Rising Long-term Expectations

Long-term Price Expectations for Oil and Gas Prices
Driven by Demand

Change in Oil Demand from 2000 to 2005

-300,000 to -2,200,000
-100,000 to -300,000
+20,000 to +100,000
+100,000 to +300,000
+300,000 to +2,200,000

0 to +20,000
-10,000 to 0
-30,000 to -10,000
-180,000 to 30,000
The Cupboard Is Empty

Why Katrina and Rita mean so much…
Gas Story Not Much Better

Natural Gas Production, Consumption, & Imports
1970 – 2025 (Tcf)

Projections

Natural Gas Net Imports in 2025 (trillion cubic feet)

Source: www.eia.doe.gov
**Resource Optimist**
- “Been here, done this”
- Just a cycle
- Prices will fall over the medium- and long-term

**Resource Realist**
- Historical inflection point
- Supply challenged to grow
- No revolutionary technology
- Consumption growth
- Prices Stay Robust
The Bench is Not Deep...

A 65% decline in Geoscience and Engineering degrees granted since the peak in 1982

Geoscience Degrees Granted

- Doctorate
- Master’s
- Bachelor’s

~ 33% Petroleum Related

Petroleum Engineering Degrees Granted

- Doctorate
- Master’s
- Bachelor’s

~ 13% Petroleum Related

Oil & Gas Extraction Employees (Includes Field Services)

A reflection of the overall decline in industry manpower

Source: American Geological Institute

Source: Texas Tech University

Source: US Dept. of Labor - Bureau of Labor Statistics
Fewer Opportunities

As a result, International Oil Companies are rule takers and price takers; have limited access to oil reserves.

Source: PFC Energy

NOC Oil Reserves (Equity Access) - <25% of Oil Accessible
WW Proven Oil Reserves: 1,148 Billion bbl
Expensive Times...

RIG COUNT vs DAYRATE

INDUSTRY
January 2004 to January 2006

Fuel 64%
Drilling Fluids 17%
Cementing 25%
Tubulars 85%
Stimulations 14%
Open Hole Logging 23%

Deepwater Drillship Day Rate
The Choices...

Acquisition
- Less risky
- Temporary fix
- No new resources
- Limited opportunities
- Getting expensive

Organic Growth
- Riskier in S.T.
- Sustainable model
- High G&A
- Early entry economics
- Need track record

We believe organic growth is important and necessary!
APC Strategies

1. Pursue Unconventional Resources
2. Leverage our Exploration Capabilities
3. Connect Stranded Gas to Markets
1,000 Tcf Remaining in Well-known, Mature Basins (USGS, GCSC, CAPP, CNSOPB)

- 70% unconventional

“Unconventional” Success

- Technology
- Land
- Infrastructure

1: Going Unconventional

- Undiscovered Resource Areas
- Tight Gas
- CBM
- EOR
- Fractured Reservoirs
- Undiscovered Resource Areas
Learning from Success

- Drilling Unconventional Wells Faster
- Making Tight Gas Completions Better
- Learning Faster and Applying to New Areas

**East Texas Fracture Stimulation Evolution**

**Vernon Drilling Optimization**
- First ten wells: average 71 days
- Recent wells: average 35 days

**Tight Gas Production Profile**
- Limited Contribution in First 2 Years
- Haley
- Vernon
- Bossier

**Graphs:**
- Time (Days)
- Production (Mcf/d / Net Ft of Pay)
- Drilling Days
- MMcf/d (Gross)
The Role of the Geoscientist is...

- Creativity
- Continuous Learning
- Multi-discipline Collaboration
- Linking Skills to Find the Sweet Spots
  - Reservoir characterization
  - Field optimization
  - Specialization in tight gas, EOR, CBM and beyond
  - Identification of repeatable ideas/interpretations

APC has 50% G&G devoted to unconventional
Long-term growth will require applied technology and a willingness to go to new places.
Our Advantage

- Early Identification through Basin Studies
- Agility - 1st Mover
- Technology Application
  - HTHP, PSDM, Drilling & Completions
- Strategic Partnering
  - Alaska, Deepwater GOM, Drill Fund
- Long-term Commitment

*Spent 33% of ’05 capex on exploration, almost double percentage of larger majors and 50% higher than independents*
Going New Places

Leveraging Partnerships and Technology

- Cheyenne
- Jubilee
- Spiderman
- Vortex
- Vendo NW
- Atlas NW
- Atlas
- Cheyenne

Planning Area Boundary
New Proposed Area
Sale 181 Call Area
- 86° 41' Military Mission Line

Anadarko Blocks
- Anadarko Discoveries
- Other Discoveries
3: Stranded Gas

Connect known, low-value gas resources to developed markets.

- Natural complement to other parts of strategy
- Utilizes strong marketing capabilities
- Leverage for opportunity access and strategic partnerships

The dawn of gas globalization

Bear Head LNG
Frontier Innovation

**Buckinghorse River Crossing**

- Innovative use of horizontal well technology
- Connects stranded gas to market
- Opens-up potentially 200 BCF to development
The Role of the Geoscientist is…

- Technical and Business Innovation
- Project Management and Execution
  - Negotiation
  - Partnering skills
  - Quick evaluations
  - Risk and uncertainty assessment
  - Cultural sensitivity
  - Multi-lingual fluency
How will We Win the Game

Value People

Technical Excellence

Solid Execution
Strong Leadership

- COURAGE
- INSPIRE
- SERVE OTHERS
- BALANCE
- COMMITTED
Preparing the Next Generation

- Strong Mentoring
- Nurturing Ideas
- Reward & Recognition
- Performance Culture
- Work-life balance

Engineer Demographics

G&G Demographics

SPE - Worldwide

Anadarko

AAPG & SEG
Adapting Technology

Rapid & Continuous Evolution

• 4D Seismic
• Reservoir Modeling
• Unconventional Reservoirs
• Subsalt
• Deepwater
Insuring Access and Execution

- Committing to New Builds Onshore
  - Increasing infrastructure
- Committing to Deepwater
  - Contracted 4.5 rigs from 2006-2012
Our Vision is Growth

By the End of this Decade

Grow reserves to 4 Billion BOE
Double production to 300 MMBOE

“to deliver a competitive and sustainable rate of return to shareholders by developing, acquiring and exploring for oil and gas resources vital to the world’s health and welfare.”
Q&A Session