



# Investment in Canada's Oil Sands ConocoPhillips' Experience

Joe Marushack  
President, ConocoPhillips Canada

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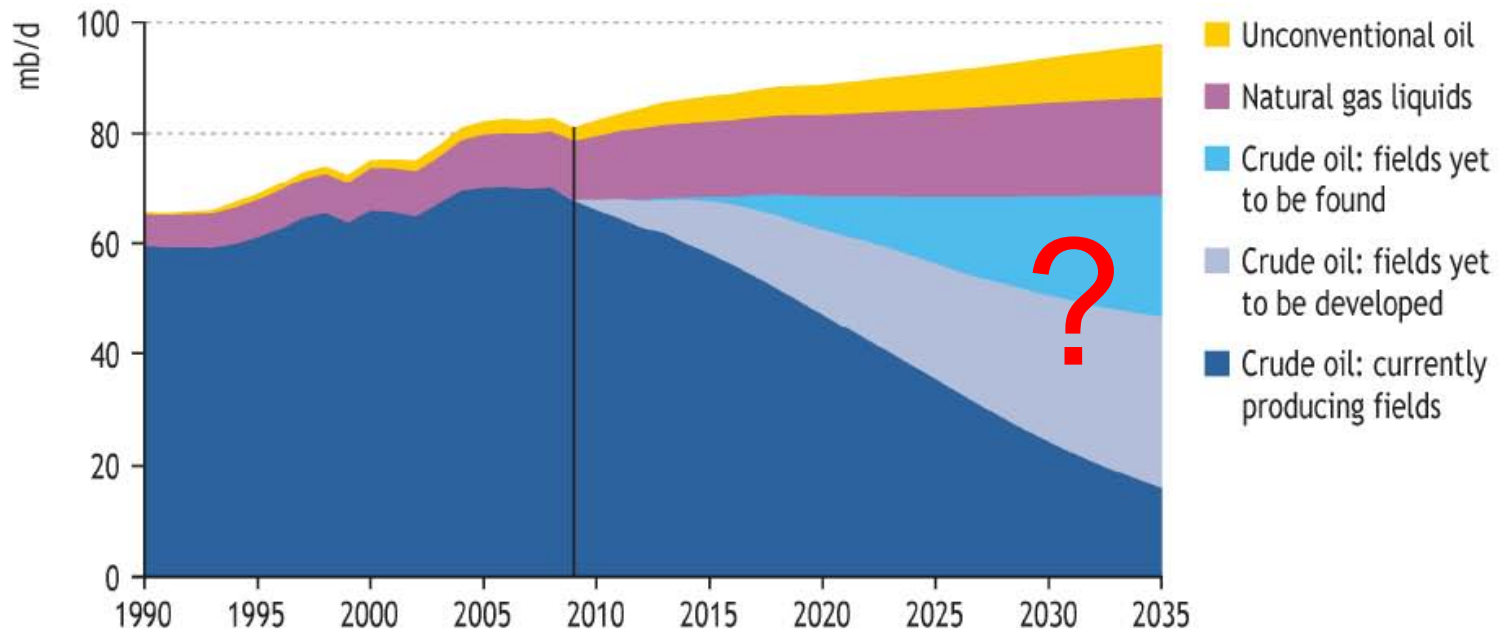
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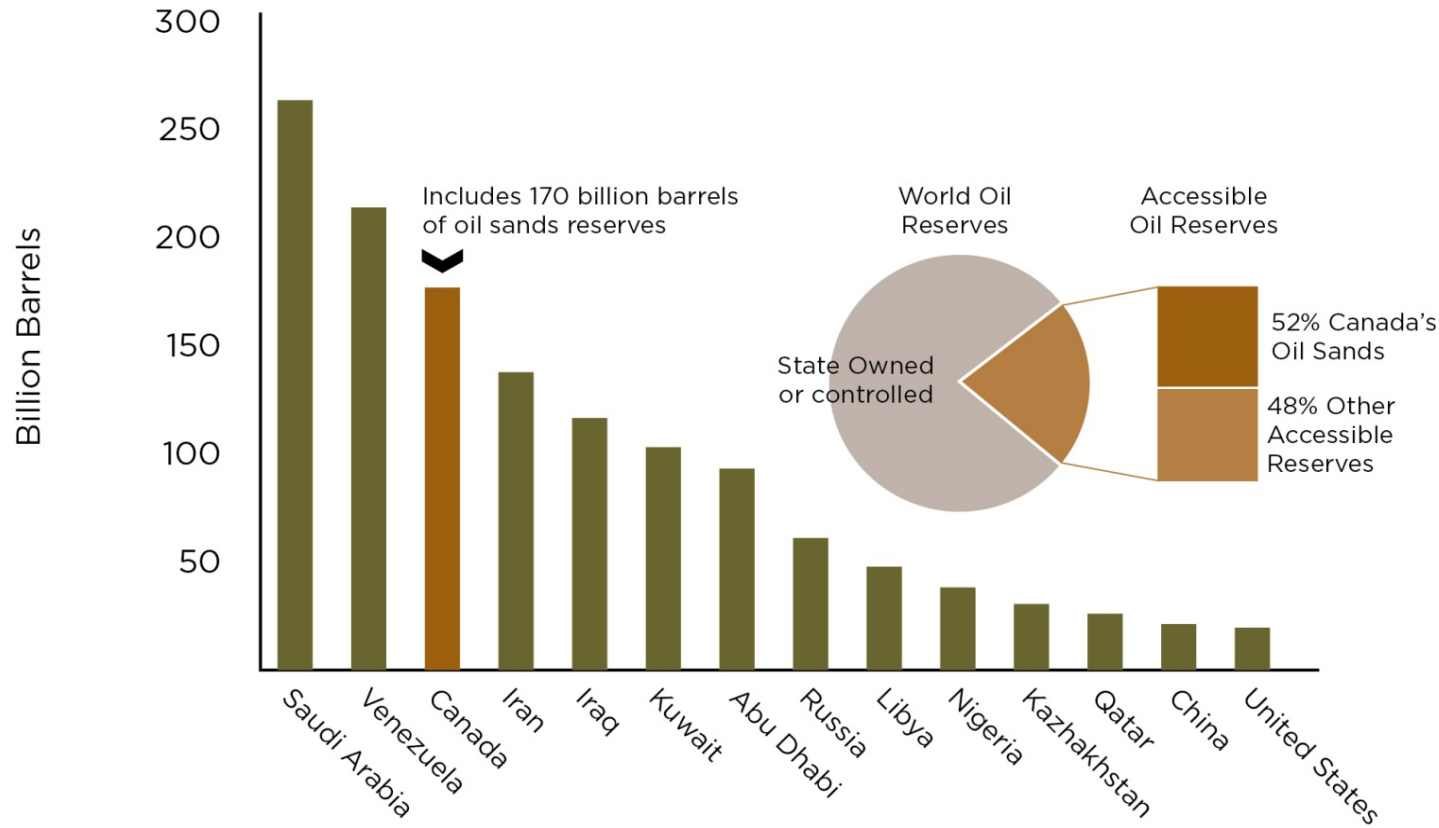
Cautionary Note to U.S. Investors – The U.S. Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under 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, 2010.

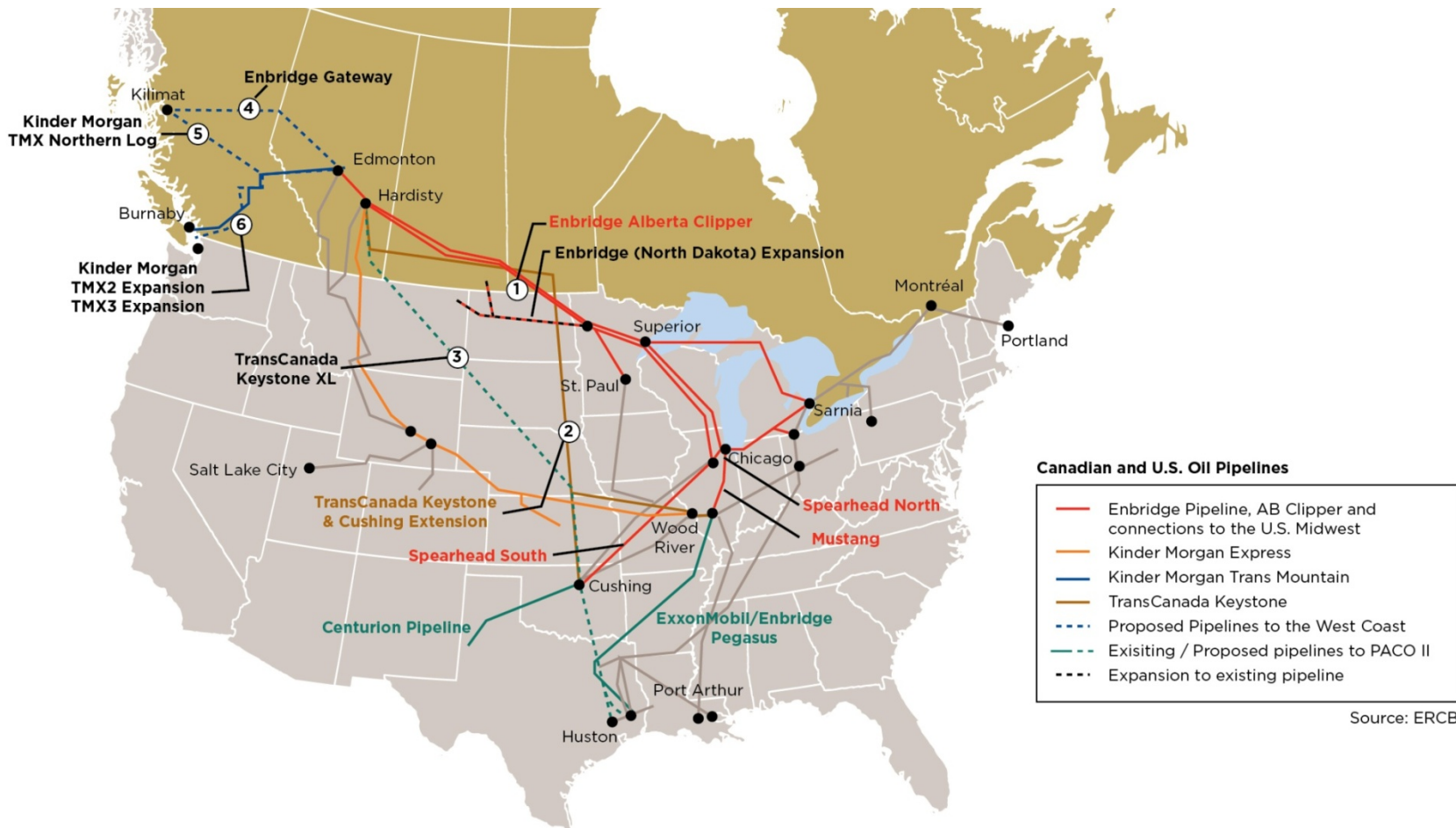
- The Importance of Oil Sands
- ConocoPhillips Canada Oil Sands
- Factors Driving Investment in Canada



47 Million Barrel Gap By 2035

# Crude Oil Reserves by Country





National Impacts (\$U.S. Billion)	2010	2015	2020	2025
U.S. Output	23.0	69.2	78.5	80.9
U.S. Gross Domestic Product	11.5	34.0	40.4	42.2

National Impacts (Thousand Person Years)	2009-2010	2011-2015	2016-2020	2021-2025
U.S. Employment	172	343	88	22

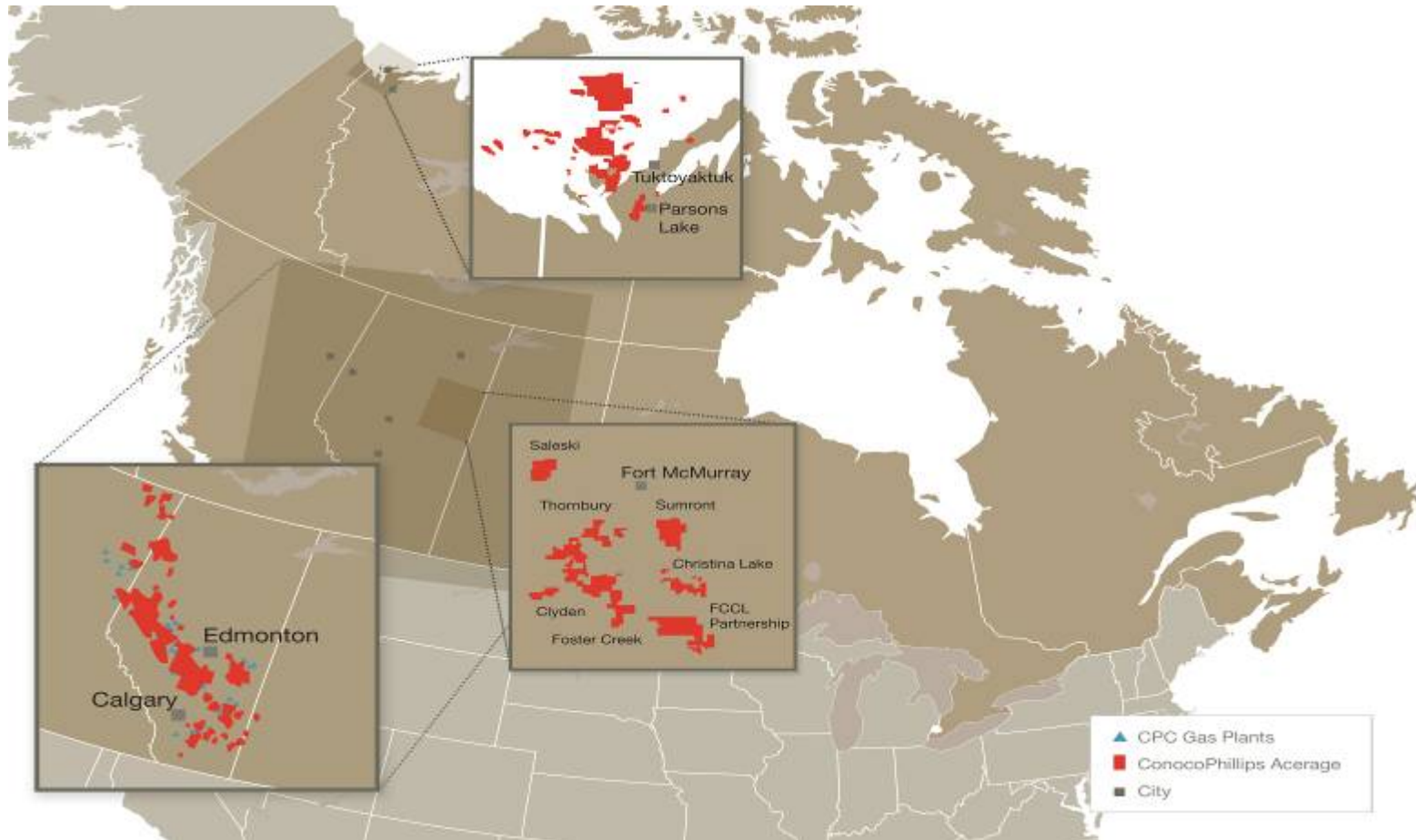


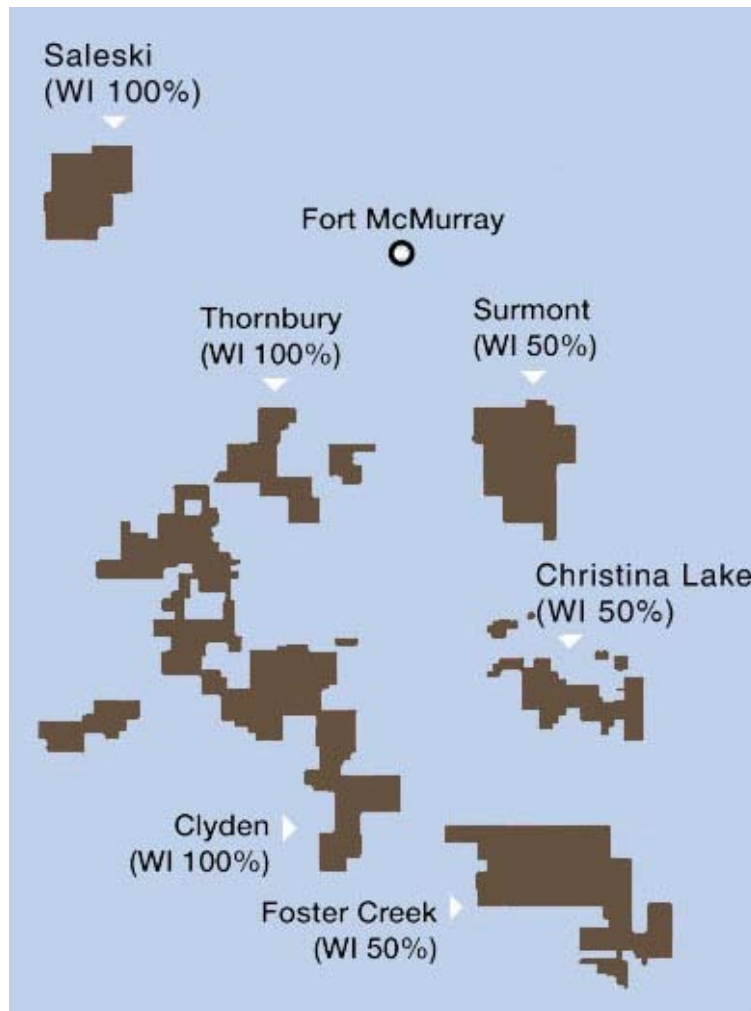
- About 20% of the oil sands resource can be extracted by mining.
- Trucks and shovels remove the bitumen for processing.
- Processing separates the bitumen from sands, clay and other by-products.
- Approximately 12% of oil sands mining has been reclaimed.





- Minimal surface footprint from well pads.
- Uses two horizontal wells.
- Top well injects steam into the reservoir, heating up the bitumen and reducing its viscosity.
- Heated bitumen flows back to surface through bottom well.
- High water recycle rate from steam production.





- More than 1 million net acres
- Significant 15+ BBOE resource
- 2<sup>nd</sup> largest SAGD producer in Canada
- Investing \$1.5 B in 2011
- Average project F&D = \$8 - \$12/BOE
- Average technology spend of \$100 million

### Steam Assisted Gravity Drainage



- Currently producing between 23,000 and 26,000 bbls/day
- Reached record production this year
- Phase 2 multi-billion dollar mega-project under construction
- First production for Phase 2 will be 2015
- Phase 1&2 gross regulatory capacity of 136,000 bbls/day

## Steam Assisted Gravity Drainage (SAGD)

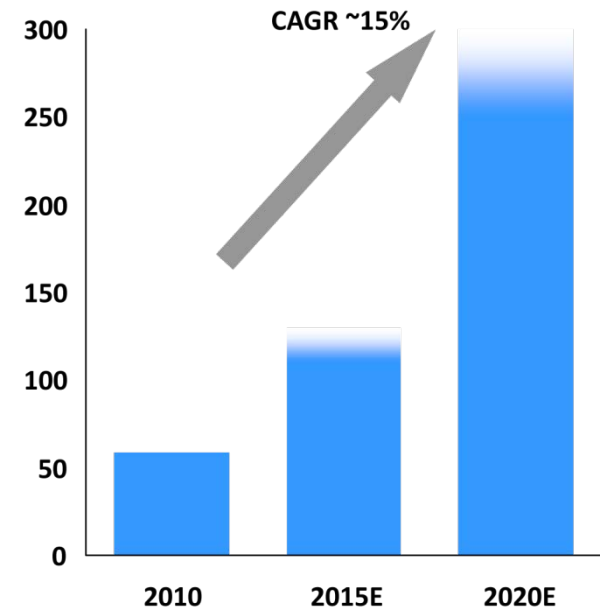


- 50/50 Partnership with Cenovus
- SAGD recovery process
- Foster Creek is currently producing more than 110,000 gross bbls/day
- Christina Lake is currently producing approximately 20,000 gross bbls/day
- Expansion plans are underway

Project	Phase	Start-up <sup>1</sup>	Production Capacity (bbls/d)
Foster Creek	A-E	2002	120,000
Christina Lake	A-B	2002	18,000
Surmont	1	2007	27,000
Christina Lake	C	2011	40,000
Christina Lake	D	2013	40,000
Surmont	2	2015	109,000
Foster Creek	F	2014	35,000
Foster Creek	G	2016	35,000
Foster Creek	H	2017	35,000
Christina Lake	E	2014	40,000
Christina Lake	F	2016	40,000
Christina Lake	G	2017	40,000
Narrows Lake	A	2016	130,000



## SAGD Production - MBOED



<sup>1</sup> Targeted first production subject to regulatory or partner or joint venture approval.

Key factors are:

- Business Climate – Fiscal Regime
- The Resource
- Political Considerations

Key drivers: New tax and royalty regime, new technology

1995 Task Force Projections:

- \$25 billion investment over 25 years
- Triple production to 1.4 mmoed

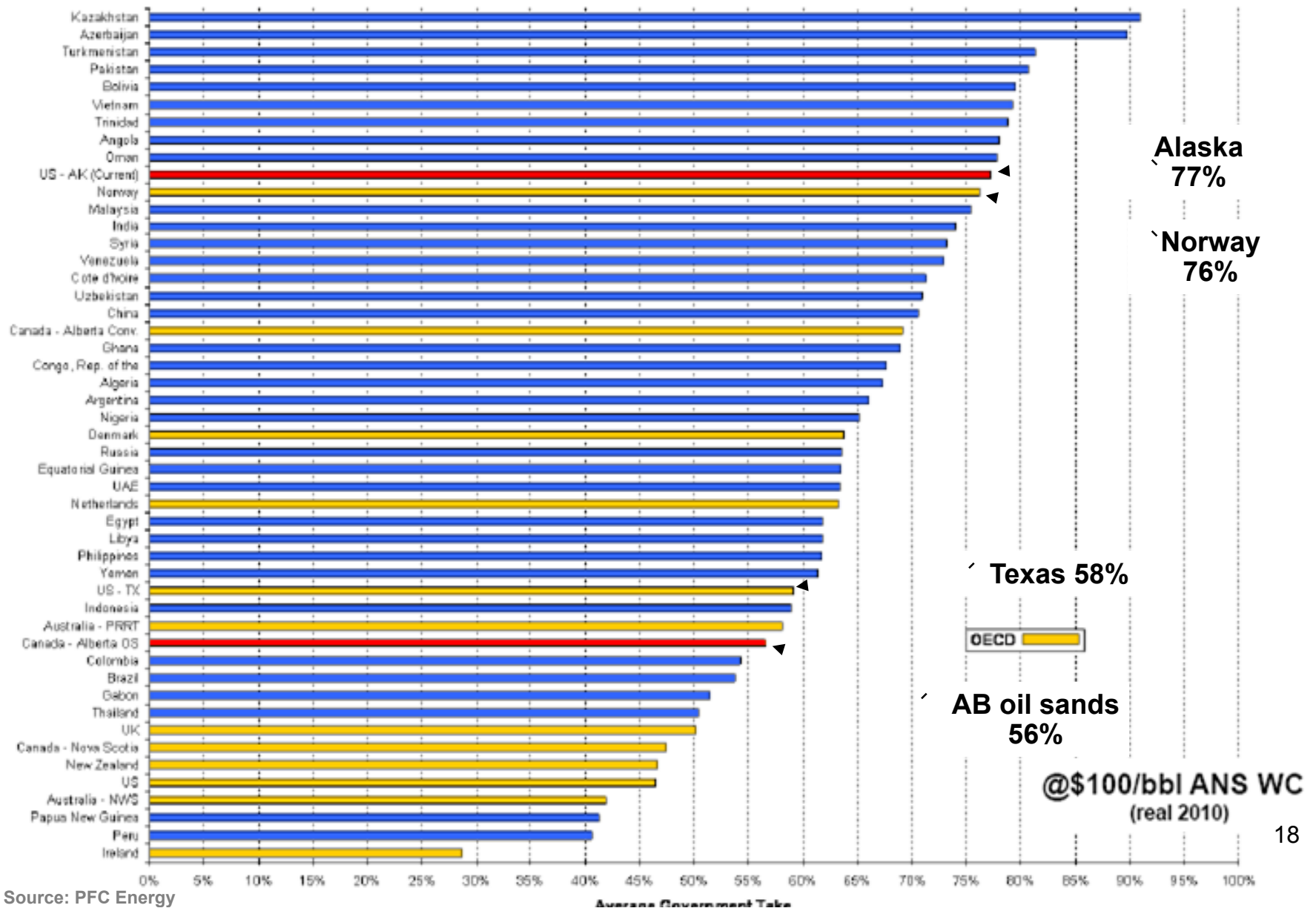
2011:

- Production is 1.8 mmoed (growth to 4 mmoed)
- \$2.1 trillion investment in new oil sands development over next 25 years



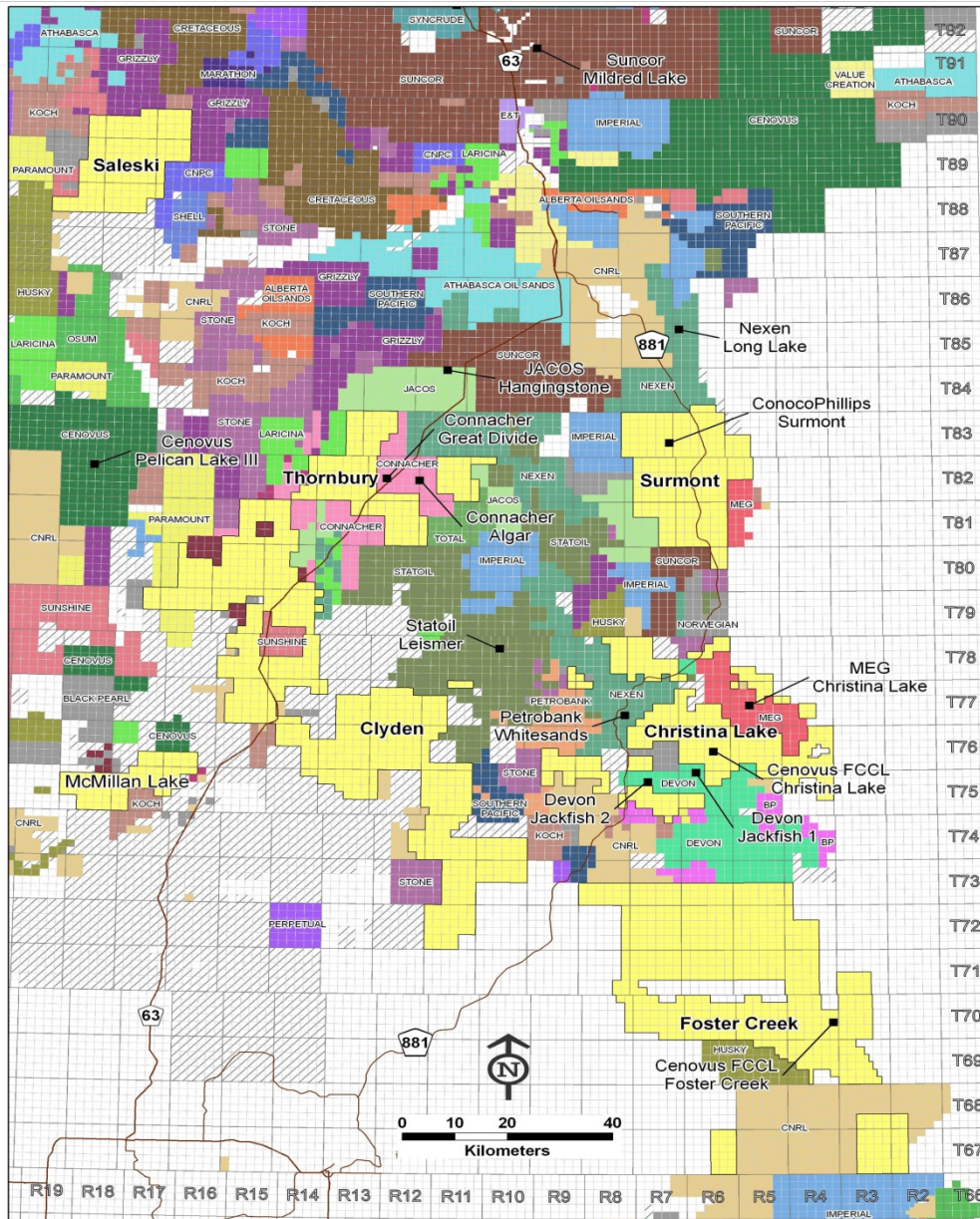
- Strong collaboration between industry and government
- Royalty rates kept low (1%) in early years
- In the mid 2000' s tax rates started falling:
  - 44.6% in 1995 compared to 25.0% in 2012 (combined FED/AB)
- For a mature oil sands project, government take is about 52% at \$100 WTI and capped at 55%
- In 2007, the AB government wanted more upside and initiated the AB Royalty Review – it drove investment out
- Realizing their mistake, the 2010 AB Competitiveness Review reduced progressivity and upfront royalties
- Investment has returned - record land sales in 2011

# Average Relative Government Take (\$100 / bbl ANS WC)



Source: PFC Energy

# Oil Sands Leases – The Diversity



## OPERATOR

- OTHER
- LAND BROKER
- ALBERTA OILSANDS
- ATHABASCA
- BP
- CNRL
- CENOVUS
- CHINOOK
- CNPC
- CONNACHER
- CONOCOPHILLIPS
- CRETACEOUS
- DEVON
- E & T
- IMPERIAL
- GRIZZLY
- HUSKY
- JACOS
- KOCH
- MEG
- LARICINA
- MARATHON
- MEG
- NEXEN
- OAK POINT
- OSUM
- PARAMOUNT
- PERPETUAL
- PETROBANK
- SHELL
- SOUTHERN PACIFIC
- STATOIL
- STONE
- SUNCOR
- SUNSHINE
- SYNCRUDE
- TOTAL
- VALUE CREATION

- Alberta oil sands are a significant global energy resource
  - Addressing growing energy demands
- Collaboration between industry and government
  - Made-in-Alberta model encourages investment
- The strategy is paying off

**Thank You**

**Joe Marushack**  
**President, ConocoPhillips Canada**

**[www.conocophillips.ca](http://www.conocophillips.ca)**

