



# Resource Development Council November 17, 2010

## **Alaska Oil and Gas Industry: Challenges to a Sustainable Future**

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President, ConocoPhillips Alaska



# CAUTIONARY STATEMENT FOR THE PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

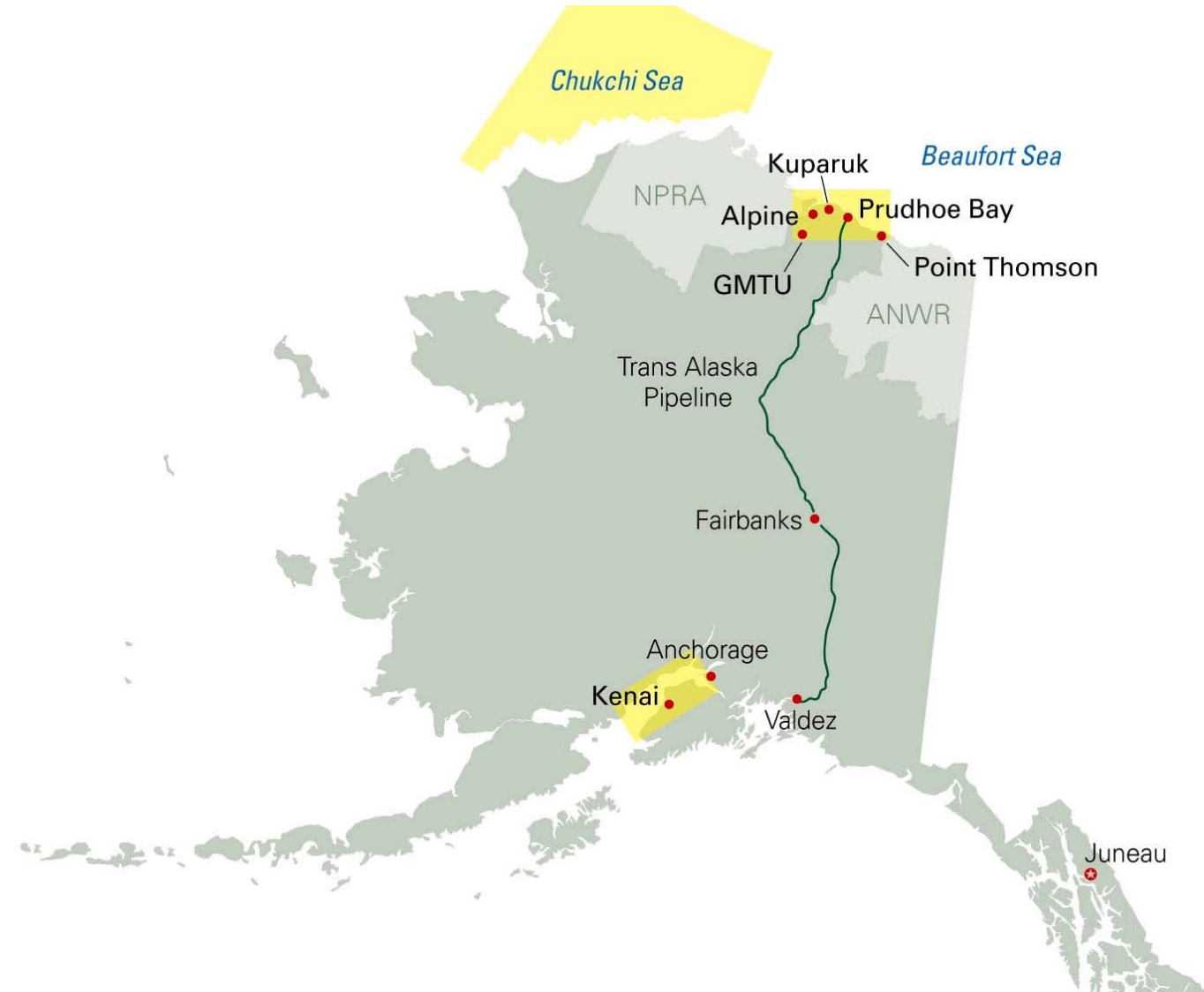
The following presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. You can identify our forward-looking statements by words such as “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” and similar expressions. Forward-looking statements relating to ConocoPhillips’ operations are based on management’s expectations, estimates and projections about ConocoPhillips and the petroleum industry in general on the date these presentations were given. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements.

Factors that could cause actual results or events to differ materially include, but are not limited to, crude oil and natural gas prices; refining and marketing margins; potential failure to achieve, and potential delays in achieving expected reserves or production levels from existing and future oil and gas development projects due to operating hazards, drilling risks, and the inherent uncertainties in interpreting engineering data relating to underground accumulations of oil and gas; unsuccessful exploratory drilling activities; lack of exploration success; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying company manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining synthetic crude oil; international monetary conditions and exchange controls; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation; general domestic and international economic and political conditions, as well as changes in tax and other laws applicable to ConocoPhillips’ business.

Other factors that could cause actual results to differ materially from those described in the forward-looking statements include other economic, business, competitive and/or regulatory factors affecting ConocoPhillips’ business generally as set forth in ConocoPhillips’ filings with the Securities and Exchange Commission (SEC), including our Form 10-K for the year ending December 31, 2009. ConocoPhillips is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

Cautionary Note to U.S. Investors – The U.S. Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We may use certain terms in this presentation such as “oil/gas resources,” “oil in place,” “recoverable bitumen,” “exploitable bitumen in place,” and “bitumen in place” that the SEC’s guidelines strictly prohibit us from including in filings with the SEC. The term “reserves,” as used in this presentation, includes proved reserves from Syncrude oil sands operations in Canada which are currently reported separately as mining operations in our SEC reports. Under amendments to the SEC rules, mining oil sands reserves will no longer be reported separately. U.S. investors are urged to consider closely the oil and gas disclosures in our Form 10-K for the year ended December 31, 2009.

# ConocoPhillips Alaska

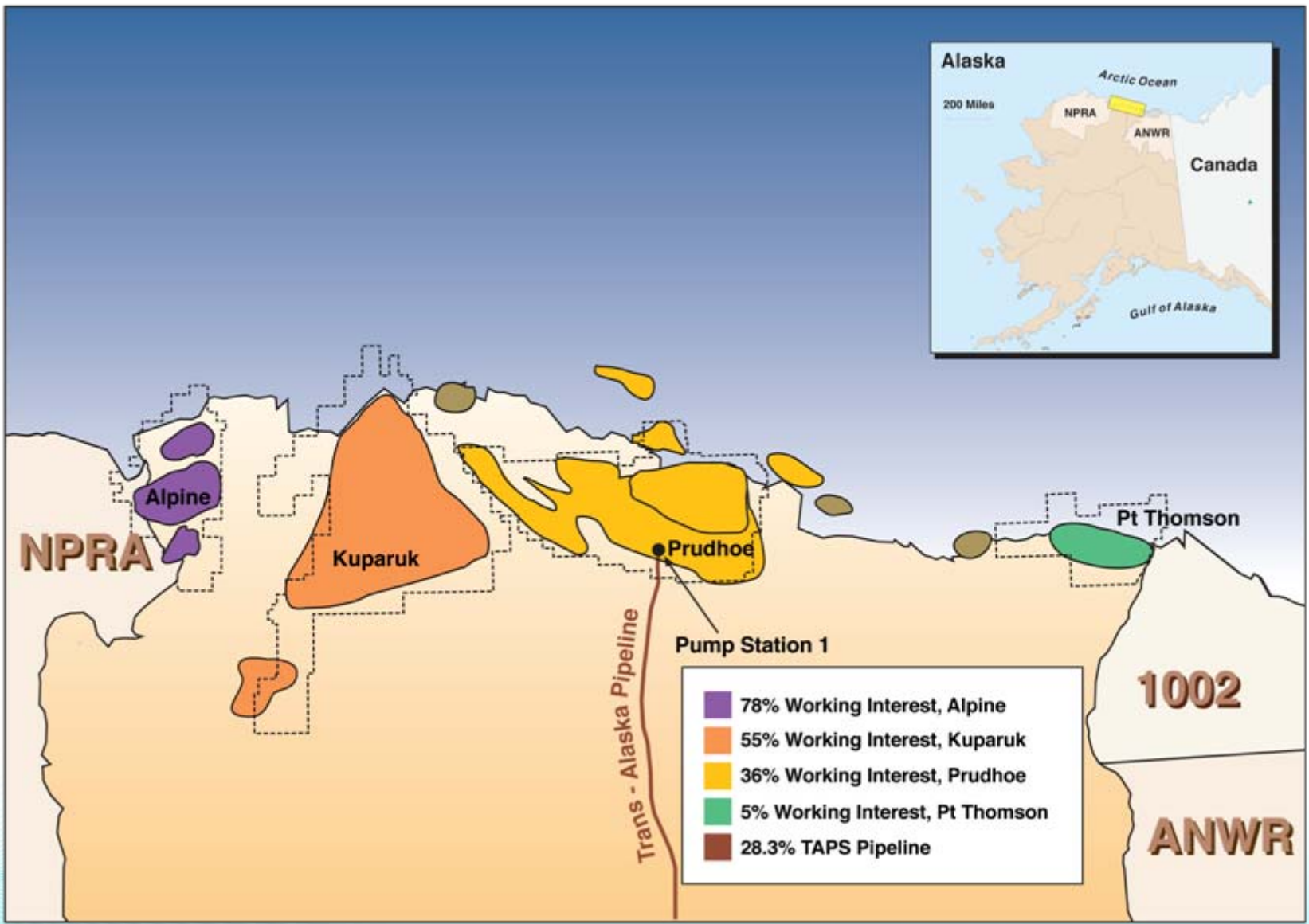


# Cook Inlet

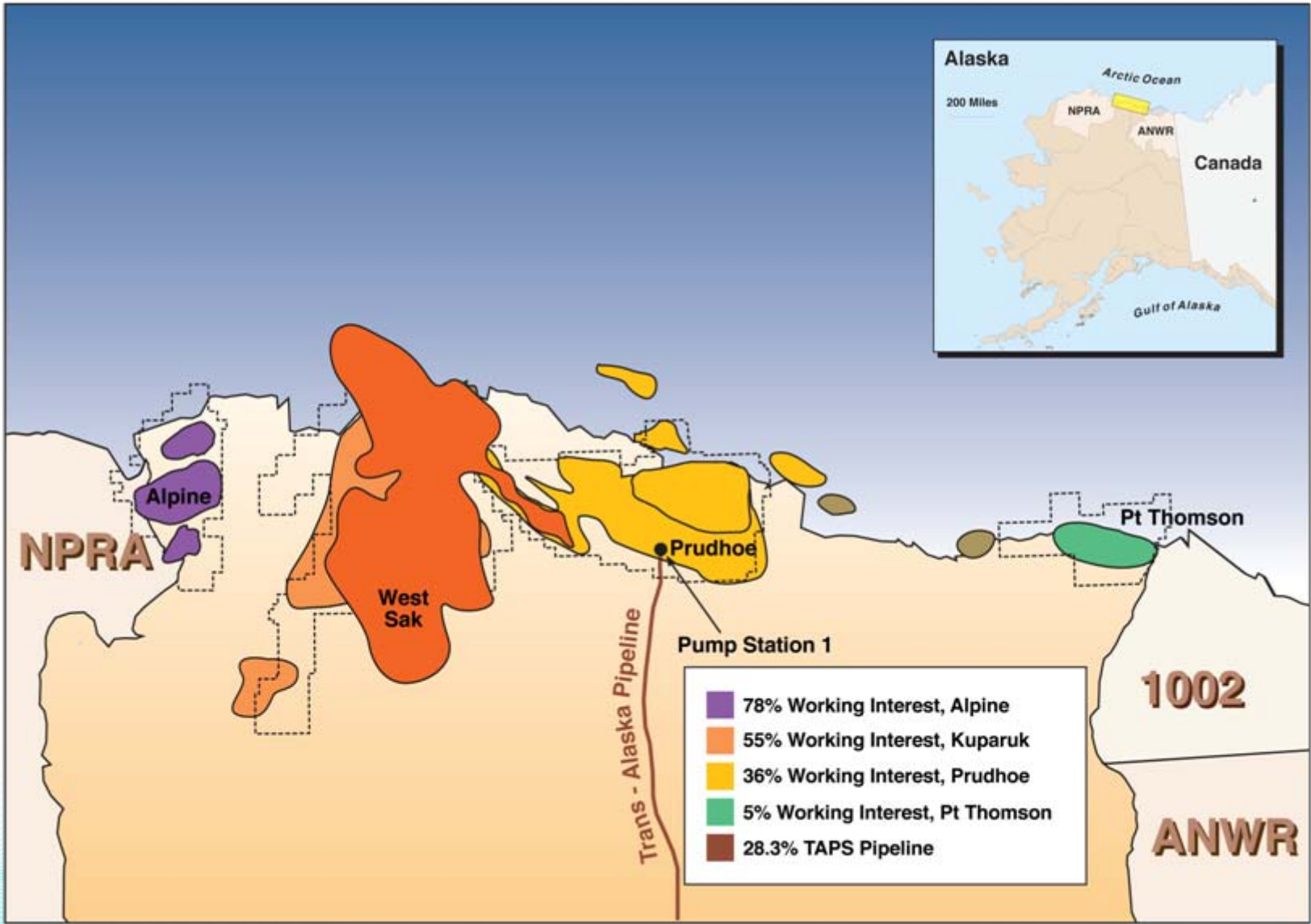
- ConocoPhillips' assets
  - Beluga River Unit – 1968
  - North Cook Inlet Unit – 1969
  - Kenai LNG plant – 1969
- Kenai LNG plant
  - Recent extension from DOE
  - Future utility unclear
- Challenges
  - Limited natural gas market
  - High costs
  - Limited prospectivity



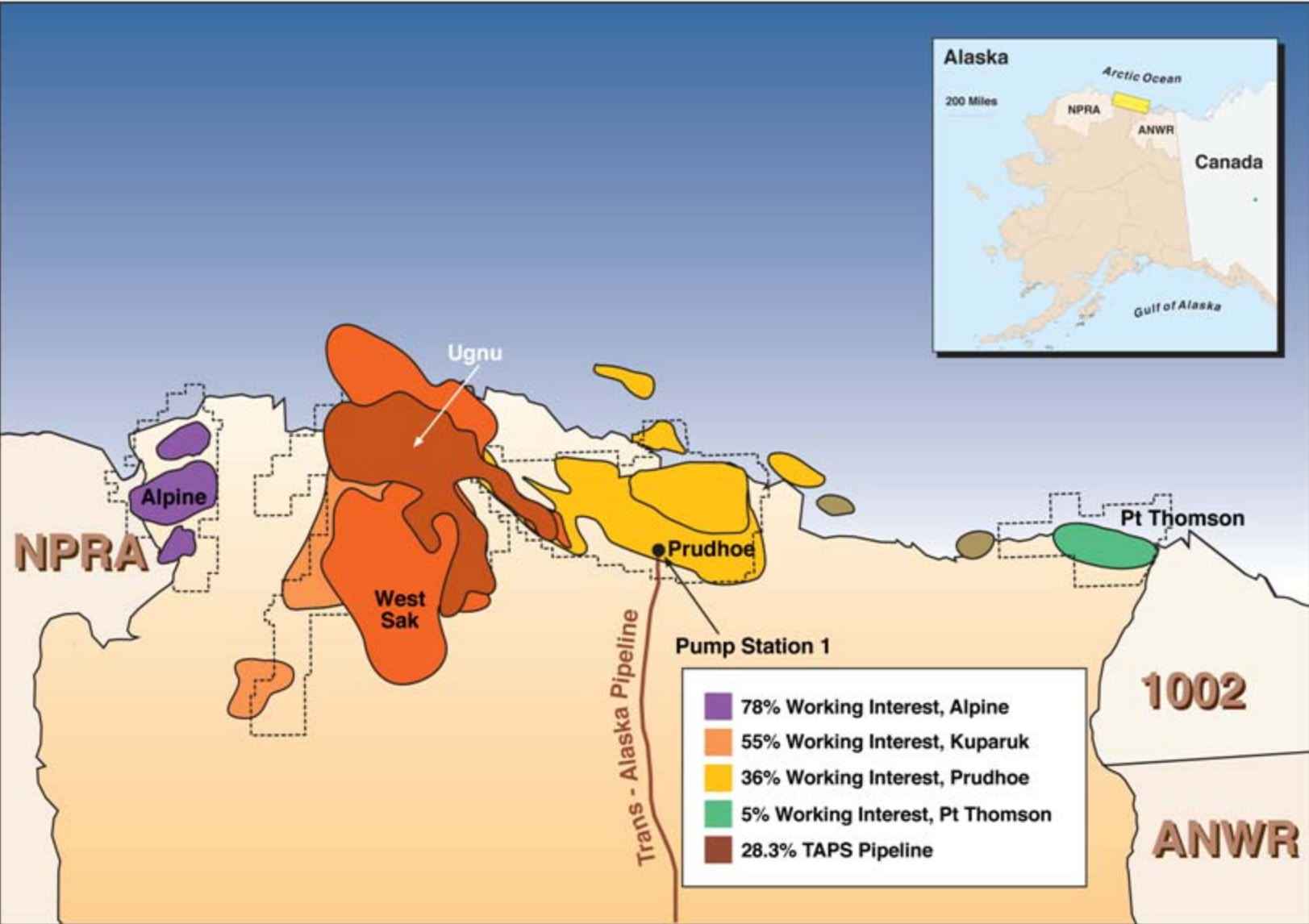
# ConocoPhillips on the North Slope



# West Sak Viscous Oil Resource



# Ugnu Heavy Oil Resource



# ConocoPhillips Alaska Operating Excellence

- Environmental and Safety Leadership
- Asset and Operating Integrity
- Technology Advancement
- Community and Stakeholder Engagement



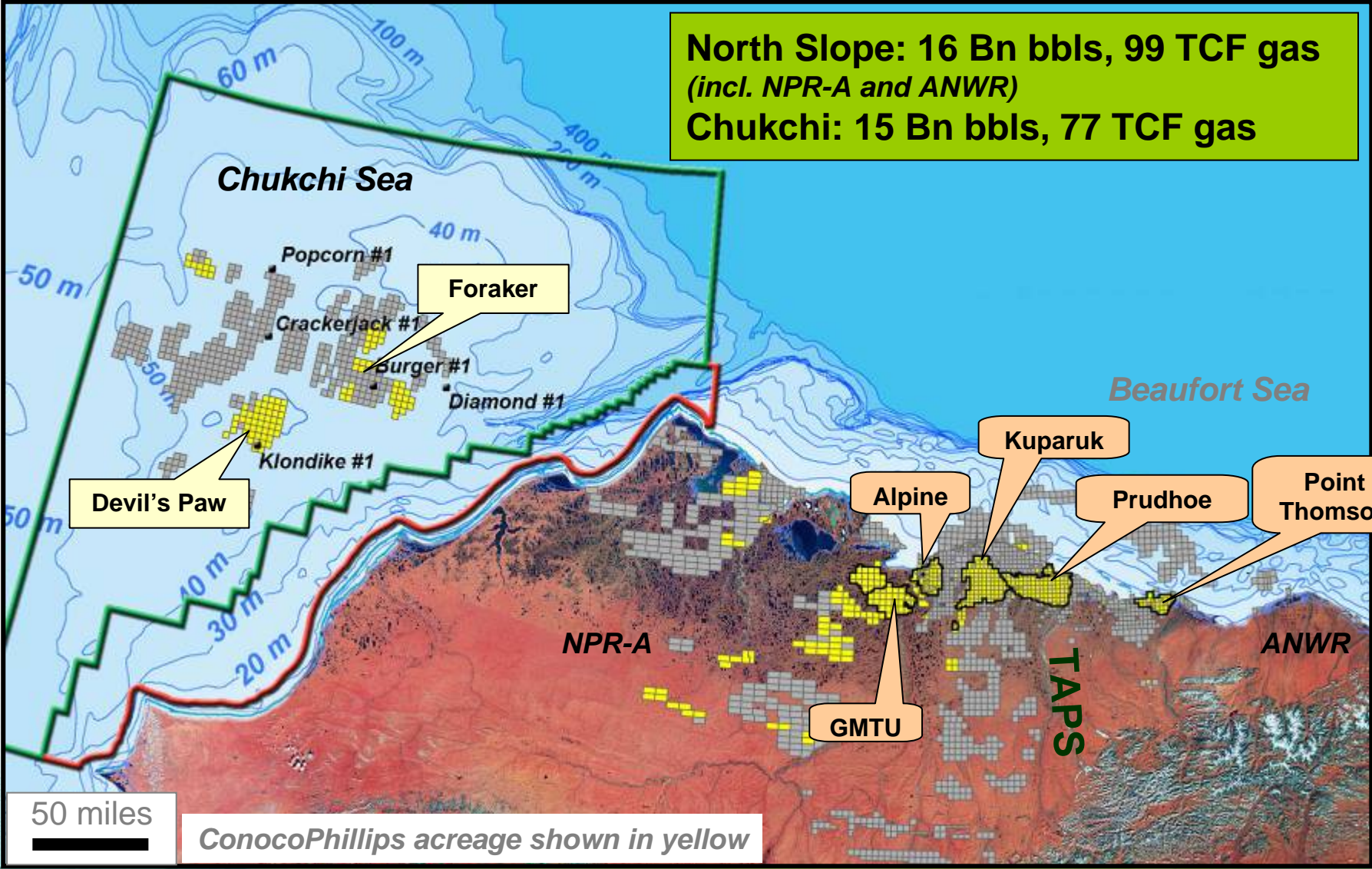


# Alaska Provides Reason for Optimism

- Large resource base
- Key infrastructure in place
  - Foundation for long life
- Talented workforce
- Established supply and service industry

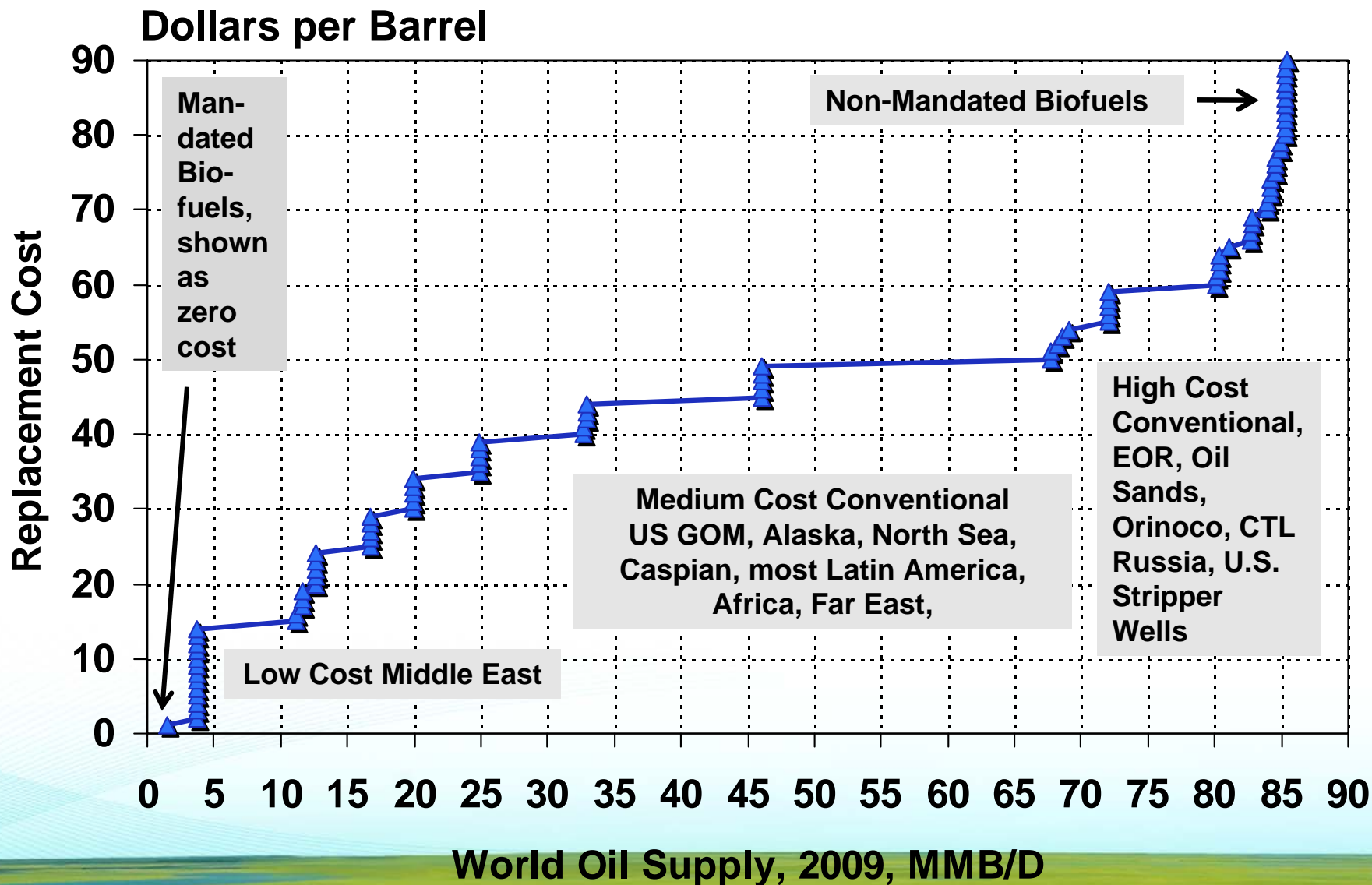


# Alaska's Resource Potential



Source: Undiscovered technically recoverable petroleum per MMS (Chukchi) and USGS (Other)

# Current Oil Reserve Replacement Cost Curve

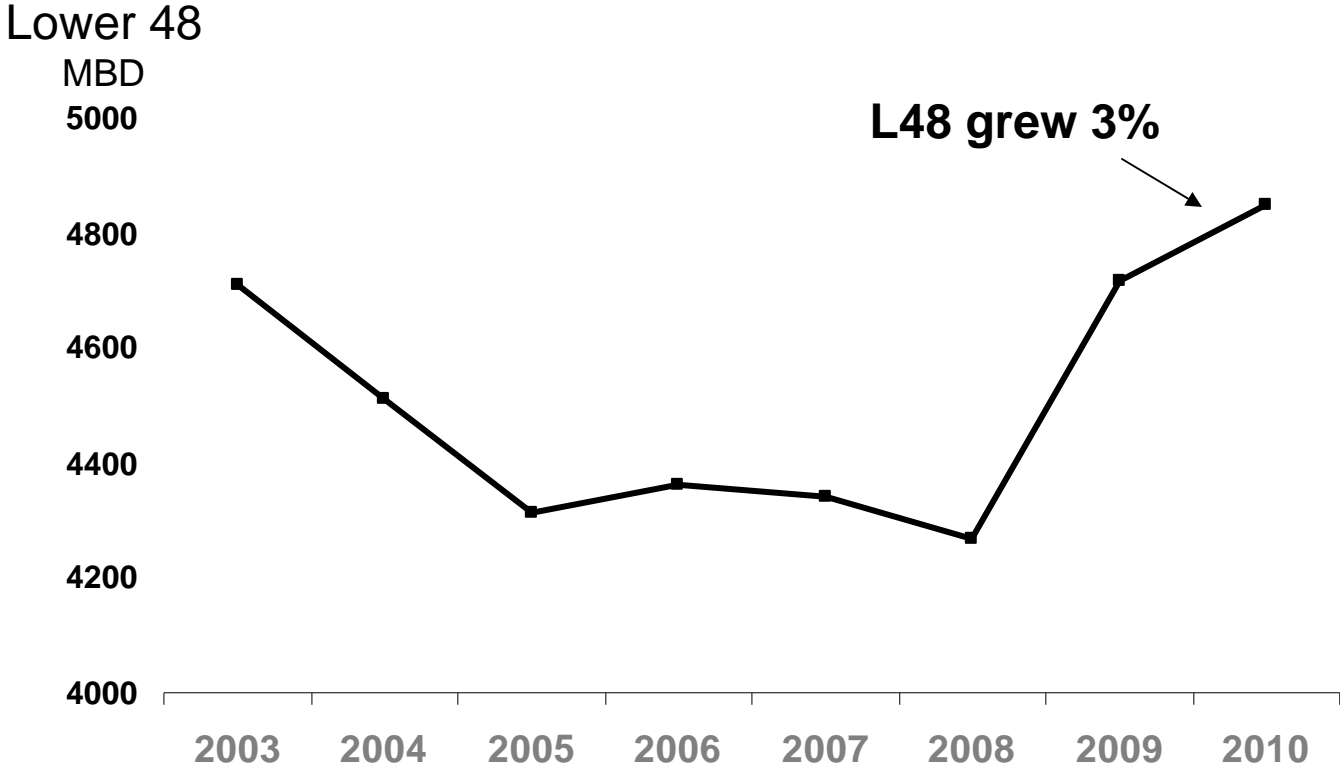


# Challenges have increased

- Alaska taxes
- TAPS low-flow issues
- NPRA permitting
- Offshore/OCS uncertain
- North Slope gas market



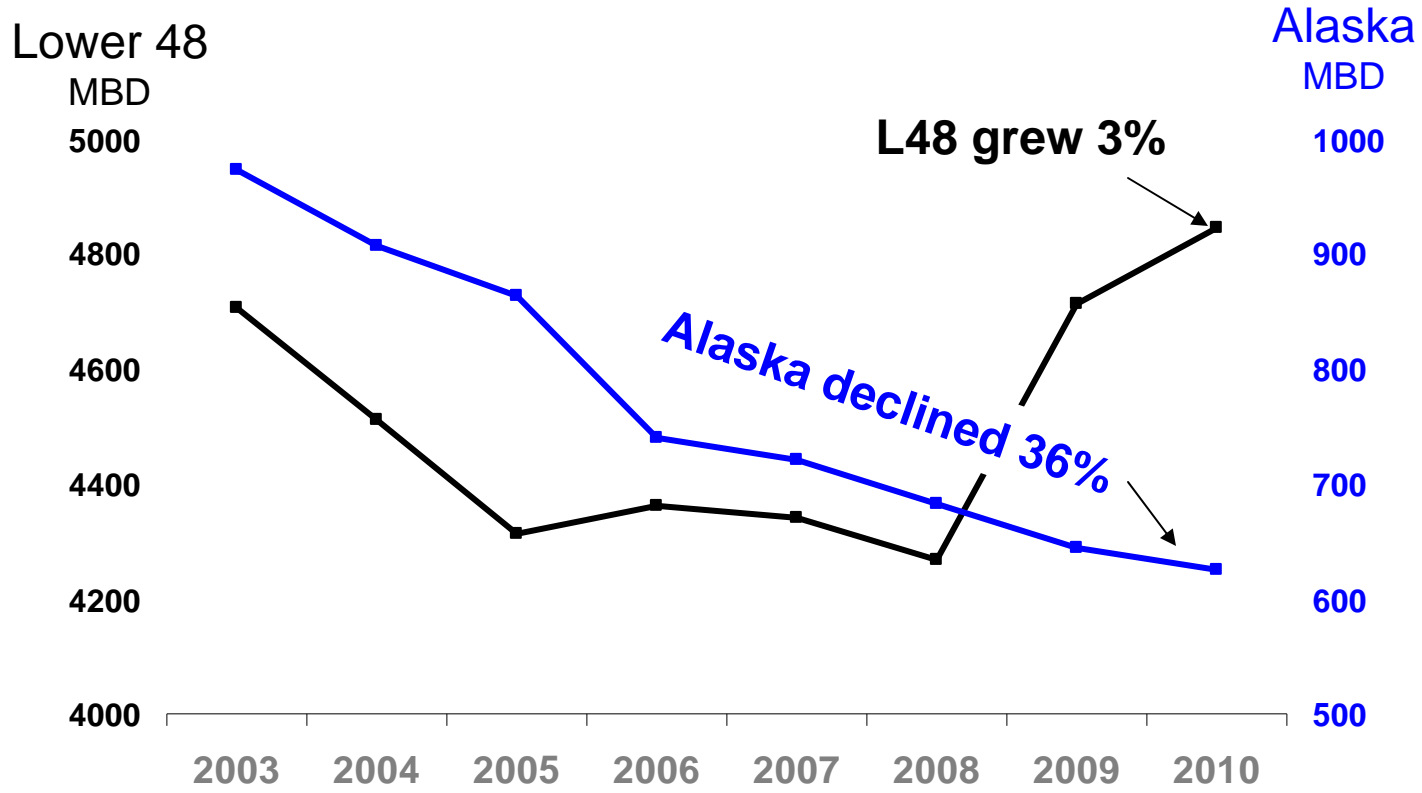
# Lower 48 Oil Production Growth



**Lower 48 up 3% from 2003 level, up 12% from 2005**

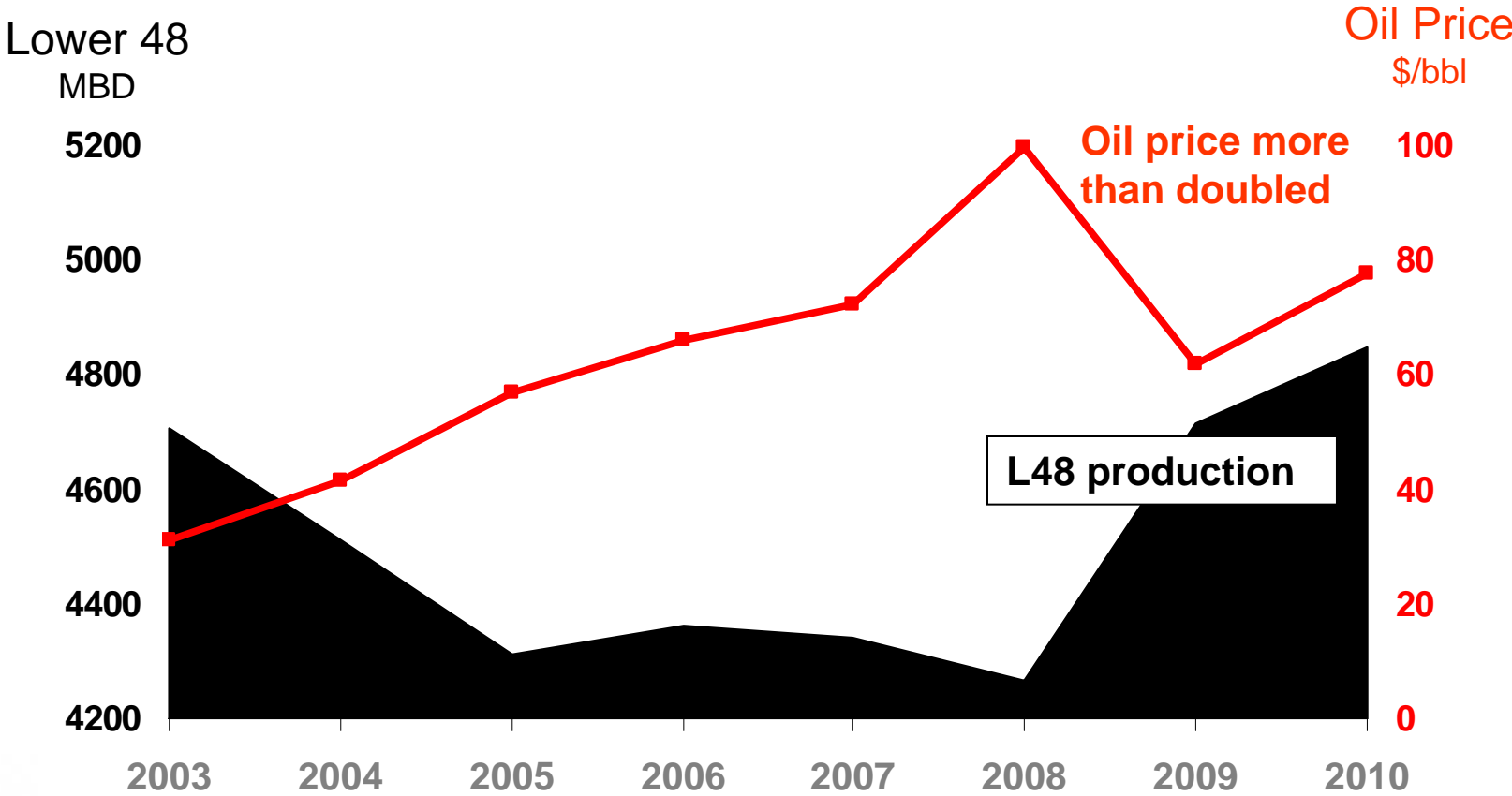
Source: EIA

# Alaska Production Decline Relative to L48



Lower 48 up 3% from 2003 level, up 12% from 2005

# Lower 48 Oil Production Relative to Price

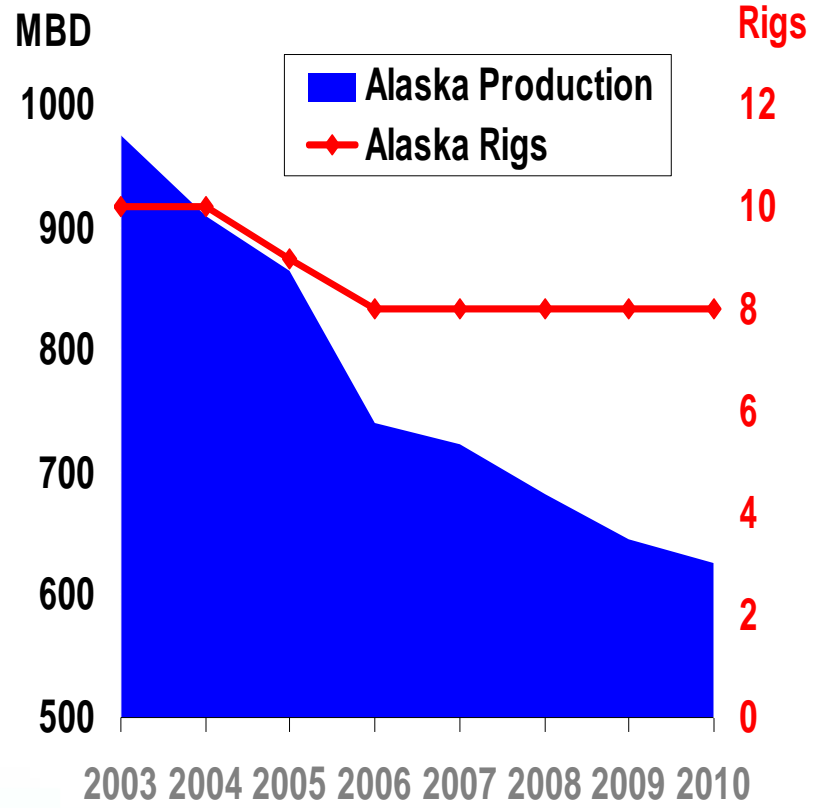
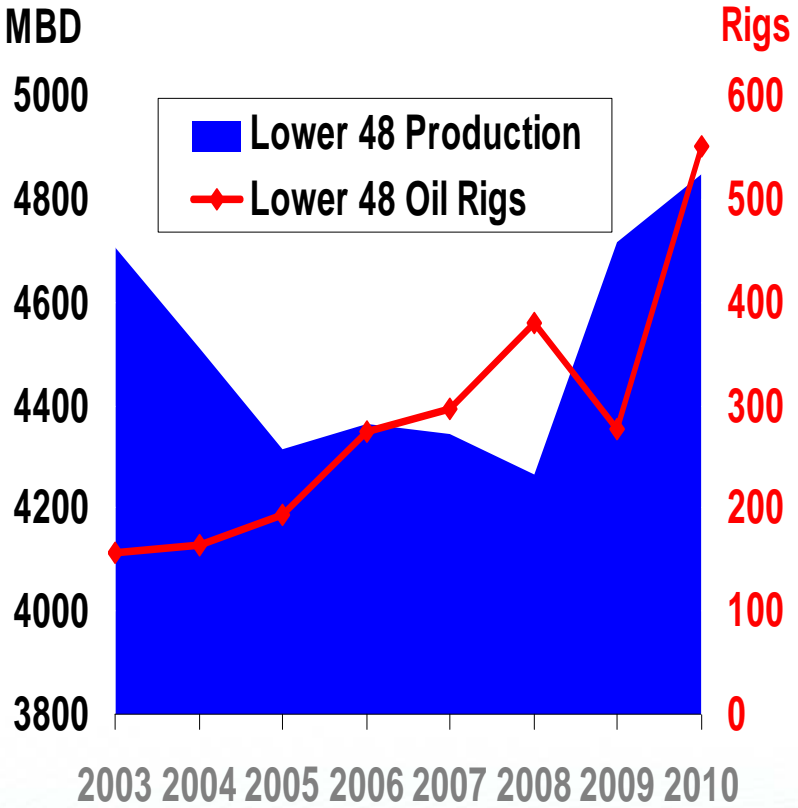


Lower 48 production responded to price increase

Source EIA

# Rising L48 Rig Count Stems Oil Decline

## Flat Alaska Rig Count = Ongoing Decline

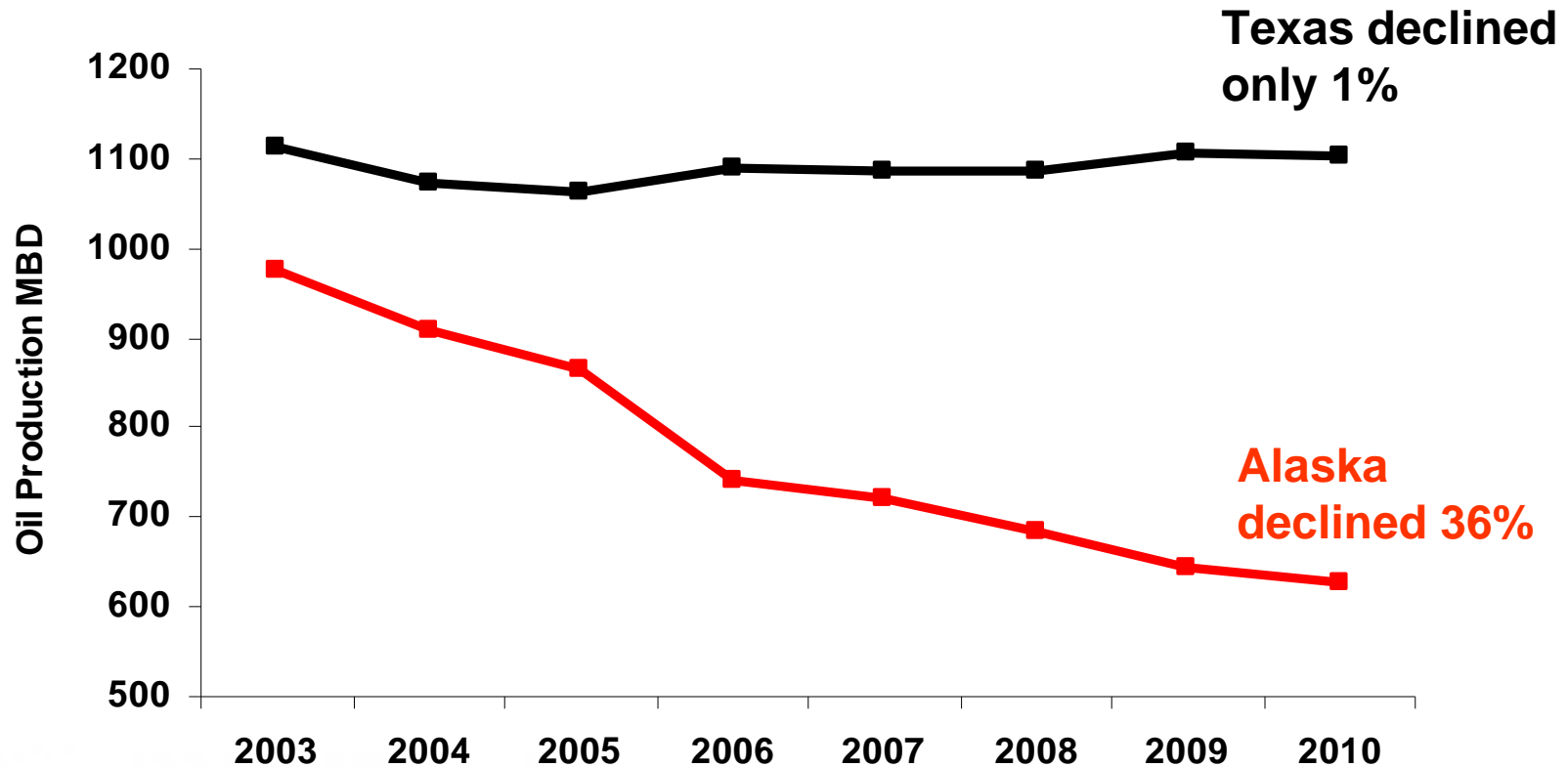


**Increased production follows increased drilling**

Source EIA & Baker Hughes

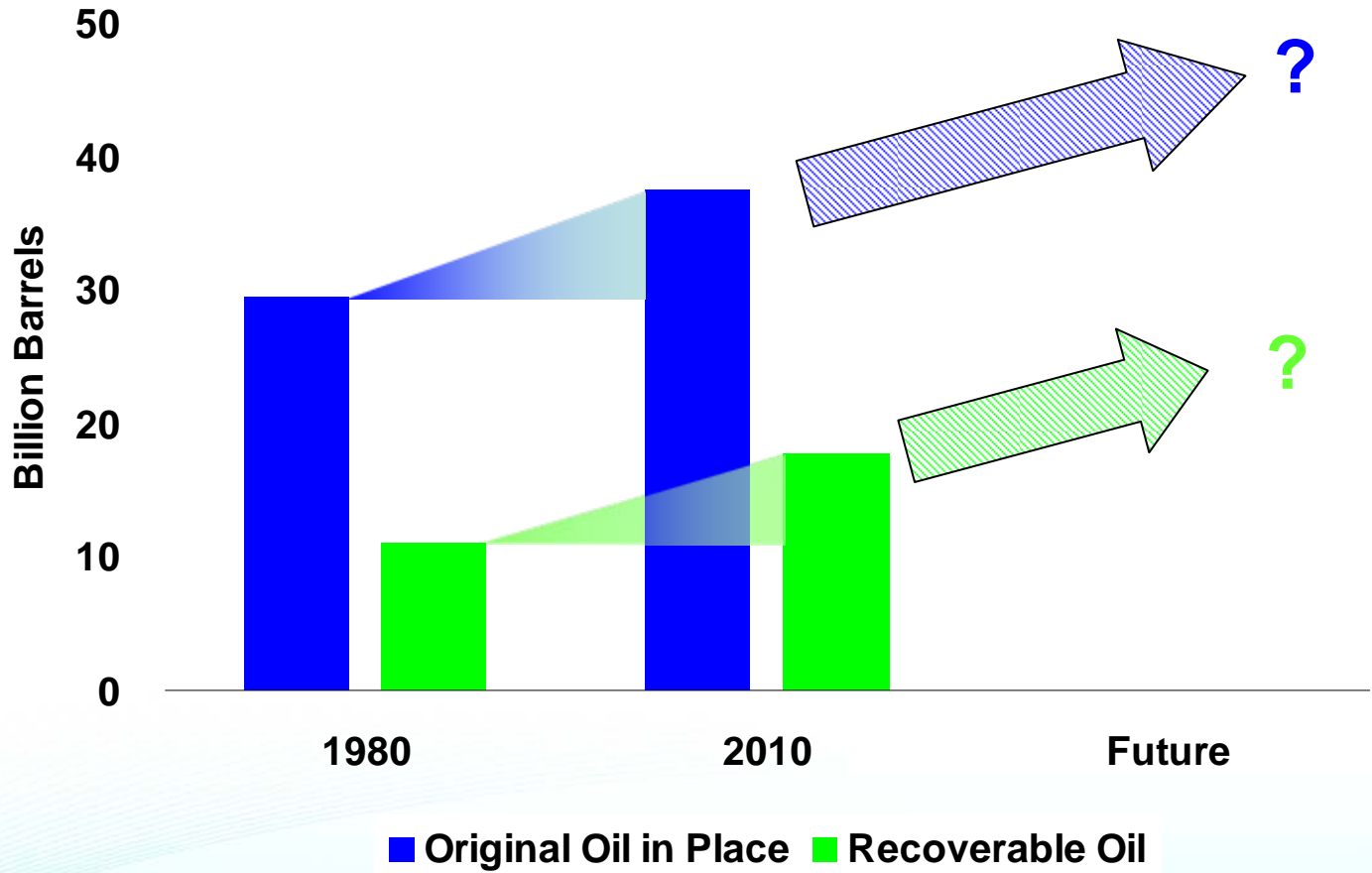


# Texas and Alaska Oil Production



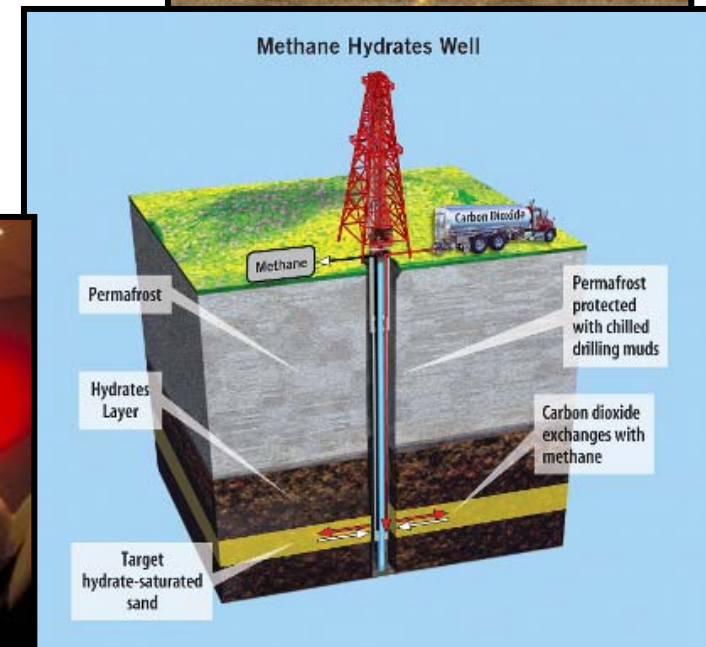
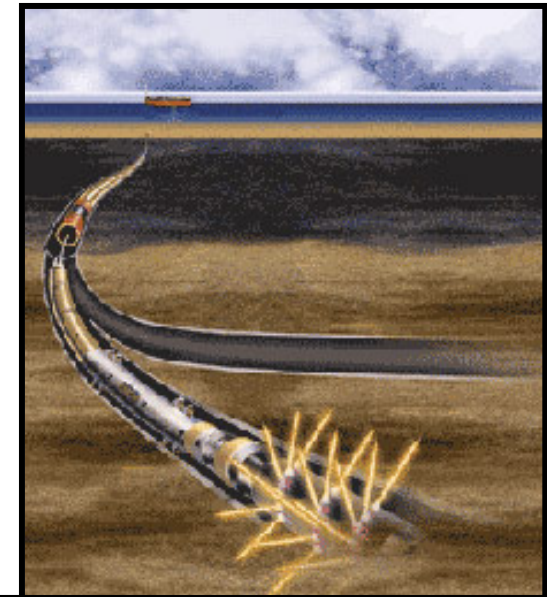
**Mature regions can mitigate decline**

# Alaska North Slope Resource Growth



# Technology and Innovation

- Industry past innovations
- Recent technology advancements
- Future technology solutions
  - Challenged / heavy oil recovery
  - Hydrates



# ConocoPhillips Commitment to Education

- Annual Report to Alaskans
  - ConocoPhillips Alaska website
- Education and Training
  - ConocoPhillips Arctic Science and Engineering Endowment (\$11 Million)
  - ConocoPhillips Integrated Science Building
  - Alaska Native Science and Engineering Program (ANSEP)
  - Ilisagvik College Scholarship Program
  - Alaska Pacific University
  - APICC Program Support
  - Fairbanks Pipeline Training Facility



# Sustainable Path To Success

- Industry role
  - Investment
  - Technology and innovation
  - Creativity and people
  - Stakeholder engagement
  - Education and training
- Government role
  - Fiscal structure
  - Access to acreage
  - Streamlined permitting
  - Education and training
- Key is working together

