



HOUSTON, Sept. 12, 2016 /PRNewswire/ -- [Anadarko Petroleum Corp.](#) (NYSE: APC) announced today it has entered into a definitive agreement to acquire the deepwater Gulf of Mexico assets of Freeport McMoRan Oil & Gas for \$2.0 billion. The transaction, effective Aug. 1, 2016, is expected to close prior to year end.

## TRANSACTION HIGHLIGHTS

- Doubles Anadarko's ownership in the Lucius development to approximately 49 percent
- Adds approximately 80,000 net barrels of oil equivalent (BOE) per day, more than 80 percent of which is oil
- Expands Anadarko's operated infrastructure throughout the Gulf of Mexico
- Generates an estimated \$3.0 billion of incremental Gulf of Mexico free cash flow<sup>(1)</sup> over the next five years at current strip prices
- Enables accelerated investment in Anadarko's Delaware and DJ basin assets

"This immediately accretive, bolt-on transaction strengthens our industry-leading position in the Gulf of Mexico and is a catalyst for the company's oil-growth objectives, with quality assets being acquired at an attractive price to create significant value," said Anadarko Chairman, President and CEO Al Walker. "We expect these acquired assets to generate substantial free cash flow,<sup>(1)</sup> enhancing our ability to increase U.S. onshore activity in the Delaware and DJ basins. Our current plans are to add two rigs in each play later this year, and to increase activity further thereafter, with an expectation of more than doubling our production to at least 600,000 BOE per day collectively from these two basins over the next five years. This increased activity would drive a company-wide 10- to 12-percent compounded annual growth rate in oil volumes over the same time horizon in a \$50 to \$60 oil-price environment, while investing within cash flows. Additionally, the transaction expands Anadarko's infrastructure in the Gulf, adds to our unmatched inventory of low-cost, subsea tieback opportunities, and bolsters optionality with new exploration prospects. The company's Gulf of Mexico position, with the addition of these properties, will have net sales volumes of approximately 155,000 BOE per day, comprised of approximately 85-percent oil."

## DOUBLING OWNERSHIP IN LUCIUS

Anadarko's operated Lucius facility in the deepwater Gulf of Mexico continues to achieve strong reservoir performance and facility productivity. As a result of this performance, the company is increasing the estimated ultimate recovery of the field to more than 400 million BOE from the previous 300-plus million BOE. Additionally, gross oil sales volumes through the facility recently surpassed 100,000 barrels of oil per day (BOPD). Under the terms of the transaction, Anadarko will increase its working interest in Lucius to approximately 49 percent from its previous 23.8-percent ownership, enabling the company to further capitalize on additional future value-adding opportunities at Lucius.

## ATTRACTIVE ACQUISITION METRICS

The acquisition and development cost of the acquired properties, excluding a total of approximately \$300 million of materials inventory and seismic, is approximately \$13.50 per BOE for the estimated proved reserves to be acquired. The assets are being acquired at an estimated EBITDAX multiple<sup>(1)(2)</sup> of 1.5 for the expected sales volumes over the coming 12 months, using the current futures strip price for oil and natural gas. Please see the supplemental information available at [www.anadarko.com](http://www.anadarko.com) for additional details on the transaction.

## GUIDANCE

Upon closing, the transaction is expected to add approximately 80,000 BOE per day to Anadarko's sales-volume guidance — more than 80 percent of which is comprised of oil. The company also is expected to increase its 2016 full-year capital guidance, not including the acquisition, to a range of \$2.8 to \$3.0 billion, primarily reflecting the increased activity in the Delaware and DJ basins.

Jefferies Group LLC and Latham & Watkins LLP are serving as advisors to Anadarko on the acquisition.

## CONFERENCE CALL TOMORROW AT 8 A.M. CDT, 9 A.M. EDT

Anadarko will host a conference call tomorrow, Sept. 13, 2016, at 8 a.m. CDT (9 a.m. EDT) to answer questions regarding the transaction. The dial-in number is 877.883.0383 in the United States or 412.902.6506 internationally. The confirmation number is 3595942. For complete instructions on how to participate in the conference call, or to listen to the live audio webcast, please visit [www.anadarko.com](http://www.anadarko.com). A replay of the call will be available on the website for approximately 30 days following the conference call.

<sup>(1)</sup> Management has presented herein certain forward-looking non-GAAP financial measures, including free cash flow and EBITDAX. These non-GAAP financial measures exclude certain amounts that are included in the corresponding financial measures determined in accordance with GAAP as follows:

- Free cash flow is a non-GAAP financial measure that Anadarko defines as net cash provided by (used in) operating activities before changes in accounts receivable; changes in accounts payable and accrued expenses; other items, net; and certain nonoperating and other excluded items less capital expenditures.
- EBITDAX is a non-GAAP financial measure that Anadarko defines as income (loss) before income taxes; gains (losses) on divestitures, net; exploration expense; depreciation, depletion, and amortization (DD&A); impairments; interest expense; total (gains) losses on derivatives, net, less net cash from settlement of commodity derivatives; and certain items not related to the company's normal operations, less net income (loss) attributable to noncontrolling interests.

Due to the forward-looking nature of the above non-GAAP financial measures, management cannot reliably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures, such as future impairments and future changes in working capital. Accordingly, Anadarko is unable to present a quantitative reconciliation of the aforementioned forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. Amounts excluded from these non-GAAP measures in future periods could be significant.

(2) EBITDAX multiple is defined as Enterprise Value (market value + debt &ndash; cash and cash equivalents + noncontrolling interests) divided by EBITDAX.

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[Anadarko Petroleum Corp.](#)'s mission is to deliver a competitive and sustainable rate of return to shareholders by exploring for, acquiring and developing oil and natural gas resources vital to the world's health and welfare. As of year-end 2015, the company had approximately 2.06 billion barrels-equivalent of proved reserves, making it one of the world's largest independent exploration and production companies. For more information about Anadarko and Flash Feed updates, please visit [www.anadarko.com](http://www.anadarko.com).

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Anadarko believes that its expectations are based on reasonable assumptions. No assurance, however, can be given that such expectations will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this news release, including Anadarko's ability to realize its expectations regarding performance in this challenging economic environment and meet financial and operating guidance, timely complete and commercially operate the projects and drilling prospects identified in this presentation, reduce its debt, consummate the transactions described in this news release and identify and complete additional transactions, achieve further drilling cost reductions and efficiencies, and achieve production expectations on our projects. See "Risk Factors" in the company's 2015 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other public filings and press releases. Anadarko undertakes no obligation to publicly update or revise any forward-looking statements.

Cautionary Note to Investors - The U.S. Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC's definitions for such terms. Anadarko may use terms in this news release, such as "estimated ultimate recovery," "EUR," and similar terms that the SEC's guidelines strictly prohibit Anadarko from including in filings with the SEC. These quantities may not constitute "reserves" within the meaning of the SEC's rules. EUR estimates and drilling locations have not been risked by Anadarko's management. Actual quantities that may be ultimately recovered from Anadarko's interests may differ substantially. Factors affecting ultimate recovery include the scope of Anadarko's ongoing drilling program, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors; and Anadarko's actual drilling results, including geological and mechanical factors affecting recovery rates. Such estimates may change significantly as development of Anadarko's oil and gas assets provide additional data.

U.S. Investors are urged to consider closely the oil and gas disclosures in Anadarko's Form 10-K for the year ended December 31, 2015, File No. 001-08968, available from Anadarko at [www.anadarko.com](http://www.anadarko.com) or by writing Anadarko at: [Anadarko Petroleum Corp.](#), 1201 Lake Robbins Drive, The Woodlands, Texas 77380 Attn: Investor Relations. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

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