ConocoPhillips

# The U.S. Oil & Gas Renaissance – Alaska's Role

Resource Development Council

Remarks by Ryan Lance

June 24, 2014

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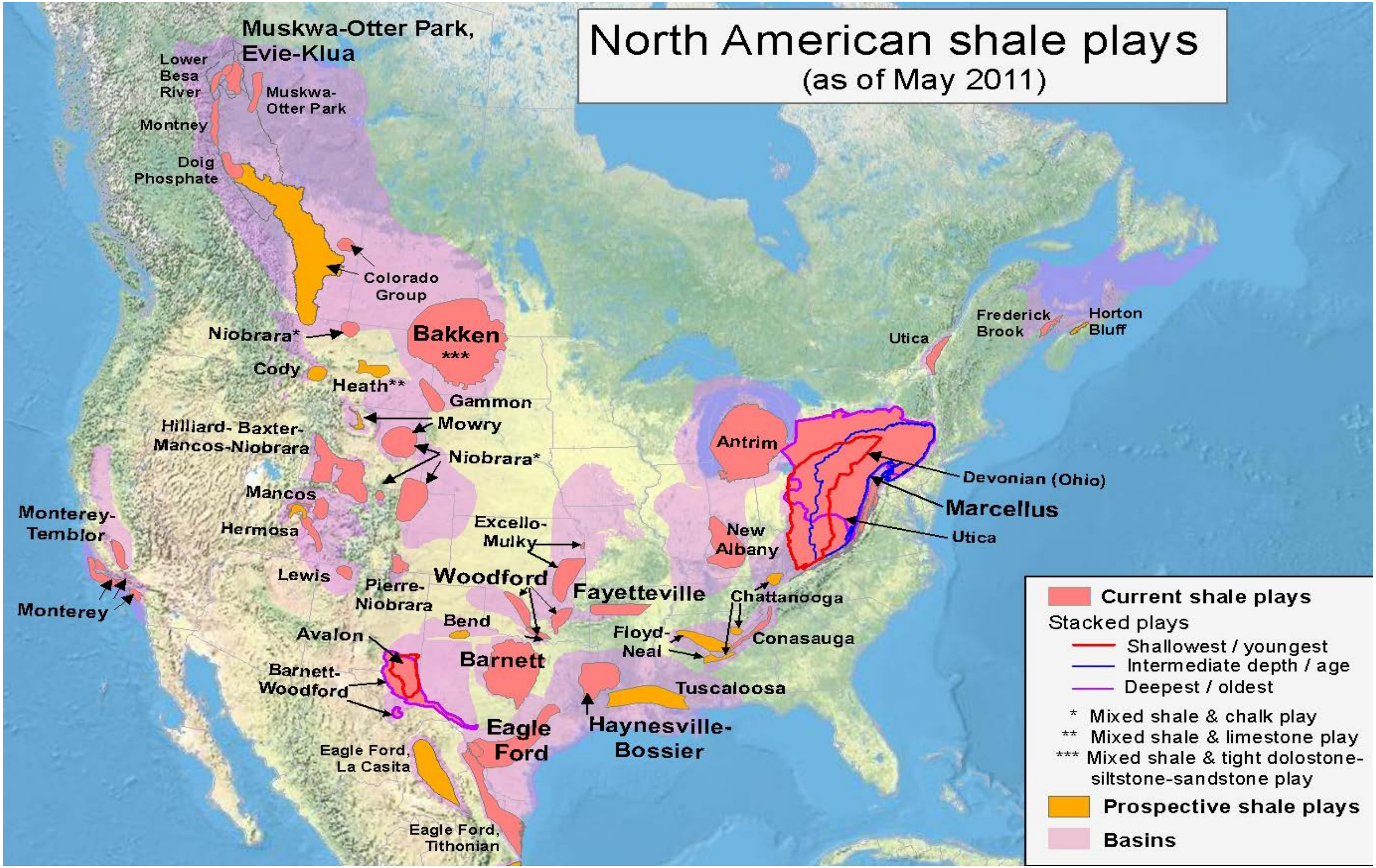
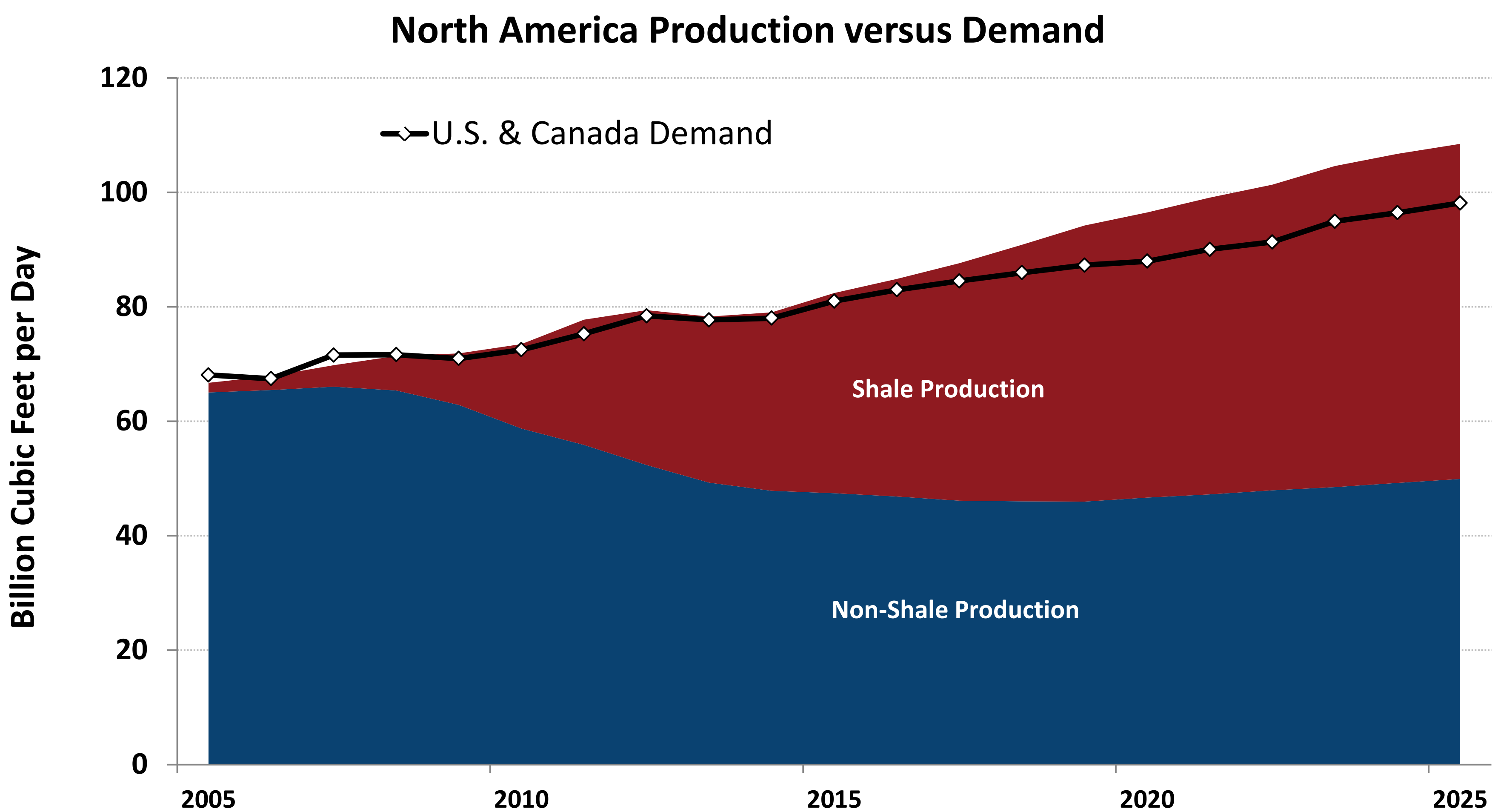
# North American Shale Plays




Source: U.S. Department of Energy, EIA

# North America Has New Abundance of Low-Cost Natural Gas



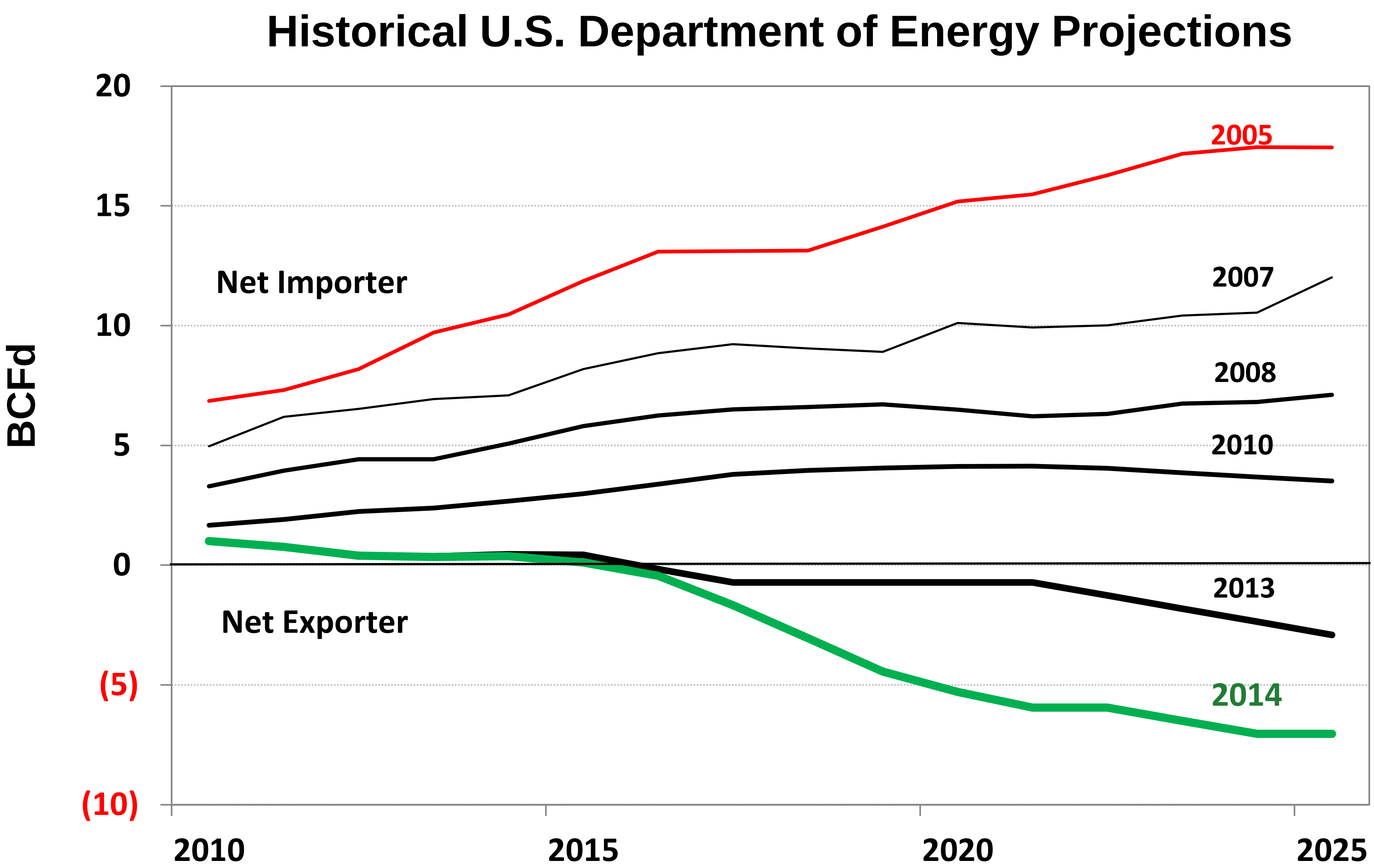

*Shale % of Production* *2.5%* *20%* *43%* *52%* *54%*

**Rising shale gas production will soon enable LNG exports**

Source: Wood Mackenzie

Source: U.S. Department of Energy, EIA, Annual Energy Outlooks

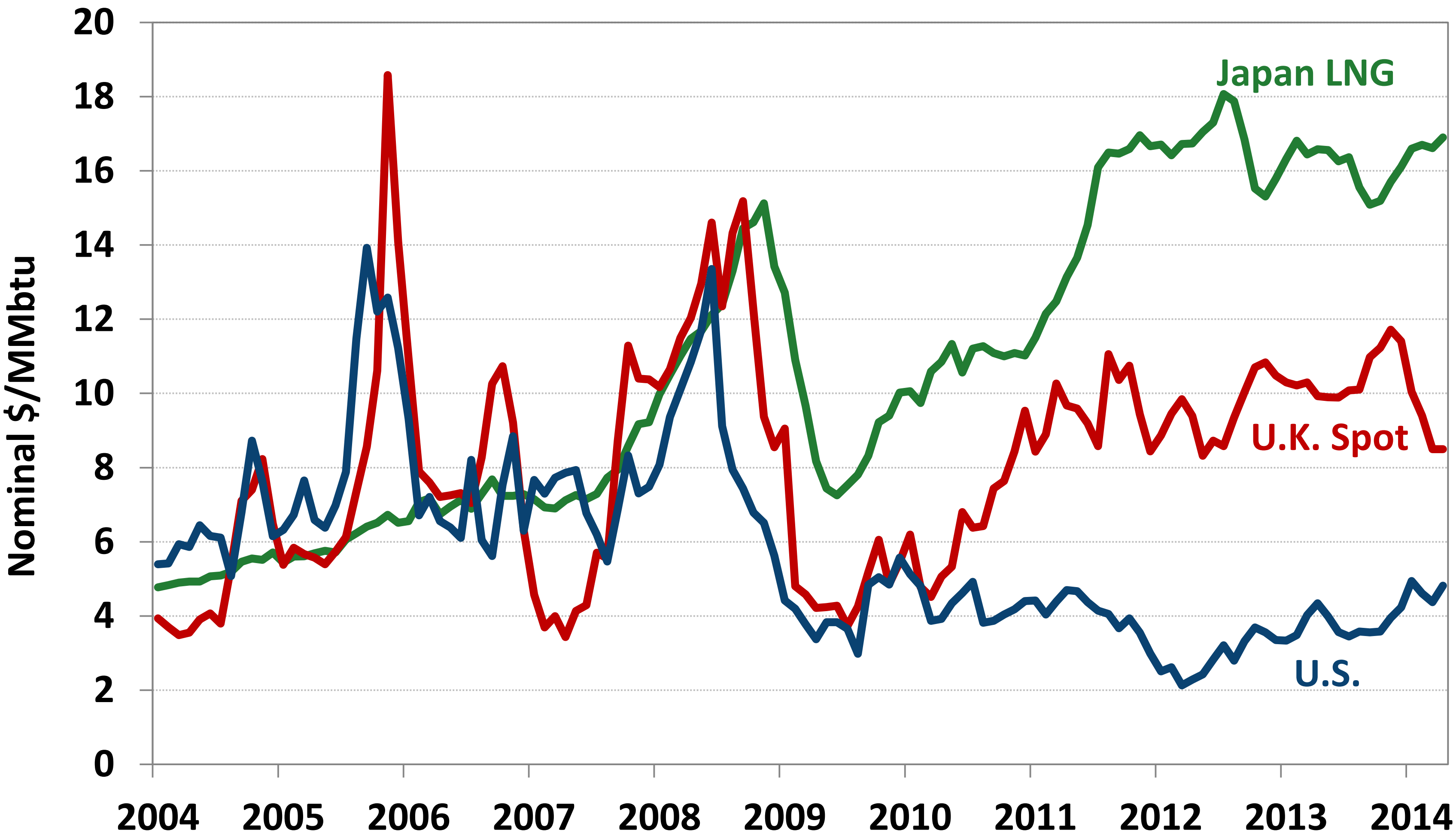
# U.S. LNG Import / (Export) Projections




**U.S. is poised to become a net LNG exporter**

Source: U.S. Dept. of Energy, Energy Information Administration

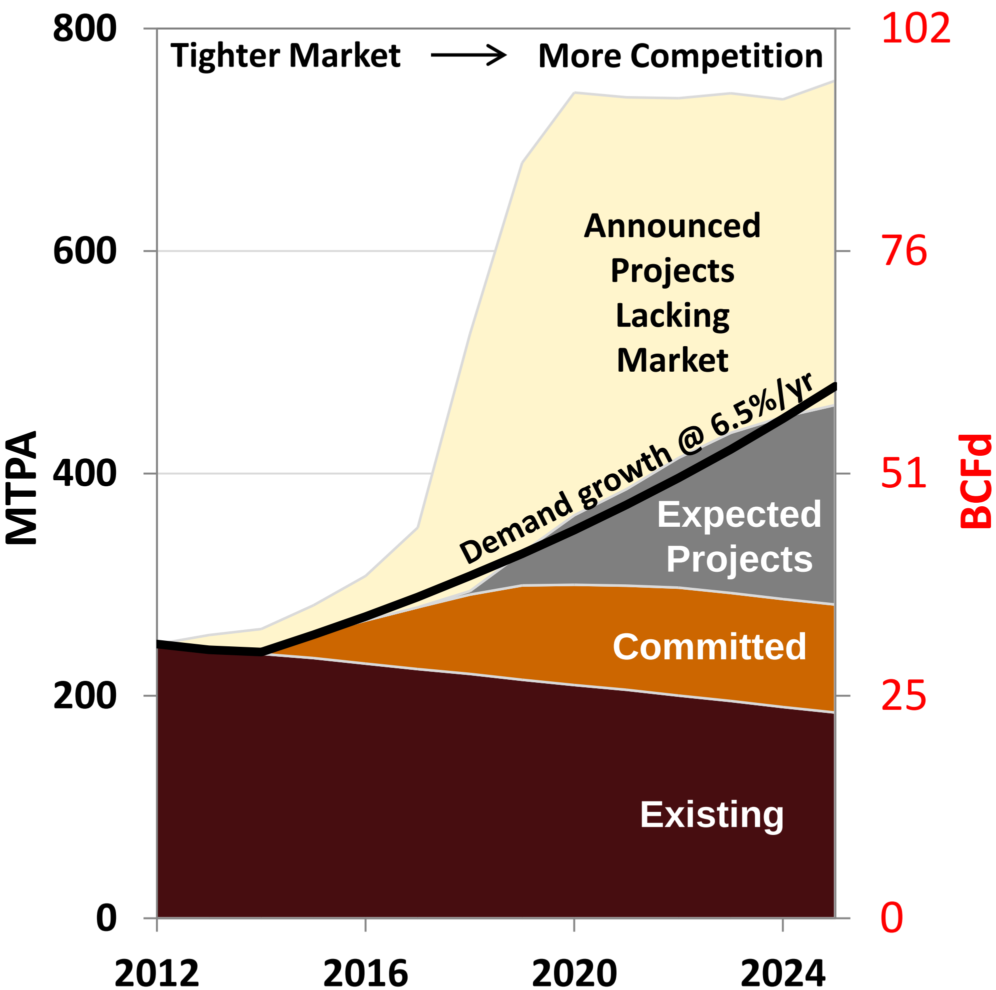
# Global Natural Gas Prices




**Wide divergence between pricing in major markets**

Source: Bloomberg

# Global LNG Supply/Demand




- Rising pipe and LNG supply competition beyond 2018 with some constraints
- Significant base decline
- Slippage of projects under way
- Announced LNG projects have substantial execution risks:
  - Reservoir and technical
  - Partner and government alignment
  - Experience and alignment of participants
  - Sales
  - Substantial cost inflation
  - Other above-ground factors

**LNG demand grows rapidly, enabled by increasing supply. High project risks act as barrier to entry and keep market relatively balanced.**

Source: ConocoPhillips

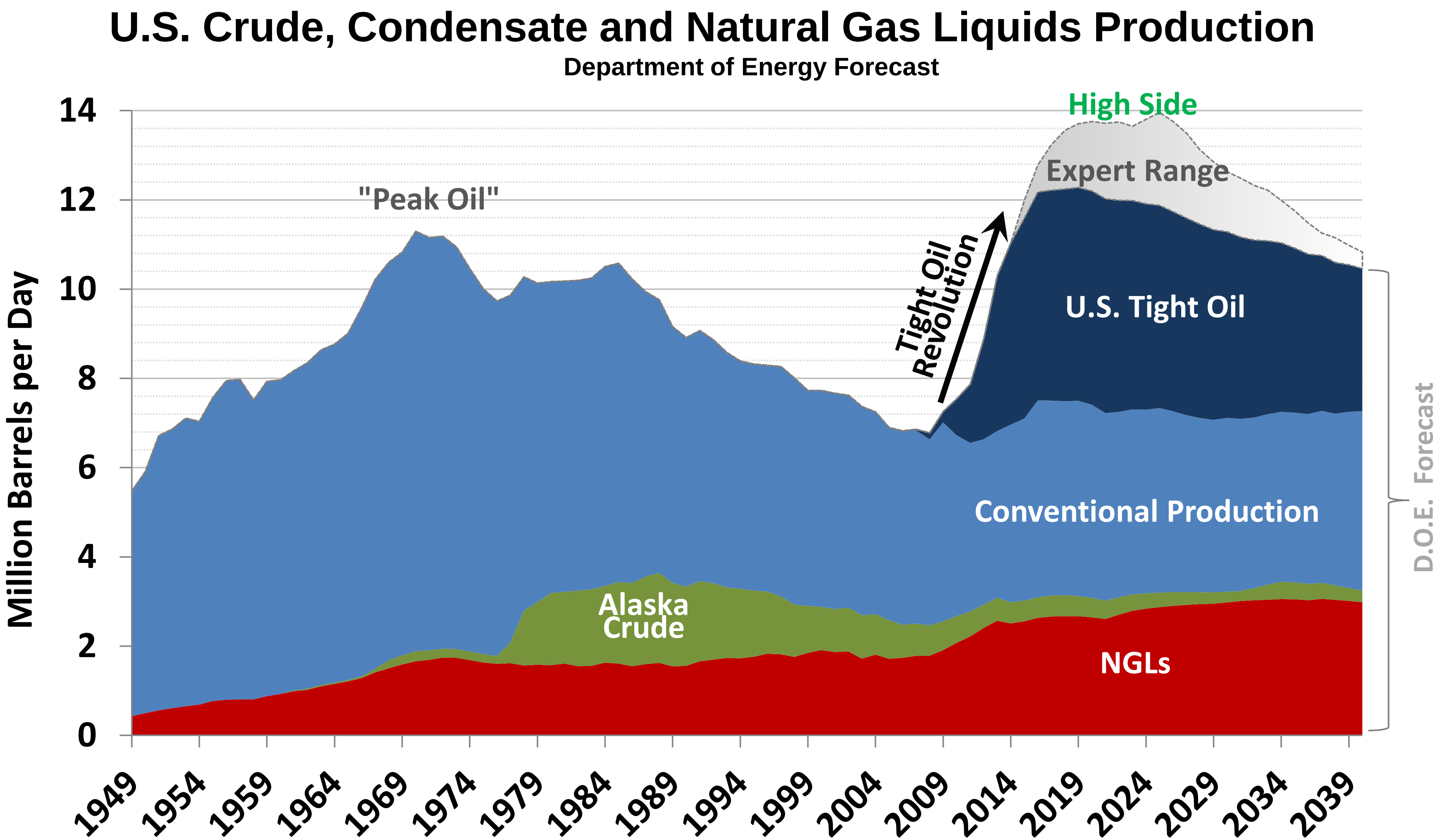
# Proposed Natural Gas Liquefaction & Export Projects

- ~40 export terminals have filed with authorities* in North America
- In the U.S., DOE has permitted 6 projects or ~9 BCFD for non-Free Trade Agreement exports to date
- Sabine Pass is the only project under construction
- Global LNG demand and competing supplies will restrict the number of projects built

**>400 MTPA (52 BCFD) of potential exports filed with authorities**

*Filed with U.S. Federal Energy Regulatory Commission or Canada National Energy Board

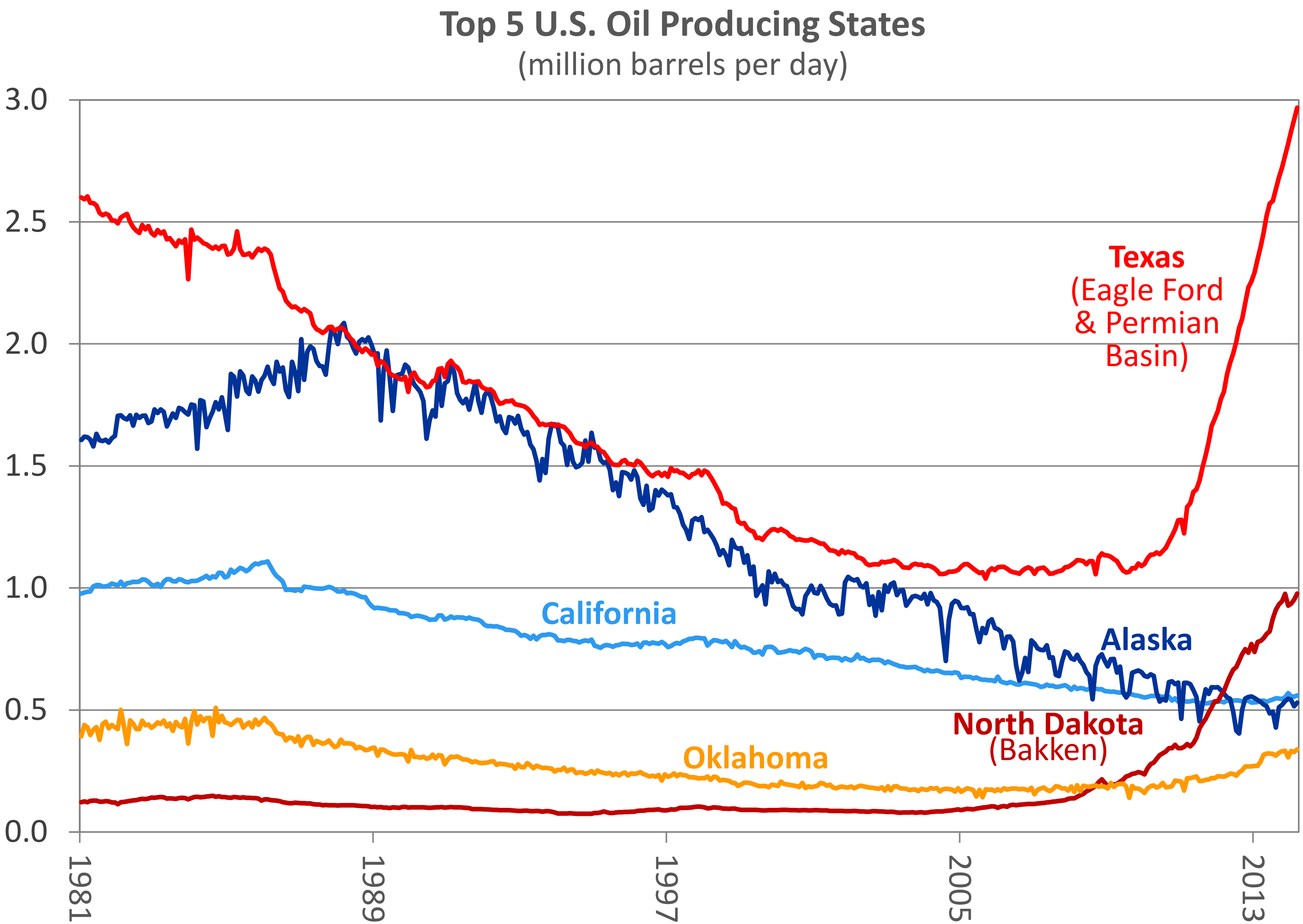
# The Shale Revolution Has Spread to Liquids




**Liquids production is increasing toward a new record**

Source: U.S. Department of Energy, EIA, Annual Energy Review 2013, Table 5.1b. Forecast from EIA Annual Energy Outlook 2014

# U.S. Oil Production: Texas and North Dakota Lead the Way

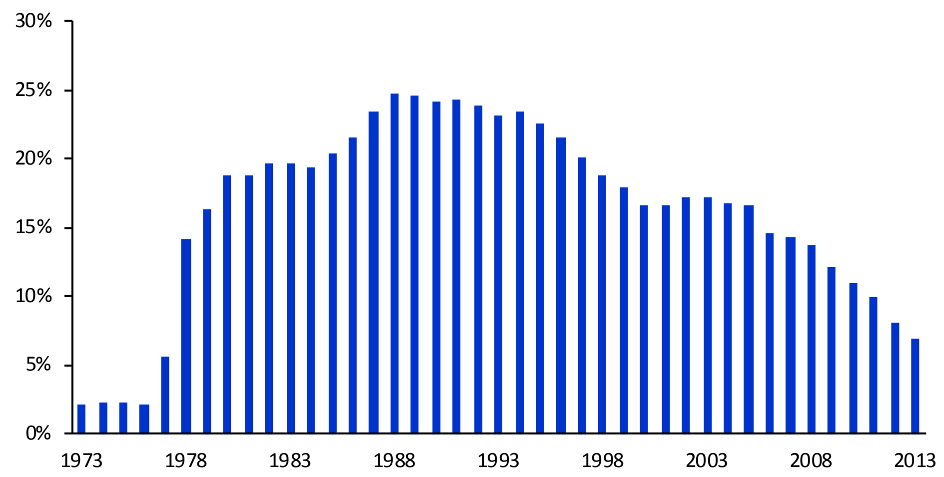



Source: U.S. Department of Energy EIA, as of 4/1/2014

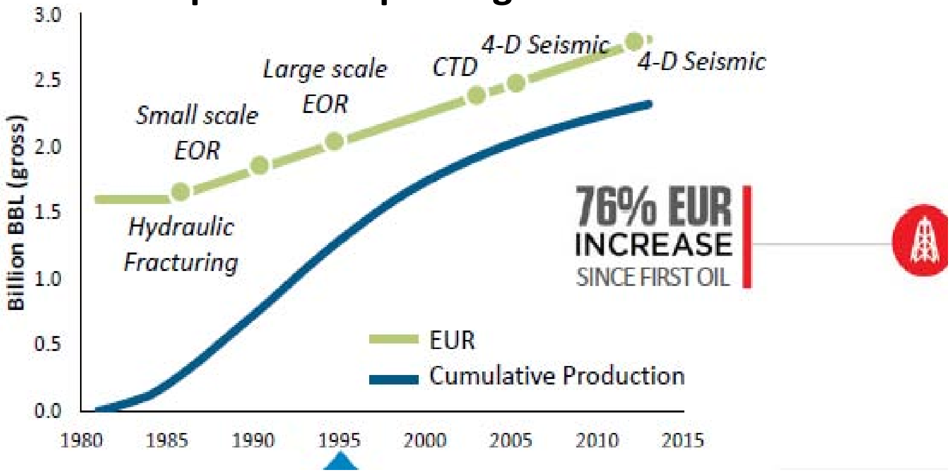
# The North Slope Story

- Legacy fields (Prudhoe and Kuparuk) made Alaska a major crude oil producer
- Enhanced oil recovery & other cutting-edge technologies help maximize rate & recovery
- As legacy fields declined, space became available for developing new fields
- Investment in new production minimal during ACES
- Improved investment climate now leading to renewed North Slope investment

**Alaska Fraction of Total US Oil Production**

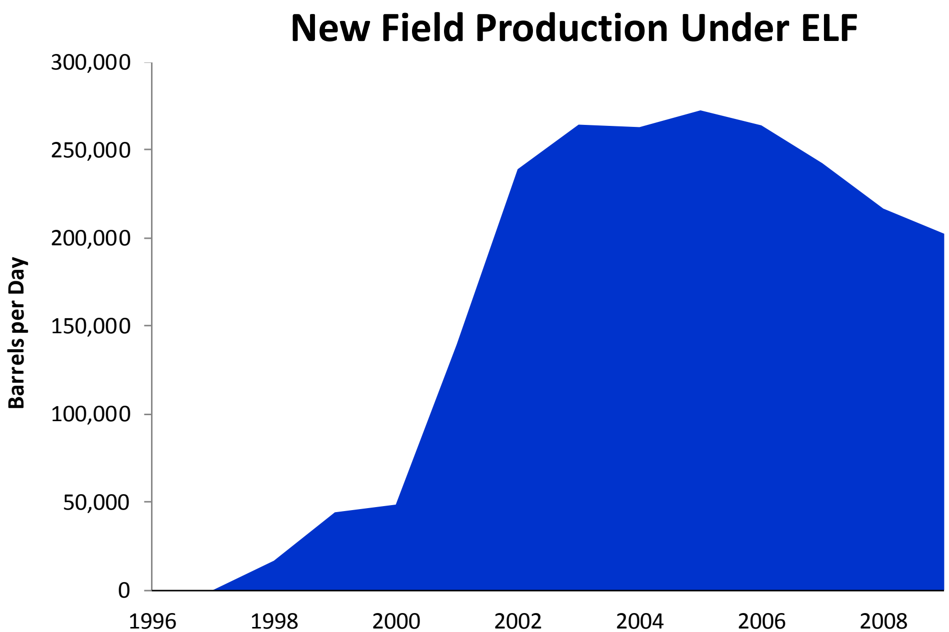



**Kuparuk – Improving Base Production**

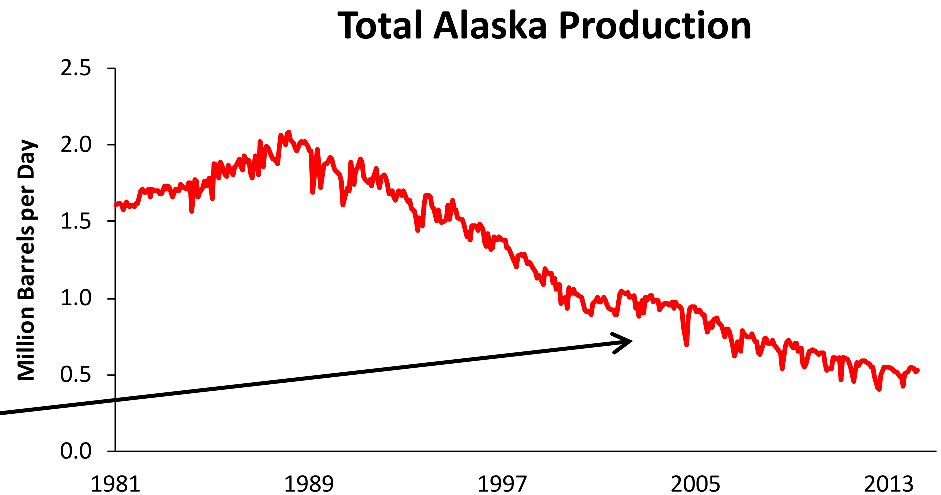



Source: U.S. Department of Energy EIA and ConocoPhillips

# "ELF" Tax Period Encouraged Significant New Production




18 new fields developed, adding over 250,000 BOD to TAPS




Led to several-year flattening of production despite low oil prices

Sources: Alaska Department of Natural Resources and U.S. Department of Energy EIA

# Can Alaska's North Slope Rebound?

- Best opportunities are in legacy fields
  - 28 BBls of light & viscous oil resources remain
  - 32 TCF of natural gas resources
- Technology will play a role
- SB 21, the More Alaska Production Act, is working
  - Encouraging new investment
  - Setting the stage for a world-class LNG project

**CD5 Construction Activities**

# Since SB 21 Passed, ConocoPhillips Has Taken Action

## Increased Capital Spending

- 2014 Alaska capital budget is $1.7 billion, up 50% from 2013
- That's double our average from 2008- 2012
- Added two rigs to Kuparuk rig fleet

## Announced ~$2 Billion in New Projects

- Drill site at Kuparuk (DS 2S) – Targeting approval late 2014
- Development in NPRA (GMT 1) – Targeting approval late 2014
- Viscous oil development in Kuparuk (1H NEWS) – Targeting approval late 2014
- Hundreds of direct & indirect jobs during construction
- Potential to add 40,000+ BOPD of new oil in 2018
- AKLNG Project moving forward – State & industry working together

**Alaska is Moving in the Right Direction**

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