AGENDA

- Industry Overview
- Company Overview
- Thesis
- Analysis
- Risks
- Q & A
WHY CONOCO?

• Leader in refining process provides natural hedge against falling oil prices
• Expansion of exploration and production projects will reap benefits in the long run
• Highly diversified in production and presence
• Long-term play
• Oil and gas business has 3 segments
  – Exploration and Production (E&P): **Upstream**
    • Dominated by state-owned firms
  – Transportation, Storage, Trading: **Midstream**
  – Refining and Marketing (R&M): **Downstream**
    • Dominated by publicly owned firms

Crude Reserves ➔ E&P ➔ Transport ➔ R&M ➔ Your car or home
REFINING
• **Supermajors**: the 6 largest non-state owned energy companies

- Chevron
- bp
- ConocoPhillips
- TOTAL
- EXXON Mobil
- Mobil

• Involved in all steps of production with international operations
OIL VOCABULARY

• International vs. National Oil Companies
  – IOC’s are 1/3 more efficient at converting oil reserves into actual production

• Types of Crude
  – Light and sweet: most sought-after type
  – Heavy: viscose, high refining cost
  – Sour: contains H₂S, must be sweetened

• Liquefied Natural Gas (LNG)
TRENDS

- **Demand side pressures**
  - Chinese oil subsidies to boost demand
  - 90% of growth from Asia, South America, Middle East
  - Energy usage per capita by non-OECD consumers will increase by 41%

- **Supply side pressures**
  - OPEC
  - Maturing oil fields
  - Slowdown in discovery and production
COMPANY HISTORY

• Conoco founded in 1875
  – Based in Utah and distributed coal, oil, kerosene, grease, and candles to the West

• Phillips founded in 1905
  – Roots in Oklahoma and initially hit 81 wells in a row filled with petroleum.

• ConocoPhillips merger formed in August 2002

• Burlington Resources joins ConocoPhillips in 2006
COMPANY OVERVIEW

- Second-largest integrated oil company in US, fourth largest in the world
- US’s second-biggest oil refiner
- North America’s largest natural gas producer
  - Demand for LNG estimated to increase by more than 4% annually until 2030
- Operates in 41 countries
  - 71% of revenues from US operations
SEGMENTS

- **Exploration and Production**
  - Explores for and produces crude oil and natural gas

- **Midstream**
  - Gathers, processes and markets natural gas
  - 50% equity stake in DCP Midstream

- **Refining and Marketing**
  - Purchases, refines, and markets crude oil and petroleum products
  - COP: 96% refinery utilization rate
  - Industry average: 90%
• **LUKOIL Investment**
  – 20% equity investment in OAO LUKOIL
  – International integrated oil and gas company based in Russia

• **Chemicals**
  – Manufactures and markets petrochemicals and plastics
  – 50% equity in Chevron Phillips Chemical Co.

• **Emerging Markets**
  – Investment in new technologies and businesses outside normal operations
• 2\textsuperscript{nd} largest non-state publicly traded producer of oil and gas
• 20% equity stake by COP
• Produces 19% of COP daily production
  – 444,000 BOE per day
• Recent milestones:
  – 6 new oil, natural gas, and condensate fields
  – New natural gas field in Uzbekistan
• Plans to increase all oil refining capacities in Russia by 15-20 million tons per year by 2016
• The nation’s largest independent natural gas exploration and production company prior to acquisition.
• Low operating cost earned it the reputation as the ‘Wal-Mart’ of the natural gas industry
• Utilization of innovative, technologically advanced excavation methods and adopted new horizontally drilling techniques.
GEOGRAPHICAL BREAKDOWN

Downstream (R&M)
• 12 US refineries, 5 global
• Aggregate crude oil processing capacity of 2,700,000 BD
• Refined product sales in 2007 = 3.2 million

Upstream (E&P)
• 68.5 million net developed and undeveloped acres in 23 countries
• Produced hydrocarbons in 16 and proved reserves in 3 additional countries.
• 2007 average crude and gas production: 1.88 MBOD
# NELSON COMPLEXITY FACTOR

## Central Region as of Jan. 1, 2007

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Crude Charge Capacity (MBD)</th>
<th>Total Charge Capacity (MBD)</th>
<th>Gasoline Production Capacity (MBD)</th>
<th>Distillate Production Capacity (MBD)</th>
<th>Nelson Complexity Factor²</th>
<th>Clean Product Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood River*</td>
<td>153</td>
<td>158</td>
<td>83</td>
<td>45</td>
<td>9.0</td>
<td>78%</td>
</tr>
<tr>
<td>Ponca City</td>
<td>187</td>
<td>195</td>
<td>105</td>
<td>75</td>
<td>11.2</td>
<td>90%</td>
</tr>
<tr>
<td>Borger*</td>
<td>124</td>
<td>153</td>
<td>94</td>
<td>47</td>
<td>13.3</td>
<td>92%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>464</strong></td>
<td><strong>506</strong></td>
<td><strong>282</strong></td>
<td><strong>167</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## West Coast Region as of Jan. 1, 2007

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Crude Charge Capacity (MBD)</th>
<th>Total Charge Capacity (MBD)</th>
<th>Gasoline Production Capacity (MBD)</th>
<th>Distillate Production Capacity (MBD)</th>
<th>Nelson Complexity Factor²</th>
<th>Clean Product Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>139</td>
<td>155</td>
<td>85</td>
<td>61</td>
<td>14.6</td>
<td>87%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>120</td>
<td>135</td>
<td>50</td>
<td>45</td>
<td>11.7</td>
<td>70%</td>
</tr>
<tr>
<td>Fertitale</td>
<td>96</td>
<td>100</td>
<td>50</td>
<td>30</td>
<td>8.1</td>
<td>76%</td>
</tr>
<tr>
<td>Billings</td>
<td>58</td>
<td>64</td>
<td>35</td>
<td>25</td>
<td>13.8</td>
<td>89%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>413</strong></td>
<td><strong>454</strong></td>
<td><strong>220</strong></td>
<td><strong>161</strong></td>
<td></td>
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</table>

## Europe Refining as of Jan. 1, 2007

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Crude Charge Capacity Net (MBD)</th>
<th>Total Charge Capacity (MBD)</th>
<th>Gasoline Capacity Net (MBD)</th>
<th>Distillate Capacity Net (MBD)¹</th>
<th>Nelson Complexity Factor²</th>
<th>Clean Product Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilhelmshaven</td>
<td>260</td>
<td>260</td>
<td>36</td>
<td>102</td>
<td>5.0</td>
<td>53%</td>
</tr>
<tr>
<td>Humber</td>
<td>221</td>
<td>228</td>
<td>84</td>
<td>119</td>
<td>12.1</td>
<td>84%</td>
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<tr>
<td>Whitegate</td>
<td>71</td>
<td>71</td>
<td>18</td>
<td>30</td>
<td>6.6</td>
<td>65%</td>
</tr>
<tr>
<td>MIRO</td>
<td>57</td>
<td>60</td>
<td>25</td>
<td>26</td>
<td>9.3</td>
<td>65%</td>
</tr>
<tr>
<td>Czech Refineries</td>
<td>27</td>
<td>28</td>
<td>8</td>
<td>11</td>
<td>7.9</td>
<td>63%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>636</strong></td>
<td><strong>646</strong></td>
<td><strong>170</strong></td>
<td><strong>287</strong></td>
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## R&M Comparison

<table>
<thead>
<tr>
<th></th>
<th>COP</th>
<th>XOM</th>
<th>RDS</th>
<th>BP</th>
<th>HES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Revenue</td>
<td>171500</td>
<td>358600</td>
<td>355782</td>
<td>284365</td>
</tr>
<tr>
<td>2</td>
<td>Downstream</td>
<td>78.3</td>
<td>81.7</td>
<td>79.9</td>
<td>87.8</td>
</tr>
<tr>
<td>3</td>
<td>Upstream</td>
<td>28.1</td>
<td>8</td>
<td>16.6</td>
<td>5.6</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Net Income</td>
<td>11891</td>
<td>40610</td>
<td>31926</td>
<td>21169</td>
</tr>
<tr>
<td>6</td>
<td>Downstream</td>
<td>45</td>
<td>23.6</td>
<td>34.2</td>
<td>18</td>
</tr>
<tr>
<td>7</td>
<td>Upstream</td>
<td>35.1</td>
<td>65.2</td>
<td>48.1</td>
<td>80</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Downstream</td>
<td>0.57471264</td>
<td>0.28886169</td>
<td>0.42803504</td>
<td>0.20501139</td>
</tr>
<tr>
<td>11</td>
<td>Upstream</td>
<td>1.24911032</td>
<td>8.15</td>
<td>2.89759036</td>
<td>14.2857143</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Compared to 2006</td>
<td>0.66194888</td>
<td>0.0600429</td>
<td>-0.0237797</td>
<td>0.26521315</td>
</tr>
<tr>
<td>14</td>
<td>Downstream</td>
<td>-0.3648232</td>
<td>0.19208955</td>
<td>-0.313253</td>
<td>0.07620205</td>
</tr>
</tbody>
</table>
Revenue Breakdown:
- Downstream: 66%
- Upstream: 0%
- Midstream: -8%
- Emerging Businesses: 24%

Net Income Breakdown:
- Downstream: 47%
- Upstream: 33%
- LUKOIL: 0%
- Midstream: 14%
- Chemicals: 3%
- Emerging Businesses: 0%
ACQUISITIONS & ALLIANCES

- 2006 acquisition of Burlington Resources for $43.8 billion
- 2007 acquisition of a 20% equity stake in OAO LUKOIL
- Joint projects with Abu Dhabi National Oil Co. and Saudi Arabia’s Aramco
  - Abu Dhabi Shah gas field
  - Yanbu Export Refinery Project in Saudi Arabia
RECENT DEALS

• November 2008, signed 3 year agreement with alternative fuel company
  – Develop network of propane fuel pumps for commercial transportation industry
  – COP to supply propane

• Origins Energy 50% JV
  – Australasian coal seam gas (CSG) to LNG
  – Largest CSG reserves base in Australia
• Growth potential – strong pipeline
  – Projects in Middle East, Baltic, Asia
• Sound balance sheet and cash
  – High cash flow from operations
  – High interest coverage
• Marginal cost of oil production
PROJECT PIPELINE

- Qatargas 3
  - LNG project with Qatar Petroleum
  - 1.4 MCF per day
- North Caspian Sea Production Sharing Agreement
  - Off coast of Kazakhstan
  - Maximum gross crude oil capacity: 1.5 MBD
  - In Phase 1 field development
FINANCIALS

• Debt to capital ratio: 19%
  – Industry average: 12%
• High cash flow from operations
• Interest coverage ratio: 39.3
  – Credit rating: A
• Continual dividend increase
ECONOMIC FUNDAMENTALS

• Marginal cost of producing a barrel of oil, from exploration to marketing
  – $70-80 in North America
  – $1-2 in Saudi Arabia

• Marginal cost depends on economies of scale and type of oil

• Sweet/Light oils in Middle East are cheaper to extract and refine
RISKS

• Natural disasters
  – Disrupt midstream operations
• Investor sentiment
• Geopolitical risk
• Alternative energy
• Environmental regulations
MITIGATIONS

• Minor impact of hurricanes on production
• Russian ruble has modestly declined relative to other currencies
• Low oil prices offset by higher-than industry average R&M margin
• Already began environmental initiatives which led to better efficiency
CONCLUSION

• ConocoPhillips is a leader in the refining segment
• Growth potential from production pipeline
• Synergies from strategic acquisitions and partnerships
COP V. CRUDE OIL PRICES
PROVED RESERVES

- Reserves with reasonable certainty of oil
- 78% of proved undeveloped reserves associated with 10 major development areas and investment in LUKOIL

### Worldwide Proved Reserves Year-end 2007

<table>
<thead>
<tr>
<th>Area</th>
<th>Oil MMBBL</th>
<th>Gas BCF</th>
<th>NGL MMBBL</th>
<th>Total Reserves MMBOE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>1,335</td>
<td>3,431</td>
<td>133</td>
<td>2,040</td>
</tr>
<tr>
<td>Canada\textsuperscript{1}</td>
<td>121</td>
<td>2,638</td>
<td>65</td>
<td>659</td>
</tr>
<tr>
<td>U.S. Lower 48</td>
<td>308</td>
<td>9,203</td>
<td>466</td>
<td>2,308</td>
</tr>
<tr>
<td>Europe</td>
<td>605</td>
<td>2,583</td>
<td>38</td>
<td>1,073</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>319</td>
<td>3,252</td>
<td>56</td>
<td>917</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>290</td>
<td>1,029</td>
<td>1</td>
<td>463</td>
</tr>
<tr>
<td>Russia and Caspian</td>
<td>117</td>
<td>98</td>
<td>-</td>
<td>133</td>
</tr>
<tr>
<td>Other Areas</td>
<td>9</td>
<td>65</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Equity Affiliates</td>
<td>2,398</td>
<td>2,939</td>
<td>59</td>
<td>2,947</td>
</tr>
<tr>
<td>Total Reserves</td>
<td>5,502</td>
<td>25,438</td>
<td>818</td>
<td>10,560</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Excludes 221 MMBBL of Canadian Syncrude.
DECLINE OF THE RUBLE

Russian Rubles (RUB) to 1 US Dollar (USD)

min = 23.1 (July, 16) avg = 24.8 max = 27.7 (November, 14)
The graph shows the stock price movements of ConocoPhillips from 2000 to 2007. The x-axis represents the year, and the y-axis shows the stock price range. The chart includes various indices, such as COP US Equity, Last Price (R1).
Index G

[Graph showing historical data with various financial indices and dates from 2000 to 2008, including labels for different countries and years.]
## Historical Price Traded Currency

**Range:** 12/31/00 to 12/31/07  
**Market:** Mid/Trd  
**Period:** Yearly

<table>
<thead>
<tr>
<th>Date</th>
<th>Volume Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/07</td>
<td>11099.30</td>
</tr>
<tr>
<td>12/31/06</td>
<td>10842.97</td>
</tr>
<tr>
<td>12/31/05</td>
<td>10557.60</td>
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<tr>
<td>12/31/04</td>
<td>10289.40</td>
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<tr>
<td>12/31/03</td>
<td>9828.89</td>
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<td>12/31/02</td>
<td>9524.15</td>
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<td>12/31/01</td>
<td>9341.66</td>
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<tr>
<td>12/31/00</td>
<td>9293.25</td>
</tr>
</tbody>
</table>

*Currency values in $US Million.*
HOW TO VALUE AN OIL COMPANY

- Supply and demand of oil
- Production volumes
- Reserve replacement
  - % of oil produced replaced per year through exploration or acquisitions
- Upstream performance ratio
- Crack spread 3-2-1
- Marketing margin