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NEWS RELEASE

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Chairman and CEO Ryan Lance Urges U.S. Crude Oil Exports

Policy Change Could Enhance Job Creation and Economic Development, Reduce Fuel Prices

PALM BEACH, Fla. – ConocoPhillips Chairman and CEO Ryan Lance says exports of the nation's impending surplus of light (unconventional) oil could benefit the United States by encouraging further job creation and economic development, while reducing gasoline prices and improving global energy security.

Enabling such exports requires lifting the federal government's outdated 1970s-era export ban, implemented at a time when U.S. oil production was falling. In contrast, U.S. production increased from a low of about 7 million barrels of oil per day (MMBOD) in 2008 to about 10 MMBOD last year, primarily due to rapid growth in unconventional production of light oil and condensate from shale rock and tight sands. Further growth is expected.

"The economic transformation resulting from the renaissance in light sweet oil production has been great for our industry and our country. It has proven to be a job-creation machine, an engine for the country, as well as a source of economic development," Lance told members of the Independent Petroleum Association of America (IPAA) last week. "Since 2007, oil and gas jobs grew by 65 percent. These tend to be high-paying jobs with good benefits. Meanwhile, total private-sector job growth was only 2 percent."

Allowing exports could raise U.S. future production by 1.5 million to 3 million barrels per day, according to the Brookings Institution, a 10 to 20 percent increase over likely production levels without exports.

"There's also a huge multiplier effect from our investments as they pass through the oil and gas supply chain, such as for materials, manufacturing and all the services and support equipment we use," Lance said. "And these jobs aren't confined to traditional areas, with 35 states now producing oil and gas. Also, IHS (an energy consultancy) found that one-in-four jobs created by the exports would be in states that don't even produce oil today."

Lance added that consumers could also benefit from lower prices on gasoline, heating oil and diesel fuel. Prices on these fuels are set by the global market, and exporting our excess light oil into that market could reduce upward price pressure, he said. American consumers could expect to save $18 billion annually, while governmental entities could gain $1.3 trillion in revenue from higher federal, state and local taxes and royalties from 2016 to 2030. These estimates are from an IHS study.

The U.S. could benefit in the geopolitical arena as well by gaining the ability to provide allies with secure energy supplies.

"We'd likely use most of our oil here at home, (and) we would only export the (light oil and condensate) surplus that doesn't match U.S. refining capacity," he added.

Growing light oil and condensate production is a mismatch for a number of U.S. refineries that have invested billions of dollars to handle heavy, sour crude oil. Light oil and condensate don't yield an optimum product mix when processed by such refineries or could require cuts in run rates. Consequently, they would likely require a steep crude price discount to enable these refineries to process it.

"Without a lifting of the export ban, we'll face an impact from the resulting domestic crude price discount," Lance said. "The discount would ultimately threaten the producing industry's ability to make investments in new crude supplies. In short, it could shut down the energy boom."

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Editor's Notes

A full transcript of the speech and presentation can be accessed here.

Below is a summary of crude oil export benefits described in the presentation:

Abundance Source - Brookings Institution

- An increase in U.S. production by 1.5 million barrels per day (MMBD) to 3 MMBD by 2020
    - This represents a 10-20 percent increase from anticipated levels without exports
- All domestic oil would compete freely in the global market
- Value received would be commensurate with global prices
- Investment in new U.S. production would increase
    - The domestic price discount would disappear
- More wells and drilling plays would become economic
- Companies would have increased cash flow to invest domestically

Economic Benefits Source - IHS Global Inc.

- Savings to consumers on fuel would total $18 billion annually
- Job creation and economic development would improve
- Expanded markets would incentivize $750 billion in new exploration and production investment between 2016 and 2030
- The U.S. would gain $135 billion in annual Gross Domestic Product at the peak
- One million direct or supply-chain jobs would be added at the peak
- The U.S. trade balance would improve by $67 billion annually
- Government (federal, state & local) would gain $1.3 trillion in revenue over the period of 2016 to 2030

Job Benefits Source - U.S. Bureau of Labor Statistics

- Energy production prevented the U.S. downturn from being worse and spurred recovery
    - Oil and gas sector jobs expanded while other sectors lagged
        - Since 2007, oil and gas jobs grew by 65 percent
        - Total private sector job growth was only 2 percent

About ConocoPhillips

ConocoPhillips is the world's largest independent E&P company based on production and proved reserves. Headquartered in Houston, Texas, ConocoPhillips had operations and activities in 27 countries, $55 billion in annualized revenue, $119 billion of total assets, and approximately 19,000 employees as of Sept. 30, 2014. Production from continuing operations, excluding Libya, averaged 1,520 MBOED for the nine months ended Sept. 30, 2014, and proved reserves were 8.9 billion BOE as of Dec. 31, 2013. For more information, go to www.conocophillips.com.

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