

# Resource Development Council *Annual Meeting*

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## **The North Slope:** *Challenged Opportunities*

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**Operations & Development**

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Anchorage, Alaska



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

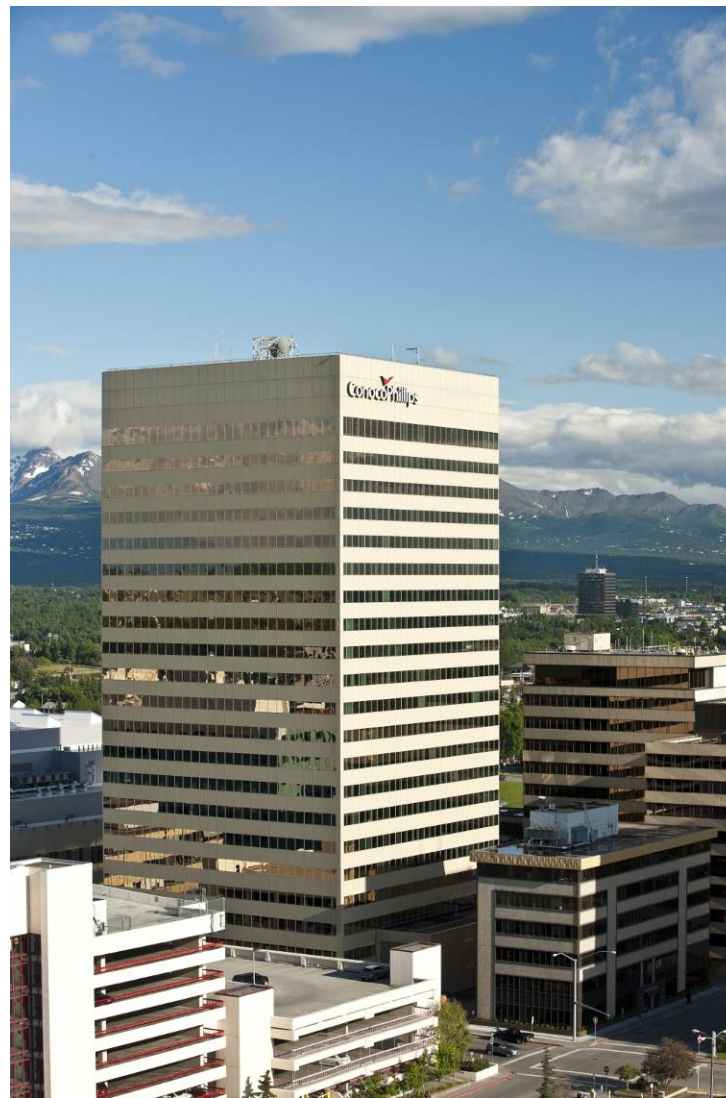
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The following presentation includes forward-looking statements. These statements relate to future events, such as anticipated revenues, earnings, business strategies, competitive position or other aspects of our operations or operating results. Actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict such as oil and gas prices; operational hazards and drilling risks; potential failure to achieve, and potential delays in achieving expected reserves or production levels from existing and future oil and gas development projects; unsuccessful exploratory activities; unexpected cost increases or technical difficulties in constructing, maintaining or modifying company facilities; international monetary conditions and exchange controls; potential liability for remedial actions under existing or future environmental regulations or from pending or future litigation; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; general domestic and international economic and political conditions, as well as changes in tax, environmental and other laws applicable to ConocoPhillips’ business and 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).

# Introduction to ConocoPhillips Alaska

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- ▶ **50 Year history in Alaska**
- ▶ **Alaska's leading oil producer**
  - **2011 production: 215,000 barrels of oil equivalent per day**
- ▶ **Jobs – 1,100 employees, plus thousands of jobs flow to our contractors**
- ▶ **Alaska's largest State taxpayer, in 2011:**
  - **Paid \$4.1 billion in taxes and royalties to Alaska**
  - **Paid \$0.9 billion in federal taxes**



# ConocoPhillips Alaska Assets

## North Slope

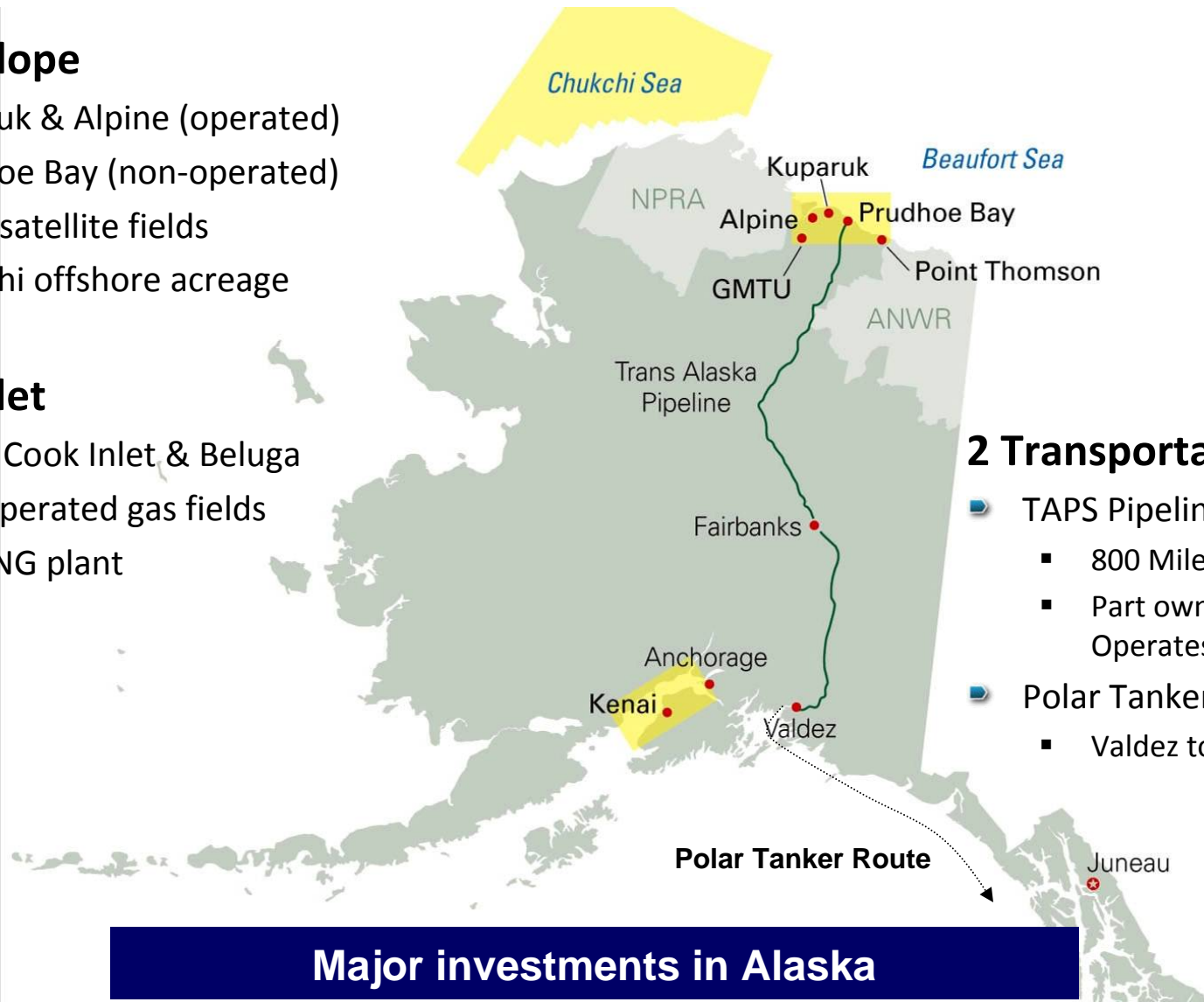
- ▶ Kuparuk & Alpine (operated)
- ▶ Prudhoe Bay (non-operated)
- ▶ NPRA satellite fields
- ▶ Chukchi offshore acreage

## Cook Inlet

- ▶ North Cook Inlet & Beluga
  - Operated gas fields
  - LNG plant

## 2 Transportation Assets

- ▶ TAPS Pipeline
  - 800 Miles Long
  - Part owner, Alyeska Operates
- ▶ Polar Tankers
  - Valdez to U.S. West Coast





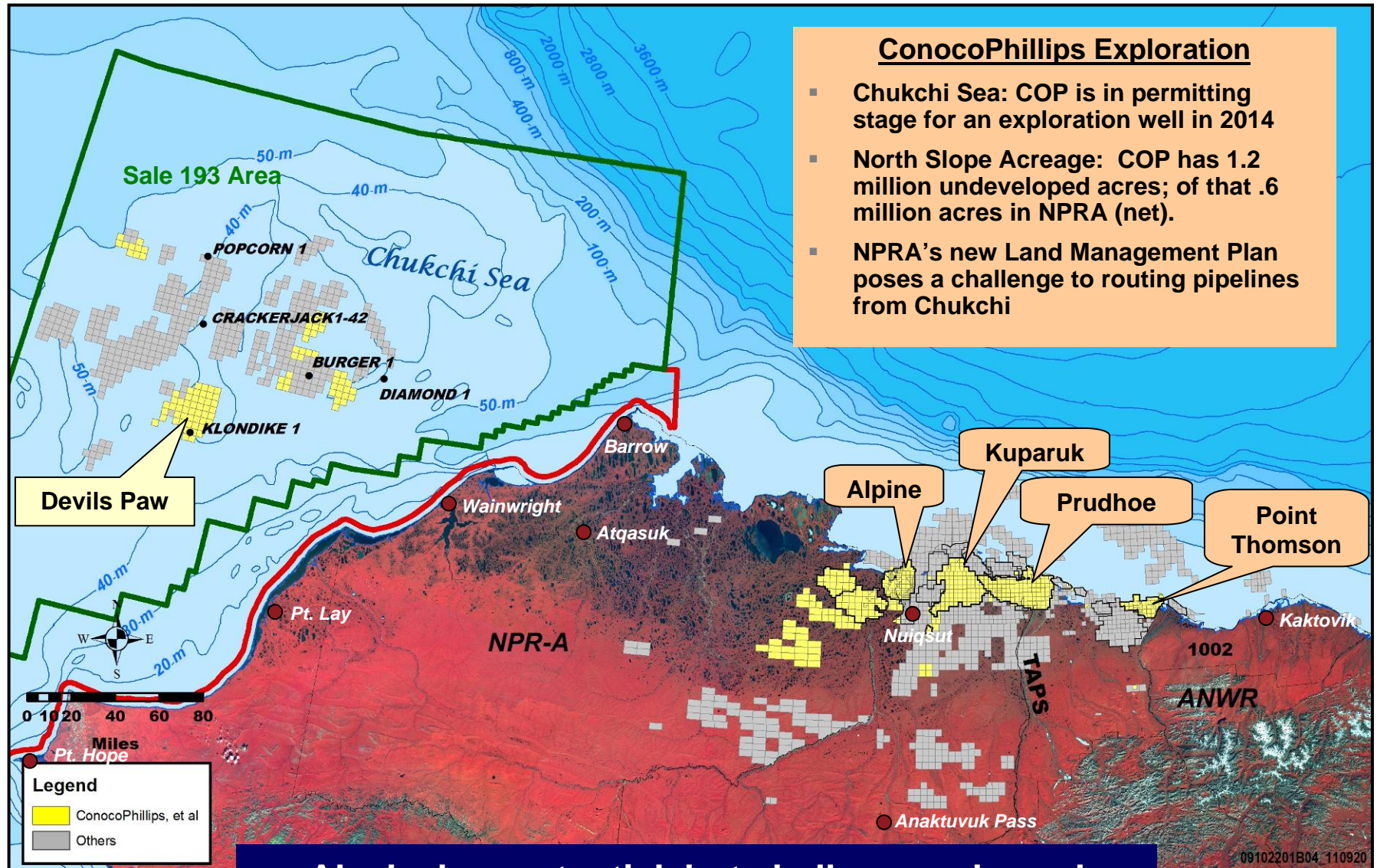
# North Slope Development Opportunities Exist...

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- ▶ **Drilling technology advances light oil development**
  - Designer wells and thin sand targets
  - High costs, technical risks significant
  
- ▶ **Viscous oil maturing**
  - Key technological advancements
  - Evaluating future viscous oil opportunities
  
- ▶ **Heavy oil technologies under evaluation**
  - No commercially viable technology identified to date
  
- ▶ **Additional exploration, satellite opportunities, and the OCS**

**... but technical risks, costs, regulatory & fiscal framework considerations will all impact capital investment**

# Exploration Potential



- ### ConocoPhillips Exploration
- Chukchi Sea: COP is in permitting stage for an exploration well in 2014
  - North Slope Acreage: COP has 1.2 million undeveloped acres; of that .6 million acres in NPRA (net).
  - NPRA's new Land Management Plan poses a challenge to routing pipelines from Chukchi

**Alaska has potential, but challenges abound**

# ANS Gas – 2012

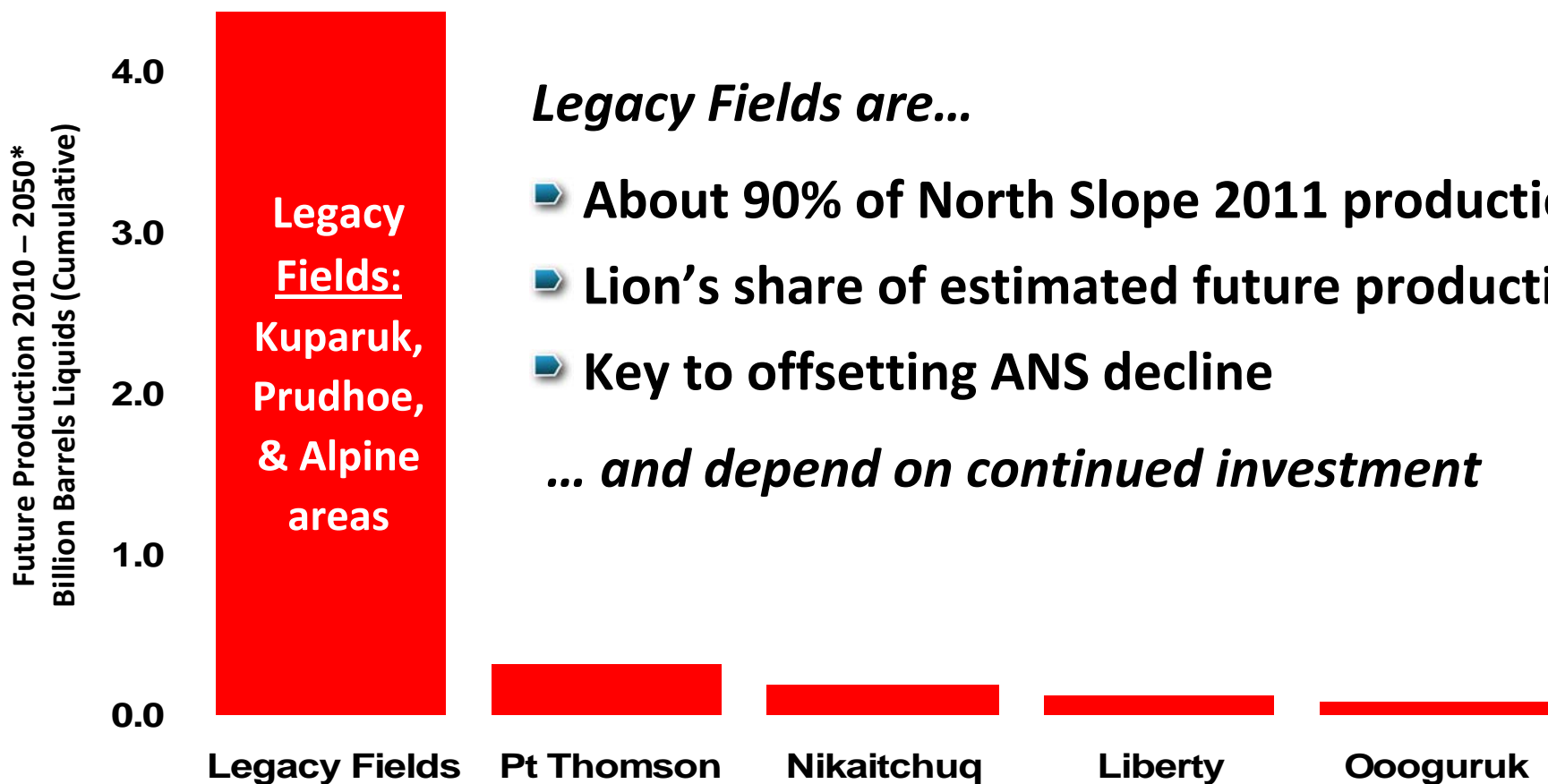
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- ▶ **Collaboration between the three producers – BP, ConocoPhillips, ExxonMobil – and TransCanada**
  - Developing Alaska gas line concept from North Slope to Southcentral LNG
  - Anticipate concept selection Spring 2013
- ▶ **Project team will continue to communicate about our progress**
- ▶ **World-class project of unprecedented scale**



**North Slope gas depends on healthy oil business**

# Legacy Fields Will Drive Future Production



## *Legacy Fields are...*

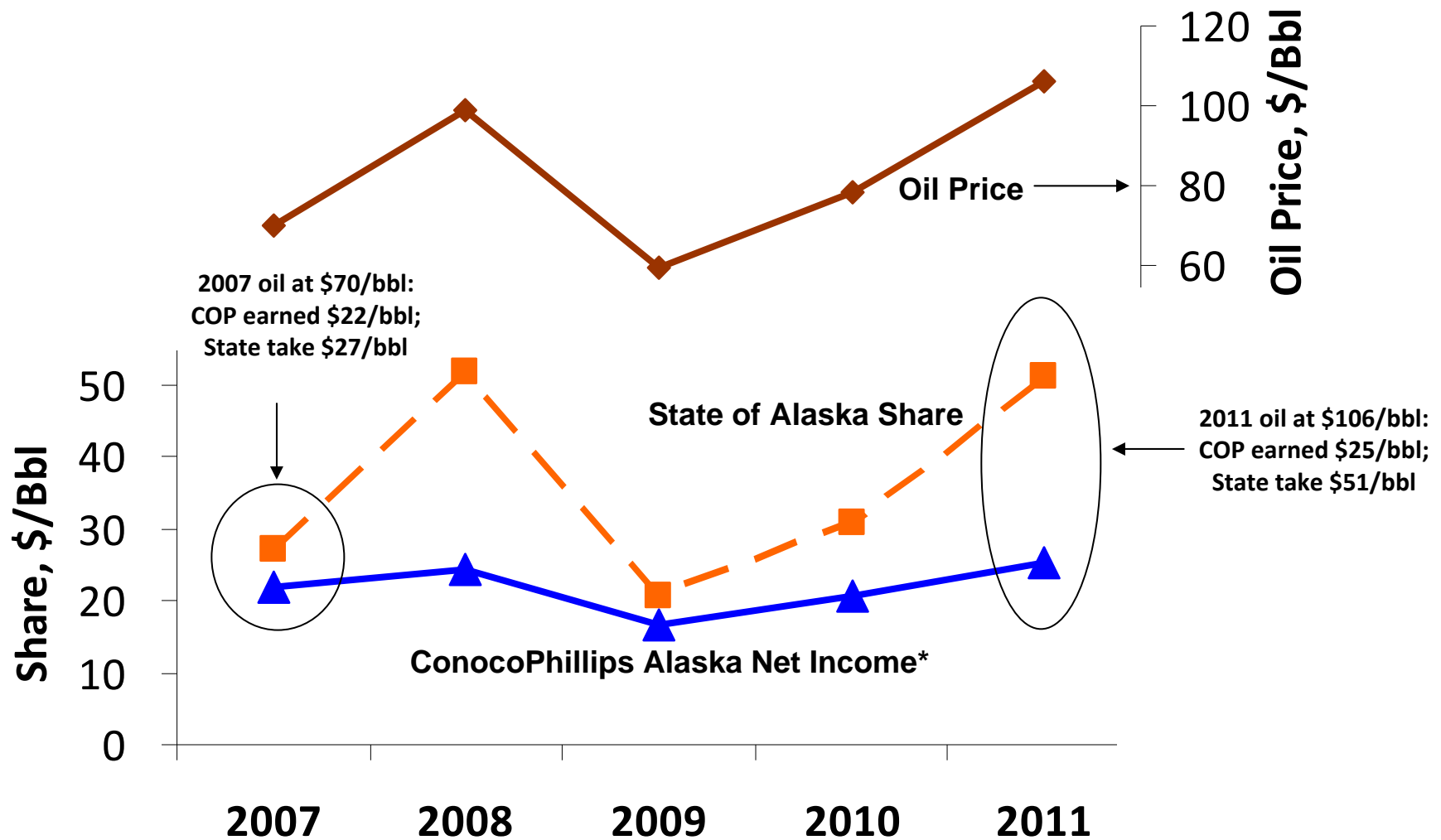
- ▶ About 90% of North Slope 2011 production
- ▶ Lion's share of estimated future production
- ▶ Key to offsetting ANS decline

*... and depend on continued investment*

**Oil tax reform must recognize importance of legacy fields**



# Earnings Per Barrel – ConocoPhillips and State of Alaska

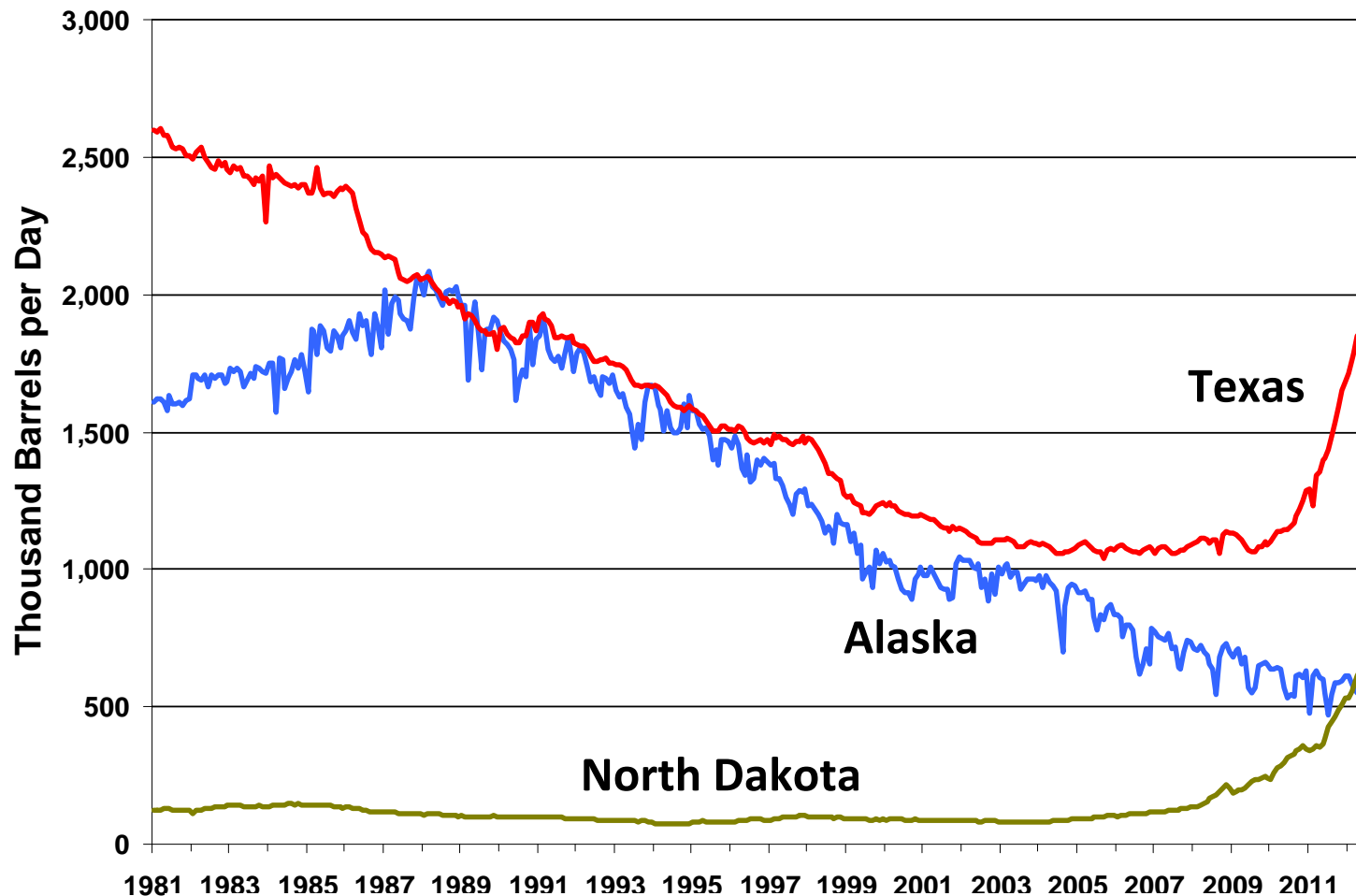


**ACES “progressivity” takes the upside**

Source: \*ConocoPhillips 10-K, 2007-2011

State share is royalties (estimated), production tax, ad valorem tax and state income tax; oil prices are average realized prices by ConocoPhillips on the West Coast

# Alaska Oil Production Continues its Decline

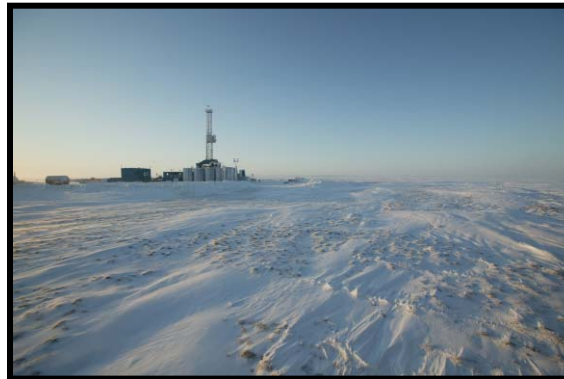


Investment dollars follow strongest returns... Alaska is disadvantaged

## Summary

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- ▶ COP has been in Alaska for 50 years; we hope to be here for decades to come
- ▶ Exciting opportunities remain but development pace is constrained
- ▶ Legacy fields remain key to future North Slope growth
- ▶ ACES negatively impacts the investment climate
- ▶ Let's work together to overcome the challenges and create a brighter future for Alaska...



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Thank you