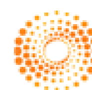
FINAL TRANSCRIPT

Thomson StreetEvents℠

COP - ConocoPhillips Conference Call to Discuss its Pursuing Plan to Separate Into Two Stand-Alone, Publicly Traded Companies

Event Date/Time: Jul. 14. 2011 / 12:30PM GMT

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

CORPORATE PARTICIPANTS

Clayton Reasor
ConocoPhillips - VP of Corporate & Investor Relations

Jim Mulva
ConocoPhillips - Chairman, CEO

CONFERENCE CALL PARTICIPANTS

Doug Terreson
ISI Group - Analyst

Ed Westlake
Credit Suisse - Analyst

Blake Fernandez
Howard Weil - Analyst

Philip Weiss
Argus Research Company - Analyst

Paul Sankey
Deutsche Bank - Analyst

Arjun Murti
Goldman Sachs - Analyst

Paul Cheng
Barclays Capital - Analyst

Doug Leggate
BofA Merrill Lynch - Analyst

Faisel Khan
Citigroup - Analyst

John Herrlin
Societe Generale - Analyst

Mark Gilman
The Benchmark Company - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the downstream spinoff creating two leading energy companies conference call. My name is Jenata and I will be your operator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Mr. Clayton Reasor, Vice President, Corporate and Investor Relations. Please proceed.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Clayton Reasor - *ConocoPhillips - VP of Corporate & Investor Relations*

Thank you. Well, good morning. Welcome to today's conference call regarding ConocoPhillips' intent to spin out its downstream business into a leading global standalone Refining & Marketing pure play. We believe this move is consistent with our strategy to create value through improving returns on capital, growing per share and increasing distributions.

I am joined today by Jim Mulva, who will provide you with his remarks, and the presentation we will use can be found on our website. We will open the call for your questions at the conclusion of Jim's presentation.

So moving to slide 1, the cautionary statement, and you can see that during today's presentation and during the question-and-answer session we will be making forward-looking statements, and actual outcomes may be materially different from what is presented today. Factors that could cause these different outcomes are provided in our filings with the SEC.

So that said, I would like to turn the call over now to our CEO, Jim Mulva.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, Clayton. Thank you, and I also appreciate and welcome all those who are joining in our teleconference here this morning.

I am going to start out on slide 2, the historical strategy. As you know, this morning, we announced our intent to spin out our downstream business. So what I am going to do is provide some background on this decision and why it makes sense for us to create two leading energy companies.

Now, this move to create two new companies -- an independent E&P company, as you know ConocoPhillips today, and a pure play downstream company -- is consistent with our goal of creating shareholder value. Over the better part of 10 years, we have built ConocoPhillips into the company that you see and know today. Now, we have done this through both organic and M&A investments. And we believed that the integrated model really was the best approach for us. It provided us opportunity to expand our resource base and grow our earnings at competitive returns. And we took the approach that all of our business lines needed size and scope to compete with the largest companies in the respective industries, and essentially, we have done that.

And in the process of this decade, we believe significant value has been created by executing this strategy.

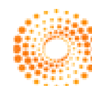
So I am going to move on to slide 3 now. We always take quite a good look at the Company, and we really believe that the approach that we have been following is quite unique from other companies in the industry in creating value. Our Company is built on a very strong OECD position. And accordingly, as you can see from the slide, it represents nearly 85% of our cash flow from operations.

We also stress improvement in our return on capital deployed, and when we talk about that improvement, that is relative to our peers and on an absolute basis. And we follow disciplined capital allocation, primarily allocating most of our capital investments toward the E&P side of the business. Our E&P margins certainly have improved, and that is a result of commodity prices, as well as self-help. And we want to increase our liquids production and reduce our relative production of North American gas, at least in the short- to medium-term time period.

Now our production compared to prior years is down, but it has increased on a per-share basis, and this is a result of share repurchases, but also a conscious effort of reducing and selling at good prices, in a tax-efficient way, some of our more mature E&P assets.

And we are constraining the capital spending that is directed towards North American natural gas for the obvious reasons. So we plan to continue executing the plan that we have outlined, do this in a very consistent, thoughtful and aggressive way,

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

certainly with regard to asset sales of the more mature production that we have; continuing with our share repurchase program, and the emphasis always on how do we upgrade the portfolio and improve returns.

Our strategy, therefore, toward value creation is consistent and remains the same.

Now moving on to the fourth slide, we like the plan that we have been following and essentially the plan we are going to continue to follow, only in two separate, unique companies than the Company you know today. The emphasis continues on improving returns, growth, growth in per-share metrics and aggressive distribution to our shoulders. We believe that low-margin volume growth does not necessarily create value.

Our base objective is to organically replace our reserves and do this at competitive finding and development cost. And always the emphasis on high-grading the existing portfolio, and that applies upstream and downstream. No change on the emphasis on growth per share metrics. And in the short term, until we start increasing the absolute level of our E&P production, which you will subsequently hear is 2013, the growth in per-share basis, the share count, essentially by share repurchase, is falling faster than the production decline that comes from asset sales and just the maturity decline of the portfolio.

Financial growth comes in earnings per share, cash flow per share, and we continue to allocate the resources to build up our exploration prospects portfolio and capabilities. As I said, continue the aggressive shareholder distributions; that is in the form of annual increases in dividends. And since the time of the merger, that is a compounded rate of about 14%. I will say a little bit more about continued share repurchase that we have announced and continue to do.

I'm moving on now to slide number 5. Continue to execute the initiatives that we have outlined. We said over this two-year period of time, capital will be about $28 billion, maybe a little bit more in 2012 than 2011. We said that we are going to be selling $5 billion to $10 billion in assets, and that is on top of the $7 billion that we did in 2010; no change in that at all. And we did sell our shares in LUKOIL.

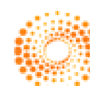
So when you look at the cash flow from the Company, these asset sales and the proceeds from the LUKOIL shares, the proceeds are essentially allocated toward share repurchase, and there is no change with respect to share repurchase.

We repurchased about $4 billion in 2010 of a $5 billion program. We announced another $10 billion program in 2011. If you take the $1 billion that was not done in the last year, and that gives $11 billion. And so most of that $11 billion share repurchase program is going to be accomplished this year. And currently, we have been buying shares at market price at a rate of nearly $1 billion a month.

I am moving on to slide number 6. So how do we assess our strategy over the past decade, past 10 years? Well, the reserves and production, if you look back over 10 years, has quadrupled, and we have a very competitive leading total shareholder return with respect to the IOCs in the industry. However, the environment, as we have gone through this period of time and here more recently the last several years, has changed from that 10 years ago, and the downstream part of the business doesn't support necessarily gaining access to new opportunities for resources around the world. We see increased competition, more challenging terms, and that comes from competition of IOCs, independents, as to oil companies. So accretive growth is not only competitive, but it is more and more difficult to achieve, particularly in a value-creating way.

But when you look at the large, integrated oil companies, they are more different to value compared to the pure plays upstream and downstream. And performance differentiation is pretty challenging. And as for our Company and our perspective, we don't see a lot of value in growing low-margin production. It doesn't translate into value in the share price. We continue to always evaluate our strategy and the execution of our strategy.

So we are going to go on now to slide number 7, talk about this transaction. So really what is this transaction? Well, it is a tax-free spinoff of our downstream business, and it is going to be done in the form of a special dividend to our shareholders.



THOMSON REUTERS

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

So we are creating two very competitive scope and size businesses, upstream and downstream. And the work is going to continue currently, and it is being done to restructure to accomplish this. Obviously, there is going to be a new management team and board, particularly for the new downstream company. And an IRS ruling will be obtained prior to completion of this transaction for the certainty of our shareholders.

So I am going to move on to slide number 8 now, get a little bit more into the strategic rationale for this decision and this transaction.

The question is why would you spin out the downstream versus to stay integrated. Well, we already talked a little bit about this, but we believe more value is created in the formation of two very clear, standalone companies versus accomplishing our objectives of rationalizing our downstream within the integrated oil structure. There is generally greater external transparency of the business performance when the marketplace looks at the pure plays versus being accomplished in the integrateds. And we also believe there is more focus and attention and greater probability of success by the management team by having pure-play separate upstream and downstream companies.

Our investors, we believe, have the better ability to adjust to overweight or underweight their views of investing in these segments of integration, upstream and downstream. And as I just said, there is greater management focus to customize strategies, both upstream and downstream. And we also believe with this, it really allows us to attract, retain and compensate the talent we need to create the highest probability of success upstream and downstream.

I am moving on to slide number 9. So what is the new ConocoPhillips? Well, the ConocoPhillips that you know today is -- the largest share of the portfolio is Exploration & Production, and that is going to continue. The ConocoPhillips you know today is the upstream E&P company. It has production of about 1.7 million BOE a day, but that 1.7 million BOE a day is before you give consideration to the loss of production from Libya and asset sales. Reserves, over 8 billion BOE, very strong balance sheet, capital structure, and we think we have a pretty unique approach. That is somewhat different from either the majors or the independent E&Ps, given our size. We are kind of in the middle between the largest IOCs and the middle-size and the large independents.

Our E&P strategy, no change in the strategy. We are not going to chase growth just for growth's sake. Our divestiture plans are to sell in a tax-efficient way the most mature production in our portfolio, to improve the portfolio, improve ROCE, redeploy the funds in better opportunities. As I said, going forward, it is primarily organically replace our reserves and production, grow production with emphasis on the metrics per share, and income, cash flow and production per share. We want competitive finding and development costs, and we said in our analyst presentation earlier this year that we see ourselves replacing our reserves competitively over the next five years or so. And we want to continue the efforts to build our exploration portfolio.

I am moving on to slide 10, and here is just an overview of our E&P; you are pretty familiar with this. ConocoPhillips, as I said, will be the global E&P company. A lot of emphasis on OECD assets, North America, North Sea, Australia, and the emerging presence that we have in the Asia-Pacific region. So in addition to these core operations, a lot of exploration directed toward North American Shale, opportunities in the North Sea. We like our acreage we've picked up in Angola; looking for things in the Caspian, as well in the Southeast Asia. So we really think we have the size and scale technology and the people side to compete worldwide.

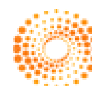
I am moving on to slide 11. It just shows our production compared to the largest international oil companies and the large independents. And it shows with 1.7 million BOE a day, we are kind of right in the middle between the largest IOCs and the independents.

Our global portfolio for petroleum E&P, we explore in 15 countries, we produce in 13. As we said earlier, our production, 1.7 million BOE, which is twice about the size of the largest independents.

We see 3% absolute growth in production starting in 2013. So after you give consideration -- and this is after considering asset sales and normal production decline of our mature portfolio. So with our share repurchase program, this is how we can lever

THOMSON REUTERS STREETEVENTS | www.streetevents.com | Contact Us

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

up, not only the production and reserves per share in the short term, but it really levers up when we start growing the absolute level of our production in 2013.

I am going on to slide 12, and you look at our production growth, and looking at 2010 and then what we expect in, say, 2015. The absolute production growth, as I said, starts in 2013. It is going to have less North America natural gas, at least over the short- to medium-term time period. And this excludes the impact of future dispositions or what happens ultimately with respect to Libya production.

The growth that you see here on this slide is supported by the projects on the right-hand side of the slide. You can see Asia-Pacific, APLNG, four projects in Malaysia; North Sea, Jasmine is on track for a 2012 startup, Clair startup middle of the decade -- that is the next phase of Clair. Lower 48 liquids production growing from 70,000 BOE a day to 170,000 BOE a day by 2013. That comes from a great position we have in Eagle Ford, Permian, Bakken, North Barnett. And then we keep bringing on our oil shale -- SAGD oil sand production, Foster Creek, Christina Lake, that we do with Cenovus and Surmont.

I am going on to slide 13, and this just shows where the new production is coming from that generates good margins and solid returns. And you can just see on the right-hand side of the slide, the cash margins are better than the E&P average in 2010, which was about $23/BOE. So we are bringing on new production, and we are doing it in a way that creates quite a bit of value and good metrics. So over the next five years, we see about 800,000 barrels of oil equivalent in new production; about 500,000 of that from major projects and about 300,000 from exploitation.

I am moving on to slide 14. Now we are talking about the new downstream company. Again, the strategy doesn't change, but we accomplish this in a separate publicly-traded company. Downstream strategy, no change, centered around value creation. So continue to rationalize the assets. We want the most sophisticated, most competitive refineries. So a number of refineries will either be shut down, so older ventures in a way, to accomplish this. All to improve the return on capital employed.

In today's world, with today's crack spreads, our return on capital employed is in the mid-teens. With more modest expectations in the crack spreads, we continue to find rationalizing the portfolio and our investments and self-help, we expect to be moving this business to mid-teen return on capital employed and grow the free cash flow.

When we structure this Company, it is going to have a strong balance sheet, strong investment-grade credit with a lot of financial flexibility. We see a unique position of this downstream company to process heavy Canadian oil and nonconventional oil, particularly in the middle continent part of the United States. And we want to fully utilize our refining and integration, not just from the refineries, but into transportation. We like our model on marketing, which is wholesale marketing here in the US, and commercial growth -- it is all going to be return driven.

I am moving on now to slide 15. It just gives you the scope and size of our US refining position, and you can see pretty large and it's certainly competitive. But this 2 million barrels a day of refining capacity will be reduced, part of a strategy of making sure that we are moving to the very best, most sophisticated, most value-creating refineries.

You can see our scope and size on this slide. In addition, we have 30,000 miles of US pipelines, and they create value. And we have 8000 branded marketing units, and that is essentially done through the wholesale approach.

I am moving on to slide 16, always the emphasis on returning ROCE. And as I said, we envision continuing, even with modest crack spreads, mid-teen returns as we go through the medium and longer term.

So the returned improvement really comes from portfolio rationalization, a real strong capital discipline and self-help initiatives.

I am moving on now to slide 17, what are the milestones. And you can see there, accomplishing this transaction, the creation of the two new companies -- well, the ConocoPhillips you know today, E&P, and this new downstream company. We expect to complete this transaction during the first half of 2012.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Then I go on to slide 18, which is a slide that we actually pulled the last slide from our analyst presentation. There's no change in our strategy. Focused on value creation. I think we have a pretty unique approach. It is tailored, in our view, to the environment that we are facing and the environment that we can expect going forward.

We have a very strong portfolio. It was structured, built on OECD position, strong cash flow. And we have got a nice pipeline of growth projects, particularly in the E&P business.

And through our asset rationalization, we are selling tax efficiently and creating value of improving the return in the portfolio.

All these actions, no change, 100% reserve replacement over the next five years. Of course, it gets a little bit -- if you go beyond five years, it is not as clear. 3% to 5% production per share growth during the time period, improving our return on capital employed, with the modest assumptions on commodity prices and crack spreads. Earnings per share and cash flow growth, and this comes from a pretty aggressive approach to share repurchase. And we like the discipline of increasing dividends every year.

So the restructuring that we are doing in the creation of this publically traded downstream company. It is very consistent with our strategy of how we best execute and create value for both of these business lines for our shareholders.

So that concludes the prepared remarks. And so I think, Clayton, we will open it up for questions from those who are participating on this teleconference.

Clayton Reasor - *ConocoPhillips - VP of Corporate & Investor Relations*

Great, thank you. Okay, so we would like to -- operator, if you could open the line up for questions, we would be happy to take those at this point.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Doug Terreson.

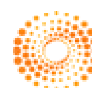
Doug Terreson - *ISI Group - Analyst*

Good morning, everybody, and congratulations. Jim, besides structure and organizational issues, with Board approval, it appears as if the only real hurdle is IRS approval at this point on the tax-free dividend to move -- for the separation to move forward. So my question is, what are the major issues that you guys need to satisfy for attainment of this IRS designation in this specific case?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, there is a lot of precedent. And we effectively need to be moving the assets of the downstream company into a new company that is owned by ConocoPhillips. So when we go in for our IRS ruling that it is a tax-free transaction to our shareholders, we have to show them exactly what the structure is, what the assets are in, how this is accomplished, with separate management, separate board of directors.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

But to technically move the assets into the Newco, it takes about four or five months. It is going to take the better part of, say, the rest of this year. And our plan then is to go to the IRS for a ruling request late this year. And then we would expect that takes three or four months into next year, is how we get to the timing of 2012.

So the real hurdles is more just technically moving all of the assets into the Newco structure, and then taking that very specifically, exactly what is to be done to the IRS. The IRS will not look at this ruling request unless we have this fully-documented and they can see clearly how the Company is created and structured.

Doug Terreson - *ISI Group - Analyst*

Okay. I see. And also, my assessment suggests that of the $95 per share or so sum of the parts that I come up with, that the E&P and Refining & Marketing businesses proper are about 90% of the total. And so while midstream chemicals and emerging businesses are relatively small, and I suspect you haven't had time to meet with your partners, can you comment on your preference on the strategic outcome for those businesses? And if it is too early, then that is fine too.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, with respect to our joint ventures of chemicals that we do with Chevron and then the midstream business that we do in the form of DCP with Spectra, we haven't made a decision yet in terms of where those joint ventures are going to be located. So that is going to be done over the next several months.

With respect to the downstream company, we see that -- it is a very strong company, strong balance sheet; it is going to have positive cash flow. So it is going to have the ability to be investing not just on the refining side, but more of the greater downstream areas, the non-E&P business, that we otherwise could not do in the integrated company. So it has opportunities to grow and develop in its own right.

But with respect to our joint ventures chemicals and midstream, that is going to be determined over the next several months.

Doug Terreson - *ISI Group - Analyst*

Okay. Great, Jim, and congratulations again.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Thank you.

Operator

Ed Westlake.

Ed Westlake - *Credit Suisse - Analyst*

Hey, good morning and congratulations on the move. Just, I guess, two questions; the first one on the refining. You were going to be trying to restructure that organically by selling some of the assets. I guess does this delay that until the new management team is in place and they make the decision on that? Or are you still going to be moving forward with refining? And then I have a follow-on.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Ed, it doesn't delay it. We are going to keep looking at the opportunities. If we have an opportunity to sell an asset or venture it in a way, we are going to do that.

But, you know, we have looked at the alternative of spinning out our downstream. It is not something new to us. It seems like over the last 5, 6 years, about every couple years, we look at it -- is that a good thing to do? We have also looked at could we venture regionally some of our refineries? Could we sell, whatever? We continue -- and we have done that.

But we came to the conclusion that this was really the best way of value creation for our shareholders. And we have been on and off working on this over a number of years. But the more recent effort really started to take place in the fall of last year, and this is how it has come.

But specific response to your question -- if we have an alternative to sell one of the less sophisticated refineries in a way, we are not going to delay until this is done accomplishing and doing that.

Ed Westlake - *Credit Suisse - Analyst*

Thank you. And then the second question is really philosophical in the sense of the larger cap E&P companies have not really traded necessarily next to NAV. And when you look at Conoco, the market might not be paying for the improvement in margins that you are going to get from the shift to liquids in Canadian oil sands at the Eagle Ford, et cetera.

If this move, in a sense, doesn't close your view of where fair value is, would you take further steps perhaps on the E&P side to shrink -- to throw a spotlight on the value of the assets that you have?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Oh, well, that is our job, is to better communicate to the marketplace what is the value of the assets that we have, and to demonstrate, just for the reasons you said -- yes, that is what we need to be doing in communicating, and we will do that.

Ed Westlake - *Credit Suisse - Analyst*

But would you do further asset sales in E&P?

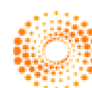
Jim Mulva - *ConocoPhillips - Chairman, CEO*

Yes, we will continue -- we are going to continue to sell our assets that we said -- the more mature assets, do them in a tax-efficient way, in a way that can improve and enhance return on the portfolio and improve the metrics in terms of income and cash flow.

So there is no change in that strategy. So we are going to continue the capital programs of the things that are important to us, not changing that. But we are going to continue on the asset sales to better rationalize and improve the value of the E&P portfolio.

Ed Westlake - *Credit Suisse - Analyst*

Thanks very much.



THOMSON REUTERS

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Operator

Blake Fernandez.

Blake Fernandez - *Howard Weil - Analyst*

Good morning. Thanks for taking my question. It doesn't sound like the management team has been defined for each of the entities post-split. But I wanted to confirm that, and if that is the case, could you give us an idea of when we may hear -- as far as timing, when we may hear the respective management team announcement?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

We have a very robust succession program and process in place in the Company. And all of this has been essentially very well coordinated by the Company and by the Board of Directors. If you follow the timing of what we just said, position all the assets internally into the Newco downstream company, go in for our IRS ruling late this year, get that ruling over into the earlier -- into the second quarter of this next year, it makes a lot of sense for us to be looking at and designating who are going to be -- who is the leadership and the CEOs of these upstream and downstream companies as we go through the latter part of this year so that they can be ready in terms of the population and the selection of the leadership team, and helping with respect to just how this is done, and making sure we have the proper IT systems and everything else that you need in these companies. So that when we do get IRS ruling, the Board can then look at, make the final approval, and then we can press the button and we go from ConocoPhillips into the two separate companies.

So you can probably expect somewhere in the latter part of this year, as we go through this process, is when the Board would be -- start designating CEO and leadership of these companies. And as it says in the media release, I am CEO of the Company until this is done, and then when this is done, then I would retire from the Company.

Blake Fernandez - *Howard Weil - Analyst*

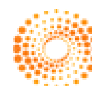
Right, okay, thanks Jim. And then the second question, presumably some of the free cash flow generation over the next couple of years comes from the downstream. I am just wondering -- does this have no impact on the share repurchase program for the E&P division on a standalone basis?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

It has no -- really no change with respect to the approach of distributions and share repurchase of the upstream company. And we are going to be creating a very robust downstream company, and it will have surplus cash flow or positive cash flow that can be redeployed in the form of investment back into the business. And it may be not just refining, but in a broader scope of downstream, which is other things. It could be infrastructure, pipelines, who knows -- other things like that.

It can be certainly raising the dividend, and it can also be towards share repurchase. When we look at this downstream company -- or, first, I will come back to the upstream, ConocoPhillips. What we have in mind is that there be no change in the dividend for ConocoPhillips. We're not reducing the dividend in ConocoPhillips. And as it goes forward, the dividend will, with time, subject to Board certainly approval, of raising the dividend.

If you look at the downstream company, it is going to have a dividend that is competitive and comparable to others and the pure plays in the downstream part of the business. So the shareholder gets the current dividend from ConocoPhillips, plus when done, is going to get cash in a form of a new dividend from the downstream company.



THOMSON REUTERS

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Blake Fernandez - *Howard Weil - Analyst*

Okay. And I'm sorry, just to clarify on that, Jim, are you saying that the yield itself will remain the same, or the absolute dividend will stay the same, plus you will get something from the downstream as well? So it will be incremental?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Absolute dividend of ConocoPhillips upstream as you know it today continues, and there will be a new dividend coming from the downstream company.

Blake Fernandez - *Howard Weil - Analyst*

Thank you very much.

Operator

Philip Weiss.

Philip Weiss - *Argus Research Company - Analyst*

Good morning. Thanks for taking my call. As I think about the upstream company going forward, you are going to be about double the size, if not a little bit more, than the next closest. And so as we think about that part of the industry, it traditionally has more robust production growth. And I understand the whole issue about profitable growth and completely agree with that.

But how do you position yourself -- and you are going to be very different in the marketplace in terms of production growth or dividend policy, as you just enumerated, and things like that. So I wonder if you could just comment on how you think that that is going to work in terms of the marketplace giving the upstream business a reasonable valuation.

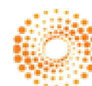
Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, there are a few things. First, let's just talk about the culture. The culture of the Company is -- and the E&P Company is whether it continues as an integrated company or it doesn't, the culture needs to be changing, because I think companies like ourselves have become more and more independent-oriented in terms of how we create value and how and what we look at for future investment opportunities in the portfolio. So the culture changes, and we think by having these pure plays, accelerates and ensures and focus that that culture becomes more independent-oriented than it does, say, historically in a large integrated company.

Then we have to be looking at what are the investment opportunities. As I said, share repurchase is pretty important, because we have a lot of cash flow coming into the company, you look, how do you redeploy the money into the E&P business. So you look at your opportunities. We think that it takes probably somewhere $12 billion, $13 billion, maybe $14 billion a year in capital spending for the E&P part of the business.

But the way you create value is per-share metrics. So as we go through until we get to 2013 and subsequent years, where our absolute growth in production, we take a lot of that cash flow and buy our shares in. So whether the production of the Company is 1.6, 1.5, 1.4, that will be determined over time. But we want to get the Company E&P positioned in a way that it looks more and more like an independent E&P, with growth on an absolute basis. But we also, as we move and transition to that over the

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

next several years, a lot of cash is applied to share repurchase to make sure that we have the metrics in terms of reserves and production growth during this time period as well.

Philip Weiss - *Argus Research Company - Analyst*

All right. Thank you very much.

Operator

Paul Sankey.

Paul Sankey - *Deutsche Bank - Analyst*

Hi, Jim. Good morning. We raised the split potential at the analyst meeting with you, as I'm sure you remember. And you seemed to be saying that you felt that the downstream company would be kind of too weak to stand alone. That was kind of the takeaway I had.

I wondered what in that regard has changed in terms of your belief in the potential for the Company to be a strong independent operator. And as a kind of specific element to that, I wonder if you could talk about what you think the level of debt that would be appropriate for the Company to carry? Thanks.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Paul, it's interesting. When the question came up at the analyst meeting, I think it was more like Marathon had announced it was proceeding to do essentially similar to what we have just announced. And the question came, would we consider doing that. And I remember my answer was, well, yes, it looks like what Marathon is doing makes a lot of sense for marathon and we will look at this and we look at (inaudible), we look at this transaction of a spin-out. We do like the integrated model, which is do we like the integrated model.

If I inferred or in any way felt that it was a weak downstream, I certainly don't want to infer that at all because we see a pretty strong downstream, which is going to have quite a bit of positive cash generation certainly in the crack spreads that we see and even with more modest crack spreads that we may foresee into the future. So really don't want to in any way infer that at all.

So the next thing is, when we look at this downstream company, its balance sheet, we are going to have a modest amount of debt, a modest amount of debt to ensure that it has a strong investment-grade credit. We probably have in mind a balance sheet that has debt ratios in the 25%, 25% to 30%, which kind of fits with what the independent peer group would be. The debt creation of that could be potential cash within the company or could potentially be creation of that new debt in that company. We are not looking at ConocoPhillips' allocation of any of our debt that we have in ConocoPhillips today down to the downstream company.

The downstream company creates debt in its own right. It's a good time to create debt, interest rates and all, the medium to long term. Some of that money can stay in the downstream, some of that can come to the upstream. If it comes to the upstream, obviously, it can be used towards share repurchase or capital investment. So kind of gives you what our thoughts are with respect to capital structure and why we think it is a good time to do this.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Paul Sankey - *Deutsche Bank - Analyst*

Great, thank you. And I guess this is maybe a yes or no answer. The potential for there to be any upstream assets with the downstream split, which is really a reference to Canadian heavy oil sands, I wondered if that would remain in the upstream side.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, we have got to determine just how that is done. But certainly, the oil sands, Foster Creek, Christina Lake, that stays with the upstream. So we have got to determine in the future just how we handle this. But I want to make sure the market knows that the oil sands stays with the upstream company.

Paul Sankey - *Deutsche Bank - Analyst*

And then finally from me, I think you have more or less addressed this, but if I could just clarify. Firstly, I believe that you are in the process to sell two refineries. That is going to be the extent of your sales.

Secondly, did you say that you will continue to buy back stock at the current rate to the end of the year? And then would we assume that stops in 2012? And I will leave it there. Thank you, Jim.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, first, when you say sell two refineries, we are looking at -- I won't say whether it is two or it's more or less. All we are saying is we have got to figure out the smaller, less sophisticated refineries, just what we are going to do with them. That doesn't change whether it is in a separate company or not. So we are not committed to whether it is going to be done in three months, six months; we are working on that certainly.

With respect to share repurchase, as I said, the $11 billion, most of that is probably going to get done this year. And then what we have in mind is we are going to be looking at further asset sales. Because we said we are going to sell the $5 billion to $10 million over the 2011/2012 time period. So we are going to take a good hard look at further share repurchase beyond 2012.

And that fits, because, as we said earlier, to hit the sweet spot on the E&P side of ConocoPhillips, the metrics per share is fewer shares outstanding. Until we transition 2013 to more production, it makes a lot of sense to have fewer and fewer shares outstanding so that we have per-share metric growth in terms of production. So I wouldn't conclude that there is no more share repurchase after this year.

Paul Sankey - *Deutsche Bank - Analyst*

Thank you, Jim.

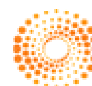
Operator

Arjun Murti.

Arjun Murti - *Goldman Sachs - Analyst*

Thank you. Jim, a bit of a longer-term question. When we look back at the late 1990s, the major oils, the super majors were getting a big premium to the pure play companies. You all had embarked on a strategy to get the critical mass like a super major. We are now 10 or 15 years later, and the pure plays are getting the big premium and you are going into that direction.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

How do you gain confidence that the pure play premium will retain, that we are not just sort of at the tail end of another longer trend? And maybe the related question -- and it might be repeated in an earlier question -- is you are much larger than most of the other pure play E&Ps. And your ability to achieve competitive growth seems very, very different than a lot of the pure play E&Ps. So what makes you think you are really going to close that valuation gap, especially in the standalone E&P business? Thank you.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, first of all, go back 10 or 12 years ago -- tried to cover this in a quick way in the slide presentation we had this morning. The view was that -- the old Conoco and the old Philips and ConocoPhillips' view was that we needed to go up in size -- that is one of the reasons for the merger -- to compete around the world. And we also felt, looking back 10 years ago, that there is going to be consolidation in the industry. And that made a lot of sense that we were pretty bullish about oil prices and we felt the supply and demand situation of oil would get tighter with time.

And so the view was is that you grow organically as well as do M&A transactions. And to the extent that you acquired good production and reserves in good political areas and good production, given what took place in commodity prices, you generally, if you bought resources, you did pretty well. I think that world and that marketplace has pretty well changed.

So if we look out the medium- and the long-term, we face this challenge, whether we are viewed as independent or viewed as an integrated company, the issue of competitive growth is the same, whether it is a company bigger than ourselves or it is an independent smaller than ourselves. So it doesn't change with the accomplishment of doing this transaction and spinning out the downstream. We are faced with the same challenge.

Some also could argue that the larger you are, the more difficult it is, given the access issues, and in many places in the world, an emphasis of trying to move IOCs or independents more towards service contracts than it is taking equity interest.

So all we are saying is whether we are classified as independent or classified as an integrated, or however we are classified and what we are structured, we still have the issue of how do we take our current reserve position and our production, how do we grow it and do it with competitive finding and development cost. So we have got the same challenge.

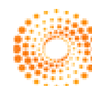
Now, if we do that well, whether we are integrated or we are viewed as independent pure plays, if we do that well, it will be recognized in the marketplace. And that is really where we are coming from. We are not doing something cleverly just to get a higher PE multiple, but we do think the pure plays are better understood in the marketplace, and it is going to put a lot more focus on our management and our leadership to accomplish the objective, which is to convert the resources that we have. We like to always get more resource, but convert those resources to reserves, and do that really well with competitive finding and development cost, we will grow our production and we will do it in a value-creating way.

Arjun Murti - *Goldman Sachs - Analyst*

Jim, I think your answer was very honest and very clear, that ultimately if you put up the results, whether you are integrated or an E&P, that is the key to getting a better valuation.

Is there something about being an integrated that hindered the E&P businesses to, say, convert resources into reserves or to grow faster or whatever the case may be? I hadn't thought there was, because I think you have been focused on the E&P business and you have tried to fix it and improve it. So I guess it is not clear to me that the mere act of separation immediately makes E&P a more competitive or better focused or better ability to pursue growth or what have you. But maybe I am mistaken. Maybe being part of a big integrated was some of the hindrance. Can you comment on that at all?

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, in the past, the view was that being integrated and having downstream would lead you to get access to more investment opportunities. We think that has changed.

The other thing is we look at our Company in the marketplace, we have a number of investors that would say you are making the investment decision for us. You are putting us in both the upstream and downstream business, where we would like to make that investment decision ourselves. So by being separated, you can take your choice. You want to invest in the downstream, you want to invest in the upstream.

So if you look at the integrated company, you can say, well, I think the downstream part of the company is holding back on the value creation and recognition of your E&P business. And then on the other hand, those people who are interested in the downstream would say, you are not getting recognition for the quality or the contribution of the downstream.

And then there is another issue that we have seen, unfortunately. But from an enterprise risk management point of view, having two separate companies is -- we think is something that makes a lot of sense. And so it is for these different reasons and putting more focus both upstream and downstream at attention, and clear peer plays, not so much that the market can look and make the decision where they want to invest, but the leadership of the company knows clearly what business they are in and they dedicate their attention to doing it in a value-creating way.

Arjun Murti - *Goldman Sachs - Analyst*

Jim, thank you very much.

Operator

Paul Cheng.

Paul Cheng - *Barclays Capital - Analyst*

Thank you. Two quick questions. Jim, have you guys thought about the pipeline company or the pipeline interests like the Seaway? Is that going to the downstream or going to the upstream of the new companies?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, I think we certainly have to review that. But essentially, most of the pipelines like that go to the downstream. Obviously, when you look at the North Sea, the pipelines that, say, come out of Ekofisk going to Teeside and Emden, that stays with the upstream part of the company. And kind of hard to argue that our interest in trans-Alaskan pipeline won't stay in the upstream part of the company. So that is kind of how we initially start to think of things.

Paul Cheng - *Barclays Capital - Analyst*

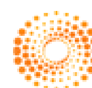
All right. Any comment about Seaway, whether that should be linked to the downstream or upstream?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, I think that -- no, we will have to take a look at it. But initial thought is probably downstream.

THOMSON REUTERS STREETEVENTS | www.streetevents.com | Contact Us

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Paul Cheng - *Barclays Capital - Analyst*

Okay. Secondly, I heard your earlier -- your previous comment that you gave to Arjun is very good. Thank you for that. But when I listen to, seems like all those reasons that you had cited seems to exist at least for maybe a number of months or maybe, say, over the last 12 to 18 months already.

I am just curious that over the last six months, I think in a number of locations -- maybe I got it wrong in terms of your interpretation -- it seems to be suggesting that management has looked at it hard and the conclusion is that despite all those benefits, you still don't think in the long haul you'd really create much value by separating the Company into two. Just curious if anything has changed over the last six months in terms of your thinking, or what (inaudible) change in thinking or that we just interpreted it wrongly previously?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

No, there has not been any real significant -- or change in our thought process. We have explored just every alternative you can think of with respect to how can we increase the portfolio towards E&P and less in the downstream and do it in a value-creating way. Do you piecemeal sell off certain refineries? Do you venture them? Do you want to have a situation you have four, five, six different joint ventures? That gets rather complex and complicated. Or do you want to spin this out to the shareholder?

So we keep assessing, looking, and we came to the conclusion, after trying and looking and talking to many different people about different alternatives, this was the best way to go. And so it is not a change that something took place three months ago, six months ago. This has been an evolving process. And it is a big step by our Company. It is a big step, I mean. But on the other hand, we really absolutely are convinced this is the right thing for our Company to do and now is the right time to do it.

Paul Cheng - *Barclays Capital - Analyst*

Okay. Thank you.

Operator

Doug Leggate.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Hi, can you hear me now?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Hi, Doug.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Hi. Good morning, guys. Sorry, I am sitting in an airport. A couple of questions, please. Jim, again, congratulations on what looks like a great way to move into retirement.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

The capital expenditure outlook for the current company and for the two separate entities, it sounds as if obviously the downstream company is going to have a lot more flexibility, and the new management, you know, obviously has yet to be decided. But how does the CapEx outlook change on a go-forward basis from what you can see right now?

And what I have really got in the back of my mind here is that the downstream seems to have contributed a reasonable amount of free cash flow historically, which has obviously helped the share buybacks, the dividend and so on. And I guess what is behind my question is if I look at the capital expenditure on the upstream and the cash flow on the upstream, it looks a little challenged to maintain the dividend and maintain some kind of share buyback. So if you could address that, that would be great. And I have a follow-up. Thanks.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, so you look at the E&P company, the E&P company spends $12 billion, $13 billion a year. It has cash flow to certainly fund the capital spending and the dividend. The share repurchase comes from asset dispositions. It doesn't come at the expense of capital spending. That is where the share repurchase.

And the share repurchase is essentially 2011, 2012 and maybe 2013. But the emphasis in the next year or two is really towards the share repurchase. Obviously, the downstream is going to have more cash to -- more than maintenance capital for the refineries, so it can, in its space of the downstream, grow the Company and create value for the shareholders, and can be looking at not only growing its dividends, but it had a modest amount of debt, but it can be itself also looking at share repurchase.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Okay. My follow-up is really -- and you may not be able to answer it at this point -- but as you look at the downstream business, obviously, there is a reasonable amount of international assets. Would you envisage that as the standalone refining business goes forward that it would continue to be a global player? Or would you think you would expect it to be focused a little more as a domestic US player? And I will leave it at that. Thank you.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, it is pretty much focused domestic with a really nice position -- smaller position in Europe. But that is really for the management team for its strategy to determine once we have the spinoff company. The strategy and the plans and the investment plans that we have outlined at the analyst meeting earlier this year, for 2011 and 2012, as we go through this process for E&P and the downstream, does not change.

Doug Leggate - *BofA Merrill Lynch - Analyst*

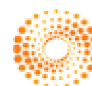
Thanks very much. I appreciate it. And again, congratulations.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Thank you.

Operator

Faisel Khan.



©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Faisel Khan - *Citigroup - Analyst*

Good morning, it is Faisel Khan from Citigroup. I wanted to see if you thought -- or you guys had looked into any potential dissynergies for this transaction. I know in the past you had talked about how trading around the integrated model had given you about a 5% or 10%, I think, uplift in kind of bottom-line results. And do you guys see that kind of continuing or are there sort of dissynergies from that? And I have a follow-up too.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, first, the dissynergies. Obviously, there is going to be more cost, if you have another board of directors, you have another management team. But this transaction is not about dissynergies or associated with having severance programs and that. We need our people.

Really, the predominance of what we are trying to do here is value creation in terms of two separate companies that can pursue their strategies and objectives. We think that having the two pure plays is going to create a lot of market value longer-term for the shareholders, and higher probability of success, both for the E&P company and the downstream company.

So there will be some dissynergies, but on the other hand, we think they are pretty modest, given the value creation that we think by going and executing this strategy by two companies versus the integrated model.

And then the other thing is we have a lot of our services are provided -- global services are provided from our Global Services Group in Bartlesville, Oklahoma. And so what we have in mind is that will continue, but it will be continued by two separate global services company, one that is servicing E&P and one that is servicing the downstream.

So actually, yes, there will be some increase in cost. But we think it is pretty modest -- we can do this pretty efficiently. But it is really the value creation that comes from the model that we are following by having pure play upstream and downstream versus the integrated model.

Faisel Khan - *Citigroup - Analyst*

Okay. And one of the key sort of benefits of being an integrated company in the past has been, I guess, some of the technology from downstream would migrate up to upstream, and that would give companies like yourself and other majors an advantage in pursuing some of these large-scale projects overseas. Do you think -- is that benefit still there or is that benefit gone, or do you still have that as an upstream company?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

That benefit is there, but I think for us, in our company, is it is a little bit marginal. I think we are actually going to improve our technology, because what we are going to have is a very focused technology that is going to be enhanced and even greater on the E&P side, but is going to be very focused on oil and gas. The E&P company is going to be oil and gas. The downstream company is going to be not just refining, but that is the space that is going to be looking at alternatives, different types of fuels and all. So it is going to have a technology that is very oriented toward, I will say, everything but oil and gas production. And the oil and gas technology is really going to ramp up for everything it is associated with, all the way from seismic to exploration and production.

So it's different, but for our Company, I would argue and what we are about to do, with having two pure play companies, the technology emphasis, the clarity of it and the success of what it is actually going to deliver is going to be better than we have had in the past.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Faisel Khan - *Citigroup - Analyst*

Okay. And I was wondering if you could be a little more clear on the Wood River brokered joint venture. Obviously, Cenovus has decided to kind of keep -- that is a critical part of their business on the upstream side. I wondered how does that fit into your upstream portfolio or downstream portfolio or have you decided yet?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

We haven't decided, but I did answer earlier that it is very clear that the oil sands production that comes from this joint venture is going to be with the E&P company.

Faisel Khan - *Citigroup - Analyst*

Okay.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

And it may be that -- the refineries, that is going to have to be determined.

Faisel Khan - *Citigroup - Analyst*

Okay. Understood. Thanks for the time. I appreciate it.

Operator

John Herrlin.

John Herrlin - *Societe Generale - Analyst*

Yes, hi. Just some quick ones. We shouldn't expect any kind of filings with the SEC until next year regarding the split?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

I think there is an 8-K that is going to come out, but that comes out quickly, with the announcing of this transaction. But no, that comes later.

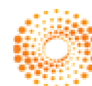
John Herrlin - *Societe Generale - Analyst*

Okay. And regarding the downstream spinoff, you don't view having no retail as being problematic, given the size of the downstream operations vis-a-vis Valero or Marathon?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

No, we actually like our model. We have been in the retail side of the business. And when you look at the retail side, it does take a fair degree of capital investment; there is always the environmental issues from an HFC point of view. But for us, we just like

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.


THOMSON REUTERS

the wholesale model. Now over in Europe, with the JET Brand, we are very strong on the retail side of Germany, Czechoslovakia, we do -- we're quite successful there. But no, we like the wholesale model and we think that works for us.

John Herrlin - *Societe Generale - Analyst*

Okay, last one for me, Jim. Upstream, you have been a consolidator more than an explorer. Does this mean a change philosophically, where we could expect the E&P to be more aggressive with a drillbit from an exploration side or will the new ConocoPhillips be more of a consolidator?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, I think it is going to be more of the organic growth. But to the extent that we are really successful culturally, and whether we are an integrated or we are viewed as an independent, to the extent that we execute our plan and we grow our reserves and our production and we do it in competitive finding and development, then that could create opportunities for this Company in terms of acquisition. But I think that is something that is years away.

John Herrlin - *Societe Generale - Analyst*

Okay, thank you.

Operator

Mark Gilman.

Mark Gilman - *The Benchmark Company - Analyst*

Jim, Clayton, good morning. Can you hear me okay? I am on a cell phone in an airport.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Yes, we can hear you, Mark.

Mark Gilman - *The Benchmark Company - Analyst*

Okay, fine. Thanks. I just had two things. First, can you identify at this point any tax-related impacts and synergies that might become vulnerable as a result of going to two separate companies, as opposed to the integrated company currently?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

No, we don't. I mean, there may be some modest small things. But no, and there is no objective here to be accomplishing anything other than that this is tax-free to the shareholder.

Mark Gilman - *The Benchmark Company - Analyst*

No, I am talking about, Jim, about operational tax effects.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

THOMSON REUTERS

Jim Mulva - *ConocoPhillips - Chairman, CEO*

No, no. I took your question, and we have looked at this pretty closely and we don't see that there is issues. There can be small things here and there, but we don't see any large things. Because the E&P part of the business continues as an E&P company.

Mark Gilman - *The Benchmark Company - Analyst*

Okay. My follow-up kind of goes back to an earlier question, but perhaps from a slightly different angle. Were you dissuaded at all by the fact that as two separate companies, you would no longer be able to redeploy cash flow from one entity to fund activities by the other, therefore raising some question as to whether capital from the perspective of the integrated company can be allocated as efficiently as it is currently, in the context of two separate companies?

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Well, we looked at this, and you make a good point. Historically, you could get contribution for upstream or downstream to help in that regard. Obviously, it depends on your view in terms of where -- if you think commodity prices and crack spreads, we have gone through periods of time that there has not been too much contribution from the downstream. And then we go through a period of time there is.

But from our point of view, we didn't -- we were not dissuaded one way or another that -- we really think that we can better accomplish our objectives of funding upstream and downstream by being separate than having to be combined in the integrated model.

Mark Gilman - *The Benchmark Company - Analyst*

But you had made a decision in terms of your comment on the dividend to heavily skew the free cash flow to the downstream side of the business.

I mean, it seems to me you have. And the numbers that you yourself articulated a moment ago clearly suggest that. And I guess I am a little unclear as to why you have skewed the free cash flow so heavily toward that side of the business.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

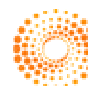
I think it depends on your view in terms of the crack spread and how well the downstream. We have not taken a view at this point in time where the joint ventures of the midstream and the chemicals will be.

Mark Gilman - *The Benchmark Company - Analyst*

Okay, Jim, thank you.

Jim Mulva - *ConocoPhillips - Chairman, CEO*

Okay, thank you.



THOMSON REUTERS

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.

Operator

At this time, this concludes the Q&A portion of today's call. I would like to turn the call back over to Mr. Jim Mulva for any closing remarks.

Clayton Reasor - *ConocoPhillips - VP of Corporate & Investor Relations*

So thanks again for your interest in the Company. You will find transcripts of this conversation on our website, along with the presentation material that Jim covered earlier. We look forward to working with you in the future. Thanks again for your interest. Goodbye.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.

DISCLAIMER

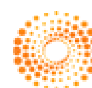
Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2011, Thomson Reuters. All Rights Reserved.

©2011 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS