

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

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

Adjusted EBITDAX

The Company defines Adjusted EBITDAX as income (loss) before income taxes; exploration expense; depreciation, depletion, and amortization (DD&A); impairments; interest expense; total (gains) losses on derivatives, net, less net cash received in settlement of commodity derivatives; and certain items not related to the Company's normal operations, less net income attributable to noncontrolling interests. Certain items not related to the Company's normal operations included Deepwater Horizon settlement and related costs, Algeria exceptional profits tax settlement, Tronox-related contingent loss, and certain other nonoperating items included in other (income) expense, net.

Management believes that the presentation of Adjusted EBITDAX provides information useful in assessing the Company's financial condition and results of operations and that Adjusted EBITDAX is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures, and make distributions to stockholders.

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

Discretionary Cash Flow from Operations, Free Cash Flow, and Adjusted Free Cash Flow

The Company defines discretionary cash flow from operations as net cash provided by operating activities before Deepwater Horizon settlement and related costs, collections associated with the Algeria exceptional profits tax settlement, changes in accounts receivable, changes in accounts payable and accrued expenses, and changes in other items-net.

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

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The Company defines adjusted free cash flow as free cash flow plus the collection of the Algeria exceptional profits tax receivable.

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

Adjusted Net Income (Loss)

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

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

Net Debt to Adjusted Capitalization Ratio

The Company defines net debt as total debt less cash and cash equivalents.

The Company defines net debt to adjusted capitalization ratio as $\text{net debt} / (\text{net debt} + \text{stockholders' equity})$.

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

Oil and Natural Gas Exploration and Development Costs

The Company defines oil and natural gas exploration and development costs as costs incurred less asset retirement obligation liabilities incurred, plus actual cash expenditures for asset retirement obligations.

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

Finding and Development Costs

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

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

Anadarko Petroleum Corporation (4th Quarter)
Reconciliation of GAAP to Non-GAAP Measures

Discretionary Cash Flow from Operations, Free Cash Flow, and Adjusted Free Cash Flow

<i>millions</i>	Quarter Ended December 31,		Full Year Ended December 31	
	2013	2012	2013	2012
Net cash provided by operating activities (GAAP)	\$ 2,104	\$ 2,220	\$ 8,888	\$ 8,339
Add back				
Deepwater Horizon settlement and related costs	8	4	17	(6)
Algeria exceptional profits tax settlement	---	(392)	(730)	(1,006)
Change in accounts receivable	5	(111)	(241)	(520)
Change in accounts payable and accrued expenses	51	(10)	167	476
Change in other items - net	(119)	(99)	(68)	(126)
Discretionary cash flow from operations (Non-GAAP)	\$ 2,049	\$ 1,612	\$ 8,033	\$ 7,157
Less Capital expenditures*	2,612	1,933	8,523	7,311
Free cash flow (Non-GAAP)	\$ (563)	\$ (321)	\$ (490)	\$ (154)
Collection of Algeria exceptional profits tax receivable	---	392	730	1,006
Adjusted free cash flow (Non-GAAP)	\$ (563)	\$ 71	\$ 240	\$ 852

*Includes Western Gas Partners, LP (WES) capital expenditures of \$170 million for the quarter ended December 31, 2013, \$169 million for the quarter ended December 31, 2012, \$792 million for the year ended December 31, 2013, and \$529 million for the year ended December 31, 2012.

Adjusted Net Income (Loss)

<i>millions except per-share amounts</i>	Quarter Ended December 31, 2013		Quarter Ended December 31, 2012	
	After Tax	Per Share (diluted)	After Tax	Per Share (diluted)
Net income (loss) attributable to common stockholders (GAAP)	\$ (770)	\$ (1.53)	203	\$ 0.40
Certain items affecting comparability	(1,145)	(2.27)	(254)	(0.51)
Adjusted net income (loss) (Non-GAAP)	\$ 375	\$ 0.74	457	\$ 0.91

Net Debt to Adjusted Capitalization Ratio

<i>millions</i>	December 31, 2013
Total debt (GAAP)	\$ 13,565
Less cash and cash equivalents	3,698
Net debt (Non-GAAP)	\$ 9,867
Net debt	\$ 9,867
Stockholders' equity	21,857
Adjusted capitalization (Non-GAAP)	\$ 31,724
Net debt	\$ 9,867
Adjusted capitalization	\$ 31,724
Net debt to adjusted capitalization ratio (Non-GAAP)	31%

Adjusted EBITDAX

<i>millions</i>	Three Months Ended December 31,		Full Year Ended December 31,	
	2013	2012	2013	2012
Income (loss) before income taxes (GAAP)	\$ (823)	\$ 546	\$ 2,106	\$ 3,565
Exploration expense	615	284	1,329	1,946
DD&A	969	1,028	3,927	3,964
Impairments	162	223	794	389
Interest expense	173	181	686	742
Total (gains) losses on derivatives, net, less net cash received in settlement of commodity derivatives	52	(98)	(307)	443
Deepwater Horizon settlement and related costs	3	3	15	18
Algeria exceptional profits tax settlement	---	---	33	(1,797)
Tronox-related contingent loss	850	---	850	(250)
Certain other nonoperating items	35	---	110	---
Less net income attributable to noncontrolling interests	45	(13)	140	54
Consolidated adjusted EBITDAX (Non-GAAP)	\$ 1,991	\$ 2,180	\$ 9,403	\$ 8,966