ANADARKO PETROLEUM CORPORATION

Moderator: John Colglazier
March 4, 2014
8:30 a.m. ET

John Colglazier: Good morning, everyone. I'm glad to see everyone here today for Anadarko's 2014 Investor Conference, especially since it's about 10 degrees outside here in Boston. Anyway, we have a very full day for you. Throughout the course of the morning, you'll have each of our executives discuss their areas to hammer home our sustainable growth and unmatched optionality that we offer.

You can see that we have a couple of breaks scheduled throughout the morning. And we will also, to encourage just a little more interactive participation, at the end of each presenter, we will have a Q&A period, in addition to the more robust Q&A at the end of the presentation.

A couple of housekeeping items. One, please silence your cellphone. And for safety's sake, we do have exits at the rear of the room and one on each side. So mark those carefully. And the rest rooms are off to my left, here on the eastern side of the building. Everybody should have WiFi cards on their table in front of them if you need to access the Internet. And above all else, have fun, as we go through the morning.

Need to remind you that we will be discussing forward-looking statements today, as well as some non-GAAP financial disclosures. So I do encourage you to read our forward-looking statement, including in our earnings release and on our website. And because we do use a lot of acronyms and abbreviations in the industry, we put a definition page in the back of the presentation.

In a few moments, Al Walker will get up to kick the morning off. But before with that, let's spend a couple of moments looking at some of Anadarko's 2013 accomplishments.

(Video Presentation)

R. A. Walker: Good morning. I'd like to reiterate John's welcome and also thank you for each of you being here this morning that took the time out of your day to be here in person. And for those that are visiting this particular conference via the web, good morning to you as well.

We're very proud of what we've accomplished the last 5 years. I think that's going to come through today. But I think we also hope what comes through today is, we're very proud and very excited about what the next few years, the next 5, might even look like through the end of this decade.

So with that, let's get started and talk a little bit about where we're going and how we're getting there, as John said, with growth and unmatched optionality.

A couple of things I want to try to convey today, one is that we have a clear and very understandable value proposition. This is in part due to a very deep portfolio, which we have built over the last 5, 6 years through, if you recall back in 2006, the amalgamation of Anadarko, Kerr-McGee and Western Gas Resources.

We also feel like that what we've created over the last 5 years does give us very differentiating value, as well as the things that come with it, including returns. But it's just not about value, it's also about creating returns and doing that in a very efficient manner. And we do believe that no other company our size really, at the end of the day, has the kind of sustained growth and the ability to do the things we do through the optionality and opportunities that we've got.

Now flexibility, sustainability and a deep portfolio really have given us the last 5 years the ability to deliver operationally the success that we have. You can't help but think back in 2008, when the average price for natural gas averaged $11 an Mcf, and think about the fact that oil was around $70 at that time. Had we not had the deep optionality that we talk about today, and you'll hear more about, our ability to move capital around and still deliver on the plan that we rolled out in 2009 is pretty remarkable.

Today, I think, like many of us, we sure like the date that we've had with $6 gas. We're a long ways from being engaged to it, and don't expect we're going to get married anytime soon. Unfortunately, it looks like natural gas will continue to be, at least in our portfolio, something that's going to be difficult to invest in until we see more of a sustained $4.50 or better gas price environment in North America.

But with that, I think you're going to find that we are directing a lot of our capital towards things that give us high margins, whether it's natural gas, liquids with the gas or natural gas liquids, gas condensate and oil with the gas. So good optionality in our portfolio, and we're going to have a lot of fun today, I believe, trying to convey all that to you. And hopefully, at the end of the day, you'll feel the same way we do about what our portfolio can deliver and the way in which this management team is committed to delivering it.

As you think about growth for us this year, you're going to see us growing our barrels of oil around 50,000 barrels a day for our liquids and oil, which is a big pickup, relatively speaking. We're going to deliver this through a number of things, one of which is our Wattenberg field. And for those of you who are new to our story, this is the most valuable asset today in our portfolio. It gives us rates of return in excess of 100 percent. We also have a very scalable asset in the Eagleford, which again, gives us very attractive rates of return, and you're going to see – hear and see a lot more about that as well.

And then, Chuck's going to tease you a little, I think, with where we're going in the Delaware Basin. So onshore, Chuck's going to talk about those 3 principal assets and how we're going to deliver a lot of things associated with our onshore resources.

Jim Kleckner is then going to talk about what we're doing in the Deepwater, whether it's in the Gulf of Mexico or internationally. Many of you probably are aware, Lucius will come on in the second half of this year, and then we'll follow that up in 2016 with Heidelberg. And our goal with our international this year is that we have an EBITDAX per barrel spread there that's about $100, so a very attractive price per barrel coming out of our international portfolio from the things that we've been able to develop and explore for in the past. The scale and the impact, however, I think, one of our assets is largely underappreciated, and we're going to try to give you a little more insight into what we're going through there in Mozambique with our LNG project. All of that, Jim's going to hopefully do a good job of explaining to you.

And then Bob Daniels will come up and talk about our industry-leading and successful exploration around the world in the Deepwater. Again, this year, we expect we will drill another 25 Deepwater tests, and Bob's going to give you a lot of information about that.

And then Bob Gwin is also going to talk about the balance sheet, how we've been positioning the balance sheet over the last few years, where it looks like it is today as we try to plan for the future, some of which is a little hard to predict around one particular issue, but also talk a little bit about how we've done with the portfolio management. I think those of you that have been in our stock or follow our stock closely know that we're pretty active managers of our portfolio, and you can anticipate that will continue.

Now looking back on our 5-year track record, I know a number of you in the room were around in 2009 when we rolled out a 5-year plan then. And I'd like to say that we believe, as we finish 2014, that we can now say that we got a "W" in a column. We feel that we have accomplished all the things that we set out to do with our metrics that you can see on this graphic. And we did that even with headwinds of the windfall profits tax in Algeria or TPE, followed with another headwind with Macondo and a very serious headwind that we're facing today, which we hope to get resolved in the case of Tronox. So pretty impressive operational track record, given, I'll either call it distractions or the frustrations of 3 unrelated events.

In 2008, if you go back, we've been able to do a lot of things. Anadarko, during that period of time, has been able to organically add about 5 billion barrels of risked resources. We've discovered 5 of the largest, most significant discoveries in our industry and around the world. And when you think about that, we've also done that by accelerating around $10 billion of other assets and value in our portfolio in that active management comment I made earlier.

So when you look operationally at our 1-, 3- and 5-year, I think it's pretty darn attractive. And I would say that as you look at your Ks as they come out and you do your work between here and the next month or so, I think you'll see that we got pretty much across-the-board, peer-leading success in each of those areas.

Now one of the things that we talk a lot about is our value system at Anadarko, and sort of central to all of that is our safety and the culture created from it. This year, as you saw in the graphic prior to my coming up, we had a great safety year. Company record, best that we've ever had. It also sort of, for me, underscores the nature of the way we think about doing our business, and that's a safety-first culture. It's a culture that really outperforms the industry, typically almost year in and year out. And that is particularly noteworthy, I think, when you consider the rate of growth that you're going to see over the last 5 years from us, and what we believe will be that rate of growth in the future. Being able to keep that safety-first, being culturally a part of what we do and still having the growth and doing it safely is critical to the way in which we think about our business.

Now when you look at our growth, you can think back again to the March of 2009 when we rolled out that 5-year plan, with many of you in the room. At that time, really, natural gas was the driver for much of that growth, as it probably was for all of our industry peers at that time. We still had a fairly strong gas market. We felt that the gas price that we were in at that point, even though it was coming off of 2008, was still fairly sustainable. One thing I'm pretty sure of is that none of us in our industry, as management, ever gets right commodity prices. So it underscores the nature of having to have a portfolio that gives you the ability to move capital around to take advantage of, or to be able to use whatever the commodity market could give you. Because if we had stayed on that particular track and we're not – rate of return simply was the way in which we develop and invest our capital, we would have had the growth, but we would have done it in a very sub-optimal, less than attractive rate of return environment.

As we've been moving to the higher-margin portion of our portfolio, with movements as I described earlier into liquids and oil, we've had tremendous growth, about 120,000 barrels of growth, and that's being done while basically having a 7 percent compounded annual growth in production. One of the things that we think is very important is that we continue to find ways to enhance this mix. And I think, today, I hope you'll walk away feeling very comfortable that the past could be repeated and it could be repeated even in a better manner if we think about what that production mix is going to do and what that does either to our margins on an EBITDAX per barrel or per share basis.

Monetizations in our portfolio will continue. I mean that in a sense that we're always constantly, like many of you who run money in the room, looking to improve our portfolio and not be static in the way in which we think about what is in our portfolio. This approach really allows us to accelerate. What we think about, with respect to the velocity of our portfolios, that change is really, really important, that accelerating the cash, whether it's a long-cycle investment, short or something that we see as an investment that may or may not be something we really want to take to development, really allows that acceleration or that velocity of that cash to come forward. A lot of that helps us also to reduce execution risk. And we're going to talk a little bit about that as well.

If you think about Lucius and Heidelberg, 2 great examples where we have taken 2 great discoveries, put them into development and we sold down enough working interest to be able to have somebody else pay the D at the F&D and be able to have a very attractive rate of return and a meaningful impact for the production reserves to our own balance sheet. So we reduced the risks, we improved our optionality associated with it, and frankly, in some ways, it simplified our equity story.

So as I think about things, my term for this is, I just think of this as the right way to run the railroad. We really think about trying to run our company long term, to create the best sustainable story we can, but also in the short run, being mindful of the fact the way in which we need to do things include short-term growth and also being able to accelerate that short-cycle investment that we sometimes have done a pretty good job of, if not a really good job of in terms of bringing forward things.

So active portfolio management. I guess, at the end of the day, I would say one of the things that we want to do here is to be a better company, not necessarily a bigger company. One of the things we also talked about in our press release today is same-store sales, and that's being able to adjust out how these divestitures, and when they occur, actually play out. If you were to adjust our compounded annual growth for the things that we took out, we actually – this growth would be about 100 basis points better than what we're showing. So the resulting assets really do quite well. And you can see the compounded annual growth here has got a nice left to right curve to it, and the growth for a company our size, I think, is pretty remarkable.

The ability to enhance our margins is probably what drives a lot of this effort. And sometimes, we just find ourselves in a situation where we've got non-core holdings. Pinedale/Jonah is a good example of that. We looked at it, we were in a non-op position, felt like, frankly, this was not something that was feeding on capital and we'd be better off monetizing it and reinvesting it or using that cash in a different way.

Same thing, as an example, our sale in China of Bohai Bay, which will hopefully close later this year. Again, not an operated property. While it had great margins, it felt like now is a good time to sell it rather than to sell it later as the decline curve was going to be hard to catch up to. So those are things that we try to do to improve the asset mix, and also try to improve profitability at the same time.

F&D, I believe, we'll continue to be an industry leader when you run your case analysis. Our F&D was exceptional again this year, and costs really do matter at Anadarko.

Back in 2005, when I joined Anadarko as the CFO, we were a lower-quartile provider of operations from a cost standpoint. We were just not a low-cost producer, we were actually a very high-cost producer. With the amalgamation of Western Gas, Kerr-McGee and Anadarko, and the way in which the operating teams, in particular, under Chuck Meloy's direction, have embraced cost containment and most importantly, efficiency, we've gone from bottom quartile to top quartile in our peer group.

And today, we continue to look for ways to be more efficient. The efficiency improvements that Chuck has put in to, he along with Jim now, definitely embraced every chance we get, leads to better performance in our assets and leads to more profitability. This focus on continuous improvement is not just an operational thing, it's a company thing, and we try to do it everywhere we can. And I think it has resulted in some incredible results, F&D being one of them. But a lot of our other cost measures, as you look at it and do your own analysis, I think you'll see that we've delivered on the cost side quite well going back to where we were in 2005.

Now many of you know and follow us quite closely know Bob Daniels and our Deepwater exploration efforts have been peer-leading for a number of years. When you look at what we've been able to achieve – and this graphic points it out – you can see we are well above industry, and it creates a lot of value for us. It also creates optionality. The optionality sometimes leads to accelerating these values that we've created, either through farm-outs or carried interest agreements or joint ventures or divestitures outright.

Not everything we explore for and find, we feel committed to having to take the first production or having to take all of its first production. But we are a company that grows through the drill bit. And you'll see today from Bob Daniels that we really do think of exploration as being a profit center for us, and that exploration builds for our future.

One of the things that's quite nice is that we're not just a Deepwater exploration company. We do things onshore pretty well too. We also pretty much look at some of the stuff we've done and feel like we've achieved what we had hoped to. And I think this year, Wood Mac's recognition in December through a report they published, where Anadarko was named as having the top performance of creating value at onshore resource conversion, gave us that good housekeeping seal of approval that every company's looking for with a third-party assessment of just how much value you create with what you do every day.

Our ability to be effective onshore, as well as in the Deepwater, I just think gives us very unique characteristics compared to our industry peers. I'm very proud of all of this. And I think every segment of our onshore business has contributed to making us the type of company that was recognized by Wood Mac. If you don't have a copy of that report, John Colglazier will be most happy to get one for you.

The track record I talked about earlier, this is really, in my estimation, a superior 5-year track record. A Spanish philosopher once said, "Those who do not know history are doomed to repeat it." In our case, those who do know history, we hope to repeat it. We really do believe that our last 5 years is pretty impressive across the board. And again, when you think about all of that, with the distractions we've been able to manage and how we've managed our portfolio, it's quite remarkable.

When you think of it, too, that we got somewhere around the type of compounded annual growth that we've had around 6 percent to 7 percent and a growth of 40,000 barrels per day in oil, that's pretty remarkable as we go into 2014. '14 for us should just be a good, strong continuation of what we've been able to achieve in the past. And I think you can expect – we'll show you today how we can do that within the anticipated cash flow we're going to throw off for the year.

I think you'll also see us on the F&D line, continue to report really good F&D, which I think for some companies, F&D matters and for others, it maybe matters less. And I think for a company that's an exploration company like we are – that spends $1 billion or more a year in various capital projects around the world that probably don't add reserves for 3 to 4 years and production for another 5 to 7. That's pretty remarkable because it's really that commitment, long term to exploration and what we think of as the value-creation from that, that really makes the F&D, I think, remarkably strong for an exploration company like Anadarko. If you're just living year-to-year, you could play with F&D and make it look like something that's maybe, at the end of the day, it's not. But I think for us, given our active exploration efforts, the way in which we appraise what we find and then we make decisions along the way, much in a triage-like fashion, the F&D really does matter. One of the things we attempt to do as we manage this, is that we're thinking about every day ways we can reduce our operating risk and complexity and ultimately, create less uncertainty in our equity story.

So let's talk a little bit here about some things we previously discussed. Our focus has been, like many companies that I think – and as you can see from the results, we've had quite an impressive move in terms of looking at the EBITDAX per barrel. And that EBITDAX per share, which you can see in this graphic, is continuing to improve, reflecting that mix that I referred to earlier and looking for better margins or better wellhead margins with the yield that we get off of the hydrocarbon stream. This year, as we think about it, obviously, Wattenberg and Eagleford will be big contributors to that. But you're going to see today the beginnings of what we think the Delaware Basin can be as an adder in the future to a very successful base of operations in those 2 plays.

We also, this year, have – we'll have a full year effect of El Merk, which works into this quite handsomely. And then, you'll see Lucius starting to contribute later in the year. So we're bringing on liquids growth, we're bringing on oil growth and we're bringing on big margin oil growth in the process. And those things are all, I think, will inure to the benefit of shareholders. And when you look at the fact that we've been able to grow within the normalized prices of the last 2 years at about a 20 percent improvement in the EBITDAX per share, if we were to use the strip case that we have in front of us today and just assume for a minute that were to be true for the rest of the year, that 20 percent would actually be a year-over-year improvement of 22 percent in EBITDAX per share. So again, a focus for us, trying to improve that particular area of profitability.

I think, again, for many of you that have watched us for a long time, you know that we sort of motivate and move the company through capital allocation. And this pyramid, I think, is a great graphic representation of how the management of Anadarko has for a number of years. And I just recently, for a number of years, thought about capital allocation. You can see from the graphic, exactly how we think about allocating capital roughly. We don't precisely allocate it this way, but I think it's a good rough indication of how we think about it. In particular, we want to make sure that we don't let our long-investing create value, but stall out the equity story because we don't have enough short-cycle attractive investments. So this really, for me, really embraces and simplifies what we're thinking about every day when we do capital allocations.

If you start at the top and you think about what we do with the world-class exploration as an example, there, we just really know that we're not going to get any cash flows out of this for 5 to 7 years. It's creating that optionality, it's creating value and it's giving us, as I talked about earlier, that triaging of options. And again, if you think about Lucius and you think about the fact that Bob sold down some of the exploration risk at Lucius, and then when we got into development, we sold it down again, and along the way, we continued operations.

And today, as Lucius comes on, we have had – we have very little corporate investment in Lucius. And consequently, it has a tremendous rate of return, as it will have a tremendous impact on the barrels that I just made reference to on a margin basis. When you go through and you look at the way in which the green or this is sort of the things that we expect from that transparent mega-pipeline project portfolio we talked about, that gives you a lot of transparency on how we're going to grow through the end of this decade. Our attempt there is to really bring things on, much like we do elsewhere in the world, but on time and on budget, is sort of a watch-word for us, and we've done a really, really good job of that, I believe, in the last 5 years.

El Merk moved from that – from the orange into the green, from the green into the blue this year, and is a great example of exactly how we think about that. The CapEx in the blue is largely directed – it's a very efficient onshore operation, both exploration and production, it reports to Chuck. And it's there – this short-cycle investment, which we're very sensitive to, in making sure that we, even if we're creating a lot of value, that we don't stall out the equity story and not have enough growth there. So it's balancing the things that we're really, really good at, with the longer-cycle orange and green, with the things in blue that we recognize are going to likely drive a lot of investing in our stock because, frankly, most of you, but not all of you, are going to be hearing a lot about this year's cash flow and next year's cash flow per share. And what happens in '18, '19 and '20, you're less interested in and we recognize that.

If I think about our capital program for this year, there's really 4 drivers, one is prudence. In the environment we're in today, with the uncertainty associated with Tronox, exceeding what we believe to be our cash flow with CapEx would not be prudent. So even though Bob will talk about the amount of liquidity we've built-up in the balance sheet, today, exceeding our CapEx with our cash flows and CapEx and having those tied together is fairly important from a prudence perspective.

The other thing is that we're very return-focused, as we think about our allocation, particularly for this year, we want to be able to improve our margins wherever we can. We want to think about improving our returns wherever we can. And I think, additionally, as I think about one other leg of the stool, is just that transparent growth. I think one of the things I hope many of you have seen through the years is our ability to explain to you, and sometimes in tremendous detail, exactly where the growth's coming from and how you get there and not have it be a blackbox.

I think the last thing is just the value-creation that we get through the exploration efforts. Just huge value-creation that will give us both future growth, as well as the optionality and portfolio management approach to how we make things better, as I've talked about earlier. But those are the 4 drivers that I see moving things this year.

When I think about transparent growth and think about what we could be by 2020, we continue to see ourselves on this 5 percent to 7 percent annual growth and production, so that CAGR should continue. We do that with things today that are actually on hand. So there's not any exploration necessarily needed to deliver any of that. We have all the Deepwater or all long-dated exploration we need to move through development to achieve this, and we're not expecting gas really to come back in a way that becomes a meaningful capital allocation for us.

So we're not exactly, in my estimation, out on a limb here. I think this is easy things for us to look at. We have about 8 billion barrels of low-risk development in here. You can see that in the lower left-hand graphic. We have about 4,000 drillable locations in the Wattenberg, probably 2,500 or so in the Eagleford, and those are big, remaining inventories that drive value.

Significant oil production should come from a lot of this, and these values really, we believe, are there. So you're going to see a lot of value being created through things that you can see, touch and feel today. The other thing is, if we're wrong, which we probably will be, but hopefully, we're wrong in a way that doesn't create problems for us. If we're wrong and gas becomes something that we can invest in, our estimate today is that we probably have around 25,000 opportunities in our portfolio for drilling locations to drill gas. Unfortunately, my guess is that if you were to ask many of our similar peers, they probably would have similar numbers, which is another reason why we don't have a tremendously strong view that natural gas can recover.

I think we've created this industry a wonderful amount of supply for the benefit of people in this country and in North America. And unless we see new demand being created for natural gas, we don't, today, see a reason to feel like that, that 25,000 locations will actually be coming into the portfolio through the ability to compete for capital with the other things that we have. But if we're wrong, the growth could easily exceed 5 percent to 7 percent because, many of you know, the activation cost for natural gas versus oil and liquids is much lower and our ability as an industry and as a company to mobilize is quite fast. So tremendous growth we think through the end of this decade, and we're going to do it through value-added investments and hopefully, we're wrong and natural gas assets (will be) at the table at some point.

All right. So we haven't done this in a few years and so I hope I don't make anybody mad because I think if we did it every year, it'd be a little bit egregious. But I do think it's probably time, particularly in light of where we are with Tronox, just to kind of give you our assessment of our NAV. Thinking about our portfolio for just a minute, just embedded into the portfolio, since 2009, we've produced about 1.3 billion barrel equivalent.

As impressively, we've monetized 2.1 million barrels. So that's a lot between outright production or things that we've monetized, and we've grown our net resources over that same period of time by 5 billion barrels. Bob Daniels will show you that we've added about 4 billion barrels through net risk resources that his teams have created in Mozambique and the Shenandoah Basin, as well as Lucius and Heidelberg and the TEN complex in Ghana. Chuck's also going to talk about how he is de-risking some of our onshore plays where it's the horizontal efforts now in the Wattenberg or what we're doing in the Eagleford and, as I've talked about earlier, the emerging opportunities that we see with the Wolfcamp.

All in, we think our E&P assets have grown between $50 and $55 a share since the last time we did this, probably in 2010. And you can see from March of 2009, exactly how that works its way across, but I think we did this for you at an investor conference in March of 2009, we may have updated it once since then. But since that time, you can see how the E&P assets alone have increased.

The other thing that's going on during that period of time has been the value in our Midstream assets. They are Western Gas, both through the MLP and the GP, very transparent valuation we think with our 91 percent ownership in WGP today. Those same assets that are probably worth over $20 a share that were not there at the time we last showed you this.

So as you move through this, you can understand that we think we got good value. It's very transparent value. And at the end of the day, that's how we get to these numbers and, obviously, during Q&A, you're happy to ask us whatever questions you would like to about any of it. But I think given, again, the uncertainty associated with where Tronox is today, having you at least hear from us what we see ourselves assessing the value to be was at least a decent attempt to kind of give you that data point.

On the idea of value creation, we do it, as you know, through the drill bit. We're not an acquire-and-exploit company. We'll occasionally acquire things in and around where we are, but we basically grow through exploration and we grow through the drill bit. If I think about the things that we're really good at as a company, we're really good with exploration, whether that's onshore or deepwater. We're also really good – and third-party data will support this – with project management.

And project management historically was one of the things that people would think about as an El Merk project or some deepwater project, but frankly, some of the stuff that we do onshore, you might not think of as project management of a megaproject sort of characterization, but what we do at the Eagleford with our assets, what we do in the Wattenberg, those are megaprojects, and I think you'll get an appreciation for why we think of them as megaprojects today as Chuck goes through that, the other thing that we're really, I think, quite talented with is with development of our operations and coming up with really efficient production solutions. Those are the things that really allow us to take the things we do in exploration and convert it into cash flow in a manner that is not often seen where a company is good at both exploration and development. Some companies are really good at one or the other, but it's a unique company if they are good at both.

The other thing is that we've been able to combine this tremendous skill set we have in the deepwater with the onshore conversion of resources. There, as I've pointed out earlier in the Wood Mac study, I think that really, for us, made us feel like, now – there's just not that many people that create a lot of value onshore and still have the same skill set to do it in deepwater environment. And I think we're all pretty proud of the fact that we have those in our portfolio and are able to do it.

So I think with that introduction of kind of where we are, where we've been and where we think we're going, I'm going to turn it over to Bobby here in a minute. We're going to talk about the elephant in the room, Tronox. And one of the things just to remind you of is that while we want to talk about it as much as we can, we gave you a lot of disclosure last Friday in our 10-K, Bobby's going to be somewhat limited during Q&A to be able to say much beyond that. We're certainly not going to get into conjecture. And the other thing is I'm pretty sure I have no clue what this judge is going to do. I have been wrong every time somebody's asked me a question about it.

So we'll stay away from the conjecture and, as John mentioned, at the end of each section with each speaker, we'll turn into Q&A. And if you don't mind, given that my comments really, were prepared in order to set up what we're going to do through the day, why don't we move to Tronox? My guess is you'd rather hear what Bobby has to say at this point and go through your questions with him, and then we'll handle any questions you might have had about any of my comments at the end of the day.

So with that, we'll bring the elephant in the room up here. Thank you.

Robert Reeves: Good morning, everybody. For those of you who – or Southerners like me, happy Mardi Gras. It doesn't seem right in 10-degree weather here.

But let's dive in and talk about Tronox. I do have one slide here that I think will help refresh your memory on a few things. For those of you who don't distinctly remember Tronox, it's an Adversary Proceeding, meaning it's pending in the New York bankruptcy court. It's an offshoot from the Tronox bankruptcy. Tronox was a chemical company that Kerr-McGee IPO-ed in 2005 prior to Anadarko's acquiring Kerr-McGee in 2006. The claim is that Kerr-McGee fraudulently conveyed certain assets as part of the setup of Tronox in the ultimate IPO.

Back in December, Judge Gropper issued a memorandum opinion after trial. This case was tried in 2012, and it took him a year to reach his decision. It's not a final judgment. It is a finding of liability and his reasonings for liability, but yet the court asked for additional briefing and particularly on whether Kerr-McGee has an offset claim. And that goes into what the damages actually should be.

The judge, in his opinion, set forth some hypotheticals on how an offset claim may work, but he allowed Kerr-McGee to file an offset claim. We did so in January. The Tronox litigation trust has responded in February, and we have a brief that will be filed at the end of next week. After that, there will be a hearing in early April and, as Al said, I have no clue when the judge will make his final decision, but it will be then in his ability to make a final decision.

As you saw in our year-end earnings report, we did book a liability of $850 million, said that there was a probable loss range of $850 million to $5.15 billion. Accounting guidelines are a little interesting here. When you have a range of probable loss and there's not one number within that range, that's more likely than the others, accounting guidelines say you booked to the lower end of the range, and that's what we did here. Now I'm not an expert in this stuff and, as Al said, we filed the 10-K Friday afternoon that has multiple pages, and I'll refer you to Note 17 in the contingencies. I urge you to read that if you want more details about this case. It goes into a very transparent and very lengthy explanation of how we determined that range. There's even tables that give you the calculations of how we determined the ends of the range and how we determined what to book.

As part of that, we also booked a deferred tax benefit of $274 million, and that, too, is explained in the 10-K. These numbers do not include any interest or claims for appreciation, attorneys' fees and costs. We just don't know where we are. We're in a very unusual situation and status of this case. We have a memorandum with liability, but no judgment. So until the judge listens to the final arguments and makes his determination on what his final conclusions are here, we don't know enough to determine if that loss is probable for those items. There is a reasonably possible loss range in the 10-K that exceeds this amount, and I urge you to read that.

Certainly, we've preserved our rights on appeal. We disagree respectfully with Judge Gropper. We believe there are lots of things there that when taken up on appeal will find some merit, but there is no certainty there, and we analyze some of those in the 10-K as well.

I think we have a good team working on this. I think we're focused. We're adding experts as we need them to deal with this, and we will be ready for whatever comes our way. I know your question may be, "Is settlement a likely possibility here?" And I have nothing to report on that today. As I said at our earnings call, settlement would be a great, great idea if we could do it, but to date, we've not been able to achieve that. I urge you to read our 10-K on that as well because we do say and I think it would be appropriate here that if settlement is possible that it would exceed the amount we've accrued of $850 million by some extent. So with that, I'm happy to answer any questions.

Robert Reeves: Let's wait for the microphone.

John Colglazier: Yes, with the webcast going on, let's make sure that you have a microphone before you ask your questions. Thank you.

Male: Bobby, what's your confidence on 502(h) claims that you submitted back in January?

Robert Reeves: I think it's something that the judge laid out the predicate for, and we're following his predicate. The bankruptcy code does allow for offset claims and it was certainly anticipated in the bankruptcy plan when it was confirmed, a specific provision for that. Again, rather than going into more legal details, I would urge you to read the 10-K. We do discuss that at length. Yes, Doug?

Douglas Leggate: First of all, in the event, regardless of what the judge's number is, (inaudible), if you could give some color. My follow-up very quickly is just a point of clarification, so Kerr-McGee is obviously the company or the entity on trial here, so to speak, but Anadarko's $18 billion is out-of-pocket. So how do you – if you have to return the value, how do you get compensated for that, so I guess, the one issue that I get a lot of questions about?

Robert Reeves: Let me talk – take the first question. I'm not sure if everybody heard it. It was about – what about bonding. The typical local rules in the Southern District of New York say that you automatically get a stay of execution of any judgment if you post a bond of 111 percent of the judgment. In a case like this, that's probably not what the result would be. There would be hearings before Judge Gropper and, if necessary, hearings before for the District Court to talk through different mechanisms for stay of execution other than just a bond – might be some type of financial restrictions, might be some alternative security, or he may just determine that because of our financial wellbeing that a bond is not necessary to that amount.

So there's lots of discretion and there's multiple layers of courts that you could go to, to get that satisfaction. We got a good team working on that, and there's plenty of precedent for that in other big cases. I'm not sure I understand your other question, Doug, other than you're right, Kerr-McGee is the primary defendant. Anadarko was, in effect, dismissed and so Kerr-McGee is the entity that was held liable for fraudulent conveyance. It is a subsidiary of Anadarko, so it remains a responsibility in essence that other than something unusual there, we would have to find a way to satisfy that through the parent.

Any other questions?

All right. Let's let the good times roll and have Bob Gwin up here talk about some good stuff. Thank you.

Robert Gwin: Thanks, Bobby. Building on top of the Tronox argument, one of the things we wanted to talk about was liquidity. We were very fortunate to end the year with a very strong cash position, as you saw, of $3.7 billion. Fortunately, since the end of last year, things have even gotten better from a cash standpoint. We closed the sale of Pinedale/Jonah and received the cash.

And then, as some of you may have seen in an announcement from OVL, they purchased from us a 10 percent interest in Mozambique, and we closed on that at the end of last week with proceeds of – pretax proceeds of $2.64 billion. After-tax proceeds are going to be $2.12 billion. That means the tax that's applicable there would be $520 million. We're very pleased with that outcome. That $2.1 billion plus the proceeds of Pinedale/Jonah give us another $2.5 billion in the aggregate on top of that year-end cash balance.

Accordingly, as we sit here today, we're north of $6 billion in cash with a debt-to-cap ratio of around 24 percent.

Now if you look at what that means for this coming year, we start in a pretty good position as we stand here at the beginning of March. We also have announced the sale of China, which we would anticipate closing later this year. If you add that cash, plus some free cash flow, I'll talk about in a moment, at the capital budget that Al talked about, we think we have the ability to take our debt-to-cap ratio down into the low 20s. This 22 percent that's shown on the slide is based on a $90/Bbl and $4/Mcf price tag, which looks conservative certainly relative to the strip, if you apply the strip, which late last week was $97.50 and $4.50, this number would go down to 20 percent.

And I also want to put this in perspective a little bit. We consolidate our MLPs, Western Gas and WGP. Western Gas has a fair amount of debt, an investment-grade entity, but manages its business through debt and equity issuances and if you were to work to strip out the Western Gas components of this, each of these numbers goes down by about 3 percent. And so on an apples-to-apples basis, compared to our peers who don't have publicly traded subsidiaries that are consolidated, I think our leverage number looks pretty attractive and, as you can see, we would have quite a bit of borrowing capacity and access to liquidity if we need it.

Now we don't anticipate needing it as it relates to our cash flow and our spending during the year and the primary reason for that is, as Al mentioned, we're spending within cash flow. We've not only done this the last few years. We've actually done it all the way back to 2009. So when Al showed you what I think were impressive operating results over the period from 2009 through the end of last year, one of the things to keep in mind is that we've done that while underspending cash flow.

And one of the reasons we've been able to do that is through a lot of the portfolio management activities I'll talk about in a moment, but it has given us tremendous leverage in our portfolio to drive growth without adding balance sheet leverage and, in particular, bringing balance sheet leverage down. So you can do the math on this slide. It's not very difficult. These are at strip prices. The strip prices that I mentioned as of last week, that would result in cash flow of around $8.7 billion and some material free cash flow, if we are to spend in that $8.1 billion to $8.5 billion range. And as I pointed out earlier, this has obviously a continuing positive effect on our leverage.

So portfolio management. We have been incredibly active. If you go back to 2006, when you look at the divestitures associated with repositioning the portfolio of coming out of the Kerr-McGee and Western Gas acquisitions, we've actually monetized over $30 billion of assets. But looking more specifically at this most recent 5-year period, we've done over $10 billion. Now the transactions, the carried interest agreements and the asset divestitures are numbers that most of you are familiar with because these have been generally material transactions, although there have been a number of less material transactions that haven't been announced that are a part of our run-rate business. What you're maybe less familiar with is the third of the numbers in that table, the exploration farm-outs.

Since 2006, that number was around $1.4 billion. Just since 2009, it's still over $1 billion. Numerous transactions, I think 26 transactions is the number I recall from 2006 forward. Bob Daniels is going to talk about this a little bit because it's a key part of our exploration strategy of how we manage capital efficiency – efficiently in the exploration portfolio in order to continue to reduce operating risk exposure and to ensure that we're allocating our capital most efficiently across the portfolio.

These numbers by the way, they don't include China. They do include the other transactions I mentioned to you that were announced through 2013. China for $1.1 billion would obviously add to this number, and these numbers, importantly, do not include our MLPs. Western Gas Partners and Western Gas Equity Partners, which we're referring in the presentation to, throughout as WES and WGP, their ticker symbols.

So I'm going to talk about those here in a couple of slides. But that has also created billions of dollars in addition to what we've been able to do from a monetization standpoint, and it's been a very valuable vehicle for us that we'll obviously remain committed to.

Al talked previously about the benefits to the portfolio, so I won't – some of them appear on the slide. I won't repeat them, but I will tell you the nicest thing about these carried interest arrangements that we've been so focused on, both through some material transactions in the offshore – in the onshore, as well as Lucius and Heidelberg, is that it helps us to manage this portfolio in a way that we can grow faster with higher returns, while simultaneously reducing balance sheet leverage. So it's bringing third-party capital into the portfolio that significantly enhances our leverage within our ability to maximize the dollars that we're spending net to our account, but it does so at the same time, we improve the financial health of the company.

Now many companies can't do this and we get questions over time, "How are you able to do this, and how do you have the confidence to be able to sell high-value components of high-value oil assets like Lucius and Heidelberg in the deepwater Gulf of Mexico?" And it's quite simple. We have options in the portfolio because we continue to find and discover, as you saw in Al's slide about our exploration success, we've been able to find opportunities that we know that we don't – we can sacrifice some known growth, if you will, to benefit the portfolio, drive returns and drive efficiency in our use of capital, while at the same time, knowing that there is more growth to come in the future.

So when we talk about a 2020 plan, as Al said, we don't need to look to additional discoveries for 2020. 2020 looks like an execution of all the things that we have, and it gives us a great degree of comfort as between now and that time. When we have more discoveries and more optionality, it gives us great comfort to be able to trim parts of our portfolio.

Oil is very valuable, deepwater oil, high-margin oil, international oil is very valuable. It's hard to find. We have a competitive advantage in that area. One of the things that we try to do, Al talked about it as a profit center. One of the things we try to do is to use that competitive advantage in exploration to improve the performance of the portfolio over the shorter cycle, and portfolio management is one of the ways we do it.

Mozambique is a superb example. Al mentioned Lucius and Heidelberg, this is not dissimilar there. I want to talk to you a little bit, one slide, a little mini case study. We sold a 10 percent working interest. That was about 30 percent of our aggregate, 36.5 percent working interest. But prior to that, we actually sold down to some smaller companies in the exploration phase, and you can look at this very long-term chart from 2007 until 2010, we essentially had our capital carried through Bob and his team, seeking partners to come in and fund our exploration activity.

Obviously, we had one of the most material gas discoveries ever in the world, and we did so at that time when we had those discoveries, we had very little net capital exposed. It's a pretty good place to be in, but it got better and as it got better, we realized that as we moved into the development phase and, again, global LNG is, again, a very valuable commodity and this much gas is very difficult to find, we decided that it made sense to take some of that exposure, some of that capital exposure off the table through the sell-down. I mentioned $2.1 billion roughly of after-tax proceeds.

If you look to the right side of this graph point forward, we expect that this will fund our equity, the equity component of our funding, assuming roughly 60 percent project financing point forward. This ought to essentially carry our capital. We already have the cash, but we can apply it to carry our capital from now until roughly first cargoes in 2018. So that would've taken, to get that $2.1 billion off the table, rough math, it would've taken more than 10 years from today to earn that money through continuing to own this, having a higher capital spend associated with the additional ownership and generate cash flow through sales.

So we've accelerated the receipt of that capital. We've reduced the exposure, the financial exposure, the execution risks and we find ourselves in a position where we still have a very material ownership interest and a very material global gas asset. And I think this is one of several case studies we could've put up here, but we want you to realize that we think this is something that's repeatable and, of course, we've done it in several key assets across our portfolio, and I think the success in this area has spoken for itself.

So I mentioned I'd talk about WES and WGP. I've got a couple of slides because I think that although it is understood, I wanted to make sure that it's clearly understood by the market, what our position is here and how it benefits Anadarko.

There's a chart to the lower left of the graph that shows you essentially the ownership structure. The ownership structure is relatively straightforward. Both of these MLPs, shown in gray, WES and WGP, are consolidated into Anadarko's results because we control both entities through our GP interest ownership. One thing that is not on this chart is that between Western Gas Equity Partners and Western Gas Partners, WGP owns not only the entire GP interest of that entity, but also a material limited partnership interest and what's not on there importantly is, they don't pay incentive distribution rights associated with WES.

Now cutting through what all that means, WES late last week talked about distribution growth in 2014 of around 15 percent. The effect of the incentive distribution rights means that the associated growth at Western Gas Equity Partners is around twice that level. It's a pretty significant – it's a little more than twice that level here in 2014 and '15. And when you look at that leverage created by those IDRs, very clearly, our position at WGP, our ownership in WGP is currently 91 percent.

As of close yesterday, the stock price there, the unit price was $44 a share, and that means that at that $8.4 billion plus of read-through value to Anadarko prior to the market opening this morning is actually $8.8 billion already. And there's some tremendous leverage there. So we think that the ownership position should continue to increase in value over time as we continue to execute the plan. We control the structure. We, obviously, in doing so work with the boards of these 2 entities and the independent directors there to manage drop-downs and sales of assets to Western Gas – to WES at the bottom Western Gas Partners. That creates additional growth, additional growth in distributions, leveraged upside through the IDRs into the WGP entity and obviously, substantial cash flow to Anadarko.

Speaking of substantial cash flow to Anadarko, look at the right side of the chart, it's been tremendous. After IPO-ing in the middle of 2008 and beginning to grow distributions as we executed the plan, as we were able to move more liquids-rich associated Midstream assets into WES, following the dry gas assets that comprised the IPO, WES has continued to return increasing amounts of capital to Anadarko, distributions from WES and WGP have obviously increased. And so in the aggregate, we're at $2.6 billion to date, but we continue to execute.

Late last week, we announced the – an additional drop-down. WES announced the acquisition from Anadarko of Anadarko's equity interest in the front range in Texas Express pipelines, which Enterprise and Enbridge are our partners in, working to build takeaway capacity from the DJ Basin that Chuck's going to talk about. Very valuable assets.

Anadarko, in essence, contributed equity to build these assets and then turned around and sold them at a fair price to WES. As WES generates cash flow from these assets, it enhances distribution growth. It enhances therefore distribution growth at WGP at twice that rate. And Anadarko in the aggregate would expect to get somewhere in the order of magnitude at our current ownership position, north of $200 million of distributions out of WGP. So it's a pretty valuable tool for us, one that we remain committed to.

Now that said, we don't have to continue to own 91 percent of it for it to be a very valuable asset to us over time and, as I've mentioned on past earnings calls, we intend to sell down part of that position. We expect, absent anomalies – Tronox or other anomalies in the market, we get lots of offers for aspects of this position. We would expect to, in a very orderly fashion, sell down some interest there over time. The cash on the right here doesn't show obviously any benefit of any of those additional sales and over time, this could become an important annuity for Anadarko with a moderate sell-down in WGP equity, supplanted by ever-increasing cash flows coming from this entity. And we value the structure and we intend to continue to use it as aggressively as we can because it is a very significant source of what I'll call third-party capital and monetizations that aren't reflected in the numbers that Al and I talked previously about.

Now if we look at one other area of importance to Anadarko, as WES has grown, WES has been able to take on more of the capital responsibilities for Anadarko's Midstream spending. What you see in the blue and the green combined is the aggregate spending that you will see as what is reflected as Anadarko's Midstream spending on a consolidated basis. But increasingly over time, this capital has been borne by WES directly, and that's an important distinction because WES finances its operations through non – through equity issuances that are non-dilutive to Anadarko's shareholders, as well as through its own investment-grade debt offering. And so WES has access to independent private or independent public capital. It brings that to the table and is able to foster the growth in Anadarko's Midstream business, which, of course, helps us to meet the objectives in Anadarko's E&P business.

The number last year, you can see visually was around 50 percent. In 2014, we expect that to be around 60 percent. This – none of this includes acquisitions, but WES has done a few acquisitions along the way, for instance, buying into a couple of Enterprise's fractionary trains at Mont Belvieu to complete the value stream from the DJ Basin from Anadarko's royalty interest all the way through the value chain down to the fractionation point at Mont Belvieu, so pretty powerful for us. And as you can see, it's created billions of dollars in value that we would expect to monetize a portion of over time, and $3 billion of which has already been returned to Anadarko.

I should point out that $3 billion covers all of those blue charts, the blue on the last graph, the blue bars, that's about $2.9 billion over the 5-year period. So simply, the cash coming back to Anadarko, in essence, WES has been able to fund all of the tremendous growth in Midstream assets while creating more future dropdown inventories. So again, a powerful lever as it relates to our portfolio management activities.

Al mentioned NAV. There's just a slight bit more detail on this slide. Again, we're using a blunt instrument. The numbers here are in billions other than the per share amounts that are at the bottom of the page. I think Al mentioned $50 to $55 increase in the E&P assets, about $10 billion of increased value through primarily the MLPs on the Midstream side. But importantly, we've been able to do all this, as I mentioned earlier, while reducing net debt. And so the construct of this NAV calculation has gotten better and better. And overall, we see this as about, again, blunt instrument, about a 75 percent improvement over the last 5 years and one part of the story that we're very proud of. And again, these numbers don't obviously include any of the Tronox liability, does not include what we just accrued, and it does not involve whatever might occur.

So the key takeaway here is that we are focused on managing the financial part of this business in an uncertain environment where we don't know what may happen with regard to Tronox. So it's been important for us to remain flexible. Obviously, we got a lot of access to liquidity, a strong cash position. That cash position isn't efficient. I don't – I wouldn't stand here and try to tell you that it is. But by the same token, we think it's prudent today.

And we think we're in a position that as we get greater clarity in the coming months around Tronox, then we'll obviously focus on driving that balance sheet structure more efficiently, and we've talked about that in the past with regard to either growing our business more quickly, returning capital to shareholders or both. We obviously are interested in getting to that point. I think one of the key takeaways is we have a lot of cash, a lot of access to liquidity and a tremendous portfolio of assets that are the most desired by industry.

Our onshore portfolio, we think, is as good as anyone's. Our Deepwater portfolio is as good as anyone's, and what we found over time is that we if we can manage that efficiently and continue to build optionality through our continued work in exploration both in Deepwater, as well as the work that Chuck and his team are doing onshore in the U.S., we think we're well positioned to continue to execute this type of financial strategy over the next several years.

And in the spirit of addressing questions, that completes my comments. I'd love to take any questions that you guys have. And if you think of them later, obviously, we're going to have a Q&A session at the end where we can bring all of this together.

Jonathan Wolff: Jon Wolff: Quick question on WGP in terms of imputing the value into your stock. Is there sort of a certain percentage that you think Anadarko needs to own in-house to get sort of GP credit or in terms of wanting – having the incentive to manage the assets?

Robert Gwin: Thank you. Not a particular level that I would define publicly. Obviously, we've filed an S-3 that covers 20 percent of our ownership, covers 40 million units. We have 200 million units of this entity. We'll start there, and we'll see how things progress.

Obviously, it's an asset that we expect increases in value over time. And as I mentioned, it has tremendously better yield at a little over 2 percent today, tremendously better than our cash yield. So just having additional cash today when we can hold an entity that has appreciation value, as well as 7x the yield roughly. Selling aggressively is not, in the short term, something that we're looking at. We control the structure just through nature of the documents work.

We control the structure unambiguously with as low as a 20 percent ownership interest. With WES over time, we sold – our interest moved from a very high interest at IPO, down to about 40 percent, 45 percent. But that was largely because WES was doing additional equity issuances to fund its business.

WGP doesn't do additional equity issuances. We want to get additional capital on the market. From a liquidity standpoint, 9 percent float isn't an attractive place. I don't have to tell you guys it's not an attractive place for an institutional investor to be comfortable with taking larger and larger positions. As we see how the security trades over time, as we bring this first 20 percent out, the more we evaluate the situation, decide what the optimal path then is. But when there's more clarity in the story, it will be easier to do that. And I mentioned returns to our equity holders.

We obviously have to continue to evaluate what's in the best interest and how we can best manage our capital structure and returns to shareholders, both through the distribution that we're going to be getting from this entity over a number of years. It's still growing at a higher rate and the sale of the asset. Yes, Doug?

Douglas Leggate: The presentation talks about accelerating asset monetizations. Can you frame for us some kind of order of magnitude as to what you might have identified already internally? And specifically, how – given the success of Shenandoah, how are you thinking about non-operated working interests in the Gulf of Mexico?

Robert Gwin: The way I'd rather answer that question, Doug, rather than talking about specific assets – we talked about Brazil historically, and then in the last earnings call, we stated that Brazil is not a short-term monetization. But I think over the longer term, as we continue to evaluate Brazil and understand how it might fit into an optimal allocation of capital across the portfolio, that's one of those assets down the road that would certainly remain there. I think the key is that what we're trying to point out is that we will make those decisions based upon continuing refinements in our model.

As we execute over the course of this year, as we see clarity around Tronox, we have the ability to continue to re-optimize the model against the objectives and constraints that are the reality – the constraints are the reality we deal with and the objectives that we've articulated over time primarily around debt-adjusted growth metrics.

We'll continue to re-optimize the portfolio, and if there are places where – and maybe it's in a place like Shenandoah, but we've shown the ability to do it onshore in the U.S. and in the Deepwater and internationally. We've done it through carry structures, fairly creatively, and we've done it – and we've been able to do with just straight monetizations like we are with Pinedale/Jonah and Mozambique.

So I think the comment is one in general to say we're not done managing this way, but a lot of it's going to matter about – Al talked about lots of things we can't predict today. As things evolve, we're going to continue to try to position ourselves most efficiently, and then we'll take advantage of it in the market. Can I answer anything else?

Male: Bob, if not for Tronox, what would be the right leverage to run the business at?

Robert Gwin: We've talked in the past about 25 percent to 35 percent debt-to-cap. And debt-to-cap's not necessarily the best metric, but it's a convenient one for everybody to look to as one that's easy to identify. We're obviously at the low end of that range on a net basis. And so I would imagine we'd stay in that range. I think that one of the key questions is where do we think the best place to run the business is from a creditworthiness standpoint. And with our business mix, our international focus, the types of projects that we're doing around the world and the desire to keep uncertainty lower point forward after we're able to get the current uncertainty behind us, I think we'd be comfortable in that BBB to BBB+ range.

We don't expect to get leverage down even with the cash flow-generating aspects of this business. We don't expect to get leverage to the point of being a single A credit. As you all know from following the rating agency statements, we think that with certain Tronox outcomes, we can achieve that creditworthiness in the short run, and then we'll try to manage within the range. Often, E&P companies, in my opinion, are under-levered.

You need your leverage to reflect your overall risk profile. If your operating and business risk can withstand it, then a little more financial risk, obviously inures to shareholders' benefit. And so we're going to continue to manage it within that broader range of 25 percent to 35 percent over time. Dave, do you have a mic yet?

Male: Absent Tronox, where would the additional capital be spent today? If you have $6 billion cash, where – I know you're going to tell me highest rate of return, but can you give me more specifics?

Robert Gwin: Yes, I mean, the only thing I'd give you – I mean, it's moot today, but looking back to what we talked about last fall, it's again, it's – part of the mix – you saw Al's pyramid, how do we allocate capital to ensure medium and long-cycle projects?

I think the place where we can get a lot of bang for the buck, given the returns available in the short cycle is onshore in the U.S. We've got some growth opportunities there that have nice return characteristics associated with them. And we were talking about, prior to the memorandum of opinion, spending more money onshore in the U.S., applying in the short term, some of those Mozambique proceeds, you can earn money in a shorter capital cycle.

You can earn very nice returns on those proceeds and have more money to invest into that capital requirement, go-forward capital requirement environment in Mozambique. That was where we're going. It's probably where we'd go back to. But it depends. Chuck's going to talk about the points of opportunity. We've got a lot of running room. Al talked about a number of drill sites.

What we don't have an interest in doing is driving growth to a point that it's unsustainable. Adding volatility in our growth rate does nobody any favors. We want to grow as fast as we can for as long as we can. We want to be predictable in our growth rate. We want you guys to be able to say, "Year-in and year-out, Anadarko's going to deliver." However, what we want to deliver is the best growth, best slope we can that the market will reward us for.

As our multiple expands to the point where it appears that we may not be able to expand it any further – after on the other side of this uncertainty, then we have to question whether additional growth in the short term is beneficial or if returning more capital to shareholders is the most beneficial way to run the business. Are there any other questions at this stage?

OK. We have a break scheduled. John, how long are we breaking for?

John Colglazier: We are going to break for 15 minutes, we'll stick to it, so we'll be back here at 10:00. One other item, make sure you take your name badges with you. There are other events going on in the building today, so to get back in here, make sure you have it. Thanks.

(Break)

John Colglazier: Can I get everybody to take their seats? And we'll get started with Chuck up here. Thank you.

Charles Meloy: OK. I'll go ahead and get started. I get the pleasure of talking about the other elephant in the room, the 600,000-barrel a day U.S. onshore portfolio. So I'm looking forward to that.

I thought I'd start this out with just talking about our mission, and you can look through the slide and read it. What I wanted to – what I hope to convey to you as we go through this presentation and you get a real sense for is, inside Anadarko, the people, the assets, the focus, the capital allocation and the continuous improvement culture that we have. And if we do that, if we do that well and it all comes together, and it's right, what you see is the graphic that's on the bottom of that page. That's the business we've created in the last 5 years. And today, our run rate is a little over 300,000 barrels a day from a standing start. And this is just our horizontal program in the U.S. onshore.

So from a standing start to 300,000-plus barrels a day and by the year, our exit rate will be over 370,000 barrels a day. And if you can compare that to some of our mid-cap peers, that's actually a bigger company created than many of the mid-caps that are out there today.

There's whole a lot of information on this slide, but I'm going to take you down to the graphic. I think the first thing you'll notice on the total sales volume is the growth from 2009 to current. We've gone from roughly 350,000 barrels a day to an expectation of over 625,000 barrels a day in 2014. That in and of itself is fairly impressive, but if you drop down one line and look at our liquids growth, you'll see we anticipate tripling that over the same time frame. We're going to start it – we started at 81,000, now we're going to run around 235,000. And I know a lot of people use liquids and oil interchangeably. Our oil growth rate is actually faster than our liquids growth rate. With a 26 percent growth rate from 2009 through 2014, so we're going at a very strong rate on our liquids and particularly our oil.

The assets below there are the ones that were on the previous graphic. These are big, big meaty assets. Each one of them over 50,000 barrels a day. These are dominated by horizontal drilling, an exceptional well. There's not a whole lot of wells that actually represent that chart. So these are stunning wells. And I think the thing that – if you look up at the bullets ahead on the top, what our activation rate is 35,000 barrels – $35,000 per flowing barrel. And our F&D at $13 a barrel. We think that we can do that consistently and that's very competitive with anybody in the industry for this type of product mix and these quality of developments.

So what drives this? When we look at our investment alternatives, and Al and Bob have each talked about the magnitude of the portfolio, we allocate toward returns straight up. We have a very significant process inside Anadarko that we continually simply do 3 months, 6 months, 1 year and 2 year lookbacks and consistently look at our returns, work those returns, work the wells, work what is working. And by doing that, we always move toward the best allocations we possibly can. We put in plans in place, which you'd expect us to do, but we modify those plans as we see returns available to us. And this what – these are the kind of things that you see.

Looking at 2014, our current expectation is we'll put about 80 percent of our CapEx in liquids growth activities. And if you look at the pie chart on the right, if you include the Midstream, which is almost all focused at our oil plays, then that percentage is actually over 90 percent. So a huge amount of our CapEx headed toward that. That will deliver 50,000 barrels of growth just in the liquids side this year and will grow our EBITDAX to $5.5 billion just in the U.S. onshore alone.

So if you take a look at the bottom graphics, I think this is a pretty interesting way to think about this. We really have 3 entities within 1. We have oily plays, we have the liquids-rich plays and our dry-gas plays.

And I'll start from the right and work to the left. The 100,000 dry gas, 100,000-barrel a day dry gas business is dominated by the Marcellus right now. If you moved into the middle, our liquids-rich properties, which are primarily East Texas, Greater Natural Buttes, those kind of properties, they're growing at 7 percent a year. That's accretive to the company as you heard from Al earlier. But that's a great piece of business, but the real zinger in this is the left graphic. That graphic represents a 36 percent CAGR for our oil business. And it's a figure that's over 200,000 barrels a day in 2014. And what you really see on top of that is over 110,000 barrels of oil production per day.

So this is as large as many of our mid-cap folks in and of itself is just that left graphic and quite – is a quite compelling investment alternative when you look at some of our peers. We're really proud of that growth, but I'm proud of how we got that growth. And this is an evidence of how much work and focus we put into continuous improvement. These 2 graphics compare what our drilling performance looks like from 5 years ago, what our completion performance looks from 5 years ago. And had we been at that cost structure, what we would've spent today in addition to what we did.

So over the last 5 years, we've saved $4.5 billion net CapEx by continuously improving what it cost us to get 1 foot of reservoir exposed to production. And in reality, that's coming close to 1 years' worth of annual investment. So we've made up about 1 year worth of annual investment just through savings. So I'm really proud, exceptionally proud, of our drillers and completers within our organization and the folks that supply them, the EHS work that's been done by our company to get this done and get this kind of savings while doing it safely and efficiently.

And it really speaks to sort of a relentless focus on continuous improvement. If you walk the halls of Anadarko, you will feel it. You'll feel it. You'll understand that this is something that we live every day. It's something we believe adds a tremendous amount of value. And I personally like to think about it, when you saw the graphic that Al showed with WoodMac's evaluation, that $4.5 billion shows up in that value add and it shows up in a big way. And so that's something that these guys know, they know that's what their value accretion is for the company and they work it hard.

And it doesn't stop at the drill bit. We've also been able to, if you look through time, reduce what our lease operating expense is per barrel. Al mentioned that we didn't start out in the best place back in 2006 with regard to our cost structure, but I think we're in a really good spot today. We've seen a 20 percent reduction over the last 5 years. And it's really hard to start comparing this to peers, but I think the graphic on the right does a fairly good job of that. The trend line is the 2012 numbers from annual reports, for our peer group, of all the guys that you folks work. And it's got a fairly good correlation with what liquid composition looks like against what costs look like.

And you can see the trend lines, 2012 data, so we're going to move either side of that. 2009, we're essentially right on the line. And as our liquid percentage has grown, we've actually been able to keep our cost structure flat to down. And if you just draw a line vertically through the 3 blue dots, you can see we actually have a competitive cost structure, with many of our peers that actually have a very low percentage of liquids.

And so I think you're seeing that in the EBITDA expansion per share that Al mentioned earlier, and it's growing, the flywheel is starting to spin. And it's a great story, and I'm really proud of our operating team, our field organizations, for making this happen every day. And they, too, feel it and live it and you get the benefit of it.

So I know you guys came here to talk about the assets. Al mentioned that Wattenberg is the – is our best and biggest asset. And the thing that – we're going to talk about our consolidation in just a few moments, but the big story here is that we continue to accelerate what I see as one of the premier assets in the United States onshore, not necessarily in every regard, highest IPs or highest EURs, but just tremendous returns. We're drilling wells out here that for less than $4 million, that deliver 100 percent rate of return, and we're stamping them out, one after the other.

Just last year, we drilled about 400 short equivalents, and that's the way we think about it. That's a 4,500-foot, a 5,000-foot lateral. This year, we intend to drill about 450 short equivalents. And the way we think about acceleration here is we're looking at our infrastructure and its capacity to accept that new flow stream. So our job is to continue to accelerate this as we increase the capacity of our infrastructure.

The way that a lot of people see these assets – and Al mentioned it earlier about a megaproject in Wattenberg. If you look at the gross flow from Wattenberg, it's over 150,000 barrels a day to Anadarko's gross. That's the size of El Merk, OK, and growing.

So these are tremendously large projects. And this one has the resources to keep it going. We see 1 billion to 1.5 billion barrels of strong, derisked resources. And we also see the potential to add to that with increased downspacing. And I'm going to go through the map of that with you in a few moments. I hope you can see it. I've already talked about the returns.

If you look at the graphic on the lower right, that's where the boost really comes from. With that mineral interest, this was right in the middle of the Land Grant, we get a pop on top. It's about 1/3 of the total economics. We also get that royalty when others drill on our mineral interests, and there's a lot of that going on. We're really happy about that.

And the graphic on the bottom left, what I hope you can see is that we're actually at an inflection point. We have been growing our horizontal layer very rapidly over time, but our top line has been constrained by the infrastructure. And as of this year, we're now on a spot where we have more infrastructure than we have wells. So we're going to start filling into it, and that's going to be – that's going to deliver some really strong growth metrics. And that's what you see on that graphic.

So let's just spend a minute on the Wattenberg consolidation. I think we took our best asset and just made it better. At first glance, you go, "How can that happen?" And I think the way you look at this is let's first look at the map. That's our consolidated position. The yellow, you see the blue outline is the – what we consider our core area. We actually have interests in all those dark green spots, that's the Land Grant. So we have way more interest than what's evidenced in the yellow. But we have consolidated, so we've painted that area almost completely yellow. And if you look at the red – the little red lines, that's our horizontal wells to date. We have about 400 of those online.

And if you look at it, that's about 10 percent of the well count that would be represented within the core areas. So we're only about 10 percent into this development. And already, that group of wells is producing over 75,000 barrels a day. It's knocking on the door of 80,000 barrels a day, OK. So this thing is just getting started. It's already wound up to almost 80,000 barrels a day from roughly 10 percent of our expected well count. And you go, "Well, Chuck, are the rest of the wells going to be like the ones you have?" So we've given you an idea.

As we moved around the field, we've tested some of these boundary limits and recognized there's 5,000 operated vertical wells throughout this area. So we have a real good idea of the geology. The geology here is well-known because of the density of the drilling. But if you look around our area and you look at the returns that we've received on the wells that we've drilled, delineating our core area, you see they're comparable, if not even better than where we started.

So I think this is an exciting spot. We can drill literally thousands of more wells. I mentioned we have 4,000 more short equivalents available to us. With the current density that we're on, which is 8 Codell wells – I'm sorry, 8 Niobrara wells and 4 Codell wells in every section.

So, OK. Let's go through the business case for the consolidation. The first one that's mentioned is a billion dollars of value creation – value acceleration. And this one's hard to get your head around, but if you give me just a second, I hope I could put on the right spot here.

When we were drilling in the core Wattenberg area, that's where our drilling rigs were located. And the map didn't look quite like this, it had lots of other spots with Noble and (inaudible) around. And so when we were drilling wells – although we had 100 percent of our section, as we drill wells, they all get unitized. And with that unitization, the interest gets diluted to the neighbors as well, so we were working hard for a lot of our neighbors, with the consolidation, our drilling program inures to our benefit. All 13 wells are drilling essentially, high working interest horizontal wells, instead of 75 percent working interest horizontal wells.

And so that acceleration is, instead of drilling 75 percent wells, we're drilling 100 percent wells, or near 100 percent wells, and the wells that we would have been drilling to the Northeast are now getting drilled faster by Noble where we have royalties. So that's how you get that acceleration in the value. It's a significant, it's a couple of bucks a share. Also with this land position, we can now drill more extended laterals and you'll see us move from a roughly 10 percent longer laterals to 20 percent longer laterals in 2014. So a big move that way.

We also avoid a tremendous amount of costs. If we have to build our infrastructure out to the Northeast, we would've spent around $500 million just hauling water and hauling oil. Now, we get to utilize our infrastructure that we already have in place in this core area again and again. And so, the benefits of that infrastructure are over more units, so the cost per unit goes down, big uplift. That's, that utilization (inaudible).

And again, we have that mineral interest. I'm just – it is one of the greatest gifts we have, frankly, to have that position where we have a nice spot with whatever happens over almost 8 million acres.

So here's the map on what we're trying to do and the plan we're trying to execute at Wattenberg. We're testing spacing and frac designs. And there's a combination that works, certain spacing, certain frac designs where you optimize. We continue to look for that. While doing that, we want to leverage our efficiencies. To date, we've saved about $1.3 million on average per well, getting down to where we are now for short lateral. So that's a lot of value uplift. And so, that's moved the number of wells that you want to drill per section to the right, and this is what this graphic tries to depict. And I'd like to focus on the EURs per well.

There's a point at which wells interfere, there's a point at which that incremental investment does not add value per section, if you will. You may see value per well, but you're actually starting to dilute the value for the other wells you've already drilled. And that's what we're all trying to figure out. This is not just true for Wattenberg, this is true across the board and across all resource plays.

So what we've come to conclude today is 12 wells per section is where we're gunning at right now. But we do see the opportunity to continue to increase downspacing for 2 reasons – one, our costs are decreasing; and two, the better we can utilize our infrastructure. Again, we've decreased our costs, and so we can add incremental wells at high value and move the number of wells per section to the right. We still get good EURs for each of these wells. And so this is a big uplift, a big opportunity in the order of 0.5 billion barrels for Wattenberg alone – for Anadarko in Wattenberg alone, just by doubling the well count. So very significant opportunity.

I mentioned earlier that we have been infrastructure constrained. The reality is, the quality and the magnitude of our horizontal wells has effectively just swamped the original Wattenberg infrastructure. It gave us a little – it gave us a head start. It was nice to have that backbone available to us to get going. We built an 80,000-barrel business on top of that backbone.

But the real key to this thing is if you look at that gas plant processing capacity. We have not, historically, been able to flow all the gas we have at Wattenberg. And that has constrained oil production. That changes this quarter. Lancaster 1 will come on before the end of this month and we have a sudden bump, a big bump. We'll effectively add 300 million cubic feet of processing capacity to our Wattenberg field processing capacity. And that will allow us to unload these wells and continue the acceleration of that production.

You can see from the infrastructure notes on the top left that this is a huge piece of business. I mean, there's thousands of miles of pipeline and hundreds of thousands of barrels of capacity in the field. And when I talked about this was 150,000 gross barrel a day business today, that's the kind of math that it takes to enable that. And so, we're setting up and we have the ability now to get infrastructure ahead of wells. Historically, we've had wells ahead of infrastructure. And so, I'm really happy with the position that we're in. And when you look back at the growth rates that we are expecting from these assets, the reason we see that incremental growth is for this reason, right here.

And also note, if you're looking carefully, you'll see another bump at gas chart, that's Lancaster 2. It will come online in the first half of 2015. And it's indicative of what we see as the potential in these wells. So we have about 425 or so wells online as of today, at year-end, it was about 400. We will drill that again in 2014. So we're seeing this thing really starting to spin up and we have in the infrastructure to get it done now.

So let's move onto another great asset, this is the Eagleford. Today, we've drilled about 100 – I'm sorry, we've drilled about 1,000 wells. We have about 850 of them online. You can see the production ramp that we're expecting. This thing has essentially doubled. It's a very substantial asset. You see our 2014 plans depicted on the map. We're essentially taking our drilling program and putting it in place where we have available infrastructure and where we have quick expansions, so that we can ramp the program as fast as we possibly can.

Returns are great. The northern tier of our acreage is oilier, so the EUR is around 550,000 barrels a day – I'm sorry, 550,000 barrels of EUR. Great liquid composition, 70 percent liquid composition, really good returns. As you move south, the EURs go up, liquid composition comes down slightly, but the returns go up. And why do with the returns go up? The reality is, is because we own Brasada. We put in Brasada and that's given us a great opportunity to increase our cuts, increase our collection of the value chain, if you will, as these molecules come out of the ground and go to sales. So it's a great opportunity for us. We're going to operate 10 rigs, that will put 400 wells down line. That compares to about 350 in 2013. So we continue to accelerate it as we get the expansion capacity by Brasada.

It's a same story here, guys. The infrastructure was so important to make these programs happen. You see the numbers on the top left chart. Again, we had a big program going on here. And although the map is small, and it's hard to get that idea of what all those pipelines mean, essentially, our pipeline web has now reached out and touched the major producing areas within our Eagleford position. And we're able to incrementally add capacity and wells a lot cheaper than we did when we started this program and tried to build its backbone.

But the Brasada Plant has been a blessing to us. It's added a couple hundred million a day of processing capacity. It's made us a player in the area, so we get better rates as we add capacity and add – and we need interruptible capacity because we have an option. And it provides us deeper and deeper cuts of the propanes and butanes, because these flows – this gas out here is tremendously rich with liquids. So we're grabbing as much of that value as we possibly can and these are the enablers of doing that.

Al mentioned that we're very excited about our Delaware position. And there's – the Delaware Basin has been sort of the second-class citizen to the Midland Basin for some time. I think that's changed. Today, there's 170 rigs in the Delaware Basin. That's a lot of rigs. If you just take a look at the map, didn't turn out quite as well as I'd like, but the gray dots are just the rigs in and around Anadarko's position. So people like our ground. They like our neighborhood. They want really good zip code. But then last year, there's been a lot of activity moving into the Wolfcamp. This has historically been Bone Springs and the Delaware group. But now we went deeper into the shale. People are starting to drill these shales – the early returns have been (fantastic). In fact, in my view, these are the best early returns I've seen in our resource plays.

First wells, straight out-of-the-box, over 0.5 million barrel EUR (tons). And very few of these wells have been on for more than 1 year. So there's still a lot of unknowns, but the promise is considerable. You have these big EURs – and I'll show you, I think they're going to get better. This is a liquid-rich basin and a lot of it is oil, it's not just NGLs. This is a high composition of oil, oftentimes in excess of 70 percent. And you've got these high initial rates with the good EURs and what that equals is good economics. And good economics early means great economics later, because we'll get better at these things. So I'm really excited about this. This is just the start of it.

So let's look at Anadarko's position specifically. This map is a depiction of the Wolfcamp fairway as we see it. There's still a lot of drilling going on to define it. I think it's fair to say we're just getting started. There's not that many wells. When you look at this area, this is 4 or 5 counties, and there's less than 100 wells of really good strong production to date.

The thing that gets me excited is if you look at the little (call out) boxes, almost everywhere, inside our land position, we have 100 million barrels of stock tank oil in place. And that's – when I look around the globe and look around the resource plays, that some of the best I've seen. It's a tremendous amount of oil in place. It's got a good oil. This is intermediate WTI-type stuff. It's got good mobility. It's got nice energy. If you look at the 2 (logs) on the right, comparing the Delaware Basin to the core of the Midland Basin, they're very comparable. The Delaware section oftentimes is a little bit thicker. The upper Wolfcamps are very comparable.

The one thing that I see that gives me a lot of encouragement, especially for flowing large molecules through tight rocks, is that the frosty and the permeability in the Delaware is actually just a tad bit better than what you see in the Midland Basin, from what we've seen so far.

We've done our best on the map on the left to outline what we think is the very best of the petrophysical properties, the rock quality, inside our acreage. But that understanding is growing every day and the small area in the right, denoted by the hashmarks, is where we see we have completely derisked the A bench of the Wolfcamp.

And just in that side of that area, which is only about 20 percent of our landownings, we already see 1,000 wells that are near or close to offsets to existing high-rate, high-quality production. And that's with only the A bench activity that we've done so far.

We have drilled primarily A bench activity so far, which is what you also see in the Midland Basin. But now, we're moving down into the upper B and the lower B, and we'll be testing that this year. We actually have our first lower B well online and it – the early returns on it look really strong as well.

So this is an exciting area for us. We see that our drill spots could grow in large magnitudes here. I already showed you that the industry is moving around this area as well, and the holes that we have in our land position.

They're testing the column just like we are and we're moving up to the northwest and up north. So this thing will grow quite rapidly – my sense, anyway. And I think it will grow with quality and great economics. So we're really excited about this.

It's hard to judge the upside potential of the other benches. But if you look at the logs, they're comparable to the Midland Basin. And if you read the (regs), there's a lot of people that are playing them hard right now. They're starting to play hard and they also see quality early returns.

I think our position, we have a bit of an advantage with regard to oil. If you look at the basin, it's generally oilier in the southeast and gets gassier in the northwest. But we'll transcend both of those. So we actually will find the right spot to maximize our economics. And I wouldn't want that pressure gradient to go unnoticed. I think the – this is a supercharged cell here, it's over pressured cell. And with that we get a lot of push early and it really helps you unload these wells and it provides a lot of support for a long well. So you have a slightly different decline curve when you see these pressure gradients. So this is really exciting to me.

And here's what I think we're going to do, and I'm looking forward to this opportunity to – we approach these plays from a delineation mindset. We do short laterals, we frac it with reasonable fracs. But what we're trying to do is get an indication, trying to minimize our confirm or condemn cost. That's what we've done so far.

What you'll see us moving towards is more of our development machine, which we believe, in this play, will include tighter spacing, we've only drilled 4 wells per section to date. We have the opportunity to increase that to 8 or more as – and that's in any single bench, which is what industry has done. Industry is actually pushing that up to 15 or so per bench. So there's a lot of upside running room here.

For downspacing, we can test the longer laterals. The Land Grant out here is such that we'll probably drill more of 1 section laterals than 2, but we'll drill some 2s.

We've already moved our rig count from 0 about 1 year ago to 8 rigs today, and you'll see us running 10 rigs at the end of the year. We'll drill 80 wells. We'll put that – about that many online as well. And more importantly, I think, is you'll see us go into across the position where we're frac-ing these for the long haul. We're going in there, increasing our cluster spacing, increasing our density, increasing our stage count and what that typically has done in the industry as you've seen is that it improves the wells. So I think seeing 500,000- to 600,000-barrel wells, (put) them in delineation mode, is indicative of what the potential is when you really start to slamming down on these things from a development perspective. That is the one asset I really see changing Anadarko's – the way you view Anadarko in the future from an onshore perspective.

Let's move on to – from West Texas, let's move over to East Texas. We don't talk about East Texas much. And it's a very competitive area, but the one thing that I think we've been able to do is take a very successful recipe, a very good tasting recipe and use it again. So we've acquired a considerable amount of acreage up in Northwest Louisiana. That's expanded our position. It's added another 2x the locations worth of 500 locations. You've seen in our operating report, our liquids keep growing as strong as, say, the NGLs. These are good wells and big wells. A million barrel-type equivalent wells. And they have 30 percent composition of liquids. They have great economics.

On our lookbacks, these happen to be some of the very best wells. They tend to produce more than we thought and they tend to drill cheaper than we had planned. So you get that great sales growth, 25 percent sales growth and we're up to over 18,000 barrels of liquids. So this is a great play. We have expanded opportunities. We're operating 5 rigs and we intend to drill around 60 wells both in the Carthage area, as well as up in the Northwest Louisiana now. Our play has now expanded for us and we're excited to be able to put that position together, and I think it offers great value for our owners.

And these 3 (grids) are I really want to talk about. So that's – I think this was a – this is all about how we do it, this is a focus on continuous improvement. We were both the numerator and the denominator. And if you take each one of these 3 graphics, you can see that. We're working on increasing the EURs.

We're working on increasing the margins through the NGL yields, and we're lowering our cost. And all that drives value. And I think this is one of the reasons that we've been very effective historically.

But also, I'd like you to think about when I'm standing up here 3 years from now, that's going to read West Texas. So this is the playbook for our Delaware position. These are the kind of things that we do when we get going and start working the machine and start manufacturing these wells. The same kind of thing should happen in West Texas, because this is what we've done in every one of our resource plays, and it incrementally adds value and economics to each of these.

So I talked about our people. This is driven by the folks that work in Anadarko. And again, I'm really, really proud of what they do. And this spans drillers, completers, our field folks, the folks that help pick these (sticks), where they put the target lines, how they frac them. You name it, they're working it to improve these economics. And great job by all of you, guys.

Well, talking about the Marcellus a bit. This is an area that – we're in the right spot. If you look at the map on the upper right-hand corner, northeast Pennsylvania has been a tremendous gas production area. We're in the Lycoming and Bradford area which are 2 of the better spots. Tremendous wells, great economics when you have good realizations. And I think that's what we're sitting here waiting on today.

We've lowered our rig count that we're reporting here. It's not because we don't have the opportunity. We have tons of opportunities up here. That there's lots of yellow that's not drilled yet. But I think, in our view, we have better places to put our money today, and I think this will get normalized over time to take out (capacity drillings).

You've seen the growth – I mean, the growth is amazing. This thing is – it spun up to almost 600 million a day net for 2014. It's a big business 100,000 barrel a day equivalent business. It's almost all that dry gas on that curve I showed you on the right earlier that we have. And we've seen the benefits of the efficiencies in our programs, and we'll ramp this up when the opportunity is right. Because the economics, the right realizations are tremendous. These are some the best gas wells in the U.S. Some of the best gas economics in the world. They're really just fantastic wells, 7 to 10 Bcf (tens) are the norm, and the per (barrel) gas realization is over 50 percent rate of return wells. So we'll be here. Our current program calls for one in the – one operated rig in our position and then the non-op position, the plan is 3 to 5 rigs as we understand it today.

So a very busy graph. I plan on going over every single element of it in great detail. But I think the thing I really want you to see is, this is the mission of our Midstream group, Al and Bob have both talked about it. Our Midstream group has one mission in life, and that is to enable upstream growth. And they've done a fantastic job doing that. We have a huge business. You can see the EBITDA growth and volume growth on the bottom left-hand corner. We touch about 1 out of every 13 molecules moved in the United States. We work really hard on getting the enabling infrastructure to move our growth engines to good markets.

You see that on the graphic on the right. And so this is a piece of business of that works. It's the value behind the WGP and WES interest that Bob mentioned earlier. We continue to add inventory as we're successful with our U.S. onshore resource plays of this business. And it's a – in my view, it's a competitive advantage for Anadarko to be in control of this, be able to keep up with our upstream machine. And know that when we get ready, we're going to have that capacity, and we're going to have the value embedded in that capacity. And so that's why do it, and I think we do it very well.

Moving on to the U.S. onshore exploration. We're looking for the next play, just like everybody else. One difference is that we have about 17 million gross acres to work on. 13 million net acres inside the U.S. that's painted yellow.

So we've been very successful. And you see some of our previous successes noted on this map, several of which have been underneath existing fields, or beside existing fields or expansions of existing fields.

So we put a lot of effort. We believe we are in good basins. We believe we're in multi-pay sections. There's a lot of stacked opportunity. So we look at the additions through time, our exploration program has been tremendous. Oftentimes, very low cost of entry, particularly when they show up on HBP acreage. We're definitely focused on the liquid opportunities, but we keep our eye out because you never know where you're going to see something that really has a game-changing opportunity either in the wet gas or dry gas.

And one of the things that I think we've done with our organization is quickly transition these from the exploration delineation mindset like the Wolfcamp straight into development. So inside 10, 15 wells. We're moving into manufacturing mode. We're working with optimizing our EURs, minimizing our costs, extracting the value. Building the midstreams, so we'd get another cut at it. That kind of thing that really makes a difference to the economics.

And so we have 6 plays under evaluation. One of the most recent ones is the next slide, which is the Eaglebine. This is on the old Austin Chalk acreage. The Eaglebine is below the Austin Chalk, it's more or less an extension of the Eagleford play up to the northeast, same general section. We've got some really encouraging results in the early phase here, good EURs for the depth of these wells. This is almost all (the wells).

It's a real (low EUR/well) 90 percent oil composition. The concentrated land position that we own is HBP, so that we have high-working interest. We can do what we need to do to get these programs underway. Thankfully, we have existing backbone and the infrastructure, so we can put these wells on very quickly. And our planned activity is we're going to drill around 25 wells this year. And we'll see how those go, see what – see how the machine starts to rev up and then we'll expand from there as necessary.

And inside the first 10 wells, we've already started seeing the learning curve on the drilling cost. And that's going to be critical, to making these things really economical. So the quality opportunity has been delivered recently, and we're just (surrounded) here. So this could be a substantial add to us as well, as we move forward. Congratulations to our exploration folks and all those who've been involved in this, our land group and et cetera, to get this play underway.

And Al mentioned our gas option. This is something that is critical to our mission. Well, 25,000 identified sites now so (inaudible) depending on what gas price you want to pick. We're the third largest gas producer in United States, so we have a lot of leverage on gas prices.

Gas prices moved up. For every cent – $0.50 that's moved up, we realize about $275 million after tax of increased cash flow. So it's a substantial leverage position. It's over a large volume, because we're such a large producer. And we will manage our portfolio here. This is mostly HBP and it's an option that we have that we will exercise on when it's right. And it's a great position to be in, in some of the biggest gas fields around, and this includes the Marcellus, the Buttes, Wamsutter. That's only a few, but you name it, we have a good spot in it. And it's generally owned by production, so we have the opportunity to exercise those options.

So I hope in this time I've convinced you that we have a very compelling investment thesis here. This is a great business that we have. We're going to continue to do what we do and hope we continue to do it as well as we've done in the past. I think we have a great team. And they're just – they're awesome. Very proud of them. We have an opportunity to accelerate this value as we've built up the Midstream and as the cash flow (have come), we have increased.

As Al mentioned, this is a spot where we want to invest, because we have some really nice margins, really good rate of returns, nice cash cycle to continue to turn this money back to the company. We're going to focus on the 3 big oil assets this year. That's where we're going to put our time, our effort, our executive oversight at. And that's going to deliver a big number, 50,000 barrels of uplift to our liquids production. It's very good. Very good economics, very high margins.

I know our team will deliver even more efficiencies this year as they have year after year, and I just see that coming. It'll be competitive from a cost perspective and it will deliver incremental value to the Midstream position that we have. That we can continue to do what we've done well with the WES and WGP position. And that several years from now, I hope you see that it curves – that it gets bigger than it is, because that's where it's going.

With that, I'll take any questions.

Male: Chuck, in the Wattenberg, what are the current well costs and what do you need to get that well cost down to, all else being equal, to move the 24 wells per section?

John Colglazier: (Inaudible) because we're having trouble on the webcast hearing the questions by the microphones.

Charles Meloy: The question was what are the current well costs in Wattenberg and what would it take to move the 24 wells per section? Well, I can answer the first part of it a lot easier than the second part.

The first part is, if you take a short lateral equivalent, which is a section – a well that has a section – we're running just over $4 million Bcf. And with that, we believe we're in the right spot with about 12 wells per section. What we're seeing though is as service costs have come down and our ability to frac these things faster and get more stages in the ground quicker, we're seeing pressure to move up, and I think that's the upside.

It's not a direct correlation. I mean, you can't just pin the number down. But I'll tell you today my sense is our pressure is to increase density because of the dynamics of the market, now that can change. Costs start creeping up or realization starts falling down would change our position. But today, I think we're going to start going tighter and tighter and longer and longer.

And that upside is there. It's the oil play is there, the opportunity is there, we just got to make the economics work on every one on those. And today, we feel like we're optimized. We feel like the pressure is moving to the right. And it's a pretty narrow band of cost. And it didn't take a lot of cost to see good returns on those incremental wells.

Yes, (John)?

Charles Meloy: It's not much.

Male: This is (John) (inaudible) how long are the laterals?

Charles Meloy: The question was, how long are the laterals in Wattenberg? Historically, we've drilled about 70 percent shorts, 20 percent mids and 10 percent longs. And the mid is 7,500 foot along, it's 2 sections; it's 10,000 foot, that's what we've been doing historically. If you look at our 2014 permits, more or less aligned with that, and that's primarily because of the land grid and where we're drilling. If I were to find the sweet spot, my current view the sweet spot is in the mids. The more mids I can drill, the better off I think I'd be.

John Malone: Chuck, can you expand a bit on the – over here.

Charles Meloy: Well, I can't seem to …

John Malone: John Malone, Mizuho. Can you expand a bit on the infrastructure in the Delaware Basin? I mean, given the performance you're expecting to get out of those wells, when do you think it will start to run into bottlenecks or sort of what you saw on the Wattenberg where you had to kind of rein in production?

Charles Meloy: Yes. The question was, what do I think about the infrastructure in the Delaware Basin and what's the process of getting it up to speed and growing it along with the production capacity?

The good news is, if you look at our historical position in the Delaware Basin, we had Avalon production to the north and Bone Springs production in the south. We connected those 2 and into some gas processing on the south. So we built the backbone that essentially ran north to south.

And so, the way we've gone about our delineation program is we've cuddled up next to that infrastructure, drilled our Wolfcamp wells and put them right into that system and delivered them straight to market. The program we have now, we're going to continue to expand that. We're going to focus where we have that backbone with our current drilling program. So we fully utilize it.

In the meantime, build out additional sections, additional laterals, connect that backbone and to start drilling along it.

So we can get one step ahead. I do think there's going to be some tight spots, because by the timing and that type of thing. But the growth projections that we show you in here, take into account where we see those tight spots.

Yes, (David)?

(David): What is the current well cost in the Delaware and what are the targeted?

Charles Meloy: The question is, what is the current well cost in the Delaware and what are the targeted? They rank – the range was a pretty wide range right now, because some of them are right next to the wells, right next to infrastructure in some are wildcats. So you see the $7.5 million to $9 million type of range.

And what I see happening is 2 things. I think we'll get more efficient with drilling and completing them, but I think we'll have larger completions. And so, as we build through that map, I think the trend will be down, but not great. I don't see a huge change, because I think if we move into our manufacturing mode, we're going to continue to add some completion. They're dollars well spent. Once we get to that plateau, then I think we'll start driving it down again. But in the year, the next year, I think the efficiencies will be offset by the fact that we're moving into a more large-scale, more fracs, bigger wells, bigger facilities, incremental facilities, those kind of things, and then you'll see it work out.

I would like to mention, you saw on the charts that our program in the Wolfcamp is 8 to 10 rigs. Our partner out there, Shell, also has big plans. And so you'll see them, they've discussed 4 to 6 rigs as a program, so there's going to be a very active area between the 2 of us, and that's why I think you'll see the really accelerated growth.

Male: (Inaudible).

Charles Meloy: The question is how seriously should we take the frac ban in Colorado. We all take it very seriously. There's a big program going on, it's called CRED.I know you guys are familiar with it, particularly some of you guys are in Colorado, something that we don't look at every day.

I think the – it's important to know that we have a lot of constituency, including the governor who is excited about the industry in Colorado. You see this tremendous economic engine that's developed in Colorado between us and Noble and a few others. We're taking it on head on.

I think the biggest opportunity we have is information and education. This program has been done incredibly safely. There's been 50 years of oil patch in Colorado, and you have some really top shelf operators out in Wattenberg and across Colorado that are working hard to make this thing work. It's a big driver of the economy, it's a big driver of taxes and schools. And so I think we are in good spot, but something we have to watch carefully and be participatory in the political process, get people comfortable with what we're doing. Yes?

Joseph Magner: Joe Magner, Macquarie. I just want to revisit the Wattenberg, the EURs that are on Slide 40, just want to clarify, are those for short lateral or for …

Charles Meloy: For short lateral.

Joseph Magner: And maybe could you bracket for us what the increase would be as you move to mid and long, and then what the dilution would be as you increase density? Just kind of bracket the variables.

Charles Meloy: The question was, are the EURs represented on the Wattenberg map are they for short laterals? The answer to that is yes.

The second question was, how do you think about mids and longs? It's not a 1:1 correlation, but it's fairly linear. And so what you see is the next foot of lateral that we drill is a little bit cheaper than – on a unit basis than what the rest of the well has been. So we get a little more EUR for each foot and better economics, constrained by the fact that it takes longer to get them done, it takes longer to frac them, it takes longer to get them online. And so all that math goes into our equation.

As I mentioned earlier, my view is, as I sit here today, probably the best thing we can do are the mid laterals. And they generally have about a 1.4 uplift to what you're seeing on the short laterals. Yes?

Male: Anadarko, you've projected down gas production or flat gas production in the past. It seems like though the decline that you're projecting relative to fourth quarter is just above and is a little bit more substantial. Is this typical Meloy-an conservatism or Anadarko conservatism or has there been some change in terms of the role of the Marcellus, whether it be backlog reduction or reduced investment by yourselves and your non-operated partners?

Charles Meloy: The question is, how does our gas production look like? What I think you'd normally see is the U.S. as a whole from us. And so, what you're seeing now is the IHUB production that we have had the enjoyment of for the last few years has continued to decline.

The Marcellus has been offsetting that with growth. The growth has been spectacular. It's offset those declines. And as we slow down our Marcellus program, the inherent decline in IHUB starts taking over.

And what you're also seeing, if you look at that graphic, I don't want to go back to it, but if you look at that graphic, you'll see that we're seeing growth in the liquid-rich associated tight gases, but our dry gas is what's declining. Same thing with IHUB, this dry gas is declining.

So our sense is, if things play out as we forecast them to do and that our non-op partners do what they intend to do early, you'd never know with regard to how pricing is going to go in their program. We'll actually see a slight roll down in the U.S. gas production that we have.

Male: Could you clarify on the density test in the Wattenberg? What's the closest you've done or the most per drilling unit? And are you seeing above 12 wells per section some interference? And then also, referring to the Eagleford Shale, a number of other operators, not too far off from where your acreage is, have seen some degradation in their wells, whether it's more out on the fringe or because of spacing or other things. What have you seen out there?

Charles Meloy: So the first question was Wattenberg spacing, what have we done? We've actually done some 300-foot offset tests. And we're in the process of evaluating those tests. That's close to the equivalent of like 16 wells per section, if you will. That's in the Nio. And we're just underway with those tests, so we don't really have the results to speak to.

With regard to the Eagleford, I think what you're seeing in the south of us, where in the gas and the dry gas and the fairly lean gas window, people are seeing some degradation in yield with time. But our type curves have stayed the same. We've done a good job, I think, with the database that we have, like I mentioned, we have 1,000 wells drilled, 800-plus online. We've seen very consistent results from our type curves.

The EURs are much higher as you go south, but the yields are much better as you go north. So we try to draw the line right between those. We built our infrastructure to accommodate that. And we haven't changed our EURs, our type curves. So they're strong. They've been strong. They deliver great economics. Anybody else? Yes.

Male: (Inaudible).

Charles Meloy: So the question was, in the Wolfcamp, what's the split between oils and NGLs? It's pretty early to tell. There's a graphic in there that shows you the split on the first 10 wells. And it seems like that's reasonable for the area that I said we de-risked.

It's really strong oil, 70 percent-ish type oil in the southeast. And as we move northwest, what we've seen within the industry is that goes more toward 50 percent, but it's still a lot, kind of 50 percent, 30 percent, 20 percent kind of mix. But that's still strong wells, big EURs up there. So my sense is that across the play, it's going to be an oily play and at least a reasonably oily play.

And particularly where we're at and based on what we've seen so far, I think we're in a – from an oil perspective, we're in a really good spot. From the petrophysical perspective, I think we're in a really good spot, too. Yes, (John)?

Male: (Inaudible).

Charles Meloy: I'm sorry, I can't hear you.

Male: (Inaudible).

Charles Meloy: The controlled flow, the capacities that we have, have all been controlled flow. We typically start it out on 14/64 type choke. So we have to control them just because of the size of the wells they are.

So when you look at these IPs, you're looking at the choke management position that we do. We don't feel like there's a lot of value in just opening it up and gutting these things. We want to control it and make sure we don't mess up our fracs, make sure we have good wells for the long haul. So we take a very measured approach to bringing these wells and every other well on frankly. Anymore questions?

Well, thank you very much, I'm going to turn the podium over to Jim Kleckner.

James Kleckner: Good morning, and thank you for being here. And it's a pleasure to share with you some of the exciting things we're doing in the international and deepwater area.

The successful exploration program has really translated the portfolio of opportunities that we're moving rapidly forward to exciting high-value growth. This growth will be accelerated in the next several years as we bring on new developments, which will generate oil production both in our domestic and international markets.

The key to this growth is the building and delivering of world-class projects on time and on budget. As you'll see, we've established a very good track record with our development teams that are able to translate these large megaprojects around the world, whether they be deep in the Sahara Desert or in the ultra-deep waters of the Gulf of Mexico.

Now the ability to generate those high-quality projects and translate them into development gives us a lot of leverage as we move forward as Al and Bob have both talked in the portfolio. We can look as these projects are being developed, do we want to sell down, promote out or trade out interest and balance our mid and long cycle projects into short cycle investments. We've done this recently in Lucius and Heidelberg. We anticipate having more opportunities like that in the portfolio as we go forward.

Our international deepwater assets generated significant cash flow in 2013 and are forecasted to do the same and beyond. Oil sales accounted for about 80 percent of our production volumes, with significant percentage coming from Brent priced or Brent dated crude.

We achieved first production from El Merk in Algeria, and we'll see the full benefit for this world-class field this year. El Merk adds to our already exciting production in Algeria. In fact, we're now at record production rates of over 400,000 barrels a day gross.

In addition, we sanctioned Heidelberg and, as we said before, we sold down a carried interest of 12.75 percent, which helped juice the economics on that investment.

We also sanctioned the TEN complex in Ghana, which will move forward into first production in 2016.

We also sold down interest in Mozambique, 10 percent, and announced the divestiture of our assets in China.

And looking forward to this year, we'll spend about $1.7 billion in capital. That's going to be focused primarily on our large projects in Ghana with the TEN development and also infill drilling expansion in Jubilee. Also in the Gulf of Mexico, on near infrastructure and development opportunities that help extend the life of our assets. And also Mozambique, where we're moving forward and taking this massive LNG project toward sanction in the near future.

As you look at what this infrastructure looks like, this is an example of what we use in the development opportunities are 2 pictures of spars, 1 on the left is the Lucius spar, which is currently located in 7,000 feet of water, about 270 miles southeast of Galveston. And the picture on the right is the spar hull, which is currently in Pori, Finland being constructed. It's about 75 percent of the way done for Heidelberg.

So our developments are focused around the world, and our teams are working on project developments, as I mentioned, in remote environments. Similar to the things that have been accomplished here recently have been continual – as Chuck said, continual improvement, measuring, evaluating and testing of how we advance these projects. So continuous improvement is baked in to not only in our onshore assets, but also our international deepwater and other assets around the world.

We participate in benchmarking studies, look at how we do not only internally against our own expectations, but those of the industry as well. And last year, we participated in the seventh year of what's called the Independent Project Analysis study group. There are over 21 companies that participated in this IPA study. And they all donate data about their projects regardless of where they're at.

The study uses sophisticated analysis to look at how these projects then are delivered, both on cost and on schedule. And as you can see in the graph to the right, it's essentially showing a collection of these industry projects with the center being the industry norm. If you went down to the lower-left quadrant, that would be considered slow project development with high cost. So being up in the right-hand quadrant, where Anadarko has been for the last 7 years, has been outstanding performance and shows both cost and delivery ahead of the industry.

Now we attribute this strong performance to several key areas. We've got global onshore and offshore technology, capabilities. We've got success that we've seen through standardization. So in the case of Lucius and Heidelberg, we're designing 1 and building 2. And we set aggressive targets that stretch our team and stretch best practices as we see them not only from onshore, but into our offshore deepwater developments. More importantly, we see mitigating risks through contractor continuity. We build very successful teams that we stick with, and we see develop in all sorts of extreme conditions. We also try to minimize leadership changes and try to start with the same team and end with the same team, keeping continuity.

Anadarko is also recognized as one of the premier drillers of deepwater wells around the world. We've got a rig fleet that is capable of drilling just about anywhere, in most extreme environments. And that rig fleet is being upgraded with new builds coming into the fleet. The first of those rigs was the Noble Bob Douglas, which is currently drilling in New Zealand. And over the course of the next year, we'll take receipt of 4 additional new-generation rigs that will be deployed both in the Gulf of Mexico and throughout our international operations.

Now these 6 generation rigs are equipped with some pretty interesting kit. They've got a hook load capacity of 2.5 million pounds. They've got improved drawworks. So essentially 2 drawworks so we can run simultaneous operation. But more importantly, they have 2 BOP stacks. And that enables our drillers to be able to be more effective and efficient while we're on location. So the upside of these rigs, with the new-generation technologies, is we think we can lower our drilling cost and cycle times. Early analysis shows we may be looking at 10 percent to 15 percent reduction in some of the timeframes of the deepwater wells.

So all of that exploration and track record of success has given us line of sight growth on several megaprojects that we're currently advancing. The quality of these discoveries has allowed us to leverage up, as we talked about, with promotes or interest exchanges that carry through development.

And the key thing here is, if you can see on the slide, that by leveraging and bringing promotion on these properties, we were essentially able to go cash flow positive in 2013. And we see that accelerating in the years to come as we bring on El Merk full year in 2014, followed by Lucius in the second half this year and then following with Heidelberg and TEN development in 2016.

This graph also illustrates our capital spend and in here embedded is, as Bob mentioned earlier, a soon 60 percent project financing of our Mozambique assets. So it assumes the development going forward starting with first sales in 2018 and assuming a project finance rate of 60 percent.

Now what's not shown in these plots are the additional projects that are currently (will support) in our exploration suite, which include Shenandoah, Yucatan, Coronado and in Phobos.

Lucius is probably the best example that we have right now. It's a project that is moving ahead at a very, very quick pace. We essentially sold down or exchanged a 7.2 percent interest in this for the full period of development. So all of our costs are proportionally carried through to first production. This equates to essentially a $2.7 billion pre-JV market read-through on the value of this asset.

Now the spar is currently located, as I showed you in that picture, on location. It's moored. All the umbilicals, the risers, the necessary deep infrastructure is in place, and we're advancing this project on schedule. The reservoir system that we tested are very high quality. They have porosities in the 26 percent to 29 percent range, with perms up to 1 darcy. They're very high flow capacity reservoirs. We've got 6 wells that have been drilled, 2 of them have been completed and 1 that has been flow tested at rates that indicate the wells that will be capable of 15,000 barrels a day.

I want to congratulate our project team because this picture was taken on Saturday afternoon. And this is the lift of a 10,000-pound module. It's essentially the main topside lift. It was placed on the Lucius spar this weekend. It represents a major milestone in how this project is advancing. All that's left on the commissioning here is the connections of several other modules, that will be left this week. The plumbing and the piping and the wiring and electrical works and controls will be all placed together. And we'll be advancing forward towards first production in the second half. And I think you can safely say that on this project, most of the heavy lifting is behind us.

Following Lucius, we have Heidelberg. This is another great project in the Gulf. And it's taking on the lessons from Lucius and essentially leveraging those up into Heidelberg. It's located in Green Canyon, south of Caesar/Tonga and the Constitution spar, about 140 miles south of the Louisiana coastline. Similar to Lucius, we were able to leverage the quality of this asset and obtain most of the development cost, over $860 million. And this has a pre-JV read valuation of $3 billion that's associated with that and really in the hands of the economics as well.

The development target is high quality (inaudible) from the ribbon -- the former ribbon structure up against the salt well that tracks the Caesar/Tonga field, but it also is in the same mini basin as the Tahiti area. So our design concept is essentially as we've talked about, design 1 and build 2. And after seeing the speed at which the hull is being built and also taking a field trip to the yard at the Ingleside of the Kiewit facility. I can't tell you the excitement on the project team leaders that are building this topside that show how much quicker they are able to advance their man-hours and advance their construction. So this is the second one of 2 instead the first one of 2.

So all aspects that we see at this point are underway and on schedule and we'll move in rigs here towards the end of this first quarter and start drilling the 6 wells in Heidelberg we anticipate – that are needed to develop the field in 2016.

Now if we move over to Ghana, this is another area that we're focused in the deepwater Tano block and West Cape Three Points area that have great value, high margin, and we see additional upside opportunities in the future.

The Jubilee Field is currently producing 100,000 barrels a day and 140 million cubic feet a day of gas. And it's approaching 100 million barrel cume oil mark, which is a milestone for this asset from the time it's being produced. Crude is high quality. It's indexed to Brent. And last year, as I mentioned, we had $98 EBITDAX margin per barrel, which is the highest we've had in the company, just last year.

The outlook in 2014 is solid. The Ghanaian government is currently working on export pipeline. Export so we can move gas off the FPSO into onshore markets in (power). And they are anticipating having completion of the export pipeline and the gas plants necessary to receive the gas this year. Once that happens, we'll see increased production lift as we can process more oil through the FPSO.

The appraisal plan around Jubilee is advancing, and if you look at the Akasa, Teak – or Mahogany, Teak and Akasa fields, we've got a well currently drilling, the J24, which is going to be set up as a – producing in the Jubilee Field, but we'll also have a deeper tail test in Mahogany. And that well will be then plugged back once we look at the Lower Mahogany and use it as a for Jubilee producer.

Moving west of Jubilee, we've got the TEN development. And that project was sanctioned in May of last year by the government and by the concessionaires. This project is moving forward as well. This includes the 3 fields of Tweneboa, Enyenra and Ntomme. Now all of the major contracts are placed. The FPSO is under construction and on schedule and the rigs and location, drilling wells, and working through the field development.

So moving from West Africa up to north in Algeria. Anadarko's been in Algeria since 1993. And in 1998, bought on its first production in the HBNS field, and shortly thereafter, the Ourhoud field. And now just last year, El Merk facility. And since that time, these fields have cumed over 1.8 billion barrels of crude collectively from these 3 facilities. And I mentioned earlier, we're achieving record production now with El Merk sanctioned and producing. And these are very high-quality reservoirs that our teams and working with Sonatrach, the national oil company, are working to continue to improve and optimize and increase the recoveries on. And we're seeing that perform as well, if not better than expected.

The backdrop here is the picture of the El Merk facility. And just to give you some dimension and size, it's essentially 1 mile long by 0.5 mile wide. So I think even more spectacular is the height of the sand dunes. In this area of the

Sahara, up to 900 feet. So you can appreciate the conditions and the challenges of the people who are working in these environments.

El Merk in itself is a world-class project. It was built in a remote and harsh environment. At the peak of the construction, over 9,000 personnel on-site. And despite all of its challenges, it was completed on budget at $4.7 billion. It took over 59 million man-hours on-site. The most impressive here is we talk about our safety performance. There was one point in time, there were 25 million man-hours recorded without a loss time incident. Production is from the 4 fields in Block 208 that make up El Merk. And these fields range in depth from about 9,000 feet to a little over 10,500. And they produce from the main reservoir, the TAGI, which is a Triassic age reservoir down to the RKF and the Strunian.

Now the facility has 3 plants, 2 very large oil plants, 55,000 barrels a day apiece. And the third plant, which is in the gas processing plant can handle 600 million cubic feet a day. And we're in the final stages of fine-tuning the plant. It's been running now for well over a couple of months. And as we continue to fine-tune, we're seeing increased performance rates in NGL recovery and extraction that we'll sell into the market in Algeria.

So as we move out of Algeria, back down to the East Coast of Africa, we have Mozambique. And this is an enormous resource and world-class both in terms of size and quality. It's not just a new gas asset, but it has the potential to be a new global strategic source of energy at 45 to 70 Tcf.

What this translates into is a LNG facility capable of over 50 million tonnes per annum if you use the relationship of about 6 Tcf required to develop one 5 million tonnes per annum train. We've considered – we've assessed the size, the excellent quality of the reservoir, the continuity. And with that, over 37 wells in the exploration appraisal program and we've also completed comprehensive well testing to test those for continuity and flow rates. And several of these wells have flow tested at a facility capacity limitation of over 100 million cubic feet a day. So we see very large flow rates, very continuous (sands) here from this world-class reservoir.

Now the market recognizes the importance of this asset. The strong interest from not only the LNG buyers. We have nonbinding HOAs for 2/3 of the first train development with LNG purchasers, but also in the total transaction value with our last close, it showed pretax evaluation from an Anadarko perspective of over $9.6 billion.

I've already discussed the reservoir size and quality, which allows for very large bore well completions designed to enable high-volume flow rates in excess of 100 million cubic feet a day. But it also allows for greater spacing between the wells, so we need less well count to develop the fields. The reservoir is also – that complex is located at about 5,000 feet of water depth. So it's moderate by our experience. And the size and the quality of these reservoirs are close to shore, so proximity is good.

And unlike many of the LNG developments in Australia that are located at plus 200 kilometers from shore, we have the advantage of being close, which has its resultant reductions in transmission lines and investments required to get the gas to shore. Not only through pipe, but we also see in the first phase of development being able to go straight from subsea to the LNG plant, avoiding the expensive cost of offshore compression during the first phase of completion.

After a very thorough and careful site investigation of where we can locate an LNG Park, we came to the determination with the government and have access to 17,000 acres to develop this very large LNG Park, which is equivalently larger than the size of Manhattan. It's capable of developing what we believe is a 50 million tonne target date – or target size for this operation. And it was chosen because of its premium location, not only because of the offshore channeling that flows into this area, the protection of the safe harbor, but also the ground, the location, the natural drainage of the curves there. It was simply the best location along the coastline. And finally, the good thing about this asset is, it's located with good proximity to the Asian premium buyers and European LNG markets.

From our perspective of being able to engineer and construct this facility, we've been making very good progress. As I mentioned earlier, our reserves have been certified for initial development. Our onshore liquefaction FEEDs are underway and should be completed later this year. Our offshore gathering FEEDs have been complete. So we've submitted the environmental impact statement and anticipate seeing approval here in several weeks on that very important document. And we've been out marketing. We have built a team that has collectively over 150 years of experience in multiple areas of the LNG markets, and they've been out doing a great job advancing the Mozambique LNG. We're also progressing discussions with export credit agencies for the financing structure of this project as well.

Now given the size of the resource, we want to be able to demonstrate to the premium LNG buyers that Mozambique is committed to becoming a competitive and reliable global strategic source of LNG. And so, we are advancing discussions with the government and putting in place a host government agreement decreed by law to shore up a lot of the securities that we need in moving forward for this project.

All the fiscal terms are embedded within the EPCC. It's a modern and fair EPCC that protects the rights of the concessionaires and the government. That as this project expands through a very large development, both onshore and offshore, we want to ensure that things like local content, tax rate, visas for foreign workers are all protected within a host government agreement and decree law so we can advance the project without any delays.

So over the last several years, I hope I can conclude with the summary that we have loaded the pipeline with a lot of opportunities. These are moving through that opportunity pipeline to development. As we do that, we're focusing on high-value, high-margin crude oil. And our percentage of liquids or percentage of oil has grown from 60 percent here in 2010 to over 80 percent in 2014.

Our deal making enhances a return on investments on longer-term projects and allows us to reallocate in the short term cycle as we show in our U.S. onshore assets. And more importantly, we are successfully managing a large inventory of projects and moving them forward at a pace that enables our project team to be successful in delivering on time and on budget projects.

So as we have a pipeline of high margin projects we are moving to first production. It doesn't include all the exploration opportunities that you can see here on the far left that Bob Daniels and his company are loading into the future of opportunity that we see. And I think Bob is going to come up here and excite you by what those opportunities look like and how we're going to move those forward to appraisal and development in the near future.

So with that, I'll take any questions.

Male: Two questions about Mozambique. The first one, you talked in the past about some cooperation with ENI in an adjoining block. Can you talk about how that manifests itself in terms of costs and infrastructure?

And the second question is on pricing. I know you can't speak to who the HOAs are with, but can you talk about how you guys are thinking about price formula into Asian LNG?

James Kleckner: Yes, I sure can. So the first question was, how is our discussions with ENI going forward in the straddling reservoir development that exists between Area 1 and Area 4.

So those discussions are going well. Under the petroleum laws of Mozambique, straddling reservoirs, those that straddle both blocks require a unitization agreement. And they require joint development of the reservoir system to improve recovery rates and capital efficiencies.

So we have entered into discussions with ENI, and we're working on a unitization agreement and master depletion plan that show joint development of that reservoir system. And those conversations, discussions and plans are ongoing with ENI.

The second part of your question was really regarding the markets and how we're looking at the markets. And what I may do is turn that the question over to Bob Daniels, who heads up our marketing group as well, just to comment a little bit about how we're viewing the LNG market.

Robert Daniels: Well, the question was pricing. And we can't get into the details of pricing, of course. But I can tell you, in general, that it's going to be very comparable to the JCC pricing, whether it's directly tied into that basket of goods or whether there's a more diversified basket that links back into the pricing mechanism.

We have a lot of interest from buyers to diversify the basket. But when we look at it in 2018, 2019, 2020 with forward curves, that kind of thing, putting a mix together actually helps both parties to some degree. It diversifies the swings that you may experience if you're just linked into a JCC pricing. And it gives us some confidence around the downside protection when you actually put the whole mix together.

We do have 3.3 million tonnes per annum under HOA. I'll say that we have another 2.2 million that we're very close to signing, which would take us up to 5.5 million, it's about 65 percent of what we need for the 2 train projects.

So we're advancing it very, very well. Some of them will be linked to straight JCC. Some will be linked into a little bit more of a diversified portfolio. But even when you think about things like NBP, Henry Hub, think of those as delivered into Japan because you still have to add the cost of liquefaction, shipping, everything else to get it to Japan. That's how the pricing actually works when you talk about Henry Hub, NBP or any other thing that's delivered into Japan. Does that answer your question?

James Kleckner: Yes, Doug?

Douglas Leggate: Jim, I realize it's probably still early days, but you're showing Phobos and Shenandoah basin prospects on your pipeline. Can you give us any preliminary idea of scale development plan and, just to be clear, whether or not they are currently included in the 5 percent to 7 percent growth through 2020?

James Kleckner: So the question was about the projects to the left, in Shenandoah and Phobos. What type of plans do we have going forward? Some of those projects are in the early stages of appraisal, and we have more work to do out there to quantify the resource ranges and come up with the proper development solutions once we see commercial resource opportunity. So I think that conversation probably is best left towards Bob who is going to be speaking about the exploration program and what our plans are for appraisal of those resources sizes.

Douglas Leggate: (Inaudible).

James Kleckner: Pardon me?

Douglas Leggate: Are they currently included in the 2020 production plan?

James Kleckner: No, those projects aren't included in the production plans. Yes?

Male: You talked about 15,000 barrels a day per well at Lucius. What does that mean for how long you can sustain peak production at Lucius and can you give a comparable per well number at Heidelberg for what you're thinking there?

James Kleckner: So the question was, how long would we be able to sustain 15,000 barrels a day of peak production? That's going to be dependent on how fast we see water encroachment. We would hope to extend that out for a few years, but we also have other wells that we can drill throughout the Lucius development.

So as we see fault blocks water out, we can push other wells into other isolated areas of the field and hopefully retain some of that production. But we don't see any immediate degradation issues or plan on any with any of the Lucius wells due to the quality of the reservoir system.

In Heidelberg, it's much deeper. We've got the Miocene development in Heidelberg. And so we anticipate similar good production from the Heidelberg wells. It's probably at the 28,000-foot vertical depth TVD and higher pressures are roughly 19,000 PSI.

Male: Just a follow-up on Lucius, then if we put it all together with the additional wells that you would drill, do you have some sense relative to the 80,000-barrel a day of capacity? When – how long you would expect that you would stay at that level?

James Kleckner: Well, the question was, how long do we stay at 80,000 barrels a day of production capacity? And I think that's going to be well dependent. And the timing of when we drill the additional wells will be dependent upon how those wells produce over extended periods of time. We have the potential to, if we want to accelerate wells, bring additional wells onto development. But at this stage right now, we're planning for an 80,000-barrel a day plateau.

Male: Jim, can you comment on some of the development costs for the TEN complex in relation to Jubilee?

James Kleckner: I think the operator is probably the best to comment on that. In their press releases, they've got the exact details of the cost, but they're somewhat similar to Jubilee, a full field development. We're utilizing an FPSO of similar size with subsea developments in TEN will be initially 10 to 12 wells hooked up subsea back to the FPSO. Very similar to Jubilee development, so similar cost and structure. Yes, (Joe)?

(Joe): Jim, you're talking about (inaudible).

James Kleckner: So the question was, what type of uplift are you expecting once the gas is debottlenecked off of the Jubilee facility? I guess the best way to illustrate that is the well capacity from the Jubilee Field has been in and around 130,000-barrel a day range.

The FPSO capacity is limited currently by the gas offtake capabilities and gas processing and injection into the reservoir system. Once the export pipe is complete, and we can extract gas out of the system, we think there'll be an uplift to it.

Now, the operator has been looking at what those numbers are, and they forecasted ranges of upwards of 110,000 to 120,000 barrels a day, but those have not been realized yet. We need to get the gas to the beach first and extract it off the FPSO and off the gas injection system. So that will remain to be seen as to exactly what the uplift will be.

Any other questions? OK. Thank you. At this point, we'll introduce Bob Daniels.

John Colglazier: Take a break, what do you all think? About 15 minutes, and we'll start to head back up again.

(Break)

John Colglazier: Can I get everybody to take their seats again? Bob Daniels is ready to get started.

Robert Daniels: All right, well, good morning, everybody. It's almost noon, but still morning. So good morning and thanks for being here to learn about Anadarko. I'm anxious for you to get an opportunity to see what we're going to be doing in the exploration world in 2014 and to describe to you how we do our business, what our role in the company is and how you should take the forward portfolio and weigh it against what we've done in the past and, hopefully, have confidence that our success will continue as we move forward.

When you look at what the Exploration group delivers for Anadarko, what our role within the organization is, it's value creation. Al talked about it a lot. When we go out and we find something, we create value. When we do a lot of it, it gives us a lot of optionality. What are we going to do with this value? Are we going to take it full production? Are we going to bring in a partner? Are we going to monetize it? The more success we have in the exploration world, the more value we create, and the more we have options as we go forward.

The details underneath this is as simple as it gets. We identify and capture value creation opportunities. So that's the basics of it. We've got a whole new ventures team, looking what are we going to be doing in 2015, '16, that kind of thing. We go out and we make discoveries, OK? So we drill the wells, test our ideas. If we have success, we've just enhanced that value. And then, as we appraise it, we decide what are we going to do with this? And that's where we can provide that optionality to realize and enhance the value within the portfolio. That's our business, our role.

2013, we're very, very proud of. We had a great year in the exploration world. 67 percent Deepwater exploration appraisal success. That's been shown several times. But it's a continuation of our past track record and we'll show you that in a little more detail. Our target for net risked resources was just under about $850 million, $875 million, we exceeded that this year. So we're very pleased with that. That's again, the exceeding of our targets is what we've done over the past several years and we've convert – or handed over, over 1.5 billion barrels into the development world to let them do their magic on it.

We had 2 discoveries that were named top 10 discoveries in the world. That would be Coronado in the Gulf of Mexico and Orca in Mozambique. Orca is one that you're not – you haven't gotten a lot of excitement around in the press, because we've got so much in Mozambique. Orca is a very significant, substantial discovery over there and we'll go into a little bit more about both of those as we move forward.

This is kind of the portfolio that we're moving through the system. We've got these discoveries that we made in 2013. We did a lot of appraisal work in 2013, they are listed there. And then we moved over into development, these others that are advancing. So 2013, very good year, we're looking at that, to continue that as we move forward.

And this is what I said on our track record. So it wasn't just the 1-year, 67 percent. This is Anadarko's Exploration group against our industry peers. And from outside data, IHS Energy's data. And when we look back for 5 years, how we've outperformed the industry's success rate. And through that outperformance then, you deliver enhanced volumes, resources. Those enhanced resources are where the optionality comes from because they're valuable resources.

When you look at how much we were able to get for a Heidelberg, for a Lucius, for Mozambique, 10 percent of Mozambique for $2.6 billion. These are valuable resources that we're delivering into the company. We've got a track record of it. We've exceeded the industry average, 5 years, very continuous. And I'll talk about how we're able to do that. But we're very, very proud of it. The team that is working on this, that's made this happen, is very proud of it and they're looking to keep it going.

So this is how we do it. This what drives it. Experienced oil finders. You cannot put enough emphasis on having staff that has continuity, that's found oil in the past, that understands the technical reasons that oil may or may not be in your prospect. That's able to do adequate – not adequate, accurate risk assessment. That is very commercial. That can take that risked resource and costing to a commercial evaluation to help us make better decisions. That's what this group of oil finders can do. They're not just good geologists, they're not just good geophysicists, they're an aggregation of folks that have worldwide experience, whole depth of experiences that understand, we're here to find oil and gas, but we're here to make money, OK? And you have to put those together.

Proven strategy. We give them a framework to work within. This is a strategy we originally defined in 2004. We then updated in 2007, post Kerr-McGee and it's been very successful for us. It doesn't limit them dramatically but it does give them the fairway that they're playing within and they can apply their skills within.

Leverage success. This means when we go into a play, one of the decisions we have to make is, is this a one-off or do we have running room? We want, when we have success, to be able to leverage that because that's where you really have that value enhancement. It's not – it's very difficult to go out and find something. And to find it once and let the industry capitalize on it, that's not the best way to run your business. You ought to find it and then you want to be able to run with it. If you'll look at all of our programs, you'll see that's what we have built into those.

Multi-year balanced program. This is something that we started in 2004. We've been building a portfolio. We optimize that portfolio all the time. We'll go through it in a little more detail as we go forward. But you always have to have a program ahead of you that is focused on what are you going to do this year, what are you going to do next year and what's going to be the future. And you have to balance that out on a risk profile and a reward profile. And we think that we've done a very good job of that.

And then the value acceleration. Al has talked about this a lot. We think about it a lot. Because once we find it, how do we bring that value forward? Because a lot of these projects are long dated. They take a lot of capital to get to cash flow. And so how do we bring the value forward into our – for our shareholders and yet still have our growth profile and objectives met for the company. So a lot of work on that.

When you look at the strategy, this is as simple as it gets. But it's all built around that deep, evolving portfolio at the core. We have to have a deep portfolio, just like the development team has to have a deep portfolio of opportunities, because that gives you the flexibility to respond to changing conditions, to changing risk pricing, whatever may be. The more choices you have in that portfolio of quality, the better you're going to be able to allocate capital and the better your success rate is going to be.

The circle – or the arrows around the side, just say, what do we do? We go out and capture things, we then drill exploration wells. After we drill a successful well, we optimize, we test it. We always do a post-appraisal, always learn from our exploration failures and successes, because that – we just paid a lot of our shareholders' money to get that information.

We are the only company in the world that may have that piece of information. We need to utilize it. And so that post-appraisal then tells do we want to invest more in this area? Do we want to go to a different area, or are we done, OK? So a lot of thought of work goes into that.

We always try to drill the best opportunities. So what we don't want to do is to get into a situation where we're obligated to continue to drill when we know it's not going to work. And we've seen that over and over with different industry peers, where they get into something, it doesn't work, yet they have 4 more wells obligated and they have to drill them. We avoid that. We want to have very flexible, contractual arrangements. We want to have options that we decide, do we advance or not? And we take those options very, very seriously. We try to make the best decisions as we go and drill our best opportunities.

That 5-year track record, we mentioned the success rate, but what has it meant to the company? Over 5 billion barrels of net discovered resources. Net is an important word there. This is net to Anadarko. When you figure that we've got 30 percent to 40 percent typical working interest, we found a lot of oil and gas over the last 5-year period. We've also monetized about $5 billion of that discovered resource. Very, very significant value creation and then enhancement as we move forward.

Some of the details, how we do it, this consistent approach. We, as I mentioned, the focus on our strengths in 2004, and then again in '07, we sat down and said, "What are we good at as an exploration team? What are our skill sets?" And that's where we defined what that fairway is.

Cretaceous and tertiary clastic reservoirs, deepwater exploration, seismic imaging, all of these types of things are what we're good at, and we were good then, and we're still good at. But we said, "OK, let's play to our strengths. That's what we're good at. Let's carry those forward and make sure that we don't get distracted, OK? There's a carbonate play in the Arctic." That's not our skill set, OK? This is what we're good at, stick to your knitting and move forward.

I talked about how the staff are commercial, this risk assessment and mitigation. You not only have to accurately assess what the risk is, you've got to decide, do we spend money to help mitigate it? Additional seismic data, whether it's going out in deepwater coring. Anything that allows us to add more information that could actually impact the risk, we have to do the assessment. Is it worth the investment? And typically, it is. You can significantly alter your risks.

Low-cost entry. Chuck said on the onshore, we try to do the same thing. Because we tend to be committed to exploration, we're looking out long term, it's easier for us to identify opportunities, that we're going to get to in 2016 usually before the industry gets there. And so we're able to capture significant acreage positions and put that into our portfolio ahead of the industry. Meaning, we get – we'll typically get better terms. We may not have the overall capital commitment. We have a lot of flexibility in the contractual terms and we get the acreage we want. We get to pick and choose.

A lot more other things in here, all focused on that value creation. That's what we're trying to do here with that consistent approach. The commitment is so important. We've had this since, really, Anadarko has always been an exploration company. Algeria was grassroots exploration that led to, what Jim was talking about, 400,000-plus a day, 1.8 billion barrels. That's what we've grown up with. Kerr-McGee was an exploration company. We melded the best of the best from those 2 companies and we have this continued commitment to exploration, that has allowed us to deliver those exceptional results.

And then the culture. Because you've got that commitment, you actually develop an exploration mindset and culture within the company. Talented oil finders I described, learning organization, that's that post-appraisal, that's paying attention to what your competitors are doing, that's keeping up with technology, keeping up with emerging techniques, technology, whatever it may be.

We always base everything on science. That's got to be the basis. Good geology, good geophysics, good engineering, but then we have to roll that in with that commercial assessment, risk assessment and understanding what Anadarko is trying to do and how this fits in the portfolio. No bureaucracy-quick decisions. What I call this is empowerment. That group of talented oil finders, you don't put constraints on talented oil finders. You empower them to go out and you say, "This is what we're trying to find, this is what we're trying to invest, this is what we have to deliver. You guys bring us the opportunities, we'll assess which ones we want to invest in." They're very empowered.

Again, all of this goes into focusing on our value creation. The 5-year track record speaks for itself. But I think that we've built something here that is very, very special and I think that we'll continue to deliver this type of track record as long as we live, what we described there at the bottom.

So I said our strengths, and I'd talked about when we sat down in '04 and '07, and said, "What are we good at?" It started with the Gulf of Mexico. That's where we cut our teeth in the deepwater. What we're good at in the Gulf of Mexico? We were good at clastic reservoirs, sub-salt imaging, sub-salt exploration. That's what we wanted to continue, because we had a lot of success and we wanted to continue that success in the Gulf. But we also felt like we're good – so good at that, why can't we leverage that into the international arena which is less mature and have that kind of success around the world?

The initial entrée was in the Cretaceous fan play in West Africa, where we felt like, OK, explain to our clastic skill set it's a deepwater environment. We know that we can operate over here.

Our petroleum systems work, which is another key component of what we do, tells us there's active petroleum system out here. It all focuses into a play that led to the discovery of Jubilee, which we were able to leverage off of. TEN discovery, we've got another discovery in Cote d'Ivoire we're appraising and a great acreage position that we'll continue to explore.

We've also taken that knowledge, again, getting back to the learning organization. We've taken that knowledge from the Cretaceous fan play in West Africa down to South Africa, because we see lot a lot of similarities of the tectonic history and the clastic sedimentation history and the petroleum system history, that tells us there should be potential in South Africa for the same type of play. So that's an example of how we utilize this.

We also went to Mozambique and went a little bit different play style, with the basin floor fan and a linked extensional compressional regime. Again, something that we've seen in the Gulf of Mexico. Young reservoirs, clastic, that linked extensional compressional. We see the compressional component out in the Gulf of Mexico. Went into Mozambique with understanding that the biggest risk was the petroleum system. We had a lot of indications that it would work. We've made the discovery of Windjammer and have since really made history with the discoveries.

And then the other one is the, well in the basin floor then. We've taken learnings there. We've extended them up into Kenya and also into Colombia. And we'll talk about both of those as we go forward. But it's the learnings that we had from Mozambique and the great success, we wanted to look around the world, where else can we leverage what we know here and find something else similar to that?

And then the unconventional. We're not going to spend a lot of money in 2014, but we are looking at ways that we can leverage our expertise in the U.S. onshore in the unconventional world, where it makes sense internationally. And so that is something that we do work.

This is how our portfolio actually works. I've talked about the capture opportunities. This is so critically important, you have to decide what are you good at, what are we going to capture and then you have to get in there, identify this is what we want and you have to get it. I don't know how many companies have come up to me after we've got a big success and said, "Oh, we were onto that. We were working it and then you guys took the acreage," whatever it may be. Very, very short window of opportunity, we've got to stay ahead of it. But capturing opportunities means identifying the right ones and then getting out there and capturing it.

We put it into a mix, this is essentially – this is our portfolio with the names all taken off of it. This is a risked resource, everything that we do – well, not everything, but this one is a risked one. Capital efficiency on one axis, materiality on the other axis, the dot means how big the prize could be, relative net risked resources.

So go out and capture, throw it in the mix. Where does it fit in the mix? That helps with the initial assessment. Is this better than what we have? Worse than what we have? Again, on a risked basis, we also look at them on an unrisked basis. And then we optimize these, this whole portfolio, we're constantly optimizing it.

The things in the lower left. These are the low materiality, low capital efficiency. Typically, they're the highest risk opportunities, OK? Because on a net-risked basis, they're going to fall down there. Well, one of the ways we can optimize and reduce risk would be acquire data, apply technology. That's where you see a lot of dollars on 3Ds. The source rock coring and sea floor coring. A lot of different things that we do to actually move those opportunities up and to the right, OK? That's optimizing that portfolio. If they can't move or we spend some money and they didn't move at all, maybe that's time to get those out of the portfolio.

The other way that we optimize, as we know more about the opportunity is through the farm-ins and the sell-downs and those types of things. And Bob mentioned during his presentation, how much we've done. You can see the cumulative through 2013 on the right-hand axis there, over $1 billion of other people's money we have used to drive exploration success, to mitigate risk, to optimize our working interest within this portfolio, to make sure that we get enough swings of the bat, to make sure that we're going to have success for the company. And at the end of the success, we have enough that it's meaningful for the company, OK? 2014, you'll see similar things. We're looking for partners in different opportunities.

This is an example of 2 discoveries, Shenandoah and Mozambique. When we captured them, where they would have sit on a relative basis to the rest of the portfolio. Well, we know the least about them, they're the highest risk at the time. So on a net-risked basis, they're going to sit on the lower right. We go out, we acquire seismic data for Mozambique and then Shenandoah.

Shenandoah, we acquired much better seismic quality and then in-house, reprocessed that data for imaging to give us a much higher confidence level to drill the Shenandoah discovery. They were bigger at the time of discovery because we had reduced the risk. We'd optimized those opportunities. We then drill appraisal. Every time we drill appraisal, we're reducing risk. We're getting more confidence on the resource size. So how they move through the portfolio with the additional information that's gained from every subsequent activity is how we get to that value realization. And we're at a point on some Mozambique where we are realizing the value, when we closed $2.6 billion just from the Mozambique asset.

So that's how we move projects through the system, it's continuously in motion. We're constantly sitting down as a group, looking at the ones in the lower left. How do we get these projects into the upper right to where we would actually put our money in? And then once they start getting into the upper right, how much of our money do we want to put in versus somebody else's money? And then with success, how do we realize the value? That's what we do on a daily basis.

And this is what it's resulted in. Since 2004, when we really started this overall program, we discovered over 6 billion barrels of resources net to the company. We've invested about $9 billion over that period of time. Anadarko's investment, of course, add in the other people's money, it would have been more. But Anadarko has invested about $9 billion. Anadarko's realized $10 billion back, OK? So when Al says it's kind of a profit center, we've actually paid for our exploration since 2004 with what we've monetized.

But then you look at – it's kind of like, but wait, there's more. The value retained. We've retained over 5 billion barrels of resources in the company. That's what's moving through the system now, large chunk of that in Mozambique, but you've got Shenandoah, Heidelberg, the Lucius project, all of those things are moving through the system. And 250,000 barrels a day of net production from discoveries we've made in that period of time. This is the profile from 2010 on, and you can see how we've gotten up to that number. So invested $9 billion, got $10 billion back, have 5 billion barrels of resources moving in the system and are producing 250,000 barrels a day. That's pretty darn good from a program like this. We're very, very proud of that.

If you look at the little schematic here on the lower left. From discovery. Discovery gives us optionality. So when we go out and we find something, we've got a lot of decisions to make and a lot of options, and we love to have options. When we go through the appraisal phase and we know more about it and we de-risk things, we can decide do we want to bring a partner in? Do we want to get more data? Do we want to move straight to development? Do we want to accelerate the development? All of that is an optimization process. At the same time as we move – learn more about it, we may want to monetize it. It really comes down to how does this fit into our portfolio? How does it work as a draw on capital? What does it yield for Anadarko in the future? And again, this is the type of decision that we're making all the time that is driven by having those discoveries that allow us to have all of the options available to us.

So moving to 2014, what are we going to be doing? Balanced, high-impact programs, very similar to what we've done in the past. Upper right, 25 gross unrisked wells. And I'll go into the details of where these are. And we're targeting about 600 million barrels of net risked resources, OK? So $800 million and 600 – 25 wells, 600 million barrels, net risked resources.

The pie chart shows the capital, about $800 million. Most of it into drilling, 85 percent going into drilling. And the rest going into G&G, which is that risk reducer optimizer, to get us to the drilling phase. Across the map, you can see where the money is being spent. Blue for drilling, green for the seismic. And really, 2014, if you think about it, it's going to be – we're going to test some new ideas. New ideas within the focus areas that we have, OK? We're going to appraise some very significant discoveries. I'll show you the details of those.

We're going to capture some new opportunities because we've got to be thinking about what's 2015, what's 2016, what's 2017. And again, we're going to focus on that value acceleration. So we're going to have a lot of opportunities to bring partners into the exploration phase. We're going to have opportunities to bring partners into the development phase, appraisal phase, whatever it may be. How do we bring that value forward? So let's go into more detail on where that spend is going to be.

The Gulf of Mexico, again as I mentioned, that is where we cut our teeth as a company in the deepwater. Goes back 25 years, both legacy companies and the staff were part of that. So we understand the Gulf of Mexico. We've had a tremendous track record of the Gulf of Mexico for 25 years and we just continue on with that. We've got great infrastructure out here, that really helps leverage the opportunity set.

The prospect inventory. We've got 2.5 million acres now in the Deepwater Gulf of Mexico. That's gross acreage. That gives us a lot of optionality. Where the play is developing, where do we want to be investing? We're focused on certain plays, again, that play to our skill set. The Miocenes, the primary one, and this is all sub-salt. So the sub-salt Miocene, where we've had these discoveries through time.

The Lower Tertiary, where we are not playing the entire Lower Tertiary trend. We're playing portions of it that we think have better chance for value creation and acceleration and that would be the Shenandoah, Yucatan, Coronado area. The Deep Nansen has the potential to be that, if we have success there. So that's another one we're playing. And then the outboard, the sub-salt Pliocene, which is very, very similar to what – well it is, what Lucius is, sub-salt Plio-Pleistocene. So those are the main plays that we're looking at here.

They're all sub-salt. It comes into playing to the skill set of understanding salt kinematics, the thermal histories out here, reservoir – regional reservoir developments and imaging, seismic acquisition and imaging in very, very complex structural regimes. That's what we had to have to find these discoveries, that's what we still have and that's what will lead to more success as we move forward.

In 2014, we are planning 3 or 4 exploration wells. They're shown on here. Deep Nansen's drilling right now. Bimini is drilling right now, 2 exploratory wells. Haleakala, be later in the year. And then 3 to 4 appraisal wells and I'll show you the detail of all that.

Starting with Shenandoah basin, this is where a lot of focus on the appraisal is happening. Three big discoveries out there. We have a working interest in all of them. We're the only company that does. We are going to be the operator of 2 of them, at Shenandoah and Coronado. And if you go back through time and look at the maps, you'll notice that the Coronado working interest has gone up. We have been public about that. And then now the Yucatan working interest has gone up. That says pending, it's pending but it will happen.

So we're getting up to where we're going to be – have a substantial interest in all of these. We just think it's the greatest thing in the world when you can go in at a low interest spend money for to make a discovery. And then for very little money, actually increase your interest in that discovery and have the potential to the upside. So that's what we're doing out here. Coronado, as I mentioned, we will take over operatorship. We presently have wells drilling at Coronado, an appraisal well; and at Yucatan, an appraisal well. And then we will, in the second quarter, spud the second Shenandoah appraisal well.

The reservoir here is the Lower Tertiary, primarily, and the Lower Tertiary in this area is a target for us because of the enhanced transmissibility. You can exchange transmissibility for value. It's the enhanced value. Because better permeability, thickness and fluid viscosity means that you're going to take less wells, have higher per-well recoveries, less capital investment, more economic development. That's what we're looking for in the Lower Tertiary. And that's exactly what this is, enhanced value, OK?

So how do we bring that forward is what we're trying to do this year with all the appraisal work. I mentioned the expanding position in the basin. We're very pleased to have that. We think that controlling both Coronado and Shenandoah as an operator will give us a lot more optionality and flexibility. And we plan to drill these 3, the 2 that are drilling, 1 more in Shenandoah and, potentially, get 1 more in 2014. So a lot of activity. We're going to have a lot of knowledge post this drilling. And you can already see on a net-risked basis, we think our ownership position in the entire basin is a $2 billion to $4 billion opportunity, OK? That's on a risk basis. That's what we have in our portfolio model.

Deep Nansen, as I mentioned, this is – would be a play opener. And this plays to everything that I'm talking about out here in that we're willing to take a risk, we've done everything we can to mitigate that risk. We've got some compelling reasons to think that there is potential out here. Plus, we've got infrastructure that we can leverage off of, whether it's for long-term testing or, ultimately, production. And we've got a running room, OK? So we set ourselves up, testing a new play concept. This would be quite a ways to the north and west of industry, thinking that we're going to have better reservoir quality using some of the knowledge that we had at Shenandoah, Yucatan and Coronado. And we're going to leverage off our infrastructure and we think the petroleum system could be very good out here.

We're presently drilling the Nansen Deep 4-way. You can see where it sits, relative to our infrastructure. With success, you can see the running room we have out there, the identified prospects in orange and our acreage position overlaying. So that's how we do our business. This is a test that it's not a one-off. This is a test that if it's successful, we've got a running room with and we're going to learn and we can actually bring the value forward because of the existing infrastructure.

Bimini is similar. Bimini is a Miocene play, but it's in our backyard. We've got production through different infrastructure in this area. The play is set up very similar to Conger and Penn State Deep, where we have an interest. You can see the EURs in this area. Conger is a 220 million-barrel field. It has been on line as it's – I don't know what it's produced – 170 million or something. I mean it's got a lot of production already, Penn State Deep, Baldpate, all those big, big fields. We understand these fields, we understand what sets them up, we've got a 50 percent interest in this well. And if we have success here, we can feed right into some of the existing infrastructure, bring that value forward. That well is drilling now.

Haleakala is later in the year. This is an area that we've had success at our Vito prospect. And have very good running room. We left the orange blobs off of here, because we didn't want the industry to know what our blobs look like, relative to our acreage position. But every set of those blocks, the yellow blocks, has something underneath that we think has potential. That's our running room. Haleakala is a Miocene test in an oil-prone area. Vito has proven that up. Three-way closure up against salt, same as what Vito is. Big objective section, lots of sand out in this mini basin. We think it's got a lot of potential and we think there's endless significant running room. Again, playing to our strengths. And given us the optionality to leverage the success.

Then moving onto the international exploration. What's their focus? They invest for the future. This is where we find some really, really big things that we've got exposure to billion-barrel fields, OK? It says over there, world-class reservoir. We found billion-barrel fields. Whether it's in Algeria, whether it's in Ghana, whether it's in Mozambique. We've got a track record of finding those. We're going to find those when we look and say, "We're consciously exploring for billion-barrel fields in this arena." And that's what we do.

The advantages that we have, when we go into an area, we typically do it on a regional understanding first and then focus down, OK? Within that regional picture which we see potential, where do we want to be? Here, here and here. So that understanding, going in, and then once we drill wells, leveraging the new information into subsequent activities.

We have significant positions in emerging plays, whether that's in the West Africa, plays to the west of Ghana, whether that's up in Kenya, or over New Zealand, wherever it may be. And this reputation affords access. A lot of people think, oh, that means your success rate. It means access. It's not really our success rate, it's our execution. The fact that when we go in and make a deal with the government, that we're going to take this block and then over 3 years, we're going to do this work, we typically do it over 2 years. And we go – we follow through on it, OK?

So we actually have a reputation of following through on our commitments and that means a lot in the international arena. So that gives us a very good reputation. They also know when we come in, we've got a very great reputation for success. These countries want success.

The international world, you saw from Jim's, these are very high-margin, high-productivity discoveries when you get them, incredibly valuable, whether we keep them in our portfolio, whether we move them onto somebody else. Our planned activity is shown there, 12 to 14 exploration, 3 to 4 appraisal wells in 2014, I'll show you where they are going to be.

Mozambique, we're going to be very active again in Mozambique. In the offshore, we're going to define the discovery areas because by the early 2015, those are going to be carved out and the exploration in the offshore will cease.

Appraise Orca, I mentioned one of the top 10 discoveries. The thing that's interesting, everybody thinks, well, it's just more gas in Mozambique. Well, we learned a lot from it because this is a very different play style, different reservoirs, older reservoirs and it's underneath a thrust sheet. The rest of the discoveries were outboard where we could image them really well. This one is very difficult imaging, very different reservoirs and yet it's a very substantial discovery. That's leading us to additional opportunities, not just in Mozambique, but as we look over into Colombia. What does that mean as we move forward there?

Additionally, we're going to evaluate the Lunique fold belt, which is south of the Palma fold belt, where all of the previous activity had been; 7 to 8 offshore wells we're drilling in Mozambique and then we're going to drill 2 onshore wells. Remember, we have the onshore block, we're the operator, we will drill 2 exploratory wells in the onshore.

So very active. We're – I mean, you just can't say enough good things about Mozambique as to what we found over there and what it can mean to us and the country and to the gas supply globally.

Kenya, we drilled 2 wells last year. Great example of learnings and applying those learnings. What did we learn from the 2 wells? (Kerr) depositional model was validated. We found very, very good reservoirs, OK? Very well-developed reservoirs. We have evidence of a working petroleum system from those 2 wells, excellent seal capacity in the 2. And so in 2014, we're planning to drill an exploratory well based on that in an area that we think, OK, has the best potential of having good reservoir in the right place to trap hydrocarbons and get the right charge into it. And that will be our Mlima well.

New Zealand's frontier exploration. We're in the deepwater of New Zealand. There is established shelf and onshore production in New Zealand. But in the deepwater, we drilled the Taranaki basin, where we have 4 million acres, and we had a dry hole at that initial well. But we have a lot of data that we accumulated in the drilling of that well that's in the labs in Australia right now. But once we get it back, we're going to be able then to say, does this mean it's encouraging for the rest of the block or does this mean we're done in that block? Because it is very critical around, source rock, thermal maturity, richness, and the hydrocarbon shows we had, whether they came from the regional source rock or local source. That's all lab work and that's all being done.

We're drilling in the Canterbury basin, where we've got a big 4-well – or a big 4-way, that we're testing now. As you can see on the lower left schematic, there's a well on the shelf, very small structure, tested gas and condensate. We're coming outboard onto a larger structure and see what we have there, and then we'll be acquiring seismic in the Pegasus basin.

West Africa, a lot of people are interested in West Africa. We have not given up on West Africa. We actually are looking for the next Jubilee and TEN. You can see where we sit in the – not on the blowouts, but up where we've gone to discoveries, is highlighted. We're just to the west of that at the Paon area and a little bit farther west with our 515, 516 areas. We're planning on drilling 4 wells in West Africa this year. One will be the Paon appraisal well. And if you remember, we did test a very, very down depth significant distance away from the Paon discovery, about 15 kilometers away, about 800 meters down deep. Based on pressure data from that well, we think that we know around where the oil water contact is for the Paon accumulation, and it could make for a fairly substantial accumulation. Of course, we have to prove that with our appraisal well. We'll be drilling that this year.

Two additional wells in Cote d'Ivoire, they're exploration wells and then a well in Liberia Block 10, which we think has, again, based on our learnings further west in Liberia has a much better potential trapping a significant hydrocarbon column versus what we found in Liberia and Sierra Leone, which were non-commercial accumulations. So very active there.

Colombia, we're going to be shooting seismic but we will be drilling early 2015. The rig that we have scheduled for this is a newbuild and it slid a little bit, which takes the drilling activity commencement out until 2015. We like what we're seeing here. You can see the 3Ds that we've acquired.

The one in the very uppermost right, that was already acquired. We did the very large one in the middle to tie everything together. We've got a fast track volume in. We're very excited about what we're seeing in here. But remember, we got into Colombia based on our learnings from Mozambique, where we have a linked compressional/extensional system, major fan systems, that are both caught up in the fold system and undeformed in the outboard section and world-class source rock here with the La Luna, which is an oil-prone source rock, so we think that we have a lot of potential for oil.

If you look at the little schematic, where it says potential exploration target. You can write on top of that Windjammer. The one outboard, you could write on that Barquentine. That's what Mozambique looked like before we drilled those wells.

So we talk about exploration and the value creation. I hope that I've convinced you, both through my words and through our track record, that we've got some of the best oil finders in the world working for us at Anadarko. That our strategy has been in place for a long time, it's focused, we give them the fairway to work within, they understand that and they do a great job and that strategy has been proven. We are very focused on leveraging our success. So when we find something, we want running room, when we learn something, we want to immediately apply, what does it mean for Anadarko?

The balanced program that we've had to date, we want to continue with that forward. I've shown some things into the future with Colombia in 2015, the Gulf of Mexico, as we move forward. We've got a multi-year program, we have to continually invest in it. We have to get with success, drive the optionality for the company and create that value and accelerate it forward.

So we've had industry-leading success, we're looking to continue with that. The team is driven towards that, they want to create value and they want to be recognized for that.

So with that, I'll open it up for questions.

Douglas Leggate: (Inaudible).

Robert Daniels: Doug's question was, can I talk indicatively about the scale of the resource in the Shenandoah basin and he noticed that, and I pointed out that, the Yucatan working interest had gone up and it says pending. I'm going to address that first.

The working interest is going up because we put some additional acreage in, that we had a higher interest in, so actually, that's not going to cost us anything. Just pooled it into the unit. So that's a positive thing. Indicatively, we think that there's billions of – potential billion barrels of resource out in the Shenandoah mini-basin.

We've got the Yucatan Lower Tertiary discovery, we have Coronado Lower Tertiary discovery, both of which are being appraised. Shenandoah, which we have 1,000 feet of oil pipe (inaudible) base in an appraisal well. And then we actually have a shallower discovery at Coronado we haven't talked about. That's what we're appraising at Coronado now, a Miocene discovery, where we had 300 feet of pay in the original well. We're out appraising it now.

So there's a lot of resources there, a lot of work needs to be done to commercialize that and to come forward with a path, that we think it's certainly one of the larger discovery areas in the Gulf of Mexico.

Male: Bob, what do we know about the Raptor well at this point than just that (north-foot) trend?

Robert Daniels: Yes, the Raptor was a Jurassic discovery. That's key, we've always talked about it as a Jurassic discovery. We did appraise it, it was noncommercial, OK? So what we know about it is a lot. We have not let all the information out because of that and we're looking at what it can mean for additional prospectivity out there in the Jurassic.

Did that answer as good as I can? Others, questions? All right. Thank you all very much.

R. A. Walker: That means that they got an appreciation that despite being over $40 billion in market cap and producing more than 800,000 barrels equivalent today, we are still a very entrepreneurial company and we hope we'll stay that way. I think that gave us a real competitive advantage for us. So if I can, I'll get everybody to come back up here and we'll take whatever questions you might have before we break.

Robert Daniels: Yes, sir?

(John): (Of the) choices that you made just sort of go for more, short-dated projects that generated quicker EBITDAX related to past budgets. I'm looking at the exploration budget, probably it's down a little bit, but I'm wondering if U.S. onshore, would you really run more than 10 rigs of (oil cap or) what are some other things that you would've considered?

R. A. Walker: Well, John, I think the best way I can answer that is simply, as we looked at the uncertainty of Tronox, we're starting with a budget. Each of us has worked pretty hard to figure out what that right starting budget ought to be. There are off-ramps to that, if we need them, related to what the judge might do and there's on-ramps back onto that budget, depending upon what the judge may do.

We (skidded) towards being able to fund, if you will, things that are going to be more short term in nature, simply because we recognized our equity trades more short term related to the cash flow and production growth for that adjusted share and want to make sure that we take care of the equity story growth even if in the short run, we don't give Bob quite as much exploration money as he had in the prior years. But if we end up getting things in the future to work our way, I wouldn't read too much into that. It's just that if we look at the cost to do a lot of things we're doing, each of you know onshore, your activation cost for anything that's oil- or liquids-related is a lot higher. We don't – we can't go into our natural gas portfolio and activate that growth because it doesn't have margins we want. So that's my answer, (John), but maybe you guys would like to add to it, please.

Yes, sir, Doug?

Douglas Leggate: I'm not quite sure how to phrase this, Al, but I guess a 1 million barrel a day curse goes on this industry every now and again. You're going to be up there in a couple years' time. How do you think about scale – your ability to continue to compete in terms of competitive growth? Some of your competitors like Occidental, Apache, have downsized to try and deliver more aggressive growth. So what does it mean for the longer-term thoughts on portfolio restructuring high-grading assets and so on?

R. A. Walker: Well I tell you what we don't – the question is what do we want to do to make sure that we don't let our success become a problem for us? If we find billion-barrel oilfields, how do we afford those? To paraphrase you a little bit.

I think one of the things we've done, Doug, is we've done a really good job of finding other third-party sources of capital where it's applicable. Also I think that our model of being able to grow from an exploration base and using that optionality along the way to either take it to production or reduce the risk along the way, we'll continue. I don't worry too much that we're going to fall in love with something and let the financial discipline that's gotten us to where we are – will go out the window.

I think, in addition, and again, this comes back to the comment about being entrepreneurial, I think we do think about how to make money in our business the way a small, private company would. You think about (inaudible) farms-down has exploration risk. We further use joint ventures to take some of the development risk off of our balance sheet. We don't let that put too much capital pressure on us.

As we find the right production solution to the Shenandoah mini-basin, I'm confident today, we'll come up with a good financially sound way to be a participant there. But that's about the best way I can answer you on that one.

But as we look around the world, one of the things that Bob Gwin does, with the help of all us, is we actively manage our portfolio. So everything we find, we don't necessarily have to take to production. And being able to monetize and keep a balance sheet the way Bob has been able to maintain it, I think, is just as critically important as a lot of the other things we do. And, of course, onshore, Chuck's taken our business from being not a particularly efficient onshore business in 2006 to being a low-cost producer that today gives us really quick efficient returns on capital and we want to put the money there.

And, of course, anybody wants to add anything?

R. A. Walker: Well, I mean, the question was, will we accelerate things. I think we're always looking – I mean we have a fairly active debate about what we want to do with the portfolio. I don't think you'll ever see it become static.

Yes, sir, (John)?

(John): (Inaudible).

R. A. Walker: Yes, it's still relevant. It throws off a lot of free cash flow. Jim, why don't you address what we're doing up there? And Bob as well. And the question is, is Alaska still relevant?

James Kleckner: Yes, yes, Alaska is still relevant. We're currently producing a little over 10,000 barrels a day and there's some extensional plays off the side of the main field that we're looking at. The operator is ConocoPhillips and so we're participating on those extensional plays.

R. A. Walker: (Inaudible) exploration side, we still see some promise for.

Robert Daniels: There's lots of potential up in the North Slope. It's getting the right fiscal regime, the right takeaway capacity, the right access to pipelines and the timing of all of that. How is it all going to come together? But we still having a very good acreage position up there. We're not spending a lot of money on exploration right now. But we do think that there is a lot of potential and we're going to look at how do we get value for that potential, because we've done a lot of work, we've drilled some wells, we defined the resource. Now it's – does somebody want to take that forward, or do we want to take it forward, how does it fit into what we're doing up there? So wait and see, but it's still relevant.

R. A. Walker: Other question?

Robert Gwin: I did have one point. There was a question asked to me earlier and I just wanted to clarify, it was a question of what was the cost of TEN and how does it compare to Jubilee in Ghana? The Jubilee field was $8.3 billion gross and it was essentially developed over 41 wells – excuse me, 41 wells. And then in TEN, gross cost there is $5.1 billion and developing 24 wells. Now initially, as I said, there will be 10 wells in the initial development phase going to 24. So just for clarification.

R. A. Walker: Anything else? All right. Well, I want to say one more time, thank you for joining us today. Those of you who have been in our stock for a long time, thank you for continuing to be in our stock. And for those who are still interested in looking at us as a new investment, we'll continue to try to make ourselves as shiny as we can. Thank you.

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