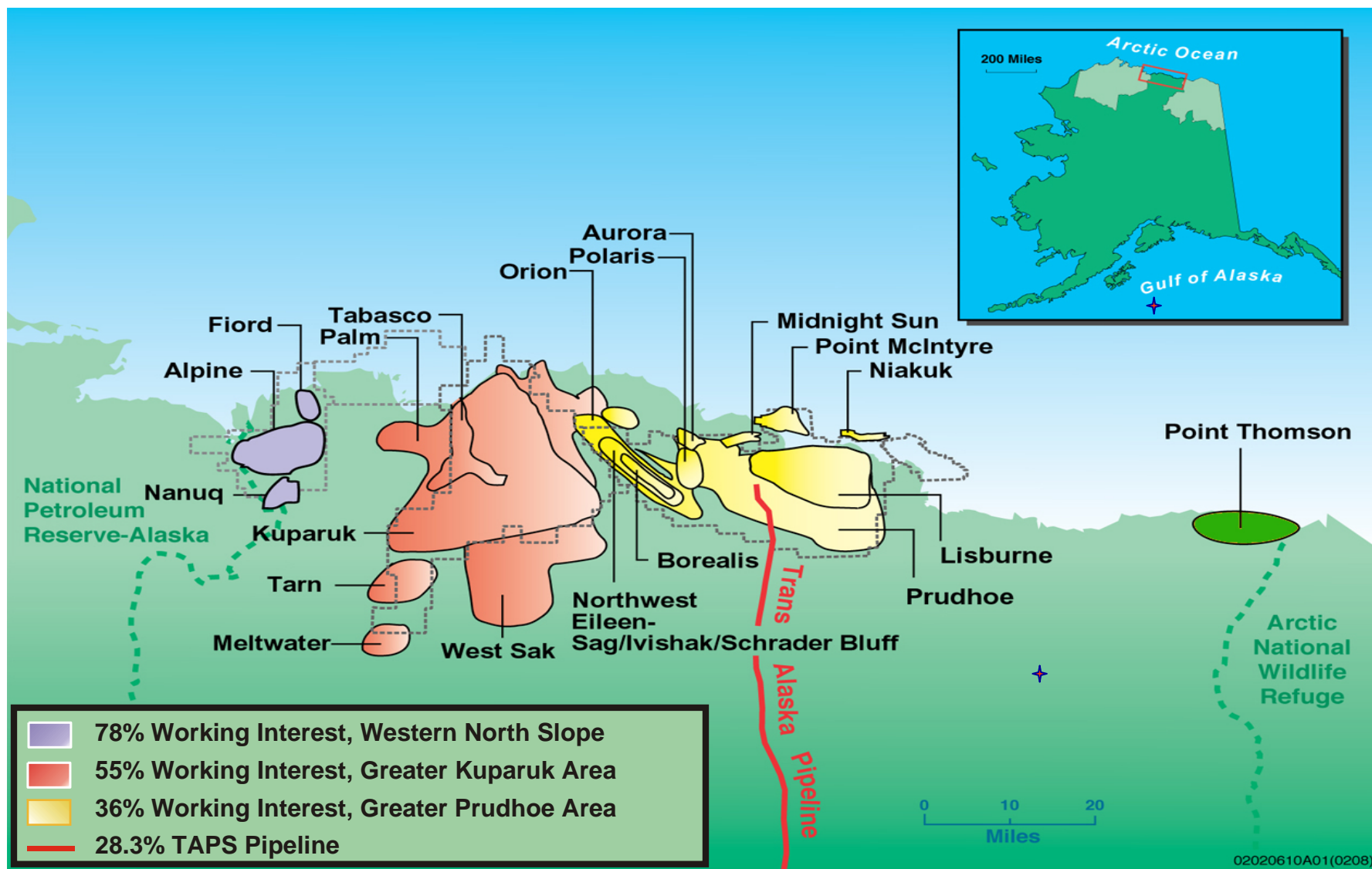


House Resources Committee

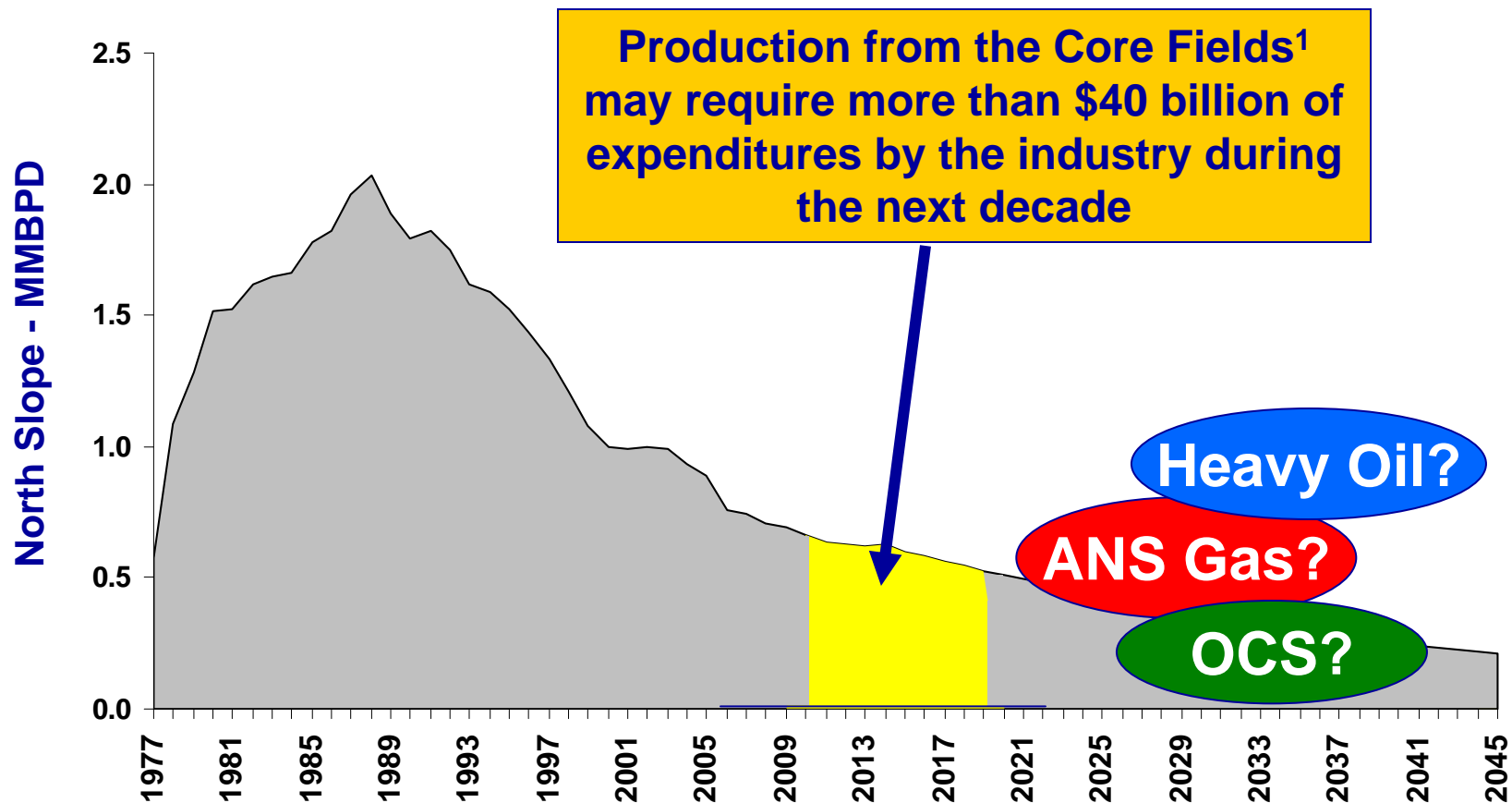
March 10, 2010

Brian Wenzel, Vice President – Finance
ConocoPhillips Alaska

ConocoPhillips North Slope Fields



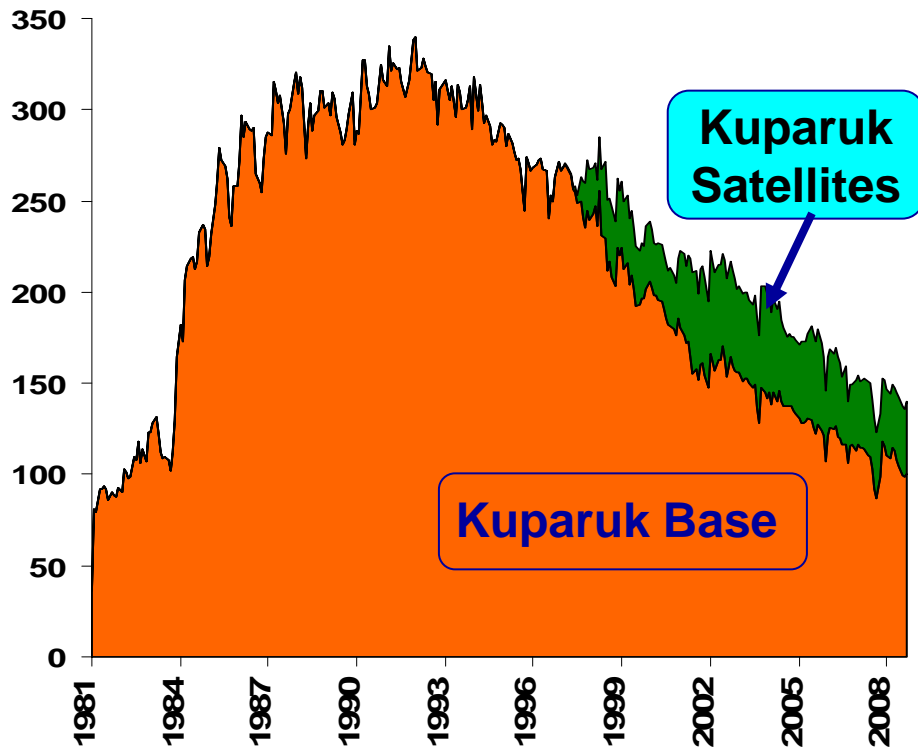
Investment in Core Fields



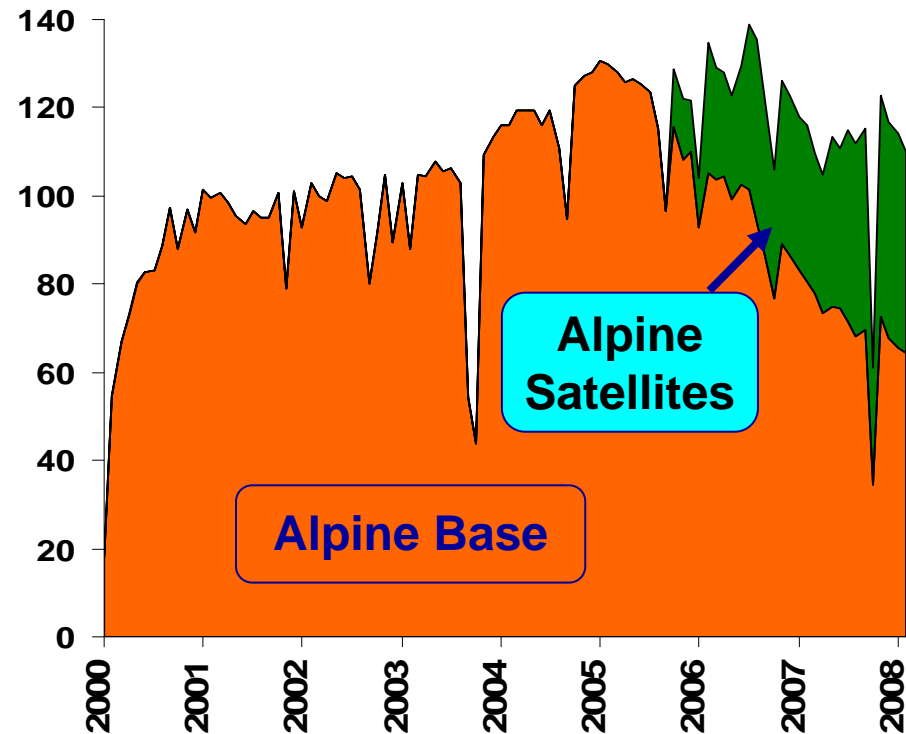
Core fields are the bridge to the future

Impact of Satellite Developments

Kuparuk Production - MBD

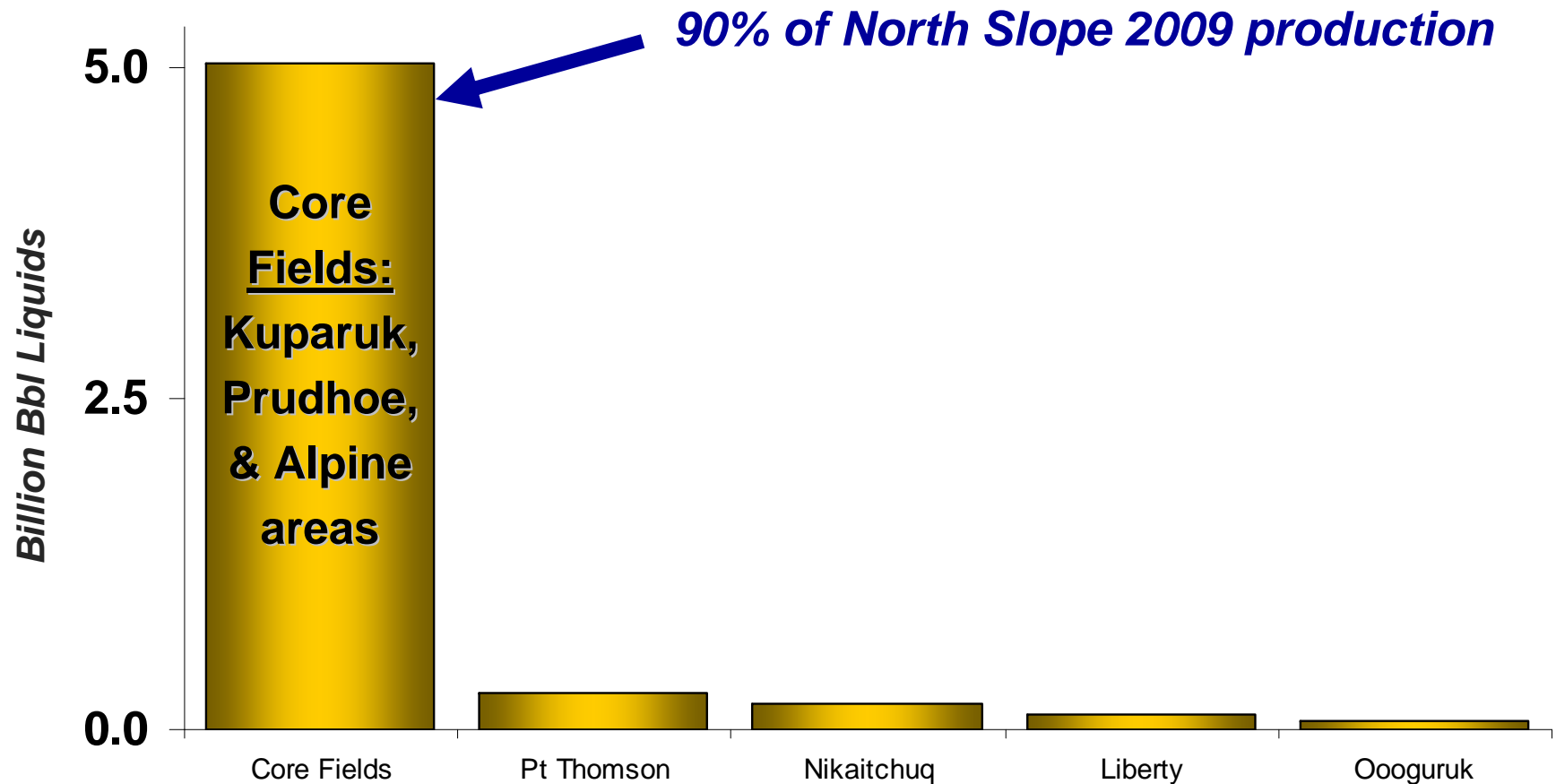


Alpine Production - MBD



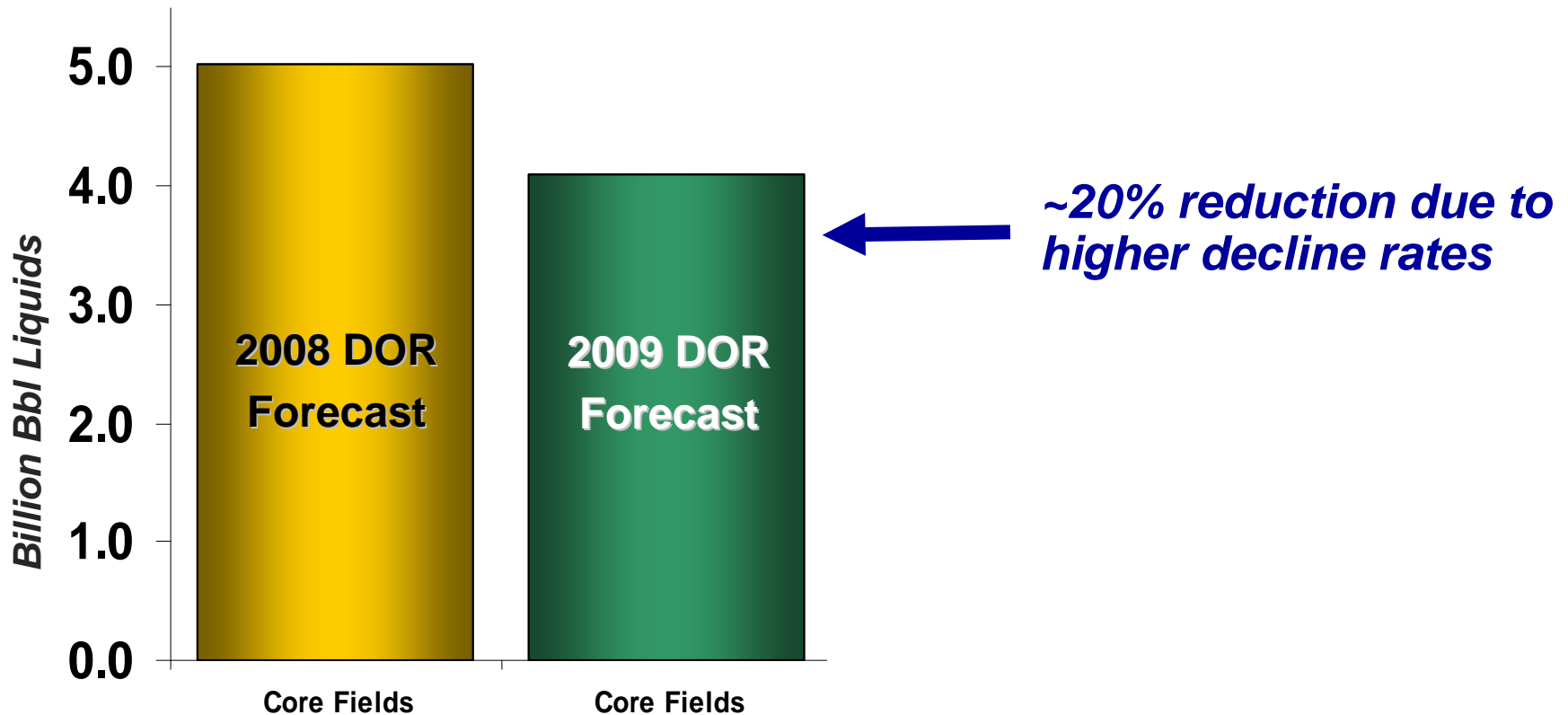
Investment reduces decline

North Slope Remaining Barrels



Core fields are dominant source of state production

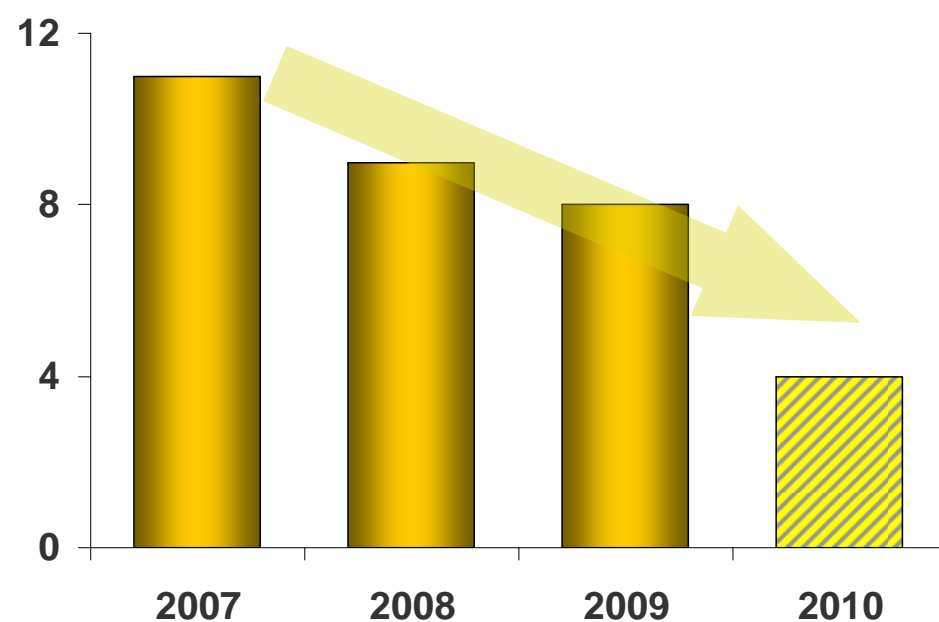
North Slope Remaining Barrels



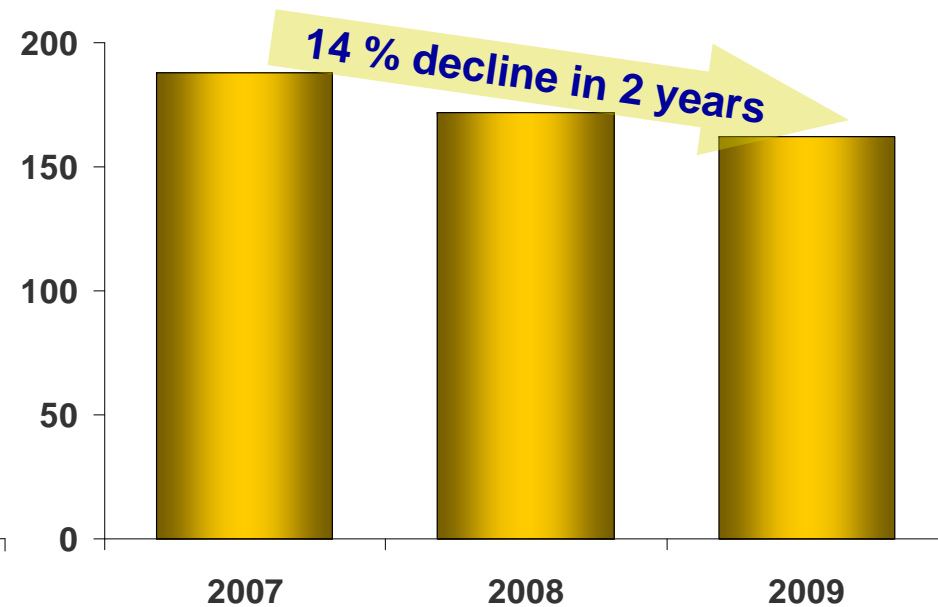
Investment is key to reducing decline

Industry Drilling Activity Down

Industry Exploration Wells

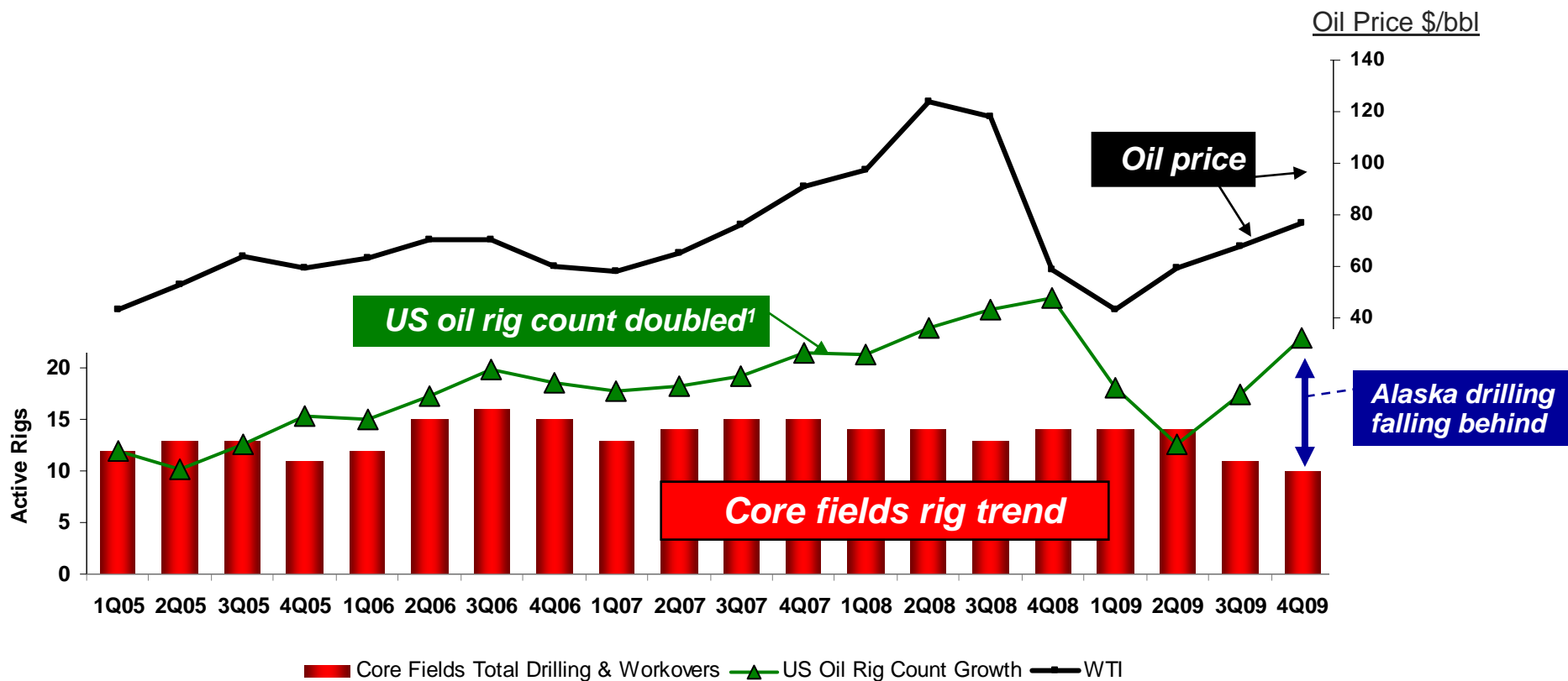


Industry Well Completions



Drilling indicators are down

Active Drilling Rigs in Core Fields 2005-2009



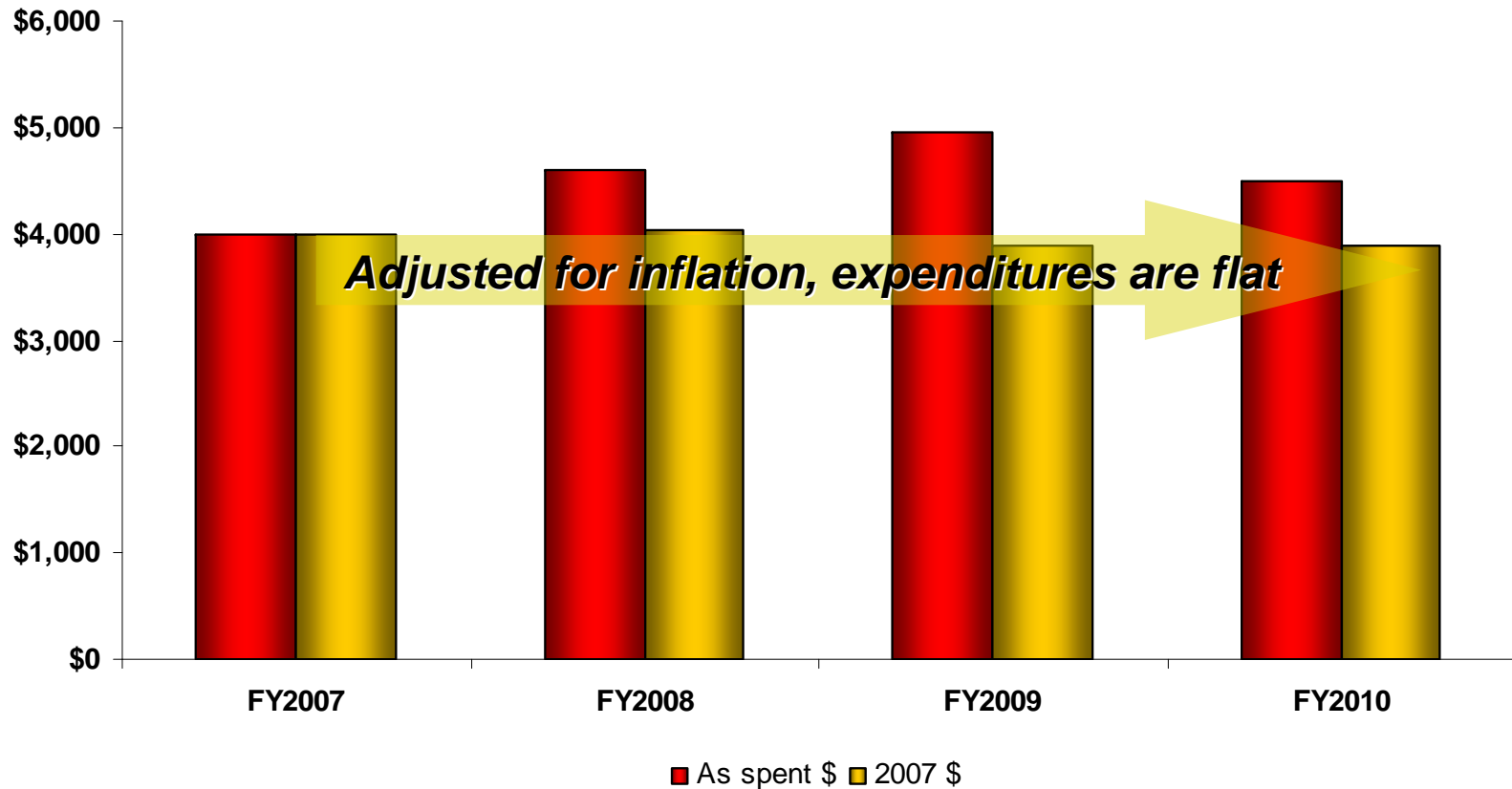
Core field drilling not tracking oil price

1 – US oil rig count normalized to 1Q05 Alaska rig count

Sources: ConocoPhillips internal for core fields rig count, Baker Hughes for US oil rig count, DOR for oil price

Inflation Impact on Expenditures

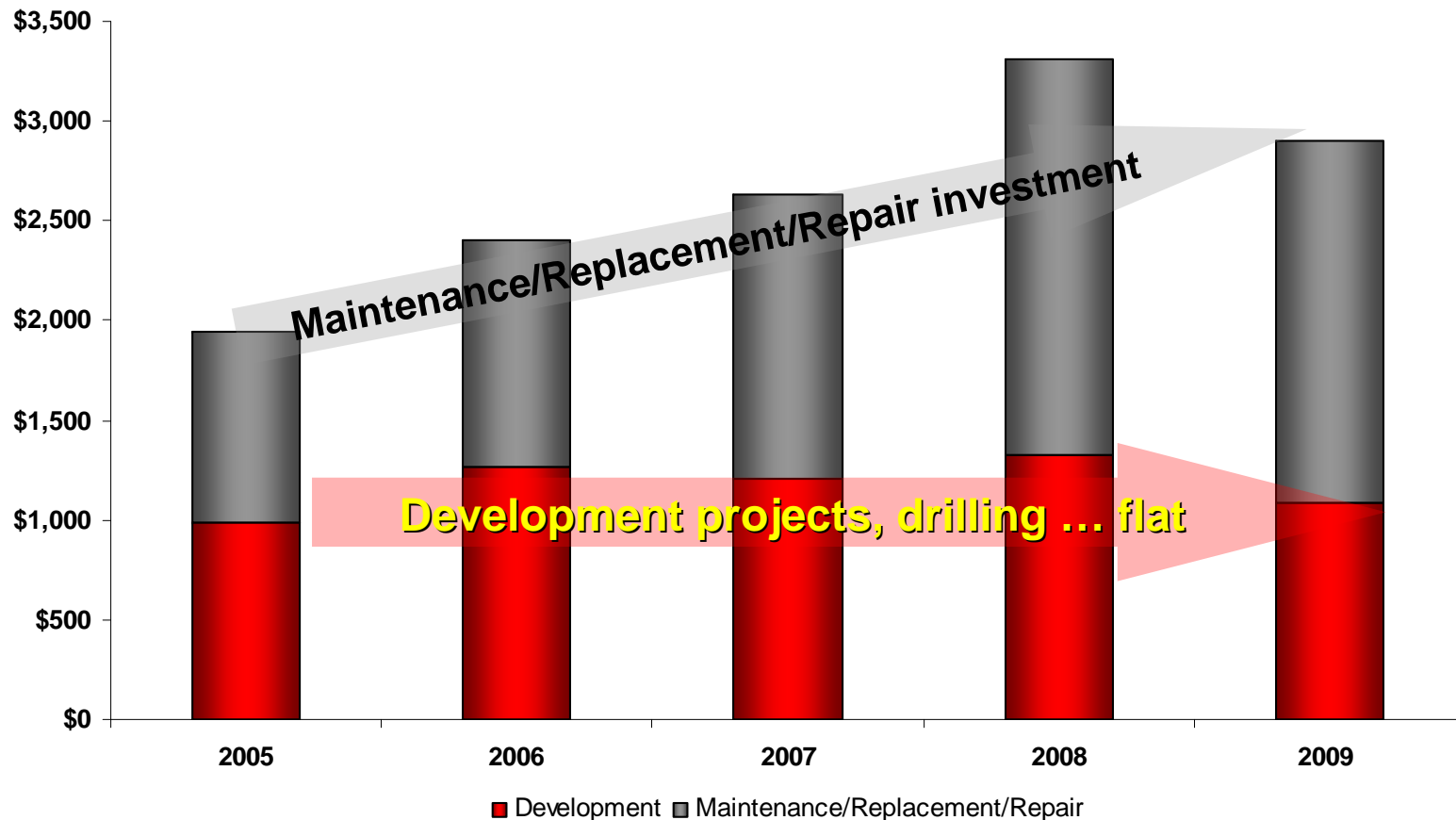
North Slope Industry spending on capital and operating expense, \$MM



Inflation is significant factor in spending increase

Core Field Investments Extend Field Life

Core field gross investments include **capital and operating expense**, \$MM

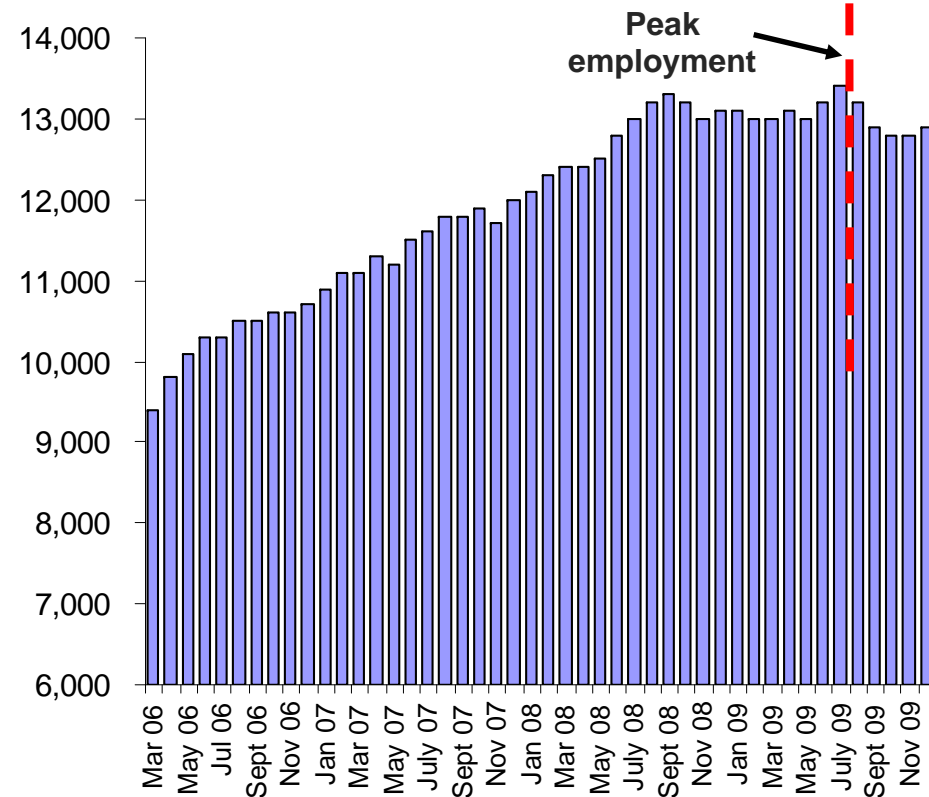


***Maintenance investment essential
to extending field life***

Oil & Gas Employment

- Data since July-09 indicate downward trend in oil and gas jobs
- Employment levels driven primarily by maintenance and inspection activity
- Alaska state unemployment rising in oil and gas support sector
- Leading indicators: Kuparuk camp usage down 20%

State of Alaska Oil & Gas Employment



Rise in employment began in 2006

ACES Impacting Projects

- Recent project activity
 - Oooguruk – pre-ACES, royalty relief
 - Nikaitchuq – royalty relief
 - Liberty – not subject to ACES

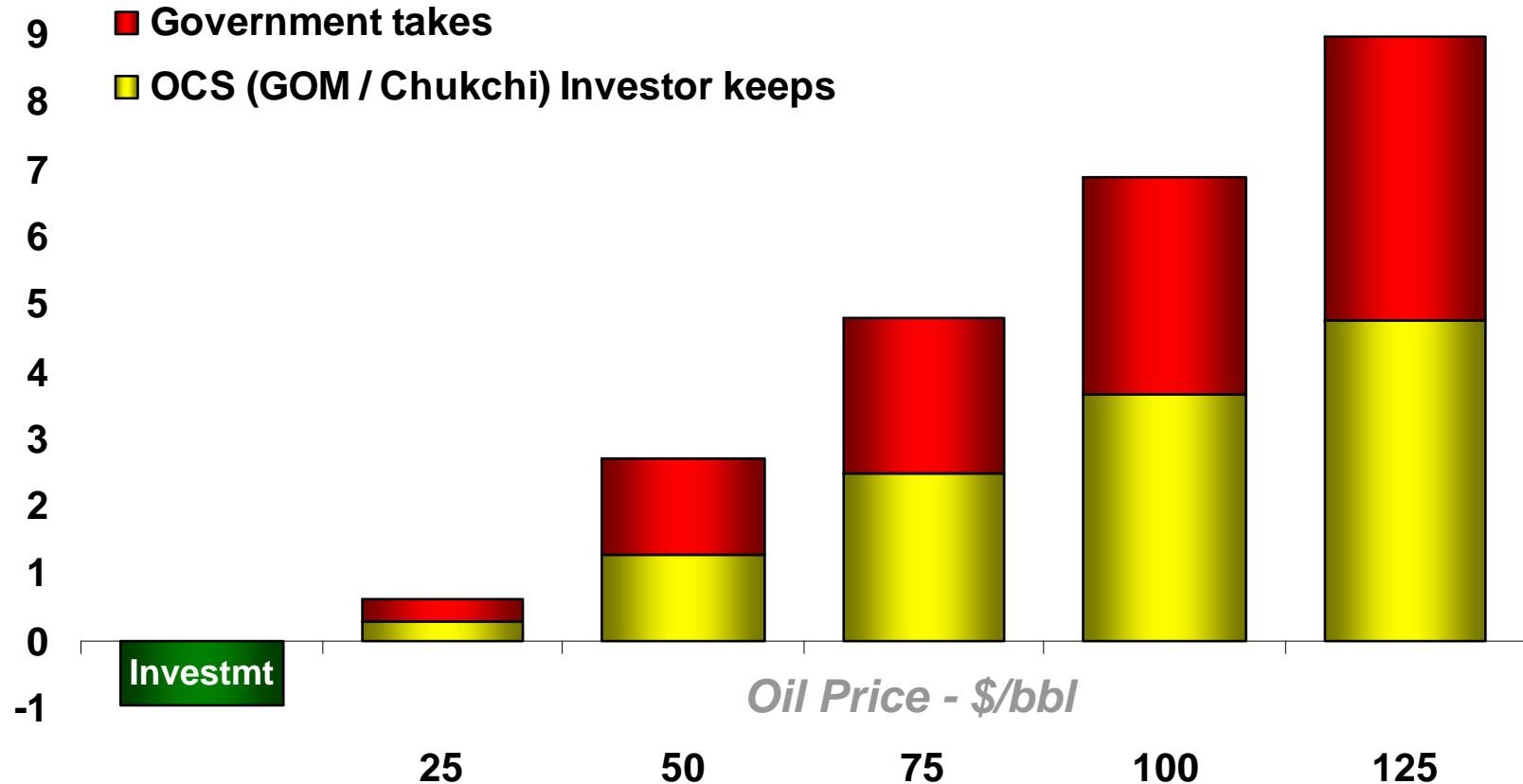
- Over \$2 Billion in projects deferred since ACES
 - Prudhoe I-Pad and Gas Partial Processing (GPP)
 - West Sak 1N and 1P
 - ULSD topping plant (*opportunity foregone*)

Project deferrals impact industry and state revenue

OCS Fiscal – Risk/Reward is Balanced

Example - \$1 Billion Investment (success case)

\$B – Undiscounted

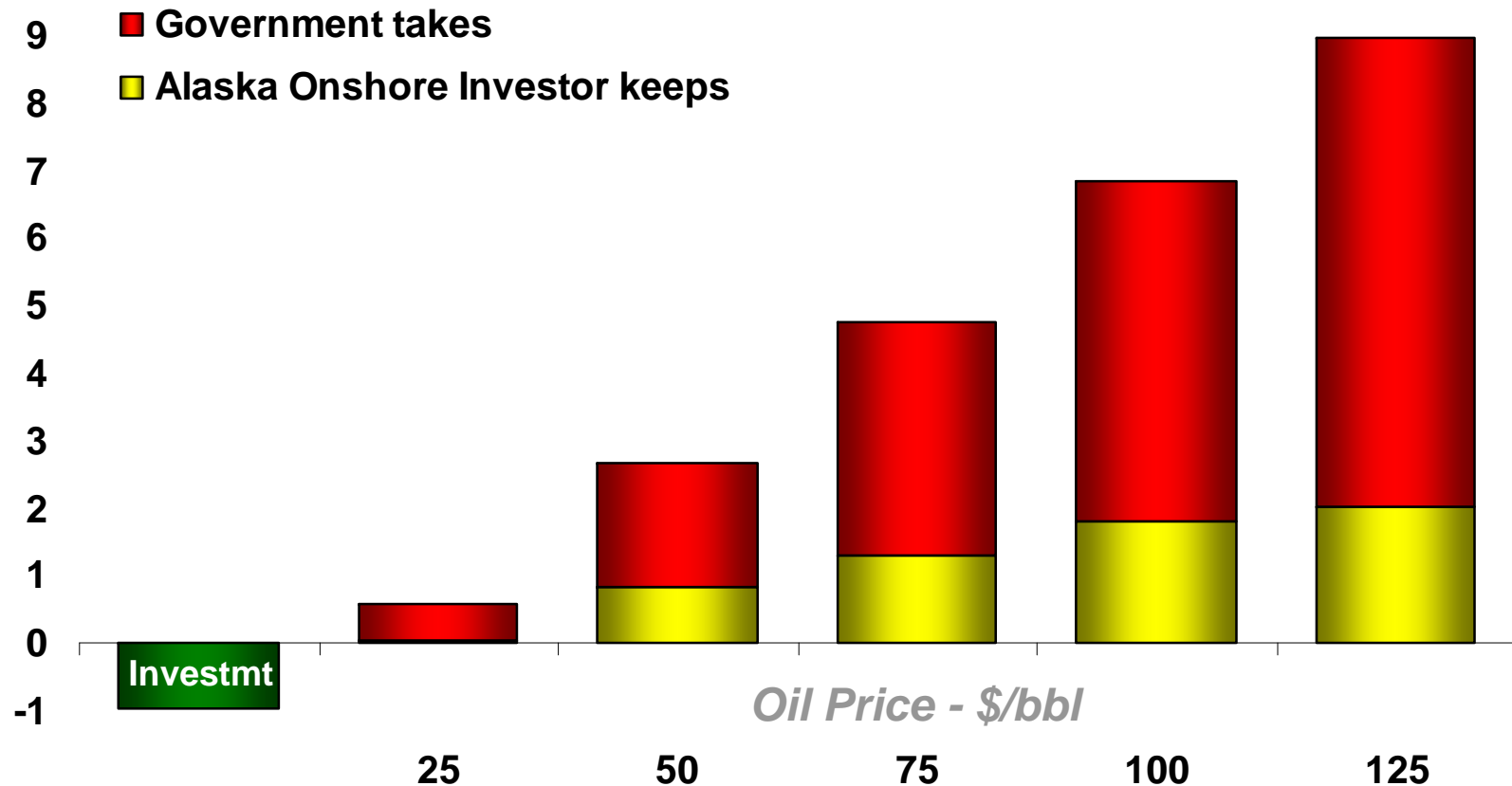


Adequate success case returns justify taking up front risks

Alaska Fiscal – Risk/Reward is Broken

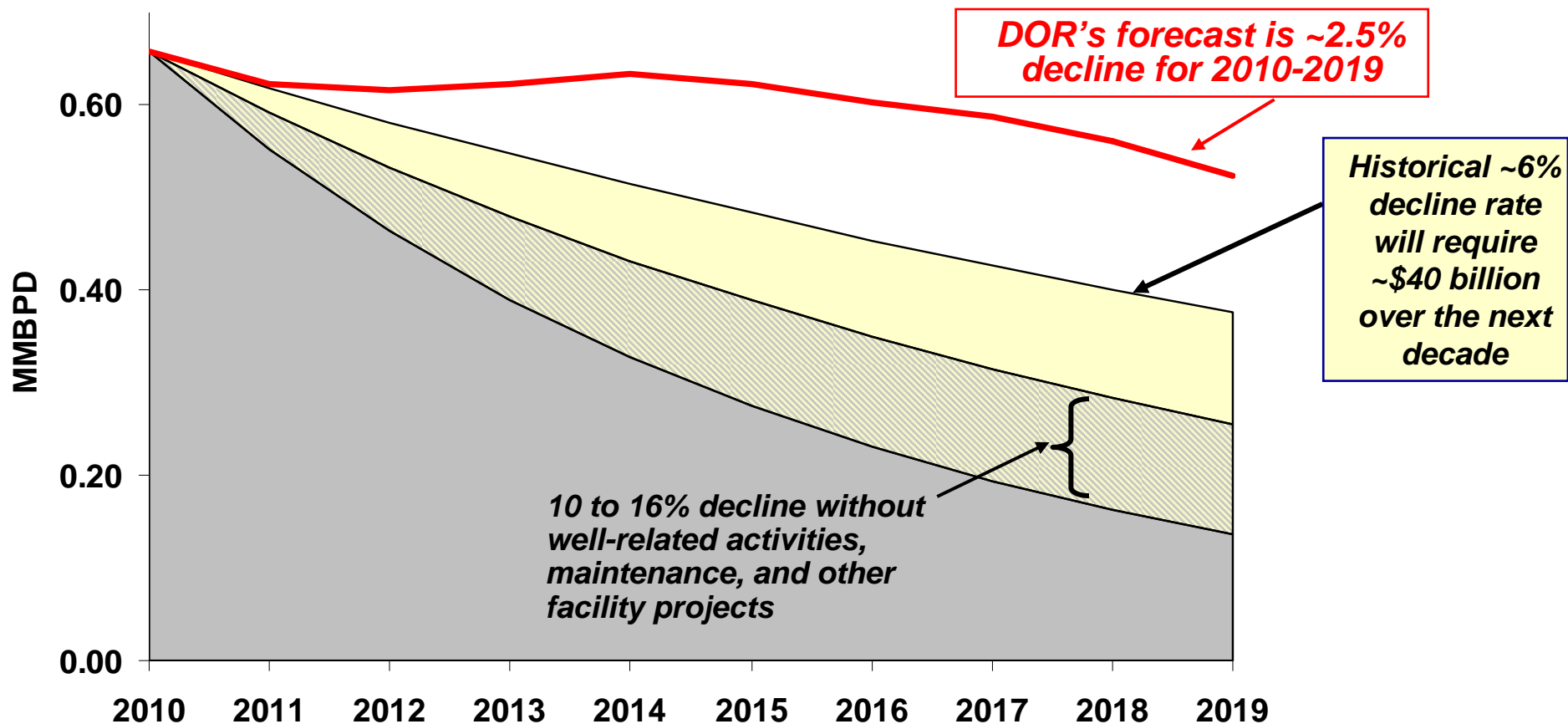
Example - \$1 Billion Investment (success case)

\$B – Undiscounted



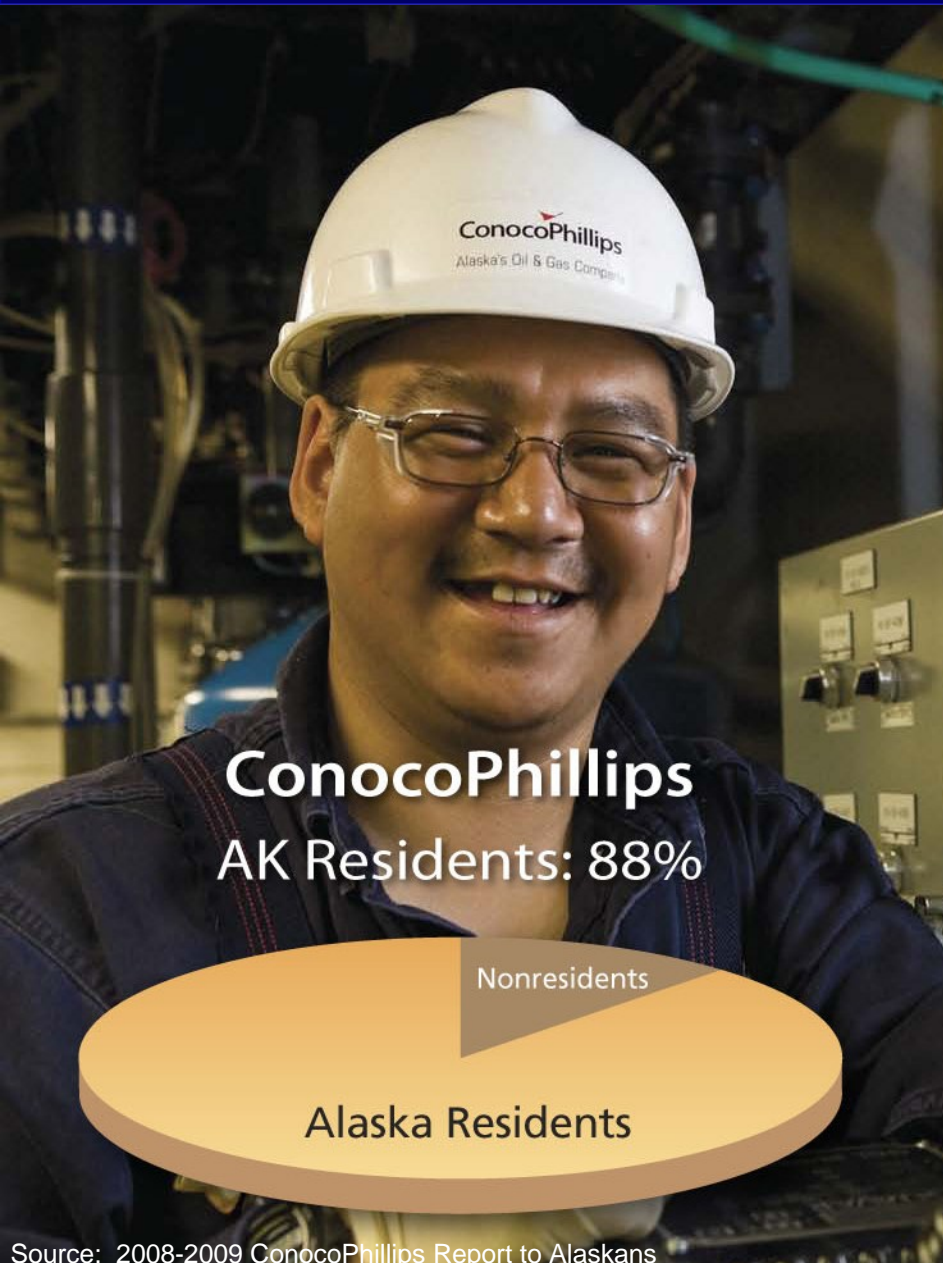
Alaska onshore fiscal terms not competitive

2010-2019 North Slope Production



Future production dependent upon investment

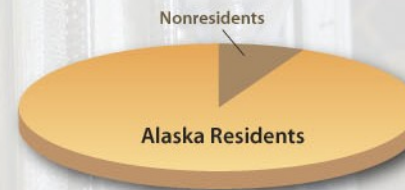
2008 ConocoPhillips Alaska Hire



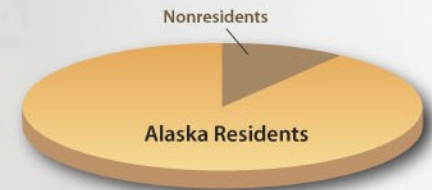
ASRC Energy Services
AK Residents: 81.5%



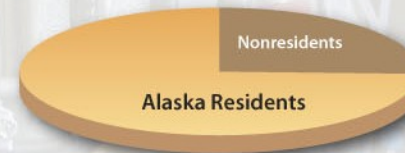
Doyon Universal Services
AK Residents: 92.9%



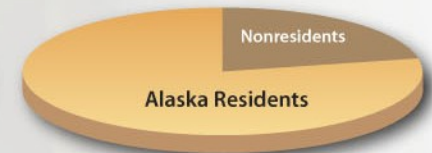
Kuukpik Arctic Catering
AK Residents: 92.8%



Doyon Drilling
AK Residents: 89.8%



Halliburton Energy Services
AK Residents: 74.3%



Nabors Alaska Drilling
AK Residents: 78.1%

ConocoPhillips Supports HB308

■ **Reduced progressivity:**

- Moves Alaska toward a more balanced risk / reward environment
- Incentivizes investment in core and new fields
- Supports increased long-term jobs & investment in riskier projects

■ **Expanded credits for drilling/wellwork activity:**

- Incentivizes activity in “core fields”
- Increased drilling/workovers provide additional short-term jobs
- Credits are only earned with investment

■ **Audit period restored to 3 years:**

- Provides improved tax payment accuracy & predictability for state and producers
- Originally extended to 6 years due to state uncertainty with new net tax

■ **Waiver of interest due to delayed regulations:**

- Eliminates penalty for good faith tax filings

End of Presentation