

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-18** | Period of Report: **1993-12-31**  
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### FILER

#### **ANADARKO PETROLEUM CORP**

CIK: **773910** | IRS No.: **760146568** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-K** | Act: **34** | File No.: **001-08968** | Film No.: **94516786**  
SIC: **1311** Crude petroleum & natural gas

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

## FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

COMMISSION FILE NO. 1-8968

ANADARKO PETROLEUM CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	76-0146568 (I.R.S. EMPLOYER IDENTIFICATION NO.)
17001 NORTHCHASE DRIVE, HOUSTON, TEXAS (ADDRESS OF EXECUTIVE OFFICES)	77060 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER: (713) 875-1101

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$0.10 par value	The New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	The New York Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant computed using the average of the high and low sales prices at which the stock sold on January 31, 1994 was \$2,798,280,755.

The number of shares outstanding of each of the registrant's classes of common stock as of January 31, 1994 is shown below:

TITLE OF CLASS -----	NUMBER OF SHARES OUTSTANDING -----
Common Stock, \$0.10 par value	58,679,544

PART OF FORM 10-K -----	DOCUMENTS INCORPORATED BY REFERENCE -----
Part I	Portions of the Anadarko Petroleum Corporation 1993 Annual Report to Stockholders.
Part III	Portions of the Proxy Statement, dated March 21, 1994, for the Annual Meeting of Stockholders of Anadarko Petroleum Corporation to be held April 28, 1994.

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## PART I

## ITEM 1. BUSINESS

## GENERAL

Anadarko Petroleum Corporation and its subsidiaries are engaged in the exploration, development, production and marketing of gas, oil and natural gas liquids (NGLs), both domestically and internationally. Anadarko's U. S. drilling and production operations are focused primarily in Kansas, Oklahoma, Texas and the Gulf of Mexico. In the United States, approximately 80 percent of the Company's reserves are located in major producing basins in the Mid-continent and West Texas. Approximately 14 percent of Anadarko's reserves are in the Gulf of Mexico, where the Company owns interests in 124 lease blocks. Anadarko has oil and gas reserves in Canada where the Company has a drilling program focusing on trends in southern and central Alberta. Anadarko also is searching for oil reserves on a 5.1 million acre concession in Algeria and is participating in other select joint-venture projects overseas.

In order to manage production more effectively and improve recovery of natural gas reserves, the Company owns interests in 17 gas gathering systems, and 20 gas processing plants in the Mid-continent area. Anadarko also explores for geothermal energy in the western United States.

Anadarko is a Delaware corporation which was organized in 1985 as the

successor to the oil and gas business of Anadarko Production Company (Production), which was founded in 1959 as a subsidiary of Panhandle Eastern Corporation (Panhandle). Anadarko's common stock was distributed to Panhandle stockholders in 1986. The principal subsidiaries of Anadarko are: Anadarko Gathering Company; Anadarko Marketing Company; Anadarko Trading Company; Anadarko Petroleum of Canada Ltd.; and, Anadarko Algeria Corporation.

Unless the context otherwise requires, the terms "Anadarko" or "Company" refer to Anadarko and its subsidiaries. The Company's executive offices are located at 17001 Northchase Drive, Houston, Texas 77060, where the telephone number is (713) 875-1101.

#### EMPLOYEES

On December 31, 1993, the Company employed approximately 1,020 persons. The Company's employees are not represented by any union. Relations between the Company and its employees are considered to be satisfactory, and the Company has had no work stoppages or strikes.

#### PROVED RESERVES AND FUTURE NET CASH FLOWS

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and NGLs which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Reservoirs are considered proved if economical producibility is supported by either actual production or conclusive formation tests. Reserves which can be produced economically through application of improved recovery techniques are included in the "proved" classification when successful testing by a pilot project or the operation of an installed program in the reservoir provides support for the engineering analysis on which the project or program was based.

Proved developed oil and gas reserves are reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.

As of December 31, 1993, Anadarko had proved reserves of 1.88 trillion cubic feet (Tcf) of natural gas and 78.5 million barrels (MMBbls) of crude oil, condensate and NGLs. Combined, these proved reserves are equivalent to 391.1 MMBbls of oil or 2.35 Tcf of gas. As of December 31, 1993, Anadarko had proved developed reserves of 1.71 Tcf of natural gas and 64.2 MMBbls of crude oil, condensate and NGLs. Proved developed reserves comprise 89 percent of the total proved reserves.

The Company's estimates of proved reserves and proved developed reserves, net of royalty interests, of gas, oil and NGLs owned at December 31, 1993, 1992, 1991 and 1990 and changes in proved reserves during the last three years are contained in the Supplemental Information on Oil and Gas Exploration and Production Activities (Supplemental Information) in the Anadarko Petroleum Corporation 1993 Consolidated Financial Statements (Consolidated Financial Statements) under Item 8 of this Form 10-K Annual Report (Form 10-K). The Company files annual estimates of proved oil and gas reserves with the Department of Energy, which are within five percent of these amounts.

Also contained in the Supplemental Information in the Consolidated Financial Statements are the Company's estimates of future net cash flows, discounted future net cash flows before income taxes and discounted future net cash flows after income taxes from proved reserves of gas, oil and NGLs.

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#### EXPLORATION, DEVELOPMENT, ACQUISITION AND MARKETING ACTIVITIES

See narrative description of "Exploration", "Development", "Acquisition" and "Marketing" on pages 6 through 14 of the Anadarko Petroleum Corporation 1993 Annual Report to Stockholders (Annual Report), which is incorporated herein by reference, and see "Marketing Strategies" and "Operating Results" in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) under Item 7 of this Form 10-K.

#### VOLUMES AND PRICES

The following table shows the Company's annual volumes. Volumes for natural gas are in millions of cubic feet (MMcf) at a pressure base of 14.73 pounds per square inch (psi) and volumes for oil and condensate and NGLs are in thousands of barrels (MBbls).

<TABLE>  
<CAPTION>

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
UNITED STATES			
Natural gas (MMcf)	158,662	143,865	134,357
Oil and condensate (MBbls)	7,223	3,845	4,183
Natural gas liquids (MBbls)	2,680	2,434	1,943
CANADA			
Natural gas (MMcf)	3,236	2,561	3,527
Oil and condensate (MBbls)	687	814	785
Natural gas liquids (MBbls)	17	13	14
TOTAL			
Natural gas (MMcf)	161,898	146,426	137,884
Oil and condensate (MBbls)	7,910	4,659	4,968
Natural gas liquids (MBbls)	2,697	2,447	1,957

</TABLE>

The following table shows the Company's annual average sales prices and average production costs. Production costs are per energy equivalent barrel (EEB). For this computation, one barrel is the energy equivalent of six thousand cubic feet (Mcf).

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
UNITED STATES			
Sales price	\$ 1.92	\$ 1.71	\$ 1.51
Natural gas (per MMcf)	16.35	18.45	19.61
Oil and condensate (per barrel)	0.30	0.32	0.33
Natural gas liquids (per gallon)	3.30	2.78	2.90
Production cost (per EEB)			
CANADA			
Sales price	\$ 1.53	\$ 1.22	\$ 1.30
Natural gas (per MMcf)	12.85	14.60	14.01
Oil and condensate (per barrel)	0.24	0.24	0.30
Natural gas liquids (per gallon)	4.51	5.26	4.69
Production cost (per EEB)			
TOTAL			
Sales price			
Natural gas (per MMcf)	\$ 1.91	\$ 1.70	\$ 1.51
Oil and condensate (per barrel)	16.05	17.78	18.72
Natural gas liquids (per gallon)	0.30	0.32	0.33
Production cost (per EEB)	3.34	2.88	2.99

</TABLE>

Additional information on volumes and prices is contained in "Analysis of Volumes and Prices" in the MD&A under Item 7 of this Form 10-K. Additional information on major customers is contained in Note 8 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

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#### PROPERTIES AND ACTIVITIES - UNITED STATES - ONSHORE

**ACREAGE** Approximately 88 percent of the Company's 2,522,000 gross (797,000 net) onshore undeveloped acres in the United States at year-end 1993 lie within four producing provinces: the Anadarko Basin of Kansas and Oklahoma, the Gulf Coast region, the Permian Basin of West Texas and the Rocky Mountains. As of December 31, 1993, approximately 98 percent of the Company's 2,145,000 gross (895,000 net) developed acres onshore in the United States are located within these same provinces. Other significant areas of developed acreage are in Oklahoma.

The accompanying map illustrates by state Anadarko's developed and undeveloped net acres, number of producing net wells and other data relevant to its onshore oil and gas operations in the United States.

**GEOHERMAL** The Company is actively exploring for geothermal energy because of its long-term potential for economic and environmentally safe electric power generation. Geothermal exploratory holdings in California, Nevada and Oregon totaled 160,000 net acres at year-end 1993. During 1993, the Company recorded a \$500,000 (pre-tax) charge to earnings for the impairment of miscellaneous geothermal projects in Nevada.

**GAS GATHERING SYSTEMS** Anadarko owns and operates four gas gathering systems in the nation's mid-continent area: the Antioch Gathering System in the Southwest Antioch Field of Oklahoma; the Hobart Ranch Gathering System, located in Hemphill County, Texas; the Hugoton Gathering System in southwest Kansas; and the Sneed System in the West Panhandle Field of Texas. In addition, the Company owns a 43 percent working interest in the Limestone Ridge Gas Gathering System, located in the Arkoma Basin near Wilburton, Oklahoma. In addition to these systems, Anadarko owns interests in 12 other smaller systems. In the aggregate, these 17 systems have approximately 700 miles of pipeline and over 400 MMcf per day (MMcf/d) of gas gathering capacity.

**GAS PROCESSING PLANTS** Anadarko owns and operates seven gas processing plants and has interests in 13 other plants. Virtually all of these plants are located within the Company's areas of gas production. Many also are integrated with the gas gathering systems described previously. The following table sets forth the average daily gas throughput and NGLs production for the three years ended December 31, 1993 and capacity as of December 31, 1993.

<TABLE>  
<CAPTION>

	Throughput and Production For the Years Ended December 31			Capacity December 31,
	1993	1992	1991	1993
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Gas throughput (MMcf/d)	98	102	100	200
NGLs production (Bbls per day)	7,040	6,640	5,410	9,000

</TABLE>

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ONSHORE MAP (GRAPHIC MATERIAL OMITTED)

<TABLE>  
<CAPTION>

	NET DEVELOPED ACRES	NET UNDEVELOPED ACRES	NET PRODUCING WELLS
<S>	<C>	<C>	<C>
ONSHORE:			
United States			
Arkansas	5,356	33,637	44
Colorado*	6,162	49,268	13
Kansas*	366,284	72,417	1,326
Louisiana	1,341	2,267	8
Mississippi	242	60,669	--
Montana	18,372	8,797	24
Nebraska	109	483	--
Nevada*	--	192,712	--
New Mexico*	30,126	4,206	268
North Dakota	1,390	294	3
Oklahoma*	228,147	51,346	815
Texas*	195,953	144,331	1,677
Utah*	407	112,864	12
Wyoming*	41,182	64,142	48
United States - Geothermal			
California	--	113,610	--
Nevada	--	11,639	--
Oregon	--	34,857	--
Canada			
Alberta*	46,719	58,941	109
British Columbia	8,748	10,653	32
Saskatchewan	3,429	2,327	19

OFFICE LOCATIONS:

United States  
Houston, Texas  
Midland, Texas  
Oklahoma City, Oklahoma  
Liberal, Kansas  
Santa Rosa, California

\*1993 Onshore Drilling Activities Area

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PROPERTIES AND ACTIVITIES - UNITED STATES - OFFSHORE

**ACREAGE** At year-end 1993, Anadarko owned an average 40 percent interest in 124 lease blocks and held 40,000 net acres in developed properties and 200,000 net acres in undeveloped properties.

The accompanying map illustrates the Company's exploratory and development net acres, number of producing net wells and other data relevant to its offshore properties.

PROPERTIES AND ACTIVITIES - INTERNATIONAL

In recent years, the Company has devoted a small portion of its exploration budget to selected joint-venture projects overseas. Anadarko's objective in international exploration is to bring high-potential prospects to the balanced mix of domestic plays. These projects offer significant upside potential, albeit with corresponding exposure to write-offs in the event exploration is unsuccessful. The Company recorded \$6.5 million (pre-tax) and \$21 million (pre-tax) of charges to earnings during 1993 and 1992, respectively, related to unsuccessful exploration activity in China, Yemen and various other international locations.

**CANADA** Approximately three percent of the Company's proved reserves are located in Canada. Activities in Canada are concentrated in the western provinces of Alberta, British Columbia and Saskatchewan. At the end of 1993, Anadarko held interests in 241,000 gross (131,000 net) acres of which 105,000 gross (72,000 net) acres were undeveloped and 136,000 gross (59,000 net) acres were developed. The accompanying onshore map illustrates by province Anadarko's developed and undeveloped net acres, number of producing net wells and other data relevant to its oil and gas operations in Canada.

**ALGERIA** Anadarko's primary international exploration venture is in Algeria, where the Company is exploring for oil under a production sharing agreement secured in 1989 from Sonatrach, the national oil and gas enterprise of Algeria. Anadarko's partners, each with a 25 percent working interest, in the Algerian venture are LASMO Oil (Algeria) Limited, a wholly owned subsidiary of LASMO plc, and Maersk Olie Algeriet AS, a wholly owned subsidiary of Maersk Olie Og Gas AS, a company in the Danish A.P. Moeller group. Over a ten year period, the Company and its two partners are committed to spend over \$100 million and drill ten wells exploring on 5.1 million acres in the eastern Sahara Desert in Algeria.

Liquid hydrocarbons discovered and produced will be shared by Anadarko and its partners, and Sonatrach in accordance with the terms of the agreement. Sonatrach is the beneficial owner of 10.2 percent of the Company's outstanding common stock. As of December 31, 1993, Anadarko had incurred a total of approximately \$72,408,000 related to exploration activities, of which approximately \$26,964,000 was incurred in 1993.

At the present time, political unrest continues in Algeria. The Company is closely monitoring the situation and is presently unable to predict with certainty the short-term effects it may have on activity planned for 1994. However, the situation has not had any material effect on the Company's operations or exploration activity in Algeria to date. The Company's activities in Algeria also are subject to the risks associated with international operations.

**INDONESIA** The Company's ongoing commitment to international exploration includes future exploration on the Jabung Block in the Jambi Province of Indonesia. Anadarko and its partners, Santa Fe Energy Resources (Jabung), Ltd., a wholly owned subsidiary of Santa Fe Energy Resources Inc., and Kerr-McGee Sumatra Ltd., a wholly owned subsidiary of Kerr-McGee Corporation, have a Production Sharing Contract which includes a \$15.1 million commitment to exploration activities which include seismic acquisition and reprocessing, as well as the drilling of three exploratory wells, during the first three years. The Jabung Block, which is located on the island of Sumatra in the northernmost part of the South Sumatra Basin, covers an area of 2.0 million acres.

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## OFFSHORE MAP (GRAPHIC MATERIAL OMITTED)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NET DEVELOPED ACRES	NET UNDEVELOPED ACRES	NET PRODUCING WELLS
	-----	-----	-----
<S>	<C>	<C>	<C>
OFFSHORE:			
United States			
Alaska	--	6,397	--
Florida	--	54,734	--
Louisiana	14,141	72,708	18
Mississippi	--	2,194	--
Texas	25,560	63,905	20

&lt;/TABLE&gt;

## DRILLING PROGRAMS

The Company's 1993 drilling program again focused on known oil and gas provinces onshore in North America, as well as offshore in the Gulf of Mexico. Onshore activity was concentrated in the mid-continent regions of Kansas and Oklahoma, the Yegua Trend along the Texas Gulf Coast and the Permian Basin of West Texas. Exploration activity consisted of 21 wells onshore in the United States, seven wells offshore United States, two wells in Canada and two wells in Algeria. Development activity included 178 wells onshore in the United States, four wells offshore United States and five wells in Canada.

## DRILLING STATISTICS

The following table shows the results of the oil and gas wells drilled and tested:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	NET EXPLORATORY			NET DEVELOPMENT			TOTAL
	PRODUCTIVE	DRY HOLES	TOTAL	PRODUCTIVE	DRY HOLES	TOTAL	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1993							
United States	11.4	6.2	17.6	100.5	10.4	110.9	128.5
Canada	0.0	1.0	1.0	0.5	3.0	3.5	4.5
Algeria	0.5	0.5	1.0	0.0	0.0	0.0	1.0
	---	---	---	---	---	---	---
Total	11.9	7.7	19.6	101.0	13.4	114.4	134.0
	====	====	====	====	====	====	====
1992							
United States	3.5	4.5	8.0	43.5	5.4	48.9	56.9
Canada	0.0	2.5	2.5	5.4	0.0	5.4	7.9
China	0.0	1.0	1.0	0.0	0.0	0.0	1.0
Yemen	0.0	0.9	0.9	0.0	0.0	0.0	0.9
	---	---	---	---	---	---	---
Total	3.5	8.9	12.4	48.9	5.4	54.3	66.7
	====	====	====	====	====	====	====
1991							
United States	4.6	7.0	11.6	63.5	8.0*	71.5	83.1
Canada	1.0	3.0	4.0	3.8	1.4	5.2	9.2
Algeria	0.0	0.5	0.5	0.0	0.0	0.0	0.5
	---	---	---	---	---	---	---
Total	5.6	10.5	16.1	67.3	9.4	76.7	92.8
	====	====	====	====	====	====	====

&lt;/TABLE&gt;

\*Does not include 1.3 net development Hugoton "deep" dry holes in 1991 that were later completed as infill wells.

The following table shows the number of wells in the process of drilling or in active completion stages and the number of wells suspended or waiting on completion as of December 31, 1993:

&lt;TABLE&gt;

&lt;CAPTION&gt;

UNITED STATES	CANADA	ALGERIA	TOTAL
---------------	--------	---------	-------

	GROSS	NET	GROSS	NET	GROSS	NET	GROSS	NET
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Wells in the process of drilling or active completion								
Exploration	8.0	5.0	---	---	2.0	1.0	10.0	6.0
Development	13.0	7.6	---	---	---	---	13.0	7.6
Wells suspended or waiting on completion								
Exploration	9.0	5.6	13.0	6.9	---	---	22.0	12.5
Development	82.0	54.5	---	---	---	---	82.0	54.5

PRODUCTIVE WELLS

As of December 31, 1993, the Company owned productive wells in the United States and Canada as follows:

	UNITED STATES		CANADA		TOTAL	
	GROSS	NET	GROSS	NET	GROSS	NET
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Oil wells*	6,990	2,433.0	553	118.9	7,543	2,551.9
Gas wells*	2,760	1,842.8	125	40.6	2,885	1,883.4
Total	9,750	4,275.8	678	159.5	10,428	4,435.3

\*Wells containing multiple completions

	UNITED STATES	CANADA	TOTAL
	GROSS	NET	GROSS
<S>	<C>	<C>	<C>
Oil wells	78	27.0	79
Gas wells	165	72.2	167

REGULATORY AND LEGISLATIVE DEVELOPMENTS

**NATURAL GAS PRORATION** State agencies in many of the states where Anadarko operates are empowered by laws unique to each state to prevent waste in the production of natural gas and protect the correlative rights of each mineral interest owner to produce its fair share of gas in a field. To prevent waste and protect correlative rights, state agencies have developed proration systems for limiting production by assigning each unit in a prorated field an allowable production volume which the producer is legally permitted to produce. These allowables are based on market demand and other factors as determined by the state agency.

In Kansas, where Anadarko has significant gas reserves and production capacity, the Kansas Corporation Commission (KCC) voted on December 3, 1993 to modify its basic proration order for the Hugoton Field, the largest dry gas reservoir in the United States. A written order was issued February 1, 1994. This order changes the formula currently used by the KCC to calculate field and unit allowables and will increase the portion of overall production allowables assigned to Anadarko's wells in the Hugoton Field. As a result of the order, Anadarko's share of the total field allowable will increase from its current level of about 12 percent to 15 percent.

**KANSAS AD VALOREM TAX** The Natural Gas Policy Act of 1978 (NGPA) allows a "severance, production or similar" tax to be included as an add-on, over and above the maximum lawful price for natural gas. Based on a Federal Energy Regulatory Commission (FERC) ruling that the Kansas ad valorem tax was such a tax, the Company collected the Kansas ad valorem tax in addition to the maximum lawful price. FERC's ruling was appealed to the United States Court of Appeals for the District of Columbia, which held in June 1988 that FERC failed to provide a reasoned basis for its findings and remanded the case to FERC for further consideration.

On December 1, 1993, FERC issued an order reversing its prior ruling, but limiting the effect of its decision to sales that were made on or after June 28, 1988. Based on Anadarko's interpretation of the FERC order, \$130,000

(pretax) was charged to expense in 1993. Numerous parties have filed requests for rehearing at the FERC asking that the December 1, 1993, order be reconsidered and the Company is unable to predict the outcome of this matter.

**ENVIRONMENTAL** The Company's oil and gas operations and properties are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations govern, among other things, the amounts and types of substances and materials that may be released into the environment, the issuance of permits in connection with drilling and production activities, the discharge and disposition of waste materials, offshore oil and gas operations, the reclamation and abandonment of wells and facility sites and the remediation of contaminated sites. In addition, these laws and regulations may impose substantial liabilities for the Company's failure to comply with them or for any contamination resulting from the Company's operations.

Compliance with such laws and regulations has not had a material adverse effect on the Company's operations or financial condition in the past. However, because environmental laws and regulations are becoming increasingly more stringent, there can be no assurances that such laws and regulations or any environmental law or regulation enacted in the future will not have a material adverse effect on the Company's operations or financial condition.

For a description of certain environmental proceedings in which the Company is involved, see Note 13 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

**OTHER** Regulatory agencies in certain states have authority to issue permits for the drilling of wells, regulate the spacing of wells, prevent the waste of oil and gas resources through proration and regulate environmental matters.

Operations conducted by the Company on federal oil and gas leases must comply with numerous regulatory restrictions, including various nondiscrimination statutes. Additionally, certain operations must be conducted pursuant to appropriate permits issued by the Bureau of Land Management and the Minerals Management Service of the Department of Interior and, in regard to certain federal leases, with prior approval of drill site locations by the Environmental Protection Agency.

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#### ADDITIONAL FACTORS AFFECTING BUSINESS

The oil and gas business is highly competitive in the search for and acquisition of reserves and in the gathering and marketing of oil and gas production. The Company's competitors include the major oil companies, independent oil and gas concerns, individual producers and major pipeline companies, as well as participants in other industries supplying energy and fuel to industrial, commercial and individual consumers.

Crude oil prices continue to be affected by political developments in the Middle East, pricing decisions of the Organization of Petroleum Exporting Countries (OPEC) and the volatile trading patterns in the oil futures markets.

The domestic and international operations of the Company have been, and at times in the future may be, affected by political developments and by federal, state and local laws and regulations such as restrictions on production, changes in taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls, and environmental protection regulations.

The Company's business is subject to all of the operating risks normally associated with the exploration for and production of oil and gas, including blow-outs, cratering and fire, each of which could result in damage to or destruction of oil and gas wells or formations or production facilities and other property and injury to persons. As protection against financial loss resulting from these operating hazards, the Company maintains insurance coverage, including certain physical damage, employer's liability, comprehensive general liability and workmen's compensation insurance. Although the Company is not fully insured against all risks in its business, the Company believes that the coverage it maintains is adequate and customary for companies engaged in similar operations. The occurrence of a significant event against which the Company is not fully insured could have a material adverse effect on the Company's financial position.

#### TITLE TO PROPERTIES

As is customary in the oil and gas industry, only a preliminary title examination is conducted at the time properties believed to be suitable for drilling operations are acquired by the Company. Prior to the commencement of drilling operations, a thorough title examination of the drill site tract is

conducted and curative work is performed with respect to significant defects, if any, before proceeding with operations. A thorough title examination has been performed with respect to substantially all leasehold producing properties owned by the Company. The Company believes that the title to its leasehold properties is good and defensible in accordance with standards generally acceptable in the oil and gas industry subject to such exceptions which, in the opinion of counsel employed in the various areas in which the Company has conducted exploration activities, are not so material as to detract substantially from the use of such properties. The leasehold properties owned by the Company are subject to royalty, overriding royalty and other outstanding interests customary in the industry. The properties may be subject to burdens such as liens incident to operating agreements and current taxes, development obligations under oil and gas leases and other encumbrances, easements and restrictions. The Company does not believe that any of these burdens will materially interfere with its use of these properties.

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#### CAPITAL SPENDING

See "Capital Expenditures, Liquidity and Long-Term Debt" of the MD&A under Item 7 of this Form 10-K.

#### RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The Company's ratios of earnings to fixed charges for the years ended December 31, 1993, 1992 and 1991 were 2.68, 1.81 and 1.99, respectively. These ratios were computed by dividing earnings by fixed charges. For this purpose, earnings include income before income taxes and fixed charges. Fixed charges include interest and amortization of debt expenses, and the estimated interest component of rentals.

During the three years ended December 31, 1993, there were no shares of preferred stock outstanding. Accordingly, the ratio of earnings to combined fixed charges and preferred stock dividends for each of the three years is the same as the ratio of earnings to fixed charges.

#### ITEM 2. PROPERTIES

See information appearing under Item 1 of this Form 10-K.

#### ITEM 3. LEGAL PROCEEDINGS

HERITAGE RESOURCES, INC. LITIGATION Pursuant to an order of the 162nd Judicial District Court for Dallas County, Texas, dated January 29, 1988, requiring all owners of interests in certain properties in Winkler County, Texas, to be joined as parties Plaintiff or parties Defendant, Anadarko has entered, as a party Plaintiff, a suit filed against Heritage Resources, Inc. (Heritage) by Tribal Drilling Company. The Plaintiffs, among other things, seek to have Heritage removed as operator of a well in which Plaintiffs own interests. The Defendants have asserted counterclaims against Anadarko and the 19 other Plaintiffs alleging that, among other things, the assertions of the Plaintiffs are frivolous and were made in bad faith and that the Plaintiffs breached the joint operating agreements. The trial previously scheduled for April 1993 has been continued indefinitely until such time as the appeal of a companion case, a case in which Anadarko is not a party, has been concluded. While the outcome of the litigation cannot be predicted, Anadarko's management believes that any recovery on the counterclaims in a material amount is remote.

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#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 1993.

#### EXECUTIVE OFFICERS OF THE REGISTRANT

<TABLE>  
<CAPTION>

NAME	AGE AT END OF 1994	POSITION
------	-----------------------	----------

<S>	<C>	<C>
Robert J. Allison, Jr.	55	Chairman of the Board, President and Chief Executive Officer
Charles G. Manley	50	Senior Vice President, Administration
Michael E. Rose	47	Senior Vice President, Finance and Chief Financial Officer
Charles K. Abernathy	51	Vice President-Operations, International/Gulf of Mexico
Rex Alman III	43	Vice President, Engineering
Richard J. Sharples	47	Vice President, Marketing
John N. Seitz	43	Vice President, Exploration
Bruce H. Stover	45	Vice President, Acquisitions
William D. Sullivan	38	Vice President-Operations, U. S. Onshore
A. P. Taylor, Jr.	45	Vice President, Corporate Communications
Lewis L. Williams	65	Vice President and General Counsel

Mr. Allison joined Production in 1973 as Vice President-Operations, was named President in 1976 and was President and Chief Executive Officer from 1979 until 1985 when he assumed the position of President and Chief Executive Officer of Anadarko. Mr. Allison was named Chairman and Chief Executive Officer effective October 1986. In January 1993, he was elected the additional position of President.

Mr. Manley was employed by Production in 1976 and was Vice President, Administration and Employee Relations, from 1977 until August 1985. He held that position with Anadarko until January 1993 when he was named Senior Vice President, Administration.

Mr. Rose joined Production as Chief Accountant in January 1978 and became Vice President and Controller in May 1981. He held that position at Anadarko from August 1985 until he was named Vice President, Finance, in October 1986. In January 1993, he was named Senior Vice President, Finance and Chief Financial Officer.

Mr. Abernathy joined Production in January 1975 as a Senior Petroleum Engineer. He served as the Southern Region's Operations Manager before becoming Manager, Exploration and Production Operations, of Anadarko in June 1987. He was named Vice President, Exploration and Production Operations, in July 1987 and Vice President and General Manager, International, in October 1989. He was named Vice President Operations, International/Gulf of Mexico, in January, 1992.

Mr. Alman joined Production in 1976 as an Evaluation Engineer. He served as Manager, Production and Planning, prior to being named Manager, Exploration and Production Operations, in February 1990. He was named Vice President, Exploration and Production Operations, in April 1990 and was named Vice President, Operations, U. S. Onshore, in January 1992. In January 1993, he was named Vice President, Engineering.

Mr. Sharples was employed by Anadarko and named Vice President, Marketing, in March 1993. Prior to coming to Anadarko, he held a vice president's position in marketing with Maxus Energy Corporation from October 1984 until March 1993.

Mr. Seitz joined Production in 1977 as a Petroleum Geologist. He served as Manager of Exploration and Chief Geologist before becoming General Manager, Exploration, of Anadarko in June 1987. He was named Vice President, Exploration and Production Operations, in October 1989 and Vice President and General Manager, Houston Region, in February 1990. He was named Vice President, Exploration, International/Gulf of Mexico, in January 1992 and Vice President, Exploration in January 1993.

Mr. Stover joined Anadarko in 1980 as Chief Engineer and was named General Manager - Special Projects, International in 1987. He assumed the position of President and General Manager, Anadarko Algeria Corporation, in 1989. In January 1993, he was named Vice President, Acquisitions.

Mr. Sullivan joined the Company in 1981 as Senior Reservoir Engineer - Southern Region. He held several positions in engineering and operations before being named Manager, Acquisitions in 1987. In 1991, he was named Vice President and General Manager, Anadarko China Company. In January 1993, he was

named Vice President Operations, U. S. Onshore.

Mr. Taylor was employed by Anadarko in October 1986 as Director, Corporate Communications, and became Vice President, Corporate Communications, in January 1987. Prior to coming to Anadarko, he held the position of Director of Investor Relations at Panhandle. He had been with Panhandle since 1982.

Mr. Williams was employed by Anadarko in March 1988 as Regional Counsel and was named Vice President and General Counsel in January 1989. Prior to coming to Anadarko, he served as Counsel for K-N Operating Corporation. He had been with K-N Operating Corporation since 1981.

All officers of Anadarko are elected in April of each year at the organization meeting of the Board of Directors to hold office until their successors are duly elected and shall have qualified. There are no family relationships between any directors or executive officers of Anadarko.

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information on the market price and cash dividends declared per share of common stock is included in the Stockholders' Information in the Annual Report, which is incorporated herein by reference.

As of December 31, 1993, there were approximately 8,500 direct holders of Anadarko common stock. The following table sets forth the amount of dividends paid on Anadarko common stock during the two years ended December 31, 1993.

<TABLE>

<CAPTION>

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
<S>	<C>	<C>	<C>	<C>
thousands				
1993	\$4,152	\$4,171	\$4,494	\$4,400
1992	\$4,139	\$4,144	\$4,147	\$4,147

</TABLE>

The amount of future dividends will depend on earnings, financial condition, capital requirements and other factors, and will be determined by the Directors on a quarterly basis.

For additional information, see Note 5 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

### ITEM 6. SELECTED FINANCIAL DATA

See Summary Financial Data in the Annual Report, which is incorporated herein by reference.

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### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### FINANCIAL RESULTS

**NET INCOME AND REVENUES** Anadarko's net income for 1993 before the cumulative effect of changes in accounting principles was \$40.0 million (70 cents per share) compared to \$27.3 million (49 cents per share) for 1992 and \$32.4 million (59 cents per share) in 1991. Stated without the effect of a special tax charge of \$11.2 million related to a change in corporate tax rates recorded in the third quarter of 1993, Anadarko's net income would have been \$51.3 million (90 cents per share). Including the cumulative effect of two accounting changes and the special tax charge, Anadarko's net income for 1993 was \$117.4 million (\$2.05 per share).

Revenues for 1993 were \$476.3 million, 27 percent higher than 1992 revenues of \$375.2 million and 41 percent higher than revenues of \$336.6 million in 1991. The increase in earnings and revenues (before the special charge and before the cumulative effect of changes in accounting principles) was due primarily to significantly stronger gas markets and increased crude oil production.

During 1993, Anadarko's net income was affected by the following items:

- (1) Implementation in the first quarter of Statement of Financial Accounting Standards (SFAS) No. 106 which required a change in accounting for postretirement benefits other than pensions. The Company recognized the cumulative transition obligation as of January 1, 1993, which resulted in a decrease to net income of \$9.7 million (17 cents per share).
- (2) Implementation in the first quarter of SFAS No. 109 which changed the accounting method for deferred income taxes and increased Anadarko's net income by \$87.1 million (\$1.52 per share).
- (3) SFAS No. 109 also requires that the effect on existing deferred tax liabilities of any change in income tax rates must be recognized in income during the period in which the change in tax rates is enacted. In August, Congress enacted the Omnibus Budget Reconciliation Act of 1993, which raised the top corporate income tax rate from 34 to 35 percent. As a result, Anadarko recorded a charge to net income of \$11.2 million (20 cents per share) in the third quarter.

Anadarko's net income for 1992 was down 16 percent compared to 1991, due primarily to \$21 million (pretax) in provisions for impairments of international properties related to unsuccessful drilling operations in China and Yemen during 1992.

<TABLE>

<CAPTION>

SELECTED FINANCIAL DATA

millions except per share amounts

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues	\$476.3	\$375.2	\$336.6
Costs and expenses	372.2	307.6	263.6
Interest expense	29.4	28.2	27.2
Net income	40.0*	27.3	32.4
Earnings per share	\$ 0.70*	\$ 0.49	\$ 0.59

</TABLE>

\*Excludes the cumulative effect of changes in accounting principles.

COSTS AND EXPENSES For 1993, Anadarko's costs and expenses were \$372.2 million, an increase of approximately \$65 million (21 percent) compared to \$307.6 million in 1992. The increase was a result of several factors:

- (1) Depreciation, depletion and amortization (DD&A) was up \$34.7 million (or 26 percent) compared to 1992 due to an 11 percent increase in gas production volumes and a 70 percent increase in crude oil and condensate production volumes;
- (2) Operating expenses were up \$23.7 million or 32 percent compared to 1992 due primarily to increased production volumes as a result of the acquisition of secondary recovery oil properties in West Texas in December 1992;
- (3) Other taxes increased \$10.9 million or 36 percent compared to 1992 because of higher production related (severance) and ad valorem taxes; and,
- (4) Administrative and general expenses were up \$9.2 million or 19 percent compared to 1992 due to costs associated with postretirement benefits other than pension as required under SFAS No. 106 and increased salary and benefits for the Company's growing workforce.

Anadarko incurred \$7 million in provisions for impairments of international and geothermal properties in 1993. This compares to \$21 million of provisions for impairments in 1992.

Anadarko's costs and expenses in 1992 were up 17 percent compared to 1991. There were four reasons for the increase: (1) \$21 million (pretax) of provisions for impairments of international properties; (2) increased administrative and general expenses primarily related to accelerated vesting of benefits under the Company's restricted stock plan; (3) increased DD&A expense due to higher natural gas production volumes; and (4) higher production related taxes.

<TABLE>			
<CAPTION>			
COSTS AND EXPENSES			
millions	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
Operating expenses	\$ 98.6	\$ 74.9	\$ 76.2
Administrative and general	57.4	48.2	38.5
DD&A	167.7	132.9	121.1
Other taxes	41.5	30.6	27.8
Provisions for impairments	7.0	21.0	--
	-----	-----	-----
Total	\$372.2	\$307.6	\$263.6

INTEREST EXPENSE Anadarko's interest expense for 1993 was \$29.4 million, up 4 percent compared to \$28.2 million in 1992 and up 8 percent compared to \$27.2 million in 1991.

Despite declining interest rates since 1992, Anadarko has experienced modest growth in interest expense primarily due to higher average borrowings during 1992 and 1993 and lower amounts of capitalized interest in 1992 and 1993 compared to 1991.

Anadarko's long-term debt at December 31, 1993 decreased by about \$105 million compared to year-end 1992 primarily due to conversion in July of 99.8 percent of the Company's outstanding \$100 million principal amount of 6 1/4% Convertible Subordinated Debentures. Long-term debt increased by 47 percent at year-end 1992 compared to year-end 1991 due to the large acquisition of producing properties in December 1992. (See Liquidity and Long-term Debt)

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ANALYSIS OF VOLUMES AND PRICES

NATURAL GAS In 1993, Anadarko achieved record natural gas production of 161.9 billion cubic feet (Bcf) or 444 million cubic feet per day (MMcf/d). This was an 11 percent increase over natural gas production of 146.4 Bcf in 1992 and a 17 percent increase over gas production of 137.9 Bcf in 1991. Early in 1993, the Company increased its natural gas sales in response to higher gas prices. Anadarko's average U.S. gas price in 1993 was \$1.92 per thousand cubic feet (Mcf), up 12 percent compared to 1992 and up 27 percent compared to 1991.

Generally, Anadarko's annual gas sales are below the Company's total capacity due to state regulations limiting allowable production, any seasonal weaknesses in gas prices and the Company's long-standing policy to sell minimum volumes of discretionary gas during periods of weak prices.

Historically, natural gas sales markets have been highly seasonal because of the increase in residential heating demand during the winter. Due to this seasonality, Anadarko's natural gas prices and production volumes and, therefore, financial results have traditionally been stronger in the first and fourth quarters. However, in 1993, this seasonal variance diminished somewhat due to overall growth in gas demand and continuing declines in gas supply. This was most evident in the summer of 1993 when demand for natural gas storage injections dramatically increased natural gas prices during the second and third quarters of the year.

The historical role of natural gas storage to supplement wellhead production during peak demand periods has been somewhat skewed over the past three years. Warm winters saw weak prices as local distribution companies (LDCs) used storage as a supply source during the winters of 1990-91 and 1991-92. Many natural gas customers began using storage volumes as a price hedge or arbitrage tool which disrupted the seasonal injection and withdrawal pattern in the nation's storage fields. As a result, prices in March 1992, for example, fell to 15-year record low levels.

During the 1992-93 winter heating season, the ability of gas consumers to utilize this price arbitrage was diminished as cold weather blanketed the nation late in the season and storage gas was needed for peak-day demand. The effect of a significant net storage drawdown in the first quarter of 1993 resulted in aggressive injections during the summer refill cycle and subsequently higher prices for gas.

Anadarko believes that while seasonality in gas markets will continue, the tight balance in supply and demand will extend the recent strength in natural gas markets.

<TABLE>

<CAPTION>  
 QUARTERLY NATURAL GAS  
 VOLUMES AND U.S. PRICES

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
First Quarter			
Bcf	46.8	39.6	40.3
MMcf per day	520	435	447
Price per Mcf	\$1.73	\$1.37	\$1.56
Second Quarter			
Bcf	34.8	28.0	29.7
MMcf per day	382	308	326
Price per Mcf	\$2.05	\$1.46	\$1.30
Third Quarter			
Bcf	35.7	32.7	25.6
MMcf per day	388	355	279
Price per Mcf	\$1.94	\$1.67	\$1.28
Fourth Quarter			
Bcf	44.6	46.1	42.3
MMcf per day	485	502	460
Price per Mcf	\$1.97	\$2.17	\$1.76

</TABLE>

CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS Anadarko achieved record crude oil and condensate production of 7.9 million barrels (MMBbls) in 1993, a 70 percent increase over 1992 oil and condensate production and a 59 percent increase over 1991 oil and condensate production. This increase was primarily related to producing oil properties in the Permian Basin of West Texas which were acquired by Anadarko in December 1992, as well as increased waterflood recovery operations in West Texas and the Mid-continent.

Anadarko's crude oil production over the past three years has been enhanced by the use of secondary recovery techniques and development drilling in existing fields. These activities have generally offset the production decline normally associated with oil fields.

Crude oil markets suffered dramatically in late 1993 as a result of the failure of the Organization of Petroleum Exporting Countries (OPEC) to effectively reduce a perceived surplus of crude oil. West Texas Intermediate (WTI) crude oil prices fell to a low of \$13.02 per barrel in December 1993, the lowest level since 1986.

Anadarko's average U.S. crude oil price for 1993 was \$16.35 per barrel, down 11 percent compared to 1992 and down 17 percent compared to 1991. The Company's crude oil price has averaged about \$12.50 per barrel in January 1994.

Generally, the Company's oil production is sold on a monthly basis as it is produced. Volumes of oil are not affected by seasonal swings in market prices.

The Company's natural gas liquids (NGLs) sales volumes were 2.7 MMBbls, up ten percent over 1992 and up 38 percent over 1991. The 1993 average price of 30 cents per gallon was six percent lower than the average price in 1992 and nine percent lower than the average price in 1991. The increase in NGL volumes for 1993 is due primarily to increased sales from inventory in 1993 and the acquisition of NGL plants included in the purchase of producing properties in December 1992. NGLs markets were weak in 1993 despite low levels of inventory and strong natural gas markets.

<TABLE>  
 <CAPTION>  
 ANNUAL VOLUMES AND U.S. PRICES

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
Natural gas (Bcf)	161.9	146.4	137.9
MMcf per day	444	400	378
Price per Mcf	\$ 1.92	\$ 1.71	\$ 1.51
Crude oil and condensate (MBbls)	7,910	4,659	4,968
MBbls per day	21.7	12.7	13.6
Price per barrel	\$16.35	\$18.45	\$19.61
Natural gas liquids (MBbls)	2,697	2,447	1,957
Price per gallon	\$ 0.30	\$ 0.32	\$ 0.33

## MARKETING STRATEGIES

Anadarko's marketing strategies are designed to capture maximum value when the Company sells natural gas, crude oil, condensate and NGLs.

**NATURAL GAS** With a large base of uncommitted gas reserves available for sale, Anadarko can continue to sell greater volumes at market-responsive prices. Over the past three years, Anadarko has increased natural gas sales and captured market share by aggressively offering customers an array of gas supply options at market-responsive prices.

Anadarko sells natural gas under a variety of contracts, including 30-day spot market contracts, long-term contracts and "term" sales contracts. Term sales contracts were implemented by the Company in 1989 to provide gas sales over an extended period of time (three months to three years). Through these term contracts, the Company is able to enhance the commodity value of gas with a service fee related to the level of reliability and service required by the customer.

In 1993, the Company's marketing subsidiary, Anadarko Trading Company (ATC), increased its purchase of non-affiliated gas for sale into the Company's market areas. Sales of non-affiliated gas totaled 82 Bcf in 1993 compared to 58 Bcf in 1992 and 28 Bcf in 1991.

In addition, ATC made great strides during the year in developing a variety of marketing related services which are available to customers. These services include transportation contracting and scheduling, gas supply nominations, supply and delivery monitoring, contract administration and account coordination.

**CRUDE OIL AND CONDENSATE** The majority of the Company's crude oil production is sold on 30-day "evergreen" contracts with prices based on postings plus a premium.

**PLANTS AND PIPELINES** Anadarko's investment in gas gathering operations allows the Company to better manage its gas production, improve ultimate recovery of reserves and enhance its marketing opportunities. Since 1988, the Company has invested approximately \$54 million to build or acquire gas gathering pipeline systems and gas processing plants. Anadarko currently owns and operates four major gas gathering systems in core producing areas and operates or has interests in 13 other systems. The four major systems have capacity of 300 MMcf/d of gas and are connected to 536 wells.

In 1993, Anadarko began a \$1.6 million expansion of its Hugoton Gathering System (HUGS) in southwest Kansas, which was built in 1990. With completion of this project in January 1994, the HUGS system has 120 MMcf/d of gas capacity to serve Anadarko's markets in the Midwest through two interstate and one intrastate pipeline connection. Also in 1993, Anadarko invested \$1.7 million to expand and add compression to its Antioch Gathering System in central Oklahoma. As a result, throughput at the Panther Creek Plant increased from 16 MMcf/d to 26 MMcf/d of gas.

In 1994, Anadarko will aggressively pursue further expansion of its gas gathering operations. The Company expects to spend approximately \$36 million in 1994 for construction of new gathering facilities, installation of additional compressors, expansion of existing gathering systems and improving access to multiple pipeline "market hubs".

Over the past few years, Anadarko has become increasingly active in the natural gas liquids (NGLs) business, primarily as a result of its gas gathering and processing operations. The Company sells NGLs on a monthly basis. Anadarko generally markets NGLs under short-term contracts. Anadarko had 175,354 barrels of NGLs in inventory at the end of 1993.

**HEDGING STRATEGIES** In order to provide customers competitive, attractive pricing options, Anadarko has utilized the energy futures and derivatives markets since 1990 to hedge in the physical market and improve the flexibility in pricing short-term and long-term sales and purchases. From time to time, Anadarko may employ hedging strategies such as swaps, calls, puts, collars, fixed-price hedging and other strategies.

## OPERATING RESULTS

With higher cash flows in 1993 compared to 1992 Anadarko increased spending for exploration and development drilling activities. Exploration and development spending increased to \$175 million in 1993 from \$92 million in 1992 and \$108 million in 1991. However, dollars invested in drilling activity are not a true measure of success for an exploration and production company. Anadarko focuses on growth and profitability as the best measures of success in operations. Reserve replacement is the key to growth for an exploration and production company. In addition, Anadarko believes profitability depends on the cost of finding oil and gas reserves. Anadarko believes the Company's performance in both areas has been excellent.

**DRILLING ACTIVITY** During 1993, Anadarko participated in a total of 219 wells, including 55 gas wells, 131 oil wells and 33 dry holes. This compares to 126 wells (38 gas wells, 56 oil wells and 32 dry holes) in 1992 and 172 wells (69 gas wells, 64 oil wells and 39 dry holes) in 1991.

During 1993, the Company made several significant well completions in its exploration and development drilling program which are discussed in the narrative descriptions under "Exploration" and "Development" in the Annual Report to Stockholders, incorporated herein by reference.

<TABLE>  
<CAPTION>

DRILLING PROGRAM ACTIVITY	GAS	OIL	DRY	TOTAL
	----	----	----	-----
<S>	<C>	<C>	<C>	<C>
1993 EXPLORATORY				
Gross	10	8	14	32
Net	6.6	5.3	7.7	19.6
1993 DEVELOPMENT				
Gross	45	123	19	187
Net	30.2	70.8	13.4	114.4
1992 EXPLORATORY				
Gross	11	--	16	27
Net	3.5	--	8.9	12.4
1992 DEVELOPMENT				
Gross	27*	56	16	99
Net	16.4	32.5	5.4	54.3

</TABLE>

Gross: total wells in which there was participation.

Net: working interest ownership.

\* Includes 2 (1.7 net) Hugoton infill wells.

**RESERVE REPLACEMENT** For the 12th consecutive year, Anadarko replaced annual production volumes with proved reserves of natural gas, crude oil and natural gas liquids, stated on an energy equivalent basis. During 1993, Anadarko's reserve replacement was 162 percent of total production. The Company's reserve replacement performance in 1992 was 200 percent of total production and was 166 percent of total production in 1991.

During 1993, the Company replaced 151 percent of total production through exploration and development drilling and improved recovery operations and replaced 15 percent of total production through acquisitions of producing properties. Due to weak oil prices as of December 31, 1993, the Company recorded modest downward revisions to prior estimates of oil reserves.

Anadarko's natural gas reserve replacement in 1993 was 192 percent of total production compared with 88 percent in 1992 and 129 percent in 1991. The Company replaced 83 percent of its crude oil, condensate and natural gas liquids production in 1993 compared to 585 percent in 1992 and 289 percent in 1991.

In 1993, acquisitions added 5.7 million energy equivalent barrels (MMEEBs) compared to 44.4 MMEEBs in 1992 and 1.6 MMEEBs in 1991.

The Company's reserve replacement for 1991 included an addition to proved reserves of 120 Bcf of natural gas in the Hugoton Field of Kansas. Anadarko also had a net increase of 11 MMBbls of NGLs in 1991 associated with the Company's purchase of the Sneed Gas Plant and Gathering System in late 1990.

Anadarko continues to increase its reserves of crude oil and natural gas while the nation's energy reserves are steadily declining. The Company's U.S. reserve replacement for the five-year period 1988 through 1992 was 144 percent of production compared to a U.S. industry average of 74 percent. (Source: Energy Information Administration.) Anadarko's U.S. reserve replacement performance for the period 1989 through 1993 was 154 percent of production. Industry data for 1993 are not yet available.

**COST OF FINDING** For 1993, Anadarko's worldwide finding cost for proved reserves was \$4.07 per energy equivalent barrel (EEB) compared to \$5.43 per EEB in 1992 and \$3.13 per EEB in 1991. The Company's U.S. finding cost for 1993 was \$3.55 per EEB compared to \$4.61 per EEB in 1992 and \$2.62 per EEB in 1991.

Cost of finding results in any one year can be misleading due to the long lead times associated with exploration and development. A better measure of cost of finding performance is over a five-year period. For the period 1988 through 1992, Anadarko's U.S. cost of finding was \$4.46 per EEB compared to a U.S. industry average of \$5.09 per EEB (Source: Arthur Andersen & Co.) Anadarko's worldwide finding cost for the same five-year period was \$4.92 per EEB compared to an industry average of \$5.32 per EEB (Source: Arthur Andersen & Co.). For the five-year period 1989 through 1993, Anadarko's U.S. finding cost was \$4.16 per EEB and the Company's worldwide finding cost was \$4.67 per EEB. Industry data for 1993 are not yet available.

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**PROVED RESERVES** At the end of 1993, Anadarko's proved energy reserves totaled 391.1 MMEEBs compared to 368.0 MMEEBs at year-end 1992 and 336.5 MMEEBs at year-end 1991. Reserves increased in 1993 due to exploration and development drilling, improved recovery and acquisitions.

The Company's natural gas reserves at year-end 1993 were 1.88 Tcf compared to 1.73 Tcf at year-end 1992 and 1.74 Tcf at year-end 1991. Anadarko's crude oil and natural gas liquids reserves at year-end 1993 were 78.5 MMBbls. This compares to 80.3 MMBbls at year-end 1992 and 45.8 MMBbls at year-end 1991.

The increase in the Company's total reserves on an EEB basis in 1992 was due primarily to the acquisition of properties with estimated proved reserves of 60.6 Bcf of natural gas and 34.2 MMBbls of crude oil, condensate and natural gas liquids, or 44.4 MMEEBs. In addition, the Company increased its reserves of crude oil, condensate and NGLs through secondary recovery techniques and development drilling in existing fields.

At December 31, 1993, the present value (discounted at 10 percent) of future net revenues from Anadarko's proved reserves, before income taxes, was \$1.81 billion (stated in accordance with the regulations of the Securities and Exchange Commission and Financial Accounting Standards Board). Despite the increase in proved energy reserves and higher natural gas prices at year-end 1993, the estimated present value of future net revenues, before income taxes, remained comparable to that at year-end 1992 due primarily to lower oil prices at year-end 1993. (See Supplemental Information on Oil and Gas Exploration and Production Activities in the Consolidated Financial Statements.)

The present value of future net revenues does not purport to be an estimate of the fair market value of Anadarko's proved reserves. An estimate of fair value would also take into account, among other things, anticipated changes in future prices and costs, the expected recovery of reserves in excess of proved reserves and a discount factor more representative of the time value of money and the risks inherent in producing oil and gas.

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#### ACQUISITIONS

In 1993, Anadarko evaluated numerous potential acquisition opportunities in both the United States and Canada. By year-end, the Company closed 24 property transactions within core producing areas which included net reserves of 5.7 MMEEBs at a cost of \$27.8 million or \$4.90 per EEB. The acquisition cost per barrel does not include future investment costs of \$8.3 million, which will be spent over the next few years to develop additional reserves from the properties.

In June 1993, Anadarko acquired deep producing oil and gas properties and

additional lease acres in the Hugoton area of southwest Kansas from Mesa Operating Limited Partnership for approximately \$20 million. The purchase included proved reserves of about 3.7 MMEEBs and a 6-1/2 percent override interest in an additional 188,000 lease acres which are under a pre-existing farm-out arrangement with another company until 1999 when the undeveloped portion of the acreage will revert to Anadarko.

In December 1992, Anadarko completed the largest acquisition in the Company's history when it purchased from Atlantic Richfield Company proved oil and gas properties with estimated reserves of 26.4 MMBbls of crude oil, condensate and NGLs and 53.4 Bcf of natural gas, or about 35.3 MMEEBs, for about \$190 million. The purchase also included "deep" exploration rights on 54,000 gross (39,000 net) lease acres held by production.

Over the past three years, Anadarko has acquired 51.6 MMEEBs of proved reserves at a cost of \$238 million or \$4.61 per EEB.

#### PRODUCING PROPERTIES AND LEASES

The Company owns interests in 2,552 producing oil wells and 1,883 producing gas wells. The following schedule shows the number of developed and undeveloped acres in which Anadarko held interests at December 31, 1993.

<TABLE>  
<CAPTION>

ACREAGE	Producing		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
thousands	-----	---	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States						
Onshore	2,145	895	2,522	797	4,667	1,692
Offshore	165	40	439	200	604	240
Total	2,310	935	2,961	997	5,271	1,932
Geothermal	--	--	164	160	164	160
Canada	136	59	105	72	241	131
Algeria	--	--	5,135	2,567	5,135	2,567
Indonesia	--	--	2,030	676	2,030	676

</TABLE>

#### REGULATORY AND LEGISLATIVE DEVELOPMENTS

**HUGOTON FIELD ALLOWABLE RULES** In Kansas, where Anadarko has significant gas reserves and production capacity, the Kansas Corporation Commission (KCC) voted on December 3, 1993, to modify its basic proration order for the Hugoton Field, the largest dry gas reservoir in the United States. A written order was issued in February 1994. This order will change the formula currently used by the KCC to calculate field and unit allowables and will increase the portion of overall production allowables assigned to Anadarko's wells in the Hugoton Field. As a result of the order, Anadarko's share of the total field allowable will increase from its current level of about 12 percent to about 15 percent.

**KANSAS AD VALOREM TAX** The Natural Gas Policy Act of 1978 (NGPA) allows a "severance, production or similar" tax to be included as an add-on, over and above the maximum lawful price for natural gas. Based on a Federal Energy Regulatory Commission (FERC) ruling that the Kansas ad valorem tax was such a tax, the Company collected the Kansas ad valorem tax in addition to the otherwise maximum lawful price. FERC's ruling was appealed to the United States Court of Appeals for the District of Columbia, which held in June 1988 that FERC failed to provide a reasoned basis for its findings and remanded the case to FERC for further consideration.

On December 1, 1993, FERC issued an order reversing its prior ruling, but limiting the effect of its decision to Kansas ad valorem taxes for sales that were made on or after June 28, 1988. Based on Anadarko's interpretation of the FERC order, \$130,000 (pretax) has been charged to income during 1993. Numerous parties have filed requests for rehearing at the FERC asking that the December 1, 1993, order be reconsidered and, accordingly, the Company is unable to predict the final outcome of this matter.

#### CAPITAL EXPENDITURES, LIQUIDITY AND LONG-TERM DEBT

**CAPITAL EXPENDITURES** Anadarko's capital spending in 1993 totalled \$264.5 million, which included \$97.3 million for exploration, \$77.7 million for development, \$27.8 million for producing property acquisitions, \$18.5 million

for gas gathering and other operations and capitalized interest and overhead of \$43.2 million. This compares to Anadarko's capital expenditures in 1992 of \$359.9 million, which included \$206 million in producing property acquisitions and \$42.6 million of capitalized interest and overhead. Capital spending was \$165.5 million in 1991, which included \$4.2 million for producing property acquisitions and \$41.9 million of capitalized interest and overhead.

Capital spending for 1994 initially has been set at approximately \$370 million, including \$105 million for exploration, \$142 million for development, \$25 million for producing property acquisitions, \$48 million for gas gathering and other operations and \$50 million of capitalized interest and overhead.

Historically the Company has based capital spending on anticipated cash flows, but certain portions of the capital spending budget have been financed from time to time. In addition, the Company's budget is adjusted periodically to reflect changes in market prices for oil and natural gas. The Company believes cash flows and existing credit facilities will be sufficient to meet capital and operating requirements during 1994.

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**LIQUIDITY AND LONG-TERM DEBT** Over the past three years, Anadarko has taken several steps to strengthen its balance sheet and control interest costs. The Company has made significant efforts to secure fixed rate debt with longer term maturities at competitive rates when available in the financial markets.

At year-end 1993, Anadarko's total debt was \$542.5 million, down \$104.7 million or 16 percent from total debt of \$647.2 million at year-end 1992. This compares to total debt of \$439.6 million at year-end 1991.

In March 1993, Anadarko issued \$100 million principal amount of 10-year Notes with a coupon of 6 3/4%. Net proceeds of the offering were used to refinance a portion of the cost of the producing oil properties acquired by Anadarko in December 1992.

In July 1993, Anadarko successfully converted 99.8 percent of the Company's outstanding \$100 million principal amount of 6 1/4% Convertible Subordinated Debentures due 2014.

Debentures in the principal amount of about \$99.8 million were converted into about 2.9 million shares of Anadarko common stock. The remaining debentures were redeemed for a cash payment to debenture holders. With the newly issued shares, Anadarko's average number of common shares outstanding for 1993 was 57.2 million. The number of outstanding shares at year-end 1993 was 58.7 million.

In October 1993, Anadarko issued \$100 million principal amount of 10-year Notes with a coupon of 5 7/8%. Net proceeds from the offering were used to refinance outstanding borrowings under non-committed lines of credit and commercial paper incurred for general corporate purposes.

In October 1993, Anadarko filed a shelf registration with the Securities and Exchange Commission that permits the issuance of up to \$300 million in senior and subordinated debt securities and equity securities. Net proceeds, terms and pricings of offerings of securities issued under the shelf registration are determined at the time of the offering. Anadarko has used similar shelf registrations since 1989 to provide added flexibility in financing strategies.

In February 1992, Anadarko entered into a \$250 million Revolving Credit Agreement with a group of commercial banks. The Agreement provides for a \$75 million commitment reduction at the end of years three and four and expires in March 1997. This agreement replaced the Revolving Credit and Term Loan Agreement the Company entered into in June 1989. As of December 31, 1993 and 1992, there were no outstanding borrowings under this agreement.

In May 1992, all of the \$100 million principal amount of 8.95% Notes issued in May 1988 became due and were retired using existing floating rate credit facilities.

Anadarko's net cash from operating activities in 1993 was \$274 million compared to \$172 million in 1992 and \$160 million in 1991.

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**POSTRETIREMENT BENEFITS OTHER THAN PENSIONS** Statement of Financial Accounting Standards (SFAS) No. 106 focuses primarily on postretirement health care benefits. SFAS No. 106 changed the accounting treatment for these benefits from a "pay-as-you-go" basis to accrual of the expected costs of providing these benefits during the years the employee renders service.

The Company chose to recognize the cumulative transition obligation as of January 1, 1993, as the effect of a change in accounting principle in the first quarter of 1993. The Company's cumulative transition obligation was approximately \$19.8 million, resulting in a decrease to net income of about \$9.7 million (17 cents per share) which is net of \$5.4 million deferred income tax benefit. The 1993 cost under SFAS No. 106 was approximately \$3.4 million. This compares to costs on the "pay-as-you-go" basis of about \$453,000 in 1992 and \$538,000 in 1991.

**DEFERRED INCOME TAXES** SFAS No. 109 requires a change from the deferred method of accounting for income taxes to the asset and liability method. SFAS No. 109 was adopted by the Company in the first quarter of 1993 and increased net income by \$87.1 million (\$1.52 per share).

Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable to those years in which the temporary differences between the financial statement carrying amounts and tax bases are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period when the change was enacted.

The Omnibus Budget Reconciliation Act of 1993, which was enacted in August 1993, raised the top corporate income tax rate from 34 to 35 percent retroactive to January 1, 1993. As a result, Anadarko recorded a charge to earnings of \$11.2 million (20 cents per share) in the third quarter of 1993.

#### DIVIDENDS

In 1993, Anadarko paid \$17.2 million in dividends to its common stockholders (7.5 cents per share per quarter). The dividend amount was \$16.6 million (7.5 cents per share per quarter) in 1992 and \$16.5 million (7.5 cents per share per quarter) in 1991. Anadarko has paid a dividend continuously since becoming an independent company in 1986. The amount of future dividends will depend on earnings, financial condition, capital requirements and other factors, and will be determined by the Directors on a quarterly basis.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

##### ANADARKO PETROLEUM CORPORATION

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##### CONSOLIDATED FINANCIAL STATEMENTS

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ANADARKO PETROLEUM CORPORATION  
REPORT OF MANAGEMENT

The management of Anadarko Petroleum Corporation is responsible for the preparation and integrity of all information contained in the accompanying consolidated financial statements. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates.

Management maintains and relies on the Company's system of internal accounting controls. Although no system can ensure elimination of all errors and irregularities, this system is designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of financial statements. This system includes the selection and training of qualified personnel, an organizational structure providing appropriate delegation of authority and division of responsibility, the establishment of accounting and business policies for the Company and the conduct of internal audits.

The Board of Directors pursues its responsibility for the consolidated financial information through its Audit Committee, which is composed solely of directors who are not officers or employees of Anadarko. The Audit Committee recommends to the Board of Directors the selection of independent auditors and reviews their fee arrangements. The Audit Committee meets periodically with management, the internal auditors and the independent auditors to review that each is carrying out its responsibilities. The internal and independent auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

We believe that Anadarko's policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with the applicable securities laws.

{ROBERT J. ALLISON, JR.}

Robert J. Allison, Jr.  
Chairman, President and  
Chief Executive Officer

{MICHAEL E. ROSE}

Michael E. Rose  
Senior Vice President and  
Chief Financial Officer

ANADARKO PETROLEUM CORPORATION  
INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Anadarko Petroleum Corporation:

We have audited the accompanying consolidated balance sheets of Anadarko Petroleum Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993, as contained in the 1993 Form 10-K Annual Report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anadarko Petroleum Corporation and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in notes 10 and 12 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board Statements of Financial Accounting Standards No. 109, Accounting For Income Taxes, and No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions, respectively, in 1993.

{KPMG PEAT MARWICK}

Houston, Texas  
January 27, 1994

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ANADARKO PETROLEUM CORPORATION  
CONSOLIDATED STATEMENT OF INCOME

<TABLE> <CAPTION> YEARS ENDED DECEMBER 31	1993 -----	1992 -----	1991 -----
<S>	<C>	thousands <C>	<C>
REVENUES			
Gas sales	\$310,576	\$256,418	\$212,311
Oil and condensate sales	127,042	82,916	93,139
Natural gas liquids and other	38,647	35,884	31,166
	-----	-----	-----
Total	476,265	375,218	336,616
	-----	-----	-----
COSTS AND EXPENSES			
Operating expenses	98,637	74,899	76,167
Administrative and general	57,363	48,192	38,549
Depreciation, depletion and amortization	167,699	132,951	121,110
Other taxes Note 9	41,497	30,583	27,763
Provisions for impairments of international and geothermal properties Note 3	7,000	21,000	---
	-----	-----	-----
Total	372,196	307,625	263,589
	-----	-----	-----
Operating Income	104,069	67,593	73,027
OTHER INCOME	2,755	718	2,404
	-----	-----	-----
Gross Income	106,824	68,311	75,431
INTEREST EXPENSE Notes 3 and 4	29,423	28,246	27,188
	-----	-----	-----
Income before Income Taxes and Cumulative Effect of Changes in Accounting Principles	77,401	40,065	48,243
INCOME TAXES Note 10			
Income taxes	26,147	12,752	15,848
Effect of change in income tax rate	11,249	---	---
	-----	-----	-----

Total	37,396	12,752	15,848
	-----	-----	-----
Net Income before Cumulative Effect of Changes in Accounting Principles	40,005	27,313	32,395
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES Notes 10 and 12	77,403	---	---
	-----	-----	-----
NET INCOME	\$117,408	\$ 27,313	\$ 32,395
	=====	=====	=====
PER COMMON SHARE			
Net income before cumulative effect of changes in accounting principles	\$ 0.70	\$ 0.49	\$ 0.59
Cumulative effect of changes in accounting principles	1.35	---	---
Net income	2.05	0.49	0.59
	-----	-----	-----
Dividends Note 5	\$ 0.30	\$ 0.30	\$ 0.30
	-----	-----	-----
AVERAGE NUMBER OF SHARES OUTSTANDING Note 5	57,220	55,257	55,044
	-----	-----	-----

</TABLE>

See accompanying notes to consolidated financial statements.

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ANADARKO PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET

<TABLE>		
<CAPTION>		
DECEMBER 31	1993	1992
	-----	-----
ASSETS		
<S>	<C>	thousands
CURRENT ASSETS		<C>
Cash and cash equivalents	\$ 17,799	\$ 14,833
Accounts receivable	110,486	111,435
Inventories Note 2	9,551	10,249
Prepaid expenses	3,025	2,290
	-----	-----
Total	140,861	138,807
	-----	-----
PROPERTIES AND EQUIPMENT		
Original cost	3,266,825	3,030,633
Less accumulated depreciation, depletion and amortization	1,425,098	1,276,077
	-----	-----
Net properties and equipment - based on the full cost method of accounting for oil and gas properties Note 3	1,841,727	1,754,556
	-----	-----
DEFERRED CHARGES	40,198	11,604
	-----	-----
	\$2,022,786	\$1,904,967
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable		
Trade and other	\$ 92,311	\$ 75,159
Bank	13,328	15,373
Accrued expenses		
Interest	7,663	5,637
Taxes and other	12,715	11,244
	-----	-----
Total	126,017	107,413
	-----	-----
LONG-TERM DEBT Note 4	542,500	647,162
	-----	-----
DEFERRED CREDITS		
Deferred income taxes Note 10	424,293	478,636
Other	65,810	14,861
	-----	-----

Total	490,103	493,497
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.10 (200,000,000 shares authorized, 58,668,407 and 55,311,251 shares issued and out- standing as of December 31, 1993 and 1992, respectively)	5,912	5,580
Preferred stock, par value \$1.00 (2,000,000 shares authorized, no shares issued as of December 31, 1993 and 1992)	---	---
Paid-in capital	236,001	125,217
Retained earnings (as of December 31, 1993 \$464,166,000 was not restricted as to the payment of dividends)	625,308	527,103
Deferred compensation	(3,055)	---
Treasury stock (34,235 shares as of December 31, 1992)	---	(1,005)
Total	864,166	656,895
COMMITMENTS AND CONTINGENCIES Notes 8, 12 and 13		
	\$2,022,786	\$1,904,967

</TABLE>

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31	1993	1992	1991
	-----	-----	-----
		thousands	
	<C>	<C>	<C>
COMMON STOCK			
Balance at beginning of year	\$ 5,580	\$ 5,559	\$ 5,543
Exercise of stock options	21	5	9
Issuance of restricted stock	11	---	---
Issued for employee savings plan	8	16	7
Conversion of 6 1/4% Debentures	292	---	---
	-----	-----	-----
Balance at end of year	5,912	5,580	5,559
	-----	-----	-----
PAID-IN CAPITAL			
Balance at beginning of year	125,217	120,095	115,970
Exercise of stock options, net of income tax effects	4,248	1,502	2,426
Issuance of restricted stock	4,442	---	27
Issuance of stock for employee savings plan	3,309	3,620	1,672
Conversion of 6 1/4% Debentures, net	98,785	---	---
	-----	-----	-----
Balance at end of year	236,001	125,217	120,095
	-----	-----	-----
RETAINED EARNINGS			
Balance at beginning of year	527,103	520,234	504,969
Net income	117,408	27,313	32,395
Foreign translation gains (losses)	(1,701)	(3,799)	140
	-----	-----	-----
	642,810	543,748	537,504
Dividends paid	(17,217)	(16,577)	(16,527)
Issuance of treasury stock	(285)	(68)	(743)
	-----	-----	-----
Balance at end of year	625,308	527,103	520,234
	-----	-----	-----

DEFERRED COMPENSATION			
Balance at beginning of year	---	(5,372)	(6,487)
Issuance of restricted stock	(4,522)	(7)	(27)
Amortization of restricted stock	1,467	5,379	1,142
	-----	-----	-----
Balance at end of year	(3,055)	---	(5,372)
	-----	-----	-----
TREASURY STOCK			
Balance at beginning of year	(1,005)	---	(2,026)
Issued for exercise of stock options	377	---	---
Issuance of restricted stock	92	5	---
Issued to employee savings plan	981	1,858	4,357
Purchase of treasury stock	(445)	(2,868)	(2,331)
	-----	-----	-----
Balance at end of year	---	(1,005)	---
	-----	-----	-----
STOCKHOLDERS' EQUITY Notes 5 and 6	\$864,166	\$656,895	\$640,516
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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ANADARKO PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>			
<CAPTION>			
YEARS ENDED DECEMBER 31	1993	1992	1991
	-----	-----	-----
<S>	<C>	thousands	<C>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income	\$ 117,408	\$ 27,313	\$ 32,395
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, depletion and amortization	167,699	132,951	121,110
Amortization of restricted stock	1,467	5,379	1,142
Deferred income taxes	35,126	5,373	9,696
Cumulative effect of changes in accounting principles	(77,403)	---	---
Provisions for impairments of international and geothermal properties	7,000	21,000	---
	-----	-----	-----
	251,297	192,016	164,343
(Increase) decrease in accounts receivable	949	(32,187)	14,107
(Increase) decrease in inventories	698	184	(2,733)
Increase (decrease) in accounts payable - trade and other and accrued expenses	20,649	9,941	(16,433)
Other items - net	681	1,659	688
	-----	-----	-----
Net cash from operating activities	274,274	171,613	159,972
	-----	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to properties and equipment	(259,894)	(362,405)	(169,794)
Sales and retirements of properties and equipment	4,824	3,084	7,453
	-----	-----	-----
Net cash used in investing activities	(255,070)	(359,321)	(162,341)
	-----	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES			
Additions to debt	200,000	307,534	204,000
Retirements of debt	(204,884)	(100,000)	(191,485)
Increase (decrease) in accounts payable, banks	(2,045)	(6,733)	2,951
Dividends paid	(17,217)	(16,577)	(16,527)
Issuance of common stock	7,517	5,136	4,114
Issuance of treasury stock	1,165	1,795	3,614
Purchase of treasury stock	(445)	(2,868)	(2,331)

Net cash from financing activities	(15,909)	188,287	4,336
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(329)	(729)	8
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,966	(150)	1,975
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,833	14,983	13,008
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 17,799	\$ 14,833	\$ 14,983

</TABLE>

See accompanying notes to consolidated financial statements.

ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

1. SUMMARY OF ACCOUNTING POLICIES

**GENERAL** Anadarko Petroleum Corporation is engaged in the exploration, development, production and marketing of gas, oil and natural gas liquids. The terms "Anadarko" and "Company" refer to Anadarko Petroleum Corporation and its subsidiaries. The principal subsidiaries of Anadarko are: Anadarko Gathering Company; Anadarko Marketing Company; Anadarko Trading Company; Anadarko Petroleum of Canada Ltd. (Anadarko Canada); and Anadarko Algeria Corporation (Anadarko Algeria).

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of Anadarko and its subsidiaries. All significant intercompany transactions have been eliminated.

**CHANGES IN ACCOUNTING PRINCIPLES** Effective January 1, 1993, Anadarko adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". See Notes 10 and 12.

**REVENUES** Natural gas revenues generally are recorded using the sales method, whereby the Company recognizes natural gas revenues based on the amount of gas sold to purchasers on its behalf. All other revenues also are recorded using the sales method.

**HEDGING ACTIVITIES** The Company periodically hedges gas sales in order to minimize the impact of gas price fluctuations for Anadarko and its customers. Gains or losses on these hedging activities are recognized in revenues for the periods to which the hedge relates.

**PROPERTIES AND EQUIPMENT** The Company uses the full cost method of accounting for exploration and development activities as defined by the United States Securities and Exchange Commission (SEC). Under this method of accounting, the costs for unsuccessful as well as successful exploration and development activities are capitalized as properties and equipment.

The sum of net capitalized costs and estimated future development and dismantlement costs is amortized using the unit-of-production method. Excluded from amounts subject to amortization are costs associated with unevaluated properties and major development projects. On a country-by-country basis, should the net capitalized costs exceed the estimated present value of future net cash flows from proved oil and gas reserves, such excess costs would be charged to current expense. Gain or loss on the sale or other disposition of oil and gas properties is not recognized unless significant oil and gas reserves are involved.

## ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

## 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Unsuccessful geothermal exploration costs are charged to expense. All other properties and equipment are stated at original cost, which does not purport to represent replacement or market values.

**ENVIRONMENTAL CONTINGENCIES** The Company accrues for environmental contingencies when liabilities are likely to occur and reasonable estimates can be made. In accordance with full cost accounting rules, the Company provides for environmental clean-up costs associated with oil and gas activities as a component of its depreciation, depletion and amortization expense. Recoveries from third parties for environmental liabilities are not recognized unless collection is probable.

**INTEREST CAPITALIZED** The Company capitalizes interest on borrowed funds related to oil and gas expenditures which are not subject to amortization until completion of evaluation or development activities.

**INCOME TAXES** The Company, excluding Anadarko Canada, files a U.S. consolidated federal income tax return. Deferred federal and state income taxes are provided on all significant temporary differences, except for those that are essentially permanent in duration, between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

**FOREIGN CURRENCY TRANSLATION ADJUSTMENTS** The financial statements of Anadarko Canada have been translated to U.S. dollars. All balance sheet accounts are translated at the current exchange rate and income statement items are translated at the average exchange rate for the year; resulting translation adjustments are made directly to a separate component of stockholders' equity. Transaction adjustments are reported in net income. Deferred federal income taxes have not been provided on translation adjustments because the unremitted earnings of Anadarko Canada are considered to be permanently invested.

**CASH EQUIVALENTS** The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**ACCOUNTS PAYABLE, BANKS** This account represents credit balances to the extent that checks issued have not been presented to the Company's banks for payment.

## ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

## 2. INVENTORIES

Inventories are stated at the lower of average cost or market. Natural gas liquids, when sold from inventory, are charged to expense using the average-cost method. The major classes of inventories are as follows:

<TABLE> <CAPTION> thousands	1993 -----	1992 -----
<S>	<C>	<C>
Materials and supplies	\$8,226	\$ 8,354
Natural gas liquids, stored in inventory	1,325	1,895
	-----	-----
	\$9,551	\$10,249
	-----	-----

&lt;/TABLE&gt;

### 3. PROPERTIES AND EQUIPMENT

A summary of the original cost of properties and equipment by classification follows:

	1993	1992
Oil and gas properties	\$3,123,271	\$2,901,633
Plant facilities	23,361	18,980
Gathering facilities	55,793	49,401
General properties	64,400	60,619
	\$3,266,825	\$3,030,633

</TABLE>

Oil and gas properties are amortized using the unit-of-production method. All other properties are depreciated on the straight-line basis over the useful lives of the assets, which range from 3 to 25 years.

Oil and gas properties include costs of \$180,933,000 and \$117,362,000 at December 31, 1993 and 1992, respectively, which were excluded from capitalized costs being amortized. These amounts represent costs associated with unevaluated properties and major development projects. Anadarko excludes all costs on a country-by-country basis until proved reserves are found or until it is determined that the costs are impaired. All excluded costs are reviewed quarterly to determine if impairment has occurred.

During 1993 and 1992, the Company made provisions for impairments of international properties of \$6,500,000 and \$21,000,000, respectively, which were related to oil and gas properties. These impairments were related to unsuccessful drilling or related activities in China, Yemen and various other international locations. During 1993, the Company made a provision for impairment of geothermal properties of \$500,000.

Total interest costs incurred during 1993, 1992 and 1991 were \$38,000,000, \$36,620,000 and \$36,829,000, respectively. Of these amounts, the Company capitalized \$8,577,000, \$8,374,000 and \$9,641,000 during 1993, 1992 and 1991, respectively. Capitalized interest is included as part of the cost of oil and gas properties. The capitalization rates are based on the Company's weighted average cost of borrowings used to finance the expenditures.

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### ANADARKO PETROLEUM CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

### 4. LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

	PRINCIPAL	
thousands	1993	1992
Notes Payable, Banks, 3.44%*	\$142,500	\$287,500
Commercial Paper	---	59,662
8 3/4% Notes due 1998	100,000	100,000
8 1/4% Notes due 2001	100,000	100,000
6 3/4% Notes due 2003	100,000	---
5 7/8% Notes due 2003	100,000	---
6 1/4% Convertible Subordinated Debentures due 2014	---	100,000
	\$542,500	\$647,162

</TABLE>

\*The average rate in effect at December 31, 1993.

Anadarko has noncommitted lines of credit from several banks. The general provisions of these lines of credit provide for Anadarko to borrow funds for terms and rates offered from time to time by the banks. There are no fees associated with these lines of credit.

The Company has a commercial paper program which allows Anadarko to borrow funds by issuing notes to investors for terms of up to 270 days, at rates as offered.

As of December 31, 1992, approximately \$110,000,000 of the Notes Payable, Banks were due in 1994. The remaining notes payable to banks and commercial paper in 1992 and the notes payable to banks in 1993 have been classified as long-term debt in accordance with SFAS No. 6, "Classification of Short-term Obligations Expected to be Refinanced".

In February 1992, the Company entered into a \$250,000,000 Revolving Credit Agreement with a group of 13 commercial banks. The Agreement provides for a \$75,000,000 commitment reduction at the end of years three and four. Interest rates are based on either the reference rate, the rate for certificates of deposit, the Eurodollar rate or a combination thereof. The Agreement provides for commitment fees on the unused balances at a rate of 1/4 of 1%. The Agreement will expire in 1997. This Agreement replaced the Revolving Credit and Term Loan Agreement entered into in June 1989. During 1993 and 1992, there were no outstanding borrowings under these Agreements.

During 1993 and 1992, the Company had available \$20,000,000 in a bank line of credit which was not used. The maximum interest rate for loans against the line was the reference rate of the bank. The line of credit is renewable annually, but may be withdrawn at any time by the bank. In 1993 and 1992, Anadarko maintained an average daily compensating balance of \$1,000,000 for this line of credit.

In May 1992, all of the \$100,000,000 principal amount of 8.95% Notes due 1992 became due and were retired using existing floating rate credit facilities.

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ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

4. LONG-TERM DEBT AND FINANCIAL INSTRUMENTS (continued)

In March 1993, Anadarko issued \$100,000,000 principal amount of 6 3/4% Notes due 2003, which are noncallable. Net proceeds from the offering were used to refinance a portion of the debt related to the acquisition of producing properties in December 1992, which was funded using noncommitted lines of credit and commercial paper.

In June 1993, Anadarko called for redemption of its outstanding \$100,000,000 principal amount of 6 1/4% Convertible Subordinated Debentures due 2014. Debentures in the principal amount of \$99,778,000 were converted at a price of \$34.20 per share into 2,917,276 shares of Anadarko common stock. The principal amount of \$99,778,000 includes unamortized debt issuance costs, cash paid for fractional shares and forfeited interest expense for a net of \$701,000. Debentures in the principal amount of \$222,000 were redeemed for a total payment to debenture holders by the Company of \$232,000 for principal, premium and interest. The cash portion of the redemption was funded through existing credit facilities.

In October 1993, Anadarko issued \$100,000,000 principal amount of 5 7/8% Notes due 2003, which are noncallable. Net proceeds from the offering were used to refinance outstanding borrowings incurred for general corporate purposes using noncommitted lines of credit and commercial paper.

In October 1993, Anadarko filed a shelf registration with the SEC that permits the issuance of up to \$300,000,000 in senior and subordinated debt securities and equity securities. Net proceeds, terms and pricing of offerings of securities issued under the shelf registration will be determined at the time of the offering. Anadarko has used similar shelf registrations since 1989 to provide added flexibility in financing strategies.

Total sinking fund and installment payments related to long-term debt for the five years ending December 31, 1998 are shown below. The payments related to

the redemption of the notes payable to banks and commercial paper are included in the amounts shown in a manner consistent with the terms for repayment of the Revolving Credit Agreement.

<TABLE>

<CAPTION>

thousands	<C>
<S>	<C>
1994	\$ ---
1995	---
1996	42,500
1997	100,000
1998	\$100,000

</TABLE>

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The following information discloses the fair value of the Company's financial instruments:

<TABLE>

<CAPTION>

thousands	Carrying Amount	Fair Value
<S>	<C>	<C>
1993		
Cash and cash equivalents	\$ 17,799	\$ 17,799
Long-term debt	542,500	562,583
Deferred gas hedges		
Gain	2,105	2,105
Loss	(607)	(607)

1992		
Cash and cash equivalents	14,833	14,833
Long-term debt	647,162	662,162
Deferred gas hedges		
Gain	3,041	3,041
Loss	\$(2,373)	\$(2,373)

</TABLE>

**CASH AND CASH EQUIVALENTS** The carrying amount reported on the balance sheet approximates fair value.

**LONG-TERM DEBT** The fair value of long-term debt at December 31, 1993 and 1992 is the value the Company would have to pay to retire the debt, including any premium or discount to the debt holder for the differential between stated interest rate and year-end market rate. The fair values are based on quoted market prices from Standard & Poor's Year-end Bond Guides and, where such quotes were not available, on the average rate in effect at year-end.

**PRICE RISK MANAGEMENT** The Company periodically hedges gas sales in order to reduce the risk caused by fluctuations in the price of natural gas. Deferred hedge gains and losses are currently comprised of swaps, futures and options with settlement dates through August 1994. In December 1993, the Company entered into a separate swap agreement for \$27,254,000 in conjunction with a gas purchase agreement requiring prepayment for gas at a fixed price. The Company will make payments to a third party who financed the prepayment, based upon the index price specified in the contract. The settlement period is the first of each month effective April 1994 through March 1995. The carrying amounts reported on the balance sheet represent fair value at year-end.

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ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

5. STOCK AND STOCK OPTIONS

Following is a schedule of the changes in the Company's shares of common stock:

	1993	1992	1991
SHARES OF COMMON STOCK ISSUED			
Beginning of year	55,345,486	55,139,158	54,983,910
Exercise of stock options	213,054	50,031	87,005
Issuance of restricted stock	110,700	---	1,050
Issuance of shares for employee savings plan	81,891	156,297	67,193
Conversion of 6 1/4% Debentures	2,917,276	---	---
End of year	58,668,407	55,345,486	55,139,158

	1993	1992	1991
SHARES OF COMMON STOCK HELD IN TREASURY			
Beginning of year	34,235	---	55,794
Issuance of shares for exercise of stock options	(12,398)	---	---
Issuance of shares for employee savings plan	(30,746)	(62,654)	(136,311)
Issuance of restricted stock	(3,150)	(184)	---
Purchase of treasury stock	12,059	97,073	80,517
End of year	---	34,235	---
SHARES OF COMMON STOCK OUTSTANDING AT END OF YEAR	58,668,407	55,311,251	55,139,158

In each quarter of 1993, 1992 and 1991, dividends of 7.5 cents per share were paid to holders of common stock. Under the most restrictive provisions of the various credit agreements, which limit the payment of dividends by the Company, retained earnings of \$464,166,000 were not restricted as to the payment of dividends at December 31, 1993.

ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

5. STOCK AND STOCK OPTIONS (continued)

During 1993, 1992 and 1991, the Company acquired treasury stock only as a result of stock option exercises or restricted stock transactions.

On October 28, 1993, the 1993 Stock Incentive Plan was adopted by the Company, subject to stockholder approval. Anadarko has four other stock option plans - the 1988 Stock Option Plan for Non-employee Directors, the 1987 Stock Option Plan, the 1986 Stock Option Plan and the Substitute Stock Option Plan - under which key employees and directors of the Company may be granted options to purchase shares of Anadarko common stock. In addition, the 1993 Stock Incentive Plan and the 1987 Stock Option Plan provide that up to 800,000 and 400,000 shares of common stock, respectively, which may be granted under the Plans, may be granted as restricted stock.

Incentive stock options and non-qualified stock options have a maximum term of

ten years from the date of grant and are issued at the market value of Anadarko stock on the date of grant. The options vest over time and may be exercised no earlier than one year from the date of grant.

Unexercised stock options do not have a dilutive effect on earnings per common share. Information regarding the Company's stock option plans is summarized below:

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
SHARES UNDER OPTION			
AT BEGINNING OF YEAR	1,931,535	1,728,920	1,509,551
Granted	540,350	280,500	308,300
Exercised*	(628,873)	(58,385)	(87,931)
Surrendered or expired	(24,000)	(19,500)	(1,000)
	-----	-----	-----
SHARES UNDER OPTION AT END OF YEAR	1,819,012	1,931,535	1,728,920
	-----	-----	-----
Option price range per share	\$16.60-	\$14.65-	\$14.65-
at December 31	\$47.00	\$37.00	\$37.00
	-----	-----	-----
Options exercisable at December 31	1,213,737	1,533,135	1,248,070
	-----	-----	-----
Price range per share	\$16.60-	\$14.65-	\$14.65-
of options exercised	\$37.00	\$26.06	\$26.06
	-----	-----	-----
SHARES AVAILABLE FOR FUTURE			
GRANT AT END OF YEAR	4,120,950	637,300	898,300
	-----	-----	-----

</TABLE>

\* Options exercised in excess of common stock issued relate to the plan provisions which allow the exercise of options with previously acquired shares.

ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

5. STOCK AND STOCK OPTIONS (continued)

The Company had a Restricted Stock Plan which covered 400,000 shares of common stock, all of which were granted in 1987 to certain key officers of the Company. Shares were subject to forfeiture restrictions and could not be sold, transferred or disposed of during the restriction period. The employees had all the rights of a stockholder of the Company with respect to such shares, including the right to vote and receive dividends or other distributions paid with respect to such shares. The forfeiture restrictions lapsed as to ten percent of the shares granted on the date of stockholders' approval and lapsed as to an additional ten percent on each anniversary of the date of grant. In November 1992, all of the remaining forfeiture restrictions lapsed, due to an acceleration of vesting of benefits.

6. FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

The following is an analysis of currency translation adjustments reflected in stockholders' equity:

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
thousands			
Balance at beginning of year	\$(2,678)	\$ 1,121	\$ 981
Current translation gains (losses)	(1,701)	(3,799)	140
	-----	-----	-----
Balance at end of year	\$(4,379)	\$(2,678)	\$1,121
	-----	-----	-----

</TABLE>

7. STATEMENT OF CASH FLOWS SUPPLEMENTAL INFORMATION

The amounts of cash paid for interest (net of amounts capitalized) and income taxes are as follows:

<TABLE> <CAPTION> thousands	1993 -----	1992 -----	1991 -----
<S>	<C>	<C>	<C>
Interest	\$26,840	\$27,224	\$30,056
Income taxes	\$ 5,726	\$12,064	\$ 9,775

In July 1993, \$99,778,000 principal amount of the 6 1/4% Convertible Subordinated Debentures due 2014 were converted into 2,917,276 shares of Anadarko common stock.

ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

8. TRANSACTIONS WITH RELATED PARTIES AND MAJOR CUSTOMERS

During 1989, Anadarko Algeria, a wholly owned subsidiary of the Company, entered into an agreement with Sonatrach, the national oil and gas enterprise of Algeria. Sonatrach is the beneficial owner of 10.2 percent of the Company's common stock. The agreement gives Anadarko Algeria the right to explore for and produce liquid hydrocarbons in a 5.1-million acre area in Algeria, subject to the sharing of production with Sonatrach. The agreement provides for a commitment from Anadarko Algeria of over \$100,000,000 of exploration costs (including the cost of certain assets) over a ten-year period, subject to certain provisions. Anadarko Algeria has obtained two partners to participate in the project and share in the exploration cost commitment. The Company believes that anticipated operating cash flows and existing credit facilities will be sufficient to meet its share of these costs. A total of approximately \$72,408,000 related to exploration activities has been incurred by Anadarko Algeria, of which approximately \$26,964,000 was incurred in 1993.

At the present time, political unrest continues in Algeria. The Company is closely monitoring the situation and is presently unable to predict with certainty the short-term effects it may have on activity planned for 1994. However, the situation has not had any material effect on the Company's operations or exploration activity in Algeria to date. The Company's activities in Algeria also are subject to the risks associated with foreign operations.

The Company purchases oil field services from a number of companies including Dresser Industries, Inc. and its affiliates and subsidiaries. The aggregate amount paid to Dresser Industries, Inc. and its affiliates and subsidiaries was approximately \$641,000 in 1993, \$3,256,000 in 1992 and \$3,352,000 in 1991. James L. Bryan, a director of the Company, is Senior Vice President Operations of Dresser Industries, Inc.

Approximately \$155,000 and \$81,000 was paid to L. G. Barcus and Sons, Inc. during 1993 and 1992, respectively, for consulting fees concerning the construction of facilities for the Company in 1993. Larry Barcus, a director of the Company, is the Chairman of L. G. Barcus and Sons, Inc., a general contractor with operations nationwide.

The Company's natural gas is sold to interstate and intrastate gas pipelines, direct end-users, industrial users, local distribution companies and gas marketers. Crude oil and condensate are sold to marketers, gatherers and refiners. Natural gas liquids are sold to direct end-users, refiners and marketers. These purchasers are located in the United States, Canada and Mexico. The majority of the Company's receivables are paid within two months following the month of purchase.

The Company generally performs a credit analysis of customers prior to making any sales to new customers. Based upon this credit analysis, the Company may require a standby letter of credit or a financial guarantee.

## ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

## 8. TRANSACTIONS WITH RELATED PARTIES AND MAJOR CUSTOMERS (Continued)

In 1993, sales to CNG Transmission Corporation and its subsidiaries were \$75,378,000 (of which \$60,191,000 were to East Ohio Gas Company, a wholly owned subsidiary of CNG) and sales to Indiana Gas Company Incorporated were \$65,754,000, each of which accounted for more than ten percent of the Company's total revenues. In 1992, sales to CNG Transmission Corporation and its subsidiaries were \$42,570,000 (of which \$36,715,000 were to East Ohio Gas Company) and sales to Indiana Gas Company Incorporated were \$39,869,000, each of which accounted for more than ten percent of the Company's total revenues. In 1991, sales to Phibro Energy, Inc. were \$33,857,000, which was more than ten percent of the Company's total revenues.

## 9. OTHER TAXES

Significant taxes other than income taxes are as follows:

<TABLE> <CAPTION> thousands	1993 -----	1992 -----	1991 -----
<S>	<C>	<C>	<C>
Production and severance	\$22,049	\$15,945	\$14,226
Ad valorem	15,679	11,166	10,670
Payroll and other	3,769	3,472	2,867
Total	\$41,497	\$30,583	\$27,763
</TABLE>	-----	-----	-----

## 10. INCOME TAXES

SFAS No. 109 requires a change from the deferred method of accounting for income taxes to the asset and liability method. Under the new method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable to those years in which the temporary differences between financial statement carrying amounts and tax bases are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period when the change is enacted. The cumulative effect of adopting SFAS No. 109 in the first quarter of 1993 was an increase to net income of \$87,071,000.

Under the deferred method of accounting for income taxes which was applied in 1992 and prior years, deferred income taxes applicable to each year's net timing differences were provided based on the tax rates in effect during that year and no adjustments were made to the deferred income tax liability amounts for subsequent changes in tax rates.

## ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

## 10. INCOME TAXES (Continued)

Income tax expense, including deferred amounts, is summarized as follows:

<TABLE> <CAPTION> thousands	1993 -----	1992 -----	1991 -----
<S>	<C>	<C>	<C>

CURRENT			
Federal	\$ 1,469	\$ 5,874	\$ 4,590
Foreign	766	891	1,121
State	35	614	441
	-----	-----	-----
Total	2,270	7,379	6,152
	-----	-----	-----
DEFERRED			
Federal	22,925	4,530	9,324
Adjustment to the deferred tax liabilities and assets at the enactment date for the change in the corporate income tax rate	11,249	---	---
Foreign	(141)	500	(577)
State	1,093	343	949
	-----	-----	-----
Total	35,126	5,373	9,696
	-----	-----	-----
Total income taxes allocated to income before income taxes and cumulative effect of changes in accounting principles	\$37,396	\$12,752	\$15,848
	=====	=====	=====

</TABLE>

The Company's current federal income tax expense has been determined under the alternative minimum tax system.

The Omnibus Budget Reconciliation Act of 1993, which was enacted in August 1993, raised the top corporate income tax rate from 34 to 35 percent retroactive to January 1, 1993. As a result, Anadarko recorded a charge to 1993 earnings of \$11,249,000. The tax benefit of compensation expense for tax purposes in excess of amounts recognized for financial accounting purposes has been credited directly to stockholders' equity. For the current year, the tax benefit amounted to \$2,743,000.

Total income taxes were different than the amounts computed by applying the statutory income tax rate to Income before Income Taxes and Cumulative Effect of Changes in Accounting Principles. The sources of these differences are as follows:

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ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

10. INCOME TAXES (Continued)

<TABLE>

<CAPTION>

thousands	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
Income before Income Taxes and Cumulative Effect of Changes in Accounting Principles			
Domestic	\$77,059	\$36,652	\$46,007
Foreign	342	3,413	2,236
	-----	-----	-----
Total	\$77,401	\$40,065	\$48,243
	-----	-----	-----
Statutory tax rate	35%	34%	34%
Tax computed at statutory tax rate	\$27,090	\$13,622	\$16,403
Adjustments resulting from:			
State income taxes (net of federal income tax benefit)	733	632	917
Section 29 credit	(718)	(1,221)	---
Adjustment to the beginning of year deferred tax liabilities and assets for the change in the corporate			

income tax rate	10,741	---	---
Other - net	(450)	(281)	(1,472)
	-----	-----	-----
Total income taxes	\$37,396	\$12,752	\$15,848
	-----	-----	-----
Effective tax rate	48%	32%	33%
	-----	-----	-----

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities (assets) at December 31, 1993 are as follows:

<TABLE>	
<CAPTION>	
thousands	<C>
<S>	
Oil and gas exploration and development costs	\$449,859
Other	12,382
	-----
Gross deferred tax liabilities	462,241
	-----
Alternative minimum tax credit carryforward	(22,691)
Other	(15,257)
	-----
Gross deferred tax assets	(37,948)
	-----
Net deferred tax liabilities	\$424,293
	=====

</TABLE>

The Company has determined that the deferred tax assets will be realized and a valuation allowance for such assets is not required.

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ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

10. INCOME TAXES (Continued)

Deferred income tax expense for the years ended December 31, 1992 and 1991, resulted from timing differences in the recognition of revenue and expense for tax and financial accounting purposes. The source of these differences is as follows:

<TABLE>		
<CAPTION>		
thousands	1992	1991
	-----	-----
<S>	<C>	<C>
Oil and gas exploration and development costs	\$(1,326)	\$9,293
Depreciation	(41)	3,504
Net operating loss utilized (generated)	1,688	(943)
Investment tax credit utilized	1,734	1,731
Alternative minimum tax credit (carryforward)	2,303	(6,192)
Other	1,015	2,303
	-----	-----
Total deferred income taxes	\$ 5,373	\$9,696
	-----	-----

</TABLE>

Deferred income taxes have not been recognized on the excess of the financial statement carrying amount over the tax basis of the Company's investment in Anadarko Canada. The excess, approximately \$33,000,000 at December 31, 1993, consists primarily of undistributed earnings which have been reinvested indefinitely as part of the subsidiary's ongoing business. Should circumstances change and it become apparent that this temporary difference is no longer essentially permanent in duration, the Company will recognize as an expense at that time the appropriate amount of deferred income taxes. However,

it is impracticable to estimate the amount of such taxes at this time.

Alternative minimum tax, unreduced by investment tax credit utilization, can be carried forward indefinitely as a credit against regular tax liability. The alternative minimum tax credit generated in 1993 has reduced deferred federal income tax expense. To the extent the cumulative remaining carryforward is utilized against future income taxes, accumulated deferred income taxes will be restored at the then current rate.

Net operating loss and alternative minimum tax credit carryforwards at December 31, 1993, which are available for future utilization on federal income tax returns, are as follows:

thousands	Regular Tax	Alternative Minimum Tax	Expiration
<S>	<C>	<C>	<C>
Net operating loss	\$ 1,900	\$ 386	1998-2008
Alternative minimum tax credit	\$23,100	\$ ---	Unlimited

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ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

11. LEASE COMMITMENTS

The Company has various commitments under non-cancelable operating lease agreements for buildings, facilities, and equipment, the majority of which expire at various dates through 2003. The leases are expected to be renewed or replaced as they expire. At December 31, 1993, future minimum rental payments due under operating leases are as follows:

thousands	<C>
<S>	
1994	\$ 8,946
1995	7,865
1996	7,623
1997	7,326
1998	7,316
Later years	25,604
Total minimum lease payments	\$64,680

Total rental expense amounted to \$9,207,000, \$8,212,000 and \$6,129,000 in 1993, 1992 and 1991, respectively.

12. PENSION PLANS, EMPLOYEE SAVINGS PLAN AND OTHER POSTRETIREMENT BENEFITS

PENSION PLANS The Company has a non-contributory defined benefit pension plan covering all permanent employees, except certain employees in foreign countries. The benefits for this plan are based primarily on years of service and pay near retirement. Plan assets consist principally of fixed income investments and equity securities. The Company funds the plan with annual contributions as determined in accordance with the Employee Retirement Income Security Act of 1974 and Internal Revenue Code limitations.

During 1992, the plan was amended to increase the percent of average compensation returned in benefit payments, which increased the actuarial liability by \$3,920,000. In addition, the plan was automatically updated in 1992 to reflect cost-of-living increases to the Internal Revenue Code (IRC) Section 415 limit on benefits and the IRC Section 401(a)(27) limit on considered compensation, which increased the actuarial liability by \$100,000.

During 1991, the plan was amended and restated effective January 1, 1989 to

comply with new non-discrimination regulations, IRC Sections 401(a)(4) and 401(1). This redesign increased the actuarial liability by \$490,000. In addition, the plan was automatically updated in 1991 to reflect cost-of-living increases to the IRC Section 415 limit on benefits and the IRC Section 401(a)(27) limit on considered compensation, which increased the actuarial liability by \$300,000.

The Company has an equalization plan to ensure payments to certain executive officers of amounts to which they are already entitled under the provisions of the pension plan, but which are subject to limitations imposed by federal tax laws. This plan is unfunded; however, the Company has purchased life insurance policies to supplement its contractual obligations.

ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

12. PENSION PLANS (Continued)

In addition, the Company has a pension plan for non-employee directors, which is unfunded.

The 1993, 1992 and 1991 pension cost related to these plans includes the following components:

thousands	1993	1992	1991
<S>	<C>	<C>	<C>
Service costs-benefits earned in the period	\$2,785	\$2,357	\$1,733
Interest cost on projected benefit obligation	2,612	2,394	1,835
Actual return on plan assets	(3,493)	(2,589)	(5,046)
Amortization values and deferrals	(71)	(821)	1,552
Pension cost	\$1,833	\$1,341	\$ 74

The Company had an additional minimum liability of \$947,000 and \$1,241,000 at December 31, 1993 and 1992, respectively, which represents the difference between the unfunded accumulated benefit obligation and the accrued pension cost related to the equalization plan. This liability was offset by an intangible asset of an equal amount.

The funded status of the plans at December 31, 1993 and 1992 is as follows:

thousands	ASSETS EXCEED ACCUMULATED BENEFITS (FUNDED)	ACCUMULATED BENEFITS EXCEED ASSETS (UNFUNDED)
<S>	<C>	<C>
1993		
Actuarial present value of:		
Vested benefit obligation	\$23,045	\$ 1,632
Accumulated benefit obligation	27,908	2,178
Projected benefit obligation	38,173	2,863
Plan assets at market value	44,715	---
Projected benefit obligation less than (in excess of) plan assets	6,542	(2,863)
Unrecognized initial asset	(6,251)	---
Unrecognized (gain) loss	(641)	798
Unrecognized prior service cost	3,524	753
Adjustment required to recognize additional minimum liability	---	(947)
Prepaid (accrued) pension cost	\$ 3,174	\$ (2,259)

## ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

## 12. PENSION PLANS (continued)

&lt;TABLE&gt;

&lt;CAPTION&gt;

thousands	ASSETS EXCEED ACCUMULATED BENEFITS (FUNDED)	ACCUMULATED BENEFITS EXCEED ASSETS (UNFUNDED)
<S>	<C>	<C>
1992		
Actuarial present value of:		
Vested benefit obligation	\$17,170	\$ 1,456
Accumulated benefit obligation	20,653	1,913
Projected benefit obligation	29,965	2,765
Plan assets at market value	42,099	--
Projected benefit obligation less than (in excess of) plan assets	12,134	(2,765)
Unrecognized initial asset	(6,778)	--
Unrecognized (gain) loss	(5,045)	1,146
Unrecognized prior service cost	3,989	867
Adjustment required to recognize additional minimum liability	---	(1,241)
Prepaid (accrued) pension cost	\$ 4,300	\$ (1,993)

&lt;/TABLE&gt;

The Company's assumptions used as of December 31 in determining the pension cost and pension liability were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

percent	1993	1992	1991
<S>	<C>	<C>	<C>
Discount rate	7.25	8.25	7.8
Rates of increase in compensation levels	5.0	6.0	6.0
Long-term rate of return on plan assets	8.0	9.0	9.0

&lt;/TABLE&gt;

EMPLOYEE SAVINGS PLAN The Company has an employee savings plan (ESP) which is a defined contribution plan. The Company matches a portion of employees' contributions with shares of the Company's common stock. Participation in the ESP is voluntary and all regular employees of the Company are eligible to participate. The Company charged to expense plan contributions of \$3,426,000, \$2,842,000, and \$2,841,000 during 1993, 1992 and 1991, respectively.

## ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

12. PENSION PLANS (Continued)

OTHER POSTRETIREMENT BENEFITS As of January 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The Company recognized the cumulative transition obligation of \$19,767,000 as the effect of an accounting change in the first quarter of 1993, resulting in a decrease to net income of \$9,668,000 (net of \$5,416,000 deferred income tax benefit). For the years ended December 31, 1992 and 1991, the Company recognized postretirement benefit costs other than pensions as incurred. As a result, the amounts recognized as expense in prior years are not comparable.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees, including employees in foreign countries, may become eligible for these benefits if they reach retirement age while working for the Company. These benefits and similar benefits for active employees are provided through contributory and non-contributory trustee benefit plans.

Health care benefits are funded by contributions from the Company and its employees, with retiree contributions adjusted per the provisions of the Company's health care plans. The Company's current policy is to fund the cost of postretirement health care benefits on a pay-as-you-go basis. The Company's retiree life insurance plan is noncontributory and is currently fully funded through insurance premiums paid by the Company.

The following table sets forth the Company's postretirement benefits other than pension combined liability as of December 31, 1993:

<TABLE>	
<CAPTION>	
thousands	<C>
<S>	
Accumulated postretirement benefit obligation	
Retirees	\$10,038
Fully eligible active plan participants	4,004
Other active plan participants	11,961
	-----
Total	26,003
Plan assets at fair value	3,326
	-----
Accumulated postretirement benefit obligation in excess of plan assets	\$22,677
	=====

</TABLE>

The Company charges postretirement benefits other than pensions as accrued, based on actuarial calculations for each plan.

ANADARKO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
ENDED DECEMBER 31, 1993, 1992 AND 1991

12. PENSION PLANS (Continued)

OTHER POSTRETIREMENT BENEFITS (continued)

The net annual cost for postretirement benefits other than pensions for 1993 included the following components:

<TABLE>	
<CAPTION>	
thousands	<C>
<S>	
Transition obligation	\$19,767
Service cost-benefits earned during the period	1,520
Interest cost on accumulated	

obligation	1,895
Actual return on plan assets	(281)
	-----
Net postretirement benefit cost	\$22,901
	=====

</TABLE>

The Company's assumptions used as of December 31 in determining postretirement benefits other than pension cost and the accumulated benefit obligation were as follows:

<TABLE>		
<CAPTION>		
percent	1993	1992
	-----	-----
<S>	<C>	<C>
Discount rate	7.25	8.25
Rates of increase in compensation levels	5.0	6.0
Medical cost trend rate	15.0-5.0	18.0-5.5
</TABLE>		

The medical cost trend rate for the health care plans starts at the maximum rate for the current year and is gradually reduced to the ultimate rate for 2002 and later years. A change in the medical cost trend rate of one percent would change the annual cost (excluding the transition obligation) in 1993 by approximately \$595,000.

Retiree life insurance expense was \$78,000 and \$172,000 for 1992 and 1991, respectively. The cost of providing health care benefits for 129 retirees in 1992 and 127 retirees in 1991 was \$375,000 and \$366,000, respectively.

### 13. CONTINGENCIES

ENVIRONMENTAL PROTECTION AGENCY In January 1994, the Company received a Special Notice for Remedial Design/Remedial Action from the Environmental Protection Agency (EPA) in connection with the disposal of oil and gas exploration and production wastes at the PAB Oil Superfund site ("the Site") at Abbeville, Louisiana. The Company had previously received a Notice of Potential Liability from the EPA as one of the potentially responsible parties (PRP) in connection with this Site. In the Notice of Potential Liability, the EPA attributed 40 barrels of waste to the Company which was disposed of by a third party contractor on behalf of the Company.

### ANADARKO PETROLEUM CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ENDED DECEMBER 31, 1993, 1992 AND 1991

### 13. CONTINGENCIES (Continued)

#### ENVIRONMENTAL PROTECTION AGENCY (Continued)

Pursuant to the Special Notice, the EPA shall attempt to negotiate reimbursement of the EPA's past and future costs, among other things, and pursue settlement with PRPs who may have contributed only a minor portion of the hazardous substances at the Site (a de minimis party). The EPA has determined that parties who contributed less than 400 barrels of waste to the Site are de minimis parties and are entitled to a de minimis settlement of their liability at the Site. Enclosed with the Special Notice was a report which summarized the information in the EPA's possession regarding the amount of waste disposed at the Site by individual PRPs. According to the report, the amount of waste disposed of on behalf of the Company has not been determined and Anadarko is not being offered a de minimis settlement. After further investigation, the Company believes it should be entitled to a de minimis settlement and has made a request to the EPA to participate in the de minimis settlement.

On December 17, 1993, the Company received a notice from the Department of Justice in the State of California indicating that the Company may be a PRP for the study, cleanup and closure of the waste facility owned by Geothermal, Inc. in Middletown, California (the "GI site"). Anadarko's records indicate the

disposal of a limited number of barrels of drilling mud at the GI site in 1982. Based on the amount and toxicity of the waste the Company sent to the GI site, the Company believes it will not incur any material liability in connection with the GI site.

As part of the 1992 acquisition of properties from Atlantic Richfield Company (ARCO), the Company conducted an extensive environmental audit of the acquired properties. To the extent that significant environmental problems were found to exist during the audit, ARCO had contractually agreed, with certain limitations, to correct such problems or take back the affected properties and refund the pro rata share of the purchase price attributable to the properties pursuant to the terms of the underlying asset purchase and sale agreement. Negotiations are currently being conducted to determine compensation due the Company from ARCO for certain environmental conditions which have been found on the properties.

ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

OIL AND GAS PRODUCTION

The following is historical revenue and cost information relating to the Company's oil and gas operations.

Excluded from amounts subject to amortization as of December 31, 1993 and 1992 were \$180,933,000 and \$117,362,000, respectively, of costs associated with unevaluated properties and major development projects. The majority of the evaluation activities are expected to be completed in five years.

COSTS EXCLUDED FROM AMORTIZATION

thousands	YEAR COSTS INCURRED				EXCLUDED COSTS AT DEC. 31, 1993
	PRIOR YEARS	1991	1992	1993	
<S>	<C>	<C>	<C>	<C>	<C>
Property acquisition	\$10,107	\$ 9,543	\$ 8,753	\$34,936	\$ 63,339
Exploration	14,844	17,793	22,669	45,757	101,063
Capitalized interest	1,616	2,693	3,364	8,858	16,531
Total	\$26,567	\$30,029	\$34,786	\$89,551	\$180,933

CAPITALIZED COSTS RELATED TO OIL AND GAS PRODUCING ACTIVITIES

thousands	1993	1992
<S>	<C>	<C>
UNITED STATES		
Capitalized		
Unproved properties	\$ 97,694	\$ 74,081
Proved properties	2,857,110	2,688,577
Plant facilities	23,361	18,980
	2,978,165	2,781,638
Accumulated depreciation, depletion and amortization	1,356,800	1,216,178
Net capitalized costs	1,621,365	1,565,460
CANADA		
Capitalized		
Unproved properties	4,425	4,909
Proved properties	86,586	82,194

Accumulated depreciation, depletion and amortization	91,011	87,103
	42,288	35,719
	-----	-----
Net capitalized costs	48,723	51,384
	-----	-----
ALGERIA AND OTHER OVERSEAS		
Capitalized		
Unproved properties	77,456	51,872
	-----	-----
TOTAL		
Capitalized		
Unproved properties	179,575	130,862
Proved properties	2,943,696	2,770,771
Plant facilities	23,361	18,980
	-----	-----
	3,146,632	2,920,613
Accumulated depreciation, depletion and amortization	1,399,088	1,251,897
	-----	-----
Net capitalized costs	\$1,747,544	\$1,668,716
	-----	-----

</TABLE>

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ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

<TABLE>

<CAPTION>

thousands	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
UNITED STATES			
Capitalized			
Property acquisition			
Exploration	\$ 15,637	\$ 11,955	\$17,389
Development	27,806	205,977	4,033
Exploration	84,457	47,073	56,245
Development	80,122	34,923	52,632
	-----	-----	-----
	208,022	299,928	130,299
	-----	-----	-----
CANADA			
Capitalized			
Property acquisition			
Exploration	273	594	494
Development	---	31	131
Exploration	2,665	2,491	2,847
Development	2,561	3,853	1,926
	-----	-----	-----
	5,499	6,969	5,398
	-----	-----	-----
ALGERIA AND OTHER OVERSEAS			
Capitalized			
Property acquisition			
Exploration	---	125	---
Exploration	32,898	35,487	20,085
	-----	-----	-----
	32,898	35,612	20,085
	-----	-----	-----
TOTAL			
Capitalized			
Property acquisition			
Exploration	15,910	12,674	17,883
Development	27,806	206,008	4,164
Exploration	120,020	85,051	79,177
Development	82,683	38,776	54,558
	-----	-----	-----
	\$246,419	\$342,509	\$155,782
	-----	-----	-----

</TABLE>

## ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

## RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES

The following schedule includes only the revenues from the production and sale of gas, oil, condensate and natural gas liquids (NGLs). Revenues from gas marketing and gas gathering are excluded. The income tax expense is calculated by applying the current statutory tax rates to the revenues after deducting costs, which include depreciation, depletion and amortization allowances, after giving effect to permanent differences. The results of operations exclude general office overhead and interest expense attributable to oil and gas production.

## RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES

&lt;TABLE&gt;

&lt;CAPTION&gt;

thousands	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
UNITED STATES			
Net revenues from production			
Gas sold to consolidated affiliates	\$250,907	\$199,820	\$132,267
Other sales of gas, oil and NGLs	206,961	150,533	181,459
	-----	-----	-----
	457,868	350,353	313,726
Production (lifting) costs	119,832	84,304	82,957
Depreciation, depletion and amortization*	154,450	122,961	111,820
	-----	-----	-----
	183,586	143,088	118,949
Income tax expense	66,928	51,832	43,459
	-----	-----	-----
Results of operations	116,658	91,256	75,490
	-----	-----	-----
*DD&A rate per net equivalent barrel	\$ 4.26	\$ 4.06	\$ 3.91
	-----	-----	-----
CANADA			
Net revenues from production			
Other sales of gas, oil and NGLs	13,945	15,138	15,747
Production (lifting) costs	5,611	6,593	6,511
Depreciation, depletion and amortization*	6,110	4,664	4,859
	-----	-----	-----
	2,224	3,881	4,377
Income tax expense	580	1,438	1,479
	-----	-----	-----
Results of operations	1,644	2,443	2,898
	-----	-----	-----
*DD&A rate per net equivalent barrel	\$ 4.92	\$ 3.72	\$ 3.50
	-----	-----	-----
TOTAL			
Net revenues from production			
Gas sold to consolidated affiliates	250,907	199,820	132,267
Other sales of gas, oil and NGLs	220,906	165,671	197,206
	-----	-----	-----
	471,813	365,491	329,473
Production (lifting) costs	125,443	90,897	89,468
Depreciation, depletion and amortization	160,560	127,625	116,679
	-----	-----	-----
	185,810	146,969	123,326
Income tax expense	67,508	53,270	44,938
	-----	-----	-----
Results of operations	\$118,302	\$ 93,699	\$ 78,388
	-----	-----	-----

&lt;/TABLE&gt;

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

## OIL AND GAS RESERVES

The following table shows estimates prepared by the Company's engineers of proved reserves and proved developed reserves, net of royalty interests, of gas, oil, condensate and NGLs owned at year-end and changes in proved reserves during the last three years. Volumes for natural gas are in billions of cubic feet (Bcf) at a pressure base of 14.73 pounds per square inch and volumes for oil, condensate and NGLs are in millions of barrels (MMBbls). Total volumes are in millions of energy equivalent barrels (MMEEBs). For this computation, one barrel is the equivalent of six thousand cubic feet.

The Company's reserve additions in 1993 came primarily from exploration and development drilling and improved recovery. Reserve revisions for 1993 included an increase of about 60 Bcf to reflect a portion of the effect of the Kansas Corporation Commission order which increased production allowables in the Hugoton Field. This was offset by a modest downward revision to prior estimates of oil and condensate reserves due to weak oil prices at year-end 1993.

The Company's reserve additions in 1992 included the purchase of oil and gas properties from Atlantic Richfield Company. This acquisition added 26.4 MMBbls of crude oil, condensate and NGLs and 53.4 Bcf of natural gas, or about 35 million energy equivalent barrels.

The Company's reserve additions for 1991 included an increase of 120 Bcf of gas in the Hugoton Field of Kansas. Anadarko began an infill drilling program in the Hugoton Field in 1987 and had invested \$36,000,000 as of year-end 1991 to drill 267 wells. The increase in proved reserves in 1991 reflects the additional drainage area these infill wells will deplete. With a drilling program of this type in a reservoir with multiple pay zones, it usually takes several years of drilling and analysis to gain sufficient reservoir and well performance data to support a reserve increase. Using a three-dimensional reservoir modeling system for the Hugoton Field, which the Company began to develop in 1985, the Company was able to quantify this increase in proved reserves.

Anadarko also had a net reserve increase of 11 MMBbls of NGLs in 1991. This increase is primarily associated with the Company's purchase of a significant plant and pipeline system in late 1990. Improvement modifications were made to the gas processing plant in 1991 that will yield additional recovery of NGLs reserves to the Company.

Beginning in 1991, NGLs are included with oil and condensate reserves, and the associated shrinkage has been deducted from the gas reserves. Previously, these gas reserves were reported on a wet basis.

The Company emphasizes that the volumes of reserves shown below are estimates which, by their nature, are subject to revision. The estimates are made using all available geological and reservoir data as well as production performance data. These estimates are reviewed annually and revised, either upward or downward, as warranted by additional performance data.

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

## OIL AND GAS RESERVES (continued)

<TABLE>  
<CAPTION>

NATURAL GAS (BCF)			OIL, CONDENSATE AND NGLS (MMBLS)			TOTAL (MMEEBs)		
U.S.	CANADA	TOTAL	U.S.	CANADA	TOTAL	U.S.	CANADA	TOTAL
-----	-----	-----	-----	-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PROVED RESERVES									
DECEMBER 31, 1990	1,650	54	1,704	27.7	4.9	32.6	302.8	13.8	316.6
Revisions of prior estimates	34	(5)	29	4.7	0.1	4.8	10.4	(0.8)	9.6
Extensions, discoveries and other additions	139	--	139	16.1	0.5	16.6	39.1	0.7	39.8
Improved recovery	5	--	5	(2.3)	0.3	(2.0)	(1.5)	0.3	(1.2)
Purchases in place	5	--	5	0.8	--	0.8	1.6	--	1.6
Production	(134)	(4)	(138)	(6.2)	(0.8)	(7.0)	(28.5)	(1.4)	(29.9)
	----	--	----	----	----	----	----	----	----
DECEMBER 31, 1991	1,699	45	1,744	40.8	5.0	45.8	323.9	12.6	336.5
Revisions of prior estimates	31	(6)	25	4.7	(1.2)	3.5	9.9	(2.3)	7.6
Extensions, discoveries and other additions	41	--	41	1.5	0.3	1.8	8.3	0.3	8.6
Improved recovery	3	--	3	2.1	--	2.1	2.7	--	2.7
Purchases in place	61	--	61	34.2	--	34.2	44.3	--	44.3
Sales in Place	(1)	--	(1)	--	--	--	(0.1)	--	(0.1)
Production	(144)	(3)	(147)	(6.3)	(0.8)	(7.1)	(30.3)	(1.3)	(31.6)
	----	--	----	----	----	----	----	----	----
DECEMBER 31, 1992	1,690	36	1,726	77.0	3.3	80.3	358.7	9.3	368.0
Revisions of prior estimates	59	--	59	(11.5)	0.2	(11.3)	(1.7)	0.1	(1.6)
Extensions, discoveries and other additions	220	6	226	8.6	--	8.6	45.3	1.2	46.5
Improved recovery	13	--	13	7.3	0.6	7.9	9.4	0.6	10.0
Purchases in place	13	--	13	3.5	--	3.5	5.7	--	5.7
Sales in place	--	--	--	--	--	--	--	--	--
Production	(159)	(3)	(162)	(9.8)	(0.7)	(10.5)	(36.3)	(1.2)	(37.5)
	----	--	----	----	----	----	----	----	----
DECEMBER 31, 1993	1,836	39	1,875	75.1	3.4	78.5	381.1	10.0	391.1
	----	--	----	----	----	----	----	----	----
PROVED DEVELOPED RESERVES									
December 31, 1990	1,602	54	1,656	27.6	4.9	32.5	294.7	13.8	308.5
December 31, 1991	1,676	45	1,721	39.2	4.8	44.0	318.5	12.3	330.8
December 31, 1992	1,656	36	1,692	69.3	3.3	72.6	345.3	9.3	354.6
December 31, 1993	1,674	40	1,714	60.8	3.4	64.2	339.8	10.0	349.8

</TABLE>

ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

DISCOUNTED FUTURE NET CASH FLOWS

Estimates of future net cash flows from proved reserves of gas, oil, condensate and NGLs were made in accordance with SFAS No. 69, "Disclosures about Oil and Gas Producing Activities." The amounts were prepared by the Company's engineers and are shown in the following table. The estimates are based on prices at year-end.

Gas prices are escalated only for fixed and determinable amounts under provisions in some contracts. Estimated future cash inflows are reduced by estimated future development and production costs based on year-end cost levels, assuming continuation of existing economic conditions, and by estimated future income tax expense. Tax expense is calculated by applying the existing statutory tax rates, including any known future changes, to the pretax net cash flows, less depreciation of the tax basis of the properties and depletion allowances applicable to the gas, oil, condensate and NGLs production.

At December 31, 1993, the present value (discounted at 10 percent) of future net revenues from Anadarko's proved reserves, before income taxes, was \$1.81 billion (stated in accordance with the regulations of the Securities Exchange Commission and the Financial Accounting Standards Board). Despite the increase in proved energy reserves and higher natural gas prices at year-end 1993, the estimated present value of future net revenues, before income taxes, remained virtually flat compared to year-end 1992 due primarily to extremely low oil prices at year-end 1993.

The present value of future net revenues does not purport to be an estimate of the fair market value of Anadarko's proved reserves. An estimate of fair value would also take into account, among other things, anticipated changes in future prices and costs, the expected recovery of reserves in excess of proved reserves and a discount factor more representative of the time value of money

## ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET  
CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES (Continued)

<TABLE> <CAPTION> thousands	1993	1992	1991
<S>	<C>	<C>	<C>
UNITED STATES			
Future cash inflows	\$4,700,391	\$4,640,825	\$3,751,948
Future production and development costs	1,529,616	1,402,240	1,057,344
Future net cash flows before income taxes	3,170,775	3,238,585	2,694,604
10% annual discount for estimated timing of cash flows	1,402,505	1,475,520	1,180,984
Discounted future net cash flows before income taxes	1,768,270	1,763,065	1,513,620
Future income taxes, net of 10% annual discount	544,440	490,295	478,136
Standardized measure of discounted future net cash flows relating to oil and gas reserves	1,223,830	1,272,770	1,035,484
CANADA			
Future cash inflows	102,175	112,304	130,449
Future production and development costs	28,466	39,959	66,010
Future net cash flows before income taxes	73,709	72,345	64,439
10% annual discount for estimated timing of cash flows	29,760	30,545	24,227
Discounted future net cash flows before income taxes	43,949	41,800	40,212
Future income taxes, net of 10% annual discount	13,883	12,867	11,759
Standardized measure of discounted future net cash flows relating to oil and gas reserves	30,066	28,933	28,453
TOTAL			
Future cash inflows	4,802,566	4,753,129	3,882,397
Future production and development costs	1,558,082	1,442,199	1,123,354
Future net cash flows before income taxes	3,244,484	3,310,930	2,759,043
10% annual discount for estimated timing of cash flows	1,432,265	1,506,065	1,205,211
Discounted future net cash flows before income taxes	1,812,219	1,804,865	1,553,832
Future income taxes, net of 10% annual discount	558,323	503,162	489,895
Standardized measure of discounted future net cash flows relating to oil and gas reserves	\$1,253,896	\$1,301,703	\$1,063,937

&lt;/TABLE&gt;

## ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

## DISCOUNTED FUTURE NET CASH FLOWS (continued)

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO  
PROVED OIL AND GAS RESERVES

<TABLE> <CAPTION> thousands	1993	1992	1991
<S>	<C>	<C>	<C>
UNITED STATES			
Beginning of year	\$1,272,770	\$1,035,484	\$1,045,399
Sales and transfers of oil and gas produced, net of production costs	(338,036)	(266,049)	(230,769)
Net changes in prices and develop- ment and production costs	(185,382)	192,875	(211,002)
Extensions, discoveries, additions and improved recovery, less related costs	285,640	71,544	100,319
Development costs incurred during the period	5,167	3,367	7,968
Revisions of previous quantity estimates	1,443	54,073	78,563
Net change in purchases and sales of minerals in place	24,951	196,073	6,491
Accretion of discount	176,307	151,362	157,957
Net change in income taxes	(54,145)	(12,159)	56,031
Other	35,115	(153,800)	24,527
End of year	1,223,830	1,272,770	1,035,484
CANADA			
Beginning of year	28,933	28,453	39,748
Sales and transfers of oil and gas produced, net of production costs	(8,334)	(8,545)	(9,236)
Net changes in prices and develop- ment and production costs	(4,378)	19,428	(12,358)
Extensions, discoveries, additions and improved recovery, less related costs	7,308	2,578	7,017
Development costs incurred during the period	2	11	---
Revisions of previous quantity estimates	883	(15,554)	(3,305)
Net change in purchases and sales of minerals in place	---	103	100
Accretion of discount	4,180	4,021	5,747
Net change in income taxes	(1,016)	(1,108)	5,962
Other	2,488	(454)	(5,222)
End of year	\$ 30,066	\$ 28,933	\$ 28,453

&lt;/TABLE&gt;

## ANADARKO PETROLEUM CORPORATION

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES  
(Unaudited)

## DISCOUNTED FUTURE NET CASH FLOWS (continued)

## CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO

	1993	1992	1991
	-----	-----	-----
<S>	<C>	<C>	<C>
TOTAL			
Beginning of year	\$1,301,703	\$1,063,937	\$1,085,147
Sales and transfers of oil and gas produced, net of production costs	(346,370)	(274,594)	(240,005)
Net changes in prices and development and production costs	(189,760)	212,303	(223,360)
Extensions, discoveries, additions and improved recovery, less related costs	292,948	74,122	107,336
Development costs incurred during the period	5,169	3,378	7,968
Revisions of previous quantity estimates	2,326	38,519	75,258
Net change in purchases and sales of minerals in place	24,951	196,176	6,591
Accretion of discount	180,487	155,383	163,704
Net change in income taxes	(55,161)	(13,267)	61,993
Other	37,603	(154,254)	19,305
	-----	-----	-----
End of year	\$1,253,896	\$1,301,703	\$1,063,937
	-----	-----	-----

&lt;/TABLE&gt;

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## SUPPLEMENTAL QUARTERLY INFORMATION (UNAUDITED)

## QUARTERLY FINANCIAL DATA

The following table shows summary quarterly financial data for 1993 and 1992. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
thousands except per share amounts	<C>	<C>	<C>	<C>
<S>				
1993				
Operating revenues	\$129,324	\$112,471	\$103,271	\$131,199
Operating income, pretax	30,798	25,392	18,974	28,905
Net income before changes in accounting principles	15,278	12,370	(1,990)	14,347
Net income	\$ 92,681	\$ 12,370	\$ (1,990)	\$ 14,347
Earnings per common share				
Primary				
Net income before changes in accounting principles	\$ 0.28	\$ 0.22	\$ (0.03)	\$ 0.24
Net income	1.67	0.22	(0.03)	0.24
Fully Diluted				
Net income before changes in accounting principles	0.28	0.22	(0.03)	0.24
Net income	\$ 1.60	\$ 0.22	\$ (0.03)	\$ 0.24
1992				
Operating revenues	\$ 83,405	\$ 69,550	\$ 85,089	\$137,174
Operating income, pretax	13,668	(4,791)	18,315	40,401
Net income	4,217	(7,730)	7,956	22,870
Earnings per common share	\$ 0.08	\$ (0.14)	\$ 0.14	\$ 0.41

&lt;/TABLE&gt;

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

See "Election of Directors" in the Anadarko Petroleum Corporation Proxy Statement, dated March 21, 1994 ("Proxy Statement"), which is incorporated herein by reference.

See list of "Executive Officers of the Registrant" appearing under Item 4 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

See "Compensation of Directors" and "Executive Compensation" in the Proxy Statement, which are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See "Security Ownership - Security Ownership of Management and Security Ownership of Certain Beneficial Owners" in the Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See "Security Ownership - Transactions with Management and Others" in the Proxy Statement, which is incorporated herein by reference.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this report or incorporated by reference:

- (1) The consolidated financial statements of Anadarko Petroleum Corporation are listed on the Index to this report, page 28.
- (2) The consolidated schedules of Anadarko Petroleum Corporation are listed on the Index to this report, page 71.
- (3) Exhibits not incorporated by reference to a prior filing are designated by an asterisk (\*) and are filed herewith; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

<TABLE>

<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	ORIGINALLY FILED AS EXHIBIT	FILE NUMBER
<S>	<C>	<C>	<C>
3(a)	Restated Certificate of Incorporation of Anadarko Petroleum Corporation, dated August 28, 1986	19(a)(i) to Form 10-Q for quarter ended September 30, 1986	1-8968
(b)	By-laws of Anadarko Petroleum Corporation, as amended	19(a)(ii) to Form 10-Q for quarter ended September 30, 1986	1-8968
4(a)	Rights Agreement, dated as of October 4, 1988, between Anadarko Petroleum Corporation and Manufacturers Hanover Trust Company, Rights Agent	4 to Form 8-K dated October 5, 1988	1-8968
(b)	Indenture, dated as of May 15, 1989, between Anadarko Petroleum Corporation and Manufacturers Hanover Trust Company, Trustee	4.1 to Form 8-K dated May 23, 1989	1-8968

(c)	Indenture, dated as of May 10, 1988, between Anadarko Petroleum Corporation and Continental Illinois National Bank and Trust Company of Chicago, Trustee	4(a) to Form S-3 Registration Statement	33-21094
(d)	First Supplemental Indenture, dated as of November 15, 1991, between Anadarko Petroleum Corporation and Continental Bank, National Association, Trustee	4(d) to Form 10-K for year ended December 31, 1991	1-8968

</TABLE>

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<TABLE>  
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	ORIGINALLY FILED AS EXHIBIT	FILE NUMBER
<S>	<C>	<C>	<C>
4(e)	Revolving Credit Agreement dated as of February 15, 1992	4(e) to Form 10-K for year ended December 31, 1991	1-8968
10(a)(i)	Tax Sharing Agreement, dated September 30, 1986, among Panhandle Eastern Corporation, Centana Energy Corporation and Anadarko Petroleum Corporation	19(c)(i) to Form 10-Q for quarter ended September 30, 1986	1-8968
(ii)	Spin-Off Agreement, dated September 30, 1986, between Panhandle Eastern Corporation and Anadarko Petroleum Corporation	10(a)(iii) to Form 10-K for year ended December 31, 1988	1-8968
(iii)	Global Settlement Agreement between Panhandle Eastern Corporation and Anadarko Petroleum Corporation, dated March 31, 1989	28(a) to Form 10-Q for quarter ended March 31, 1989	1-8968
(iv)	Construction Management Contract between Anadarko Petroleum Corporation and L. G. Barcus and Sons, Inc. dated October 14, 1992	10(a)(iv) to Form 10-K for year ended December 31, 1992	1-8968
(b)(i)	Director Deferred Compensation Plan of Anadarko Petroleum Corporation, effective January 1, 1987	10(b)(viii) to Form 10-K for year ended December 31, 1986	1-8968
(ii)	Director Deferred Compensation Agreement between Anadarko Petroleum Corporation and each Director electing to participate	19(a)(i) to Form 10-Q for quarter ended March 31, 1987	1-8968
(iii)	Anadarko Petroleum Corporation Director Retirement Income Plan, effective October 1, 1986	10(b)(ix) to Form 10-K for year ended December 31, 1986	1-8968
(iv)	Anadarko Petroleum Corporation 1988 Stock Option Plan for Non-Employee Directors	19(b) to Form 10-Q for quarter ended September 30, 1988	1-8968

</TABLE>

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## Executive Compensation Plans and Arrangements

EXHIBIT NUMBER	DESCRIPTION	ORIGINALLY FILED AS EXHIBIT	FILE NUMBER
<S>	<C>	<C>	<C>
10(b) (v)	Anadarko Petroleum Corporation and Participating Affiliates and Subsidiaries Annual Override Pool Bonus Plan, as amended October 6, 1986	19(c) (ix) to Form 10-Q for quarter ended September 30, 1986	1-8968
(vi)	Second Amendment to Anadarko Petroleum Corporation and Participating Affiliates and Subsidiaries Annual Override Pool Bonus Plan	10(b) (ii) to Form 10-K for year ended December 31, 1987	1-8968
(vii)	Anadarko Petroleum Corporation Management Incentive Plan	19(a) to Form 10-Q for quarter ended June 30, 1987	1-8968
(viii)	Anadarko Petroleum Corporation Substitute Stock Option Plan	19(c) (viii) to Form 10-Q for quarter ended September 30, 1986	1-8968
(ix)	Anadarko Petroleum Corporation Substitute Stock Option Agreement, as amended October 28, 1987	10(b) (v) to Form 10-K for year ended December 31, 1987	1-8968
(x)	Anadarko Petroleum Corporation 1986 Stock Option Plan, as amended October 28, 1987 (and Related Agreement)	10(b) (vi) to Form 10-K for year ended December 31, 1987	1-8968
(xi)	Restatement of the Anadarko Petroleum Corporation 1987 Stock Option Plan (and Related Agreement)	Post Effective Amendment No. 1 to Forms S-8 and S-3, Anadarko Petroleum Corporation 1987 Stock Option Plan	33-22134
(xii)	1993 Stock Incentive Plan	Attachment C to Anadarko Petroleum Corporation Proxy Statement, dated March 21, 1994, filed pursuant to Section 14A	
(xiii)	Annual Incentive Bonus Plan	Attachment B to Anadarko Petroleum Corporation Proxy Statement, dated March 21, 1994, filed pursuant to Section 14A	
(xiv)	Agreement between Employee and Anadarko Petroleum Corporation related to Change in Control, Death or Disability, or Termination Without Cause	28(c) to Form 10-Q for quarter ended September 30, 1987	1-8968
(xv)	Anadarko Petroleum Corporation Key Employee Contract of Employment	19(c) (v) to Form 10-Q for quarter ended September 30, 1986	1-8968

&lt;/TABLE&gt;

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EXHIBIT NUMBER	DESCRIPTION	ORIGINALLY FILED AS EXHIBIT	FILE NUMBER
----------------	-------------	-----------------------------	-------------

EXHIBIT NUMBER	DESCRIPTION	ORIGINALLY FILED AS EXHIBIT	FILE NUMBER
----------------	-------------	-----------------------------	-------------

<S>	<C>	<C>	<C>
10(b) (xvi)	Restatement of Key Employee Contract of Employment	19(a) to Form 10-Q for quarter ended June 30, 1988	1-8968
(xvii)	Restatement of Key Employee Contract of Employment Amended October 27, 1988	19(a) to Form 10-Q for quarter ended September 30, 1988	1-8968
(xviii)	Executive Deferred Compensation Plan of Anadarko Petroleum Corporation and Participating Subsidiaries and Affiliates, effective October 1, 1986	10(b) (xii) to Form 10-K for year ended December 31, 1987	1-8968
(xix)	Executive Deferred Compensation Plan of Anadarko Petroleum Corporation, effective January 1, 1987	10(b) (vi) to Form 10-K for year ended December 31, 1986	1-8968
(xx)	Executive Deferred Compensation Agreement between Anadarko Petroleum Corporation and each Executive electing to participate	19(a) (ii) to Form 10-Q for quarter ended March 31, 1987	1-8968
(xxi)	Amendments to Executive Deferred Compensation Agreement between Anadarko Petroleum Corporation and each Executive electing to participate	10(b) (xv) to Form 10-K for year ended December 31, 1987	1-8968
(xxii)	Anadarko Petroleum Corporation Executive Benefit Equalization Plan as Restated and Amended, effective January 1, 1988	19(b) to Form 10-Q for quarter ended June 30, 1988	1-8968
10(c) (i)	Purchase and Sale Agreement by and between Atlantic Richfield Company, a Delaware Corporation, as Seller and Anadarko Petroleum Corporation, a Delaware corporation, as Purchaser, dated December 8, 1992	10(c) (i) to Form 8-K dated January 13, 1993	1-8968
*12	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends		

</TABLE>

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<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER                      DESCRIPTION  
-----                      -----

<S>	<C>
*13	Portions of the Anadarko Petroleum Corporation 1993 Annual Report to Stockholders
*21	List of Significant Subsidiaries: Anadarko Trading Company, a Delaware Corporation Anadarko Algeria Corporation, a Delaware Corporation
*23	Consents of Experts and Counsel Consent of KPMG Peat Marwick
*24	Powers of Attorney

</TABLE>

The total amount of securities of the Registrant authorized under any instrument with respect to long-term debt not filed as an Exhibit does not exceed ten percent of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees, upon request of the Securities and Exchange Commission, to furnish copies of any or all of such instruments to the Securities and Exchange Commission.

(B) REPORTS ON FORM 8-K

There were no reports filed on Form 8-K during the three months ended December 31, 1993.

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ANADARKO PETROLEUM CORPORATION  
INDEX

CONSOLIDATED SCHEDULES

	Page
Schedule V - Properties and Equipment	S-1
Schedule VI - Accumulated Depreciation, Depletion and Amortization of Properties and Equipment	S-2
Schedule IX - Short-term Borrowings	S-3
Independent Auditors' Report	S-4

All other Schedules are omitted because they are not applicable, not required or the information is included in the Consolidated Financial Statements or Notes thereto.

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SCHEDULE V

ANADARKO PETROLEUM CORPORATION  
CONSOLIDATED PROPERTIES AND EQUIPMENT  
THREE YEARS ENDED DECEMBER 31, 1993

<TABLE>  
<CAPTION>

thousands	OIL AND GAS PROPERTIES	PLANT FACILI- TIES	GATHERING FACILI- TIES	GENERAL PROPER- TIES	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE JANUARY 1,					
1991	\$2,473,490	\$15,809	\$43,391	\$43,445	\$2,576,135
Additions, at cost	156,952	1,559	5,123	6,160	169,794
Retirements or sales	19,151	7	219	1,469	20,846
Other changes	287	---	(2,180)	19	(1,874)
	-----	-----	-----	-----	-----
BALANCE DECEMBER 31,					
1991	2,611,578	17,361	46,115	48,155	2,723,209
Additions, at cost	343,744	1,626	3,286	13,749	362,405
Retirements or sales	25,558	7	---	502	26,067
Other changes	(28,131)	---	---	(783)	(28,914)
	-----	-----	-----	-----	-----
BALANCE DECEMBER 31,					
1992	2,901,633	18,980	49,401	60,619	3,030,633

Additions, at cost	241,730	4,682	6,509	11,655	264,576
Retirements or sales	15,728	301	5	7,122	23,156
Other changes	(4,364)	---	(112)	(752)	(5,228)
	-----	-----	-----	-----	-----

BALANCE DECEMBER 31, 1993	\$3,123,271	\$23,361	\$55,793	\$64,400	\$3,266,825
	=====	=====	=====	=====	=====

</TABLE>

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SCHEDULE VI

ANADARKO PETROLEUM CORPORATION  
CONSOLIDATED ACCUMULATED DEPRECIATION, DEPLETION AND  
AMORTIZATION OF PROPERTIES AND EQUIPMENT

THREE YEARS ENDED DECEMBER 31, 1993

<TABLE>  
<CAPTION>

thousands	
<S>	<C>
BALANCE JANUARY 1, 1991	\$1,058,497
Additions charged to income	121,368
Retirements	13,393
Other changes	1,599
	-----
BALANCE DECEMBER 31, 1991	\$1,168,071
Additions charged to income	133,232
Retirements	22,983
Other changes	(2,243)
	-----
BALANCE DECEMBER 31, 1992	1,276,077
Additions charged to income	167,504
Retirements	17,548
Other changes	(935)
	-----
BALANCE DECEMBER 31, 1993	\$1,425,098
	=====

</TABLE>

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SCHEDULE IX

ANADARKO PETROLEUM CORPORATION  
CONSOLIDATED SHORT-TERM BORROWINGS  
THREE YEARS ENDED DECEMBER 31, 1993

<TABLE>  
<CAPTION>

CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTAND- ING AT ANY MONTH END	AVERAGE AMOUNT OUTSTAND- ING DURING THE PERIOD (1)	WEIGHTED AVERAGE INTEREST RATE DUR- ING THE PERIOD (2)
<S>	<C>	<C>	<C>	<C>	<C>
thousands					
1993					
Commercial paper	\$---	---%	\$ 5,000	\$11,893	3.3%
Notes payable, banks	---	---	---	---	---
All categories	---	---	5,000	11,893	3.3

1992					
Commercial paper	---	---	23,693	10,397	3.9
Notes payable, banks	---	---	---	---	---
All categories	---	---	23,693	10,397	3.9
1991					
Commercial paper	---	---	414	6,864	6.3
Notes payable, banks	---	---	2,250	36	5.8
All categories	\$---	---%	\$ 2,664	\$ 6,900	6.3%

</TABLE>

(1) Average of daily balances for 365 days in 1993 and 1991 and 366 days in 1992.

(2) Total interest accrued divided by average daily balance.

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ANADARKO PETROLEUM CORPORATION

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Anadarko Petroleum Corporation:

Under date of January 27, 1994, we reported on the consolidated balance sheets of Anadarko Petroleum Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993, as contained in the 1993 Form 10-K Annual Report. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedules as listed in the accompanying index. These financial statements schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

{KPMG PEAT MARWICK}

Houston, Texas  
January 27, 1994

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

ANADARKO PETROLEUM CORPORATION

March 17, 1994

By MICHAEL E. ROSE  
(Michael E. Rose, Senior Vice President,  
Finance and Chief Financial Officer)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED ON MARCH 17, 1994.

NAME AND SIGNATURE  
-----

TITLE  
-----

- (i) Principal executive officer:\*
- ROBERT J. ALLISON, JR. Chairman of the Board,  
(Robert J. Allison, Jr.) President and Chief  
Executive Officer
- (ii) Principal financial officer:\*
- MICHAEL E. ROSE Senior Vice President,  
(Michael E. Rose) Finance and Chief  
Financial Officer
- (iii) Principal accounting officer:\*
- JAMES R. LARSON Controller  
(James R. Larson)
- (iv) Directors:\*
- ROBERT J. ALLISON, JR.  
CONRAD P. ALBERT  
LARRY BARCUS  
RONALD BROWN  
JAMES L. BRYAN  
JOHN R. GORDON  
CHARLES M. SIMMONS

\* Signed on behalf of each of these persons and on his own behalf:

By {MICHAEL E. ROSE}  
(Michael E. Rose, Attorney-in-Fact)

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GRAPHICS APPENDIX LIST

EDGAR VERSION

-----  
1993 Form 10-K, Part I,  
Item 1 - Business

Page 6 - One map omitted

Page 8 - One map omitted

TYPESET VERSION

-----  
Page 5 - One map depicting Anadarko's  
onshore developed and undeveloped net  
acres, producing net wells, 1993  
drilling activity areas and office  
locations by state and province in  
the United States and Canada. (The  
text and numbers used in this map  
appear in the text of the EDGAR  
version.)

Page 7 - One map depicting Anadarko's  
offshore United States exploratory  
and development net acres and producing  
net wells by state, as well as location  
of producing, development, exploration  
and 1993 lease acquisition blocks.  
(The text and numbers used in this map  
appear in the text of the EDGAR  
version).

ANADARKO PETROLEUM CORPORATION  
 CONSOLIDATED STATEMENT OF COMPUTATION OF RATIOS  
 OF EARNINGS TO FIXED CHARGES AND EARNINGS  
 TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

FIVE YEARS ENDED DECEMBER 31, 1993

<TABLE>

<CAPTION>

thousands	Years Ended December 31				
	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Gross Income	\$106,824	\$ 68,311	\$75,431	\$119,363	\$115,475
Rentals	3,069	2,737	2,043	1,688	1,305
	-----	-----	-----	-----	-----
Earnings	109,893	71,048	77,474	121,051	116,780
	=====	=====	=====	=====	=====
Gross Interest Expense	38,000	36,620	36,829	42,903	50,866
Rentals	3,069	2,737	2,043	1,688	1,305
	-----	-----	-----	-----	-----
Fixed Charges	\$ 41,069	\$ 39,357	\$38,872	\$ 44,591	\$ 52,171
	=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	2.68	1.81	1.99	2.71	2.24
	=====	=====	=====	=====	=====

</TABLE>

The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. For this purpose, earnings include income before income taxes and fixed charges. Fixed charges include interest and amortization of debt expenses, and the estimated interest component of rentals.

During the five years ended December 31, 1993, there were no shares of preferred stock outstanding. Accordingly, the ratio of earnings to combined fixed charges and preferred stock dividends for each of the five years is the same as the ratio of earnings to fixed charges.

ANADARKO PETROLEUM CORPORATION  
PORTIONS OF THE ANADARKO PETROLEUM CORPORATION  
1993 ANNUAL REPORT TO STOCKHOLDERS

Summary Financial Data\*

Millions except per share amounts	1993	% Change 92-93	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 476.3	27	\$375.2	\$336.6	\$388.5	\$361.5
Operating Income	104.1	53	67.6	73.0	118.6	113.3
Net Income before Cumulative Effect of Changes in Accounting Principles	40.0	47	27.3	32.4	55.2	48.0
Net Income	117.4	330	27.3	32.4	55.2	48.0
Net Cash from Operating Activities Per Common Share	274.3	60	171.6	160.0	207.7	210.8
Net Income before Cumulative Effect of Changes in Accounting Principles	0.70	43	0.49	0.59	1.04	0.92
Net Income	2.05	318	0.49	0.59	1.04	0.92
Dividends	0.30	--	0.30	0.30	0.30	0.30
Average Shares Outstanding	57.2	3	55.3	55.0	53.0	52.2
Capital Expenditures	264.5	(27)	359.9**	165.5	211.0	201.2
Long-term Debt	543	(16)	647	440	427	492
Stockholders' Equity	864	32	657	641	618	495
Total Assets	\$ 2,023	6	\$1,905	\$1,676	\$1,648	\$1,553
Oil Reserves (MMBbls)	78.5	(2)	80.3	45.8	32.6	28.4
Gas Reserves (Tcf)	1.88	9	1.73	1.74	1.70	1.73
Total Reserves (MMEEBs)	391.1	6	368.0	336.5	316.6	316.5
U.S. Finding Cost (\$/EEB)	\$ 3.55	(23)	\$ 4.61	\$ 2.62	\$ 5.29	\$ 5.82
Reserve Replacement (% of Production)	162	(19)	200	166	100	111

</TABLE>

\* Consolidated for Anadarko Petroleum Corporation (referred to herein as Anadarko) and its subsidiaries, including Anadarko Gathering Company, Anadarko Marketing Company, Anadarko Trading Company, Anadarko Petroleum of Canada Ltd. and Anadarko Algeria Corporation.

\*\* Includes acquisition of producing properties of approximately \$206 million.

1

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EXPLORATION

In 1993, Anadarko realized outstanding success in its exploration drilling program. During the year, the Company drilled 32 exploration wells with a 56 percent success rate compared to 27 wells drilled with a 41 percent success rate in 1992. Significant discoveries were made in the United States, both onshore and offshore, and in Algeria.

Key to Anadarko's success is an ongoing commitment to stay active in exploration and maintain a balanced portfolio of prospects. As a result, Anadarko was better positioned than many of our industry peers to take advantage of higher than expected cash flows in 1993.

Exploration spending in 1993 was approximately \$97 million, compared to \$64 million in 1992. Anadarko expects to increase its exploration spending in 1994 to about \$105 million.

GULF OF MEXICO

The Gulf of Mexico has been one of the nation's most prolific exploration plays for more than three decades. With the increased use of three-dimensional (3-D) seismic and other integrated exploration technology, the Gulf of Mexico is offering new opportunities for oil and gas exploration unmatched in many years.

In 1993, Anadarko strengthened its position in the offshore arena with significant discoveries in the new sub-salt play and in conventional exploration plays. During the year, Anadarko drilled seven exploration wells in the Gulf with three discoveries. These discoveries hold the potential for significant increases in reserves and production over the next several years. The Company plans to drill 11 exploratory wells offshore in 1994.

#### THE SUB-SALT PLAY

No play better symbolizes Anadarko's technological edge in the Gulf of Mexico than the sub-salt trend -- which is becoming the high-potential domestic exploration play of the 1990s. Processing techniques -- with 3-D seismic -- called pre-stack and post-stack depth migration analysis are allowing energy explorers to "see" below large, horizontal salt sheets for the first time.

In September 1993, Anadarko and its partners announced a major oil discovery at Ship Shoal Blocks 349/359, tagged with the prospect name "Mahogany." The first well tested at flow rates of up to 7,256 barrels of oil per day (BOPD) and 9.9 million cubic feet per day (MMcf/d) of gas through a 1/2-inch choke at 7,063 pounds per square inch (psi) flowing tubing pressure. A delineation well -- the Mahogany #2 -- began drilling in January 1994; a third delineation well will follow later this year. Anadarko owns a 37.5-percent working interest in Mahogany.

Shortly after the Mahogany discovery was made, Anadarko and Phillips Petroleum Company began drilling an exploratory well on a second sub-salt prospect, named "Teak," located in 250 feet of water at South Timbalier Blocks 259/260/283, offshore Louisiana. Anadarko owns a 50-percent working interest in the Teak prospect.

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The third sub-salt prospect being explored by Anadarko and Phillips, named "Mesquite," began drilling in February 1994 on Vermilion Block 349, offshore Louisiana in 270 feet of water. Anadarko is operator of the well and owns a 50-percent working interest.

Anadarko and Phillips own interests in 15 offshore lease blocks in the sub-salt play. The Company plans to drill five more sub-salt prospects in 1994 and 1995.

#### CONVENTIONAL OFFSHORE EXPLORATION

While the sub-salt play is significant to Anadarko and to industry exploration in the Gulf, the Company is also using 3-D techniques for more conventional exploration targets in traditional areas offshore Texas and Louisiana. At Matagorda Island Block 636, offshore Texas, Anadarko and its partners made an important natural gas discovery in 1993. The discovery is adjacent to the Matagorda Island 623 field, which is one of the largest offshore Texas gas fields ever found and consists of a four block area encompassing Matagorda Island Blocks 622/623/635/636. Discovered by Anadarko in the early 1980s, gross production from the field averaged about 185 MMcf/d of gas and 1,400 barrels of condensate per day (BCPD) in 1993. A pipeline is being installed to connect the new discovery to a production platform on Matagorda Island Block 622. Flow test results from the discovery are expected in the second quarter of 1994. Anadarko owns a 37.5-percent working interest in all four of the Matagorda Island Blocks.

In December 1993, Anadarko announced a significant natural gas discovery at East Cameron Block 157, located 50 miles offshore Louisiana. The well encountered over 250 feet of net gas pay in six separate Mio-Pliocene sands between 9,500 feet and 15,000 feet. Development drilling will begin in the second quarter of 1994 to further delineate the field. Anadarko has also begun the design of a drilling and production platform and related equipment, which are expected to be installed in late 1994. Anadarko owns a 100-percent working interest in East Cameron Block 157 and a 50-percent working interest in the adjacent East Cameron Block 158, where an exploratory well is slated for the second half of 1994.

#### YEGUA TREND

Anadarko continues to be one of the most active companies exploring the Yegua Trend of Southeast Texas. Since the Company began exploring the trend in 1992, Anadarko has participated in 11 successful wells out of a total 16 wells

drilled -- an exceptional success rate for an exploration play.

One reason for the Company's success is its use of technology. High-density, two-dimensional seismic analysis -- including a technique called amplitude versus offset (AVO) -- has served to reduce risk in the trend. The Company has an average working interest of 50 percent in 32,000 lease acres encompassing 12 drillable prospects with significant gross reserve potential.

Anadarko expects to continue its active exploration and development of the Yegua Trend with 10 wells planned for 1994.

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#### ALGERIA

Anadarko's international exploration efforts in 1993 continued to be focused in Algeria where the Company has had three significant discoveries since 1989 on a 5.1-million acre concession secured from Sonatrach, the national oil and gas enterprise of Algeria. Sonatrach is beneficial owner of 10.2 percent of Anadarko's common stock. Anadarko's objective in international exploration is to bring high-potential prospects to the balanced mix of domestic plays.

In February 1993, the Company announced its first discovery in Algeria located in the Ghadames Basin on Block 208. The El Merk #1 (EMK #1) well flowed over 3,700 BOPD and 17 MMcf/d of gas from two Triassic zones. A subsequent delineation well -- the El Merk #2 (EMK #2) -- drilled in August proved inconclusive as to the commerciality of the EMK #1 discovery well.

In November 1993, Anadarko began drilling a third well on Block 208 -- the El Merk East #1 (EME #1). Located approximately six kilometers southeast of the EMK #1, the EME #1 was drilled to a total depth of 4,529 meters (14,859 feet) and encountered more than 70 meters (230 feet) of net hydrocarbon pay from various Triassic and Devonian sandstones. The well flowed over 8,100 barrels of oil and condensate per day and 82 MMcf/d of gas from four zones.

Also in November, Anadarko contracted a second drilling rig and began drilling another discovery well in Algeria. The Hassi Berkine North #1 (HBN #1), located on Block 404, was drilled to a total depth of 3,430 meters (11,251 feet) and encountered 23 meters (75 feet) of net pay in a Triassic sandstone. The well tested 4,900 BOPD of 42 degree API gravity crude oil and 6.3 MMcf/d of gas through a 3/4-inch choke with 1,330 psi of flowing tubing pressure. Delineation plans are currently being considered by the partners.

During the first half of 1994, Anadarko and partners will drill two more exploration wells -- Berkine East #1 (BKE #1) and Hassi Berkine East #1 (HBE #1) -- both of which are located on Block 404.

Anadarko is operator of these wells with a 50-percent working interest. Other partners in the Algerian venture -- each with a 25-percent working interest -- are LASMO Oil (Algeria) Limited, a wholly-owned subsidiary of LASMO plc; and, Maersk Olie Algeriet AS, a wholly owned subsidiary of Maersk Olie og Gas AS, a company in the Danish A.P. Moeller group.

#### PUEBLO VALLEY

In November 1993, Anadarko successfully tested two offset confirmation wells to its 1989 geothermal discovery in the Pueblo Valley of southeast Oregon. Located in the Alvord Known Geothermal Resources Area (Alvord KGRA), the well flowed at an average rate of 290 gallons of water per minute with a wellhead temperature of 296 degrees Fahrenheit.

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Anadarko is considering development of the field for electric power generation using binary (closed system) power plants. Binary geothermal power plants have no atmospheric emissions and have the least environmental impact of all renewable energy sources capable of firm power generation. The Company has been selected to participate in contract negotiations with Portland General Electric Company to provide electric power under a long-term contract from a proposed 22 megawatt binary plant.

Results of negotiations are expected during 1994. Subsequent to a successful contract, full project development would take about four years.

Anadarko holds 8,120 net lease acres at the Pueblo Valley discovery site and an additional 39,485 net lease acres within the Alvord KGRA. Anadarko maintains an active interest in geothermal energy because of its long-term economic potential.

#### DEVELOPMENT

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While Anadarko's exploration program yielded major discoveries for the Company in 1993, the Company's development program provides low-risk additions to proved reserves and production capacity year after year. Anadarko drilled 187 development wells with a 90 percent success rate in 1993 compared to 99 development wells drilled in 1992 with an 84 percent success rate.

Capital spending for development activities in 1993 was approximately \$78 million or 29 percent of total capital spending. This compares to development spending of \$29 million or 8 percent of total capital expenditures in 1992. In 1994, Anadarko expects to allocate about \$142 million for development, which is 38 percent of the Company's 1994 capital budget.

#### HUGOTON

Anadarko continues to develop its natural gas reserves through development drilling in the shallow Hugoton Field of Kansas. Anadarko implemented an infill program in 1987 to enhance natural gas production and improve recovery from the Hugoton Field Chase Group formation.

In 1993, Anadarko had interests in a total of 674 producing gas wells in the Hugoton Field, including 282 infill wells. The Company's natural gas production from the field in 1993 was approximately 44 billion cubic feet (Bcf), up 18 percent from 38 Bcf produced in 1992.

Anadarko's production from the Hugoton Field is expected to increase in 1994 due to modifications in production allowable rules approved by the Kansas Corporation Commission (KCC) in December 1993. The KCC issued a written order on their decision in February 1994. (See Regulatory and Legislative Developments included in Management's Discussion and Analysis.) In 1993, Anadarko recorded a modest positive revision to its Hugoton Field reserves to reflect a portion of the effect of the KCC order. (See Supplemental Information to Oil and Gas Exploration and Production Activities included in the Consolidated Financial Statements.)

In 1994, Anadarko expects to drill about 40 infill wells in the field, as well as expand its Hugoton area gas gathering and compression facilities.

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#### SOUTHWEST KANSAS

In 1993, Anadarko continued its "deep" drilling program to find and develop oil and gas reservoirs beneath the shallow natural gas pay zones in the Hugoton Field area.

One example of Anadarko's success in deep drilling has been in the Stirrup Field of Morton County, Kansas. Anadarko has drilled 17 oil wells and five gas wells since the Stirrup Field was discovered in 1985. Gross production averaged 1,450 BOPD and 12 MMcf/d of gas in 1993, an 86-percent increase over field production in 1992. Anadarko expects to drill 36 "deep" oil and gas wells in southwest Kansas in 1994.

Anadarko continues to boost its crude oil production in southwest Kansas through secondary recovery or "waterflood" operations. At Anadarko's Hitch Unit, gross production increased over 400 percent in 1993 to an average 2,200 BOPD compared to an average of 420 BOPD in 1992. At year-end 1993, the Hitch Unit was producing over 3,000 BOPD. Anadarko has a 91-percent working interest in the Hitch Unit.

#### GOLDEN TREND

One of Anadarko's most important development plays is the Golden Trend of central Oklahoma, where the Company owns interests in 206 wells, most of which are connected to the Company's Antioch Gathering System. During 1993, the Company drilled 37 development wells in the trend to extend the known geographic limits of the reservoir. Production from the trend was 16.6 MMcf/d of gas and 583 BOPD at year-end 1993. Anadarko plans to drill another 44 development wells in the Golden Trend in 1994.

#### PERMIAN BASIN

Anadarko continues to increase its use of secondary recovery ("waterflood") techniques to maximize production of the Company's oil reserves in the Permian Basin of West Texas. Anadarko's net crude oil production from the area is more than 10,000 BOPD or about 50 percent of the Company's total crude oil and condensate production. This compares to net production from the area of 3,300 BOPD in 1992.

Since 1988, Anadarko has focused much of its acquisition efforts on Permian Basin oil properties. During 1992, the Company invested over \$200 million to buy additional oil properties mainly in the Permian Basin. The Company spent another \$9 million to develop and upgrade these properties in 1993. As a result of acquisition and development strategies, Anadarko's total crude oil and condensate production increased over 70 percent in 1993 compared to 1992.

In 1994, Anadarko expects to invest \$15 million to further develop its waterflood oil properties in the Permian Basin, as well as other secondary recovery properties in the Mid-continent.

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#### GULF OF MEXICO

Anadarko's development of its offshore producing properties in 1993 included drilling four development wells. Anadarko's 1993 production in the Gulf of Mexico remained steady at 94 MMcf/d of gas and 1,600 BOPD compared to 1992 and 1991.

Most notable during the year was Anadarko's continued development of the High Island Block A-376 field. In March 1993, Anadarko drilled a successful delineation well that flowed approximately 5 MMcf/d of gas and 424 BCPD. The well encountered 162 feet of net pay and confirmed a discovery well, drilled in November 1992, which encountered 178 feet of net pay. The discovery tapped a new reservoir that is separate from the existing production areas which have produced over 9 MMBbls of oil and 55 Bcf of gas since being discovered by Anadarko in 1979. A second production platform will be installed on High Island A-376 in mid-1994 with production expected to be on stream by year-end. Anadarko is operator of the block and owns a 33-percent working interest.

During 1994, Anadarko expects to participate in seven development wells in the Gulf of Mexico. Platform design and installation work will commence in 1994 on a number of discoveries made in 1993.

#### ACQUISITIONS

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Anadarko's acquisitions strategy places special emphasis on oil and gas producing properties in the United States and Canada where the Company's exploration and production activities are already strong. The goal is to enhance the Company's position and increase profitability in the areas Anadarko knows best.

In 1993, Anadarko maintained an active program to evaluate numerous potential acquisition opportunities in both the United States and Canada. By year-end, the Company closed 24 property acquisition transactions in core producing areas with net proved reserves of 5.7 million energy equivalent barrels (MMEEBs) at a cost of \$27.8 million or \$4.90 per EEB. Over the next few years, the Company expects to spend about \$8 million to further develop reserves on the acquired properties. Acquisitions replaced about 15 percent of total production in 1993.

The largest transaction in 1993 involved \$20 million paid for "deep" oil and gas properties encompassing 24,000 lease acres in southwest Kansas from Mesa Operating Limited Partnership. The purchase included proved reserves of about 3.7 MMEEBs and a 6-1/2 percent over-ride interest in an additional 188,000 lease acres which are under a pre-existing farm-out arrangement with another company until 1999, when the undeveloped portion of the acreage will revert to Anadarko.

With further evaluation of these properties and results from seven development wells drilled in 1993, the Company added another 1.9 MMEEBs to reserves from this acquisition. By year-end 1993, production from the properties had increased to 985 BOPD and 2.5 MMcf/d of gas from 450 BOPD and 1.4 MMcf/d of gas when the properties were acquired in late June 1993. Development drilling will continue in 1994 on about 40 identified prospects on the properties.

Anadarko expects competition in the acquisitions arena to remain keen. In 1994, the Company will continue to concentrate on acquisitions of quality producing properties with long reserve lives that mesh profitably and strategically with Anadarko's ongoing operations. As part of this focus on core producing areas, Anadarko will complement its property acquisition efforts with a divestment

strategy to include sales of non-strategic assets during 1994.

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## MARKETING

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Anadarko's marketing strategies are designed to capture maximum value when the Company sells natural gas, crude oil and natural gas liquids.

### NATURAL GAS

Since becoming an independent company in 1986, Anadarko has significantly increased its natural gas sales and gained market share by offering customers secure supplies under a variety of contract options with innovative pricing structures and marketing related services.

In 1993, the Company's marketing subsidiary Anadarko Trading Company (ATC) was redesigned to provide a variety of value-added marketing services to end-use customers primarily in midwest and northeast markets. Installation began on a computerized decision-support system which will allow ATC to move gas to the most profitable markets and take advantage of the lowest cost transportation available.

ATC continues to expand its gas sales capacity by increasing its purchase of non-affiliated gas. In 1993, sales of non-affiliated purchased gas totaled 82 Bcf compared to 58 Bcf in 1992 and 28 Bcf in 1991. In December 1993, ATC entered into a one-year gas purchase agreement with PanCanadian Petroleum Company (U.S.), effective April 1, 1994, under which ATC will purchase 42 MMcf/d of gas from PanCanadian for sale into market areas in Illinois, Wisconsin and Minnesota. In 1993, ATC sold about 100 MMcf/d of gas into this Midwest market.

Gas is sold under a portfolio of contracts, the majority of which are market-responsive with pricing being determined based on the term of the contract, the level of reliability and the types of services provided. In 1993, about half of Anadarko's gas sales volumes (including sales of gas purchased from non-affiliated parties) was sold directly to local distribution companies and industrial end-users compared to about one-third in 1992.

### PLANTS AND PIPELINES

Anadarko's investment in gas gathering operations allows the Company to better manage its gas production, improve the ultimate recovery of reserves and enhance marketing opportunities.

Since 1988, the Company has invested approximately \$54 million to build or acquire gas gathering systems and gas processing plants. Anadarko currently owns and operates four major gas gathering systems in core producing areas and operates or has interests in 13 other systems. These four large systems have capacity of 300 MMcf/d of gas and are connected to 536 wells.

In 1993, Anadarko began a \$1.6 million expansion of its Hugoton Gathering System (HUGS) in southwest Kansas, built in 1990. With completion of this expansion in January 1994, HUGS has 120 MMcf/d of gas capacity to serve Anadarko's markets in the Midwest through two interstate and one intrastate pipeline connection. Additional expansion projects are planned on HUGS in 1994.

Also in 1993, Anadarko invested \$1.7 million to expand and add compression equipment to its Antioch Gathering System in central Oklahoma. As a result, throughput at the Panther Creek Plant increased from 16 to 26 MMcf/d of gas.

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In 1994, Anadarko will aggressively pursue further expansion of its gas gathering and processing operations. A new Plants and Pipelines Division will invest approximately \$36 million in 1994 for construction of new gathering and processing facilities, installation of additional compressors and expansion of existing gathering systems.

Anadarko also will continue its aggressive pursuit of additional marketing and transportation options through participation in development of market trading centers (hubs) in areas of Company operations.

Anadarko's crude oil and condensate sales volumes were up 70 percent in 1993 compared to 1992 primarily due to the purchase of producing oil properties in the Permian Basin in December 1992.

The majority of Anadarko's crude oil production is sold on 30-day "evergreen" contracts with prices based on postings plus a premium.

Over the past few years, Anadarko has become increasingly active in the natural gas liquids (NGLs) business, primarily as a result of its gas gathering and processing operations. In 1993, Anadarko's sales of NGLs reached record levels of 2.7 MMBbls. The increase is related primarily to the acquisition of producing properties in the Permian Basin of West Texas in December 1992, as well as sales from inventory.

STOCKHOLDERS' INFORMATION

The common stock of Anadarko Petroleum Corporation is traded on the New York Stock Exchange. Average daily trading volume was 283,000 shares in 1993, 205,000 shares in 1992 and 183,000 shares in 1991.

The ticker symbol for Anadarko is APC and daily stock reports published in local newspapers carry trading summaries for the Company under the headings ANADRK or ANADRKPETE.

The following shows information regarding the closing market price of and dividends paid on the Company's common stock by quarter for 1993 and 1992.

<TABLE>  
<CAPTION>

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
<S>	<C>	<C>	<C>	<C>
1993				
Market Price				
High	\$38.25	\$43.63	\$47.50	\$51.75
Low	25.88	36.25	38.25	39.50
Dividends	\$0.075	\$0.075	\$0.075	\$0.075
1992				
Market Price				
High	\$24.00	\$27.00	\$32.75	\$30.88
Low	18.88	20.25	23.38	26.63
Dividends	\$0.075	\$0.075	\$0.075	\$0.075

</TABLE>

## INDEPENDENT AUDITORS' CONSENT

The Board of Directors  
Anadarko Petroleum Corporation:

We consent to the incorporation by reference in the following registration statements of Anadarko Petroleum Corporation of our reports dated January 27, 1994, relating to the consolidated balance sheets of Anadarko Petroleum Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity, and cash flows and related schedules for each of the years in the three-year period ended December 31, 1993, which reports appear or are incorporated by reference in the December 31, 1993 annual report on Form 10-K of Anadarko Petroleum Corporation.

- (a) Post-Effective Amendment No. 2 to Forms S-8 and S-3, Anadarko Petroleum Corporation Substitute Stock Option Plan (No. 33-8434).
- (b) Post-Effective Amendment No. 1 of Form S-8 and S-3, Anadarko Petroleum Corporation 1986 Stock Option Plan (No. 33-8496).
- (c) Post-Effective Amendment No. 2 to Forms S-8 and S-3, Anadarko Employee Savings Plan (No. 33-8643).
- (d) Forms S-8 and S-3, Anadarko Petroleum Corporation 1987 Stock Option Plan (No. 33-22134).
- (e) Forms S-8 and S-3, Anadarko Petroleum Corporation 1988 Stock Option Plan for Non-Employee Directors (No. 33-30384).
- (f) Form S-3, Anadarko Petroleum Corporation Shelf Registration Statement for \$300 Million of Equity Securities (No. 33-50717).

{KPMG Peat Marwick}

Houston, Texas  
March 17, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned Officer and/or Director of ANADARKO PETROLEUM CORPORATION (the "Company"), a Delaware corporation, does hereby constitute and appoint SUZANNE SUTER and MICHAEL E. ROSE, and each of them, his true and lawful attorney and agent to do any and all acts and things and execute any and all instruments which, with the advice of Counsel, said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in connection with the filing under said Act of the Form 10-K Annual Report, including specifically, but without limitation thereof, to sign his name as an Officer and/or Director of the Company to the Form 10-K Annual Report filed with the Securities and Exchange Commission, and to any instrument or document filed as a part of, or in connection with, said Form 10-K Annual Report or amendment thereto; and the undersigned does hereby ratify and confirm all that said attorney and agent shall do or cause to be done by virtue thereof.

IN WITNESS WHEREOF, the undersigned have subscribed these presents this 14th day of March, 1994.

{Robert J. Allison, Jr.}

{James L. Bryan}

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Robert J. Allison, Jr.

James L. Bryan

{Conrad P. Albert}

{John R. Gordon}

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Conrad P. Albert

John R. Gordon

{Larry Barcus}

{Charles M. Simmons}

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Larry Barcus

Charles M. Simmons

{Ronald Brown}

{Michael E. Rose}

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Ronald Brown

Michael E. Rose

{J. R. Larson}

{Suzanne Suter}

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