

House Resources Committee

Discussion of HB3001

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ConocoPhillips Alaska

April 25, 2012

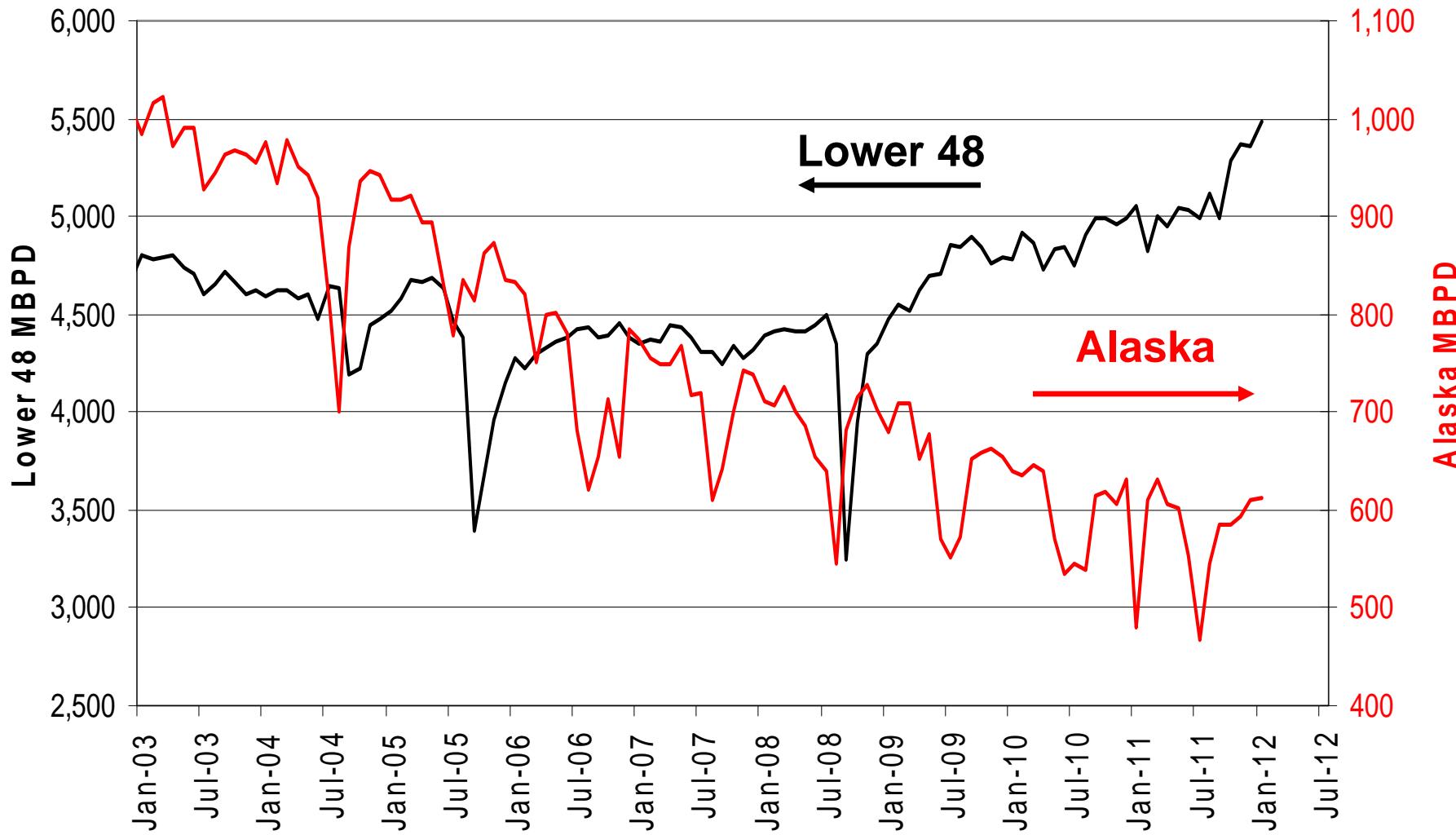
Outline

- ConocoPhillips Latest Financial Performance
- Alaska Potential
- Fiscal Framework Discussion
- ConocoPhillips Commitment

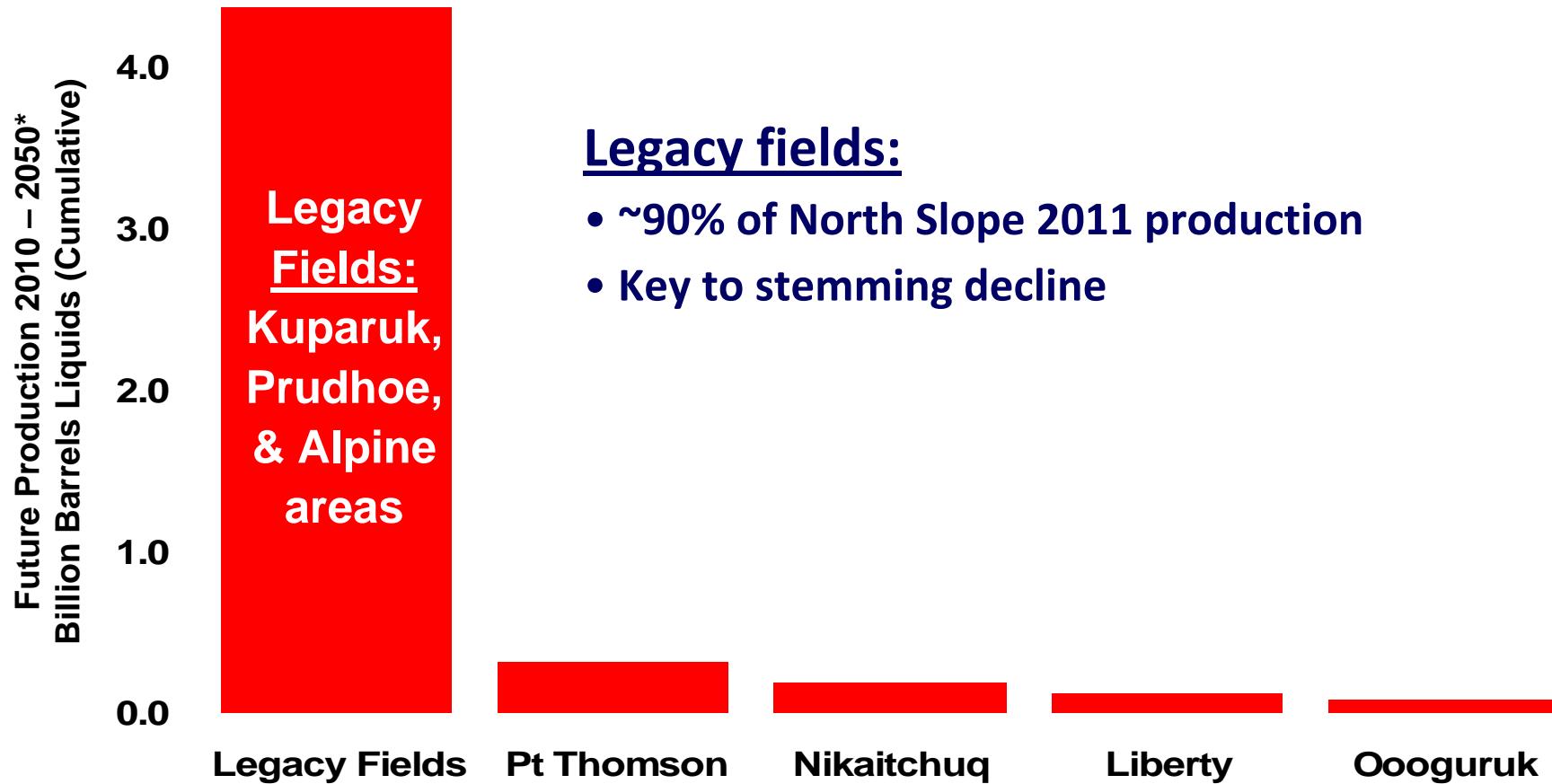
Latest Financial Performance

- Alaska First Quarter 2012 Earnings
 - Paid \$1.5 billion in taxes and est. royalties; earned \$616 million
 - \$13.1 million per day of taxes and est. royalties to State of Alaska
 - \$16.5 million per day of total government take
 - \$173 million higher than 4th quarter 2011 due to timing of sales and increased prices

Production is Declining in Alaska



Legacy Fields are Key to Future Production



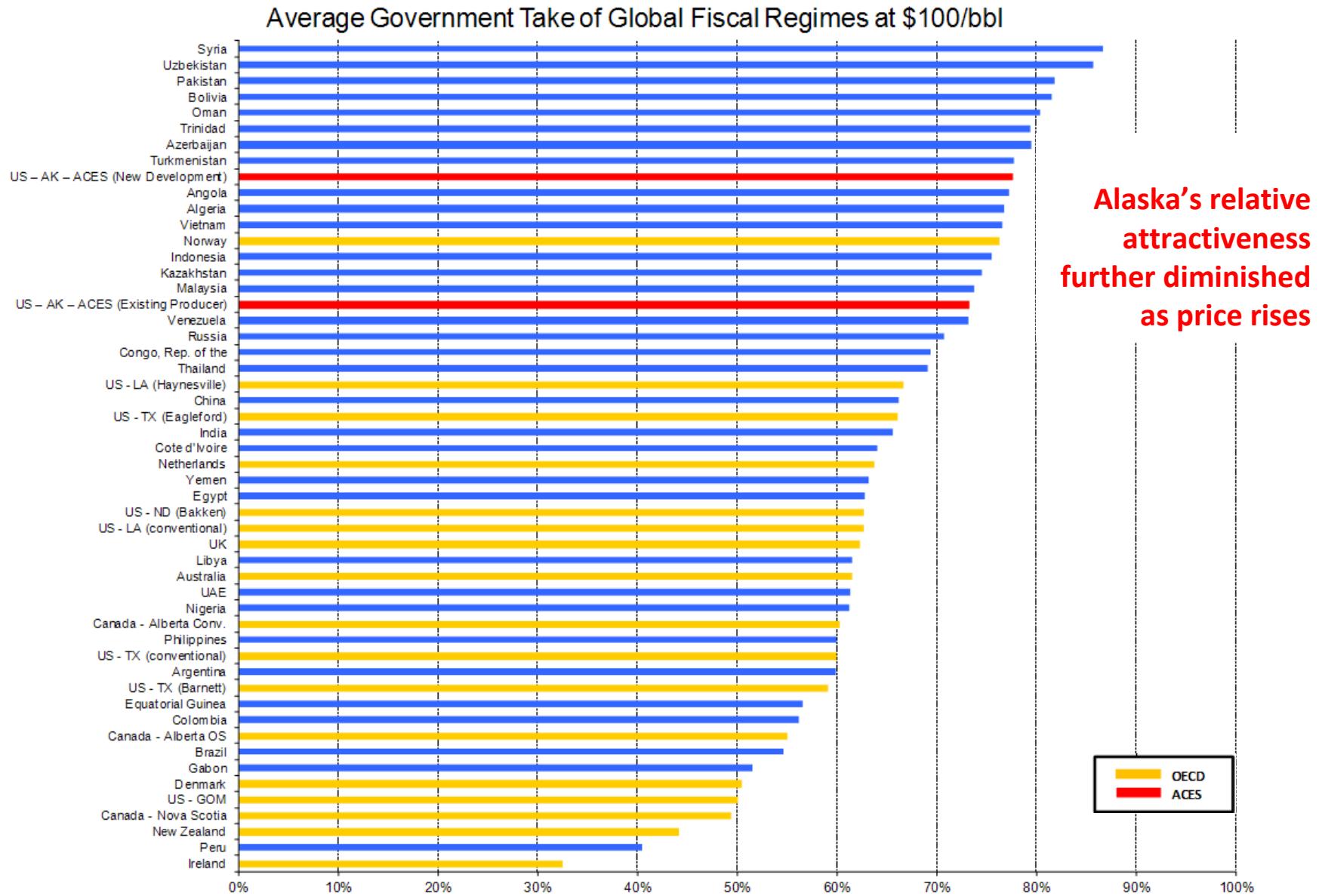
Realization of legacy field potential dependent upon attracting additional capital investment

Opportunities within Legacy Fields

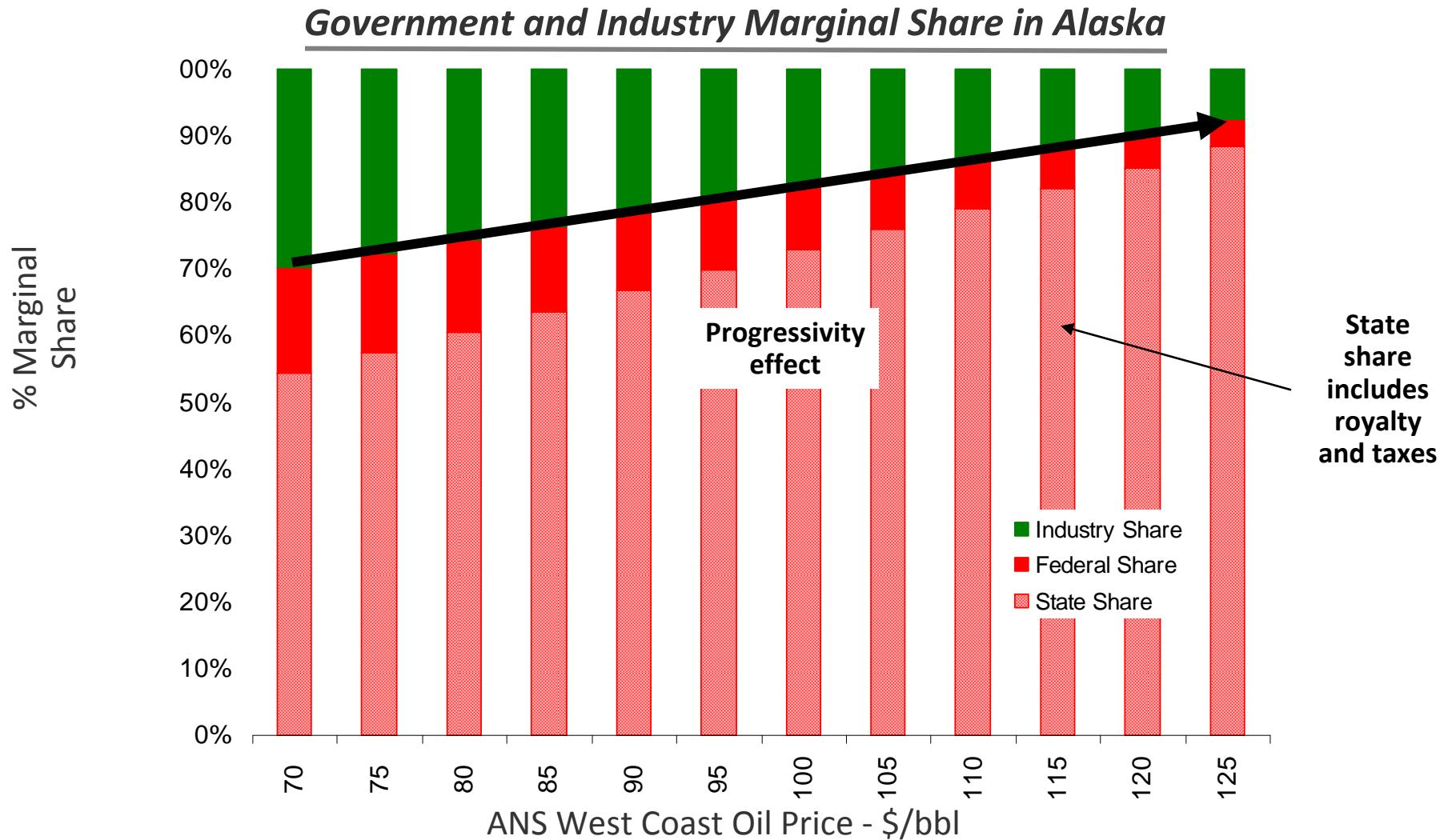
- Drilling technology is opening new opportunities for light oil development
 - Designer wells
 - Thin sand targets
 - Opportunities can support more rigs in Western North Slope, Prudhoe
 - High costs, technical risks significant
- Viscous oil maturing
 - Have made technological advancements
 - Core area West Sak on line at 14,000 BOPD
 - Evaluating next significant investment (Eastern NEWS)
 - Challenged technically and commercially
 - More engineering needed
- Additional exploration, satellite opportunities
- Evaluating heavy oil technologies
 - Long standing efforts to develop heavy oil is continuing
 - No commercially viable technology identified to date

Cost, production/reserves, technical, regulatory and fiscal framework considerations will determine level of capital investment

ACES - High Average Government Take

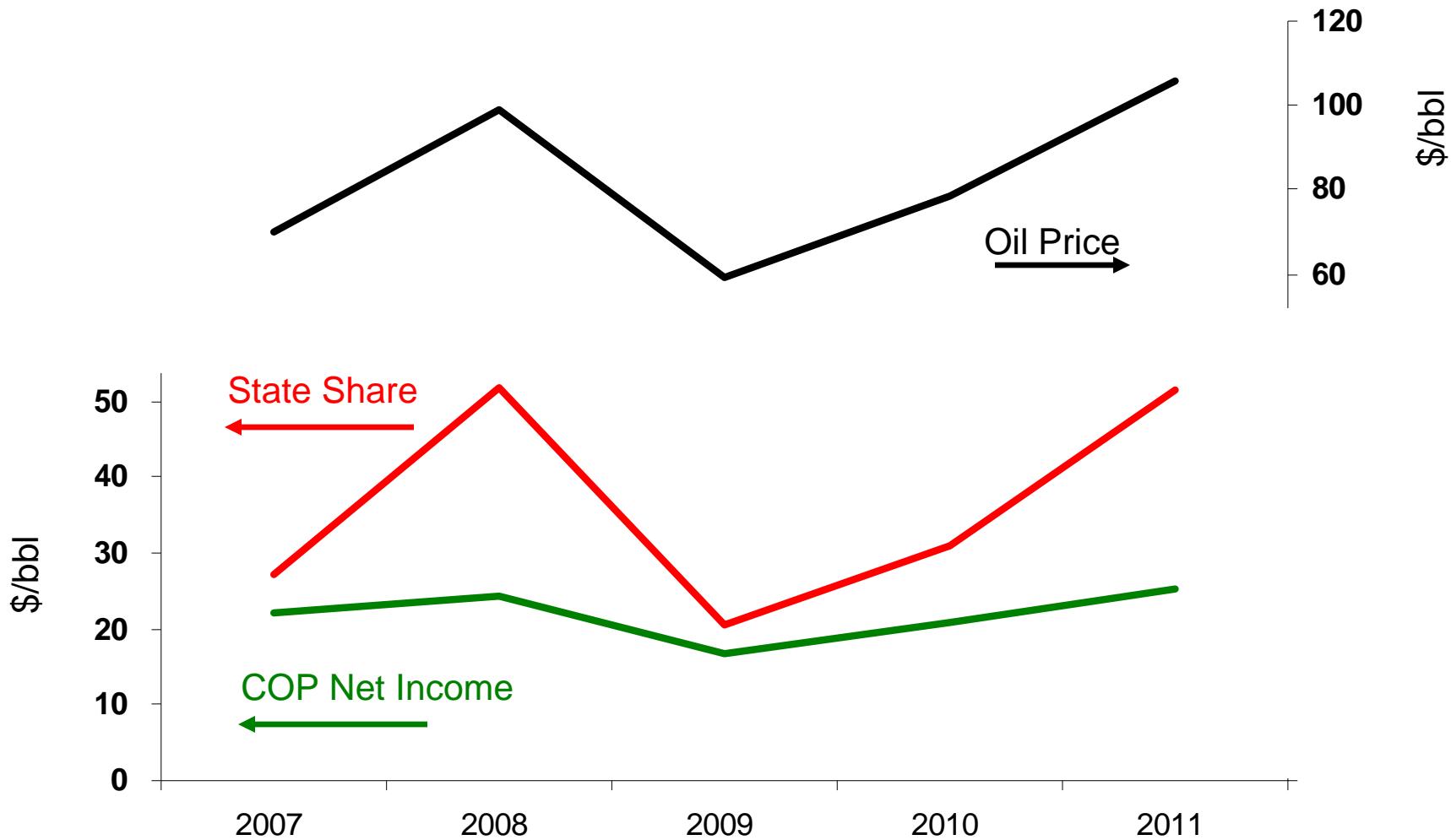


ACES Takes Away the Upside

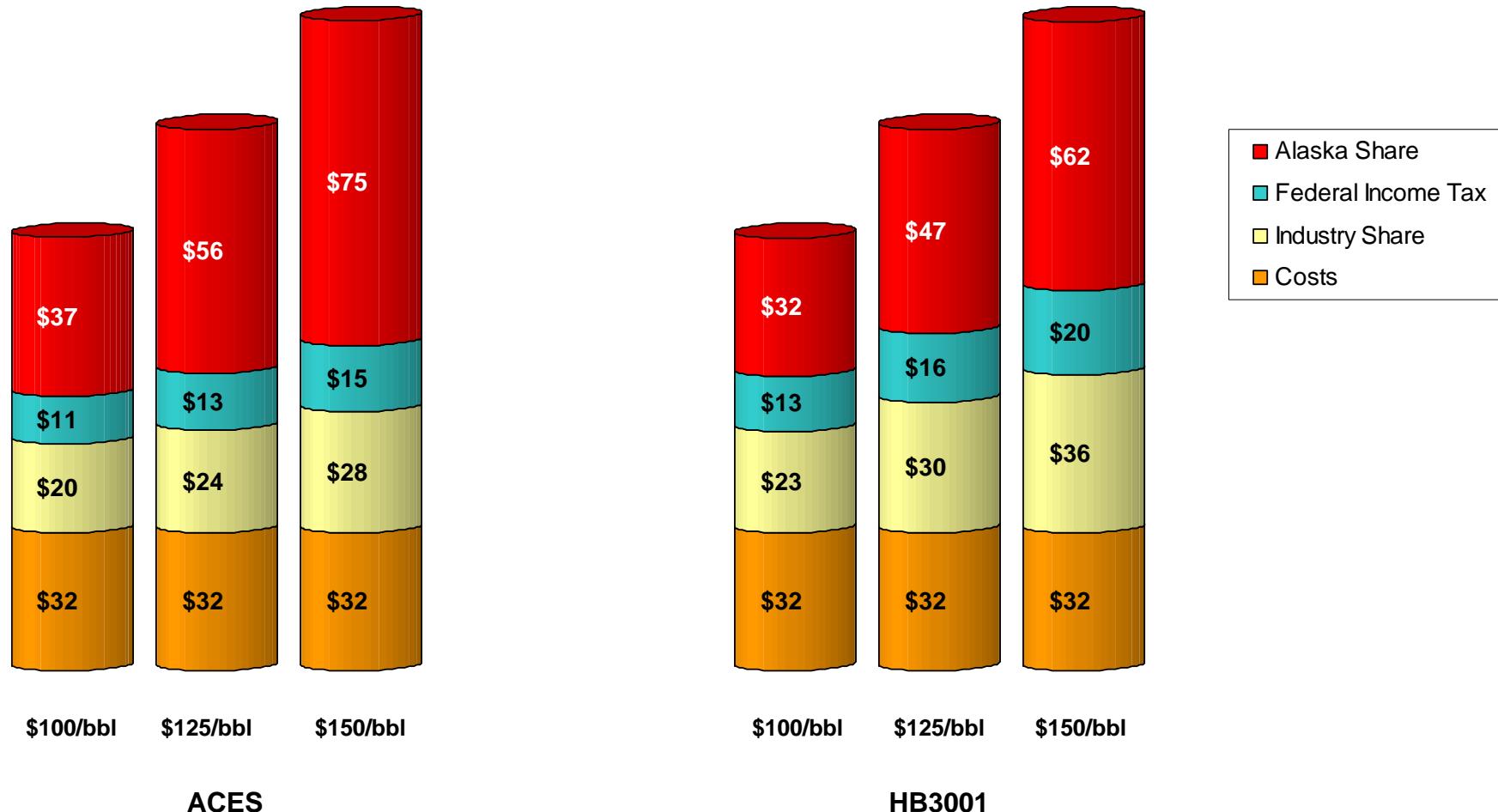


By comparison, industry marginal share in L48 40% to 50%

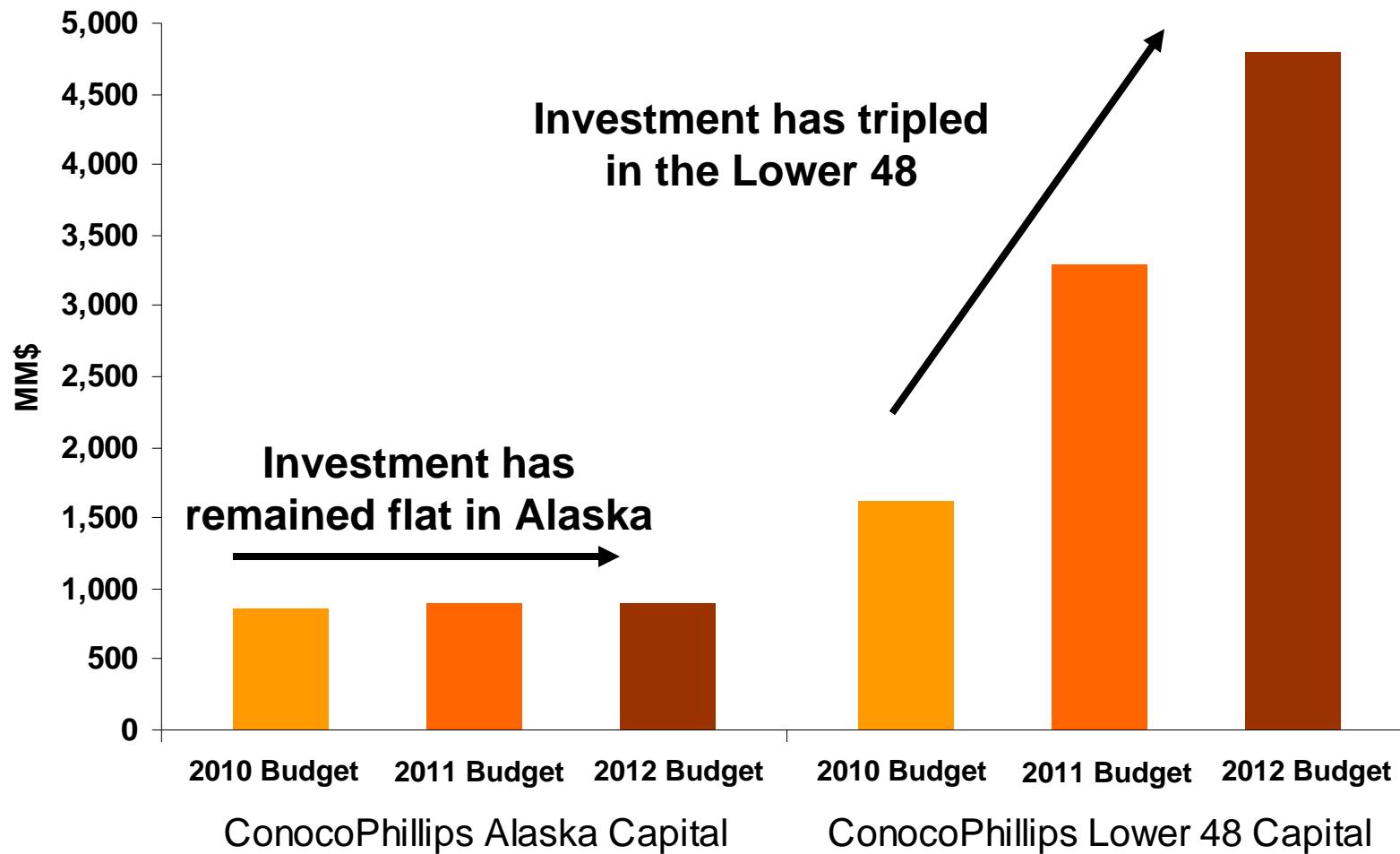
ACES Takes Away the Upside



HB3001 Provides More Equitable Split



ConocoPhillips Capital Expenditures



Investment flows where investor has upside

ConocoPhillips Commitment

Last spring, ConocoPhillips made the following commitments to Alaska if HB110 or similar legislation is passed:

- We will pursue increased drilling activity on the North Slope
- We will aggressively pursue more satellite developments at Alpine and Kuparuk
- We will work with partners to develop major projects at Prudhoe Bay
- We will proactively pursue other projects that can move the needle on oil production

An Open Letter to All Alaskans from ConocoPhillips

Our Commitment to Moving Alaska Forward

Dear Alaskans:

The oil industry in Alaska is at a crossroads. The amount of oil in the Trans Alaska Pipeline is declining at a faster rate than projected even a year ago. State and federal officials are, for the first time, talking openly about the challenges with TAPS low flow in light of the recent shut down of TAPS.

No other state's production has declined more than Alaska in the past eight years. But it doesn't have to be that way. The oil industry and the state of Alaska must work together now to put more oil in the pipeline and bridge the more than 10-year gap between now and when oil from offshore and other sources can hopefully refill TAPS.

Governor Parnell has introduced a bill, HB 110/SB 49, to reduce oil taxes in an effort to restart development and create new jobs. However, some have questioned the oil industry's commitment to Alaska.

In Alaska this week, ConocoPhillips reinforced that commitment to the state. If the business environment is changed, we at ConocoPhillips will do more to help bring Alaska's challenged oil to the market.

We will increase our drilling activity on the North Slope.

We will proactively pursue more North Slope projects that can move the needle on oil production while employing Alaskans and creating new opportunities for Alaska businesses.

We will work with BP and ExxonMobil to advance significant projects like Gas Partial Processing (GPP) and IPAD at Prudhoe Bay.

We will aggressively pursue more satellite developments at both Kuparuk and Alpine.

Our company believes Governor Parnell's goal of producing 1 million barrels of oil per day is a goal around which we can all unite.

At ConocoPhillips, we believe in the potential that Alaska has to offer. We have demonstrated our commitment to the environment by continuing to operate in the cleanest and safest way we can. We have shown a long history of investment, both human and financial, to bring the resources of this great state to the market. We have stood with many Alaska companies, including Alaska Native corporations, to build an oil and gas industry that has provided many jobs to Alaskans.

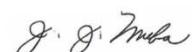
If the Legislature provides for an effective date of 2012, ConocoPhillips will do our part to accelerate new activity on the North Slope.

Alaska has tremendous resource potential, and we at ConocoPhillips have over 50 years in Alaska in solving technical and environmental challenges associated with oil development. We support improving the investment climate and believe changing oil taxes will lead to a better future with more production and jobs for Alaska families than the current path we are on.

Sincerely,



Trond-Erik Johansen
President
ConocoPhillips Alaska Inc.



Jim Mulva
Chairman and Chief Executive Officer
ConocoPhillips