MMcf/d, respectively, for the three and nine months ended September 30, 2009, due to positive results from base production resulting from dewatering coalbed methane wells and higher production uptime due to favorable weather. The increase in production in the Gulf of Mexico of 58 MMcf/d and 104 MMcf/d, respectively, for the three and nine months ended September 30, 2009, related to favorable weather conditions as compared to hurricane-related downtime experienced during the third quarter of 2008 and increased Independence Hub runtime during the current quarter as compared to the third quarter of 2008, wherein export pipeline repair work resulted in downtime at Independence Hub. These increases were partially offset by a decrease in production due to scheduled maintenance at Independence Hub. In general, production of natural gas is not directly affected by seasonal changes in demand.

Excluding the impact of gains and losses on derivatives, Anadarko's average natural gas price for the three and nine months ended September 30, 2009 decreased primarily due to higher year-over-year natural gas production and storage volumes coupled with lower United States demand for natural gas. As of September 30, 2009, the Company has entered into commodity price risk management on approximately 25% of its anticipated natural gas sales volumes for the remainder of 2009, and on approximately 75% for the full year of 2010. The Company entered into commodity price risk management for the years 2011 and 2012. See *Note 7 – Derivative Instruments* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Crude Oil and Condensate Sales Volumes, Average Prices and Revenues

	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Inc/(Dec) vs. 2008 (Percentages)	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008	Inc/(Dec) vs. 2008 (Percentages)
United States						
Sales volumes — MMBbls	**13**	9	44 %	**32**	32	— %
MBbls/d	**136**	103	32	**117**	117	—
Price per barrel, excluding derivatives	**$ 63.79**	$ 114.26	(44)	**$ 53.77**	$ 107.89	(50)
Realized gains (losses) on derivatives	**—**	(15.27)	100	**1.00**	(11.35)	109
	63.79	98.99	(36)	**54.77**	96.54	(43)
Unrealized gains (losses) on derivatives	**2.24**	106.14	(98)	**(3.82)**	(2.90)	(32)
Total	**$ 66.03**	$ 205.13	(68)	**$ 50.95**	$ 93.64	(46)
Algeria						
Sales volumes — MMBbls	**5**	6	(17)	**15**	16	(6)
MBbls/d	**57**	64	(11)	**55**	57	(4)
Price per barrel, excluding derivatives	**$ 66.95**	$ 116.55	(43)	**$ 56.56**	$ 114.51	(51)
Realized gains (losses) on derivatives	**—**	(8.39)	100	**0.48**	(8.20)	106
	66.95	108.16	(38)	**57.04**	106.31	(46)
Unrealized gains (losses) on derivatives	**0.46**	85.29	(99)	**(4.02)**	(9.92)	59
Total	**$ 67.41**	$ 193.45	(65)	**$ 53.02**	$ 96.39	(45)
Other International						
Sales volumes — MMBbls	**1**	1	—	**4**	4	—
MBbls/d	**12**	15	(20)	**15**	16	(6)
Total	**$ 65.40**	$ 105.28	(38)	**$ 52.24**	$ 98.73	(47)
Total						
Sales volumes — MMBbls	**19**	16	19	**51**	52	(2)
MBbls/d	**205**	182	13	**187**	190	(2)
Total price per barrel, excluding derivatives	**$ 64.75**	$ 114.34	(43)	**$ 54.48**	$ 109.10	(50)
Realized gains (losses) on derivatives	**—**	(11.60)	100	**0.77**	(9.42)	108
	64.75	102.74	(37)	**55.25**	99.68	(45)
Unrealized gains (losses) on derivatives	**1.62**	90.11	(98)	**(3.58)**	(4.77)	25
Total	**$ 66.37**	$ 192.85	(66)	**$ 51.67**	$ 94.91	(46)
Total oil and condensate sales revenues (millions)	**$ 1,252**	$ 3,217	(61)	**$ 2,634**	$ 4,911	(46)

MMBbls—million barrels
MBbls/d—thousand barrels per day

Anadarko's daily crude oil and condensate sales volumes for the three and nine months ended September 30, 2009 increased 23 MBbls/d and decreased 3 MBbls/d, respectively. The increase for the three months ended September 30, 2009 was primarily related to higher crude oil sales volumes of 26 MBbls/d attributable to additional Gulf of Mexico production that came online during the fourth quarter of 2008, and favorable weather conditions as compared to the third quarter of 2008, which was marked by export pipeline repair work and other hurricane-related disruptions. The increase was offset by lower Algerian crude oil sales volumes of 7 MBbls/d in the third quarter of 2009 due to the timing of cargo liftings and variances in OPEC quotas. The decrease for the nine months ended September 30, 2009 was primarily related to lower crude oil sales volumes in the Gulf of Mexico through the second quarter of 2009 resulting from prolonged repairs of third-party infrastructure damaged during the 2008 hurricane season. Oil production is not usually affected by seasonal changes in demand.

Excluding the impact of gains and losses on derivatives, Anadarko's average crude oil price for the three and nine months ended September 30, 2009 decreased primarily due to increased spare OPEC production capacity coupled with decreased global demand, particularly in the United States, Europe, and Japan. As of September 30, 2009, the Company has employed commodity price risk management on approximately 27% of its anticipated oil and condensate sales volumes for the remainder of 2009 and on approximately 60% for the full year of 2010. The Company entered into commodity price risk management for the years 2011 and 2012. See *Note 7 – Derivative Instruments* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Natural Gas Liquids Sales Volumes, Average Prices and Revenues

	Three Months Ended September 30		Inc/(Dec)	Nine Months Ended September 30		Inc/(Dec)
	2009	2008	vs. 2008	**2009**	2008	vs. 2008
			(Percentages)			*(Percentages)*
United States						
Sales volumes—MMBbls	**5**	4	25 %	**13**	11	18 %
MBbls/d	**54**	38	42	**47**	39	21
Price per barrel	**$ 33.41**	$ 69.30	(52)	**$ 28.58**	$ 65.17	(56)
Natural gas liquids sales revenues (millions)	**$ 166**	$ 244	(32)	**$ 365**	$ 703	(48)

NGLs sales represent revenues from the sale of product derived from the processing of Anadarko's natural gas production. The Company's daily NGLs sales volumes for the three and nine months ended September 30, 2009 increased 16 MBbls/d and 8 MBbls/d, respectively, primarily in the Rockies due to increased ethane recovery and bringing a new processing train online during the second quarter of 2009. The average NGLs price decreased for the three and nine months ended September 30, 2009 primarily due to decreased global petrochemical demand in 2009. NGLs production is dependent upon natural gas and NGLs prices as well as the economics associated with the processing of natural gas to extract NGLs. In general, NGLs production is not affected by seasonal changes in demand.

Gathering, Processing and Marketing Margin

	Three Months Ended September 30		Inc/(Dec)	Nine Months Ended September 30		Inc/(Dec)
millions except percentages	**2009**	2008	vs. 2008	**2009**	2008	vs. 2008
Gathering, processing and marketing sales	**$ 169**	$ 353	(52)%	**$ 531**	$ 940	(44)%
Gathering, processing and marketing expenses	**151**	265	(43)	**469**	679	(31)
Margin	**$ 18**	$ 88	(80)	**$ 62**	$ 261	(76)

For the three and nine months ended September 30, 2009, gathering, processing and marketing margin decreased $70 million and $199 million, respectively. This decrease was primarily related to lower prices for natural gas, NGLs and condensate, lower margins associated with firm transportation contracts, and unrealized losses on derivatives related to gas storage due to its seasonal nature, as the margin realized on the sale of stored volumes covered by these derivative instruments will more than offset the recorded unrealized losses.

Gains (Losses) on Divestitures and Other, net

For the nine months ended September 30, 2008, gains (losses) on divestitures and other, net includes a net $82 million ($52 million after tax) charge related to corrections resulting from an analysis of property records after the adoption of the successful efforts method of accounting. This net amount includes a charge of $163 million related to 2007. Management concluded that this misstatement was not material to 2007 interim and annual results, nor to the 2008 period, and corrected the error in the first quarter of 2008.

Reversal of Accrual for DWRRA Dispute

On March 17, 2006, Kerr-McGee Oil and Gas Corp (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 (Kerr-McGee v. Allred)* in the U.S. District Court for the Western District of Louisiana against the Department of the Interior (DOI) for injunctive and declaratory relief with respect to the DOI's claims for additional royalties on the eight leases listed in the order issued by the DOI in 2006. In May 2007, KMOG filed a motion for summary judgment with the District Court for the Western District of Louisiana which ruled in favor of KMOG in October 2007. The DOI appealed the decision to the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit). In January 2009, a three-judge Fifth Circuit panel unanimously affirmed the District Court's ruling in favor of KMOG. At the end of March 2009, the DOI filed a petition for rehearing by the full Fifth Circuit (*en banc*) which was denied on April 14, 2009. On July 13, 2009, the DOI filed a petition for a *writ of certiorari* with the U.S. Supreme Court which was denied on October 5, 2009.

Based on the U.S. Supreme Court's denial of the DOI's petition for review by the court, Anadarko reversed its $657 million accrued liability for royalties that could be owed on leases listed in the 2006 order, similar orders to pay issued in 2008 and 2009, and other deepwater Gulf of Mexico leases with similar price threshold provisions. In addition, the Company reversed its $78 million accrued liability for unpaid interest on these amounts.

Effective October 1, 2009, royalties and interest will no longer be accrued. For more information on the DWRRA dispute, see *Note 10 - Commitments and Contingencies - Deepwater Royalty Relief Act* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Costs and Expenses

millions except percentages	**Three Months Ended September 30 2009**	Three Months Ended September 30 2008	Inc/(Dec) vs. 2008	**Nine Months Ended September 30 2009**	Nine Months Ended September 30 2008	Inc/(Dec) vs. 2008
Oil and gas operating	**$ 219**	$ 274	(20)%	**$ 720**	$ 778	(7)%
Oil and gas transportation and other	**151**	140	8	**467**	400	17
Exploration	**224**	373	(40)	**813**	880	(8)

For the three months ended September 30, 2009, oil and gas operating expenses decreased primarily due to lower outside-operated expense and lower surface maintenance expense, primarily in the Rockies, and decreased production handling costs in the Gulf of Mexico, partially offset by higher workover expense in the Gulf of Mexico. For the nine months ended September 30, 2009, oil and gas operating expense decreased primarily due to lower production handling expenses in the Gulf of Mexico, a decrease in surface maintenance expenses in the Rockies and a decrease in outside-operated expenses in the Rockies, Alaska and Algeria. These amounts were partially offset by increased workover and outside-operated expenses in the Gulf of Mexico and higher outside-operated expenses in the Rockies primarily associated with increased production volumes from tight gas and coalbed methane projects.

For the three and nine months ended September 30, 2009, oil and gas transportation and other expenses increased primarily due to higher third-party gas gathering and transportation costs attributable to increased production. The increase in expenses for the nine months ended September 30, 2009 was also due to higher drilling rig contract termination fees, partially offset by lower surface owner payments in the Rockies.

Exploration expense decreased by $149 million for the three months ended September 30, 2009, primarily due to a decrease in Gulf of Mexico dry hole expense of $106 million and lower non-producing leasehold amortization expense of $52 million, resulting from the acceleration of amortization expense that occurred in connection with the Company's third-quarter 2008 exit from Trinidad, partially offset by higher other exploration expense of $16 million primarily related to termination costs incurred in connection with the Company's third-quarter 2009 exit from Nigeria. Exploration expense decreased $67 million for the nine months ended September 30, 2009, primarily due to lower geological and geophysical expense of $64 million, primarily in Mozambique, a $57 million decrease in non-producing leasehold amortization expense, primarily in Trinidad, partially offset by an increase in dry hole expense of $28 million.

	Three Months Ended September 30		Inc/(Dec)	Nine Months Ended September 30		Inc/(Dec)
millions except percentages	**2009**	2008	vs. 2008	**2009**	2008	vs. 2008
General and administrative	**$ 223**	$ 216	3 %	**$ 658**	$ 619	6 %
Depreciation, depletion and amortization	**909**	844	8	**2,648**	2,438	9
Other taxes	**213**	424	(50)	**543**	1,306	(58)
Impairments	**5**	56	(91)	**79**	67	18

For the three and nine months ended September 30, 2009, general and administrative (G&A) expense increased primarily due to higher employee expenses, primarily attributable to benefit plan expense.

For the three months ended September 30, 2009, depreciation, depletion and amortization (DD&A) expense increased $65 million primarily due to a $95 million increase attributable to higher sales volumes, partially offset by lower costs of $20 million associated with acquiring, finding and developing oil and gas reserves. For the nine months ended September 30, 2009, DD&A expense increased $210 million. Approximately $194 million of this increase was due to higher sales volumes and higher costs of $15 million associated with acquiring, finding and developing oil and gas reserves.

For the three months ended September 30, 2009, other taxes decreased primarily due to lower commodity prices resulting in decreased Algerian exceptional profits tax expense of $95 million, decreased United States production and severance taxes of $90 million, and decreased Chinese windfall profits tax of approximately $21 million. For the nine months ended September 30, 2009, other taxes decreased primarily due to lower commodity prices resulting in decreased United States production and severance taxes of $353 million, decreased Algerian exceptional profits tax expense of $281 million, decreased Chinese windfall profits tax of approximately $72 million and decreased ad valorem taxes of $41 million.

Impairments for the three months ended September 30, 2009 totaled approximately $5 million, related to firm transportation contracts, and were triggered as a result of declining differentials between certain locations. Impairments for the three months ended September 30, 2008 related to $37 million of Midstream segment assets and $19 million of Oil and Gas Exploration and Production segment properties. Impairments of $74 million for the nine months ended September 30, 2009 were related to firm transportation contracts while $5 million of impairments were related to Oil and Gas Exploration and Production segment properties. Impairments for the nine months ended September 30, 2008 related to $37 million of Midstream segment assets and $30 million of Oil and Gas Exploration and Production segment properties.

Other (Income) Expense

millions except percentages	Three Months Ended September 30 2009		2008		Inc/(Dec) vs. 2008	Nine Months Ended September 30 2009		2008		Inc/(Dec) vs. 2008
Interest Expense										
Gross interest expense –										
Current debt, long-term debt and other	**$**	**129**	$	188	(31) %	**$**	**521**	$	574	(9)%
Midstream subsidiary note payable to a related party		**9**		20	(55)		**32**		82	(61)
Capitalized interest		**(17)**		(28)	(39)		**(48)**		(98)	(51)
Net interest expense		**121**		180	(33)		**505**		558	(9)
Other (Income) Expense, net										
Interest income		**(3)**		(13)	(77) %		**(16)**		(34)	(53)%
Interest rate swaps		**131**		—	NM		**(316)**		—	NM
Other		**(17)**		35	149		**(7)**		30	123
Total other (income) expense, net		**111**		22	(405)		**(339)**		(4)	8,375
Total	**$**	**232**	$	202	15	**$**	**166**	$	554	(70)

Interest Expense For the three and nine months ended September 30, 2009, Anadarko's gross interest expense decreased primarily due to the reversal of $78 million of previously accrued interest expense related to the DWRRA dispute.

Other (Income) Expense, net For the three months ended September 30, 2009, total other expense increased $89 million due to unrealized losses on interest rate swaps of $131 million recorded in 2009 and legal and environmental accruals of approximately $40 million in 2008. For the nine months ended September 30, 2009, total other income increased $335 million primarily related to net realized gains on interest rate swaps of $536 million, partially offset by unrealized losses on interest rate swaps of $220 million.

Income Tax Expense

millions except percentages	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
Income tax expense (benefit)	**$ 207**	$ 1,181	**$ (142)**	$ 1,761
Effective tax rate	**50%**	35%	**29%**	42%

For the three and nine months ended September 30, 2009, income tax expense related to continuing operations decreased 82% and 108%, respectively, primarily due to a decrease in income before income taxes.

The variance from the 35% statutory rate for the three months ended September 30, 2009 is primarily attributable to U.S. residual income tax on foreign income, the accrual of the Algerian exceptional profits tax, which is non-deductible for Algerian income tax purposes, changes in uncertain tax positions and other foreign taxes in excess of the federal statutory rate, partially offset by U.S. income tax benefits from investments in foreign subsidiaries, state income taxes and other items. The variance from the 35% statutory rate for the nine months ended September 30, 2009 is primarily attributable to the accrual of the Algerian exceptional profits tax, other foreign taxes in excess of the federal statutory rate, and U.S. residual income tax on foreign income, partially offset by benefits associated with changes in uncertain tax positions, state income taxes, including a change in the state income tax rate expected to be in effect at the time the Company's deferred state income tax liability is expected to be settled or realized, and U.S. income tax benefits from investments in foreign stock and other items. The variance from the 35% statutory rate for the three months ended September 30, 2008 is primarily attributable to the accrual of the Algerian exceptional profits tax, other foreign taxes in excess of the federal statutory rate, state income taxes and other items. The variance from the 35% statutory rate for the nine months ended September 30, 2008 also includes the recognition of tax expense on the Company's subsequent divestiture in December 2008 of its 50% interest in the Peregrino field offshore Brazil in advance of the recognition of the associated gain on sale and the tax effect of the prior-period book income correction recorded in the first quarter of 2008.

Net Income Attributable to Noncontrolling Interests

For the three and nine months ended September 30, 2009, the Company's net income attributable to noncontrolling interests of $6 million and $23 million, respectively, primarily related to a 36.5% public ownership interest in Western Gas Partners, LP, a consolidated subsidiary of the Company.

Operating Results

Segment Analysis—Adjusted EBITDAX To assess the operating results of Anadarko's segments, management analyzes income from continuing operations before income taxes, interest expense, exploration expense, DD&A expense and impairments, less net income attributable to noncontrolling interests (Adjusted EBITDAX). Anadarko'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 because capital expenditures are evaluated at the time capital costs are incurred. The Company's definition of 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 (loss) from continuing operations attributable to common stockholders 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 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 Anadarko's results as reported under GAAP. Below is a reconciliation of consolidated Adjusted EBITDAX to income (loss) from continuing operations before income taxes.

Adjusted EBITDAX

	Three Months Ended September 30		Inc/(Dec)	**Nine Months Ended September 30**		Inc/(Dec)
millions except percentages	**2009**	2008	vs. 2008	**2009**	2008	vs. 2008
Income (loss) from continuing operations before income taxes	**$ 413**	$ 3,355	(88)%	**$ (483)**	$ 4,192	(112)%
Exploration expense	**224**	373	(40)	**813**	880	(8)
Depreciation, depletion and amortization expense	**909**	844	8	**2,648**	2,438	9
Impairments	**5**	56	(91)	**79**	67	18
Interest expense	**121**	180	(33)	**505**	558	(9)
Less: Net income attributable to noncontrolling interests	**6**	10	(40)	**23**	15	53
Consolidated Adjusted EBITDAX	**$ 1,666**	$ 4,798	(65)	**$ 3,539**	$ 8,120	(56)
Adjusted EBITDAX by segment						
Oil and gas exploration and production	**$ 1,846**	$ 4,852	(62)	**$ 3,403**	$ 7,997	(57)
Midstream	**85**	104	(18)	**240**	326	(26)
Marketing	**(41)**	49	(184)	**(65)**	74	(188)
Other and intersegment eliminations	**(224)**	(207)	(8)	**(39)**	(277)	86

Oil and Gas Exploration and Production The decreases in Adjusted EBITDAX for the three and nine months ended September 30, 2009 were primarily due to the impact of lower commodity prices, partially offset by the higher sales volumes and the reversal of amounts previously accrued in connection with the DWRRA dispute discussed above. The Company's sales revenues include the impact of commodity price risk management activities (including realized and unrealized gains and losses) which decreased oil and gas revenues $120 million during the third quarter of 2009, compared to an increase of $2.2 billion during the third quarter of 2008. Of these amounts for the third quarter of 2009 and 2008, $(226) million and $2.3 billion, respectively, related to net unrealized gains (losses) on derivative instruments. For the nine months ended September 30, 2009, commodity price risk management activities decreased oil and gas revenues $445 million, compared to a decrease of $331 million during the nine months ended September 30, 2008. Of these amounts for the nine months ended September 30, 2009 and September 30, 2008, $(820) million and $239 million, respectively, related to net unrealized gains (losses) on derivative instruments.

Midstream The decrease in Adjusted EBITDAX for the three and nine months ended September 30, 2009 resulted primarily from a decrease in revenue due to lower prices for natural gas, natural gas liquids, and condensate, partially offset by lower cost of product.

Marketing Marketing earnings primarily represent the margin earned on sales of natural gas, oil, and NGLs purchased from third parties. Adjusted EBITDAX for the three and nine months ended September 30, 2009 decreased primarily due to lower prices for natural gas, NGLs and condensate, lower margins associated with firm transportation contracts, and unrealized losses on derivatives related to gas storage due to its seasonal nature, as the margin realized on the sale of stored volumes covered by these derivative instruments will more than offset the recorded unrealized losses.

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 decrease in Adjusted EBITDAX for the three months ended September 30, 2009 was primarily due to unrealized losses related to interest rate swaps. The increase in Adjusted EBITDAX for the nine months ended September 30, 2009 was primarily due to realized and unrealized gains and losses related to interest rate swaps.

Divestitures In April 2008, Anadarko entered into an agreement to sell a wholly owned subsidiary that owns an 18% interest in Petroritupano, S.A. (Petroritupano), a Venezuelan company owned by Anadarko, Petróleos de Venezuela, S.A. (PDVSA) and Petrobras Energía, S.A., for $200 million. The closing of this transaction was subject to customary closing conditions, including receipt of approvals by Venezuelan authorities. Anadarko was informed by the Venezuelan Ministry of Energy and Petroleum that it would not grant approval for the sale because PDVSA intends to acquire Anadarko's interest in Petroritupano. Anadarko subsequently received a letter from Corporacion Venezolana del Petroleo, S.A. (CVP), an affiliate of PDVSA, in which CVP stated its interest in acquiring Anadarko's equity interest in Petroritupano. At this time, Anadarko is unable to determine when the sale to CVP will be completed. Anadarko's investment in Petroritupano is included in other assets at September 30, 2009.

Liquidity and Capital Resources

Overview Anadarko's primary sources of cash during the first nine months of 2009 were proceeds from the issuance of notes and common stock and cash flow from operating activities. The Company used cash primarily to fund its capital program, retire debt and pay dividends.

The downturn in the global economy, the turmoil in the financial markets and the reduced availability of capital have increased the importance of maintaining ample liquidity. The pace at which the downturn has occurred makes the evaluation of the Company's lenders' creditworthiness, liquidity and financial position increasingly difficult. For this reason, the Company has increased its diligence in monitoring its lenders' funding capabilities to ascertain that its committed borrowing lines remain fully available.

The Company has in place a $1.3 billion five-year revolving credit facility (RCA), entered into in March 2008 with a syndicate of United States and foreign lenders, and as of September 30, 2009, the Company had no outstanding borrowings under its RCA. 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. Anadarko was in compliance with existing covenants and the full amount of the RCA was available for borrowing at September 30, 2009.

The Company continuously monitors its leverage position and coordinates its capital expenditure program with its expected cash flows and projected debt-repayment schedule. The Company will continue to evaluate funding alternatives, including property divestitures, additional borrowings and the issuance of debt or equity securities to secure funds as needed. To facilitate a potential debt or equity securities issuance, the Company has the ability to sell securities under its shelf registration statement filed with the Securities and Exchange Commission (SEC) in August 2009.

Following is a discussion of significant sources and uses of cash flows during the period. Forward-looking information related to the Company's liquidity and capital resources are discussed in *Outlook* that follows.

Sources of Cash

Operating Activities Anadarko's cash flow from continuing operating activities during the nine months ended September 30, 2009 was $2.8 billion compared to $6.1 billion for the same period of 2008. The decrease in 2009 cash flow is primarily attributable to lower commodity prices, as well as the impact of changes in working capital items.

Fluctuations in commodity prices have been the primary reason for the Company's short-term changes in cash flow from operating activities; however, Anadarko holds commodity derivative instruments that help to manage these fluctuations. Sales volume changes also impact short-term cash flow, but have not been as volatile as commodity prices. Anadarko's long-term cash flow from operating activities is dependent upon commodity prices, production sales volumes, reserve replacement, the amount of costs and expenses required for continued operations and the level of acquisition and divestiture activity.

In December 2008 and January 2009, Anadarko entered into interest rate swap agreements with a combined notional principal amount of $3.0 billion. In May and June 2009, the Company revised the contractual terms of this swap portfolio to increase the weighted-average interest rate it is required to pay on the $3.0 billion notional principal amount from approximately 3.25% to approximately 4.80%, and realized $552 million in cash.

For additional information on the Company's debt instruments, such as transactions during the period, years of maturity and interest rates, see *Note 7 — Derivative Instruments* and *Note 8 — Debt and Interest Expense* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

Financing Activities During the nine months ended September 30, 2009, Anadarko raised a total of approximately $3.3 billion through the issuance of debt and equity as follows:

millions

Date	Issuance	Net Proceeds
March 2009	7.625% Debt due 2014	**$ 495**
	8.700% Debt due 2019	**593**
May 2009	Equity offering	**1,337**
June 2009	5.75% Debt due 2014	**272**
	6.95% Debt due 2019	**294**
	7.95% Debt due 2039	**321**
		$ 3,312

Uses of Cash

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

millions	Nine Months Ended September 30 2009	2008
Property acquisition		
Exploration – unproved	**$ 55**	$ 243
Exploration	**620**	490
Development	**1,897**	2,208
Capitalized interest	**42**	95
Total oil and gas capital expenditures	**2,614**	3,036
Gathering, processing and marketing and other	**256**	433
Total capital expenditures*	**$ 2,870**	$ 3,469

* Capital expenditures in the table above are presented on an accrual basis. Additions to properties and equipment on the consolidated statement of cash flows include only those capital expenditures funded with cash payments during the period.

During the nine months ended September 30, 2009, Anadarko's capital spending decreased 17% primarily due to declines in development drilling expenditures onshore United States, property acquisition costs, and gathering and processing facilities expenditures. These declines were partially offset by an increase in exploration drilling expenditures primarily offshore United States. The mix of oil and gas capital spending reflects the Company's available opportunities based on the near-term ranking of projects by net asset value potential.

Debt Repayments During the first nine months of 2009, the Company retired $1.6 billion in debt, including $1.4 billion in aggregate principal amount of Floating Rate Notes due in 2009.

Margin Deposits Both exchange and over-the-counter traded derivative instruments may be subject to margin deposit requirements. Exchange-broker margin requirements are determined by a standard industry algorithm, which requires a market-risk-based margin level be maintained on positions outstanding, from the date of trade execution through settlement. For derivatives with over-the-counter counterparties, the Company is required to provide margin deposits whenever its unrealized losses on derivative positions exceed predetermined credit limits. The Company manages its exposure to over-the-counter margin requirements through negotiated credit arrangements with counterparties, which may include collateral caps. When 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 working capital along with its RCA are sufficient to satisfy margin deposit requirements resulting from a significant increase in commodity prices or the entry of additional derivative positions. The Company had margin deposits outstanding and held cash collateral of $97 million and zero, respectively, at September 30, 2009. The Company had margin deposits outstanding and held cash collateral of $10 million and $3 million, respectively, at December 31, 2008.

Dividends During the first nine months of 2009 and 2008, Anadarko paid $131 million and $128 million, respectively, in dividends to its common stockholders (nine cents per share in each of the first, second and third quarters of both 2009 and 2008). Anadarko has paid a dividend to its common stockholders continuously since becoming an independent public 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.

As of September 30, 2009, the covenants contained in certain of the Company's credit agreements provided for a maximum debt-to-capitalization ratio of 60%. The covenants do not specifically restrict the payment of dividends; however, the impact of dividends paid on the Company's debt-to-total capitalization ratio must be considered in order to ensure covenant compliance. Based on these covenants, as of September 30, 2009, the Company's debt-to-capital ratio was 38.6% and retained earnings of approximately $11.8 billion were not limited as to the payment of dividends.

During the nine months ended September 30, 2008, Anadarko paid $1 million in preferred stock dividends. The preferred stock was redeemed and subsequently retired during the second quarter of 2008.

Outlook

Anadarko's mission is to deliver a competitive and sustainable rate of return to shareholders by exploring for, acquiring and developing oil and natural gas resources vital to the world's health and welfare. Anadarko employs the following strategy to achieve this mission:

- identify and commercialize resources;
- explore in high-potential, proven basins;
- employ a global business development approach; and
- ensure financial discipline and flexibility.

Developing a portfolio of primarily unconventional resources provides the Company a stable base of capital-efficient, predictable and repeatable development opportunities which, in turn, positions the Company for consistent growth at competitive rates.

Exploring in high-potential, proven and emerging basins worldwide provides the Company with differential growth opportunities. Anadarko's exploration success creates value by expanding its future resource potential, while providing the flexibility to manage risk by monetizing discoveries.

Anadarko's global business development approach transfers core skills across the globe to assist in the discovery and development of world-class resources that are accretive to the Company's performance. These resources help form an optimized global portfolio where both surface and subsurface risks are actively managed.

A strong balance sheet is essential for the development of the Company's assets, and Anadarko is committed to disciplined investments in its businesses to manage through commodity price cycles. Maintaining financial discipline enables the Company to capitalize on the flexibility of its global portfolio, while allowing the Company to pursue new strategic and tactical growth opportunities.

The Company has an approved 2009 capital spending budget, including expensed geological and geophysical costs, of $4.0 billion to $4.5 billion. The Company has allocated approximately 65% of its capital spending to development activities, 25% to exploration activities and 10% to gas gathering and processing activities and other items. The Company expects capital spending by area to be approximately 45% for the U.S. onshore region, 20% for the Gulf of Mexico, 25% for International and Alaska and 10% for Midstream and other. The Company's primary emphasis will be on managing near-term growth opportunities with a commitment to worldwide exploration and the continued development of large oil projects in Algeria, offshore Ghana and in the deepwater Gulf of Mexico. Anadarko believes that its expected level of cash flow and cash on hand as of September 30, 2009, and the availability under its $1.3 billion RCA will be sufficient to fund the Company's projected operational and capital programs for the remainder of 2009.

In addition, to support 2009 cash flows, Anadarko has entered into strategic derivative positions as of September 30, 2009 on approximately 25% of its anticipated natural gas sales volumes and approximately 27% of its anticipated oil and condensate sales volumes for the remainder of 2009, and on approximately 75% of anticipated natural gas volumes and approximately 60% of its anticipated oil and condensate sales volumes for the full year of 2010. The Company entered into commodity price risk management for the years 2011 and 2012. See *Note 7 – Derivative Instruments* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

If capital expenditures were to exceed operating cash flow and cash on hand, funds would likely be supplemented as needed by short-term borrowings under Anadarko's fully available $1.3 billion RCA or the issuance of debt or equity. The Company may choose to refinance certain portions of its short-term borrowings by issuing long-term debt in the public or private debt markets, issuing equity under its shelf registration statement filed with the SEC in August 2009, or both.

The Company continuously monitors its leverage position and coordinates its capital expenditure program with its expected cash flows and projected debt-repayment schedule. The Company will continue to evaluate funding alternatives, including property divestitures, additional borrowings and the issuance of debt or equity securities to secure funds as needed.

Credit Risks Credit risk is represented by Anadarko's exposure to non-payment or non-performance by the Company's customers and counterparties. Generally, non-payment or non-performance results from a customer's or counterparty's inability to satisfy obligations. Anadarko monitors the creditworthiness of its customers and counterparties and establishes credit limits according to the Company's credit policies and guidelines. The Company has the ability to require cash collateral as well as letters of credit from its financial counterparties to mitigate its exposure above assigned credit thresholds. With respect to physical counterparties, the Company has the ability to require prepayments or letters of credit to offset credit exposure when necessary. The Company routinely exercises its contractual right to net realized gains against realized losses when settling with its financial counterparties, and utilizes netting agreements with physical counterparties where possible.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risks are attributable to fluctuations in energy prices and interest rates. These fluctuations can affect revenues and cash flow from operating, investing and financing activities. The Company's risk management policies provide 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 commodity derivative instruments utilized by the Company is governed by risk management policies and may vary from year to year. Both exchange and over-the-counter traded commodity derivative instruments may be subject to margin deposit requirements, and the Company may be required from time to time to deposit cash or provide letters of credit with exchange brokers or its counterparties in order to satisfy these margin requirements. For additional information see *Liquidity and Capital Resources — Uses of Cash — 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 7 — Derivative Instruments* and *Note 8 — Debt and Interest Expense* 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 relates to the pricing for natural gas, crude oil and NGLs. Management expects energy prices to remain volatile and unpredictable. As energy prices decline or rise significantly, revenues and cash flow significantly decline or rise. In addition, a non-cash write-down of the Company's oil and gas properties may be required if future oil and gas commodity prices experience a 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 1 trillion cubic feet (Tcf) of natural gas and 46 MMBbls of crude oil as of September 30, 2009. As of September 30, 2009, the Company had a net liability derivative position of $193 million on these derivative instruments. Utilizing the actual derivative contractual volumes, a 10% increase in underlying commodity prices would reduce the fair value of these instruments by approximately $547 million, while a 10% decrease in underlying commodity prices would increase the fair value of these instruments by approximately $496 million. However, a loss or gain would be substantially offset by an increase or decrease, respectively, in the actual sales value of production covered by the derivative instruments.

Derivative Instruments Held for Trading Purposes As of September 30, 2009, the Company had a net asset derivative position of $5 million (gains of $40 million and losses of $35 million) on derivative instruments entered into for trading purposes. Utilizing the actual derivative contractual volumes, a 10% increase or decrease in underlying commodity prices would result in a loss or gain, respectively, on these derivative instruments of approximately $13 million.

Interest Rate Risk As of September 30, 2009, Anadarko had outstanding $1.6 billion of variable-rate debt (Midstream Subsidiary Note Payable to a Related Party) and $11.1 billion of fixed-rate debt. A 10% increase in LIBOR interest rates would increase gross interest expense, excluding gains (losses) on interest rate swap agreements, by approximately $0.5 million per year.

In December 2008 and January 2009, Anadarko entered into interest rate swap agreements with a combined notional principal amount of $3.0 billion, whereby the Company locked in a fixed interest rate in exchange for a floating rate indexed to the three-month LIBOR rate. The Company's intent is to settle these positions at the earlier of the related debt issuance or the start date of the swaps.

Utilizing three-month LIBOR interest rates, a 10% increase or decrease in the three-month LIBOR interest rates would increase or decrease, respectively, the fair value of outstanding interest rate swap agreements by approximately $129 million. As of September 30, 2009, the Company had a net liability derivative position of $216 million related to interest rate swaps. For a summary of the Company's open interest rate derivative positions, see *Note 7 – Derivative Instruments* of the *Notes to Consolidated Financial Statements* under Part I, Item 1 of this Form 10-Q.

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 September 30, 2009.

Changes in Internal Control over Financial Reporting

There were no changes in Anadarko's internal control over financial reporting during the third quarter of 2009 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 United States Environmental Protection Agency Region 8 (EPA) and the United States Department of Justice (DOJ) have alleged that a number of spills at the Company's Salt Creek and Elk Basin Fields violated provisions of the federal Clean Water Act and the facilities had inadequate Spill Prevention Control and Countermeasure (SPCC) plans and Facility Response Plans (FRP). The Company sold substantially all of Elk Basin to a third party in 2007, but the Company agreed to retain responsibility for the historical spills, SPCC and FRP issues at Elk Basin. The Company reached a settlement with the EPA and DOJ to resolve these allegations by agreeing to pay a fine of approximately $1 million, plus agreeing to perform certain preventative actions, subject to negotiating a mutually agreeable settlement agreement (Consent Decree). The Company, DOJ and EPA have executed the negotiated Consent Decree, which was approved by the United States District Court for the District of Wyoming in August 2009. The Company has paid a fine of approximately $1 million to the DOJ and has agreed to implement the agreed upon preventive actions. 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 flows of the Company.

Other See *Note 10 — Commitments and Contingencies — Deepwater Royalty Relief Act* under Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

Consider carefully the risk factors included below as well as those under the caption "Risk Factors" under Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, together with all of the other information included in this document, in the Company's Annual Report on Form 10-K and in the Company's other public filings, press releases and discussions with Company management.

The adoption of derivatives legislation by the U.S. Congress could have an adverse impact on our ability to hedge risks associated with our business.

Several proposals for derivative reform have been developed by committees across both the U.S. House of Representatives and the U.S. Senate. These proposals are focused on expanding Federal regulation surrounding the use of financial derivative instruments, including credit default swaps, commodity derivatives and other over-the-counter derivatives. Among the recommendations included in the proposals are the requirements for centralized clearing or settling of such derivatives as well as the expansion of collateral margin requirements for certain derivative-market participants. Depending on the ultimate form of legislation, our derivatives utilization could be adversely affected with (i) greater administrative burden, (ii) limitations on the form and use of derivatives, and (iii) expanded collateral margin requirements.

Although it is not possible at this time to predict when the U.S. Congress may act on derivatives legislation, any laws or regulations that may be adopted that subject us to additional collateral margin requirements relating to, or additional restrictions on, our trading and commodity positions could have an adverse effect on the cost of our hedging activity.

We may incur substantial environmental and other costs arising from Kerr-McGee's former chemical business.

Prior to its acquisition by Anadarko, Kerr-McGee, through an initial public offering, spun off its chemical manufacturing business to a newly created and separate company, Tronox Incorporated, or Tronox. Under the terms of a Master Separation Agreement, or the MSA, Kerr-McGee agreed to reimburse Tronox for certain qualifying environmental remediation costs, subject to certain limitations and conditions and up to a maximum aggregate reimbursement of $100 million. However, Kerr-McGee could be subject to liability for costs of cleaning up hazardous substance contamination attributable to the facilities and operations conveyed to Tronox if Tronox is unable to pay for those remediation costs. As a result of the acquisition of Kerr-McGee, we will be responsible to provide reimbursements to Tronox pursuant to the MSA, and we may be subject to potential liability, as the successor-in-interest to Kerr-McGee, if Tronox is unable to perform certain remediation obligations.

In January 2009, Tronox and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. In connection with its bankruptcy proceeding, Tronox filed a lawsuit against Anadarko and Kerr-McGee, alleging, among other things, that Tronox was undercapitalized at the time that it was spun off from Kerr-McGee and that Tronox was not provided with sufficient financial resources to resolve the environmental liabilities associated with its chemical manufacturing business. Tronox seeks, among other things, to recover damages from Kerr-McGee and Anadarko sufficient to compensate Tronox for adverse consequences arising from the alleged underfunding of Tronox at the time it was spun off from Kerr-McGee. The United States has filed a motion to intervene in the Tronox lawsuit, asserting that it has an independent cause of action against Anadarko, Kerr-McGee and Tronox under the Federal Debt Collection Procedures Act relating primarily to environmental cleanup obligations allegedly owed to it by Tronox. The United States has indicated that it is not asserting any rights to an additional recovery beyond the recovery sought by Tronox against Anadarko and Kerr-McGee.

In addition, certain securities class action complaints have been filed on behalf of purchasers of Tronox common stock against Kerr-McGee, Anadarko and various former officers and directors of Kerr-McGee and Tronox. We are evaluating the Tronox, United States and securities class action claims and are currently unable to estimate the amount of any potential liabilities.

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 third quarter of 2009.

Period	Total number of shares purchased [1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs [2]
July 1-31	187,922	$ 42.78	—	
August 1-31	2,069	$ 49.90	—	
September 1-30	4,992	$ 55.18	—	
Third Quarter 2009	194,983	$ 43.17	—	$ 4,400,000,000

(1) During the third quarter of 2009, no shares were purchased under the Company's share repurchase program. During the third quarter of 2009, 194,983 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 August 2008, the Company announced a share repurchase program to purchase up to $5 billion in shares of common stock. The program is authorized to extend through August 2011; however, the repurchase program does not obligate Anadarko to acquire any specific number of shares and may be discontinued at any time.

Limitations Upon the Payment of Dividends See *Liquidity and Capital Resources—Uses of Cash—Dividends* under Part I, Item 2 of this Form 10-Q.

Item 6. Exhibits

Exhibits not incorporated by reference to a prior filing are designated by an asterisk (*) and are filed herewith or designated by asterisks (**) and are furnished 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
*18	Preferability Letter Regarding Change in Accounting Policy relating to Goodwill		
*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		
**101.INS	XBRL Instance Document		
**101.SCH	XBRL Schema Document		
**101.CAL	XBRL Calculation Linkbase Document		
**101.LAB	XBRL Label Linkbase Document		
**101.PRE	XBRL Presentation Linkbase Document		
**101.DEF	XBRL Definition Linkbase Document		

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)

November 2, 2009

By: /s/ ROBERT G. GWIN
Robert G. Gwin
Senior Vice President, Finance and
Chief Financial Officer