

**St. Petersburg International Economic Forum
Remarks by Jim Mulva
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Good afternoon.

I sincerely appreciate the opportunity to speak to this prestigious forum about the ConocoPhillips partnership model in Russia.

We were one of the first U.S. energy companies active in this country, and are now one of the largest foreign investors.

Since 1990, we have invested more than \$10 billion into our Russian joint ventures.

These include the Polar Lights Company, a 50-50 joint venture with Rosneft.

Polar Lights recently celebrated its 16th anniversary. It has effectively leveraged the experience of both owners to create a safe, efficient and successful operation.

Then in 2004, we entered a strategic alliance with LUKOIL, and now hold a 20 percent ownership position.

Together with LUKOIL, we later formed the Naryanmarneftegaz joint venture, in which ConocoPhillips holds 30 percent interest.

We are quite excited by the fact that this joint venture will start production next month at the Yuzhno Khyrchuyu or YK Field.

YK is a remote, arctic, greenfield development that at its peak will produce 150,000 BOPD.

It will also serve as the anchor field to open a promising producing region.

In the next few days LUKOIL will commission the world's first arctic offloading terminal for the field's oil.

It represents a significant advance in technology.

Our joint venture has also worked with Sovcomflot to develop three new Russian-flagged ice-breaking tankers to transport the oil.

There are a number of synergies between our two companies that have benefited the YK development.

For example, ConocoPhillips participated in its financing.

And we have been able to apply the technical and operational expertise of each company.

YK has been a predominately LUKOIL-style development. But it has been supplemented in key areas by the experience that ConocoPhillips gained on Alaska's North Slope.

These insights have, for example, helped reduce the number of drilling pads needed from the originally planned 10 to only three. They also enabled us to double peak production capacity, reduce the environmental impact and improve the development economics.

Overall, this blending of expertise has resulted in more than \$500 million in savings.

We are also working with LUKOIL to identify new opportunities – both here and in other countries.

These could include not only exploration and production – but also opportunities throughout the energy value chain.

For example, we recently sold 376 retail fueling stations in Europe to LUKOIL.

This illustrates the fact that our alliance is much more than just a financial transaction.

It is a truly collaborative relationship in which our objectives are aligned with those of LUKOIL and its other shareholders.

There is mutual respect at both the executive and technical levels.

There is also a common desire to improve both companies by sharing knowledge and best practices.

We are exchanging employees, with our people working side-by-side for months at a time.

More than 150 people have been involved in various activities between our companies.

They have facilitated the sharing of expertise on technology applications and business processes.

Overall, we believe that our partnership model is very successful, and that it will continue flourishing – for several reasons:

- We share complementary business and technical strengths.
- The investment stakes in our joint projects are material for each company.
- There is a common dedication to maintaining good relations throughout the companies, starting with the CEOs.
- We are committed to uphold the sanctity of contracts.
- And there is a strong alignment of goals between us – not just project goals, but also the broader long-term aspirations of both companies.

We look forward to more success with LUKOIL.

However, our involvement is not an exclusive relationship.

We are also seeking opportunities to build mutually beneficial business relationships with other Russian companies.

We believe that Russia has a promising energy future, and we are very pleased to be here.

Thank you.

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