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February 25, 2011

The Honorable Eric Feige
Co-Chairman, House Resources Committee
Alaska State Legislature
Alaska State Capitol, Room 126
Juneau, AK 99801-1182

The Honorable Paul Seaton
Co-Chairman, House Resources Committee
Alaska State Legislature
Alaska State Capitol, Room 102
Juneau, AK 99801-1182

Dear Co-Chairmen Feige and Seaton:

Thank you for the opportunity to present to the House Resources Committee on February 16, 2011, regarding the State of Alaska's oil tax structure and our support for HB110 as a positive step towards improving the investment climate in Alaska.

Issues raised during the committee discussion are addressed below with additional details provided in the attachment.

Issue #1: Can you provide clarification of the different effective tax rates between U.S. E&P and International E&P in the 2010 4th Quarter Earnings Report?

Response: The effective tax rates listed in our earnings reports include only Federal income tax and State Corporate income tax. They do not include other forms of government take such as royalty or Taxes Other than Income Tax (TOTI), which includes taxes such as Alaska's ACES production tax and property taxes.

Issue #2: What data is provided/can you provide more data?

Response: Significant data is currently supplied to the state under taxpayer confidentiality, which among other things provides details around

investment spending, types and forecasts. Among data provided are joint interest bills, Authorization for Expenditures (AFE) listing, capital and expense budget forecasts broken down by expenditure type, actual production and production forecasts, well data, and plans of development. A more detailed (but still incomplete) list of data submitted to various state agencies is listed in Attachment 1.

Issue #3: On the map identifying North Slope dropped leases, how much of the dropped acreage was ConocoPhillips'?

Response: Of the approximately 5 million North Slope acres dropped since 2007, approximately 2 million were dropped by ConocoPhillips

Issue #4: In the plot identifying production changes since 2003 by U.S. state, in which states does ConocoPhillips have production?

Response: In addition to Alaska, ConocoPhillips has production in Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas, Utah, and Wyoming. ConocoPhillips has some production in the remaining three states, California, Kansas, and Mississippi.

Issue #5: Where else in the world does ConocoPhillips do business?

Response: An overview of ConocoPhillips worldwide operations was presented at the February 8, 2011 Credit Suisse Energy Conference (http://www.conocophillips.com/EN/investor/presentations_ccalls/Documents/Credit%20Suisse%202011%20Slides%20color.pdf). Slide 20 identifies global major projects and slide 21 identifies global exploration opportunities.

Please do not hesitate to contact me if the Committee has further questions or requires additional information.

Respectfully,



Wendy D. King

Attachment

Attachment 1
Industry Data Submittals (Partial Listing Only)

DOR - Monthly reports

- Offtake schedules for Colville River Unit and Greater Kuparuk Area
- Gas disposition reports for Colville River Unit and Greater Kuparuk Area
- Royalty by tract reports for operated units
- Run tickets for operated fields
- Production and Injection reports
- Reserve Debit reports for Greater Kuparuk Area
- Disposition workbooks - pricing information
- All new contract information for the month, including amendments
- ELF well days
- Joint Interest Bills - Cost data and lease expenditure back-up information
- North Cook Inlet Unit operator report
- Monthly Information Form, which has production by disposition type for each PA, price by unit, and expenditures by opex and capex by unit. Expenditures includes overhead and 170 adjustment totals as well. This report is provided in pdf and Excel format.
- AFE listing - as operator
- Unscheduled interruptions listing - as operator

DOR - Annual reports

- Tax Summary Form - DOR form
- Interest calculations and backup in pdf format
- Essbase forms annual and monthly for entire year in pdf format - this includes a Tax Summary as well as DOR forms 65, 70, 80, 85, 90, 95A and 95C as proscribed in 2007
- Annual Information Form - similar to monthly information form, but includes updated monthly information, in both Excel and PDF format
- Disposition workbooks - all months with final pricing
- Tax Credit form for any .023 credits - DOR form 0405-330
- Tax Credit form for any .025 credits - DOR form 04-320
- NGL affidavit - certifying transfers or sales of production to be used for injection during the year
- Final copies of all Crude and Gas sales contracts in use during the year.

DOR - Annual production and cost forecast

- Monthly production forecast for next calendar year
- Annual production forecast for subsequent calendar years
- Planned downtime schedule and production impacts for future two years
- Unplanned downtime assumptions and production rate impacts
- Planned drilling schedule with initial production date and rates
- Forecast capital
- Forecast expense
- Budget assumptions

AOGCC - Subsurface well data

- Reservoir Analysis Logs (open & cased hole): 1 blueline & 1 digital graphics image file
- Completion Logs (perf records, plug setting, gas lift survey, etc): 1 blueline & 1 digital graphics image file
- OH & CH Logs digital data: 1 copy
- Directional data: 1 hard copy, 1 digital file (in both NAD27 & NAD83 CRS)
- As built survey: 1 copy
- Drilling Reports: 1 disk (digital copies)
- Drill stem and production tests
- Geochem and fluid analysis
- Mud Logs & Reports: 1 hard copy, 1 digital copy
- Washed and dried cuttings
- Core Lab reports: 1 hard copy, 1 digital copy
- Core Photos: 1 digital copy
- Core Lith Description: 1 digital copy

DNR – Subsurface well data

- Well completions with test data
- Daily drilling logs
- As-builts and location plats
- Paper and digital definitive final directional surveys (including plugbacks)
- Logging summary
- Summary of all cored intervals
- Paper and digital copies of core reports, P&P
- Paper and digital copies of conventional and sidewall core
- Depths and formation names for oil and gas shows
- Identify zones of abnormal pressure
- DST, fluid tests, RFT (well test data)
- Paper and digital copies of well test procedures and data
- Paper and digital copies of geochem formation fluid analysis
- Permit to drill and as-built
- Paper copies of logs
- Paper copy of mudlogs
- Digital copies of logging data
- Paper and digital of paly, paleo, petrography, xray diffraction, SEM, thermal maturation, vitrinite reflectance, etc.
- Well seismic - velocity, checkshot, VSP (digital and prints if both acquired)
- Paper and digital of coalbed cores, gas and water quality, VR, TOC (related to CBM-shallow gas wells only)

DNR – PA royalty revision subsurface data

- Well Data
 - Raw log data, POR, SW, Perm curves (LAS file per well)
 - Well path Directional data for each well (LAS or ascii file per well)
 - Completion Interval (LIS or ascii file per well)
 - Reservoir Top picks (Excel or ascii file)

- Production & Injection Rates (Excel)
- Display showing each well trajectory through the reservoir (PowerPoint)
- Map Grid Files
 - Top Nechelik structure, ftss (top reservoir structure)
 - Gross thickness, ft
 - Net thickness, ft
 - Porosity, % or fracBV
 - Perm, kh mD
 - Sw, % or fracPV
- Polygon Files
 - PA boundary 2008 (current)
 - PA boundary 2011 (update based on current & future wells)
 - Fault polygons
- Geomodel
 - RMS property model (GRDECL file)
- Misc Data & Info
 - Tech Meeting #1 Presentation (PowerPoint)
- Reservoir Data
 - Capillary Pressure Data
 - Core Relative Permeability Data
 - Fluid / PVT Data
 - Pressure Transient Analysis Data

Additional data submittals

- Unit Plan of Development (report and presentation, includes structure, isopach, net pay, porosity, sw maps and digital grid data)
- Annual Surveillance Report
- Annual forecasting meeting
- KRU/PA expansions (report, presentation, GGRE maps/grids)
- Suspended well report
- Shut-in well report (wells shut in for 90 days plus, wells shut in for 6+ months)
- Monthly allocation reports showing oil, gas, water for each well in each PA, along with allocation factors.
- Sundry notices for new wells, change of service wells, etc.