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Conoco earns $616 million on rising prices and production

ConocoPhillips earned $616 million in Alaska in the first quarter of the year, as a rare combination of rising oil prices and production bumped profits 12 percent year over year.

The unusual uptick in Alaska oil production, though, comes as ConocoPhillips is rapidly increasing its liquids output from the Lower 48, particularly from unconventional plays.

The largest operator in Alaska produced 226,000 barrels of oil and natural gas liquids per day in the state in the first three months of the year, up 5 percent from 214,000 bpd in the first quarter of 2011 and down slightly from 227,000 bpd in the fourth quarter of 2011.

By comparison, ConocoPhillips produced 201,000 bpd of liquids from its Lower 48 portfolio, up 34 percent year over year and 8 percent quarter over quarter, where the company operates in the Eagle Ford, Bakken and Permian resource plays.

For natural gas, ConocoPhillips produced 59 million cubic feet per day in Alaska in the first quarter, down 12 percent year over year. The company produced 1.5 billion cubic feet per day in the Lower 48, down slightly year over year and quarter over quarter.

Because of a pricing disparity, though, Alaska remains the more profitable play for now.

Although ConocoPhillips produced only slightly lower liquids volumes and far higher natural gas volumes in the Lower 48 than in Alaska during the quarter, the company earned only $254 million from the Lower 48, compared to $616 million in Alaska.

That’s because ConocoPhillips realized an average sales price of $112.20 per barrel for Alaska crude oil but only earned $76.40 per barrel for Lower 48 crude during the quarter.

Additionally, ConocoPhillips reported an average price of $4.68 per thousand cubic feet for Alaska natural gas compared to $2.65 per mcf for its Lower 48 volumes. While Alaska natural gas is traded on long-term contracts in a relatively tight market, Lower 48 prices are highly liquids and being kept down by a surplus of supply from shale plays.

-Eric Lidji

See story in April 29 issue, available online at 11 a.m., Friday, April 27 at www.PetroleumNews.com