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Memorandum

TO: Senator Bill Wielechowski
FROM: Chuck Burnham, Legislative Analyst
DATE: March 19, 2012
RE: Conoco Phillips: Global Distribution of Net Income and Production
LRS Report 12.250

You asked about Conoco Phillips Company's net income and petroleum production. Specifically, you wanted to know what proportion of net income and production occurs in Alaska, and how the company's profits on a per barrel of oil equivalent (BOE) basis compare to those in the rest of its geographic areas of operation.

Table 1 (following page) shows net income figures for Conoco Phillips (COP) generated in selected jurisdictions for the eleven years 2000-2010. In accordance with your request, the table also includes our calculation of Alaska net income as a percentage of U.S. and overall net income. As you can see, COP's Alaska net income ranged from \$829 million in 2000 to \$2.55 billion in 2005.¹ Similarly wide variability in profit was seen across the jurisdictions in which COP operates, with total U.S. net income ranging from \$1.15 billion in 2002 to nearly \$5 billion in 2008. (Please note that net income figures for 2009 do not reach 100 percent in Figure 1 because the company lost \$37 million in its lower 48 operations. Therefore, in effect, Alaska operations represented the total of domestic net income for that year.) Overall, the company's net income from operations in the state accounted for between roughly 19 percent and 51 percent of total profits, and averaged nearly 30 percent over the eleven years in question. Figure 1 illustrates these data.

The measure "barrel of oil equivalent" (BOE) expresses the volume of a given fuel required to equal the amount of energy contained in one standard U.S. barrel of crude oil (42 gallons).² Although an imperfect measure, calculating the BOE for various forms of hydrocarbons (oil, natural gas, natural gas liquids, etc.) is useful in that it allows for certain comparisons to be made in a much easier to understand, apples-to-apples format. It is important to note, however, that the BOE of a given substance is most useful for comparing volume to energy content ratios. The measure is less effective for comparing the relative value of BOEs.³ However, your question, as we understand it, does not concern the value of a given petroleum product or a comparison of the values of various such substances, but rather the profit generated by the production of a specific amount of energy—that of a barrel of oil or its equivalent.

Table 2 provides the proportions of BOE production for COP in Alaska, the Lower 48 states, and combined international jurisdictions. Over the years 2000 to 2010, Alaska operations accounted for an average of about 24 percent of the company's BOE production, as illustrated in Figure 2. Over the same timeframe, COP earned an average profit of over \$15 per BOE in Alaska, compared to roughly \$10 per BOE for its global operations. As Figure 3 shows, net income per BOE in Alaska over recent years has been both substantially higher and less volatile than that in other states and international operations.

We hope this is helpful. If you have questions or need additional information, please let us know.

¹ All dollar figures are rounded.

² Please note that the amount of energy provided by a given amount of crude oil (or any fuel) varies by production location or, more precisely, the grade of oil produced. Therefore, BOE figures should be viewed as estimates.

³ For example, the BOE of natural gas is typically cited at roughly 5,800 cubic feet (cf), or 5.8 thousand cubic feet (Mcf). At today's prices (Alaska North Slope [ANS] crude spot prices and national average wellhead price for natural gas), one barrel of ANS is worth nearly \$123 while the BOE of 5.8 Mcf of natural gas is valued at just over \$18.

Table 1: ConocoPhillips Net Income (Millions of Dollars)

Jurisdiction	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals
Alaska	\$ 829	\$ 866	\$ 870	\$ 1,445	\$ 1,832	\$ 2,552	\$ 2,347	\$ 2,255	\$ 2,315	\$ 1,540	\$ 1,735	\$ 18,586
Lower 48	\$ 559	\$ 476	\$ 286	\$ 929	\$ 1,110	\$ 1,736	\$ 2,001	\$ 1,993	\$ 2,673	\$ (37)	\$ 1,033	\$ 12,759
International	\$ 557	\$ 357	\$ 593	\$ 1,928	\$ 2,760	\$ 4,142	\$ 5,500	\$ 367	\$ 6,976	\$ 2,101	\$ 6,430	\$ 31,711
Total	\$ 1,945	\$ 1,699	\$ 1,749	\$ 4,302	\$ 5,702	\$ 8,430	\$ 9,848	\$ 4,615	\$ 11,964	\$ 3,604	\$ 9,198	\$ 63,056
Alaska Net Income as Percent of Overall Total	42.6%	51.0%	49.7%	33.6%	32.1%	30.3%	23.8%	48.9%	19.3%	42.7%	18.9%	29.5%

Source: Legislative Research calculations based on annual filings of form 10-K with the U.S. Securities and Exchange Commission posted to the EDGAR online database, <http://www.sec.gov/edgar/searchedgar/webusers.htm> .

Figure 1: ConocoPhillips: Global Net Exploration and Production Income by Percent Accrued in Selected Jurisdiction

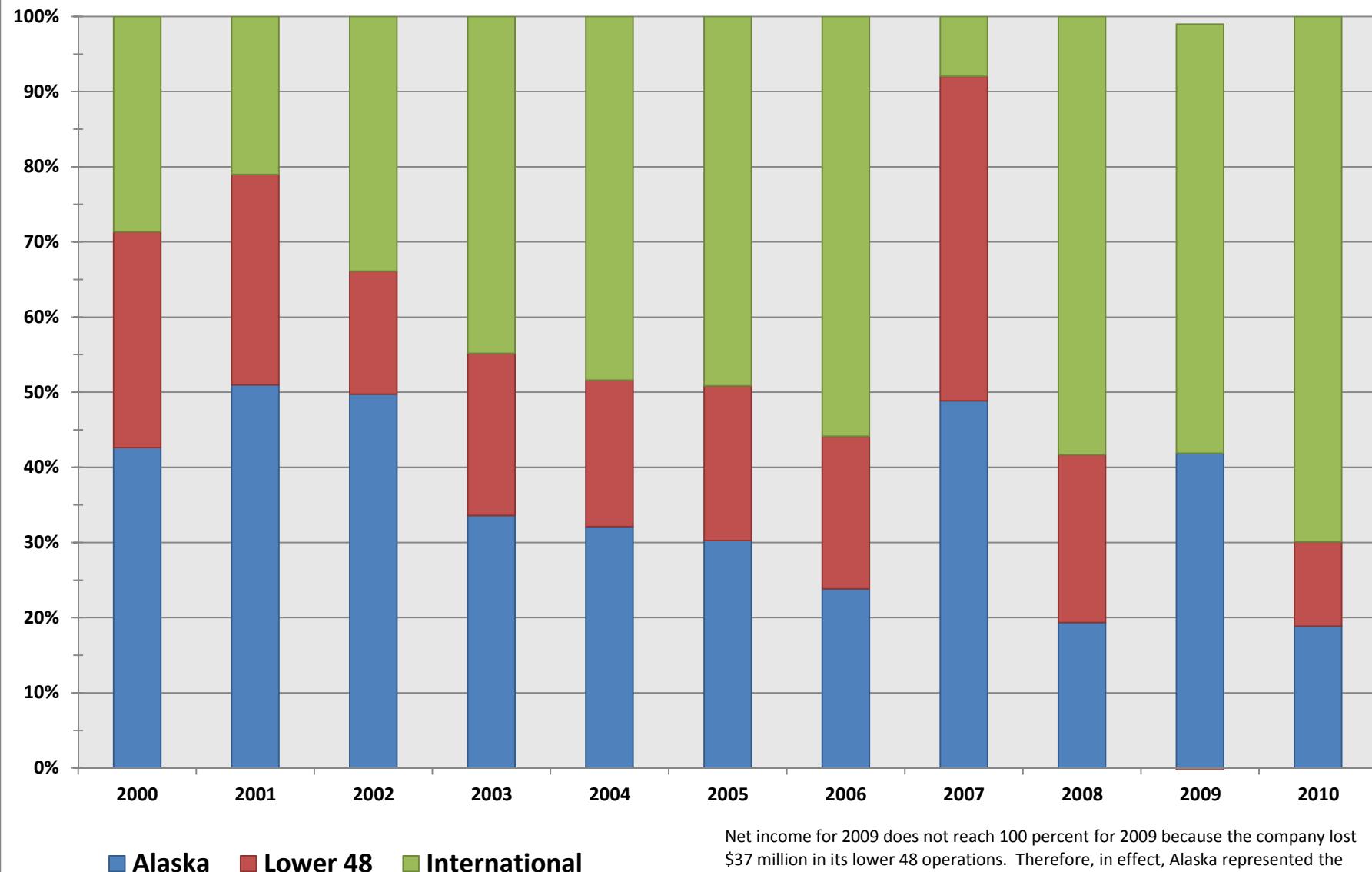


Table 2: ConocoPhillips: Net Income per Barrel of Oil Equivalent (BOE)

Jurisdiction	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Alaska	\$8.97	\$6.01	\$6.19	\$10.43	\$14.36	\$20.38	\$21.08	\$20.66	\$22.84	\$15.73	\$19.47	\$15.10
Lower 48	\$9.13	\$8.02	\$3.77	\$8.42	\$10.56	\$15.96	\$10.63	\$9.80	\$14.39	(\$0.20)	\$6.26	\$8.79
International	\$5.35	\$3.61	\$3.33	\$5.69	\$9.27	\$12.33	\$13.17	\$1.06	\$18.96	\$3.89	\$17.62	\$8.57
Global	\$7.54	\$5.62	\$4.43	\$7.32	\$10.75	\$14.79	\$13.73	\$7.02	\$18.26	\$4.39	\$14.86	\$9.88
Proportion of BOE Production												Average
Alaska	35.9%	47.6%	35.6%	23.6%	24.1%	22.0%	15.5%	16.6%	15.5%	11.9%	14.4%	23.9%
Lower 48	23.8%	19.6%	19.2%	18.8%	19.8%	19.1%	26.2%	30.9%	28.3%	22.2%	26.7%	23.1%
International	40.4%	32.7%	45.1%	57.6%	56.1%	59.0%	58.2%	52.5%	56.2%	65.9%	58.9%	53.0%
<p>Notes: "Barrel of oil equivalent" expresses the amount of a given fuel required to equal the amount of energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, however, that the amount of energy provided by a given amount of crude oil (or any fuel) varies by production location or, more precisely, the grade of oil produced. Therefore, BOE figures should be viewed as estimates. The figures in this table are the results of dividing net income by the aggregate BOE production of oil, natural gas, and natural gas liquids.</p> <p>Source: Legislative Research calculations based on annual filings of form 10-K with the U.S. Securities and Exchange Commission posted to the EDGAR online database, http://www.sec.gov/edgar/searchedgar/webusers.htm .</p>												

Figure 2: Conoco Phillips: Proportion of Global Barrel of Oil Equivalency Production

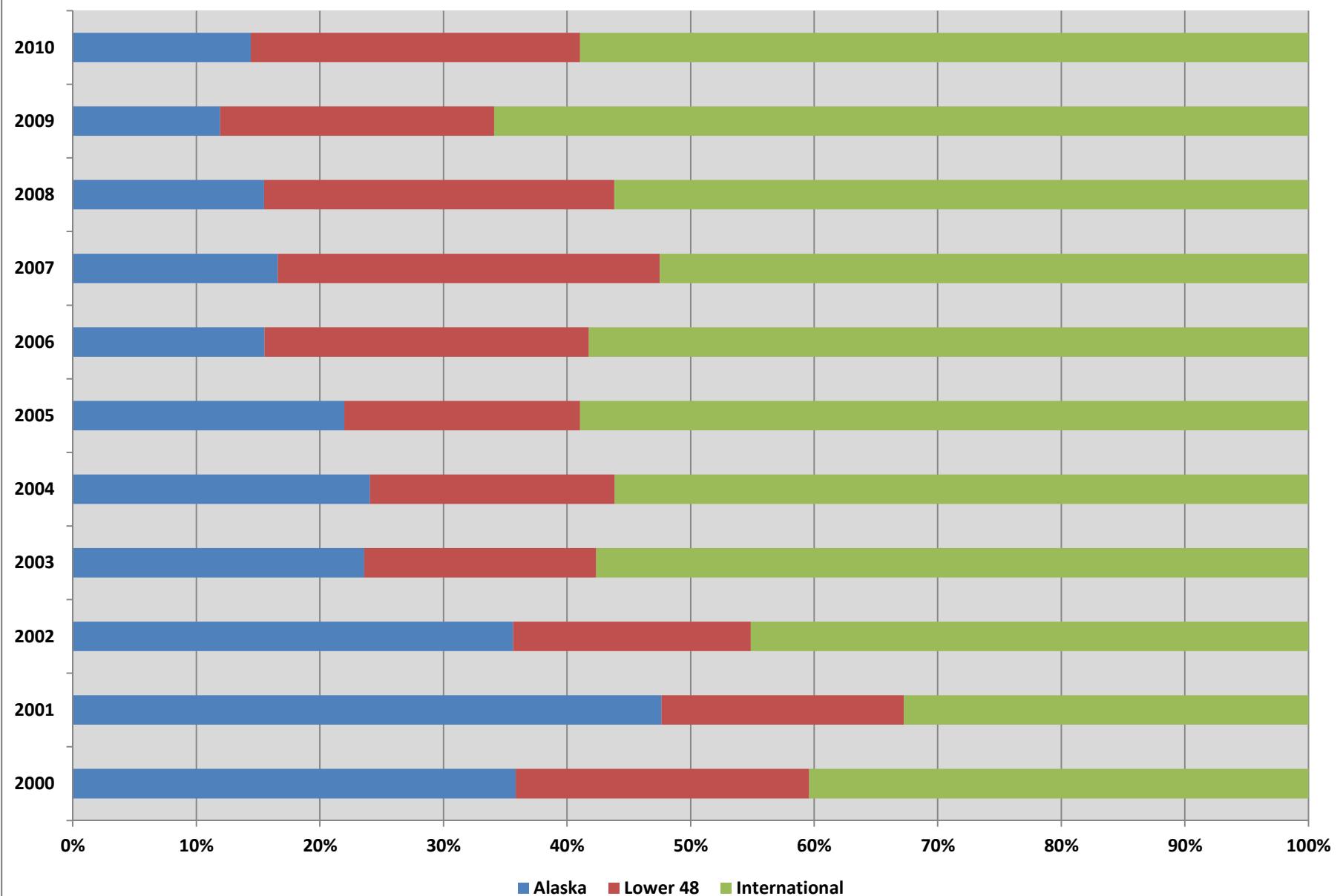


Figure 3: ConocoPhillips: Net Income per Barrel of Oil Equivalent

