

# FINAL TRANSCRIPT

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## **COP - Q2 2010 ConocoPhillips Earnings Conference Call**

**Event Date/Time: Jul. 28. 2010 / 3:00PM GMT**



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**Jim Mulva**

*ConocoPhillips - Chairman, CEO*

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*Deutsche Bank - Analyst*

**Doug Terreson**

*ISI Group - Analyst*

**Mark Gilman**

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the ConocoPhillips second-quarter 2010 earnings conference call hosted by Jim Mulva, Chairman and CEO, and Clayton Reasor, Vice President Corporate and Investor Relations.

My name is Jen and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of today's conference. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to hand the presentation over to your host, Mr. Clayton Reasor. Please proceed, sir.

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**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Thank you. Thank you, everybody, for participating in our second-quarter earnings conference call. Joined today by Jim Mulva, our Chairman and CEO, and this morning we will be discussing the Company's second-quarter results and also provide an update on the status of our returns enhancement plans that we had announced earlier this year.

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A summary of key financial and operating results for the quarter will be provided, as well as our outlook for the remainder of 2010. As in the past, you will find our presentation materials on the IR section of the ConocoPhillips website.

But before we get started, I would like you to refer to our Safe Harbor statement on slide 2 of the presentation. It's a reminder that we will be making forward-looking statements during the presentation and during the Q&A, and actual results may differ materially from what is presented today. Factors that could cause these actual results to differ are included in our filings with the SEC.

Let's move to slide 3 which is a summary of our key second-quarter results and highlights. Adjusted earnings for the second quarter were \$2.5 billion or \$1.67 per share. Cash from operations was \$3.5 billion. Capital efficiency increased, as annualized cash returns on capital invested improved to 22%.

Our E&P production, excluding LUKOIL, was 1.73 million BOE per day. The competitiveness of our refineries allowed us to achieve US refinery utilization rate of 96%; and excluding Wilhelmshaven, the international rate would have been 88%.

We completed \$5.8 billion in asset sales, primarily the Syncrude and CFJ assets. And debt was reduced by \$2.7 billion in the second quarter, with an additional \$2.7 billion reduction planned next month.

Turning to slide 4, you can see that total adjusted earnings for the Company were \$2.5 billion, up \$1.5 billion compared to last year. The majority of these earnings were generated by our E&P and R&M businesses.

Our E&P segment improved by almost \$750 million, primarily due to higher commodity prices partially offset by lower volumes. Compared to the second quarter of last year, R&M adjusted earnings increased by over \$700 million, mainly due to improved global refining and marketing margins.

The amount in the Other column reflects an increase in corporate costs, partially offset by improvements in Chemicals and Midstream earnings.

Moving to slide 5, total cash flow. We generated \$3.5 billion in cash from operations and \$5.8 billion in cash proceeds from asset sales, primarily from Syncrude and CFJ sales. We repaid \$2.7 billion in debt; funded a capital program of \$2.2 billion; paid approximately \$800 million in dividends; and repurchased \$390 million of ConocoPhillips common stock.

At the end of the quarter, we had a cash balance of \$4.1 billion, \$2.7 billion of which will be used to pay down debt in the third quarter.

Now let's review our upstream production for the second quarter on slide 6. You can see that production was 1.73 million BOE per day, down 7% from the second quarter of last year. Looking at the chart, you can see that 23,000 BOE per day of the reduction is attributable to market factors, including PSC impacts due to higher prices.

Moving to the right, roughly 12,000 BOE a day stems from the expropriation of our assets in Ecuador and asset sales in Canada and the Lower 48. We produced 50,000 BOE per day less this quarter compared to previous year's quarter from planned maintenance in Norway, Australia, and the Lower 48.

In Norway, this reflects our routine three-year or once every three-year turnaround in the Greater Ekofisk-Eldfisk Area, and that had an impact of about 35,000 BOE per day.

What happened in Australia, we had a full field shutdown at the Bayu-Undan field and the Darwin LNG plant. That impacted production 23,000 BOE per day.

The remainder of the planned downtime was 7,000 BOE per day coming from the Lower 48.



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The 54,000 BOE per day bar shown above Operations is largely normal field decline offset by new production. The majority of the decline came from 87,000 BOE per day in North America, and the remaining 38,000 BOE per day came from Norway and the UK. Offsetting that we had 75,000 BOE per day of new production from China, Canada, and Indonesia.

So now I would like to turn to slide 7, E&P adjusted earnings, which were \$1.5 billion, up about \$740 million from the second quarter of 2009. Higher prices and other market impacts contributed about \$1 billion to the increase in earnings. This increase was partially offset by a \$321 million decrease from lower sales volumes, primarily from the planned and unplanned downtime that I just mentioned.

We have a positive \$50 million in Other; it is largely comprised of lower dry hole costs, foreign currency effects, and lower DD&A. Looking at the table at the bottom of the slide, you can see that both US and international earnings improved significantly from the prior year. Oil and natural gas realizations are up significantly.

Moving to slide 8, our unit metrics for the E&P segment, you can see that E&P income per BOE was nearly double that of a year ago. This primarily reflects the increase in realized prices that I mentioned earlier.

Comparing this quarter's E&P results to the first quarter of 2010, we saw earnings impacted by lower natural gas prices, the volume and cost impacts of planned and unplanned maintenance activity, fewer overlift volumes, and foreign currency movements. E&P earnings were impacted by several items such as the estimated \$70 million in lost earnings from LNG sales volumes during our scheduled maintenance in Australia; a sequential earnings reduction from unfavorable foreign exchange movements of negative \$64 million; and in our Russian affiliate, earnings were reduced by \$17 million, a result of higher export taxes.

In addition, the impact of crude sales volumes versus production reduced earnings by about \$20 million for this period versus the previous quarter.

Our E&P cash contribution per BOE is competitive among our peer group; and our largely OECD -focused portfolio provides greater exposure to price movements in the future.

Moving to slide 9, market conditions for Refining and Marketing were much stronger this quarter. R&M's adjusted earnings improved over \$700 million versus a year ago. Realized refining margins improved more than \$550 million, primarily driven by stronger distillate cracks. In the US, distillate market cracks almost doubled, while internationally they improved by about 50%.

In addition, we made nearly \$100 million from our premium coke production at Humber and Lake Charles refineries. Additional contributors to the improved Refining margins were \$41 million from our increased margins attributable to our Chemical industry feedstocks, such as cyclohexane, propylene, toluene, xylene, and benzene. And Marketing margins were better by about \$150 million compared to this quarter last year.

\$42 million improvement related to volumes is primarily driven by our US Refining capacity utilization increasing from 93% to 96% as well as an increase in our Marketing volumes on unbranded fuels.

The \$101 million of negative variance in Other is almost entirely FX related. It reflects unfavorable foreign exchange impacts this quarter compared to the favorable ones we received in the same quarter of 2009.

This quarter's foreign exchange impacts were largely due to the dollar strengthening compared to the weakening in the same period. The table at the bottom of the slide provides US and international earnings, as well as realized margins.

So let's move now to slide 10, which shows the year-over-year variances for our Other segments. Results in our Midstream segment were \$30 million higher this quarter compared to a year ago, mostly due to higher NGL prices. Our 50% share of CPChem generated \$138 million during the quarter; this is \$71 million higher than the second quarter of 2009 and due to higher



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ethylene, polyethylene, and benzene margins. In fact, looking at equity earnings for the Chemicals segment, this is the second best quarter since CPChem was formed.

LUKOIL adjusted earnings were improved by \$187 million compared with the same quarter last year. The increased earnings was mostly driven by higher average realized prices partially offset by higher taxes.

Adjusted corporate expenses were \$365 million after-tax for the quarter compared to \$157 million last year. The majority of this variance was a \$150 million impact related to foreign exchange; and the remainder was higher interest expense related to the absence of tax settlements and higher effective tax rates of about \$20 million and \$15 million, respectively.

We are increasing our full-year estimate for corporate expenses from the estimated \$1.2 billion to approximately \$1.4 billion for the full-year 2010. This increase is primarily due to the FX losses I just mentioned of about \$90 million for the year, and approximately \$150 million for the make-whole payment costs to retire the debt that I mentioned earlier.

Turning to slide 11, our debt-to-cap ratio. As stated before, we paid down \$2.7 billion of debt this quarter, resulted in balance sheet debt of \$26.3 billion at the end of the quarter, for a reported debt-to-cap ratio of 28%. Debt is down some \$4 billion versus the same time last year.

We also ended the quarter with a cash balance of \$4.1 billion due largely to the timing of the receipt of the Syncrude proceeds in late June. Netting out our cash position, debt-to-cap is at 25%, top end of our stated debt-to-cap ratio but down from the peak of 34% at this time last year.

Cash on hand will be used to pay down additional debt during the balance of the year. Toward that end, we have called \$2.7 billion of debt which will be settled in the third quarter. Another \$500 million maturity is expected to be called in the fourth.

All-in we expect that year-end debt level around \$23 billion and cash balances around \$2 billion.

So let's move to slide 12, our ROCE and cash returns on capital invested. As you can see on the charts on slide 12, we have shown steady improvement in our returns. This has been driven by better earnings and cash flows while maintaining capital discipline.

Year-over-year our ROCE improved by 6%. Although price was a large component of improved ROCE, constrained capital spending, paying down debt, and investing in high-returning businesses also contributed to this improvement.

This is in line with our previous guidance around expectations that two-thirds of the improvement comes from prices and one-third comes from our disciplined approach to capital.

As a result of our recent Wilhelmshaven decision, we expect capital employed in the R&M segment to fall. We ended the quarter with capital employed in R&M of \$23.4 billion versus \$23.6 billion last year. For the full-year 2010, we expect to spend approximately 90% of our capital at E&P, consistent with our plans of investing in higher-returning business segments.

So that completes our review of our second quarter of 2010. I will wrap up with some operational and project returns and plan status on slide 13 before asking Jim to make a few comments before we go into Q&A.

Looking at slide 13, I guess the place to start is -- just to be consistent with previous production guidance, we expect 2010 E&P production to be close to 2008 production levels of approximately 1.8 million BOE after adjusting for the impact of asset dispositions and PSC impacts related to higher prices. New production from our ramp-up of Canadian oilsands, Bohai Bay, Indonesia, Qatargas 3 will partially offset production declines in North America, Alaska, and the North Sea assets.

Asset dispositions of Syncrude and other parts of our E&P portfolio are expected to have annual impact of about 20,000 a day during 2010. We expect PSC impacts will reduce production by about 10,000 BOE per day.



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Regarding Refining, during the third quarter we expect a slight decrease in total utilization rates from the current quarter and expect to see US refining capacity rates to be in the low 90% range. We expect R&M pretax turnaround expenses to be slightly less than previously guided, \$500 million for the year.

Controllable costs are expected to be lower in 2010 compared to 2009, as we continue to take steps to control costs while ensuring the safety of our employees, the integrity of our assets, and conducting planned maintenance at our refineries.

The most important elements of our Company's culture are safety, maintaining asset integrity, and environmental stewardship. We recently completed a 35-day shutdown at our Bayu-Undan field and Darwin LNG facilities. This shutdown involved over 1,400 employees and contractors and was executed as planned with no major incidents or environmental impacts.

We are on track to deliver our cost-reduction targets of about \$350 million from E&P and about \$200 million reduction in cost in Refining and Marketing.

Moving to our exploration program activity, in the Caspian the Rakuschechnoe More well should spud in the third quarter and achieve TD by year-end. We expect the Nursultan to follow sometime in the second half of 2011.

We are currently drilling the Megalodon wildcat in the North Sea; we've got a 30% working interest. It is high temperature, high pressure well. Drilling is progressing according to plans and TD is expected late in the third quarter.

We expect to participate in two additional wildcat wells during the year, one in the Deepwater Norwegian Atlantic area with Shell, the Dalsnuten well; it is a Deepwater Jurassic target. And one in the Arafura Sea which is expected in the second half of this year in offshore Indonesia, where we have 75% working interest and partner with Total.

As for our Polish shale and Chinese coalbed methane plays, we don't have any new material information. We completed the first Polish well earlier this quarter, but it was more of a data well and we are evaluating the data we have gotten from it. We continue to look at the Polish opportunities and Chinese opportunities favorably.

We are seeing good return and production growth opportunities in our oilsands areas, both Foster Creek, Christina Lake, as well as Surmont. We have accelerated our FCCL development program and expect average production this year of around 58 -- or between 55 and 60 MBOE this year. And we expect a compound annual growth rate over the next five years to be somewhere between 15% and 20%, with midteens returns or higher on a full cycle basis.

We are also increasing investment in the pace of drilling activity in the Lower 48 Eagle Ford, Bakken, and Permian plays. At Eagle Ford, we have been encouraged by our recent well results, continue to look for ways to optimize our operations.

Year to date we have drilled 13 and completed seven wells at Eagle Ford and are optimistic about this field's potential to support future production and returns growth. We've got six rigs drilling in the area; plan to have as many as 12 by year end. And current production of about 7,000 BOE per day.

Our APLNG project is targeting FID by the end of 2010. We are encouraged by the withdrawal of the Australian government's recent proposal to enact new resource super profits tax, which would have had an adverse impact on all coal seam to LNG projects. We remain concerned about other possible increases in Australian taxation, such as the newly proposed extension of the Petroleum Resource Rent Tax to onshore oil and gas projects, and are working to mitigate this exposure.

We believe there is sufficient LNG demand to support our project and other projects in the region, and look forward to providing further updates on our marketing activities later this year.

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At our 2010 analysts meeting we detailed our plans to enhance returns and strengthen our financial position. From 2010 to 2013 we expect to grow our production per share by approximately 3% per year on a compound annual growth rate basis; and we are on target to deliver this.

Another part of the plan was to sell \$10 billion in assets over the next two years. We have made significant progress with the completion of the sale of Syncrude, our CFJ interest, and other miscellaneous assets.

The data rooms for North America asset disposition packages have been open since June, and we have seen significant amounts of interest from potential buyers. Our expectation is to receive bids during this quarter and begin closing on our E&P North America assets sometime in the fourth quarter of 2010.

We have engaged an adviser for the sale of our 25% interest in the REX pipeline, and marketing efforts are progressing.

Total cash proceeds year-to-date are in excess of \$5.8 billion, and we expect to reach between \$7 billion and \$8 billion for asset dispositions, excluding LUKOIL, by the end of the year.

In addition, we continue to take steps to rebalance our portfolio, enhance our returns by reducing the proportion of capital employed in our downstream businesses, demonstrated by our cancellation of Wilhelmshaven refinery project upgrade and the announcements made earlier this year about other major potential projects.

So that concludes my prepared remarks. Before we take your questions I would like to ask Jim for a few of his comments before we open the call.

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

Okay, Clayton. Thank you and appreciate everyone participating calling in on this conference call. I think I would provide a little information regarding our announcement on our plans to sell all of our ownership interest in LUKOIL.

Previously we indicated that we were going to sell half of our interest. As you know, we own 20% of LUKOIL, and we were thinking of selling down to 10%. But the announcement today is to -- over the time period of remainder of 2010 through 2011 to sell all of our interest in LUKOIL.

So let's talk about this for a moment. It was a strategic relationship with LUKOIL. The objective certainly for ConocoPhillips was to participate in opportunities, both particularly upstream and to some extent downstream within Russia, within LUKOIL. LUKOIL's interest was to do that both in Russia but outside with ConocoPhillips as well.

It's been a good experience, good relationship. Highest respect for LUKOIL. And everything that we have experienced so far from LUKOIL and with the Russian authorities has essentially been what we would have expected.

The development of opportunities within Russia has not come as quickly as we would have thought, both for our Company as well as for others in the industry.

If we look at our ownership in LUKOIL, essentially the strategic reason for coming to the decision of selling all of our interest over the next 18 months is that we have good financial returns but our cash returns are essentially the dividends. So we book our share for equity accounting 20% of LUKOIL's results; but our cash return is essentially about \$200 million a year.

So we look at the opportunities within Russia. We look at the opportunities that we have elsewhere around the world within our portfolio of the Company, along with our emphasis on improving our portfolio returns, our cash returns, and distributions to our shareholders. We came to the conclusion that we felt we could better redeploy those funds primarily through share

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repurchase with our emphasis on metrics. The metrics of return, the metrics of reserves and production per barrel, earnings, and cash -- particularly cash returns per share.

So if we look at what we have invested in LUKOIL, the shares were purchased over a number of years ago, for a total cash outlay of \$7.5 billion. Over these years we have received \$1 billion in cash dividends.

Earlier, about a month or two ago, we sold 6.7 million shares for \$400 million at a price of about \$58 a share. So we currently have an ownership interest at this point in time of 19.2%.

The net book value is \$6.7 billion. So we invested \$7.5 billion in cash, received \$1 billion. I know it is not net present value, but from a cash point of view we have \$6.5 billion invested.

Now we announced that we are going to sell this, two different classifications of LUKOIL shares. I will just say the Russian shares and the shares outside of Russia. They have similar characteristics.

So what we have done is we have just announced that we are selling the Russian shares, 7.6%, to LUKOIL. That represents 64.6 million shares or about 40% of our shareholding interest.

The share price we've announced is \$53.25. That results in -- we receive those proceeds pretax August, I believe, it's 16th, of a little bit more than \$3.4 billion.

We expect after-tax gain of about \$300 million. Cash taxes of about \$0.5 billion. And the transaction, as I said, closes in about August 16.

Then what we have in mind is looking at selling the remaining shares in open market shares essentially in London, that exchange, or to LUKOIL. Sell the remaining shares.

And if you look at the current prices that would have a value pretax of about -- a proceeds of \$5.5 billion. That would, for that block, the remaining amount of shares, financial after-tax gain at those prices would be \$1.3 billion. Cash taxes a little more efficient of about \$100 million.

LUKOIL does have an option per our shareholders agreement. It is a pretty extensive agreement when we entered several years ago. Option for 60 days -- it starts today -- to purchase all the remaining shares or the shares that they would like; to right a first offer at \$56 a share.

So if you look at our LUKOIL stake, it has been -- and our investment in LUKOIL and in Russia, it has been a good experience. It is a great relationship. The aftertax proceeds from the stock sales, as I went through, will be somewhere about \$8.7 billion, maybe a little bit more. Cumulative dividends, a little bit more than \$1 billion.

So if you look at it -- I know it is not net present value -- the cash out of what we sell and our dividends will be about just a little less than \$10 billion; and we invested \$7.5 billion.

Most of the cash that comes from the proceeds from the disposition of the LUKOIL shares will be directed towards share repurchase. The cash that comes after-tax from asset dispositions, a great deal of that will be directed towards getting our debt down, as Clayton said, towards \$23 billion. And we essentially are getting very close to achieving that at this point in time.

So those are my opening comments I wanted to talk about LUKOIL. Let's open up for questions, Clayton.



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**Clayton Reasor** - ConocoPhillips - VP Corporate and Investor Relations

Great. Jen, if you could line up some questions we will be ready to go.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Doug Terreson, ISI. It seems like Doug has dropped out of the queue.

Paul Sankey, Deutsche Bank.

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### Paul Sankey - Deutsche Bank - Analyst

Hi, good morning, gentlemen. Jim, Clayton, could you just talk a little bit more about the actual timing and expectation on the size of buybacks post LUKOIL? I think you are fairly clearly saying it is all going to be rotated into buyback.

Would you expect that to be done over what period of time? Would you expect to do any further buyback this year, assuming that you get down to your debt level target?

And then how would you see 2011 playing out as well, in terms of your aspirations for further asset sales? Seeing as you are getting towards the current \$10 billion level fairly quickly that you originally talked about, would you consider increasing that sale, the asset sale program, given that you have had success so far in obtaining good prices? And would again we expect that to be directly into buyback? Thanks.

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### Jim Mulva - ConocoPhillips - Chairman, CEO

Okay, well, you asked quite a number of questions. Essentially what are our basic plans with capital structure and allocation of cash?

So as Clayton said, we look at our debt balance and we are pretty satisfied at about \$23 billion. Oh, it could go down a little bit more, maybe \$1 billion. But we think around \$23 billion, \$22 billion fits for us in terms of our debt objectives.

We will see the debt ratio at the end of the year, net debt at say 25% moving down because we essentially don't pay out all of our earnings in the form of dividends.

The other thing is, we don't particularly have a lot of maturing debt coming immediately in the next short period of time. So we don't feel that we should be paying a premium to reduce debt that is pretty efficient. So tax efficient in the coupons and costs.

So for guidance I think you should be looking at us saying as we look at the end of 2010 and going into 2011 we are pretty comfortable with debt at \$22 billion and \$23 billion.

Other thing we have said is that we like to have annual dividend increases. Well, we increased our dividend late 2008; and we had a 10% increase early part of 2010. So, you look forward to 2011, why if we follow through on the plans you would look at some dividend increase.



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And look at our capital spending. Capital spending for this year is going to be in the neighborhood of \$11 billion to \$12 billion. That is what we would expect it will be, \$11 billion to \$12 billion.

So if we look out for the next year 2011, why we said we haven't finalized plans or that, but with the things that we're doing in the Company probably our capital spend might be in the neighborhood of \$12 billion or \$13 billion because we have a lot of projects that we are working on.

Another thing that we will probably do as we look at the end of this year, we will probably carry cash balances in the neighborhood of -- for guidance purposes, let's say \$2 billion. The reason we do that is because there may become opportunities for us to participate, whether it is deepwater Gulf of Mexico or shale gas, coalbed methane opportunities in the Lower 48 or other places of the world. And so we just want to -- we look at that and we say, well, we just want to have cash available in an order of magnitude of about \$2 billion. Because we think that things we might do might be a couple hundred million dollars, \$0.5 billion, something like that.

In terms of the deepwater Gulf of Mexico we look at it and we say, well, it is way too early to determine what are the opportunities. Because we don't know what we have a moratorium on. We don't know what the rules, regulations, risk-reward, liability situation is. So it's really way premature to get into something like that.

But so the guidance we are really giving you is we are saying, well, we carry \$2 billion in cash. We get debt down to \$22 billion, \$23 billion; don't have to take it down anymore. We raise the dividend next year.

So then we look at it and we, say, okay; given how we sell our shares -- well we sell our shares of LUKOIL, we will start really buying our shares probably in the middle of August at an even pace. And we like the idea of just kind of averaging this over time.

So on the basis of what we get as we sell LUKOIL shares, we will buy our own shares, and then we have to take a look at what the market gives us in terms of cash flow from commodity prices and crack spreads.

So hopefully I have tried to give you our basic approach to what we are doing for the rest of 2010 and 2011.

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**Paul Sankey** - Deutsche Bank - Analyst

Indeed you have, Jim. In the past, when you have done a buyback, you have been more opportunistic. You have timed it, if I am not wrong in thinking back. And it sounds like this time you're going to go for a more rated approach. Is that correct?

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

Yes, it will be kind of a ratable approach, so much, and we will spread this out over six -- all the way up through the end of 2011.

The fact that we get -- sell that first block on August 16, the Russian shares, we will actually have sold more Russian shares than we have purchased. But we would like to get back on to a more ratable situation where we sell the LUKOIL shares and we buy our ConocoPhillips shares.

But there is a little bit of catch-up in terms of buying our own shares, so we might do a little bit more as we go through the third and fourth quarter.

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**Paul Sankey** - Deutsche Bank - Analyst

Okay. That's very helpful. Thanks very much indeed.

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**Operator**

Doug Terreson, ISI.

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**Doug Terreson** - ISI Group - Analyst

Congratulations on great results, guys.

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

Thanks, Doug.

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**Doug Terreson** - ISI Group - Analyst

Jim, I had a question which pertained to your previous answer. You commented on the significant amount of uncertainty that we have surrounding the situation in the Gulf of Mexico. But do you have what you'd consider to be the two or three most likely implications for companies such as yours participating in the play?

Because even though it is not as significant to you as it is a lot of your peers, you do have significant potential out there. So could you provide some insight as to how you think it might shake out, most likely outcomes?

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

Well, we really feel that we need to get this industry back to work. The industry is ready to work. We have to do this because if we don't, drilling rigs and people start to leave the Gulf. When they leave the Gulf, they don't come back a month or two later; they leave permanently for one or two years.

That is going to have -- and we look at the Gulf of Mexico; we know the resources are there. We need to develop our indigenous resources. It is employment. And that employment leads to investment, and employment leads to returns, and taxes are paid to states and to the federal government.

So for every reason we really believe that we can put the industry back to work. That is important.

The other thing is, as we look at our Company, obviously as I said earlier we have got to know what the risk-reward is, we need to know what the rules and regulations are. That hopefully it's going to get sorted out here more quickly than we have seen so far.

For our Company, for the past several years we have looked before the Deepwater Horizon incident, we felt that we wanted to have -- we were underrepresented in the deepwater Gulf of Mexico. We wanted to have more of a position.

So we in the last several license rounds, we have been picking up acreage pretty aggressively. And then we have been trying to farm in, and we have tried to do that.

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So now we find with the Deepwater Horizon incident that we find ourselves -- well, we don't think necessarily we are advantaged, but we don't think we're disadvantaged.

So we look at a company like ourselves and we say we have the capability, the technology, the experience. We can do this.

So we want to be opportunistic, but -- and we feel we are the right kind of company to do this. So if smaller companies don't want to continue to participate, and we see the risk-reward and the rules and regulations okay, we would like to do more in the Gulf of Mexico.

But we are not going to do this until we know what the rules are and what the risk-rewards are going to be.

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**Doug Terreson** - *ISI Group - Analyst*

Sure. Okay. Jim, I had one more question. Obviously the divestiture program has been surprising in terms of the proceeds and the valuations. BP received some pretty hefty valuations as well. So that is obviously heading well ahead of expectations from where I sit.

But on the strategic outlook could you also provide an update on your European Marketing and Asian Refining businesses? That is, just how strategic do you consider those businesses to be?

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**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

Well, we obviously have announced here just recently that we are not going forward with the very large project in Wilhelmshaven. You have got great refining assets, and you can see by the second-quarter results that we have done quite a bit better than we even expected when we went into this year with crack spreads in the business environment.

How sustainable are they? It's really going to depend upon supply-demand situation and the economy and whatever.

We continued to really work hard. We did say earlier this year our strategic plan is to lighten up the portfolio on the Refining side, and we thought that we could better do this for value-creation purposes in 2012.

But we are not sitting on our hands letting the grass grow. We are out there trying to figure out -- can we venture? Can we somehow or another participate with something, someone else? Can we take the asset or can we sell the asset?

So the marketplace looks like it's a little bit better than it was six months ago, but we don't really have any more to pass along than we are working to accelerate and our strategy of lightening up the portfolio on the Refining side of the business -- just like we outlined earlier this year.

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**Doug Terreson** - *ISI Group - Analyst*

Okay, great. Thanks a lot.

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**Operator**

Mark Gilman, Benchmark Company.

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**Mark Gilman** - Benchmark Company - Analyst

Jim, Clayton, good morning. Jim, I appreciate your discussion on the rationale for the LUKOIL. But I guess I still don't quite understand exactly what changed between the time that you indicated you would sell half the interest and now, when you are a seller of all of it.

Follow-up question after you address that, though. You have traditionally utilized acquisition as a means of achieving portfolio-oriented objectives. I guess as one looks at the global upstream portfolio, the growth component perhaps isn't what you might like it to be. I am wondering what you might do beyond just \$200 million to \$500 million opportunistic-type acquisitions to remedy that, if you think it should be remedied.

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

Okay, what has changed with respect to our ownership in LUKOIL?

I think it is certainly the business environment. If we look back five or six years ago, what took place with the very deep worldwide recession, the financial crisis in the latter part of 2008, access issues. As I said earlier, the development of opportunities not just within Russia but outside of Russia, and some of the reasons for why we put the strategic relationship together was to do more things together in Russia and outside. And that really hasn't materialized quite like we thought.

Not because of lack of interest or intent, but the business environment is quite different than it was. So we have a pretty complex shareholders agreement. So we initially outlined and said, disclosed, we were going to sell half of our interest, 10%.

But we were also during that time period working on the 20%, essentially selling all of our interest.

And that takes time, and we just felt we wanted to get going. So that is why we announced the 10%. It is not really a change. It has been a pretty consistent approach, and it has taken time. And that is really my response on that.

The other second question you said is, well, we have built ConocoPhillips over the last 10 years and there has been a great deal of M&A activities from mergers to acquisitions, ventures, whatever. Things like what we did with EnCana with the Refining side now with Cenovus.

We look at our portfolio objectives going forward; I really think that the world really has changed. We have said this in our meetings with the financial community, the analysts meeting.

M&A opportunities, you look at them, they're few and far between; they are very expensive; and you have to really question -- do you create value for the shareholder?

Our emphasis is on how we improve all of our metrics. Return on capital employed, cash return on capital employed, we're per share metrics and reserves.

And by the way, when we sell ultimately our 20% interest in LUKOIL our metrics production per share, reserve per share, cash per share, all of that -- when you look at the ConocoPhillips E&P segment, they all improve somewhere on the order of magnitude of like 10%.

So we have, as we said, we've got \$40-billion-plus of resources. We've got plenty of resources. You never have enough; you keep looking for it. We want to improve and get more exploration success.



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But we can create a lot of value if we, as we said, convert these resources, 1 billion BOE a year, into proven reserves and do this well, we're going to create a lot of value for our shareholders. And we don't compromise the balance sheet and we don't put a share of stock up. And that is really the plan.

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**Mark Gilman** - *Benchmark Company - Analyst*

Think you, Jim.

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**Operator**

Jason Gammel, Macquarie.

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**Jason Gammel** - *Macquarie Research - Analyst*

Thank you. I wanted to ask you a little bit about the unconventional objectives that you are looking at in both North America and Europe. You mentioned your activity in the Eagle Ford Shale. Would you be able to talk about what the hydrocarbon mix is, just natural gas versus NGLs versus oil.

And also if you can disclose what your IP rates are averaging there.

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**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Sure, Jason. So, looking at Eagle Ford, we are seeing -- of the 13 wells we have drilled and the seven we have completed, we are seeing IP rates anywhere in the range of -- let's say between 1500 to 2500 BOE per day. We do have some that are on the higher side of that where we have got gas being produced. I guess our best well it is around close to 6 MCF a day; and oil is 1600 BOE per day. So you have got an MMCF per day of close to 16.

But I would say on an MCF or a BOE per day -- on a BOE per day basis we're seeing something around 2 at Eagle Ford. I think -- and that is the information I have on Eagle Ford.

As I mentioned on Poland, the well that we finished there was more of a data collection well. We have got some logs and things to look at and we don't have anything to disclose on that this year.

I don't have anything in front of me on Bakken other than to say that within the total Williston Basin Area that we are producing somewhere around 30,000 barrels a day.

This is an area that is interesting to us. We have ramped up our capital spend from about somewhere around \$200 million to close to \$500 million. This would also be an area you would expect us to increase capital spending into 2011 and '12.

As you look at places, sources of growth, for ConocoPhillips I would say Eagle Ford, Bakken, Permian. And then as you look up into Horn River or the Montney or into Poland or China, those are probably longer. In terms of the amount of time it takes to ramp up production you're probably looking at beyond the 2011 time frame. I don't know if that helps or not.

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**Jason Gammel** - *Macquarie Research - Analyst*

That's great. No, that's great, Clayton. I appreciate that.

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Maybe one more if I could. With APLNG FID approaching by year-end 2010, are there any key milestones that we should be looking at along the way that would point in one direction or another? I am thinking specifically potentially HOAs with eventual offtakers.

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

Well, that is the real question is of the marketplace. Is that we have indicated that we are going to sell two trains of LNG and the plan is to get that done by the end of this year. We're working very hard on it with the idea going forward and FID at the end of this year as well.

So the plans have not changed. We recognize we are halfway through the year, but we are working very hard on this.

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**Jason Gammel** - Macquarie Research - Analyst

Okay, thank you for that, Jim.

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**Operator**

Edward Westlake, Credit Suisse.

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**Edward Westlake** - Credit Suisse - Analyst

Yes, first question, just coming back to the legislation in the House, I have seen two bills; both state at the moment unlimited liability and therefore no cap. I have heard from other companies talking about a \$1 billion cap and cooperative insurance for money above that \$1 billion cap for the Gulf. And that makes sense to me, but I've just not seen any language to that effect.

So I just want to gauge your risk that perhaps the wrong bill gets passed. Then I have got a follow-up on the side.

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

When it comes with respect to unlimited liability, we really don't think that is appropriate. That really will end up being quite punitive to the industry and the result will be I don't think we will see the industry getting back to work.

I mean at best, only the very largest companies -- and it's a question whether they look at the risk-reward of being acceptable to going forward in the deepwater Gulf of Mexico with unlimited liability.

So I can't speak for other companies, but I think the result of that will be that we will just not have the activity and we will not develop the resources if we have that kind of situation.

Cooperative insurance? Well, the oil spill insurance fund, we have to make sure that whatever we do, if there are changes to it is done in a way that those funds if collected are really used in the case of a very unfortunate tragic incident. That is what they need to be used for, and more of a collective mutual insurance by the industry to the extent you pay in, than to be a vehicle by which the government collects money from the industry and uses it for other things other than its intended purpose.

So these are really very, very important things that need to be sorted out and are going to have a direct impact on whether we get the industry back to work and develop the resources that we know we have in the Gulf of Mexico.

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**Edward Westlake** - *Credit Suisse - Analyst*

Thank you; I agree. Just on the Greater Poseidon, a specific question. Obviously you have said testing has validated the significance of the discovery. So in terms of the timing, can you talk a little bit about perhaps the size of the resources you have and the path to commercialization? Or is it still too early?

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

We have -- so Kronos was a discovery, or I guess you could also look at it as an appraisal well. But we have not shared what our future drilling activity is in Browse.

**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

No, I don't believe we have. But we do have planned several more appraisal wells we are going to have to do before we assess its really potential and then ultimately its moving forward commercialization. But everything -- we are pretty pleased and it's promising.

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

I guess the question is -- do we expect to drill appraisal wells this year?

**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

You'd have to come back, because I am not familiar with it.

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

We will come back to you on that, Ed.

**Edward Westlake** - *Credit Suisse - Analyst*

Thank you.

**Operator**

Paul Cheng, Barclays Capital.

**Paul Cheng** - *BMO Capital Markets - Analyst*

Jim, it seems that you also operate in the other OECD world, deepwater area like Australia, UK, Norway. Based on your discussion with the government in those areas, is there anything that because of the BP oil spill they are revisiting and perhaps that is going to substantially strengthen their current regulation or their liability agreement?

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**Jim Mulva** - ConocoPhillips - Chairman, CEO

If I think I follow your question, they obviously are going to look at in a learning experience what took place with the Deepwater Horizon incident in the Gulf of Mexico. But on the other hand, we do see that in the areas that you mentioned there is no moratoriums for us. Obviously they want to make sure that they are looking and checking and everything is in good order for any of our exploration or drilling activities in those areas.

But no moratorium and we wouldn't expect one. And we haven't seen any change with respect to, in those areas, legislation or requirements for different forms of liability in that regard. But just more vigilance, making sure things are done right, but no moratoriums and no changes in, as we see at this point, regulations or other impacts.

**Paul Cheng** - BMO Capital Markets - Analyst

So you still feel pretty comfortable with that. It is not totally status quo, but it is not really dramatically changing the working environment in the OECD world outside US?

**Jim Mulva** - ConocoPhillips - Chairman, CEO

Yes, that is what we have experienced and we see so far.

**Paul Cheng** - BMO Capital Markets - Analyst

Okay. In terms of the Wilhelmshaven refinery in Germany, is there a timeline that when you guys will decide what to do with that facility? That status quo is probably not acceptable based on where they are. If you can't find a buyer and not sure there is a buyer for the current refinery at this point, that when you will decide that you need to take a next step, going to deal with that?

**Jim Mulva** - ConocoPhillips - Chairman, CEO

Well, essentially -- and maybe Clayton can comment on this. But we've essentially written that down to its value as a terminal. As a terminal it creates value for us. So we can continue to run it long-term as a terminal, and then the option is how can we create more value than just running it as a terminal.

**Clayton Reasor** - ConocoPhillips - VP Corporate and Investor Relations

That's exactly right. But, you know, I think just because we made the announcement this quarter there have been discussions about Wilhelmshaven and how to venture it or convert it on an ongoing basis. So whether or not we make those final decisions this year, I don't know if we put a timetable on ourselves to say that we have done or not.

**Jim Mulva** - ConocoPhillips - Chairman, CEO

No, we have not placed a timetable on us because we are satisfied with it as a terminal and it creates value for us. Not a great deal of value, and we recognize its value as a terminal on the balance sheet. So everything we do from here has got to have upside.

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**Clayton Reasor** - ConocoPhillips - VP Corporate and Investor Relations

Right.

**Paul Cheng** - BMO Capital Markets - Analyst

So, that means that in the third quarter you are already running it as a terminal? You are no longer running oil through the refinery?

**Clayton Reasor** - ConocoPhillips - VP Corporate and Investor Relations

Yes, it is shut down.

**Paul Cheng** - BMO Capital Markets - Analyst

It is shut down totally, right? Have you laid off all the people yet?

**Jim Mulva** - ConocoPhillips - Chairman, CEO

No, no. Well, there is regulations, labor-wise and all in Germany and in Europe that the employees stay for some extended period of time. But we can come back to you on that. So the cost associated with the personnel will take some time as it works off.

**Paul Cheng** - BMO Capital Markets - Analyst

Okay, maybe this is more for Clayton, a number of simple accounting questions. In LUKOIL, given your decision here that in the third quarter and going forward accounting-wise that, how you're going to report it. Are you going to report it just as the cost base and report the earnings from dividend? Or you are still going to be in the equity income?

**Clayton Reasor** - ConocoPhillips - VP Corporate and Investor Relations

Well, we continue to -- we plan to use the equity method of accounting for our investment in LUKOIL until we believe we no longer have significant influence; I think that's the term.

So we will look at what the situation is. But given our rights, it is unlikely that we would lose significant influence until our ownership falls below 10%.

So, the short answer to your question is we will use equity accounting. We would expect to use equity accounting until our ownership falls below that level. And then when we stop using equity accounting, we would no longer report our equity share of LUKOIL earnings; we wouldn't report our equity share of LUKOIL production and reserves. And I think I --

**Jim Mulva** - ConocoPhillips - Chairman, CEO

Given the 7.6% that is being sold, plus the 8/10th of a percent already sold, you're getting up to 8.4% sold at the end of August.

Don't know for sure, but you could just say that probably we'll be at the 10% or less level by the end of this year.



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So we are going to be losing equity accounting pretty soon. We will come out and give you more guidance on that when we better determine it. But maybe you should be thinking that when you look at 2011 there is probably not equity accounting.

**Paul Cheng** - *BMO Capital Markets - Analyst*

Okay. Clayton, if you can help on the effective tax rate. Are you excluding the impairment charge and the asset sales gain? What is the effective tax rate for your international E&P and R&M for this quarter?

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Yes, I have got that. It is in my stack of papers, Paul.

**Paul Cheng** - *BMO Capital Markets - Analyst*

That's fine. You can just e-mail me or call me later on.

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Okay. I'll give you a call, but we have got that.

**Paul Cheng** - *BMO Capital Markets - Analyst*

And also that on the inventory side, you have a little bit of the overlift in the second quarter. So at the end of June 30, inventory-wise then are you now balanced or are you underlift or overlift?

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

We're pretty close to balanced. We are less overlifted now than we were. There is a slight overlift position, but it's pretty -- it is immaterial. One or two a day.

**Paul Cheng** - *BMO Capital Markets - Analyst*

Finally, sequential to the first quarter when I'm looking at your realization and your unit profit rate in the upstream, maybe I got it wrong; but it appears that your unit cost excluding the exploration may be up about \$1 or so.

Don't know whether that is true. And if that is the case, other than say the natural mix or the lower production drive the unit costs higher, is there are any other factor that we should consider?

**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Yes, when we look our controllable costs for both E&P and Refining and Marketing we are down. If you add them both together, we are down about \$300 million.

The biggest sources of the increase are higher foreign exchange cost, foreign exchange. But I can walk you through that calculation.



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We actually show absolute costs being flat to lower in our segments. So if there is an increase, the increase would come from I guess smaller production or not adjusting for foreign exchange. But we don't show an increase, or we don't see an increase in our per-unit operating costs.

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**Operator**

Arjun Murti, Goldman Sachs.

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**Arjun Murti** - *Goldman Sachs - Analyst*

Than you. Just to follow up on your comments on APLNG, where I think you expressed relief that the super profit tax has been pulled off the table, but there is the chance that the offshore -- I think it is PRRT -- comes onshore. Would that be key to a make or break on moving forward with APLNG?

How do you see that impacting your decision to move forward with the project? Thank you.

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**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

Well, obviously the proposed super profits tax was just not a starter for our project or all of the projects. So a move to something significantly less is welcome.

But on the other hand, coalbed methane to LNG is really a new activity. It's a great opportunity for Australia and for Queensland for investment, deployment, and a lot of fiscal taxes to be paid to the entities. So although it is LNG ultimately, it has very different dynamics than has an offshore traditional project, where you have liquids and gas and you bring them ashore and you have an LNG project.

So we are continuing to work to work to state that case to the Canberra and to the authorities and the government that we don't -- we really shouldn't be looking at any changes in taxation. What we really should be looking at is incentives for this type of a project.

So, hopefully I have tried to give you some color on this, Arjun.

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**Arjun Murti** - *Goldman Sachs - Analyst*

Yes, that is helpful, Jim. Then just a final one. The asset sales have obviously gone very well. I think US refineries, you previously said it was a weak market and you don't want to sell into a weak market.

Crack spreads have improved; your own Refining earnings have improved. Any change to how you are thinking about the US refineries? Thank you.

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**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

Well, the only thing I would say on the US refineries, yes, it has improved a little bit. We have seen a few transactions, smaller transactions, take place. That is good to see versus no transactions, because you can see that people are starting to get interested.

We talk to all of those people and people who we think ought to for strategic reasons have a participation in it.

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I would just say that compared to the late last year, early this year, the interest and the discussions -- not that I am signaling in any way a transaction is coming; I am not. I'm just saying there is more meaningful discussions and interest in refineries and this part of the business than there was six months ago.

Now whether that is going to translate into us doing something, way premature because we don't know.

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**Arjun Murti** - *Goldman Sachs - Analyst*

That is real helpful. Thank you, Jim.

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**Operator**

Philip Weiss, Argus Research.

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**Philip Weiss** - *Argus Research - Analyst*

Thank you. I just had one question about the LUKOIL decision. I was wondering if there was any flexibility to reduce the amount that was going towards the stock buyback and possibly put that towards additional CapEx?

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**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

Well, as we sell our shares in LUKOIL we said primarily it will be used to purchase shares in ConocoPhillips. Obviously we can adjust that to some extent if the business environment gets worse for some reason. I don't think so; I think the recovery in the world and the US is slow, I don't think we are in for a double dip, but let's just say we were in for something unfortunate like a double dip. Well, we then might look at it from a liquidity point of view and all and say, well, maybe we shouldn't be taking the proceeds. And maybe we should sit on a little bit more cash than \$2 billion or \$3 billion. Maybe there will be opportunities come our way. Maybe there is another day to buy the shares. So that is really how we would adjust it.

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**Philip Weiss** - *Argus Research - Analyst*

Okay, that's great. Thank you.

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**Operator**

John Herrlin, Societe Generale.

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**John Herrlin** - *Societe Generale - Analyst*

Yes, hi, two quick questions. When you look at your costs incurred for exploration in recent years, you have been increasing it. You are now you more high teens rather than low teens. To achieve your goals in terms of getting more upstream exposure, do you have to, one, increase that more; or two, increase your risk profile in terms of the exploration projects you are targeting?

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**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Yes, I think there is really some of both there, John. I think if you looked at us over the last two or three years, greater proportion of our capital is going to exploration.



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I think our exploration prospects have been more directed into wildcat big-E type opportunities with running room rather than the traditional exploitation work that we had been doing say in the earlier part of the decade.

So directionally, I would say more capital into exploration and the types of wells we are drilling are higher risk.

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**John Herrlin** - *Societe Generale - Analyst*

Okay. Also, with regards to getting more exploration exposure, pardon the phrase, but I think the Golden Era of refining is kind of over. Would it make more sense for you to downsize more of your US refining exposure than you have discussed?

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**Clayton Reasor** - *ConocoPhillips - VP Corporate and Investor Relations*

Well, we have talked a little bit about that. We have said that we would like to reduce our refining exposure to 15% of our Company's capital employed. We just didn't think that the time to do that was the environment that we are currently seeing given the depressed state of the economy.

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**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

But I would say -- responding to John, in the short term I can't remember the exact numbers, but we said we would come off around a neighborhood of gross 3 million barrels a day down to something like 2.2; and we say that over the short, the medium-term time period.

Now if you look at the longer-term time period, it maybe that there is even less refining exposure; and what is left in terms of refining exposure has got to be only the largest, most sophisticated refineries that have some tie to feedstock, to some kind of venture, to something like we have done with Cenovus.

So I think it is a progression of watching what is taking place in the world and what the risk-reward situation is. But I think the emphasis would be going from 3 million barrels a day down for 2.2 with time. And then even further looking out into the future you have to ask yourself what you think of this business and potentially even going less than that.

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**John Herrlin** - *Societe Generale - Analyst*

So sort of a disintegration strategy so to speak.

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**Jim Mulva** - *ConocoPhillips - Chairman, CEO*

Well, certainly lowering the portfolio toward the Refining side of the business. The other you asked earlier is what about the impact in the US? And I would have to say whether it is US -- or most of our refining exposure is in the US. But we would have to look at the smaller less sophisticated refineries. Do they fit or they don't? They get more challenged.

John Herrlin; Great. Thank you.

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**Operator**

Jacques Rousseau, RBC.

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**Jacques Rousseau** - RBC Capital Markets - Analyst

Good morning. Most of my questions have been answered but I just wanted to see if you had any thoughts on your decline rates that you have seen so far this year, since you have started on this program of a little bit less on the CapEx front. Thanks.

**Jim Mulva** - ConocoPhillips - Chairman, CEO

Well, probably we would say the following about production; and I think Clayton has been talking with the buy and sell side in his normal way of how we present and talk about all this.

The first is probably when we started the year the impact on production from asset dispositions is probably a little less than we might have thought on the average for the year. We're getting good value for what we sell; but when we sell it, we're selling it -- taking us a little longer than we thought to make sure we get good value.

So from a production impact this year, it's probably less than you might have thought.

The other thing at the analyst meeting back, I think it was March, we said that just assume that when we are done and we complete \$10 billion asset dispositions we are going to go from something like the 1.8 million BOE a day to something down like maybe 1.7. A little bit more, a little bit less than that; but just for guidance purposes, think 1.7.

And then we have been saying that for the next several years given our portfolio, the production will go down maybe 1% a year. This is ex LUKOIL and everything. Goes down 1% a year for two or three years, then it starts coming up in absolute terms.

It comes up in absolute terms because we bring on some of these new large projects. And then they go for a very long period of time. Like the oilsands in Canada, they just go for 30, 40 years.

So what we have been doing is for the per share metrics, as we buy our shares in we are going to see these per share metrics productions going up even when absolute level production goes down 1% a year. It's going up like 3%-plus.

And then as we continue say over a period of time we keep buying our shares in; but we increase the absolute level; then the per share metrics really get levered up quite a bit higher more than that. That is the plan.

**Jacques Rousseau** - RBC Capital Markets - Analyst

Thank you.

**Clayton Reasor** - ConocoPhillips - VP Corporate and Investor Relations

Great. So it looks like we have run out of time. We appreciate everybody's participation. Happy with any follow-up questions that you may have.

You can find the material on our website. You will see the slides and the presentation material. Appreciate your participation and interest in ConocoPhillips. Thank you very much.

**Operator**

Ladies and gentlemen, we thank you for your participation in today's conference. This concludes the presentation and you may now disconnect. Have a great day.



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## Editor

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