

The North Slope: Opportunities & Challenges

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- Investment History and Opportunities
- Alaska's Challenges
- Tipping Point?

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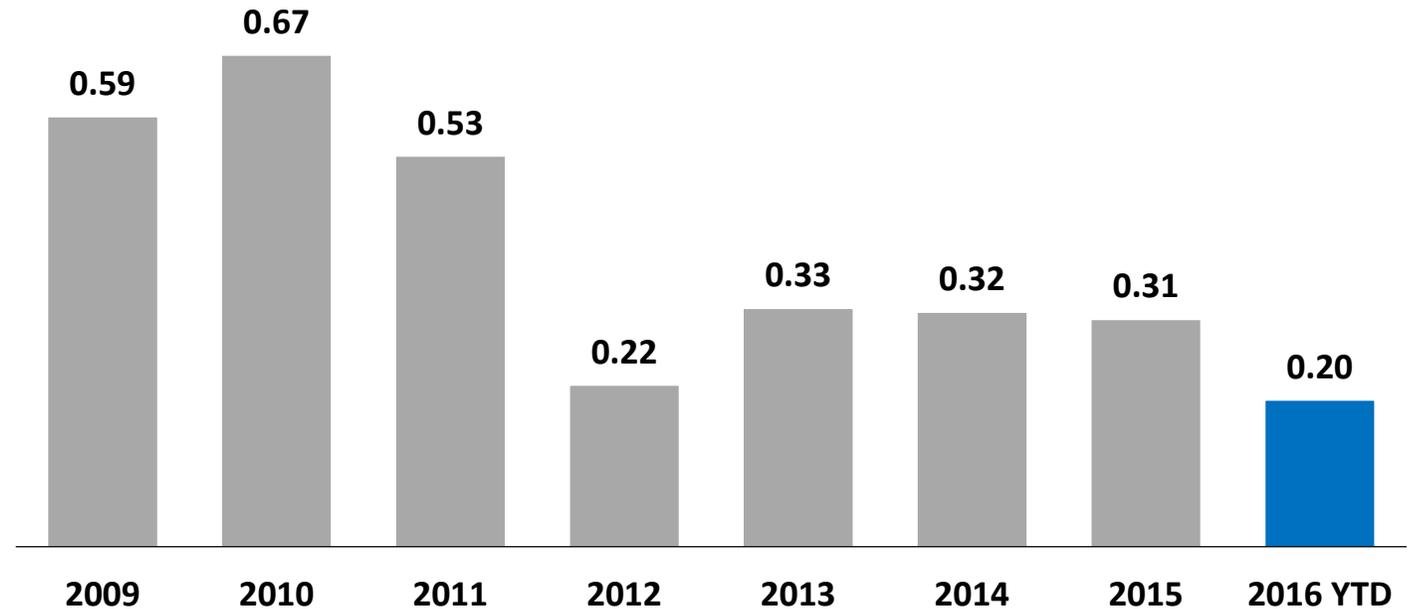
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Achieving an Incident-Free Culture is a core value for ConocoPhillips

The collective efforts of our contractors have helped us achieve a significant change in safety performance

Total Recordable Incident Rate



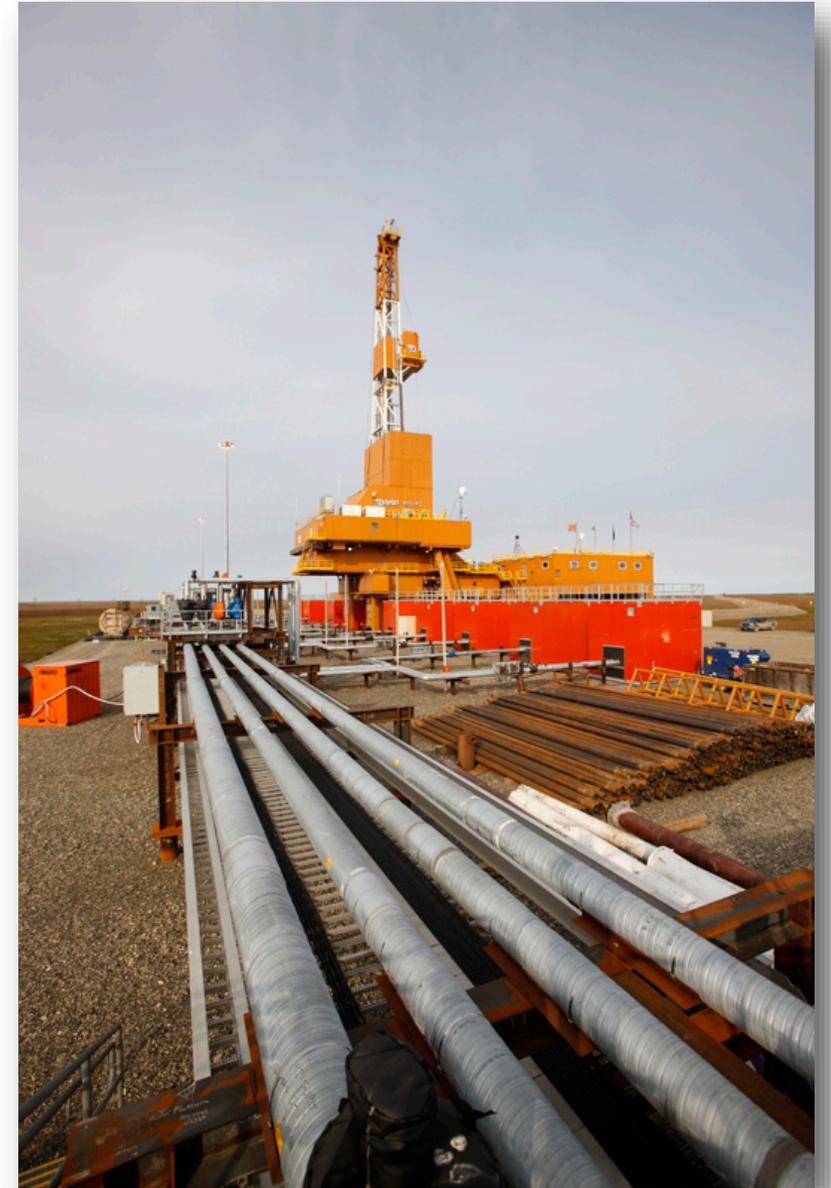
Note: 2016 YTD represents Jan - Sep

We are on track for our safest year ever in 2016

ConocoPhillips North Slope Activity Since Tax Reform Passed in 2013

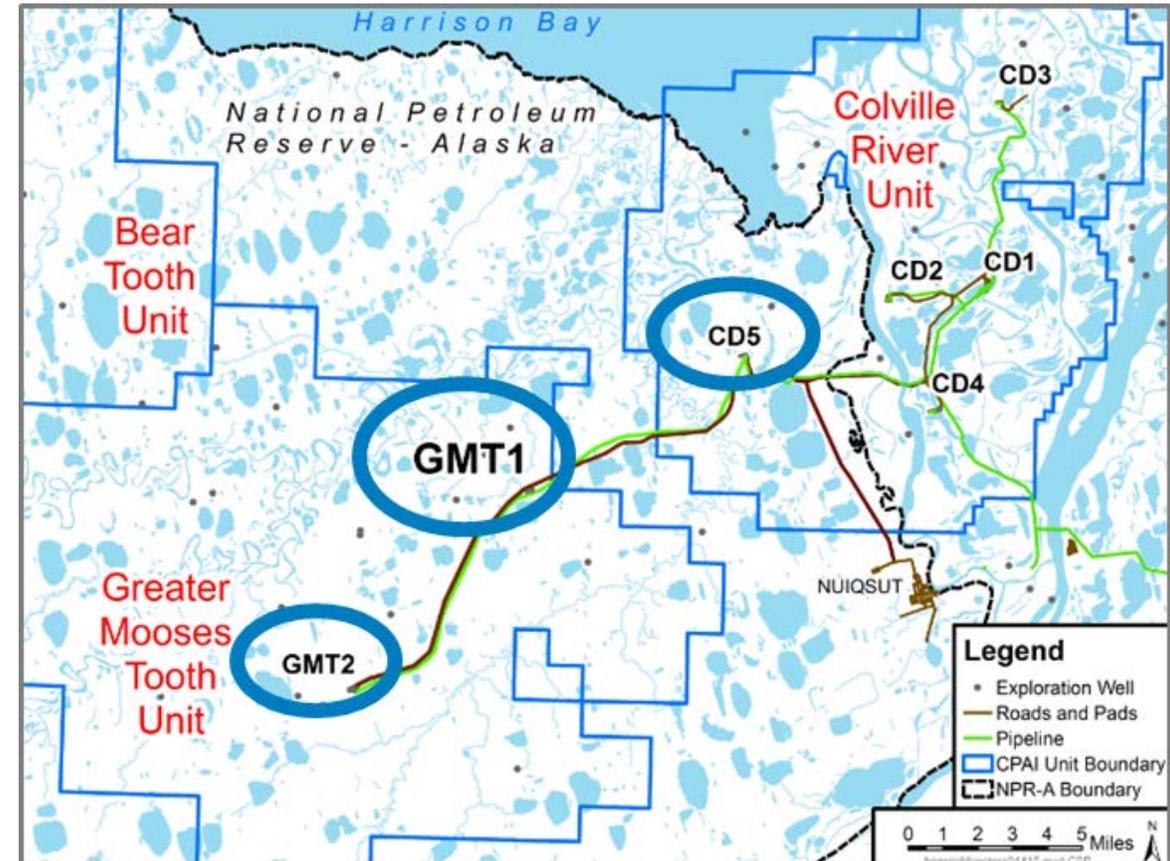
- **Added two rigs to the Kuparuk rig fleet, 2013-2015**
- **Two new-build rigs delivered this year**
 - Doyon 142 and Nabors CDR3
 - 5 rigs in Kuparuk/Alpine by 4Q 2016
- **New drill site at Kuparuk (DS 2S) – on stream a year ago**
 - Estimated 8,000 BOPD gross peak production rate
 - About \$475 million gross cost to develop and 250+ construction jobs
- **CD5 on stream**
 - Producing 20,000 BOPD vs 16,000 BPD gross
 - 18-well addition approved in April 2016
- **Significant other industry investment**

North Slope oil decline less than 1% in 2015



New Opportunities/Exploration

- **GMT1 construction started**
 - Final investment decision made late 2015; first oil late 2018
 - About \$900 million gross cost; peak estimated gross rate ~30,000 BOPD
 - About 600-700 jobs during this upcoming winter construction season
- **Permitting underway for GMT2**
 - \$1+ **billion** gross investment
 - Will create 600-700 jobs during construction
 - First oil late 2020?
- **Viscous oil expansion in Kuparuk (1H NEWS)**
 - Est. 8,000 BOPD gross, 100+ construction jobs
 - About \$450 million gross cost to develop
 - Some facility work starting up; first oil in late 2018
- **Active Exploration Program**
 - Two wells drilled in 2014
 - Acquired GMT1 Seismic – 2015
 - Three wells in 2016 (NPRA), one planned for 2017
 - Seismic program in NPRA in 2017

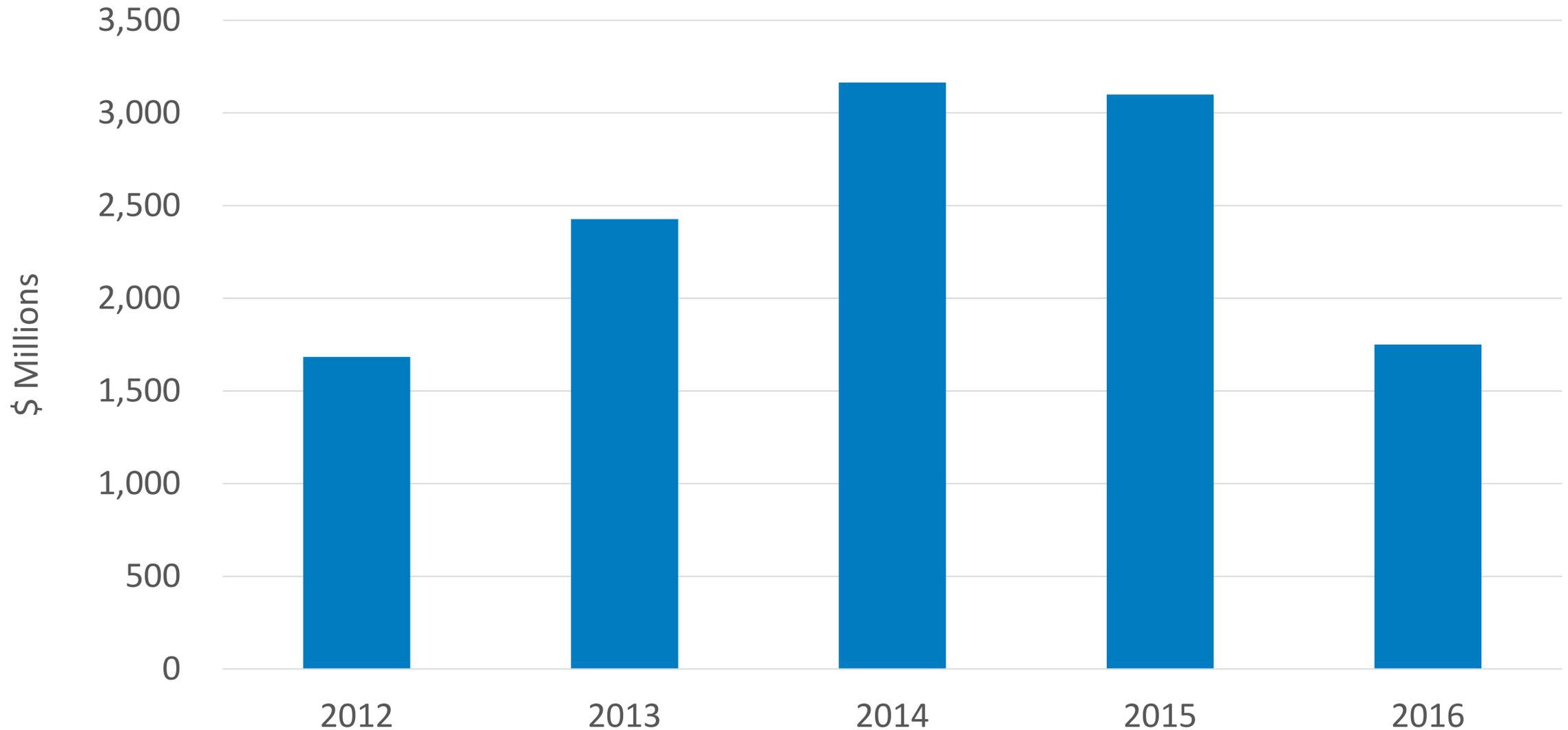


Extended Reach Drilling Rig Announced



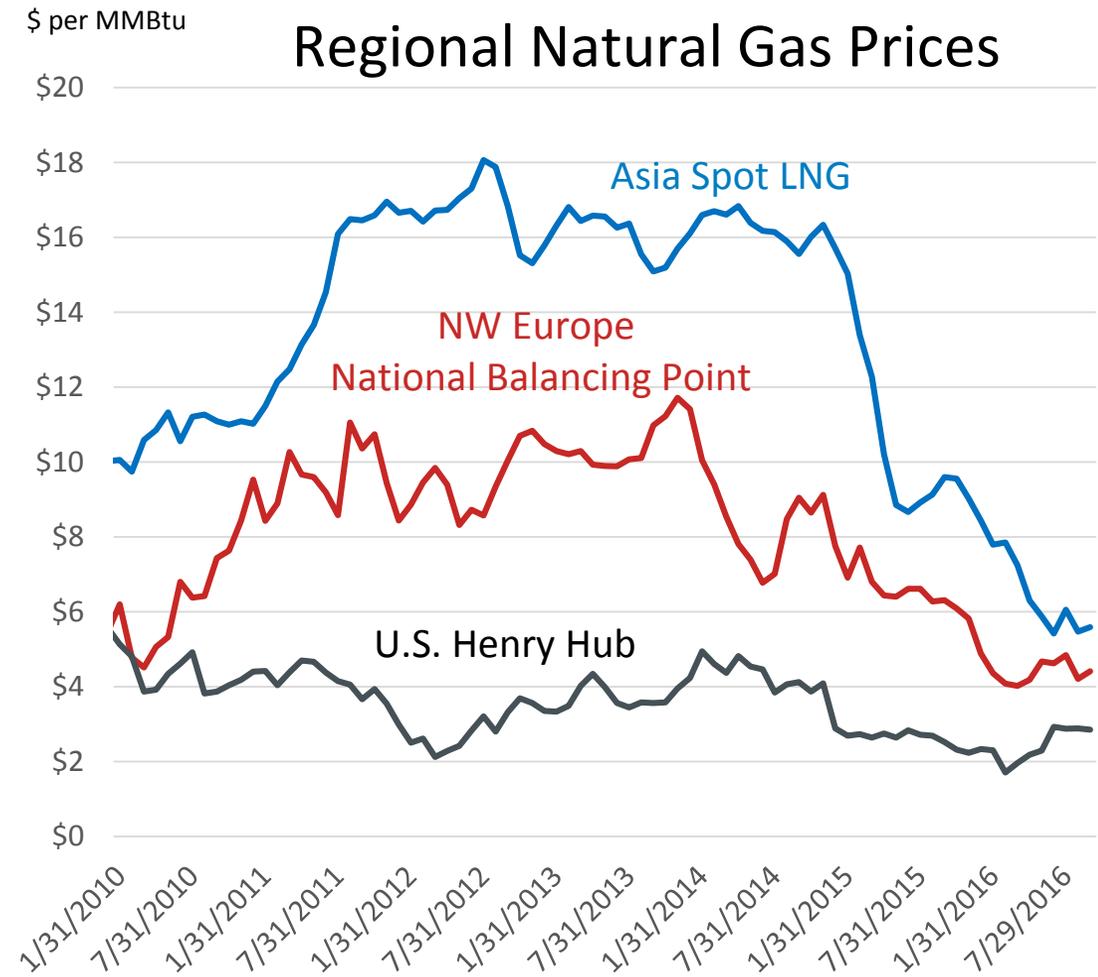
- **Contracted with Doyon Drilling to build an Extended Reach Drilling (ERD) rig**
 - Expected delivery 2020
 - Will be used first at Alpine
- **Potential breakthrough addition to North Slope rig fleet**
 - ~125 square miles can be developed from a single drill site – more than double current capability
 - Mobile – can be deployed anywhere on the Slope
 - Reduces development footprint, minimizes environmental impact, fewer drilling pads

Gross Capital Spend for Prudhoe, Kuparuk, Alpine, Point Thomson: 2012-2016



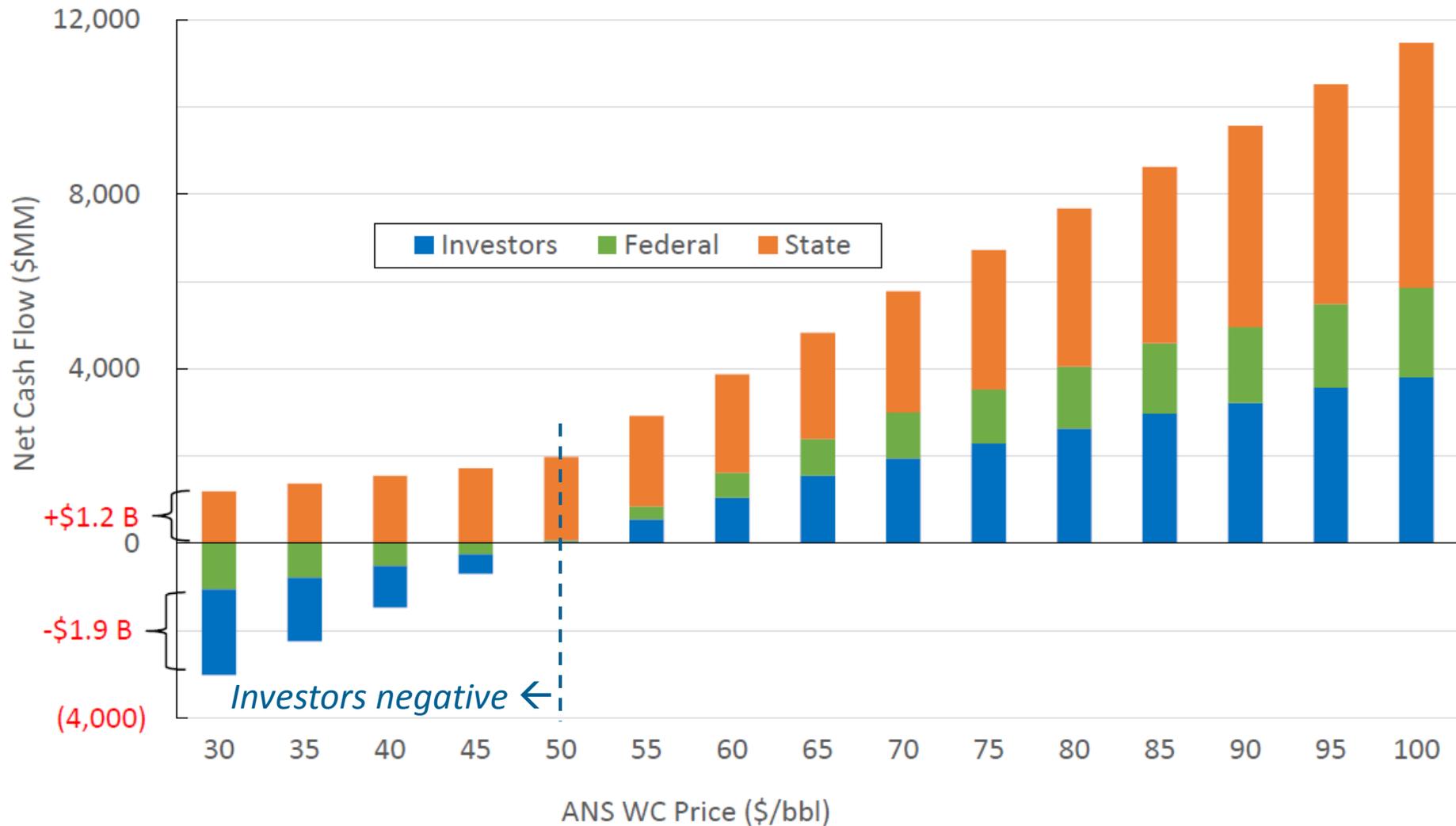
AK LNG – Potential Paradigm Shift?

- Traditional commercial approach is uneconomic at current and forecasted LNG prices
- In all the previous attempts to monetize North Slope gas, the market has at some point crashed and no longer supported the effort
- Success in the market place has and will require being highly competitive on cost of supply
- ConocoPhillips is supportive of the State pursuing a path not available to the private sector
 - Low cost financing
 - Tax-exempt status



Challenges – Increase in Oil Taxes?

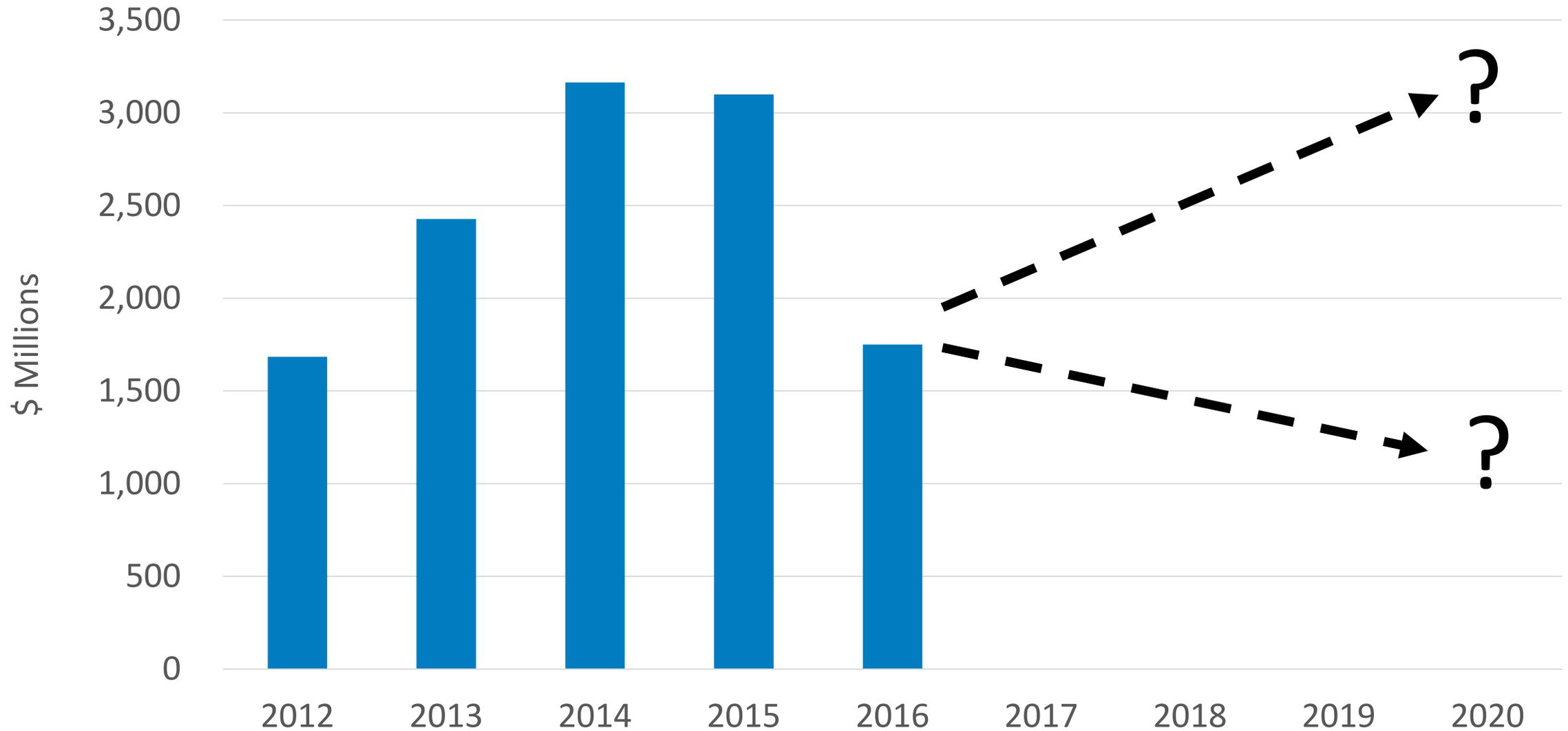
2017 FY Cash Flow - Spring 2016 RSB assumptions



State share shown excludes tax credits other than production tax credits

- Price and Cost of Supply drive investor profitability
- Cost of Supply is critical to investor viability in low price environment
- State takes the highest share of revenue at all prices

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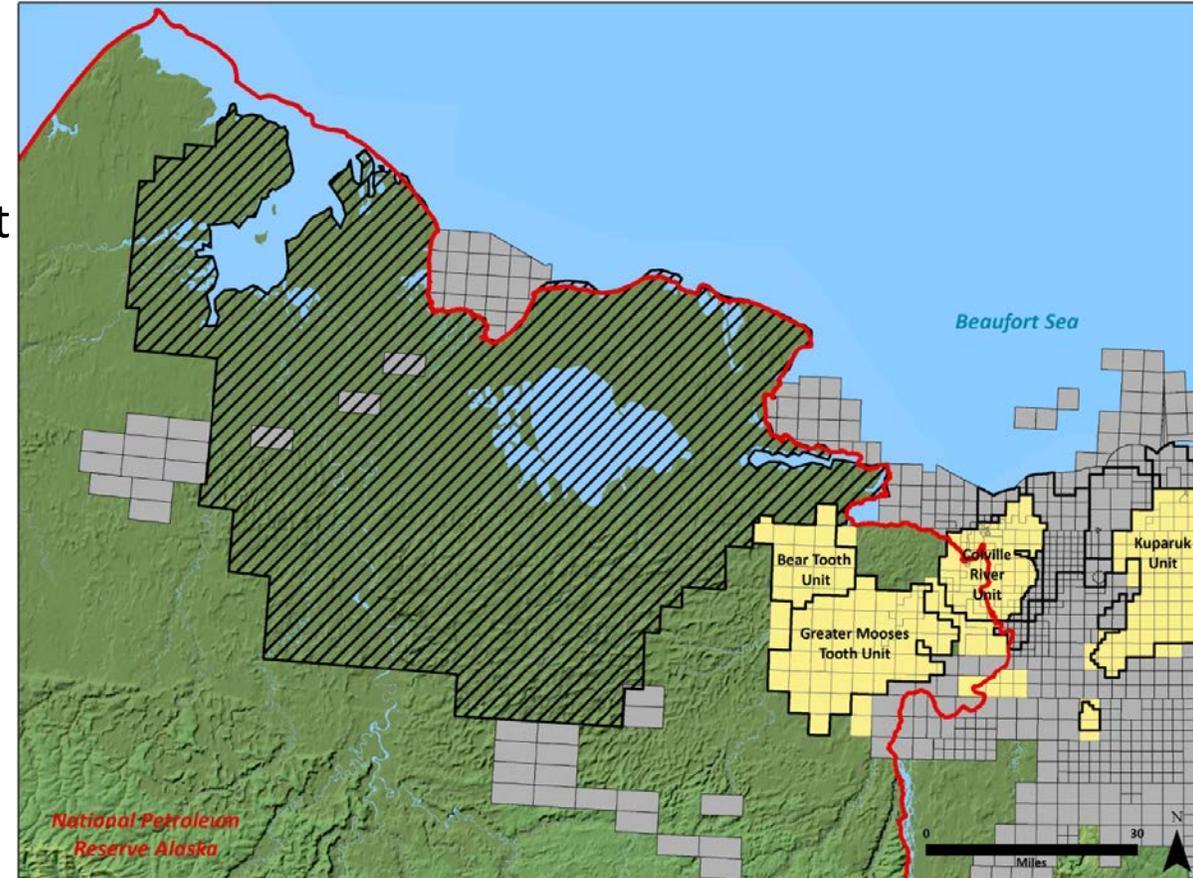
Federal Challenges and Competition

➤ Access to federal lands

- Significant potential on both onshore and offshore lands
- ~ 11 million acres unavailable for leasing in NPRA
- Permitting on available lands lengthy and difficult
- Offshore access problematic
- Regional Mitigation Strategies could further slow and complicate development

➤ Significant competition in the shale oil unconventional play

- Lower cost, closer to market, fewer environmental issues, mostly private lands
- Thousands of drilling opportunities – new focus of the U.S oil industry

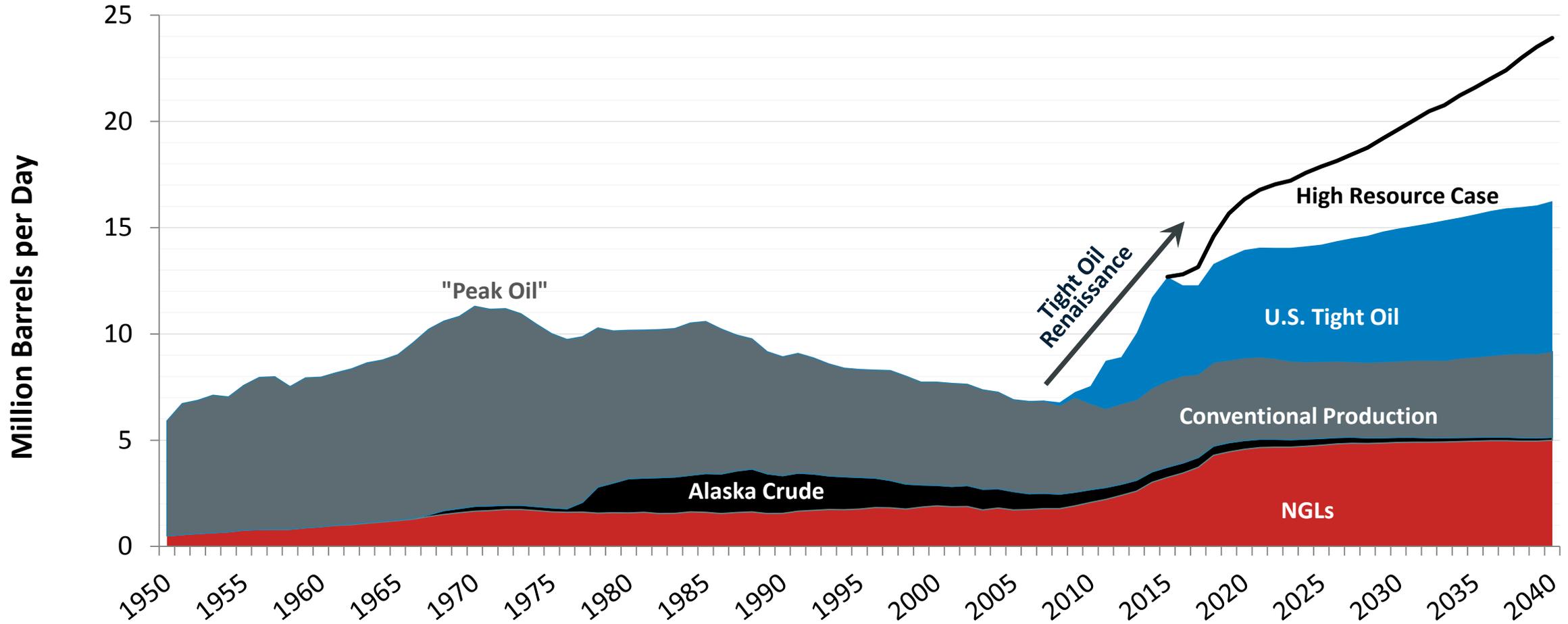


Northeast NPRA –Cross hatched lands unavailable for leasing

New Era of Abundance for U.S. Oil Supply

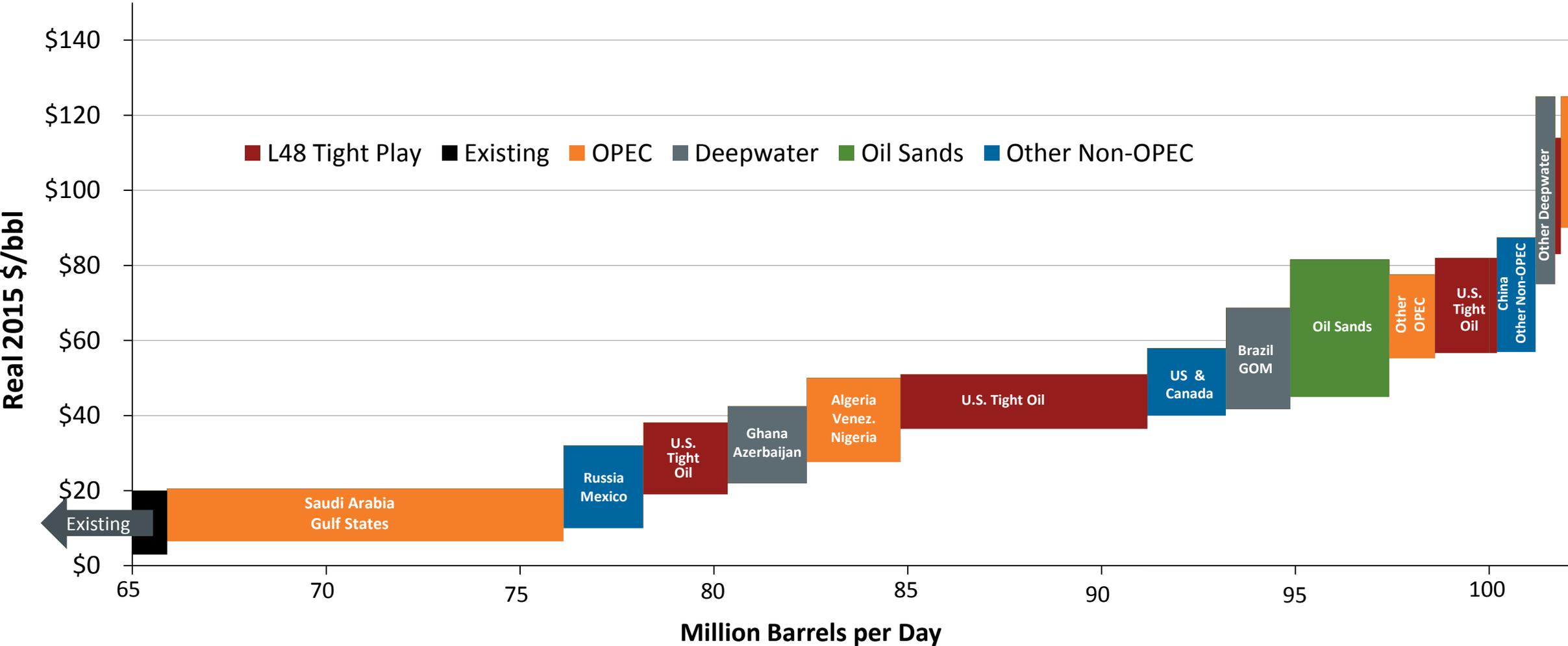
U.S. Crude, Condensate and Natural Gas Liquids Production

U.S. Department of Energy Forecast



U.S. crude production nearly doubled between 2008 and 2015 after falling by half during the previous four decades

Incremental Global Oil Supply for 2020



Higher cost supply needs to compete with relatively low cost U.S. tight oil

Source: ConocoPhillips Chief Economists Office, Rystad Ucube; gross production growth before declines, boxes are indicative of the types of assets from each category not a fully inclusive list

Alaska is at a Tipping Point

- State challenge: fiscal gap solution
- Federal challenges:
 - Greater access to federal acreage
 - Reliable and timely federal permitting processes
 - Access
- AKLNG – A new approach by a State-led entity could result in a competitive project
- **Alaska is still opportunity rich – but so is the rest of the world and especially the Lower 48. Decisions over the next few years will determine if Alaska can stay in the game.**