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PRESENTATION

Ellen DeSanctis ***- ConocoPhillips - VP of IR and Communications***

Good morning, everybody, good morning. My name is Ellen DeSanctis. I am the Vice President of Investor Relations and Communications for ConocoPhillips.

On behalf of our executives and our investor relations team, thank you so much for being here and welcome to the 2014 ConocoPhillips Analyst Meeting.

(Conference Instructions).

Okay. During this morning's presentation we will be making some forward-looking statements.

The risks and uncertainties in our future performance are described in the cautionary statement you see here. This information is also available from our website and certainly from our periodic filings with the SEC.

Now for today's agenda. Ryan Lance, our Chairman and CEO, will begin with a discussion of our value proposition; Matt Fox, our EVP of Exploration and Production and Al Hirshberg, our EVP of Technology and Projects, will then discuss our investment programs and the sources of volume and margin growth from what we believe

is a truly exceptional asset base; Jeff Sheets, our EVP of Finance and our Chief Financial Officer will then discuss the financial matters for the company; Ryan Lance will then come up for a few quick closing comments and then we will turn the meeting back over to you for a question-and-answer session.

Again, welcome. Thank you for being here and now it is my pleasure to turn the meeting over to Ryan.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Good morning, and thank you, Ellen. Good morning to everybody here in the room and to those that are participating by phone and the webcast.

We appreciate your interest in the company. I think we are pretty pleased with our performance over the last couple of years, but more excited about our future.

So let's get going. I'm going to start with just a clear description of our goal today.

And our goal is to deliver double-digit returns to our shareholders on an annual basis. And that double digit is really important because we think there's a clear place for this kind of energy stock, one that has steady, consistent, predictable, stable and low risk returns.

Now how are we going to do that? We'll do that through delivering 3% to 5% production growth, 3% to 5% margin expansion with a dividend today that is yielding in excess of 4%. And we think this is a pretty compelling formula.

Now that formula is possible because of an unmatched position that we have in the marketplace. We are the largest E&P company by reserves and production and that is shown on the left hand side of this slide.

Today we produce about 1.5 million BOE per day. That comes from an 8.9 billion barrel reserve base and a 43 billion barrel resource base.

As you'll see today we have multiple sources of growth in the portfolio and we've got an expanding position in the unconventional large resource trends that you will see today. We are building choices and options in the portfolio that come from all sides of our assets in the company and we have a relatively low execution risk because of our high percentage of OECD operations.

You will see today how we are leveraging our technology and we think that's a competitive advantage for the company. We have increasing capital flexibility through these choices and options that we are building within the company for investment and we have a significant financial strength that is unique amongst our independent peers.

And finally we are leveraging the heritage we have as a company around safe and efficient operations. But we know we are making investments in the company in a world of uncertain commodity prices, so I wanted to spend a little bit of time on our views there.

And we see there's a lot of uncertainty going forward but the important thing for us is we think about our plans, we think about our investments and we do scenario planning. And the scenarios that we build are based on the uncertainties that you see on the right-hand side with respect to supply and demand fundamentals.

And what we are trying to build is strategic flexibility in the company and the investment choices that we make are directed at lowering the cost of supply in the portfolio. That's how we are reacting to this commodity price world that we see out there today.

Now, for the purpose of this presentation, we've had to pick some commodity prices and we've done that. $100 Brent, $90 WTI, $70 WCS and $4 Henry Hub. But we do believe that the best defense against an uncertain commodity price future is to have a global diverse portfolio like ours, one that's not a function of any particular product price, any particular geology or any particular geography. We think that is important.

So that's a little bit about our unmatched position, how we are dealing with the uncertainty on the commodity price side. I think it's important as you assess our ability to deliver on the plans that we show you today is that we look back and assess our performance.

And when we came out as an independent company a couple of years ago we had a number of milestones that we needed to tick off to set ourselves up for growth that you're going to see today. We call this our said, did ratio.

So did we do what we said we were going to go do? And as we look back over the last two years, we had a number of non-core assets we needed to sell. We have done that.

We put that money on the balance sheet to fund our high returning investment programs that we see in the portfolio today. We've met our production targets. We have delivered our major capital startups.

We've seen the ramp up in our development drilling programs that has delivered the cash margin that we are talking about. Our exploration program has gathered some momentum with four recent discoveries and over the last two years we achieved 167% reserve replacement, pretty compelling for a company our size.

With our growing cash margins, our growing cash flows, we didn't forget about our shareholders and increased our dividend, which has been our promise and our commitment. But more importantly and what we are most proud of is if you were a shareholder at ConocoPhillips at the spin, kept your shares through 2013, you achieved over 22% return in excess of our integrated competition and well in excess of our independent peers, and in fact exceeded the S&P 500.

But we know that's the past. Now let's look forward.

There's a pretty significant change going on within the company today. And that's driven by is our major capital projects start to decline we are increasing the investment that is going toward our development programs underpinned by the large unconventional resources that we have captured in the company that you will hear a lot about today.

In fact a 60% increase in that program over this time frame. Now that gives me a lot more confidence in our ability to deliver the growth that we are talking about. It should give you a lot more confidence as well.

We are also establishing the baseline with which to measure our growth and that is 1.472 million BOE per day. What that is, is our 2013 production on a continuing operations basis minus Libya.

So we have taken Libya out and we are going to put that off to the side. We will report on that separately, but given the political uncertainties that are going on in that country right now we just think we are going to park that to the side and just look at our base portfolio.

You will see 2014 production growth of 3% to 5% and we see that pretty clearly with full-year guidance of 1.51 to 1.55 million BOE per day. But more importantly we are going to exit the year at 1.6 million BOE per day.

And it's not just about 2014. It's beyond that. We see the catalyst for growth in 2015 and 2016 with startups at APLNG, Surmont and continued ramp up in our unconventionals.

With that volume growth you'll see the 3% to 5% margin expansion and we are not just thinking about the next three or four years. We are also thinking about the next decade. We are spending money on exploration, investing to organically grow the company, give ourselves choices and options for investments that continue the growth well beyond just the next few years but into that next decade.

Now this is an important slide. This is one we have shown you for the last couple of years and it kind of sets the strategic framework with how we think about the company.

So as we think about the investments that we are making and the growth that we are getting, we are really adding to the choices and options in the company and we think about this in a lot of different ways. We think about the development drilling program growing, we think about the 3% to 5% that we are delivering.

But we are also going to spend a lot of time today talking about the margins, the margins that we are creating in this business to give you some clarity around where the investment is going, the volume growth that it is delivering and the margin expansion that is coming. I'm going to reiterate a couple of things that are important on this slide.

One is our capital guidance is unchanged and our production guidance is unchanged from what we talked about a year ago. So we will spend the $16 billion, we will deliver the 3% to 5% production growth and we will do that from a largely developing inventory.

Now there are some changes with respect to last year that are going inside of this that's worth pointing out. One, we talked about last year, some dilution of our APLNG and potential rebalancing of our oil sands position.

We haven't done that, so those items are included back here and we've done some reallocation to our unconventional resources, primarily the Eagle Ford and the Bakken. But what has changed, what has come out of that is some investment in conventional resources in the Lower 48 and in western Canada and we have deferred some major projects primarily in our European region.

So let me take a moment and just flip the left-hand side of this curve a little bit, or the graph here, and show you what we are doing with respect to margins. And this is what that slide looks like.

So you will see here that we are investing 95% of our capital into investments in the company that deliver greater than $30 a barrel margin. And Matt and Al are going to come up and they're going to talk a lot more about these margin or these asset classes, the investment that we are putting in, the production that it is delivering and the margin growth that we will see. So you get a clear line of sight to that production growth and to that margin expansion.

But before they do, I want to tell you that we know it's not just about a margins. We know that it is important to understand the returns and to maximize the returns in this business.

So this is a simple but important slide as well. It compares the full-cycle returns to the margin expansion that we are getting in the investments that we are making. And on the vertical axis is the full-cycle returns. And when I say full-cycle I mean full-cycle.

So this is access capital, it's full-cycle development capital, it's overhead, allocations and infrastructure spend as well. Now the color of the bubbles represent the different margins that we see in the investments that we are making above $30 to $40 and above $40, and the size of the bubble represents the capital on average that we are spending over this plan. And you will see that the investments that we are making are going to the highest margin, highest returning assets in the portfolio.

Now there are some investments that are going in the lower left-hand corner. These are assets like oil sands, LNG projects, huge resource potential backed up by billions of barrels of resource and they tend to be low to flat decline.

But they also generate a bunch of cash that we are going to reinvest back into higher return and higher-margin assets in the portfolio and they reduce capital intensity over time. Now every one of these assets has an important role to play in the portfolio like ours today. And as we make those investments through the higher-returning, higher-margin assets, our return on capital employed is going to grow for the company, which will show the health of the company.

So before I turn it over to Al and Matt here, let me just give you the punch line. Here's what you are going to hear today.

Our value proposition is unchanged from when we spun out as an independent E&P company two years ago. But what has changed, we see significant upside in our resource potential in the unconventionals.

In fact, today you will hear that we are adding 700 million barrels equivalent of additional resource just in our Eagle Ford play alone. And that's because we are in the sweetest of the sweet spots in the Eagle Ford. And we don't think we are done there.

We also are seeing encouraging results for many of the emerging plays that we are working on on the unconventional side and you'll hear more about that. So we are creating visible choices and options for investments in the company, lower the cost of supply and continue the growth of the company well beyond 2017 into the next decade.

You're going to see a very direct linkage today between the investments that we are making, the volume growth that is coming from that and the margin expansion that we are getting from that volume growth because of the places we are making the investments and the kind of products that we are investing in. So as our margin grows, our cash flow is going to grow. We are going to improve and strengthen an already strong financial position, Jeff will talk about that, and again our dividend remains the top funding priority in the company.

So as our cash flow grows you should expect dividend growth as well. So as Matt and Al come up here, I want to tell you what they are going to tell you too.

You're going to see the linkage, the investments that we are making, the 3% to 5% growth on the production side, the 3% to 5% margin expansion and how that turns in to double-digit returns for our shareholders. So, Matt, Al.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

Good morning, everyone. As Ryan has said we've got a very high level of confidence in our ability to deliver the 3% to 5% production and margin growth and the objective Al and I have today is to give you that same level of confidence.

This is the agenda that we're going to follow. We're going to start by reviewing our reserve base, which is the platform upon which we are building our growth. We're going to talk about the associated capital allocation.

And then we are going to do a deep dive into the portfolio going through each of these margin classes to give you a real understanding of where the growth is coming from, why the growth is coming from those areas. And then we're going to finish with a look at our exploration portfolio and how that is set up to deliver options for further growth through 2017 and into the next decade.

So that's where we are going. So let's start with our reserve position.

At the end of last year we had 8.9 billion barrels of reserves on the books. This is a few different ways that you can look at that reserve position. If you look at the chart on the left you can see a geographic distribution of reserves and it shows that about 70% of our reserves are in North America. The rest is mainly in Europe and Asia Pacific.

And this is a reflection of the portfolio. It's a diverse portfolio but it's not a diffuse portfolio. There is focus in this portfolio and there is focus in our reserves.

If you look in the middle chart, that's our reserve position by product and you can see that we are more than half oil product. The rest is split between LNG, natural gas and NGLs.

But the most important chart on this slide is the one on the right and that is our reserve distribution by margin. And what you can see here is that 84% of our reserves have a higher margin than $30 a barrel.

So last year our average margin was a bit below $30 a barrel. But 84% of what we are going to be developing is above $30 a barrel, and in fact 95% of our capital is going to be going into developing these reserves.

And then if you look a bit more deeply into that you can see that about 20% of our reserve position is above $40 a barrel in our North American unconventionals and our LNG assets. And this part of our reserves is going to grow significantly over the next few years.

Just to give you an example, in our North American unconventionals we've only booked about 20% of what we ultimately expect to recover from the Eagle Ford and the Bakken and we don't have any reserves booked yet for our emerging assets that you are going to hear about. Similarly, in our LNG position we are going to continue to add LNG reserves over the next few years as we drill out our position in APLNG, so that $40 a barrel wedge of our reserves is going to grow over time.

And then the stuff that you see in yellow around the bottom of that pie, that is all between $30 and $40 a barrel, our oil sands, our international oil and gas and our North American conventional oil. And we've got a really strong track record of adding to this reserve base.

Last year we replaced our reserves with 179% organic replacement ratio. Over the last three years it has been above 150% and we've done that at a very competitive finding and development cost of less than $20 a barrel.

So this is clearly a very strong base upon which to build organic production growth and margin growth. So what is our strategy to do that? Well, Ryan showed this slide a few minutes ago and I want to spend a little bit more time giving some more context on this way of thinking about our strategy.

We are going to spend about one-third of our capital over the next five years developing our North American unconventionals. And as a result of that investment, our North American unconventional production is going to more than double and we're going to give you a deep look into where those sources of growth are coming from.

We're going to spend about 15% of our capital over these next five years developing our LNG and oil sands assets. And by the time we get to 2017 production from LNG and oil sands, which as Ryan said is flat to very little decline on those assets, that is going to represent 25% of our production by 2017.

Then we are going to invest a bit less than half into our legacy businesses in Europe, Asia Pacific and in the conventional in North America. And they are also going to grow.

These are legacy businesses but these investments that we are making are going to grow those legacy businesses too. In fact, the only part of the portfolio that is not growing is the low-margin, North American gas position, which is low-margins because gas prices are low.

Now we are still investing about 5% of our capital in those areas because within that huge portfolio there are significant opportunities to get high returns from investments in the liquid-rich assets within that portfolio. So just in case it's not obvious yet, this is why our margins grow as our production grows.

Okay, we are going to use this stacked bar on the left-hand side as a sort of GPS for the presentation that Al and I are going to go through now. And we're going to start at the top of the stack with the North American unconventional position.

We have an unmatched portfolio and differential capabilities in unconventional reservoirs. We've got fantastic positions in the two best plays, liquid rich plays in the country, in the Eagle Ford and the Bakken. And we've got very strong positions in emerging plays in places like the Permian, the Niobrara, the Montney and the Duvernay.

We've seen a lot of growth and we're going to put a lot of investment in here. We are going to spend about $5.5 billion a year on average over the next five years. And that's about $1 billion a year higher than we thought we would do at this time last year because the more we learn about our unconventional portfolio the better and better it gets, and so we are adding more capital.

And as a result of that additional capital we're going to see more growth. We are going to go from about 170,000 barrels a day of production in this margin class in 2013 to about 370,000 barrels a day of production by 2017. 22% compound annual growth rate, more than doubling that production.

And we are not the only people that think this is an unmatched portfolio. If you look at the chart on the bottom right, that's third-party data that shows that we have the lowest cost of supply of anyone that's got a significant North American unconventional position.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

I want to emphasize the importance to us of this cost of supply data that Matt was just talking about. Sure, it's great for us to have 22% compound annual growth in our production across our North American unconventionals, but what really matters even more to us is capital efficiency that we've had along the way. And so that is why we are gratified to see our position in this study on cost of supply relative to our competitors.

One other point that I'd like to make while we are on this, as you look at where the IOCs come out in this same study, some people say that the big companies just can't compete in the unconventionals, but at ConocoPhillips our position as the largest independent oil and gas company, we've got a powerful combination of size and speed. The size, our size allows us to have broad technical capabilities that I think you need to extract full value from unconventional reservoirs and our structure is such that it gives us the speed to be able to be nimble and move quickly particularly when acquiring acreage.

So I think this combination is what has allowed us to build this unmatched portfolio in the unconventionals in North America. And that same portfolio is going to give us high quality growth for many years to come.

So next I'd like to take you through some of that portfolio. You see here on the bars across the page each of the key unconventional plays that Matt and I are going to talk in more detail on today. So it's the Eagle Ford, the Bakken, the Permian, the Niobrara and then the Montney and the Duvernay in Canada. So each of these plays, the arrow that is shown across does not represent time, it's really trying to represent to you the multiple phases that we are typically in at any one given play at any given point in time and shows you the maturity stage that we are at.

So the Eagle Ford and the Bakken furthest to the right are the most mature. Then across the top in the gray area you see the traditional ways that industry talks about these phases -- exploration, appraisal and development. But then in the colored line just below that you see the seven phases that we use at ConocoPhillips to think about how we go about developing these unconventional plays and just under that are the key skill sets that we think are critical to really be good, be successful in each one of these phases.

So the way that we think about it, we use, we govern the work that we do in these unconventionals using this framework for thinking about our progress in order to ensure that we don't over capitalize as we develop these plays and also to make sure we have maximum knowledge sharing as we move from phase to phase and also from play to play. So that's really how we -- the model that we use to think about pace and that's what I would like to show you on the next chart is our thinking about pace.

We are all familiar with the reasons on the left to run fast. And we see a lot of our competitors running a lot of rigs and in the unconventional you can drive a very high growth rate doing that.

And we are often asked by investors who are comparing us to our competitors why are you going so slow, it looks like you are too slow in the unconventionals. But for us as we think about our objective to try and maximize value to shareholders from these assets, we are also thinking about the considerations that are listed on the right and striving to find the optimum pace by considering all of these things and find the optimum pace of development to avoid again over capitalization in each play.

And I think nowhere in our portfolio is it more obvious where we have done this successfully than in the Eagle Ford. In the Eagle Ford we have had, as we have gone up the learning curve and tried new technologies there, we have had great success. And as we have progressed through those phases and been successful, we have accelerated our pace of development.

So what you see here, we are planning to spend $3 billion a year in the Eagle Ford in the 2014 to 2017 time period. That's more than $1 billion increase per year over what we told you at this same meeting last year.

And as a result of that we expect to grow our production 20% compound annual growth rate over that same time period and get to 250,000 barrels a day by 2017. I think it's instructive to remember what we said at this same meeting last year about the Eagle Ford. At that point in time we told you we thought we would get to 150,000 barrels a day by 2017.

And now as we exit the first quarter of 2014 we were at about 160,000 barrels a day headed for that 250,000 number. So we have ended up through our acceleration and our successful progress in the Eagle Ford exceeding here in the first quarter of 2014 the production goal we had set for ourselves a year ago out in 2017. That's pretty impressive progress over the past year for us in the Eagle Ford.

But here's the good news part of it; we are not done yet. I don't think either Matt nor I think that we are done adding resources in the Eagle Ford.

As a result of this success we have been able to grow our resource base by 40%. So we're adding 700 million barrels to our resource base taking the Eagle Ford EUR from 1.8 billion barrels to 2.5 billion barrels, but 2.5 billion barrels we don't think is the endpoint. I expect that we will be able to continue to increase that, and Matt is going to show you a little more detail in a minute about the reasons that we think that.

But before he does that, I'd also like to show you one slide that really emphasizes the premium value that we have already created from our Eagle Ford assets. There's a lot of discussion in the industry about IPs.

We hear about IPs all the time; people take the IPs and they multiply them and extrapolate them, 30 days, 60 day production, and it makes your head hurt sometimes the things you see people doing with all those numbers.

But I think that a good way to measure the actual value that a company is adding in an unconventional resource play is to take some uniformly reported and unadjusted numbers, numbers that are reported to government. In this case we are looking at data that is reported in the Texas Railroad Commission in the Eagle Ford area amongst our competitors. And it is how much production did you make and sell and how many wells do you have on production?

So who's got the best actual production per well, not messing around with multiplying IPs? And when you do that math you see the result on the left where ConocoPhillips stands out amongst its competitors with the highest production per well.

And then it's really that kind of result that feeds what you see on the right, which is third-party data from Wood Mac where they have tried to estimate the value that each of the companies has created per acre in the Eagle Ford. And again you see that we stand out on that basis.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

And the reason that we have the highest value per acre is because we are right in the sweetest part of the sweetest spot in the Eagle Ford. So let's talk about what defines a sweet spot in the Eagle Ford.

I think you are all familiar with the fact that thermal maturity is very important. You have to be in the right thermal maturity window to make sure you've got the right products to sell. And you really want to be in the volatile oil gas condensate window because that means you have got high compressibility and low viscosity, which means high rates and high recovery factors.

And you can see our acreage plotted on top of that optimum thermal maturity window, we are right in the heart of it. Thermal maturity, however, is not enough. You really want to have high-pressure, thick reservoirs as well because thickness dictates the hydrocarbons in place, among other things, and high pressure along with compressibility dictates the recovery factor.

You want high pressure, you want thick reservoirs. We are right in the sweet spot of that as well.

And pressure, maturity and thickness, they are all necessary to define a sweet spot but they are not sufficient. The geology still counts - the geology always counts.

And we are in the sweet spot of the geology as well. And to understand the geology you have to really understand the sedimentary environment.

So the Eagle Ford rocks were laid down about 90 million years ago in the Cretaceous Interior Seaway. They are organic marrows, which means they are calcite rich and organic material embedded in them.

And you want to be in the parts of the Eagle Ford where you've got high calcite content so that it's very frackable and where you've got a lot of preserved organic material, so you've got a lot of oil in place. And that's where we are in the Eagle Ford, in the geologic sweet spot.

And we didn't get there by accident. Our explorers put us there. And they put us there for $300 an acre before the play was proven because they understood that we don't explore for unconventional reservoirs.

We explore for the sweet spots in unconventional reservoirs and that's why we are right in the heart of the sweet spot in the Eagle Ford. In this understanding of the geology along with pilot testing, well-designed pilot testing is really influencing the way that we think about how to optimize the Eagle Ford development.

So for example, let's talk about well spacing in the Eagle Ford. To date, we have been drilling wells about 660 feet apart, about a mile long, which is 80-acre spacing. And we've been drilling them in the lower part of the lower Eagle Ford.

We are transitioning now to add another layer of wells in the upper part of the lower Eagle Ford. And we have data from our pilot testing processes that tell us that they are going to drain different oil than the wells deeper in the lower Eagle Ford. That's the reason that we are confident to increase our reserve, our ultimate recovery position, from 1.8 billion barrels to 2.5 billion barrels.

And we might not be done yet because we are pilot testing even tighter spacing down to 40 acres. We are pilot testing the potential of the upper Eagle Ford and we already know that the Austin Chalk works across some of our acreage and we are trying to make sure we understand across how widespread is that Austin Chalk potential. And all of this is driven because we understand the geology and we take a scientific approach to pilot testing.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

Matt mentioned our approach to pilot testing. I think it is important, so I would like to spend a little bit of time just showing you some of what we are doing there.

As Matt said, we are not in trial and error mode on our pilot tests. We are taking a rigorous scientific approach making sure that when we run a pilot we get the data that we need for our physics-based models that we can then use to predict going forward. And also to make sure that we are not having to rerun, run a lot of tests that we get our best value for the money.

So we are doing things like the -- that are shown up here, vertical wells with multiple pressure gauges. We've developed a good methodology for running fiber optic, permanently installed in the horizontal sections of some of our wells. That gives us real-time temperature and pressure data.

We've got a lot of insights from that that's helping to drive the way that we are optimizing some of our developments and also to allow us to calibrate our models. But one of the things that it's also done for us, this data that we have collected, is it has helped us understand what we don't understand yet about these unconventional reservoirs and that has led us to the latest pilot tests that we are going to do which is shown on the right.

This is a test we are in the process of doing in the Eagle Ford. And what we are doing here is collecting log and core data from the Eagle Ford reservoir both before and after pumping a hydraulic fracture job.

So that's going to allow us to understand more about the stimulated rock volume down in the reservoir rock that we achieved by pumping our hydraulic fracture jobs. So this is a very proprietary test that we are doing that is going to give us information that will not only help us in the Eagle Ford but is also going to help us with our modeling that will then apply all across all the different plays.

So you might be wondering with all this test, pilot tests and modeling, how do we make money from all of that. So I'd like to show you some of that.

In addition to using these models and tests to help us figure out the optimum spacing both horizontally and vertically, we are also using it to optimize our completion designs. And I will show you a couple of examples of some data here.

In the top right you can see the impact that we've had by modifying our proppant density in our wells in the Eagle Ford. We have been able to increase our estimated ultimate recovery per well by about 30% just by modifying the density of proppant that we pump per foot of horizontal wellbore. That's one of the insights we have gotten from these tests and models.

Then when we take that optimized proppant density in the Eagle Ford and add to that an optimization of our perf cluster spacing and work those two things together, we've been able to achieve dramatic increases. You see in the bottom right, the blue cumulative production curve shows you the kind of production we were getting from our Eagle Ford wells with the completion design we were using a few years ago and the red curve shows you what we were experiencing last year with these optimized cluster and proppant density designs.

So it's over 100% increase in our cumulative production over about a two-year period just from making a few relatively small changes in our completion design. That's the kind of value we get from having that capability.

One other thing while I am on this bottom plot that I'd like to point out is if you look at the very early part of the plot down in the 0, 60, 90 day kind of range, is some additional information that kind of reinforces what I was saying earlier about IPs and short-term production. Clearly these two cum production curves that we show here create very different value for us from our asset, the red curve versus the blue curve.

But if you look at what those wells look like on production, initially or after 30, 60, or even as much as 90 days, they looked about the same. So that just is an extra warning to be careful with that early data. It doesn't necessarily tell you what the ultimate value is going to be from some of these wells.

We're not just working on trying to maximize production and recovery from these wells, we also recognize that we have got to continuously drive down our cost structure in the unconventionals if we are going to maintain that first place that we have in costs of supply. So a little bit of data here in the Eagle Ford. In both the drilling side and the completion side we have been able to drive down our costs by about 40% over the last few years.

And I should point out that this really doesn't include yet much help from the pad drilling effect. We are really just now getting to about 75% of our rigs that are in pad drilling mode, so we expect to get additional efficiency from that in 2014 that really doesn't show up in these cost saving data so far.

In addition to this climbing of the learning curve we are doing that drives our costs down over time, we are also continuing to discover new technologies in both the drilling and the completion side that is giving us additional improvements in our efficiency. So I picked just one of those from the drilling side that we are using in the Eagle Ford that I would like to show you.

We call this one DEEP, Drilling Execution Efficiency Platform. So what this is is a high-tech, very data intensive, real-time methodology that we have been testing in both the Bakken -- both the Permian and the Eagle Ford. And it has led us to 20% improvements in rate of penetration in the build and the horizontal sections of these unconventional wellbores.

The way this works is we measure several key parameters along the length of the drill string. In real time, we are crunching the data at the well site and then using that to control the top drive, control the speed of rotation of the drill string and the weight on bit.

And what that allows us to do is eliminate wasted energy in the drill string and maximize the amount of energy that makes it all the way down to the drill bit. And so that was what allowed us to increase our rate of penetration by 20%.

And so we're excited about the ability to now expand this across our entire unconventional portfolio but we also are getting ready to expand it across the entire company and move it from the unconventional to the conventional. And we think in doing that we can save about $250 million a year in our drilling costs. So I think this is a great example showing you how we can move a technology that we developed for use in the unconventional side of our business over to the conventional including in the deepwater.

The last chart I would like to show you before Matt comes back is one that does exactly the opposite. Where we have a new technology we have developed in the conventional side of our business and now we are using it profitably in the Eagle Ford.

I'm talking here about integrated operation centers. These were first developed in Norway for use in the North Sea and in western Canada. We now have them employed in nine different locations around the world and we have one working at the Eagle Ford.

What this is, it is a way to collect all the key operating data in real time and bring it to a central control room. That combined with a field wide Wi-Fi system and mobility devices for our workforce really allows us to have real-time surveillance, which is important in a field like the Eagle Ford which has a very large footprint.

It can take the better part of a day just to drive from one end of the Eagle Ford to the other. So collecting this data and allowing real-time surveillance let's our people work on the most important, the highest value improvements every day.

It's pretty dramatic the impact that this has had. If you look at the data in the top right, we installed this integrated operation center in the Eagle Ford in the first quarter of 2012.

If you look at the gray bars prior to that point in time, we were experiencing as many as 250 well shut-in events per quarter and obviously that was costing us production. Once we got this integrated operation center, even though the number of active wells continued to climb as shown in the green curve, we were able to drive our well shut-in events down to near 0.

And we added almost 7,000 barrels a day to our realized production last year just through this effect using this integrated operation center. So I think it's great to be able to see how we are able to move these technologies in both directions across our company from the conventional to the unconventional and the unconventional over to the conventional in both directions.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

So I think those are a couple of great examples, of many examples actually, of how we are able to leverage knowledge between the conventionals and unconventionals. But clearly there's a lot of value in being able to leverage knowledge within the unconventional portfolio.

For example, from our Eagle Ford to our Bakken position, and that's where we are going to go now is we're going to talk about the Bakken. So we have a great position in the Bakken.

We've got about 600,000 net acres. We have got about 600 million barrels of expected ultimate recovery. We see more than 800 drilling locations that we can drill. [Management note: This refers to ConocoPhillips operated wells only. The gross identified drilling locations are greater than 1,800.] And we are going to drill with about 10 rigs a year, that's the plan that is represented here, and spend about $1 billion a year to grow our production in the Bakken and that will double our production between 2013 and 2017.

And that's very high value growth because not only are we in the sweet spot of the Eagle Ford, we are in the sweet spot of the Bakken too. And this is third-party data up here. You can see third-party data on the top left chart that shows the net present value per acre for different parts of the Bakken.

And it shows that the Nesson Anticline has the highest value per acre. And then if you look at our acreage on the top right you'll see that 200,000 acres of ours is right on the Nesson Anticline.

And then if you look at the graphic on the bottom left it shows that we are one of the highest producers in the Nesson Anticline. And that same study, it's a Wood Mac study, showed that we had the lowest cost of supply of anyone in the Bakken.

So this is a fantastic position in the Bakken to match the really strong position that we have in the Eagle Ford. And like in the Eagle Ford we are making sure that we maximize value from this position.

So let's talk about well spacing in the Bakken now. So what we're doing at the moment is we're drilling wells in the Bakken now that are about 1,300 feet apart and about 2 miles long. And that's equivalent of about 320-acre spacing and we are drilling two layers of wells, one in the Middle Bakken, one in the Upper Three Forks.

And it is possible that this is the right spacing for the Bakken because we land these wells in carbonate and siltstones that have got quite a bit higher permeability than the Eagle Ford does. But we don't know if this is the optimum spacing. So we are running pilot tests to establish that.

We're running pilot tests in both the Middle Bakken and the Upper Three Forks on spacing down to 160-acre spacing. And we are also looking at the potential of the Middle Three Forks to see if there is additional economic resource that can be added there.

Now these pilot tests are not complete yet. But if we conclude from those pilots that we should tighten up the well spacing, or we should add another layer to the development, then clearly our resource estimate in the Bakken is going to grow just like it has in the Eagle Ford.

And like the Eagle Ford we are not focused just on improving ultimate recovery and optimizing well spacing, that's very important. We also want to focus on making sure that we are getting maximum capital efficiency from our drilling and completions.

In the Bakken we've seen about 30% reduction in the days per well. We've seen about a 50% reduction in the cost per pound of proppant pumped in the Bakken and we are not done yet. There's lots of potential remaining to continue to drive these costs down.

We will continue to leverage the scale that we have in our supply chain across all of our unconventional position. We are moving more of our wells to be drilling from multi-well pads, we are actually at 90% in 2014, in the Bakken.

And all of the technology advances that Al was talking about are going to continue to improve not just our ultimate recovery but our cost per well drilled and completed. And that technology learning is really important, that ability to transfer this knowledge to our overall unconventional program.

Al Hirshberg *- ConocoPhillips - EVP, Technology and Projects*

So that wraps up our discussion on our two most mature unconventional plays, the Eagle Ford and the Bakken. What I want to do next is take you through some of our less mature plays. Our expenditures in these less mature plays, our capital will be ramping up over the time period 2014 to 2017 but we expect to average about $1.5 billion per year over this time period and that will result in 33% compound annual growth rate in our production from a pretty low base.

So one of the things you see here from these less mature plays is that a lot of the production growth that we will be getting from these will be part of what fills our pipeline out in the period beyond 2017. The Permian, the Niobrara, the Montney and the Duvernay are the plays I want to talk about next and we will start with the Permian.

We've got a great acreage position in all three of the basins that are shown up there in the top left, the Delaware, the Central Platform and the Midland Basins. But in terms of our drilling for unconventional and testing for producability in the deeper source rocks in the Delaware Basin and the Midland Basin, that work has been concentrated in the areas that you see outlined with the black lines.

You can see from the stratigraphic cross-section in the bottom left that the Delaware Basin is where we have the deepest and thickest section. In fact we have 4,500 feet of stacked pay in the Delaware Basin. We kind of have a simple model on the bottom right to show you the different zones that we are trying to develop in the Delaware Basin.

And what we have there is we've got four rigs running right now. We expect to drill 24 horizontal wells this year as part of that appraisal program. It is still early days so I don't want to talk about IPs, based on what I said earlier, but we are averaging well over 1,000 barrels oil equivalent a day in these early wells here with over 60% of that being oil.

So I think we are very encouraged by the early results that we are getting in the Delaware. And I expect that we will be continuing to ramp up our efforts there over as we move forward in time.

Another area where we are going to be continuing to ramp efforts in time is what I want to talk about on the next slide, the Niobrara. We've got 130,000 net acres in the Niobrara in the DJ Basin and we are still working on trying to optimize our completions along the lines of what I was showing you earlier and trying to figure out what the best well spacing is.

But there's a bit of an interesting case study here in the Niobrara that I would like to share with you. When we started out with our first batch of wells in the Niobrara, we employed the industry-standard completion techniques that we saw working very successfully in the Wattenberg. And at that point in time we didn't have any data that told us we should do it any differently.

And so we set up our early wells using that industry-standard design and we got the result that you see in the bottom left here with the gray cum production curves. Pretty unimpressive, really. We weren't too happy with the production we were getting from those early wells.

As we worked on those completion designs and how to improve them and involved a direct connection from our technology group with the Niobrara group and also looked at the latest information that was coming to us out of the Eagle Ford, our knowledge transfer from the latest learnings in the Eagle Ford over to the Niobrara

helped drive some of the new completion design. When we drilled our next batch of wells with that new completion design we got the results shown on the red cum production curves and what you can see there is on average we had over a 350% increase in cumulative production.

We've only got five or six months now on this second batch of wells in red but a dramatic increase just from changing, again, a few key parameters in our completion design. It's a pretty impressive improvement that you get just from some intensive knowledge sharing inside the company from one play to the next.

So the average, it's early days here as well, but the average early rates we are getting are over 600 oil equivalent barrels per day, about two-thirds of that is oil. So I expect that in the Niobrara, which has a much simpler geology than what I showed you a minute ago in the Permian, that we will by the end of this year be in a position to understand what the best full-field development plan would be for this field.

One last unconventional area that I want to talk about is Canada. In Canada we've got appraisal work ongoing in both the Montney and the Duvernay. One thing that these two -- it's early days on both of these, although the Montney is a little bit more advanced than the Duvernay, but one thing that these two areas both have in common is access to existing infrastructure.

So that makes it a little bit easier for us to get started in these areas, that easy access to infrastructure. And of course improves our economics where we don't have to build out that infrastructure ourselves.

In the Montney we've already had some success in the past in the drier gas areas of our acreage. But what we are focused on now is the 135,000 out of our 230,000 net acres where we have the best liquids yields. And we are getting between 30% and 40% liquid yields in the wells that we are currently drilling, those appraisal wells, and we have 14 horizontals planned in the Montney in 2014.

With regard to the Duvernay there we are focused on the thicker, more liquids-rich sections of our acreage in the Duvernay, about 107,000 net acres there, but in the Duvernay we see a wider spread of liquid yields. We are seeing anywhere from 25% to 90% liquid yields in the Duvernay. We've got three horizontal wells planned for 2014 there.

So I think as you look at all of these emerging plays that I have just showed you in the unconventional, you can see quite a pipeline of high-value opportunity for us going forward. It's going to help provide additional resource adds and production growth on into the future.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

Indeed it is. So that brings us to the end of our North American unconventional section, so let me try and put it all in perspective.

We have an unmatched portfolio and differential capabilities in unconventional reservoirs. We are in the sweet spots of the Bakken and the sweet spots of the Eagle Ford and we are getting really encouraging results from our emerging unconventional plays.

We're doing a lot of work in technology and making sure that we leverage that technology and we are focusing our pace to maximize value. And we are delivering a lot of rate as well. We've gone from essentially a standing start here a few years ago to 170,000 barrels a day last year and we are going to more than double that between now and 2017, so a significant production growth.

And then look at this resource growth that we have seen just over the last few years. And this is just in the Eagle Ford and the Bakken.

So we now have more than 3 billion barrels of expected ultimate recovery in the Eagle Ford and the Bakken. And we believe that that is likely to increase as we learn more from the pilot testing that we are doing in both of those plays and clearly we are going to be adding more resources from our emerging plays over time.

So this is a fantastic unconventional portfolio. But wait, that's not all. We have a fantastic portfolio beyond the unconventionals and that's what we are going to talk about next.

So this is where we are on the agenda. It looks as if we're in the very early stages but you don't need to be too alarmed, because we're actually about halfway through the presentation that Al and I are going to give because we wanted to give you a really deep dive into the unconventionals.

Now what we are going to do is transition to the rest of the portfolio and give you an understanding of where our investments are going and why they result in growing production and growing margin. And we're going to start with our LNG assets.

We've been in the LNG business for 40 years. We own the Optimized Cascade technology that has been gaining a lot of market share over the last few years. All of our LNG production is sold against oil-linked contracts with high margins.

Our Darwin and LNG -- our Darwin and Qatar LNG project margins are boosted further by the fact that we have a high liquids yield in addition to the LNG that we manufacture. Our Kenai Plant has actually been running for 45 years, exporting gas from North America. We are about to restart.

We put that plant in cold storage a few years ago. We are about to restart it and we expect to sell about a dozen or more cargoes over the next couple of years from Kenai LNG being sold into Asian markets at very attractive prices. So that's a great option play for us, that Kenai LNG plant.

And staying in Alaska we are making a lot of progress on the AKLNG project. Now it's very early days in this project but alignment is shaping up between the producers in the state to allow us to move into some serious feasibility studies for this project.

Early indications are that this could be a very competitive source of supply for Asia, competing with other significant LNG supplies that may be emerging across the world. So we hope to move into pre-FEED on this project this year, then we go into FEED and then will make a final investment decision.

So through this overall period, for AKLNG is about $200 million of capital assumed. So there's no significant capital in this long-range plan for AKLNG but it's an interesting feasibility project and there could be a lot of value in monetizing that gas.

At the other end of the development cycle, APLNG is getting closer every day to first gas, so let's talk about APLNG. So as you know, the APLNG project is two 4.5 MTPA trains with long-term sales contracted to Asia at oil linked prices.

We're making a lot of progress on the project. We are about two-thirds complete. To be a bit more accurate we're about 69% complete in the downstream project, and that's a picture of the downstream project on Curtis Island, you can see there.

And we are about 66% complete on the upstream project on the mainland, so we are making really good progress. We are on schedule for first LNG in the middle of 2015, which was our target all along.

We're in the peak year of capital spending this year as you can see in the chart on the bottom left. And what this chart shows is the remaining capital that we expect to put into the APLNG joint venture, and it's all of the capital. It's the capital for the two trains, for the upstream development to support domestic gas sales, pre-investment for ongoing sustaining capital and exploration appraisal.

So it's an all-in number of what we expect to put in over the next few years and it still includes quite a significant amount of contingency. The project is pretty much derisked, but you never know, so we have still continued to retain quite considerable contingency in those numbers.

And of course we're going to see dramatic growth here. The production that we had last year was all domestic gas sales. That's going to grow to about 110,000 BOE a day and that's the combination of the LNG we will be selling and the domestic gas sales.

By the time we get to 2016 this project will be self-funding. When we get to 2017 it will be delivering distributions of over $1 billion a year and it is going to continue to do that for two decades, maybe three decades out in the future.

So I want to talk now about our oil sands assets and of course they've got very similar characters to LNG, a lot of upfront investment but then low to no decline for decades of production and high margins. And we've got a fantastic position in the oil sands, truly a world-class position.

We are already the second largest SAGD producer in the oil sands. Al is going to show you in a moment that we have got the best steam oil ratios of anybody that's producing in the oil sands SAGD just now.

We're going to spend about $800 million on average over this period investing in our oil sands assets and we are going to more than double production between 2013 and 2017. By the time we get to 2017 these assets are also going to be giving free cash flow of more than $1 billion a year and that is growing over time and for decades to come.

And that growth is coming from seven major projects that we have in execution just now. Six of them are 30,000 barrel a day or so phases at FCCL, and one of them is a megaproject at Surmont.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

Of all these projects and project phases that Matt is showing here, by far the biggest one for us in terms of the volume and financial contribution is Surmont 2. So a little more detail on Surmont 2.

Compared to where we were at this same meeting a year ago we are exactly on that same track. And so Surmont 2 we had a great winter construction season. We are almost 70% complete and we still expect to have first steam by about the middle of next year.

And once we start up Surmont 2 and get it up to full production, Surmont will have over 150,000 barrel per day gross capacity. And at that point in time, as you see on the bottom left, we will drop down to a sustaining level of capital as we are just drilling sustaining pads from that point forward.

I don't want to just talk about Surmont 2. I also want to give you an update on how things are going at Surmont 1 and Surmont 3.

Things are really running well at Surmont 1. We have now gotten to a point where we are able to produce more than 15% above the original design capacity at Surmont 1. And we have partly done that by continuously improving our steam oil ratio and I want to show you some interesting data on the top left that's the same exact chart we showed you last year but some things have moved.

And again this is, all the SAGD operators reporting this data to the government, this is full-year 2013 steam oil ratio data. And you can see that ConocoPhillips in the three fields that we are in in Surmont and in Christina Lake and Foster Creek, those are the top three of the SAGD projects in Canada and we are 50% of all three of those.

But one interesting proof point on what I was telling you about Surmont 1 is if you look in your book from last year, that same plot last year, Surmont was in fifth place on steam oil ratio. We are now the second bar. We've actually passed Foster Creek.

So Surmont is the number two position on steam oil ratio, Christina Lake is still the most efficient with the lowest steam oil ratio. So that's great progress at Surmont 1.

The intensive experience and knowledge that we've gained from working at Surmont and the SAGD all these years has really given us a strong ability to innovate. And so I want to talk next about the technology innovation work that we are doing that really is lined up to help us with Surmont 3 but is spinning out a lot of new ideas that we are already employing at Surmont 1 and Surmont 2.

I showed a similar plot last year where I told you that we had challenged our team at Surmont 3 to take $20 a barrel off the cost of supply before they brought Surmont 3 forward for sanction. It seemed like a pretty heroic goal at the time that we set that $20 target but actually now a couple of years later it is looking increasingly likely we are going to be able to capture all of that $20. And I just want to update you a little bit on some of the progress.

We really think about these technologies in two buckets, technologies that are still in development and technologies that are now proven. I've got a list up there of each of them.

The two that are shown in green I'd like to give you a little more detail on. First is flow control devices, which we have in the proven technology category now. What a flow control device does is it's a device that we install in the completion in the horizontal section of both the injectors and the producers in a SAGD development.

And what it does is it controls the flow of the steam along the horizontal wellbore and allows us to more uniformly heat the length of the wellbore, it gives you a more uniform steam chamber. That gives you higher production and it reduces your steam oil ratio.

So we have put a pair -- we took one pad and took one pair of wells on that pad and put these devices in over four years ago and we've now got four years of production history that I am showing you in the top right. And that set of wells with these flow control devices has cumed more than 50% more oil than the other wells immediately adjacent to it, same geology on the same pad.

That's pretty impressive increase in production that you can get from adding those flow control devices. We also saw a decrease of 15% in our steam oil ratio from using these and in addition to that we also got a 15% decrease in our greenhouse gas emissions, which is certainly important to us in our oil sands developments. So we now consider this flow control device technology to be proven and it is in routine use at ConocoPhillips in the Surmont Field.

The second technology I want to mention is what we call e-SAGD, enhanced SAGD, which is still in development but we have seen some very interesting data from it so far. What we do with e-SAGD is in addition to injecting steam into the reservoir we also inject a light hydrocarbon solvent. And what this does is it reduces the viscosity of the bitumen and allows you to get higher production again and lower steam oil ratio.

So we ran a pilot test with a single well pair last year using this e-SAGD technique and the results are shown in the bottom right. In this case it was a shorter-term test, about a five-month test, but in that time period we cumed 30% more production from those wells where we were using e-SAGD. And in this case we were able to reduce steam oil ratio by 20% and also reduce our greenhouse gas emissions by 20%.

So I think in addition to what Matt showed you a minute ago where it's really a key driver, oil sands is a key driver for us and our production growth out through 2017 from the projects and project phases we already have going, on top of that it's really exciting to see the progress we have been able to make on technology that we are going to aim at Surmont 3 and further phases beyond that. Particularly when you think about ConocoPhillips' very large, 15 billion barrel resource base that we have in the oil sands, so applying this technology across 15 billion barrels we expect to have a big impact.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

Okay, so what we have just done is we have shown you the production growth and high-margin production growth that is coming from our international projects in the LNG and oil sands. But we are also going to see high-margin production growth from our other international oil and gas assets and I want to spend a little bit of time talking about that.

So these assets are located for the most part in Europe and Asia Pacific. Many of them are legacy positions that have been in the portfolio for decades. They are -- we're going to spend about $4 billion a year here and despite the fact that these are legacy positions we're going to see a compound annual growth rate of about 4% a year between now and 2017.

That's pretty impressive when you consider the underlying decline in some of these more mature assets. And we're doing this through investing in major projects.

So in 2013 we brought on the Ekofisk South and Jasmine Project. In 2014 we are going to bring on five more projects in Europe and Malaysia and between 2015 and 2017, we're going to bring on seven more major projects.

These are at very attractive F&D costs and they are more than offset in the decline. And to get this 130,000 barrels a day of major project production, no miracle has to occur. Because all of these projects are in execution, we just have to execute well.

And we are executing well. Let me give you some examples.

So here is a look at our North Sea portfolio of high-margin projects. As I said we brought on Jasmine and Ekofisk South on schedule last year. We are going to be focusing on ramping those up through 2014.

We are also going to bring on a long-term compression project at Britannia this year, which will increase rates and increase resource at the Britannia Field. In 2015 we're going to bring on the Eldfisk II Project, early in the year, which will bring on more production in the greater Ekofisk area. And we're going to tieback satellite to Britannia called Enochdhu, which is you all know is named after a mountain in Scotland.

And then in 2016 and 2017 we are going to bring in another satellite to Britannia called Alder. We're going to bring on the Clair Ridge development significantly expanding the Clair Field, and we are going to bring on the Aasta Hansteen development off mid-Norway.

And this is quite a remarkable story if you think about it. We have been in the North Sea for more than 40 years. This is a mature province.

We are going to have compound annual growth rate from our North Sea assets of 5% a year between now and 2017. And there are more projects under evaluation that we can be adding across this portfolio, some of which we deferred from last year's plan. The projects are still there to develop after 2017.

So let's move from our real legacy position, our North Sea position, to an emerging legacy position in Malaysia. This is a big year for our Malaysia business. We are going to start up three major projects there.

The Siakap North-Petai Field has already started up. That started up in February. The Gumusut floating production system we expect to start up in the middle of the year and right at the end of the year we expect to start up the Kebabangan major project.

And we have one more large project in development just now in construction called the Malikai Project. They were building a tension leg platform to develop the Malikai Field. We are about 35% of the way through and that production will come in 2017.

As you can see on the map on the bottom right, we've got a lot more discoveries than the ones that are under development just now. So we're still in the appraisal phase, in the early engineering phase, but we expect to sanction additional projects in Malaysia and that's why the capital grows later in the plan.

By the time we get into 2017 we will be producing about 60,000 barrels a day from Malaysia. These are very high-margin barrels, there's a lot more growth potential. So this is a fantastic new legacy business for ConocoPhillips in Asia.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

So Matt just talked about a new business that we are building in Malaysia. I'd like to take you through some of our continuing work that we are doing to offset decline and build in another one of our legacy businesses and that is North American conventional oil. This includes Alaska.

You can see that we are planning to spend about $3.5 billion per year over the time period in this area and we expect that that will allow us to offset the decline in these mature areas and still grow production by 1% compound annual growth rate from a pretty high starting level of 300,000 barrels per day. In addition to the money we will be spending in Alaska we also have significant capital going for infill drilling and water flood expansion in the Permian conventional, in the Gulf of Mexico and also some liquids focused drilling in the Anadarko Basin. We are continuing to focus our efforts on developing new technologies and enhanced oil recovery, things that really allow us to continue to get more and more recovery from these legacy areas, and there is no place in our portfolio that that is more important than in Alaska.

In Alaska we are really experiencing an improved business climate with the recent changes, improvements in the fiscal regime there. And so that has allowed us to double our capital there. From 2012 to 2014, we will be doubling our capital expenditures in Alaska.

And that amount of capital that you see in 2014 is more money than we have spent in Alaska in many, many years. And so in addition to the projects that you see listed there and the infill drilling that we will be doing with those investments, we are also continuing to invest in new technologies to mitigate decline in our mature fields. I want to show you one example of that in the Kuparuk Field down here in the bottom right.

The Kuparuk Field when it started up in the early 1980s, we thought we would be able to get about a little over 1.5 billion barrels from that field, so it was a very large field to start with. And through the years as you see on the green line, as we have applied additional new technologies over the years, we have been able to increase our expected ultimate recovery there about 76%.

So we are now expecting over 2.5 billion barrels of recovery from this same field. And I think you can see also from the blue line down below, which shows you our cumulative production there, if we hadn't done that we would've run out of oil at Kuparuk back in the 1990s. And today with the technology advances we have had and the additional ones we expect to have, we expect that we'll be operating there for decades to come at Kuparuk.

So Matt and I have now talked about a whole host of areas around the world where we are growing our production. There is one area where we are not trying to grow our production and that is North American gas.

We could grow our production here. We have a low-cost option to do that but we are not currently focused on doing that with today's current market conditions.

We are planning to spend about $800 million a year, however, but that is all on liquids-rich gas investments that have a high return. We are expecting that our production will decline here but if conditions change, and we want to ramp up our production in North American gas, we have 6.5 billion oil equivalent barrel resource base here and we have over 15,000 drilling locations already identified. So we could ramp quickly if economic conditions change and we get higher gas prices.

But in the meantime we are a low-cost producer. It is costing us just over $1 per MCF lifting cost and we are getting $1.5 billion a year in cash flow from these operations at $4 Henry Hub. So I think you can see why we call this a low-cost option for us.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

Okay, so that completes our journey through the asset classes and the capital programs that are going to provide our growth and production in margins between now and 2017. What we're going to do now is look at the options we are developing through exploration to extend that growth into the next decade.

But before I get into the future plans I just want to take a minute and give you some, a look back at how successful our exploration program has been over the last several years because this is something that we don't think is fully understood in the marketplace. Over this period, we have added more than 6 billion barrels of resources through exploration. These 6 billion barrels are 70% liquids and they have been added at very competitive discovery cost of about $1.30 a barrel.

Now as you can see on the chart it's been dominated through this period by unconventional resource additions and we make no apologies about that. This is exploration.

And if you look on this third-party data from Wood Mac and you look at the value that's been added per barrel that was included in this Wood Mac study we've got an incredibly competitive value per barrel created by exploration over this period.

And that is because we don't explore for unconventional reservoirs, we explore for the sweet spots in unconventional reservoirs and this is proof that that is what we are finding. So it's been incredibly successful exploration program in unconventionals and we are continuing that and we will talk about that.

But we are not turning our back on conventional exploration because we believe there's a lot of value that could be added there, too, if you are in the right place. And over the last five years or so Larry Archibald has been rebuilding our unconventional, or conventional, sorry, exploration program and we are seeing some early success.

We've got four significant discoveries in the Gulf of Mexico. Al is going to talk about them in a moment. And we are clearly a leader in the North American liquids-rich unconventional exploration.

Okay, so what is our strategy in exploration? Well, our strategy is quite simple. Our goal is to build and test a diverse portfolio of high-value opportunities.

The key words being high value. And you can see how our portfolio is split between unconventionals, deepwater and other conventional assets onshore or in shallower water. And frankly we are agnostic about where we add value for our shareholders.

It doesn't matter if it's in unconventionals, or deepwater, or onshore conventional. We have the scale, the capability to explore in all of these areas and make sure that we are focused on high-value opportunities in every one of those areas.

We are going to spend about $2.5 billion a year on average over the next five years on exploration and appraisal. This year we're going to spend about $2.1 billion. And that's how the capital for this year is split in a few different ways.

It is roughly balanced between unconventional, deepwater and other conventional. More heavily weighted toward deepwater this year.

Geographically about 60% of our capital is going into North America. Quite a significant amount, 20%, is going into West Africa and Al will talk about those plays in a few minutes.

And then from an activity type, about two-thirds of our capital is going into either testing new plays or adding new plays to the portfolio and about one-third is going into appraisal drilling for discoveries that we already have. This is a pretty healthy balance for an exploration portfolio.

And in 2014 we're actually going to test quite a bit of our portfolio geographically. And what we're going to do now is we're going to select a few of these to give you a deeper understanding of the quality of what's in our exploration portfolio.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

So Matt showed you on his pie chart that we are going to be spending about 45% of our exploration and appraisal budget this year in the deepwater. So let's take a look at some of the details of what activity we will have this year in the deepwater.

First, I want to cover the deepwater Gulf of Mexico. We've now got four deepwater discoveries, undeveloped Gulf of Mexico deepwater discoveries, and we have appraisal activity planned for this year in all four of those, so I will just show you what our plans are.

First is look at the acreage that we have in the top left, the yellow squares show you where we have blocks in the deepwater Gulf of Mexico. We are in the top three acreage holders in the deepwater here and we have over 2 million net acres. Our focus in acquiring this acreage has been on the Lower Tertiary play.

The first discovery that we had on this acreage was back in 2009, the Tiber discovery, where we have an 18% working interest. This discovery, the appraisal, although it was discovered in 2009, the appraisal didn't start until last year. You can see on the map we are appraising out to the west looking to find the aerial extent out to the west with the first well and we are continuing with a sidetrack out there in 2014 to try to size up Tiber.

Our most recent discovery in the deepwater Gulf of Mexico was Gila. In this particular one the discovery well that was drilled wasn't able to get to total depth. And so we weren't able to see what we had in all the perspective zones down at the bottom part of the well.

So our 2014 appraisal work there will involve going back into that well, sidetracking it and going deeper to see what we have in those deeper zones. I should also point out on Gila and you can see on the map that although we had a 20% working interest in the discovery well we have three adjacent blocks that we hold at 100% working interest. And so I expect that our ultimate ownership over this Gila structure will be well above 20%.

Next, Shenandoah and Coronado. The Shenandoah Field we have a 30% working interest. Again it's another Lower Tertiary oil discovery area.

This one was found in 2009 but we really didn't get excited about it until last year when the first appraisal well was drilled and it found over 1,000 feet of net pay. And so that got everybody excited and really has moved Shenandoah up to the top of the list amongst these four for our development planning work.

Our next appraisal well in Shenandoah is planned over on the eastern edge of the structure to find the aerial extent of Shenandoah out to the east. And then the fourth discovery, also Lower Tertiary oil discovery, Coronado, we have a 35% working interest there. That discovery well encountered over 400 feet of net pay and appraisal work there started last year, this time out to the western edge of the field and continues into this year.

So I think if you look closely here you can see there's a bit of a theme for us in the deepwater Gulf of Mexico and that is the Lower Tertiary play is working for us. That's where we have concentrated our acreage. We've now got four discoveries all in the Lower Tertiary and so that play is working nicely.

Another area where we've got appraisal work planned for 2014 is in northwestern Australia in the vicinity of our existing Darwin LNG plant. The Greater Poseidon Complex, where we have a 40% working interest and we are the operator, was discovered back in 2009. We now have six successful wells in this Greater Poseidon area and most of those wells have found very high-quality reservoir rock in the Jurassic Plover formation but one of those wells in addition to the Plover has also found high-quality rock in the Montara formation, which is also Jurassic age but a little bit younger.

So we have two additional wells planned this year to continue this work in the Greater Poseidon area. And that should give us additional insights into how we want to move forward with additional development planning for that Poseidon area. You can see where it sits on a map in relation to the Darwin LNG plant.

The Barossa Field, which is also right next to our Caldita discovery, was discovered in 2006. We are the operator with a 37.5% working interest and we have two successful wells drilled there today. You can see that it is a lot closer to the Darwin plant than the Poseidon discovery.

We have a three well appraisal program planned there starting this quarter. So after those three wells I expect we will also have a much better idea of how Caldita Barossa looks.

We are fortunate to have these gas discoveries in the vicinity of our Darwin plant. You can see that Darwin is fed by the Bayu-Undan Field today. And as we look out into the future and the eventual decline of the Bayu-Undan Field, we are trying to get ourselves ready to make sure that we are going to keep the Darwin LNG plant full and also that -- to be able to consider adding additional train or trains at Darwin is another possibility depending on how much gas we end up finding at the end of our appraisal program.

So that's a lot of the key appraisal work that we have in the deepwater in 2014. I also want to show you some of the exciting exploration work that we have planned starting in Angola.

We showed you these two blocks in Angola last year, Block 36 and Block 37, which are the pre-salt play in the Kwanza Basin, offshore Angola. But there is one thing that has changed since we showed you these blocks last year.

Last year we showed you we had a 30% working interest and we're the operator in both these blocks. Over the past year, we had an opportunity to increase our working interest in Block 36 up to 50% and we exercised that opportunity. So we now have 50% in the more northern block there, the Block 36.

If you look at the schematic cross-section across the bottom, you can see that what we are chasing here in this play is analogous to the Santos and Campos Basins in Brazil. And you can also see from the map that it has been significantly derisked by all the discoveries that have been made in the two blocks immediately to the east of us.

So we have a new-build drill ship currently in route from Korea. When it gets to Angola we will start this four-well continuous drilling program. We are planning two wells in each block, and we will start with our first well that is shown on the map with the red dot, the Kamoxi-1 well in Block 36.

There's one more deepwater exploration area for 2014 in West Africa that I want to talk about and that is Senegal. In Senegal we farmed in to a 35% working interest last year. And we had the option to operate the development phase; if there is a discovery made here we would be the operator for the development.

We have a couple of different plays that we are working on in this three block area. First is the FAN-1 well which is a Cretaceous pinch-out play that you see out to the left on the seismic image. This is a FAN play concept that is similar to the Jubilee discovery in Ghana.

It is also similar age rock to the recent discovery that has been made to the north in Mauritania. And so we will be drilling this well also this quarter, so this is another one where we've got a rig in route and we will spud this first FAN-1 well in fairly short order.

Then back to back right behind that we are planning the SNE well, which is an unconformity truncation play that you see shallower and to the East. So we will drill those two wells back to back.

If this play proves successful there are additional stacked FAN complexes on this acreage, so we have some upside running room. So I think you can see from all of this 2014 exploration and appraisal work in the deepwater that we've got going that there is going to be a -- we are going to get a lot of new learnings from how our deepwater acreage looks this year in the Gulf of Mexico, West Africa and northwestern Australia.

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

And we are not just exploring in the deepwater. We've also got some exciting exploration going on in shallower water and onshore in conventional plays. I want to talk about just two of them just now, one in Norway and one in Indonesia.

So we are going to drill two wells this year in the Barents Sea, one testing a Triassic prospect, one testing a Jurassic prospect, and they are up in the furthest north part of this map of Norway. This is north of the Arctic Circle. But it is ice free year-round.

It's just very cold and very dark in the winter. This Jurassic and Triassic play has had some success over the last few years so we are excited to go out there and test this this summer.

And moving about as far away as you can get from a climate perspective onshore to Borneo in Indonesia. We are going to drill our first wells on the Palangkaraya PSC. Here we have a 100% working interest.

This is actually an interesting story. Here we are reexamining old drilling records from pre-World War II followed up by discoveries of seeps in this area from an active petroleum system. So this is like something out of an Indiana Jones movie.

So we are actually going to get Harrison Ford to drill these wells for us and he is looking forward to that. So we are hoping that by the end of the year will be ready to test, to drill the first wells on this play and we are excited to see how that goes.

So staying onshore but moving from our international conventional to our international unconventionals, here's a couple of examples of international unconventionals we are testing this year in Poland and in Colombia. So in Poland we're exploring the Baltic Basin just to the west of Gdansk. Over the past three years we have drilled three wells there to test the stratigraphy and calibrate our basin models and in fact we have taken one of these wells horizontal and we did a relatively straightforward frac, and we were the first people to actually produce shale gas in Poland.

And we are being encouraged enough by that work to go back this year and drill two more vertical wells shown as the red dots there further north and further east. And we are going to take one of those wells, in fact we are drilling it now, taking one of those wells horizontal. We're going to drill it like an Eagle Ford well, about a mile long.

We're going to frac it like an Eagle Ford well and we are going to put it on a long-term test. So by the end of the year we will have a really good sense of whether or not this play is going to work for us in Poland. This is not the same play as most of the other IOCs have been testing further south and further east in the country.

So we still believe that there is a good chance that this play might work, but time will tell. It doesn't have to work like the Marcellus. Gas prices in Poland are high.

There's a very strong strategic desire in Poland to create new indigenous sources of gas supply. So we are excited about continuing our unconventional exploration in Poland.

Still unconventional exploration, but very different unconventional exploration if we move across the Atlantic to Colombia. Here we've picked up quite a significant position in two different plays.

We've got about 190,000 net acres. This exploration is focused on the Middle Magdalena Basin on the La Luna Shale.

Now the La Luna Shale is a world-class source rock. It's sourced almost all of the oil that has ever been discovered in Colombia and Venezuela and that is a lot of oil.

It's contemporaneous with the Eagle Ford, it's got the same sedimentary environment as the Eagle Ford but it is maybe three times as thick as the Eagle Ford. So that's all good. However, it's more structurally complex than the Eagle Ford so it is more difficult to predict the thermal maturity.

So the early wells that we will drill in this play will essentially be stratigraphic wells to calibrate our basin models and collect core samples. But we are very hopeful that we will identify parts of this acreage that will be sweet spots that will allow us to have very economic developments from this Colombia Shale play.

Okay, so what Al and I have just done is given you a sample of some of the stuff that is going on in our exploration portfolio in 2014. In addition to what we just described we're clearly going to be doing a lot of appraisal activity in our unconventionals in North America.

We are drilling two exploration wells in the Western North Slope of Alaska. We are continuing to appraise the Clair Field west of Shetlands. We are drilling an unconventional exploration well in the Canning Basin in Australia and we are drilling several infrastructure led wells around existing assets, for example, around our offshore assets in China.

So overall it's a pretty active year testing our exploration portfolio. Okay, that brings us to the end of the section that Al and I were going to present. And hopefully what we have shown you is that we've got a diversified, high-margin reserve base and we expect to continue to grow that reserve base with more high-margin barrels over the next several years.

We have an unmatched portfolio of unconventionals, and unmatched technical capabilities in unconventional reservoirs. We are in the sweet spots of the Eagle Ford and the Bakken and we are getting very encouraging results from our emerging plays in the Permian, the Niobrara, the Montney and the Duvernay.

And on top of that fantastic unconventional position we've got a big pipeline of international major projects that are already in execution that are going to deliver high-margin growth to supplement the high-margin growth coming from the unconventionals, and we ran through some of those with you. On top of that we think we've got a very interesting prospective portfolio in exploration that is very focused on high-value opportunities and we're going to test quite a bit of that this year and over the next few years and that is going to give us more options for further organic growth after 2017 and into the next decade.

So we started the presentation saying that our objective was to give you the same high level of confidence that we have in our ability to achieve our 3% to 5% production and margin growth, and I hope we've been able to do that. So now what we are going to do is we are going to hand the presentation over to Jeff Sheets.

Jeff is going to put all of this in a financial context. He's going to show you that these growth projects are delivering significant growth in our cash flows and that growth in cash flow is what underpins our annual double-digit returns to shareholders. So, Jeff.

Jeff Sheets - ***ConocoPhillips - EVP, Finance & CFO***

So, thanks, Matt and thanks Al and good morning to everyone. So what we've been doing for the last hour or so is giving you a tremendous amount of detail about what we think is a pretty exciting set of capital investment opportunities. So what I'm going to do in the next 10 slides or so is to bring us back up to a 30,000 foot level and talk about how do we create value for ConocoPhillips' shareholders.

So what you have heard through the morning today is that we've got a growing portfolio of high return, high-margin capital investments. But as we execute on that program we are going to continue to add to our resource base and grow our reserves and that we are converting those reserves into production that is growing at 3% to 5% a year and the type of production we are growing is going to grow our cash margins by 3% to 5% a year and that combination grows cash flows 6% to 10% a year.

So as we grow our cash flow we are getting to the point where the growing cash flow is going to fund the capital we need to continue to grow the company as well as to fund a growing dividend. Now when we think about this, what we call this E&P evaluation, value creation cycle, we think there's kind of three things that companies really need to do well to do this cycle well.

And the first is you need to have a lot of technological capability and we have been talking about that as we have gone through the morning. And the second is that you need to have the balance sheet strength to invest in capital programs consistently and paying growing dividends consistently over time. And the third is that you have to do more than just cycle money around, you have to be able to demonstrate that you are creating value by showing that you can have significant returns back to your shareholders.

And we've talked a lot about dividends in the last couple of years. And I will kind of close my remarks today with some further thoughts about the dividend.

So we are going to go through how we create value in this business. This is the finance section of the presentation, so the onslaught of metrics that you have seen so far this morning is going to continue for the next few slides. So I'm going to talk about how things have worked and how they are going to be working for us going forward.

We're not going to be talking about 2014 in particular but I would point out that in the backs of your books there, there is a few slides that are on giving more particular 2014 guidance. So we've got a quarterly production set of charts back there and some guidance on controllable cost levels, corporate cost levels things like that, as well as updated commodity price sensitivities.

You will notice when you look at the production chart that we've got an estimate in there for first-quarter production for us which shows that we are going to be at the high end of the guidance that we gave previously on first-quarter production. So back to how we're going to create value in this business and it all starts with the strength of the capital investment opportunities that you have in the portfolio.

We like this slide a lot. This is the third time you've seen it today. I want to just make a few points off of this again.

Again, what are we doing as a company? We're investing an average of $16 billion of capital over the next several years. 95% of that going into projects that have cash margins greater than $30, so greater than the average of our current cash margins.

And what that is going to do for us is take our production to where it's about 1.5 million BOE per day last year, growing it up to 1.85 million BOE per day in 2017. And those are the same production numbers that we talked to you about a year ago except that we have taken 50,000 barrels a day out for Libya. If those volumes come back then you can add 50,000 barrels a day back for Libya.

Another thing that we would want to point out on this chart is that we continue to have a lot of diversity in the types of production we have. Diversity in terms of geographics, diversity in terms of products, but also diversity in terms of lives of these projects.

So we are adding a mix of both high return, shorter cycle projects like unconventionals as well as long live, low declined projects like oil sands and LNG. And interestingly by 2017 a full 25% of our production is coming from those long live, low decline projects.

So as we execute on this capital program we are going to be continuing to add to our resource and reserve base and that is something that we have done well over the last few years. Matt talked about this a little earlier this morning.

151% reserve replacement over the last three years at an average F&D of less than $20 a barrel. We have taken our reserve numbers up in absolute terms from where it was $8.4 billion at the end of 2011 to $8.9 billion at the end of 2013, and this is at the same time we have been executing a $12 billion asset sales program.

This leaves us with a reserve to production ratio of 15, which is among the highest of any of our integrated or independent peers. And we talked earlier this morning about some of the things we are going to be doing to ensure that we have continued greater than 100% reserve replacement over the next several years.

We've got a lot of resource in the unconventionals that we are going to be converting to our reserves in the next several years. And on places like the APLNG Project as we drill out the rest of that upstream resource getting ready for those trains to start up, we will be adding reserves there and we will continue to add reserves like we have in the past broadly across our entire portfolio.

The reserves that we are adding will continue to be high-margin reserves. I'm going to take the discussion now back to cash margins.

So all through the morning as Matt has been going and Al have been going through the different areas in our portfolio we have been talking about how much things are growing and what kind of cash margins you can expect in each of these areas. And what this slide does is really just summarize everything that we told you earlier in the day today.

The point of this slide is really it's pretty simple. What you can see is that the highest margin parts of our portfolio are the things that are growing the fastest and the low-margin parts of our portfolio are going to be shrinking.

So for example on North American unconventionals we're going to have a greater than 20% compound annual growth rate over the next several years and that is $40 a barrel or better cash margins. And conversely, the North American natural gas part of our portfolio we think is going to shrink an average of around 6% a year and that is the low-margin part of our portfolio. So you can see how we can get to the view that we are going to have 3% to 5% margin growth along with our 3% to 5% production growth.

Now we talked to you about this last year as well. We used some different forms and charts but one of the points we made last year is that you are not going to have to wait until 2017 to see this cash margin start to happen.

So if you look at what happened in our portfolio as we went from 2012 to 2013, we had increasing production of liquids in the Lower 48. We had higher production of liquids in Canada, higher production of liquids in parts of our Asia Pacific portfolio. Where we had decreases in liquids production it was in higher tax areas and then we had declines in our North American natural gas production.

So if you look at year on year what happened to our cash margins, that they went up, if you look up towards the ceiling there, our cash margins went up by 11% year over year which is better than any of our integrated or independent peer companies. Now we got a little bit of help from prices on this cash margin expansion, but so did every other company that was in our peer group and if you price normalize out to any price effects we had a 9% year-on-year cash margin growth.

And that cash margin growth ended up showing up in cash flow growth as well. If you look at 2012 we had a cash flow of around $15 billion and in 2013 we had a cash flow around $16 billion. And that was in what was roughly a flat price environment from 2012 to 2013 and we actually saw declines in production by a couple of percent from 2012 to 2013 as we wrapped up our -- as we completed more of our asset sales program and we had some volume decreases associated with the Libya volumes going down.

So cash flow grew by 7.5% driven by the increases that we saw in cash margins. So this same kind of portfolio shift is what we were talking about happening as we go forward between now and 2017. So that's why we say that 3% to 5% production growth drives 3% to 5% margin growth and those together drive 6% to 10% cash flow growth.

So if you say we are at $16 billion of cash flow in 2013 and that grows 6% to 10%, by 2017 we are somewhere between $20 billion and $23 billion of cash flow. Now, that gets us to the point where we've got the cash flow to fund a growing capital program, to fund a growing dividend. While we are waiting for this cash flow to grow to that kind of level we've got a very strong balance sheet which is available to fund a portion of our growth investments.

I'll talk about our balance sheet just for a minute. So if you look at our debt right now it is rated A1 by Moody's, it's rated A flat by Standard & Poor's and Fitch. And when we think about where we want to be in terms of a credit rating, we think that's an appropriate place to target.

So if you actually look at how our debt trades in the marketplace, it probably trades more like a AA credit than a single A credit. In terms of debt balances we probably have the ability to increase debt balances somewhat within our current credit rating and when we think about debt reduction, we don't think of that as a real priority use for our cash flow going forward.

On the cash side of our balance sheet we ended up 2013 with $6.5 billion of cash on our balance sheet. We need about $1 billion or so of that cash to operate the business and we don't have any significant restrictions on our ability to move cash where we need it around the globe to fund our investments.

So in addition to the cash balance that we had at the end of the year in the first quarter of this year, we received a $1.3 billion distribution out of our Foster Creek, Christina Lake joint venture. So you're going to see at the end of the first quarter we will have even stronger cash balances than we had at the end of 2013.

So the point of the slide is that we have cash, we have debt capacity and the balance sheet strength to give a lot of coverage to our capital investment and our dividends over the next several years. We've talked a lot about cash margins this morning but it's also important we think to keep your eye on capital efficiency metrics. And return on capital employed is probably the one that you see the most often.

Now a lot of companies can go out there, they can make a lot of claims about the returns they are making on projects, but if it ultimately doesn't show up in the metric like this then you haven't really validated that you are getting those kinds of returns.

So when we look at where we are in this metric right now we are better than the average of the independents. We are kind of right on top of where the integrateds are. The integrateds, though, are getting a little bit of benefit recently from a pretty strong refining position.

When we think about where is this heading going forward we've got several things which are going to help us improve our ROCEs as we look forward to the next several years. One is that we have been putting a lot of capital into these long lived, low decline projects that we've been talking about but those projects are yet to really produce substantial income or cash flow for us. So as those projects come online that's going to help us improve returns on capital employed.

We have talked about how we're going to be shifting to our portfolio to higher return, higher-margin projects. That also helps drive capital returns on capital employed higher.

And then Matt talked earlier this morning about how we booked a relatively small amount of our unconventional position so far. So the result is that as we book out more of those unconventionals over the next several years we will see unit DD&A rates come down in the unconventionals and that is going to help drive higher returns on capital employed as well.

And of course we are always going to continue to be focused on driving cost as low as we can and maintaining efficiencies. So this is a metric that we expect that we are going to see improvements as we go through the next several years.

So I want to wrap up this morning to talk about kind of one final financial topic and that is of course the dividend. We've talked a lot about how important this is for us for ConocoPhillips, we are big believers in the power of dividends and dividend growth to create long-term value for our shareholders and we are a company that has been, that's had a long history of increasing our dividend.

So for us it's the highest priority use of our cash flow. Now we get a lot of questions about the dividend and whether or not that creates a lot of tension in our capital allocation process. And it does create tension in our capital allocation process but we think that makes sense because it keeps us focused on just executing the highest returning parts of our capital program.

So we think of the dividend also as being very differential to our independent peers. If you look at where dividend yield is right now, a dividend yield at 4% is greater than, by a good measure, than our independent peers and actually greater than about half of the integrateds as well.

So we think of this dividend as being the predictable part of a shareholder return. And that when we have talked this morning about driving 6% to 10% cash flow growth and you add dividends on top of that you can see where we get to the point where we are saying we are going to have double-digit returns back to our shareholders.

So as I wrap up here and turn the presentation back to Ryan, I want to close with just maybe a few points. So if I was in your position, which I am glad I am not, just trying to summarize what you want to take away from the financial part of our discussion this morning, the key points would be that we have growing cash flows, that you are going to be seeing improved returns on capital employed for us, that we've got a lot of balance sheet strength capable of funding a portion of our growth investments and that as a company we are committed to dividends and seeing that those dividends are going to continue to grow over time. And so with that I will turn it back to Ryan for some closing remarks.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Thank you, Jeff. So let me just end where we started today. And that is again our value proposition is unchanged from when we spun out as an independent E&P company two years ago.

Hopefully what you have seen today from Al and Matt's discussion is that we have got significant upside. We have got significant upside in these unconventional resources that we are identifying.

When you combine that with the exploration upside, we see visible choices and options for growth well beyond 2017 into the next decade. And really that is coming from all parts of the portfolio. It is not just the unconventional and exploration, but includes our legacy assets as well.

Hopefully you saw this direct linkage between volume growth, margin expansion with the capital that we are investing. And Jeff showed you that today we have a very strong financial position and that improves as time, as our margins grow our cash flow grows and improves our financial strength and that the dividend still remains the top funding priority in the company.

So as our cash flow grows you ought to expect the dividend to grow as well. And finally, back to that original goal that I talked about, we understand what we are trying to do here and we understand that it is all about returning double-digit returns to our shareholders annually.

That's what we are focused on doing and that's what we are committed to do as a company. My leadership team, really 18,000 employees and their company are firmly behind that goal.

So let me end there. Turn the meeting over to you guys and take your questions and entertain them. Down here in front, we've got a microphone, go down the line, Robert, Doug, and Paul, then we'll get over there.

QUESTION AND ANSWER

Robert Kessler - ***Tudor, Pickering, Holt & Co. - Analyst***

Thanks, Ryan. It's Robert Kessler, Tudor Pickering & Holt.

You seem to be, as you have in years past, constraining your Capex for a number of reasons. You are constraining, as Jeff alluded to, because of the tension between the capital investment and the dividend. You are constraining to a certain extent because you don't want to move too aggressively too fast in the unconventionals, get ahead of the knowledge on the down spacing opportunities, get ahead of the infrastructure, for example.

But on the first point I am curious what your Capex might move to if you are not financially constrained. If you remove the balance with the dividend, what would that do to your capital budget and what in turn would that do to the growth rate? As opposed to your 3% to 5% guidance in production, and unit margins, where could you go on an unconstrained basis?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

It's a good question. I can ask Jeff to add his comments as well. From my perspective as we think about it the additional opportunity that we have in the unconventionals, could we spend $1 billion or $2 billion more dollars and go a little bit faster? We probably could but as Al and Matt said, we are trying to balance that with making sure we are getting the full value of the learning curve and balancing that against what we are doing on the acceleration part of it.

So even in an unconstrained scenario I don't see the capital blowing out a whole lot. What we are talking about really is how we build the exploration program, how are we adding to the unconventionals to try and drive the growth that we are doing.

We've got more inherent growth in the company that we could do. We talked about the 6% in North American gas. We could be investing in that.

We don't think that makes sense today to go do that, but it provides great option value for the company down the road. So we think we are in the sweet spot where we need to be right now.

One, it's delivering good returns back to the shareholders, it's exploiting the portfolio that we have but as we have seen new opportunities develop in both the unconventionals and the successful exploration, it will be an issue that we have to address down the road. I don't know, Jeff, do you want to add a little bit?

Jeff Sheets - ***ConocoPhillips - EVP, Finance & CFO***

The only thing that I would really add to that is this is a question that we are looking at a lot internally as far as what could we get incrementally from adding a little bit more to the capital budget. You can see as we talked about earlier, that we've got a lot of balance sheet there so we have the funding capability to do that.

So, as Ryan says, it really gets to be more a question of what is the optimal rate to try to address some of these capital opportunities that we have and we will just continue to watch that. So if we find out in 2015 or 2016 that it makes sense to pursue this at a rate more rapid than what you have seen here today we will do that and the production guidance will probably change as a result of that as well.

So what we have tried to present today, though, was a case where, what we are saying to you is for an average of $16 billion of capital or so that you are going to see this kind of production profile. So of course if capital changes the production profile would change as well.

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

Ryan, on the E&P portfolio, LNG and oil sands have higher relative profitability than they do higher returns but they provide stability over the longer term so there's some balancing factors there. So my question is, how do you determine the appropriate mix of these two businesses in the portfolio and has the viewpoint changed over the past couple of years as the new management team has had time to form and kind of evolve its strategy in light of the new opportunity set that you have?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Good question. As we think about it when we originally started those long, low decline, long-term assets do provide some cash flow pancakes over a long period of time in the company. And I think they are important in the portfolio but as we said before we've got a huge position in the oil sands and we'd look at chances to rebalance that a little bit.

And the reason we want to do that is because we are seeing so much more opportunity in the unconventional side. Even though we get a different decline rate we get it and you have to run a little faster in that business. As I think as Matt and Al have tried to show you we see a lot of upside potential coming in that, both the Eagle Ford, the Bakken and the emerging plays.

So I would say we are not looking right now to probably add a whole lot of these lower return, long. We feel like we've got a pretty good balance in the portfolio right now. And most of our focus and attention is sitting in the unconventional plays.

Now down the road we also think deepwater Gulf, the deepwater provinces around the world are pretty interesting exploration plays that have a very competitive cost of supply. They have a little bit different profile as well and we think that will be healthy in the portfolio. But today we just see so much upside and potential in the unconventional resources that's where we are focusing our attention, not so much on building more of those big long LNG, oil sands trends.

Paul Sankey - ***Wolfe Research - Analyst***

A follow-on to that and a second question if I could on integration. The follow-on is that you seemed to have -- you've kept your overall corporate growth target flat with last year with 3% to 5% but within that you've seemed to have cut your locations in the Bakken and increased your overall unconventionals volumes but kept the same overall target at corporate level.

So I was just wondering, specifically on the Bakken but then further, what you have taken out of the volume growth to make way for the faster unconventional? That was number one.

Number two, we have often questioned the global integrated model. One of the reasons for that is there really haven't been any numbers put around the benefit of being integrated, the synergy between the international operations in the US unconventional.

Al mentioned that you felt that drilling costs would be reduced by $250 million, I believe. Could you talk a bit more about that number, please? Thank you.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Sure. So on your first question about what has changed, so we have had some changes year on year. I talked about diluting some of the APLNG interest and rebalancing the oil sands that show up here.

And we have actually allocated more capital to the Eagle Ford and the Bakken in growing that. What's come out, what we've had to live within our means and live within the $16 billion capital program, we have taken away some conventional drilling in Lower 48, some in the western Canadian basins and we have deferred some

projects primarily in our Europe. So to accommodate some of the increasing spend we have taken some things out, that's why we are still showing a 3% to 5% growth rate out in there.

The other question, we showed we think there's $250 million of benefit. We haven't really quantified it in complete total but as we look at it we are taking some of the learnings that we have, certainly in the unconventional, applying that internationally. We see some of the transfer of learnings back from our international locations to do what we are doing in the unconventionals.

We think that's pretty powerful. We think the learning curve, the value associated with that learning curve has been pretty tremendous in the Eagle Ford, the Bakken and we see that expanding into the other unconventional plays that we are addressing.

So I don't think we have yet captured all the value that we think we can capture from that. We think it is pretty significant. I don't have a specific number in mind but every time we see opportunities that we can transfer around we see efficiencies improving, we see capital coming down and we see EURs going up.

Doug Leggate - ***BofA Merrill Lynch - Analyst***

Can I try two, one quick one and one more detailed, please? Quick one is, Jeff, can you be clear about what we are using in terms of oil prices now in terms of your guidance because you talked about $20 billion to $23 billion on a 2013 environment, previously you talked about $90 to $100 WTI and Brent, so some clarity there?

My more detailed question is when you look at -- there's a lot of detail, obviously, in the presentation, but it looks like you are spending about the same that you are generating in cash flow on the US conventional and the international portfolio, roughly $7.5 billion to $8 billion. It looks like that portfolio is not really generating, contributing to the free cash flow of the portfolio. It is not growing terribly much either but the growth is predominantly onshore.

So my question is, you are still spending a lot on exploration. Growth inventory in the Lower 48, arguably, has limited visibility and limited growth internationally. What is the visibility beyond 2017 to sustain the growth if the international portfolio isn't really contributing to that free cash?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Yes, so I think what we would show is hopefully take out of today, Doug, is that there is two pieces to that. There is more upside coming, we believe, from the unconventionals, whether that's Eagle Ford or Bakken. In our emerging plays in the Permian, the Niobrara and up in Canada, and then we hope some out of the international emerging plays in the unconventional side too.

The second part is exploration. So as we think about it we are spending $2 billion, $2.5 billion in exploration and that is to load up the inventory for growth beyond 2017. So as we look out there that's exactly what me and my management team are working on today.

The execution and delivery between now and 2017, as Matt said, is there. It's ours to go execute. It's captured portfolio, it's in the portfolio.

But we are working on the things that are going to load up the portfolio and it comes from these legacy assets. It's more platforms in Bohai Bay, it's more platforms in Norway, it's hopefully successful exploration up in the Barents Sea, it's successful exploration in the deepwater. That's what we're doing to build the inventory projects to add for the growth in 2017 and beyond.

Doug Leggate - ***BofA Merrill Lynch - Analyst***

So the way we should think about is that exploration is, we need confidence in the exploration success to have confidence in the longer-term growth profile.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Yes, we've already got four discoveries that will be post 2017. Jeff, yes, did you want to address the oil price?

Jeff Sheets - ***ConocoPhillips - EVP, Finance & CFO***

Maybe I will build a little bit on what Ryan said about the growth beyond 2017 as well. But if you look at a lot of what is driving growth in the portfolio today, unconventionals, phases of oil sands, we're going to continue to see that provide a good portion of growth, so it's not just all about exploration post-2017.

Back to your more particular question, I think you pointed out correctly that we used 2013 and went from there, which was a little different price environment than the $100, $90, $70 and $3.50 that Ryan talked about today. We always are challenged when we try to do charts like this to figure out what baseline is the easiest to explain, so we just used actuals and went from there.

If you took that -- we showed the $20 billion to $23 billion range and you put that on $100, $90, $70 it's a $19 billion to $22 billion range. So it takes about $1 billion difference but I thought it was a simpler explanation just to have it the way we are this morning.

Again, in the back of the book there is commodity price sensitivities that I know everybody in the room has probably got a different oil price deck. So you can use those to adjust your estimates of what the numbers would be.

Ed Westlake - ***Credit Suisse - Analyst***

You've explained a lot over the last couple of years how cash flow will rise because of production and margins and you've given us some helpful slides in terms of capital intensity. And part of it is that you are putting money into shale and Surmont and some of these projects come onstream and you're not doing some of those long-lived things over the 2013 to 2017 period again.

Can you talk a little bit about 2018 to 2020? I'm not trying to front-run next year's presentation but are there sort of big chunks of capital that investors should be worried about? Talk us through what the big buckets might be beyond then?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

No, I don't see big chunks of capital if you define a big chunk of capital as another APLNG Project or another Surmont. As Al said we are looking at Surmont 3, but we want to see the team come with a much reduced cost of supply. That's out in our future.

AKLNG is out in our future if we can get that, but that's well out in the future. If you are just casting forward a few years most of that investment, as we've said, is going into hopefully preplanning on exploration successes.

A lot of unconventional, driving a lot of unconventional growth as well and around the existing opportunities around our legacy assets. So no really big chunks.

Ed Westlake - ***Credit Suisse - Analyst***

And then a question on the shale. It feels like the Eagle Ford gets up to the new guidance, 250, which is significantly raised year over year.

That's obviously a prized asset, as you go into the others, they are a little bit earlier in terms of their development. How confident are you that you can actually drive that nonconventional production beyond the sort of same pace as you have been going between now and 2017, for example?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Well, I'll let Matt chime in. From my perspective it's because of what he showed you.

It's the opportunity to down space. It's the vertical opportunities within the stratigraphic column and it's all those kinds of opportunities in applying the technology, optimizing the completions and the drilling side.

We just are continuing to get surprise to the upside and we see more and more opportunity. Matt?

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

So that's a pretty complete answer. We continue to see -- the more we understand the geology the more we interpret the results from our pilot tests, the more encouraged we are with the potential within our unconventional position. And there certainly is growth potential beyond 2017 within our unconventional position.

We will be able to quantify that more fully when we've got our pilot tests in. We understand the well spacing, we understand the optimized development plans for the Permian, the Niobrara, the Duvernay and the Montney and all of that work is underway but clearly we've got an unconventional resource position that can offer further growth beyond 2017. No doubt about that.

Roger Read - ***Wells Fargo Securities, LLC - Analyst***

Two questions I guess, one following up on Doug's question about the future growth after 2017.

As we think about the spending percentages and you talk about moving away from large projects more to the unconventional spending and maybe just conventional type projects, the Gulf of Mexico if the appraisals turn out well, is that already in the 2017 spending, not in the 2017 spending? In other words as we think about that, Jeff is that an incremental spend increase potentially? And I know things are fuzzy out to 2017, but just trying to get a feel for that on the cash spending side of the Capex.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Well, I can let Al chime in, he's been following a lot of our deepwater efforts. But yes, we are early in the appraisal phases, so most of what we see coming from the deepwater probably starts manifesting itself in capital late in that period and into the next period beyond 2017.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

Yes, I think that's right. It's the deepwater, in terms of the new exploration we were showing you up there, things like Senegal and Angola, obviously there is no capital money out through 2017.

We make discoveries there, the appraisal time, that would, significant money being spent on that would certainly be no earlier than the back part of this decade. Of the four deepwater Gulf of Mexico discoveries, as I said, Shenandoah is definitely in first place there in terms of our main focus for next out of the gate.

And there's really not any significant money in there now out through 2017 because we are really still in appraisal mode. But that one could come right in that timeframe where we would start to ramp up right at the back end of the period we've been talking about today. So that's really the one where you can have the most visibility at this point in time where you would be spending money this decade.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

And I would add that we are increasing the exploration spend. We are ramping up exploration spend to accommodate some of the appraisal that we have going on. So that manifests itself in capital as well.

Roger Read - ***Wells Fargo Securities, LLC - Analyst***

Okay thanks. And then my very specific question is, you went through the cash margins for unconventionals all the way down to North American natural gas, kind of greater than $40 down to $10 to $15.

Giving this meaningful portion of unconventionals includes gas, where is the gas in that? Is that in the $40? Is the gas broken out separate and it's in the $10 to $15?

Just trying to understand are we talking all-in or are we kind of slicing and dicing as we go? And then what is the right NGL price to use given that is also, I think it's sensitivities?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

What is the right NGL price to use, is that what you asked?

Unidentified Audience Member

(inaudible - microphone inaccessible).

Ryan Lance - *ConocoPhillips - Chairman & CEO*

Okay, I think Matt probably has numbers off the top of his head, and I think the gas shows up in the gas portion in the margins set for the unconventionals but there's a pretty broad spread in those unconventionals as well, some are even higher than what we show there. We're trying to show sort of a portfolio average as we think about it. Matt, you --

Matt Fox - *ConocoPhillips - EVP, Exploration and Production*

Yes, so the $40 a barrel margins and the production associated with the unconventional position includes all of the unconventional production, so the associated gas as well. So that's inside that $40 a barrel margin and the reflecting the fact, and that's all based for the presentation here on $4 a barrel Henry Hub.

NGL price forecast has NGLs over this period as similar ratio to gas prices as they currently are. So that's all rolled in, so if we're putting margin classes together we've put all the products together.

So if you look at our overall North American gas production over this period, it's actually pretty flat because it's associated gas being added to the dry gas or liquids-rich gas production in that low-margin category. If you follow me?

Evan Calio - *Morgan Stanley - Analyst*

Conoco really pioneered the recent trend in shrink to grow strategy and the industry has and really continues to struggle with sizes that are larger and even some smaller from production base from Conoco. So as you move forward and have success through the drill bit, exploration or as you continue to grow, do you expect you will continue to sell assets and sell down to maintain a manageable asset base and avoid geographic spread and drive per share production growth via the buyback?

I know one of your offshore partners, for instance, has been very successful with discovery and sell down, sell down to carry. I guess what are your thoughts on going forward and just your thoughts on size?

Ryan Lance - *ConocoPhillips - Chairman & CEO*

Yes, I think we're pretty confident in our plans to grow 3% to 5%, grow the margins, grow the cash. We've got the people, we got the systems, we've got the technology, we've got the success and we've really got the plan.

So I don't -- we are sticking to what we've got, what we've laid out to you. That guidance has been unchanged for the last couple of years and pretty sticking to our plans.

We did sell $12.4 billion of assets over the last couple of years, so your question is there another shrink to grow, I don't really see another big divestiture program in our future. Now we'll continue to always look at high grading the portfolio. We will look at opportunities to sell assets that may be more valuable to others that don't make a lot of sense that aren't competing for capital inside of our system.

So to say we won't have any divestitures over the next few years I can't say that either because we will look for opportunities to do that. I have said before if we could rebalance in the oil sands we would look for that kind of opportunity if it presented itself and do some things at APLNG, so we are in the market. We are thinking about those kinds of things.

But if you ask me is there a shrink to grow 2 in our future over the next five years, no, there is not a shrink to grow 2. I just don't think about it that way.

We've got the inventory, the portfolio, the unconventional opportunities, the exploration opportunities to grow this thing 3% to 5%. And we think it's going to be a compelling value proposition for our shareholders.

Paul Cheng - ***Barclays Capital - Analyst***

Two short questions. One may be short, maybe a little bit longer. The first one is for Jeff, in your 2017 can you give us what is the expected DD&A in that number?

Jeff Sheets - ***ConocoPhillips - EVP, Finance & CFO***

No. (laughter). We'd have to get back to you on that.

Paul Cheng - ***Barclays Capital - Analyst***

Someone will able to email me --

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

We can get it for you, Paul.

Paul Cheng - ***Barclays Capital - Analyst***

Second short one, yes for Ryan, should we assume because you are so comfortable about your brand-new position and your current ability to reach those production and margin growth rate that M&A is not really an important component in your overall strategy over the next three years?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

No, I think that's right. We are really focused on organic growth. Delivering the 3% to 5% organically through the bit.

We are out in the business of acquiring new opportunities on the exploration side so we're in the acquisition. We are doing a lot of that kind of stuff, but I think what you are referring to is large M&A and no we are focused on organically growing through the bit.

Paul Cheng - ***Barclays Capital - Analyst***

And with the, my final question is, with the continued volatility in the North American crude oil and given your focus in growing the liquid position in North America, strategically does it make sense that you did use some internal cash to have either some form of long-term supply agreement with a North American refiner or a joint venture? I know you just got out from the refiner, but market condition possibly change, so what happened before doesn't mean that it is the right strategy today. So want to see that whether you think that is a reasonable argument to be made, or whether you just think that no it doesn't make sense?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Well, when I look at our portfolio, Paul, I think we are naturally hedged across all the different product types because we are selling WTI, we are selling Brent, we are selling WCS, we are selling LLS, Henry Hub, NBP, Duri. So we are naturally hedged across that given the size, scale and diversity of our portfolio.

So we're not looking to try to team up with anybody to ensure that we are moving it. We are making investments in infrastructure where we have to to get ourselves to liquid points where we have choices and options to sell our products. We are doing that and we think that the investments will come.

There may be some quarterly dislocations that are out there but investments will come, they will absorb some of those dislocations. But we are naturally hedged as a company across all different product types. That's something I don't really worry a whole lot about.

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

I have some unconventional ones for you. One with proppant density, does this mean you are putting in more sand or more ceramic for the unconventionals? That's number one.

Number two, for the deep drilling that you do with the engineers, can they run more than one well? I assume you are doing most of your deep approach remotely? Is that correct?

And then the last one is on PUDs. What are your PUD percentages for Eagle Ford and Bakken as a percent of total proven?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Okay, I'm going to have to rely on Al and Matt here to help me out here, so why don't you take the deep and the ceramic versus sand. If you can, please.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

Well, those are pretty simple to answer. On the proppant density, it's not the density of the proppant itself it's how much proppant per horizontal foot of wellbore.

Then on deep, deep right now, yes, it's not being run remotely. You actually only need a laptop as the amount of compute power you need at the rig site to be able to do the real-time calculations, so we just do it at the rig.

It's not centrally controlled. And so it's something that you could set up those algorithms and those measurement systems at each rig and so you can do it everywhere at once kind of thing.

You don't need a central setup. So right now we've been in a testing phase where we are running at one place at a time in both the Permian and in the Eagle Ford. And with the success we've had then we will have to ramp up from there.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

And on the PUDs, I believe 30% or so, Matt? I think it's like 30% is what our PUDs on the Eagle Ford are, so we are not the overly booked on proven undeveloped.

Blake Fernandez - ***Howard Weil Incorporated - Analyst***

I had two questions for you, one on natural gas, what kind of pricing do you think you need in order to ramp up activity? And would the capital allocation for that be incremental to the $16 billion, or would you just simply replace other projects and keep the capital budget flat?

The second question, I think you mentioned potential dilution from APLNG and oil sands, could you talk about how that might impact your production growth? And would you consider taking proceeds to buy back shares so that shareholders still get a similar growth rate on a per unit basis?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

So the first question on the natural gas, I think we're looking at need to see north of $5 in an MMBTU on a sustained basis to probably attract a lot more capital back into the North American gas. We are spending about $800 million right now in that business and if we saw prices north of $5 we would see some returns that were competitive in the portfolio.

It would probably be somewhat additive to the portfolio in my view right now. I don't see anything that it would replace or displace as we thought about that.

Secondly, yes, do we look at the opportunity to dilute at APLNG or rebalance some of the things we talked about last year, we haven't seen the opportunity presents itself. We continue to look and whether or not we would entertain share buybacks is just a function of how we see the commodity price environment, how much cash we have on the balance sheet, what we are trying to do with our investment programs and where we are trying to head.

That is certainly an option that we would consider. It would be below returning via the dividend and making sure we funded the high return projects in our portfolio.

Faisel Khan - ***Citigroup - Analyst***

Looking at the full-cycle F&D costs you guys outlined, you are showing $20 to $25 a barrel. I guess I would've thought given your guys geographic diversity that there would be more dispersion on that F&D cost between the Eagle Ford and the North Sea and other parts of your portfolio. Can you explain why it's all sort of at that same price between $20 and $25 and why there's not more dispersion across the portfolio in terms of the F&D costs?

And then on the F&D, historically you guys were looking at $19 a barrel. You are talking about $20 to $25 going forward. Can you talk about what's driving that increase going forward?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

I'm going to let Matt chime in, too, a little bit. From my perspective I think what we are trying to show in a $20 to $25 is that is the spread of the average.

So as we think about our projects in the portfolio, some are probably a little bit higher, some are a little bit lower than $19, the unconventionals. That's also a function of the booking plan that you have and I think Matt and Al identified we are still methodically working through the booking plans that we have in the unconventionals to make sure that we don't get out of that.

We try to keep our PUD percentage at a manageable kind of level. And all that starts to impact some of the metrics around F&D but we are trying to describe sort of an average across the portfolio ranging between that $20 and $25 a barrel.

Some are higher around our legacy assets that when we go do it, but it's very high-value stuff because the infrastructure is already put in and some of them are lower on a full-cycle basis. Any color you would add to that, Matt?

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

So it really is just a range of uncertainty in the mean. So within our unconventional position there are lower F&D and higher F&D, so I wouldn't read too much into that. It's just coincidental that in each of these it's $20 to $25.

And then your second part of your question was, historically we have been adding reserves about $19 or $20 a barrel. Over the longer term should we expect that to increase to the $20 to $25 a barrel? There's a bit of apples and oranges there.

In the long run this is what you would expect to happen over the long run. But bookings come in lumps and you divide by the, when you quote an F&D cost relative to reserves bookings you're dividing the capital that year by the reserve additions that year, and that's going to vary over time.

But most of these assets are in the $20 to $25 a barrel. So over the long run yes we would expect to see our F&D grow from below $20 to above $20 as we book more and more and develop more and more of these assets.

Ryan Todd - ***Deutsche Bank - Analyst***

I have a question on resource expansion in the Lower 48. There's obviously quite a bit of upside as you look at spacing, whether it's down spacing in the Eagle Ford, your spacing in the Bakken in particular looks quite conservative and the further expansion as you prove things out in the Permian and the Niobrara.

As resource inventory continues to grow there, it would argue for probably higher levels of activity. That would obviously go into the post-2017 time frame, but as you continue to see upward pressure on potential activity levels in the Lower 48 over the next four years as well as Shenandoah and potential Gulf of Mexico capital layering in, how does the tension work out in terms of the capital spend? Are we more likely to see upward pressure on the $1.6 billion capital budget, or are we more likely to back out more European projects or other long-lived projects?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

I think we'll take a look at the overall situation of the company right then, what our cash flows are generating, what cash we have on the balance sheet and the opportunities we see coming out of the portfolio. As you have seen here today we do see some upside potential in most of the unconventionals. Certainly the Bakken and the Eagle Ford and we are going to go after that and make sure that we are doing the right value thing for the company and for the shareholders.

Now as we grow, as we grow from the 1.5 million barrels a day to 6, 7, 8, and 9 that expansion is going to drive a bit more capital. What we say is we're going to average about $16 billion over these next five years but that is what we're going to look at.

We are going to look at the opportunity, what the technology is showing us, with the down spacing opportunity looks like. If there is a chance to go faster that drives more value into the company that's what we will address.

And as we get more successful exploration we're going to have to consider do we cut back our rank exploration to accommodate more appraisal or do we let the exploration budget grow a little bit as well? Those are the kinds of things that we are thinking about as we contemplate what the next three, four, five, six years and beyond 2017 has in store.

But certainly as you grow the company and you get up to 1.9 or so million barrels a day, 1.8, we're going to require more capital. But the cash flows are going to grow and Jeff has shown you how that is going to go and how we are going to fund that.

Ryan Todd - ***Deutsche Bank - Analyst***

If I could just follow up with two more shorter, more specific questions? One, what happened with drilling locations in the Bakken?

The Bakken seems to be performing quite well but the amount of inventory went down quite a bit year over year. And then the 6% annual decline that you see in North American natural gas, is that just in the dry gas focused North American natural gas assets, or is that net of natural gas production growth out of other unconventional plays?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

So I will take your second one first and let Matt address your first one. No, the 6% is in the dry gas assets.

Like Matt said, our Lower 48 total gas volume stays relatively flat but that's associated gas with the unconventionals. So when we show that asset or margin class declining by 6%, that's the dry gas assets we have in North America. Do you want to take his first one?

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

What that is is the decline rate aggregate including the fact that we are investing about $800 million a year in those assets. So the underlying decline rate if we didn't invest anything in our North American gas assets would be a bit higher than that, be more like 13%. But because we are investing in those assets we are mitigating the decline.

Question on the Bakken, we haven't decreased the number of drilling locations in the Bakken, we have drilled some of them but we haven't decreased the number of locations that we have. And it wouldn't surprise me if the pilot testing that we are doing would encourage us to increase that number at that number of locations over time.

Asit Sen - ***Cowen and Company - Analyst***

I have a big picture question. This has to do with unconventional plays and size of the company. It is generally viewed that in unconventional plays size works against you because of quicker cycle time and one has to be nimble.

You guys have done a great job and Al in your presentation you several times alluded to knowledge share as a key enabler. Could you talk a little bit about the organization structure there or incentive structure that you are doing differently to drive the success?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Yes, I will add a bit and then Al can chime in. We do have an organizational structure that is different, so we have what we believe a multifunction integrated teams at the heart of our organization and those guys are charged and they are accountable and they are responsible for delivery. We don't just look at our big peers, we look at across the fence line peers.

So we are benchmarking ourselves against that competition to make sure that we are doing the best we can do, the fastest we can do. The differential that we provide is a lot of technology that many of our smaller peers are not providing and they are kind of going along and just testing as they go. And I think that's what Al was trying to describe a bit in his presentation.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

We're differential in our knowledge sharing capability in our industry. I think if you go Google ConocoPhillips knowledge sharing you will find a whole list of awards we have won in both the IT sphere and in the oil and gas sphere.

We get a lot of requests every year from other companies to send our knowledge sharing guys over to come sort of show them what we do. It really has been a real strength in the company.

It's been built into the way that we are structured for many many years. We have these what we call FETs, functional excellence teams, that use these knowledge sharing tools that we have built that are endemic all around the company. So it's a very international thing, it allows a very free flow of information from all our different groups.

The knowledge sharing group that we have that drives all of this is embedded in our IT organization, which is embedded in our technology and projects organization. So it's well integrated with all our other functional groups and we look at maps of how knowledge is being shared from one part of the world to the other and across different functions and can actually track how well that is working and it's been pretty impressive what it has done for us.

It is actually one of the key tools that we are using today to combat the great crew changes, we call it in our industry, where we have so many people with so much knowledge who are retiring and we've hired all of these younger people. A big part of how we do that knowledge transfer from the experienced folks to the less experienced folks is using these tools.

James Sullivan - ***Alembic Global Advisors - Analyst***

This may be more for Al, but obviously you guys have had a pretty good return on the proppant volumes and cluster spacing in terms of deploying that to the unconventionals. Can you talk a little bit about next phase on that?

Maybe if you guys are working on cemented liners or plug and perf, or anything? People are doing that up in the Bakken, but --

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Go ahead, Al.

Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

I kind of hinted at it on a few of those plots. You may have seen some little dotted lines on there, for example on proppant density where we do have some modeling that tells us we can go even higher than what we are doing today. And we have experimental, we've got pilot tests in the ground right now that we just don't have enough runtime on to see those results, so I actually expect that we will get even better results there.

With regard to some of the completion techniques you mentioned, we are using them all in different places. It's really geology driven. That was one of the key learnings I showed you that we had in the Niobrara where we were taking this Wattenberg completion design.

We weren't very far away. It looked similar to us. We thought it would work and it did work some but it didn't work nearly as well as where we wanted to be.

And so it really is geology driven and what the permeability of the rock is, the thickness of the rock, how brittle it is, all of those factors come in. That's why we are building these models to allow us to move more quickly each time we come into a new play to be able to figure out those questions quicker, but I think we still have a lot of upside left.

There's a number of new technologies we are testing. Some are designed for increased recovery but a lot of them are also focused on cost reduction, different ways to do those completions, for example, multistage fracture jobs to allow them to go faster at a lower cost. So I think there's still a lot left to go there.

James Sullivan - ***Alembic Global Advisors - Analyst***

Okay, just a quick follow up on that. How do you think about the trade-off in having asked you to comment on applying technology to wells. When does it not make sense to gold plate a well, if you know what I'm saying?

Drill a well that has all the bells and whistles and you're not going to get the money out of it, it's not really worth it to do it. You guys obviously work on optimizing that, I'm sure, but do you have any thoughts around --

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Al Hirshberg - ***ConocoPhillips - EVP, Technology and Projects***

Yes, there's no question that you can drive each of these things to higher and higher production that you will pass a point of no return where you have been over on the PD curve and you are not adding value anymore, and we have experienced that. So that's really what we are doing and it's a combination of the technology to increase your recovery and to reduce your costs to sort of figure out where that maximum value point is and that's what we're focused on is finding that value point.

But the second part of what we are focused on there is not getting to that exact point, but getting pretty far up that curve before we go run a million rigs. So it's about getting reasonably well optimized before we go into mass production mode and have a large number -- you don't need but a few rigs running to answer these questions and to get up the learning curve. You don't need 16 rigs to drive a learning curve, you can do it with a handful.

Pavel Molchanov - ***Raymond James & Associates - Analyst***

First on Capex. You have maintained the $16 billion headline target but you did make the prepayment at the end of last year, so is it actually an increase on an adjusted basis? And then secondly, can you envision a scenario where you would enter Mexico as part of the new investment opening policy there?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Yes, and I can let Jeff chime in on the FCCL piece, as well, but certain people have started to head back in Mexico. We've had conversations, we've been in discussion, we see what's going on in Mexico.

I think my message to them is you need to create a competitive system in there that competes against your neighbors to the north both in the Lower 48 and up in Canada because that's the investment environment that you are competing in. So if you want good technology, companies like ours to come in, put our people in, put our technology and to try to help grow, we've got to see a pathway to get competitive returns relative to the other things we are doing in our portfolio.

And they've got some choice. They are looking at different models, they are looking at tax and royalty, service company models, PSCs and all of that.

You can craft a successful system out of any one of those. I don't think we are too awfully interested in a service model. We have to see our way to book rate, book reserves, see some upside in commodity prices should they appear, and something to get us to bring our people and our talent and our money and it's got to be competitive with what we are doing around the rest of the globe, and that has yet to be seen.

We'll see what assets they put out and what kind of terms and conditions that is. On your first question around the capital, we saw the opportunity to make an early payment on FCCL.

That was treated as capital going forward over the next few years that doesn't show up today, but we saw a unique opportunity, really a balance sheet issue to address in terms of the interest rate we had. I'll let Jeff elaborate.

Jeff Sheets - ***ConocoPhillips - EVP, Finance & CFO***

Early this morning we talked about how the big picture what we are talking about this year is approximately $16 billion of capital for the same production targets that we talked about last year. I think Ryan talked pretty early on, though, that in any portfolio things are going to change slightly year to year but the overall message is still the same.

So if you think about what is going at FCCL, inside that joint venture you've got increasing production that is happening all the time and it is still a pretty heavy investment level that is going on. What we've been doing over the last several years is net the partners have been putting money into that venture, it's been coming mostly from us because we've had this subscription obligation.

But as we look at 2014 the venture has actually got itself to a point where it's pretty much self-funded. So what happened when we put in the $2.8 billion at the end of last year was the partners looked at that in the first quarter of this year and said the venture doesn't need that cash. And so about half of that went out to both of the partners.

So net net it wasn't a really significant change in our cash balance. It lowered what our year-end cash balance would've been but you will see some of that come back to us at the end of the first quarter.

So the big point there is that FCCL itself is getting to the point now where its production is catching up to its capital and it is moving towards a position from where it was, a big consumer of capital, to where it's going to be something that generates cash flow for us going forward. The decision to pay off the obligation, as Ryan mentioned, is just pretty much a balance sheet management kind of question.

You've got a fixed obligation that cost us more than 5% interest, cash on our balance sheet earning a lot less than that, so it doesn't make sense to continue to have that on the balance sheet. So we took the opportunity to go ahead and pay that down.

Faisel Khan - ***Citigroup - Analyst***

Just going back to the way the company is set up today, right now the company trades sort of an average cash flow multiple versus the mega-cap names in the group. You guys have a long reserve life, you've talked about North American unconventional production sort of growing 20% over the next few years, which is that is sort of a premium multiple on any North American company today in the market.

If the relative value of the company doesn't move up versus some of the other big peers, would you guys consider structural options? Because this is quite a large North American unconventional portfolio going to 400,000 barrels a day, just trying to understand how you are thinking about that if the market doesn't give you credit for it over time.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

I think the markets work. As our margins grow our cash flow grows. That's going to be very visible in the company and our valuation ought to grow as well.

Again, we see a lot of value in terms of sharing amongst our unconventionals, sharing globally, sharing worldwide. We think that brings a lot of value. It should show up in our cash flows.

It should show up in our multiples. So we think our shareholders will get rewarded. And again we are focused on double-digit returns to the shareholder.

So we think that's going to show up, you will see it as 3% to 5% production, 3% to 5% margin, a good dividend and the shareholder ought to see double-digit returns and that ought to be reflected in our valuations.

Don Ames - ***Ames Capital Management - Analyst***

Back in December of 2012 Conoco announced that they were selling their Nigerian operations to Oando. The deal is close to closing. We understand that.

There's a report that indicates that it was only two months ago that the necessary paperwork to be filed with the Ministry of Petroleum Resources in Nigeria was filed indicating that a further delay is on the horizon. A, is this report accurate? B, when can we expect this deal with Oando to be completed for approximately $1.7 billion?

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Well, I think, one, I think the reports may be half accurate, if you will. We have been talking with the Nigerian government for a long period of time. The formal paperwork and getting their approvals, getting their understanding of the deal, understanding who the buyer is, understanding what the buyer's capability is, the buyer has been having conversations with the government all along in this period.

So there's a little bit of spat going on right now with respect to some of the media that you are referring to, but my message is we are close to getting done. We just lack the government approval. We are in the process to get that done and expect to get that done in the next month or so.

Unidentified Audience Member

(inaudible - microphone inaccessible).

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

No, it's the same price. How about one more question, please?

Guy Baber - ***Simmons & Company International - Analyst***

This is a follow-up to an earlier question, but you mentioned in 2017, 25% or so of your production coming from long life projects, oil sands, LNG, etc., etc. Do you believe as you think about the optimal construction of your portfolio long term that that is about the right percentage where you would like to be? How do you look at that and how do you think about that?

And then I had a quick follow-up, it appeared to me that your unconventional production, and correct me if I am wrong here, outside of your core areas, so Permian, Canada, Niobrara, the growth had been revised a little bit lower relative to where we were last year. If that's the case could you just touch on maybe just what the specific drivers are and how we should think about that? Thanks.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Yes, I'm going to get Matt to chime in too on the growth part, on the unconventionals. Your first question, I'm not out there trying to find out what is the optimum in terms of these long life pancakes of cash flow that you might get, the more the better, in your portfolio, but you do have to suffer.

They too tend to be a little bit lower returns, so we're not trying to find the right balance, is it 25%, 30%, or 35%? What we're saying in our portfolio is we are investing in those opportunities.

We have them captured. They are going to generate a lot of cash. They are going to lower the capital intensity over time and that's what they look like in our portfolio.

The opportunity really, though, in our portfolio is to invest in more unconventionals, more of the high return, things around the legacy assets and that is what is going to balance out the portfolio. It just ends up the math comes out, they end up being 25%.

But I doubt they are strategically matching or trying to match up a target to that. We recognize they are important in the portfolio because of the cash they generate but more importantly we are taking that cash, putting in with the unconventionals, putting it into higher return opportunities that we think are deep and broad within the portfolio that are going to drive the 3% to 5% growth that we are achieving. Relative to last year's plan maybe, Matt, you can address that a little bit?

Matt Fox - ***ConocoPhillips - EVP, Exploration and Production***

Just simply capital relocation. So we've added more capital in the Eagle Ford, the Bakken and we have reduced some capital in some of the other plays. The aggregate affect is an increase, which is capital reallocation and measuring the capital pace to suit the learning pace and then optimizing the value based on that.

Ryan Lance - ***ConocoPhillips - Chairman & CEO***

Great. Well, thank you all. So maybe just a real quick, appreciate your time.

I know it's been a long time. You've sat through a lot of information here. Hopefully we have given you a perspective on the company that is a bit unique.

We think we are unique in the marketplace. We think we have an offering that is quite compelling. We've got a clear line of sight to the 3% to 5% growth, the margin expansion that is coming in the company and ultimately growing cash flows, growing dividends and double-digit returns to our shareholders.

So we are excited about what we have created, the opportunity set that is coming in the company and the growth and the development we are going to go see. So thank you for your time and your attention and I hope some can join us for lunch.

We will have that here shortly. Maybe Ellen can provide a few of the logistics there? Thank you.

Ellen DeSanctis - ***ConocoPhillips - VP of IR and Communications***

Thanks so much for being here this morning. We truly appreciate it.

(Conference Instructions).

Editor

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