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Alaska's Role in World Energy Supplies

Meet Alaska 2012

Marianne Kah
January 6, 2012

CAUTIONARY STATEMENTS

REGARDING FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and the forward-looking statements speak only as of the date on which such statements are made. You can identify forward-looking statements by words such as “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and other similar references to future periods.

The company based the forward-looking statements on its current expectations, estimates and projections about itself and the industries in which it operates. The company cautions you these statements are not guarantees of future performance, as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties whose outcomes the company cannot predict. In addition, the company based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate.

Accordingly, our actual results could differ materially from those described in the forward-looking statements due to a variety of factors, including the economic, business, competitive and regulatory factors affecting our business generally as set forth in Item 1A of the company’s 2010 Form 10-K, including our Form 10-K and other reports and filings with the SEC. Copies are available from the SEC and from the ConocoPhillips website. Unless legally required, the company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

REGARDING RESERVES

Cautionary Note to U.S. Investors – The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. We use the term "resource" in this presentation that the SEC’s guidelines prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the oil and gas disclosures in our Form 10-K and other reports and filings with the SEC. Copies are available from the SEC and from the ConocoPhillips website.

Topics Covered

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- Oil and Natural Gas Outlook
- Alaska's Role in Supplying Energy
- Investment Challenges in Alaska

Crude Oil Outlook

Crude Oil Outlook

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Short-Term

- Looser oil balance than at start of 2011
  - Slowing global economic and oil demand growth
  - Libyan production returning

Long-Term

- Moderate pace of global demand growth
  - Uncertain rate of global economic growth
  - Peak oil demand in OECD
  - Significant growth in developing countries
- Uncertainty about whether supply increases will keep pace with global demand growth
  - Constrained resource access for conventional oil
  - Geopolitical impacts on supply (e.g., Arab Spring, U.S. troops leaving Iraq)
  - BUT: Increased availability of unconventional and other frontier supplies
- Cost increases maintaining higher-than-historical oil price

Long-Term World Oil Demand Outlook
IEA Benchmark "New Policies" Scenario

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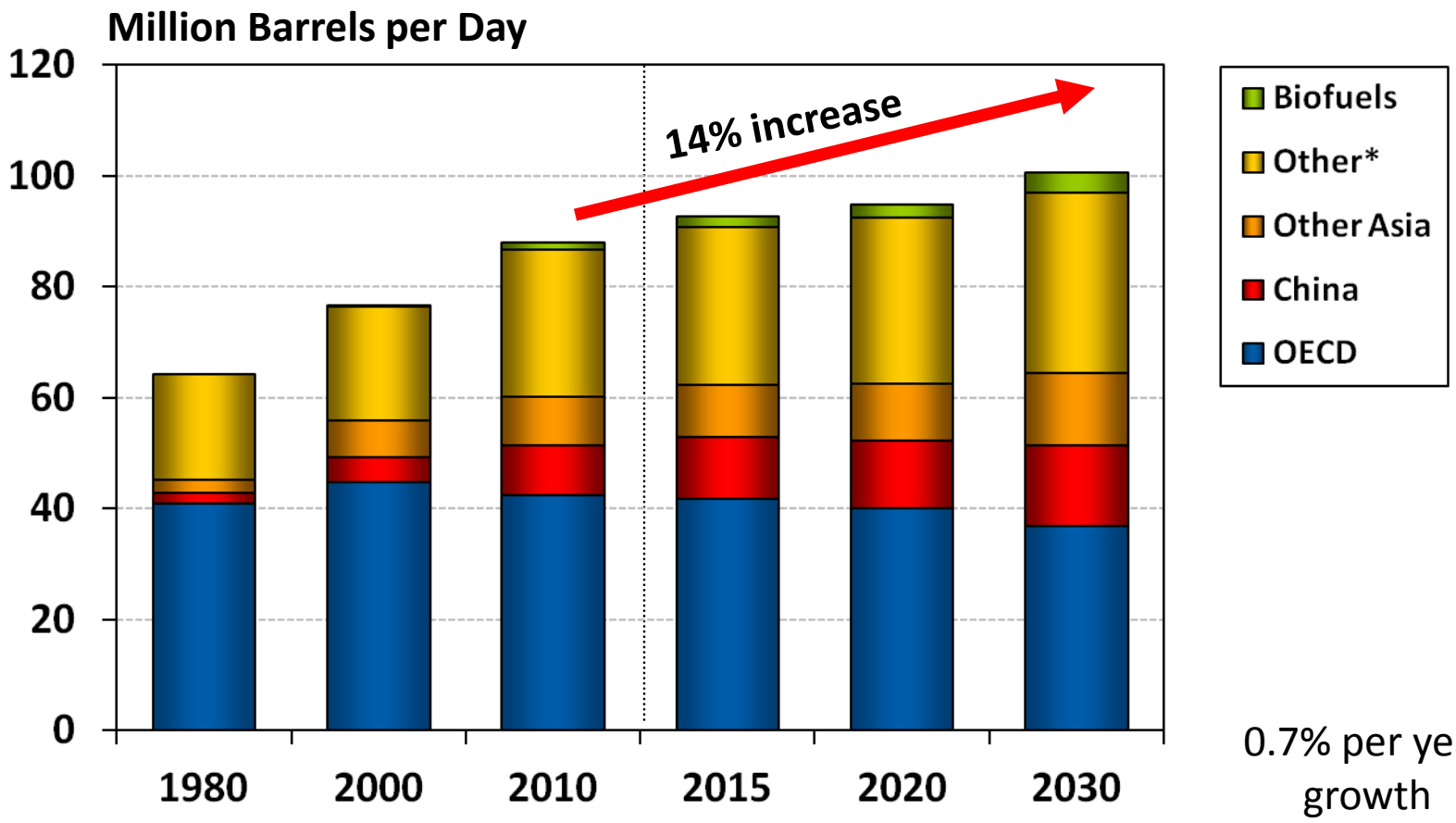

0.7% per year growth

OECD demand has peaked but significant growth is projected in developing countries

Source: International Energy Agency, "2011 World Energy Outlook"
*Other includes other developing countries and international marine bunker fuel

The Earth's Oil Endowment

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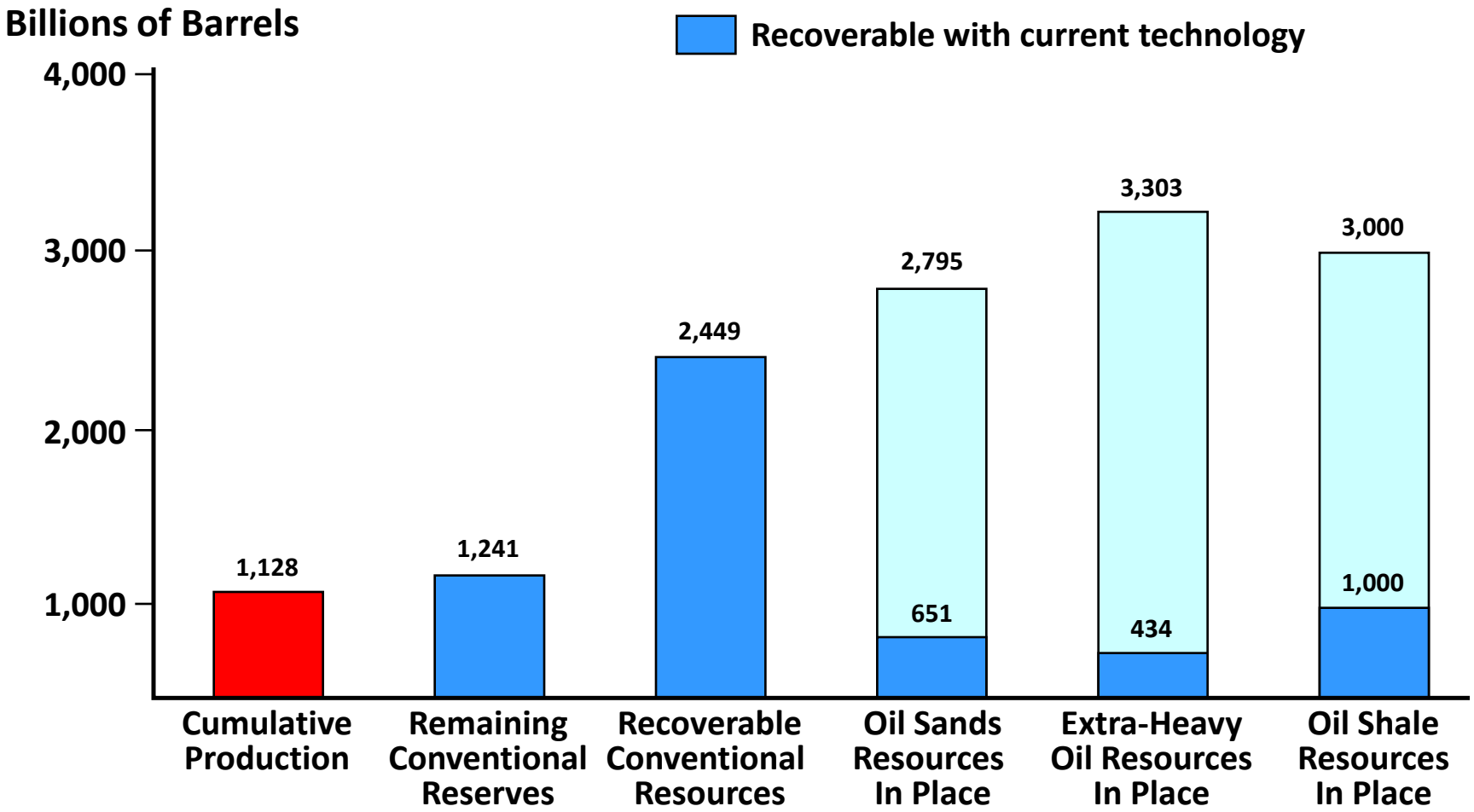

Enormous unconventional resource potential

Source: IEA World Energy Outlook 2008

Future Oil Supply Needs

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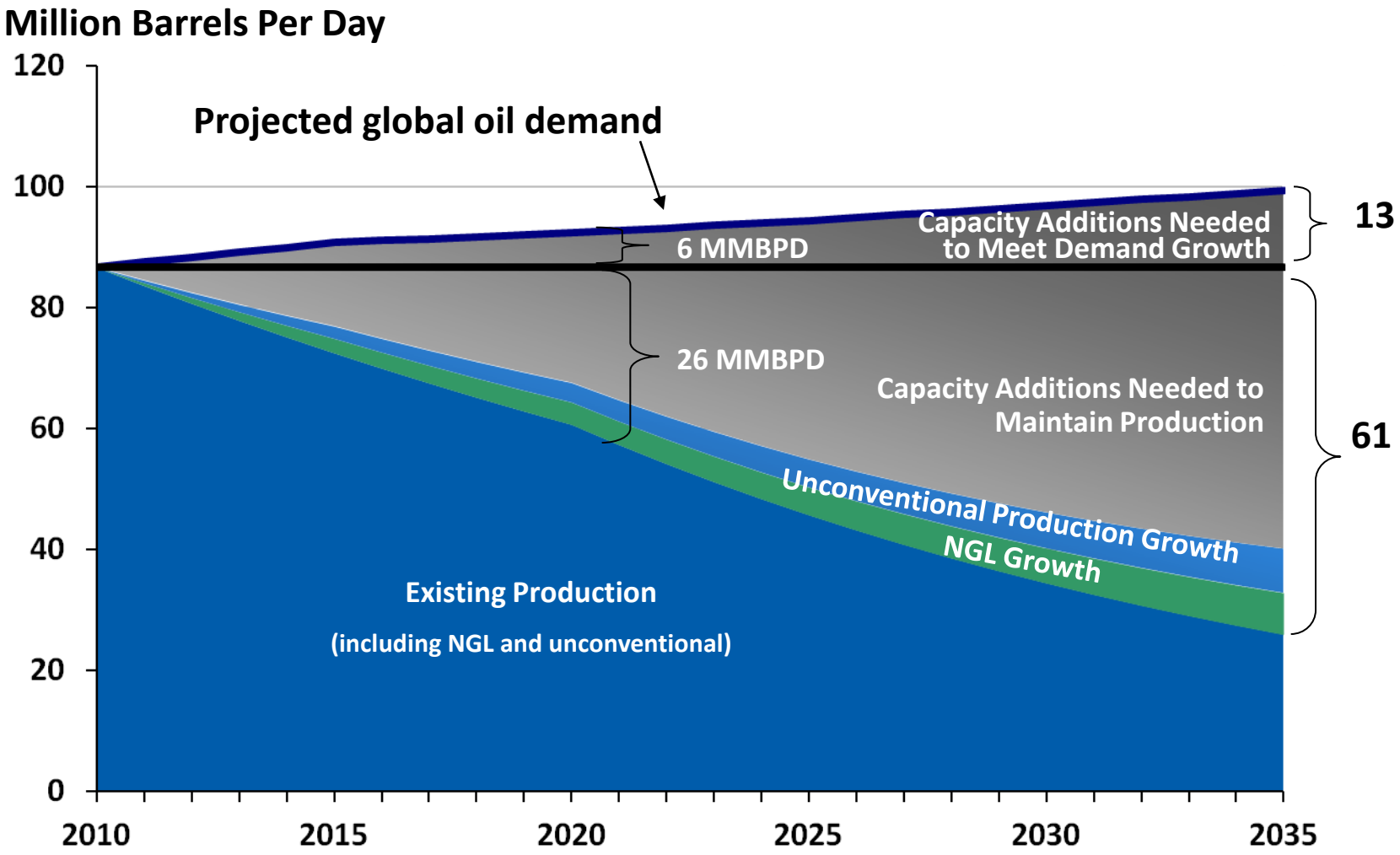

Significant capacity additions required

Source: Based on IEA World Energy Outlook 2011
Assumes 4.6% decline (3.5% between 2010 and 2020 and 5.5% between 2020 and 2035)

Long-Term Oil Supply Costs by Source

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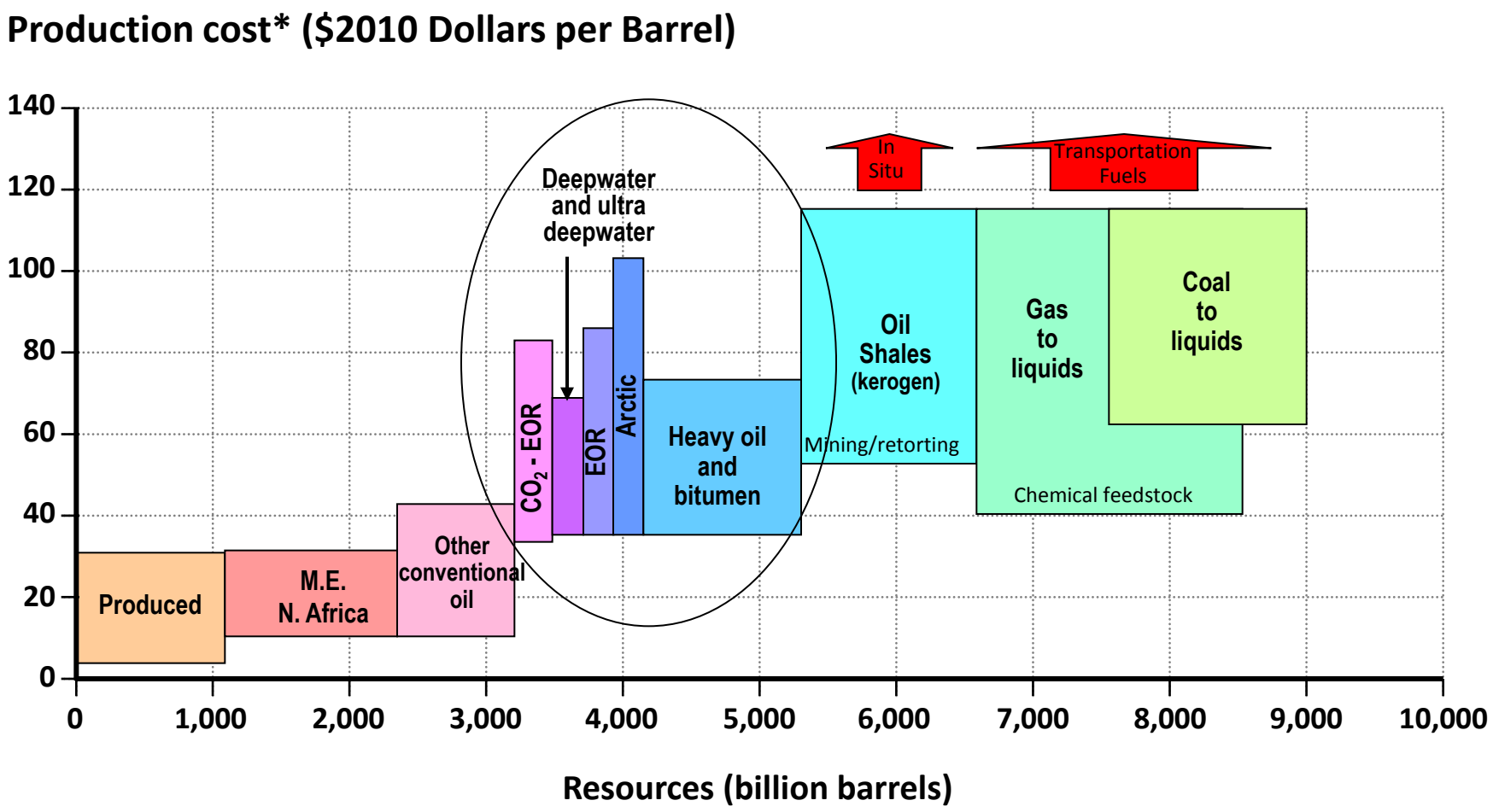

Unconventional resources are more accessible but may have higher costs

Source: IEA World Energy Outlook 2008

* Pre-tax full-cycle cost, including 10% return; excludes biofuels

Predicting Crude Prices is Daunting

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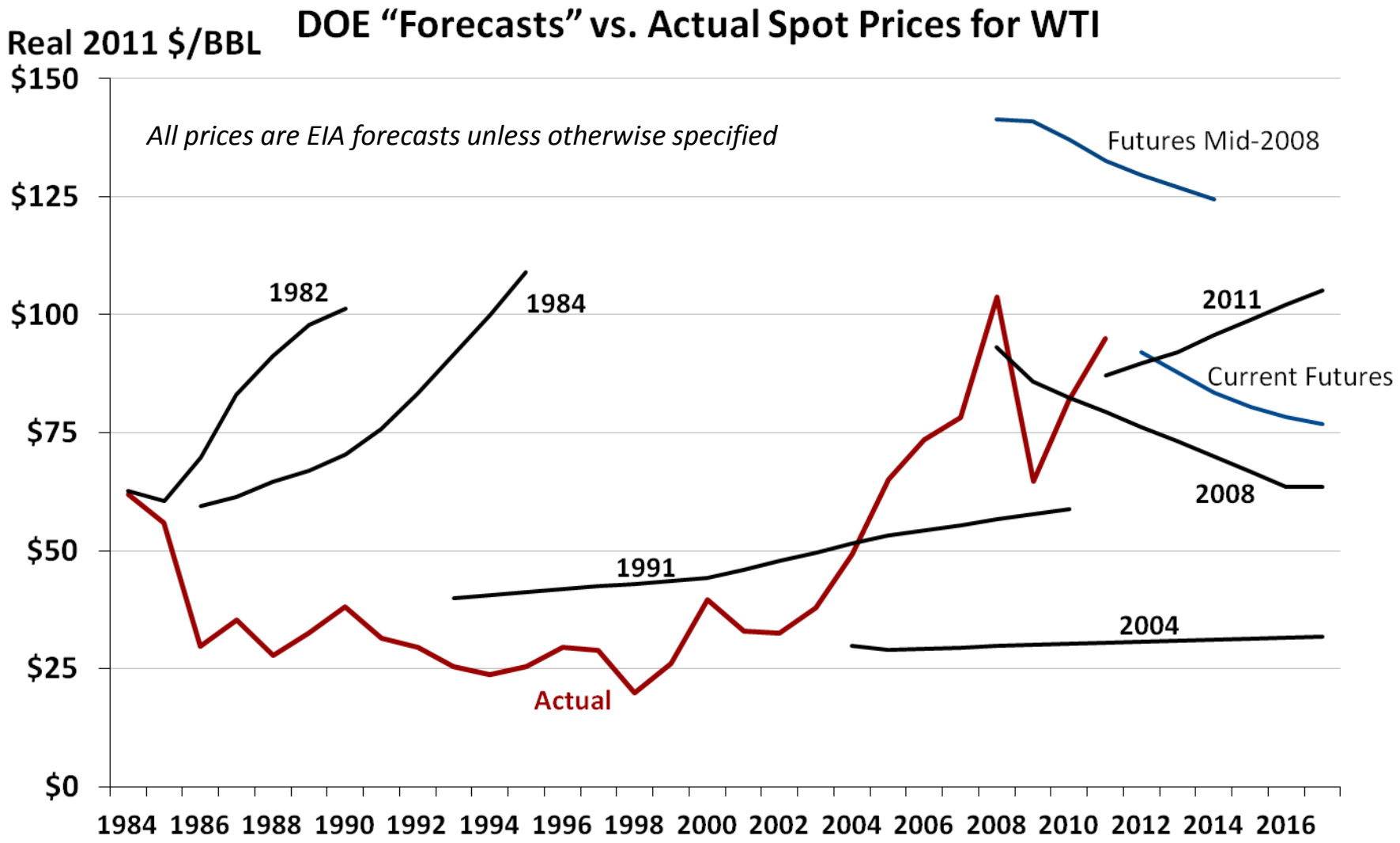
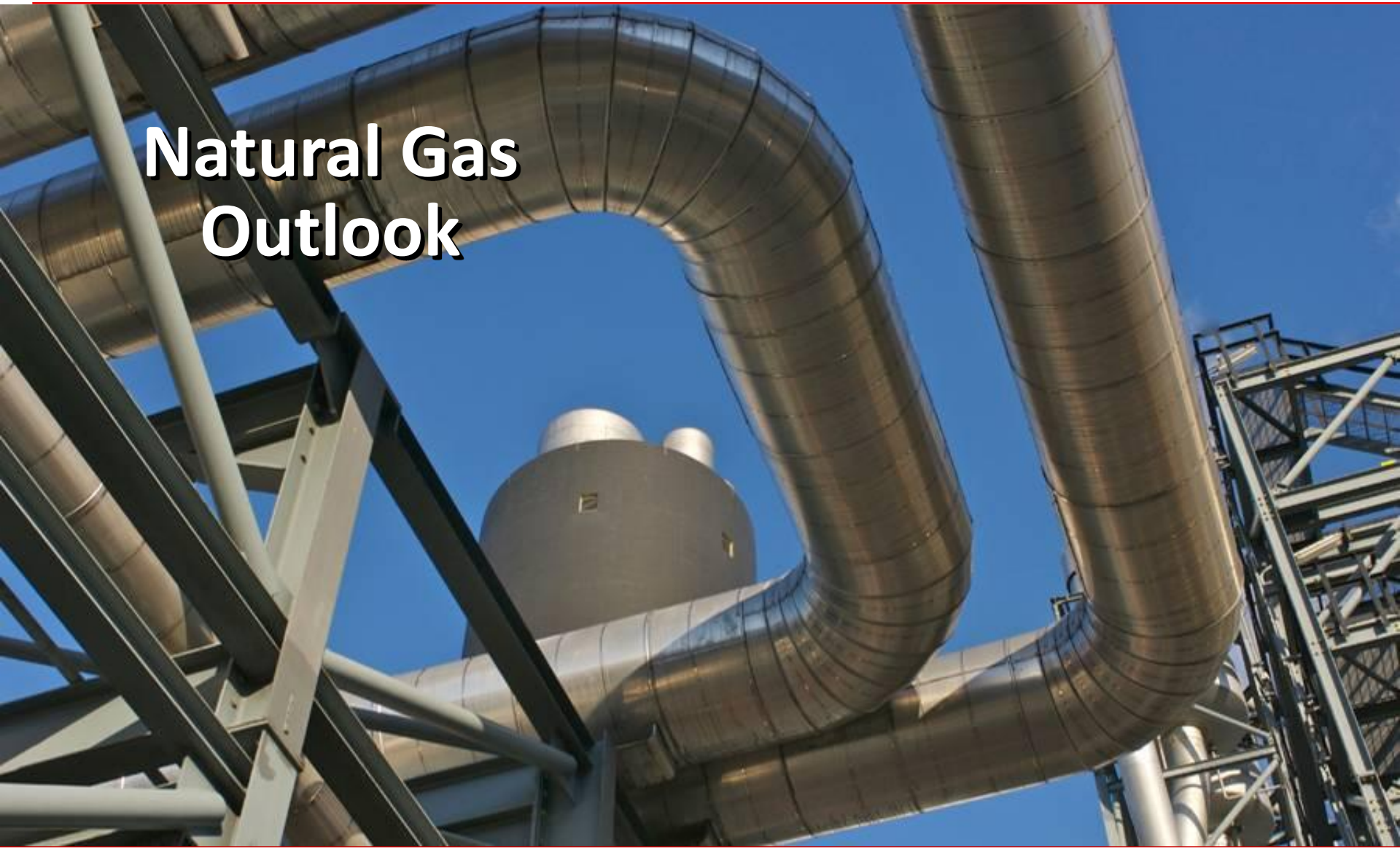


Source: U.S. Department of Energy, EIA Annual Energy Outlook, 1982, 1984, 1991, 2004, 2008 and 2011; NYMEX for futures as of 12/15/11



Natural Gas Outlook

Global Energy Demand By Fuel

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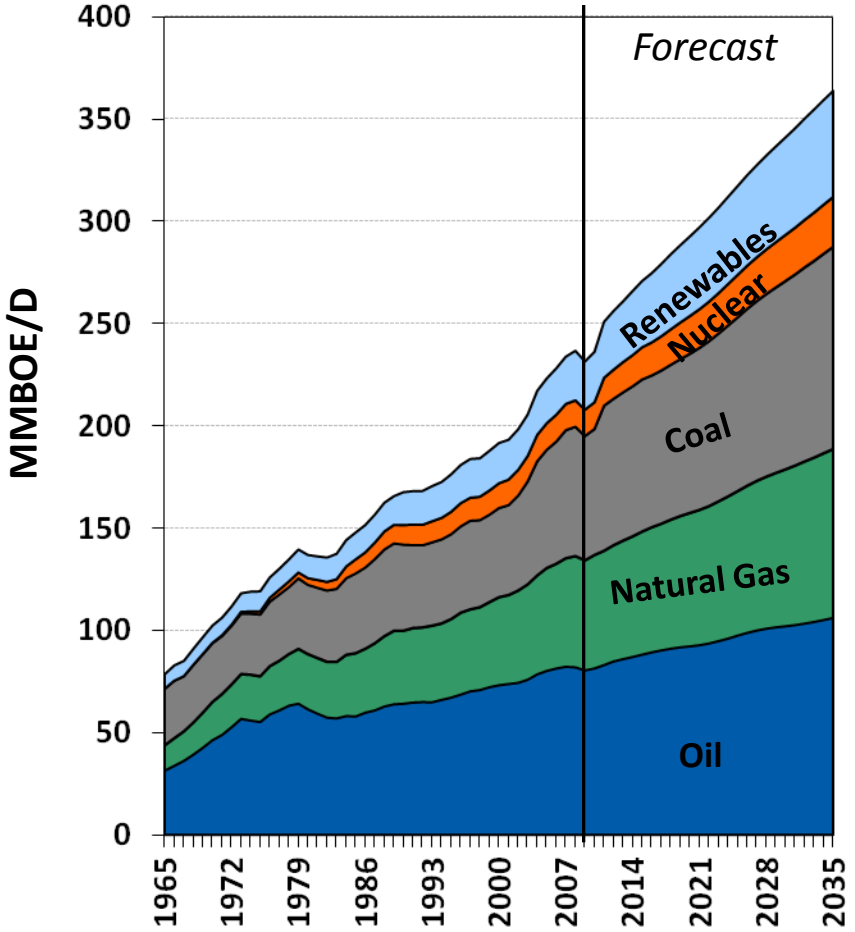
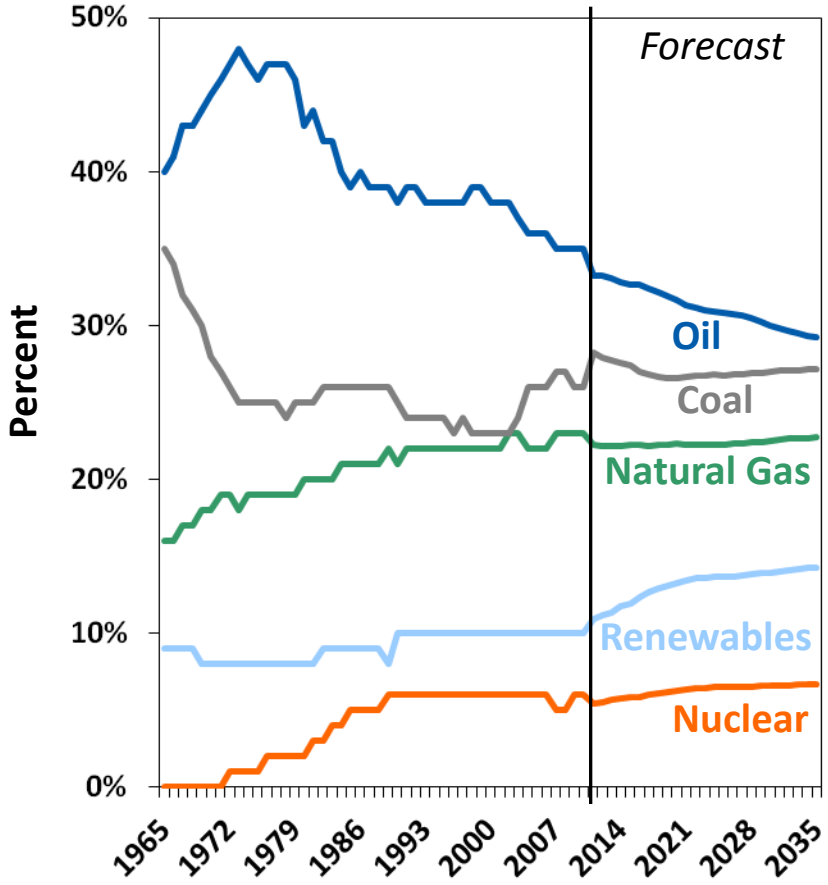
Global Energy Demand



Market Share by Fuel



Oil losing market share with small gain for natural gas

Source: U.S. Department of Energy, International Energy Outlook 2011 & BP Statistical Review

Gas Share of Primary Energy Demand

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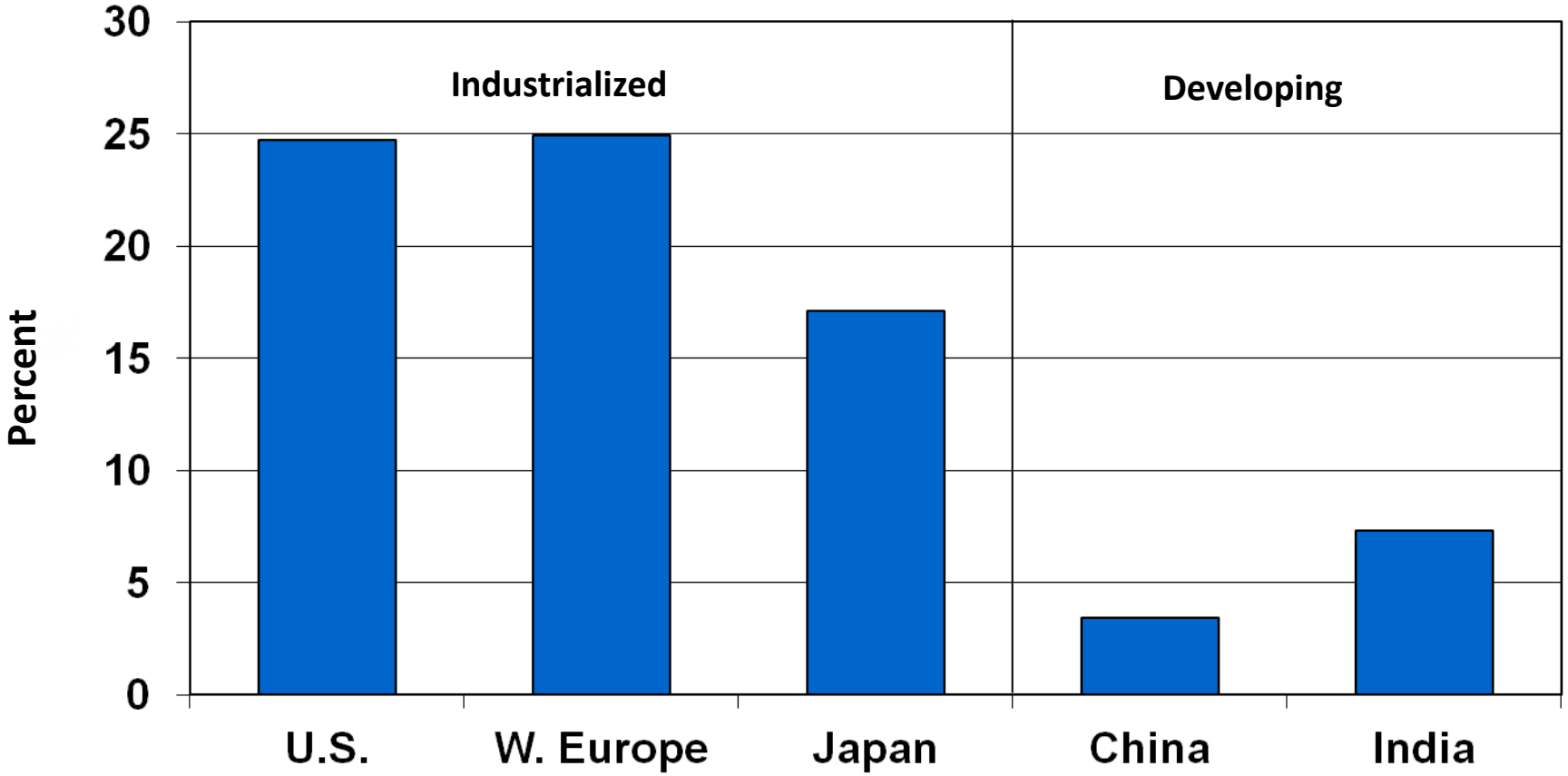

Gas penetration still very low in developing nations

Source: International Energy Agency, 2011 World Energy Outlook, 2009 data

Global Natural Gas Endowment

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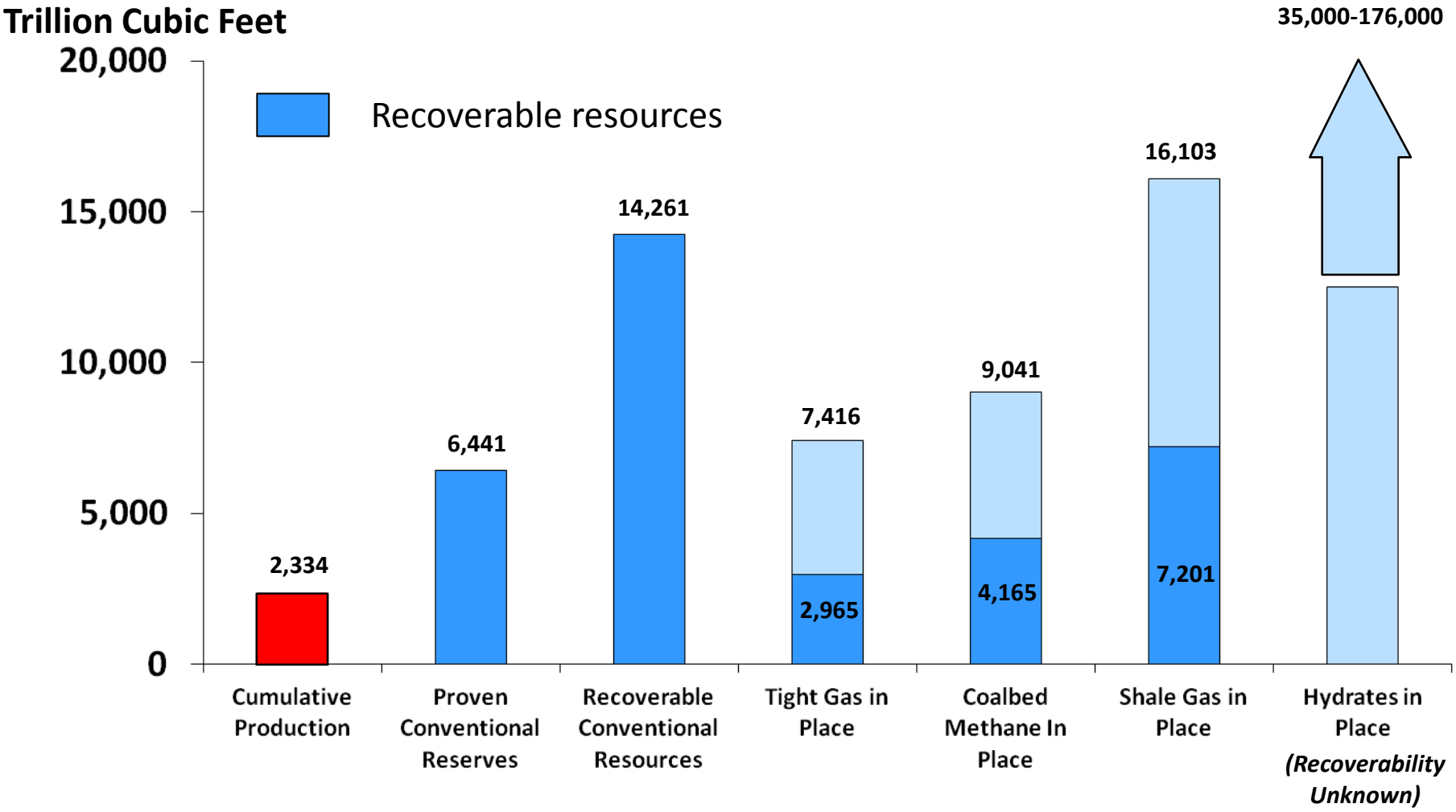

Over 300 years of technically recoverable reserves & resources

Source: IEA World Energy Outlook 2009; IEA Golden Age of Natural Gas 2011

U.S. Natural Gas Reserves and Resources

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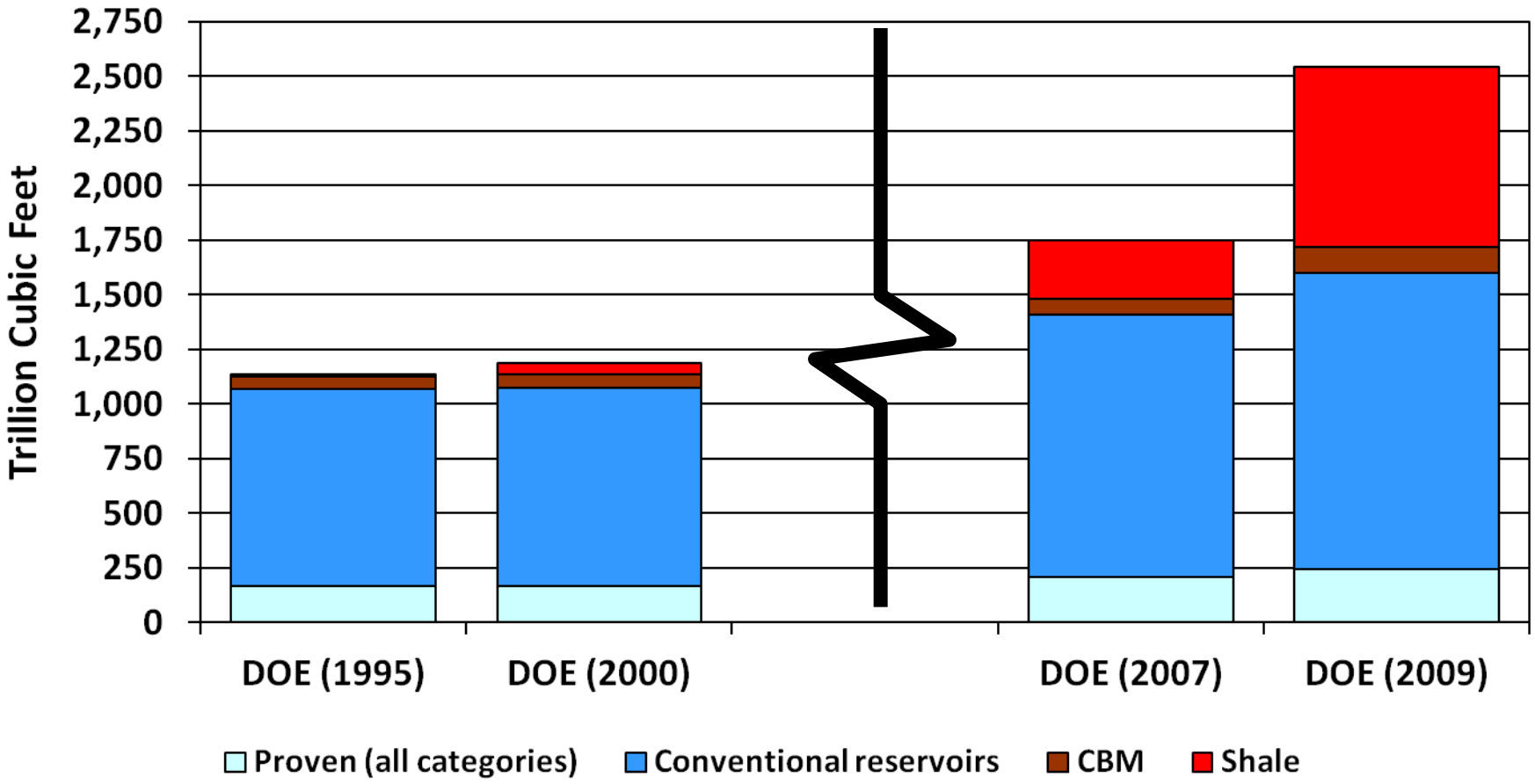

Sharp increase in shale gas resource estimates in recent years

"Proven" = SEC proven reserves; all other categories shown are technically recoverable resources

DOE = Data from U.S. Department of Energy, Energy Information Agency "Annual Energy Outlook"; data are as of January 1 of year indicated; 2007 data published in 2009 report

Tight Gas is included in Conventional Resource estimates for all years

Gas Production Outlook from Key North American Shale Gas Plays

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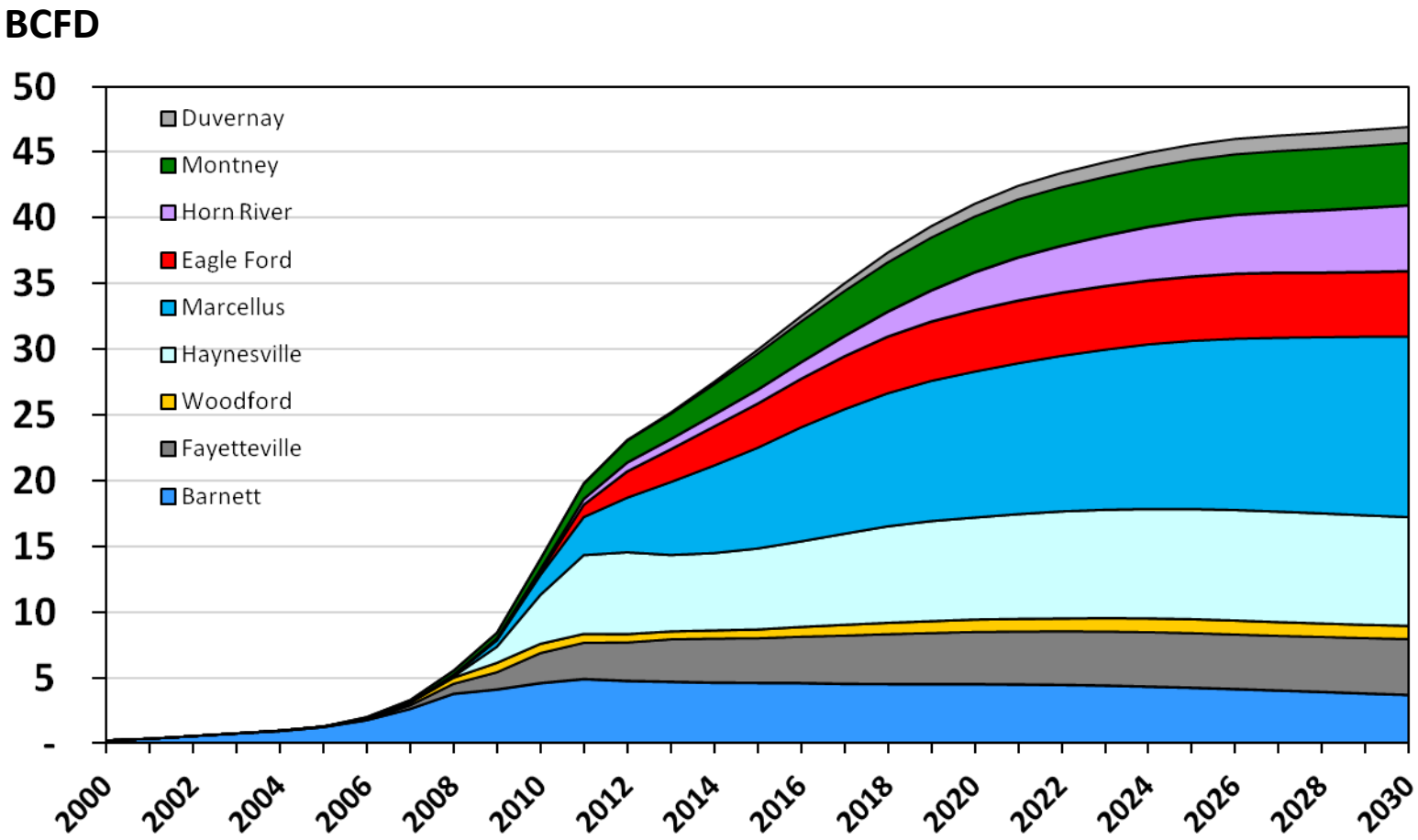

Large increase in North American shale gas production through 2020

Source: Wood Mackenzie

Cost of North American Resource Plays

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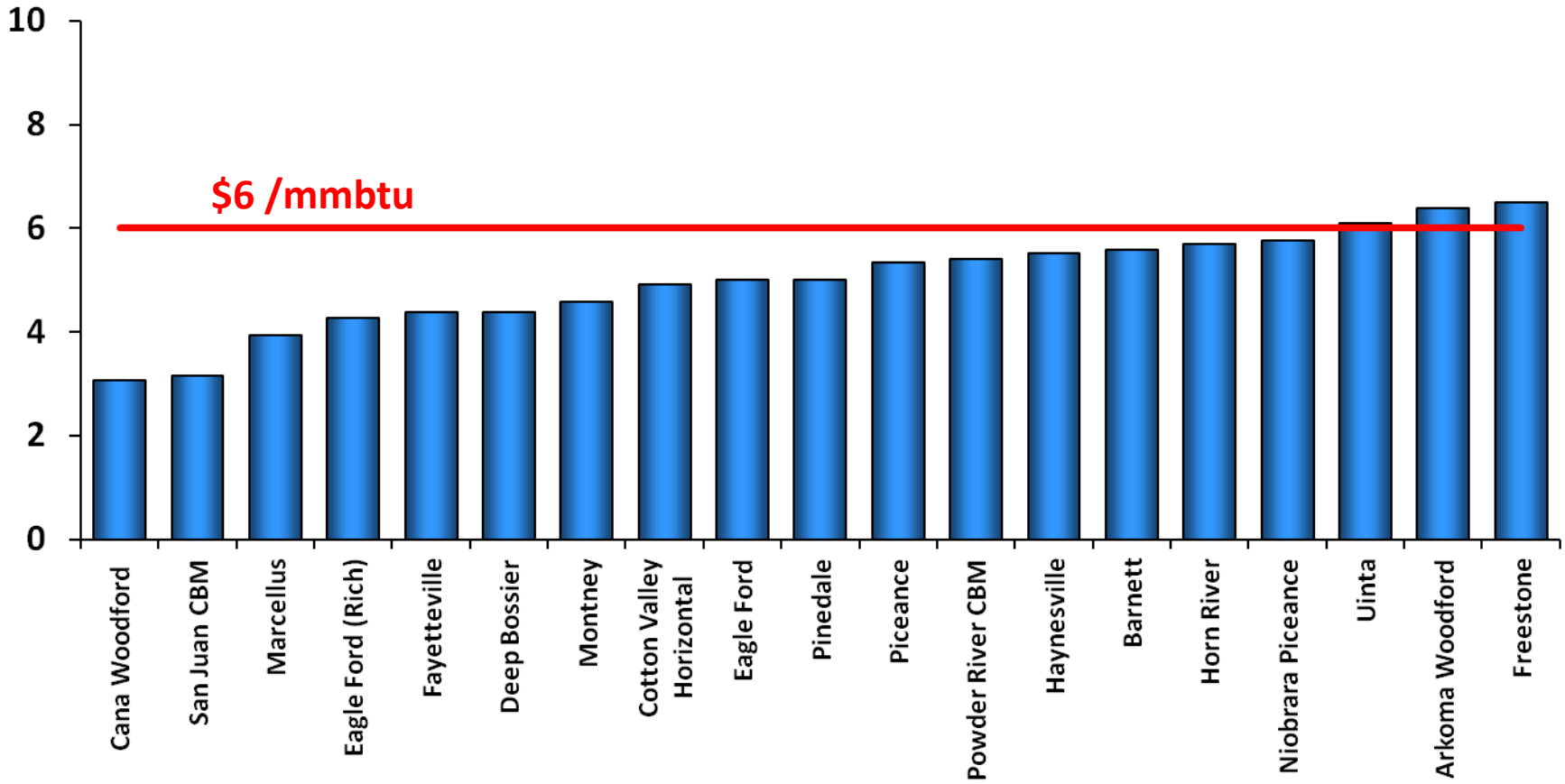
Cost of service ($/MMbtu)



Attractive economics for North American resource plays

Sources: Ross Smith & ConocoPhillips

Natural Gas Price Outlook

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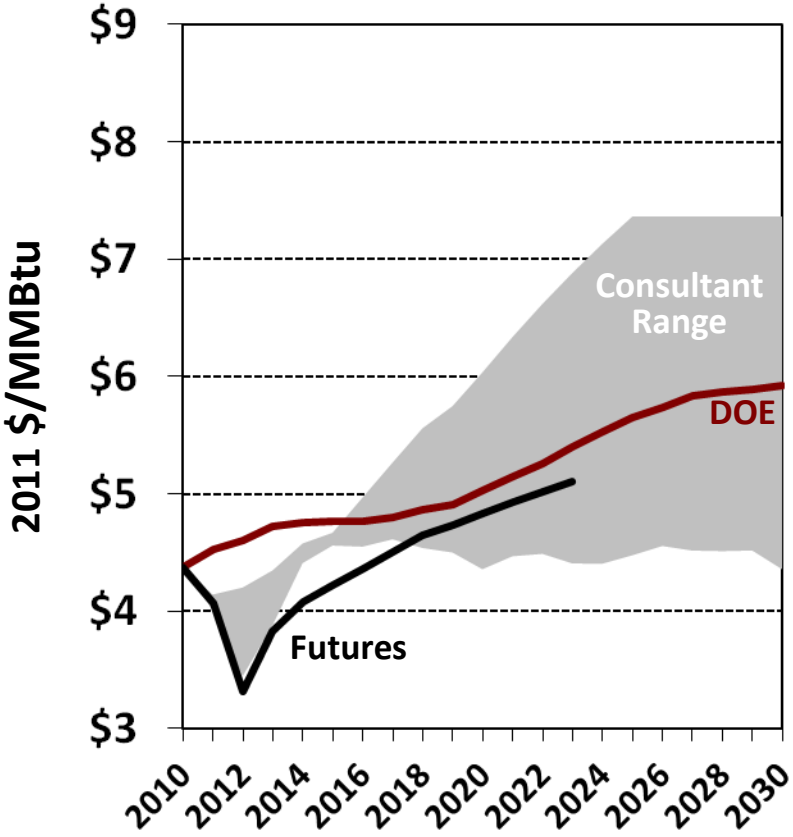
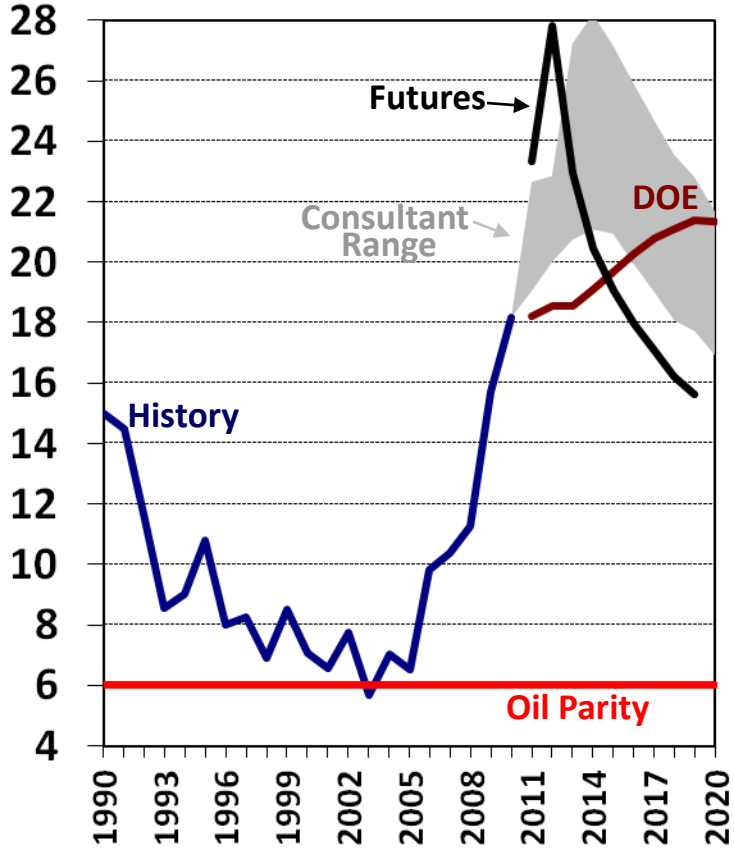
Henry Hub Gas Price



Crude-to-Gas Price Ratio*



U.S. natural gas prices are expected to remain disconnected from oil prices

Sources: Futures is NYMEX settle on 12/15/2011; DOE is 2011 Annual Energy Outlook

* WTI ($/bbl) divided by Henry Hub ($/mmbtu)

ALASKA'S ROLE IN SUPPLYING ENERGY

U.S. Crude Oil Production

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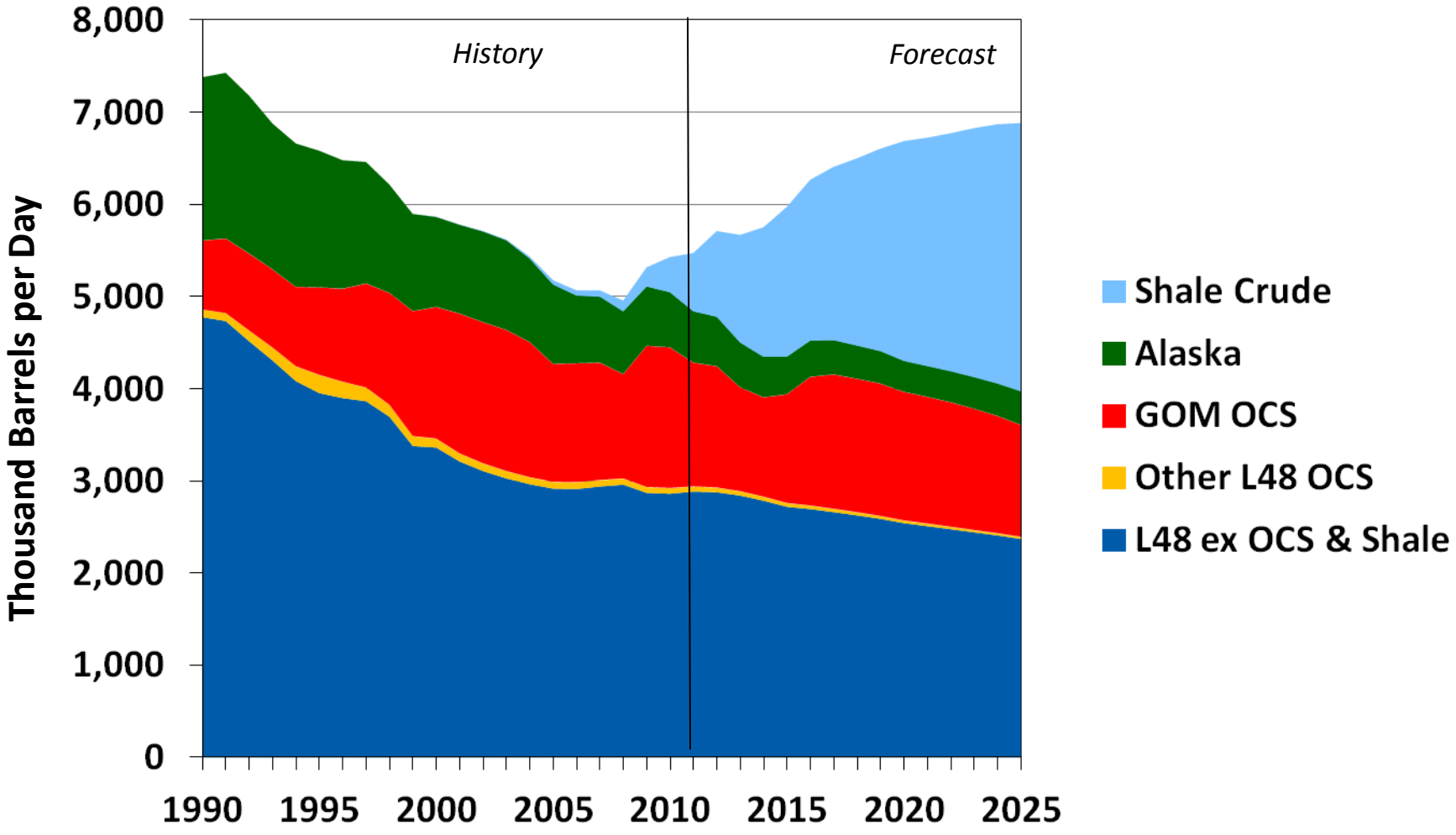

Alaska's share is diminishing

Source: PIRA Energy Group

Comparison of Oil Production
A Tale of Two States

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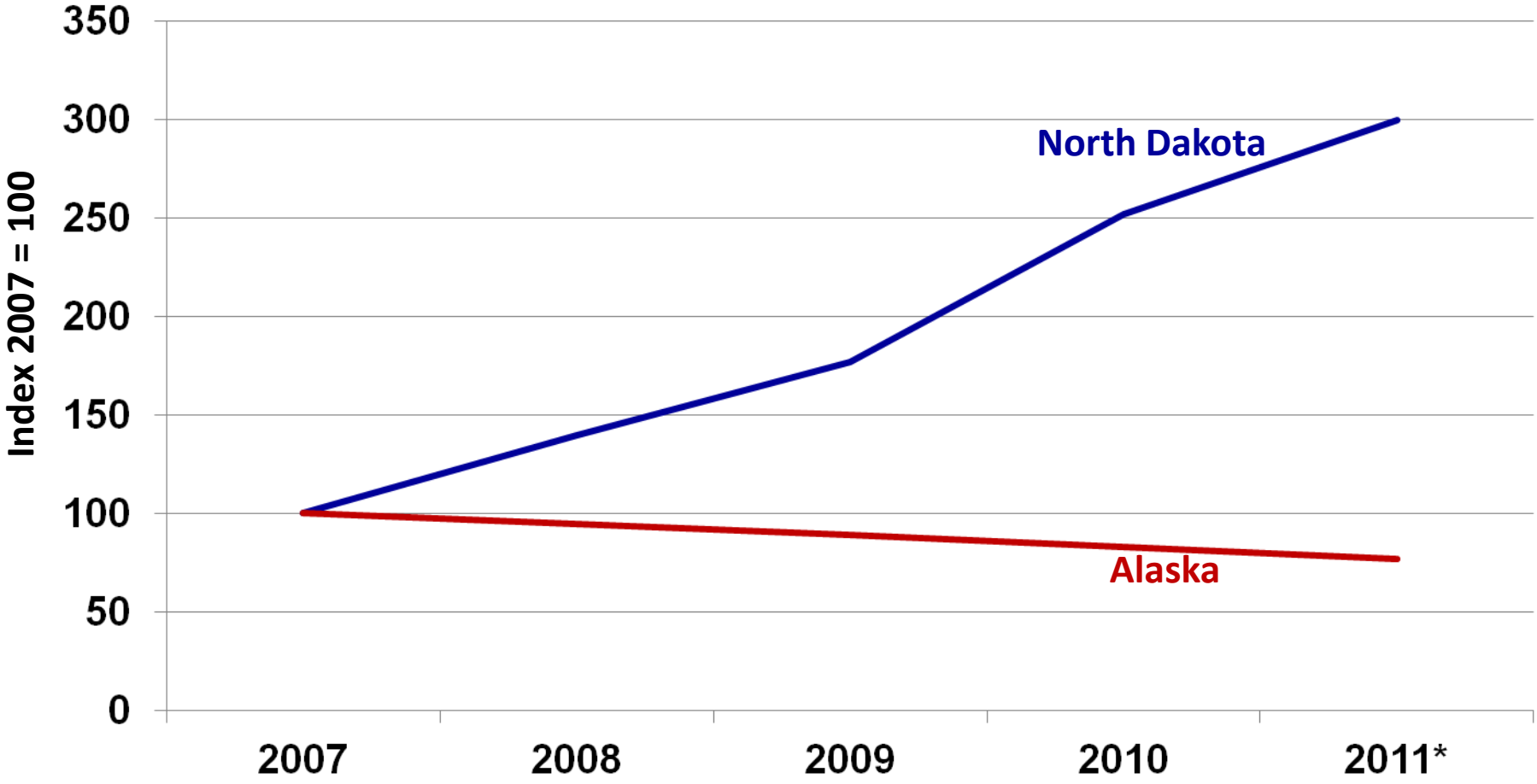

Production declining in Alaska vs. strong growth in North Dakota

Source: U.S. Department of Energy – State Oil Production indexed to 2007 = 100
2011 through July

Comparison of GDP Growth
A Tale of Two States

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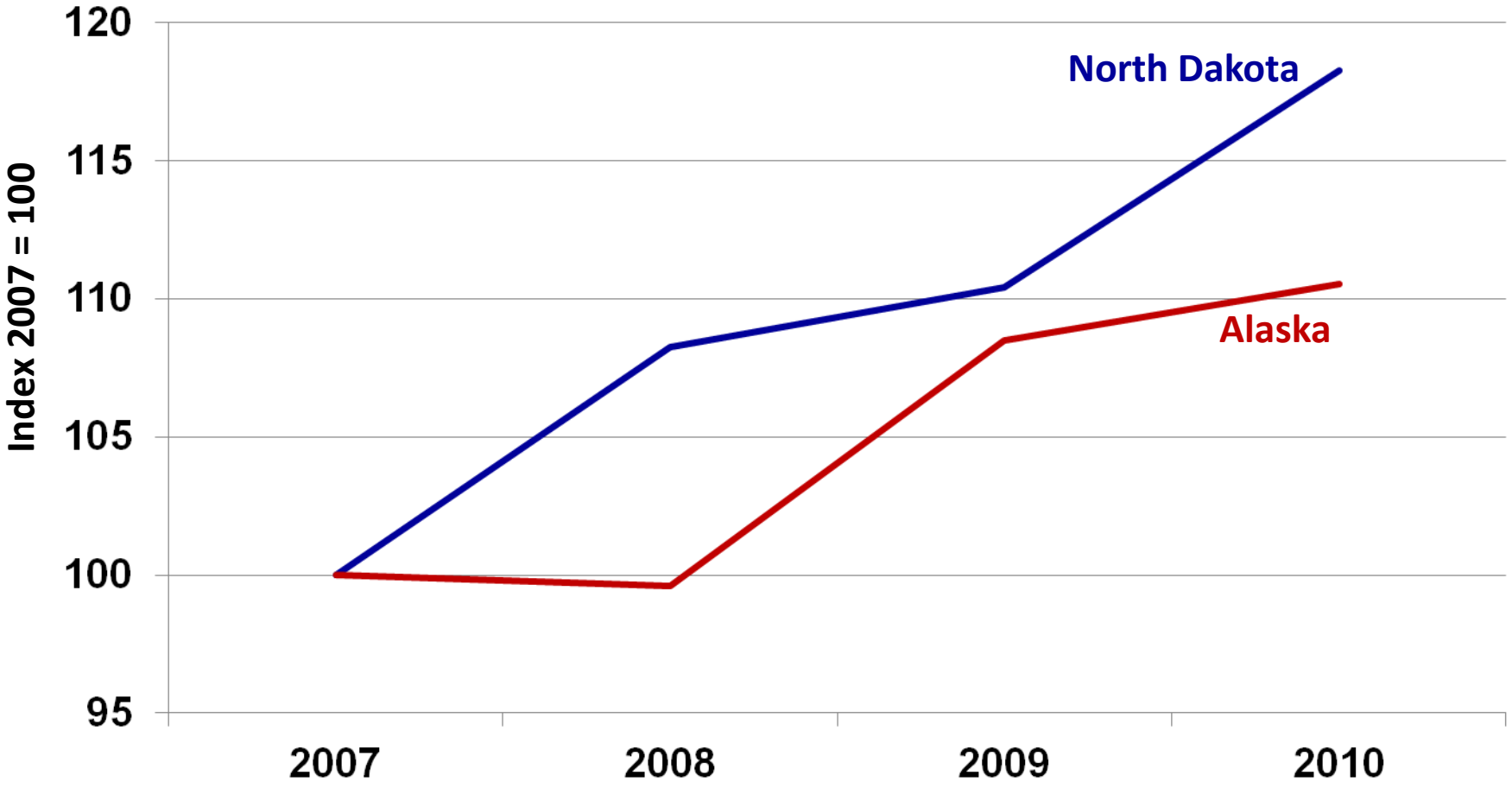

GDP has not grown as much in Alaska despite high oil prices

Source: U.S. Department of Commerce, Bureau of Economic Analysis – Real State GDP (Real 2005$) indexed to 2007 = 100

Comparison of Job Growth Rate
A Tale of Two States

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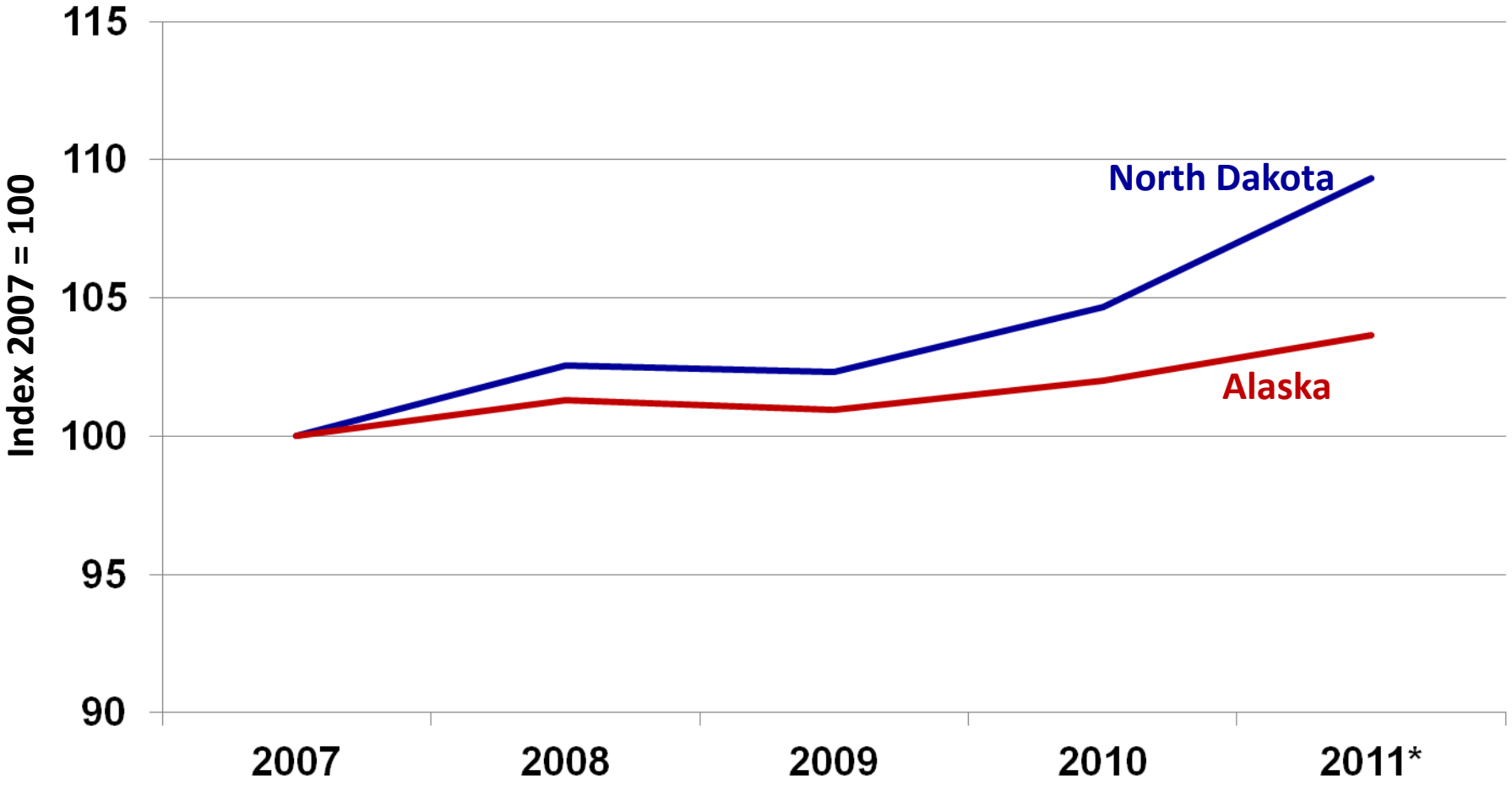

Jobs growth is taking off in North Dakota

Source: U.S. Department of Commerce, Bureau of Economic Analysis – Total Non-Farm payroll data indexed to 2007 = 100
2011 YTD through October

U.S. Natural Gas Supply Sources

Wood Mackenzie View

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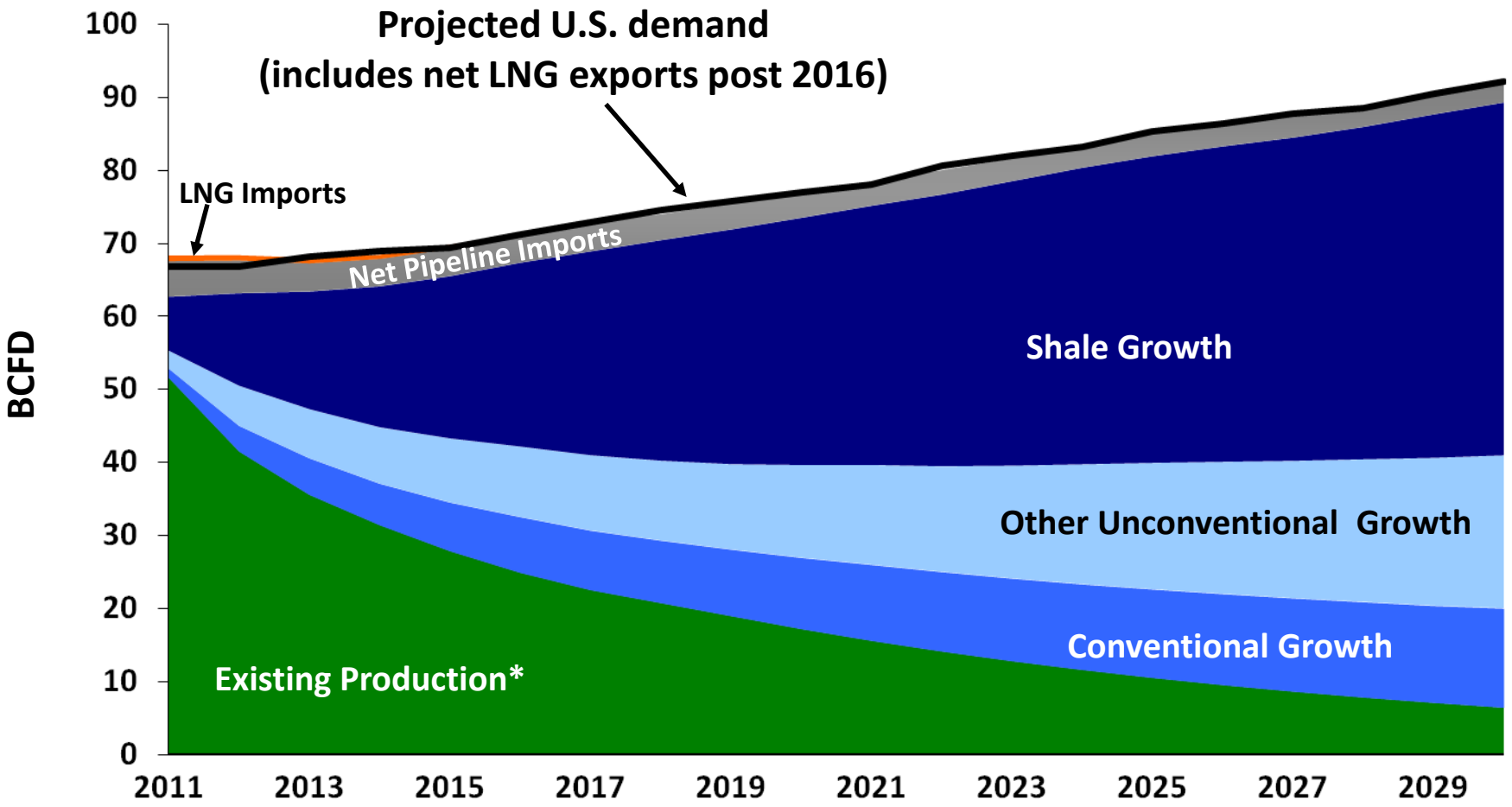

Shale growth challenging competitiveness of Alaska gas

Source: Wood Mackenzie

* Observed decline rate, including reinvestment

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INVESTMENT CHALLENGES IN ALASKA

Investment Criteria

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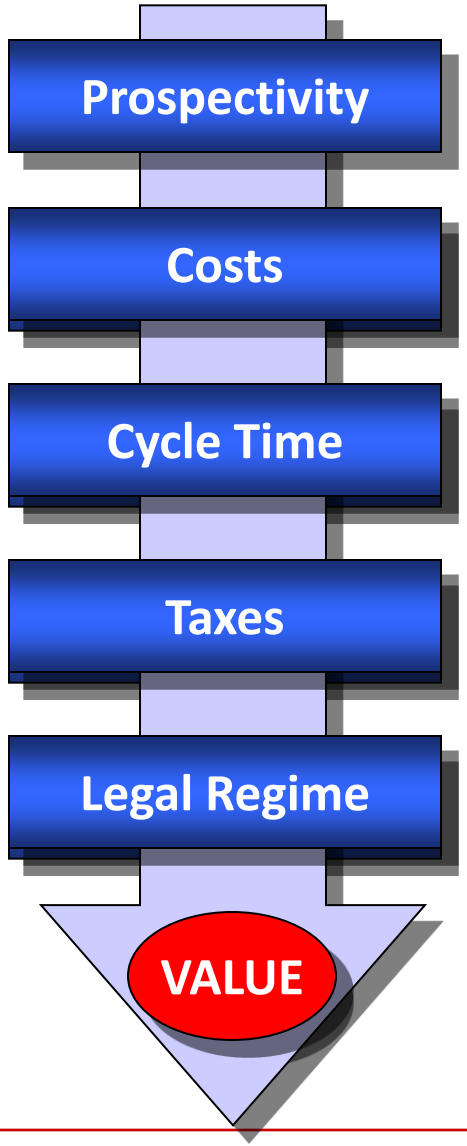

- Expected field size/maturity
- Crude quality

- Exploration, development & production cost
- Transportation costs to market

- Time to production

- Tax rates given prospectivity & cost
- Stability of fiscal regime

- Strong rule of law/political stability

Investment Criteria: How Alaska Ranks

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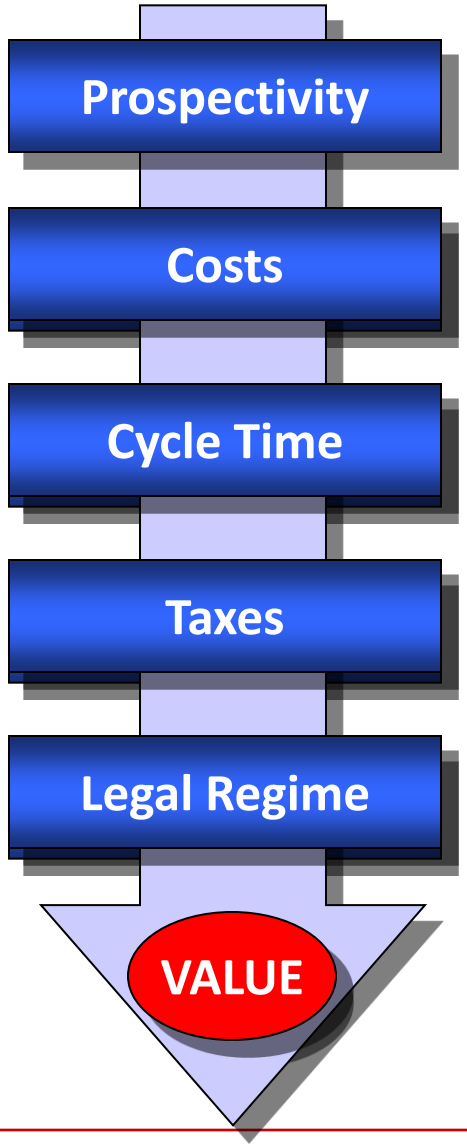

- Expected field size/maturity
- Crude quality

- Exploration, development & production cost
- Transportation costs to market

- Time to production

- Tax rates given prospectivity & cost
- Tax rates compared to other states & countries

- Strong rule of law/political stability
- Permitting/regulatory environment

Average Commercial Discovery Size
(2000-2009)

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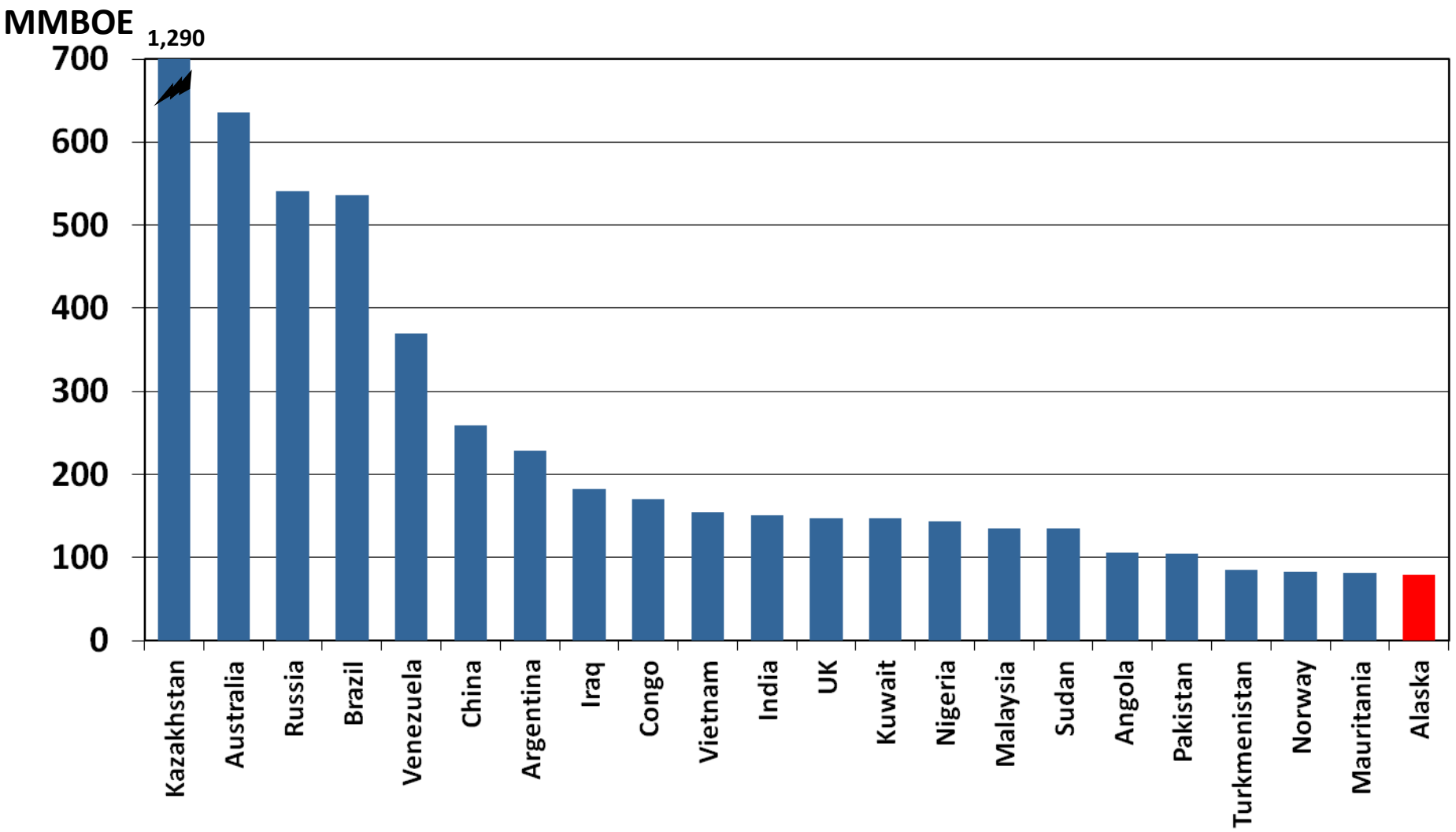
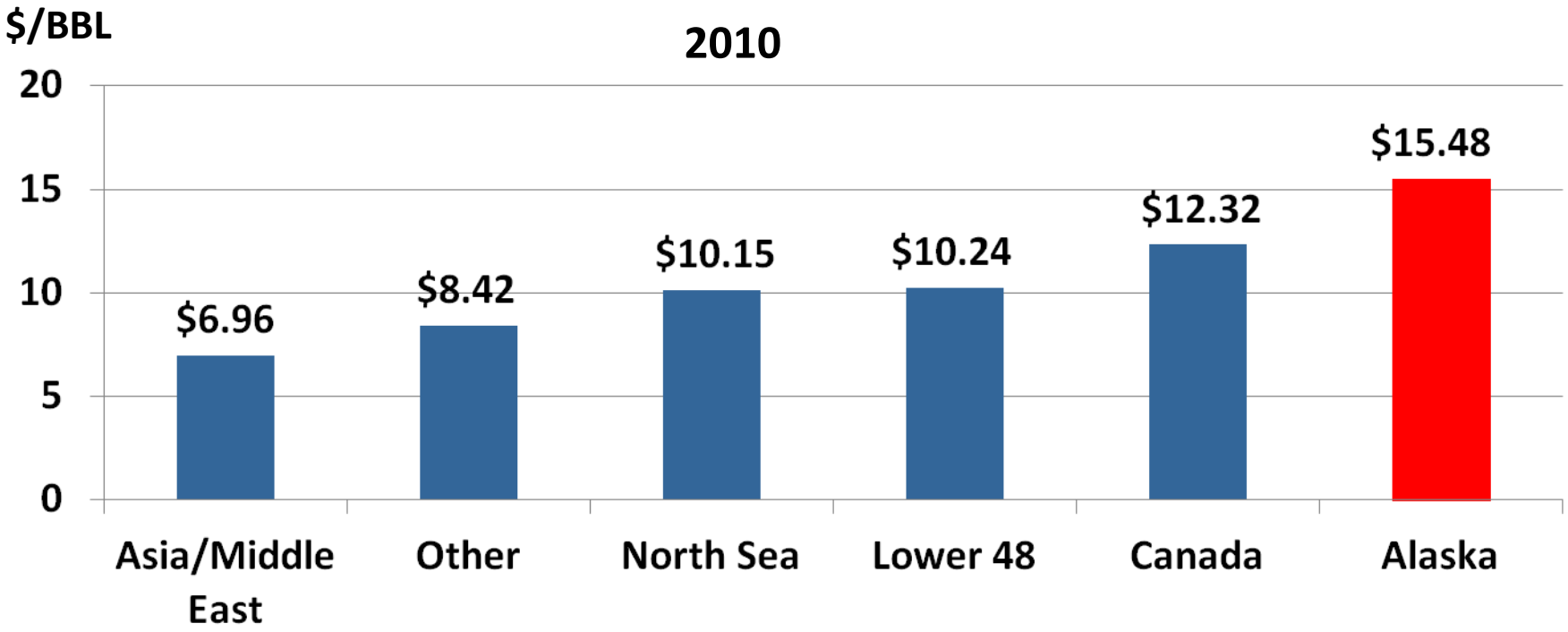


Lower prospectivity in Alaska

Source: Wood Mackenzie

The average discovery size is calculated as: total commercial reserves discovered (2000-2009) / total number of commercial fields discovered (2000-2009).

Costs in COP Portfolio



- Alaska costs are increasing at greater rate than other areas
  - Aging infrastructure concerns and increasing well work
  - Market forces
  - Regulations
  - Smaller, more complex field developments

Alaska has highest cost structure in COP portfolio

Source: ConocoPhillips 2010 10K report; Results from Consolidated operations; Costs include production costs, excluding taxes, and transportation costs.

Alaska's Progressivity – Least Attractive Among OECD Countries at Current Prices

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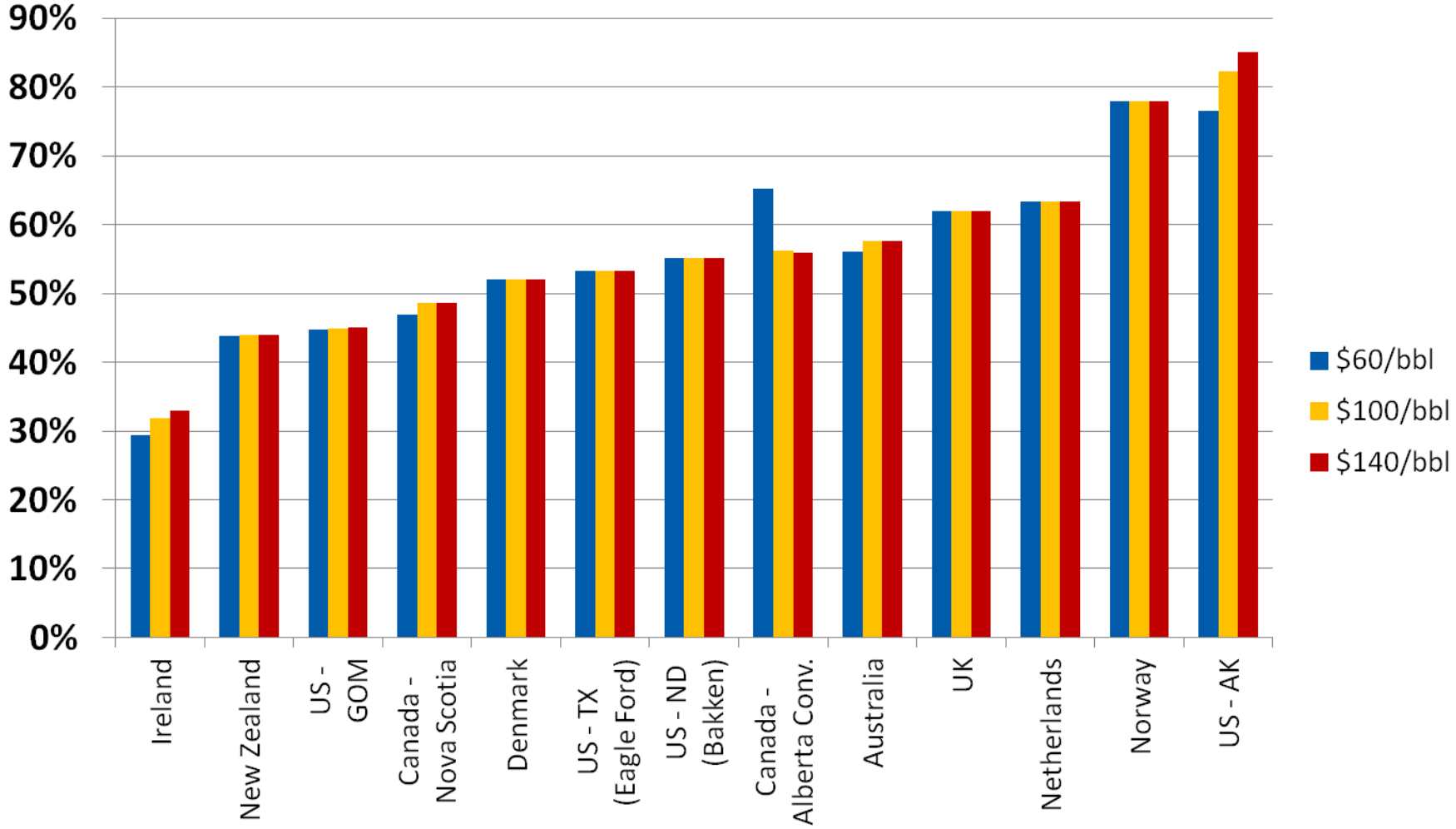
Marginal Government Take



Alaska's marginal take worsens as oil prices increase

Source: PFC Energy

… And Its Marginal Take is One of the Highest Globally

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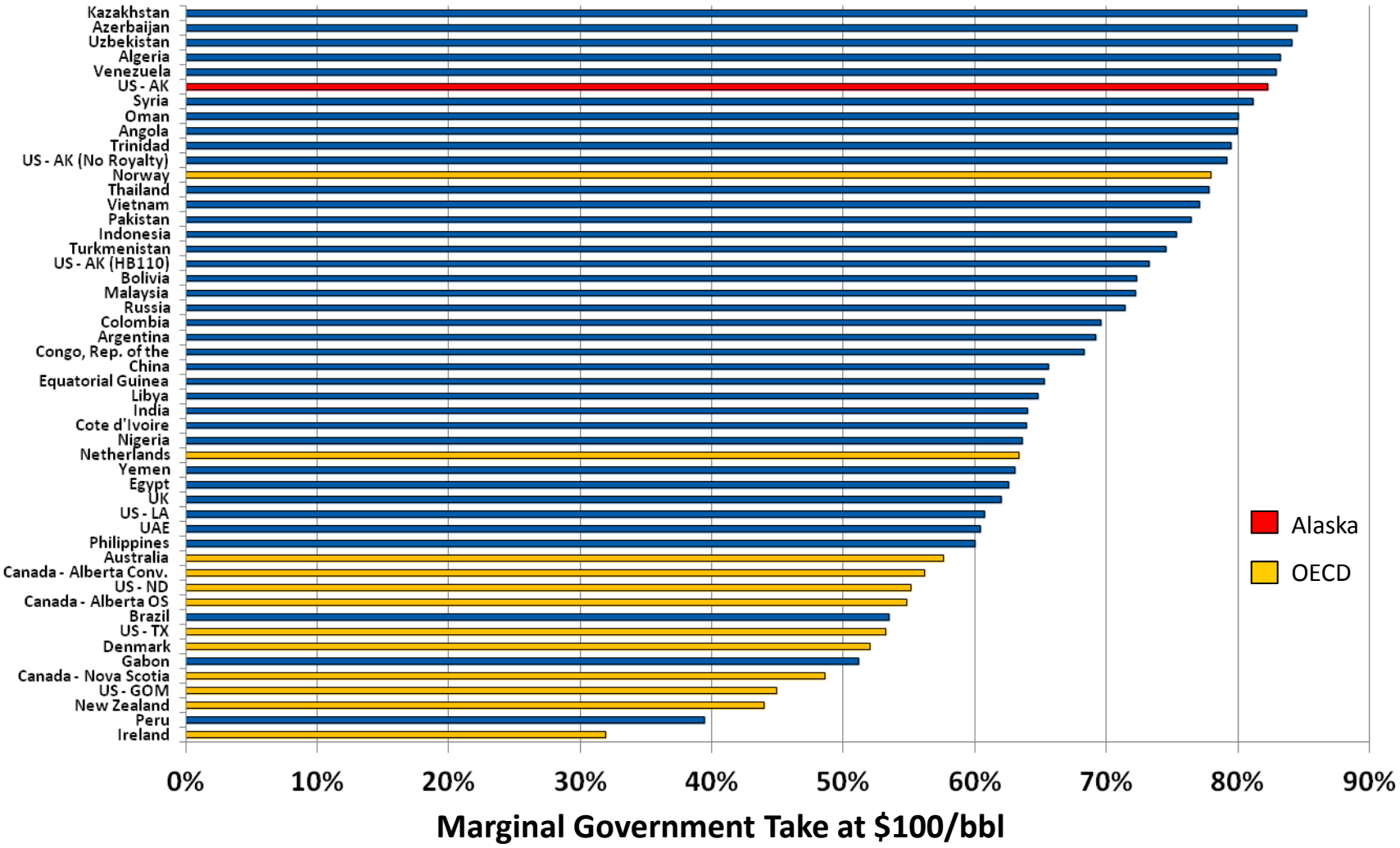

Other OECD marginal government take significantly below Alaska's take

Source: PFC Energy

Summary

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- "Tight oil" and shale gas driving production renaissance in the United States, and eventually globally
- Sustained period of natural gas oversupply in the United States
- Alaska's role in supplying energy is diminishing
- Alaska is competitively challenged vs. other producing states and countries
  - Lower prospectivity
  - Higher cost
- Fiscal policy in Alaska is further diminishing its role
  - Current tax structure takes away the upside – flat earnings profile
  - High progressivity hurts project economics even in a high price environment
- High tax rate is limiting investment & production in Alaska