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Memorandum

TO: Representative Paul Seaton
FROM: Chuck Burnham, Legislative Analyst
DATE: February 28, 2012
RE: ConocoPhillips: Net Exploration and Production Income and Income Taxes by Selected Jurisdiction
LRS Report 12.198

You asked for an account of the net exploration and production income and income taxes paid by ConocoPhillips Company for every year in which financial information for Alaska operations were delineated from that of other jurisdictions¹. You further asked that we make certain calculations based on that information.

Prior to its August 2002 merger with Phillips Petroleum, Conoco was not an independent publicly traded company and was therefore not required to file the extensive financial disclosure documents required by the U.S. Securities and Exchange Commission (SEC).² Upon the completion of the merger, the combined company became ConocoPhillips (hereafter identified by its stock symbol "COP" and began having its stock traded on the New York Stock Exchange). Among the annual SEC filings required of public companies is the form "10-K," which includes extensive financial and operations information. We gleaned all of the information in this report from the 10-K filings of COP from its first report in 2003 through the most recent report in 2011.

Table 1 (following page) shows selected net exploration and production (E&P) income and income tax information for COP for the eleven years 2000-2010.³ In accordance with your request, the table also includes our calculation of Alaska net E&P income as a percentage of U.S. and overall net E&P income. As you can see, COP's Alaska net E&P income ranged from \$829 million in 2000 to \$2.55 billion in 2005.⁴ Similarly wide variability in profit was seen across the jurisdictions in which COP operates, with total U.S. net E&P income ranging from \$1.15 billion in 2002 to nearly \$5 billion in 2008. (Please note that net E&P income figures for 2009 do not reach 100 percent in Figures 2 and 4 for 2009 because the company lost \$37 million in its lower 48 operations. Therefore, in effect, Alaska represented the total of domestic net E&P income for that year.)

Alaska income taxes are not specifically delineated but rather included in the category "state and local" income taxes. Those taxes ranged from \$21 million in 2002 to \$621 million in 2005.⁵ Federal income taxes for U.S. operations varied from \$120 million in 2002 to \$4.26 billion in 2007. Following Table 1 are a series of figures that graphically illustrate COP's net E&P income and income taxes by selected jurisdiction.

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

¹ Exploration and production are "upstream" activities and exclude "downstream" activities such as refining and marketing.

² Technically, Conoco was acquired by Phillips Petroleum; however, this was largely for accounting purposes. Phillips, although publicly traded prior to the merger, did not report Alaska financial information separately from that of other U.S. operations.

³ Although the merger did not occur until 2002, the SEC requires companies new to the Commission's regulation to include data from the immediate two years prior to becoming publicly traded.

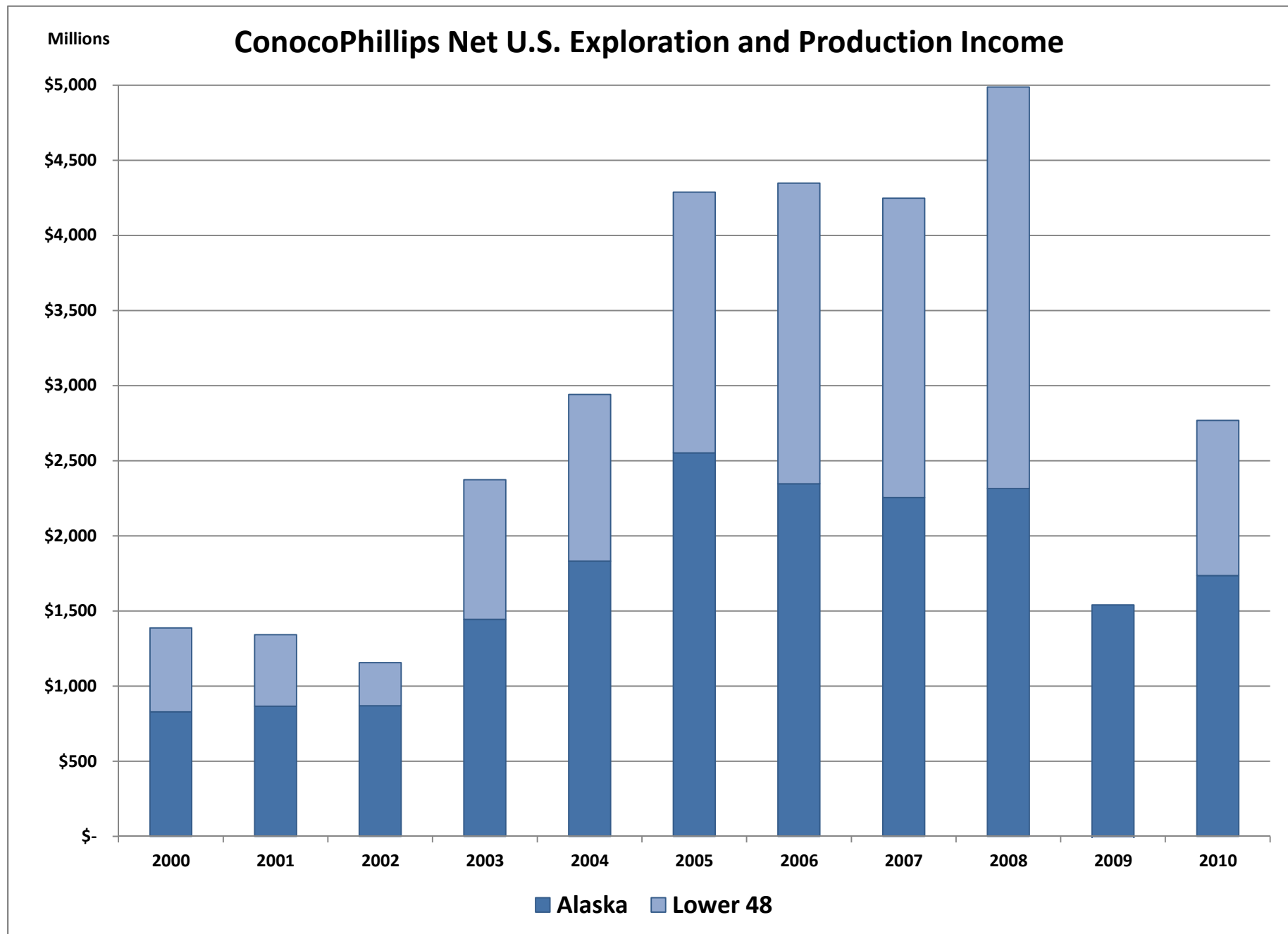
⁴ All dollar figures are rounded.

⁵ The unusually low domestic tax collections in 2002 are likely a product of write-offs and deferrals taken as part of the merger process.

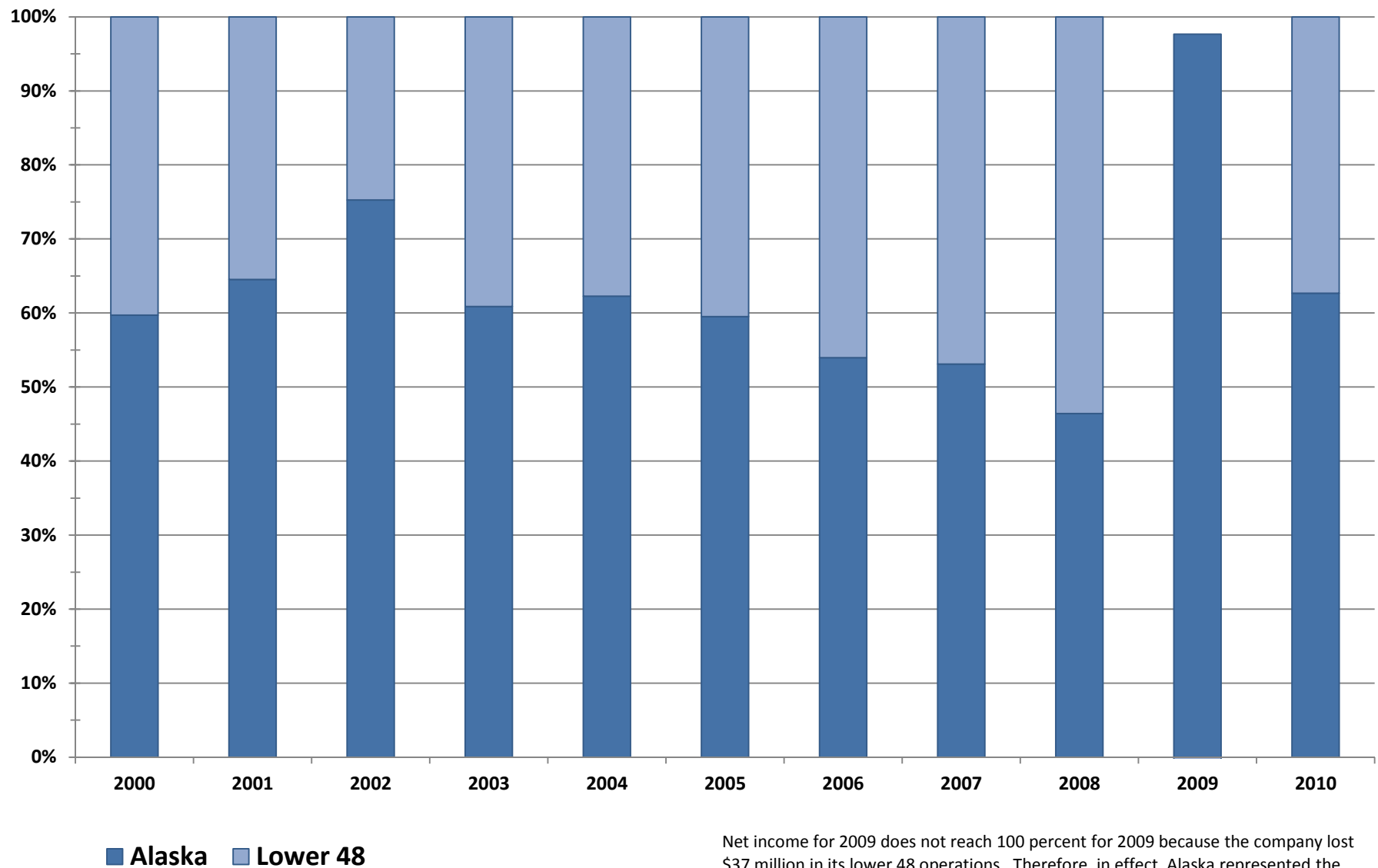
Table 1: ConocoPhillips: Net Exploration and Production Income and Income Taxes

(Millions of Dollars)

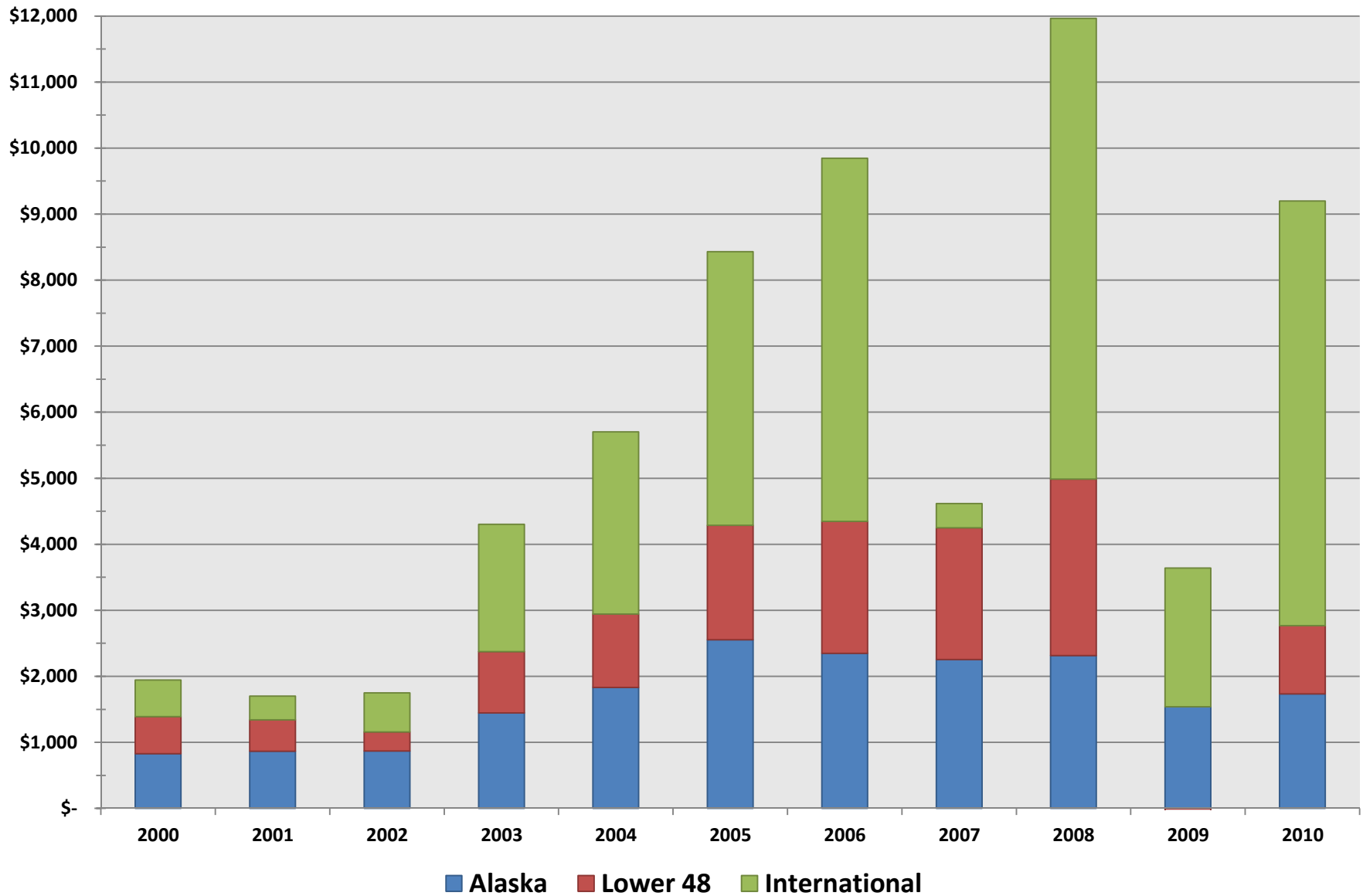
Net Income												
Jurisdiction	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals
Alaska	\$ 829	\$ 866	\$ 870	\$ 1,445	\$ 1,832	\$ 2,552	\$ 2,347	\$ 2,255	\$ 2,315	\$ 1,540	\$ 1,735	\$ 829
Lower 48	\$ 559	\$ 476	\$ 286	\$ 929	\$ 1,110	\$ 1,736	\$ 2,001	\$ 1,993	\$ 2,673	\$ (37)	\$ 1,033	\$ 559
U.S. Total	\$ 1,388	\$ 1,342	\$ 1,156	\$ 2,374	\$ 2,942	\$ 4,288	\$ 4,348	\$ 4,284	\$ 4,988	\$ 1,503	\$ 2,768	\$ 1,388
International	\$ 557	\$ 357	\$ 593	\$ 1,928	\$ 2,760	\$ 4,142	\$ 5,500	\$ 367	\$ 6,976	\$ 2,101	\$ 6,430	\$ 557
Total	\$ 1,945	\$ 1,699	\$ 1,749	\$ 4,302	\$ 5,702	\$ 8,430	\$ 9,848	\$ 4,615	\$11,964	\$ 3,604	\$ 9,198	\$ 1,945
Income Taxes												
State & Local	\$ 114	\$ 117	\$ 21	\$ 173	\$ 269	\$ 621	\$ 574	\$ 564	\$ 431	\$ 124	\$ 317	\$ 114
Federal	\$ 694	\$ 555	\$ 120	\$ 1,173	\$ 2,335	\$ 3,809	\$ 4,236	\$ 4,256	\$ 3,018	\$ 627	\$ 2,093	\$ 694
International	\$ 1,092	\$ 968	\$ 1,302	\$ 2,398	\$ 3,658	\$ 5,477	\$ 7,973	\$ 6,561	\$10,316	\$ 4,339	\$ 5,923	\$ 1,092
Total	\$ 1,900	\$ 1,640	\$ 1,443	\$ 3,744	\$ 6,262	\$ 9,907	\$12,783	\$11,381	\$13,765	\$ 5,090	\$ 8,333	\$ 1,900
Selected Calculations												
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%	42.6%
Alaska Net Income as Percent of U.S. Total	59.7%	64.5%	75.3%	60.9%	62.3%	59.5%	54.0%	52.6%	46.4%	100.0%	62.7%	59.7%
Notes: Exploration and production are "upstream" activities and exclude "downstream" activities such as refining and marketing. Source: 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 .												



ConocoPhillips U.S. Net Exploration and Production Income by Percent Accrued in Selected Jurisdictions



ConocoPhillips Global Net Exploration and Production Income by Selected Jurisdiction



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

