

2012-2013 Report to Alaskans



ConocoPhillips

Alaska's Oil & Gas Company

Dear Alaskans:

When I'm asked about the future of our company in Alaska, I say, "It's bright." You may wonder why I'm so optimistic. The reason is simple: our commitment to Alaska – and Alaskans – is rewarding. And with the passage of oil tax reform bill SB21 by the Alaska State Legislature, there is more reason to feel good about the business environment in Alaska.

Big changes to ConocoPhillips companywide also play into my optimism. In mid-2012, ConocoPhillips became an independent exploration and production company. The company is placing a renewed emphasis on our SPIRIT values. Through Safety, People, Integrity, Responsibility, Innovation and Teamwork we manage our culture and conduct business in a way that's good for our employees and for all the communities where we do business – including Alaska. These values will guide us as we strive to pioneer a new standard of excellence in our industry.

So what else has me excited about our work and our future in Alaska? Our CD-5 development project, west of the Alpine field on the North Slope, is one example of a project moving forward. After years of planning, we are poised to become the first company to build an oil development in the National Petroleum Reserve-Alaska. Our preparation for this project has included extensive focus on environmental conservation and stakeholder engagement. The CD-5 project is scheduled to begin in the winter of 2014. First oil is slated for late 2015, and peak production is estimated at 18,000 barrels of oil per day (BOPD) gross. Getting this project ready will also generate about 400 jobs and hundreds more support jobs during the construction phase. It also represents a billion dollars of investment over the next three years.



And thanks to continued improvements in technology and an improved business climate, we know that our Kuparuk River field has the potential to produce well into the future. In fact, an additional rig arrived at Kuparuk in late May and has already increased production by 1,600 BOPD, while supporting about 100 direct new jobs and hundreds of indirect jobs.

This rig was the first new project initiated after tax reform passed in the Alaska Legislature. Two other projects announced after the passage of SB21 are Drill Site 2S at the Shark Tooth discovery, which will target an undeveloped section of the Kuparuk formation, and Greater Mooses Tooth #1 (GMT1) in NPR-A, an Alpine satellite for which we have started the regulatory and permitting phase. These two projects will add at least 630 jobs during construction and generate an estimated 38,000 BOPD gross. In November we announced that another rig would begin work at Kuparuk in January, generating additional production and jobs. And the Cassin 1 exploration well in our Bear Tooth Unit in the NPR-A was drilled in the winter of 2013 and is still being evaluated.

Here's the bottom line: with CD-5 and the newly announced projects, as well as additional projects being evaluated, we are hopeful we can begin to stem the decline of oil flowing through the trans-Alaska pipeline. This assumes of course that the tax regime changes brought forward through SB21 are here to stay. It also builds on the years of work by a lot of talented, hard-working ConocoPhillips employees and capital investments by the company – \$828 million in 2012. A significant amount of that went toward maintenance and renewal projects that will safeguard and extend the life of our North Slope assets. With the passage of SB21, we will significantly increase our budgets for development of new resources compared to what was planned under the ACES tax structure.

All of these opportunities are exciting, but none of them would be possible without a well-trained and committed workforce. With education being a prime focus, ConocoPhillips donated \$6.5 million to more than 300 nonprofit groups throughout Alaska in 2012. We have recently completed a multimillion-dollar program to create endowments for the arctic science and engineering programs at the University of Alaska's main campuses in Anchorage and Fairbanks. We're also funding multiple programs that prepare young people for careers in the oil industry. We go out of our way to recruit promising Alaskans – rural, urban, even those attending college out of state. After all, these are the ConocoPhillips employees of the future. With the right opportunities on the horizon, some of these people will join our current workforce, which totaled more than 1,200 people last year, about 88 percent of them Alaska residents. We have hired about 50 people since SB21 was passed in May. Our employees have volunteered more than 7,100 hours of community service in 2012 and donated a half-million dollars to United Way out of their own paychecks. Their talents and creativity have made ConocoPhillips a leader in finding new ways to safely and responsibly develop Alaska's resources. More than anything, it is this group of people who make me optimistic about our future!

I am especially proud of our safety performance. ConocoPhillips believes that our work is never so urgent or important that we cannot take the time to do it safely, and in 2012 we had our safest year ever in Alaska. We are focused on creating an Incident-Free Culture, where everyone is a safety leader, regardless of his or her formal title in the workforce.

Lastly, I want to thank all our contractors and other stakeholders in Alaska for their excellent work and for their support. By working together toward a common goal, we will find ways to bring more oil through the trans-Alaska pipeline, create more jobs, generate long-term revenues and secure a bright future for Alaska.

Trond-Erik Johansen
President
ConocoPhillips Alaska, Inc.



ConocoPhillips in Alaska

ConocoPhillips is Alaska's largest oil producer and has been a leader in oil and gas exploration and development in the state for more than 50 years. Our primary operated assets include natural gas facilities in Southcentral Alaska and the Kuparuk and Alpine fields on the North Slope. Additionally, we have significant interest in the Prudhoe Bay field and the Trans Alaska Pipeline System. By expanding our Alpine field across a channel of the Colville River, we are poised to become the first company to build an oil development in the National Petroleum Reserve-Alaska. We operate our own fleet of double-hulled tankers to transport oil and a fleet of aircraft to transport employees and contractors from Anchorage and Fairbanks to the North Slope.

In 2012, these assets – combined with the talent, creativity and hard work of more than 1,200 employees and thousands of contractors – resulted in production of 204,000 barrels of oil and natural gas liquids per day and 55 million cubic feet of natural gas per day.

Every year, we work to further develop the oil and gas fields we've discovered and, in some years, explore for new ones. In all, ConocoPhillips has drilled more than 60 exploration wells since 2000, including more than 20 in the NPR-A.

ConocoPhillips holds 1.2 million net acres in state and federal exploration leases. Of those, on the North Slope we lease more than 400,000 net acres from the state and nearly 450,000 net acres from the federal Bureau of Land Management, in the NPR-A. We hold more than 300,000 net acres in the federal Outer Continental Shelf and some 25,000 net acres in both state and federal leases in Cook Inlet. The remaining acreage is leased from private landowners, including more than 50,000 net acres from Arctic Slope Regional Corporation. These leases represent a major asset for our company – and they are tangible proof of our commitment to Alaska's future.





ConocoPhillips in Alaska

Where We Operate

- Kenai Liquefied Natural Gas Plant since 1969, 100% owner
- Tyonek Platform in Cook Inlet since 1969, 100% owner
- Kuparuk River Unit since 1981, 52.2% – 55.5% owner
- The Beluga River Gas Field since 1986, 33% owner
- The Colville River Unit (Alpine) since 2000, 78% owner
- Alaska headquarters in Anchorage
- 100% owner of Polar Tankers
- 50% owner in Shared Services Aviation

Other Alaska Assets

- 36% owner in the Prudhoe Bay Unit
- 29% owner in the Trans Alaska Pipeline System

2012 ConocoPhillips Alaska, Inc. Production

- 204,000 barrels of oil and natural gas liquids per day
- 55 million cubic feet of natural gas per day

Investment & Economy

- Invested more than \$828 million in capital projects in 2012
- Approximately 1,200 direct employees
- Paid more than \$2.6 billion in taxes to the State of Alaska in 2012
- Paid an additional \$1.17 billion in royalties
- Also paid \$1.13 billion to the federal government
- Paid more than \$14 billion in taxes to the State of Alaska from 2007 through 2012; additionally, royalties valued at more than \$6.5 billion were paid over the same period

Exploration and Development

- Construction of Alpine satellite CD-5 scheduled to begin in 2014 with first oil planned for 2015
- One exploration well, Shark Tooth #1, drilled inside Kuparuk River Unit in 2012
- In 2012, the company acquired 15,800 net acres in several prospective exploration trends to pursue in the future
- In early 2013, a new oil discovery at Cassin in the Bear Tooth Unit in northeast NPR-A was successfully drilled
- 71 lease blocks held in the Chukchi Sea; exploration drilling on hold while regulations are being developed
- Drilled more than 60 exploration wells since 2000

Community

- Total philanthropic spend for 2012 was more than \$6.5 million
- More than \$106 million donated to Alaska nonprofits since 2000
- On average, more than 7,000 employee volunteer hours per year

Since passage of SB21

- Additional rig to Kuparuk field supporting 100 direct jobs and about 700 indirect jobs
- Engineering and design for new Drill Site 25 at Kuparuk
- Permitting and engineering for new Drill Site Greater Mooses Tooth #1, in the NPR-A





A person wearing a green raincoat is seen from the side, looking out over a body of water under a cloudy sky. The image is partially obscured by a white diagonal shape on the left side of the page.

Environment

The only way to truly protect the environment is to understand it – and to understand it you have to study it. That’s what ConocoPhillips has done for many years and intends to continue doing in the future. In 2012, we had more than 40 scientists on the North Slope conducting a variety of environmental studies from hydrology, to archaeology, to mammal and fish studies. We work cooperatively with local communities and agencies, along with other stakeholders, to ensure that we monitor and track changes to the ecosystems where we operate. To date, our studies have shown that impacts to the animals that call the North Slope home have been minimal. ConocoPhillips remains committed to pursuing good science and we consider our environmental studies program “world class.”

Ambient Air Monitoring

For decades, ConocoPhillips has been monitoring the air quality in and around many North Slope oil fields. Our measurements show that the air quality of the North Slope, at all locations, is consistently better than national ambient air quality standards. ConocoPhillips’ monitoring stations measure temperature, wind speed, wind direction and concentrations of carbon monoxide, nitrogen dioxide, particulate matter, sulfur dioxide and ozone. The results of the air monitoring are openly shared with the North Slope communities and with the state and federal environmental agencies.

Polar Bear Den Detection

Every year, ConocoPhillips works with federal agencies to conduct maternal polar bear den detection surveys before winter off-pad operations begin. Using an aircraft-mounted infrared camera, scientists look for heat signatures indicative of polar bear body heat percolating out of the snow. By identifying den locations ahead of time we can avoid disturbing sows and cubs during this sensitive stage of their life cycle.

Chukchi Sea Studies

In 2012, ConocoPhillips and its collaborators completed a fifth year of ecosystem-level environmental studies in the Chukchi Sea. The program leverages tens of millions of dollars by working cooperatively with other offshore operators, universities, research institutions, local, state and federal governments and local stakeholders. It is contributing significant information to the understanding of ecosystems in the Arctic Outer Continental Shelf.





Safety

ConocoPhillips continues to be an industry leader in health, safety and environmental performance. In 2012, we built on our previous record with another year of best-ever safety performance. As an organization, we took another step towards achieving our vision of an Incident-Free Culture to ensure the safety of all of our employees and contractors.

Ensuring a Safe Workplace

In 2012, Incident-Free Culture Leadership Workshops were rolled out to the workforce, which encourage specific behaviors and actions by individuals, teams and leaders at all levels to ensure a safe workplace. We also introduced a personal risk assessment process, which helps workers recognize hazards and address them prior to conducting a task.

ConocoPhillips' vision of an Incident-Free Culture is only possible with the help and support of our contractors. In 2012, ConocoPhillips and our contractors continued to work together by hosting Incident-Free Culture workshops and Alaska hazard recognition training. In 2012 ConocoPhillips hosted safety conferences with ideas being shared by over 200 participants.

Additionally, ensuring the health and wellness of our workforce is a major focus, by offering creative, fun activities and encouraging widespread participation. Volunteers formed health and wellness teams to promote healthy eating, exercise, mental wellness and lifestyle choices. Initiatives included health fairs, fun runs and healthy eating meal options.

Emergency Prevention and Response

In 2012 we held the first North Slope Spill Prevention Forum to improve collaboration among operators, contractors and regulators. The aim of the one-day forum was to share best practices, challenges and opportunities across the North Slope to help prevent major spills. Another forum was held in 2013 due to the success of the inaugural event.

ConocoPhillips also continued a long-standing commitment to provide world-class tactical emergency response resources on the North Slope. Approximately 282 volunteer emergency responders at Alpine and Kuparuk fields received training in the disciplines of fire suppression, rescue, emergency medicine, spill response and hazardous materials response. In addition to voluntary service while at work on the North Slope, our team members routinely take their skills and certifications back to their communities by serving with volunteer fire departments and other emergency response organizations.





Innovation

ConocoPhillips has long been recognized as a leader in technical innovation. We are committed to finding, developing and implementing the technology to meet the challenges we face on Alaska's North Slope. We are constantly upgrading our drilling technology to minimize our footprint while maximizing the amount of recoverable oil; we continuously maintain our infrastructure to prevent problems before they occur; and we are proud to be on the frontier of oil exploration and development in Alaska.

Development for the Future

Our Alpine field is a good example of innovation. It is the first North Slope field developed exclusively with horizontal well technology, allowing us to reach more than 50 square miles of subsurface from a single drilling pad. In late 2012, funding was approved for development of the Alpine drill site CD-5, which will become the first producing oil development in the National Petroleum Reserve-Alaska in late 2015.

Cutting Edge Drilling Technologies

Leading edge technology is also at work in our Kuparuk reservoir, where we're using continuous coiled tubing to re-enter existing wells and drill multiple horizontal laterals to recover more oil from hard-to-reach deposits. Over 100,000 feet of horizontal holes were drilled with the coiled tubing rig in 2012, the most since beginning operations in 2009. Highlights include a record horizontal lateral of 4,224 feet and an eight-lateral project drilled from a single existing wellbore. As a result, the Kuparuk coiled tubing drilling team received a corporate ConocoPhillips SPIRIT award for innovation that helps recovery of challenged oil in Alaska.

Pipeline Maintenance and Monitoring

Technology is also helping ConocoPhillips wage war on corrosion, which can damage pipelines and other facilities. The company continues a cleaning and coating program piloted in 2011 for rehabilitating North Slope pipelines. The program uses a two-step process that removes internal corrosion and seals pipeline walls with an epoxy coating that prevents future corrosion.

In addition, a new real-time corrosion monitoring system was deployed in 2012 which allows our experts to better monitor the health of our pipelines. We are also introducing best-in-class digital alarm systems, new databases and other engineering tools that will elevate our safety performance to new heights, and allow us to continue to be leaders in this area for decades to come.





Community

Helping improve the quality of life in the communities where we live and work is a fundamental value for ConocoPhillips and our employees. We do that by funding worthy causes, and by lending a helping hand where it's needed most. In 2012 the company donated \$6.5 million to 344 nonprofit groups in Alaska and our employees donated 7,188 hours helping their communities.

Supporting Education

We support education more than any other cause and 2012 was no exception. We contributed \$100,000 to United Way's broad community collaboration to help Anchorage high schools reach a 90 percent graduation rate by 2020. The program has already boosted graduation rates by 13 percent. In 2012, we contributed \$2.4 million to University of Alaska schools. Since 2000, ConocoPhillips has contributed more than \$35 million to the University of Alaska system.

Fighting Homelessness

Another way we're helping young people succeed is by contributing \$500,000 to the "Our House is Full" campaign, which built a new home for the Covenant House Crisis Center in Anchorage. The new building gives at-risk and homeless youth, aged 13 to 20, access to better health care and healthy activities in a facility specifically designed for sanctuary and safety.

Employee Commitment to United Way

Our employees also play a major role in helping their communities, both with their time and their money. In 2012, they pledged more than \$500,000 to the United Way workplace campaign – and ConocoPhillips matched that, dollar for dollar.

Advancing the SPIRIT of Conservation

ConocoPhillips recognizes that a clean environment is something every community needs. Through our SPIRIT of Conservation program, we made \$300,000 available for local grants in 2012. An employee committee selected 12 programs for funding, including trail construction, Mat-Su salmon habitat improvements and Anchorage creek cleanups.

A healthy environment, a helping hand for young people, and strong support for education – these are just some of the ways we're working towards a better future for Alaskans.





Neighbors

At ConocoPhillips, we work diligently to build respectful, honest and inclusive relationships with Alaska Native communities and organizations, particularly those who live near our operations. We strive to ensure open communication through community meetings and coordination with local governments and tribal councils.

Celebrating and Investing in Communities

We value the invitations to participate in community celebrations and the opportunity to share in the rich cultural traditions of our neighbors. ConocoPhillips is committed to investing in educational, cultural and youth programs such as Iḷisaḡvik College in Barrow; the Northwest Arctic Borough Magnet School; and the Alaska Native Science and Engineering Program at the University of Alaska.

Working jointly with the Arctic Slope Community Foundation and the North Slope Borough Aṭaagtuq Fund, ConocoPhillips has supported new playgrounds in Point Hope and Wainwright, training programs in Anaktuvuk Pass, STEM (Science, Technology, Engineering and Mathematics) summer camps, tribal system and health care system training, and the Native Village of Barrow food bank.

Mentorship Opportunities at Alpine

ConocoPhillips was recognized by the North Slope Borough School District for its Career Quest program, developed in partnership with Trapper School in Nuiqsut. The Career Quest program provides the opportunity for high school students to work alongside a ConocoPhillips mentor in areas such as fleet and camp maintenance, IT, emergency response and food service. The students earn high school credit, and some have transitioned into internships and full-time employment at Alpine.

Supporting Traditional Knowledge Projects

Alaska's Native communities have a unique connection with the environment, based on centuries of traditional knowledge passed on through generations. ConocoPhillips understands the value of traditional knowledge and supports community-based projects such as the Northwest Arctic Borough's Subsistence Mapping project and Inuit Circumpolar Council-Alaska's Food Security Project that seek to gather and preserve traditional knowledge so it can be integrated into project development and decision making.





Workforce

ConocoPhillips and its predecessor companies have been contributing to the Alaska economy for more than 50 years. We are proud to be part of an industry that has moved more than 17 billion barrels of oil, created thousands of jobs, supported communities and developed technologies that have unlocked additional resources on the North Slope. According to the Institute of Social and Economic Research, one in three jobs in Alaska are supported by the oil and gas industry. We are committed to providing jobs for Alaskans and we actively recruit Alaskans for all of our open positions. We currently employ more than 1,200 people in Alaska and about 88 percent of those employees call Alaska home.

College Recruiting

ConocoPhillips recruits for interns and full-time hires at the University of Alaska Anchorage, the University of Alaska Fairbanks and Kenai Peninsula College, as well as recruiting Alaskans who attend college outside the state. Our efforts have proven successful with more than half of our 2012 summer interns either coming from Alaska colleges, or they were Alaskans going to school in another state. Many of our university full-time hires were Alaskans as well.

Alaska Process Industry Careers Consortium (APICC)

ConocoPhillips is committed to supporting APICC through both volunteer and financial support. In 2012, a ConocoPhillips employee served on the APICC board of directors and was a member of the Governance and Needs Assessment committees. We also provided a \$40,000 grant to help the consortium create, connect and enhance the quality of career development, training and educational programs available to prepare Alaskans for future careers.

University of Alaska Process Technology Program

In 2012, ConocoPhillips sponsored summer interns from the University of Alaska Process Technology program, resulting in full-time apprentice hires. A degree in process technology prepares individuals for employment as operations technicians in the "process industry," which includes, for example, oil and gas, mining and milling and transportation and refining. These are highly skilled and well-paid positions in Alaska and around the world.

Workforce

Teacher Industry Externship

ConocoPhillips also sponsored an Anchorage School District teacher/program coordinator through the Teacher Industry Externship program, placing her at our Alpine facility during the summer of 2012. Teacher industry externships offer educators an opportunity to gain a greater understanding of the business world, the chance to upgrade their skills and knowledge of how academic concepts are used in the workplace and to gain a better understanding of career opportunities available for Alaska's youth.

Alaska Native Science and Engineering Program (ANSEP)

In 2012, ConocoPhillips continued its financial support of ANSEP. The company sponsored student participation in the ANSEP Summer Bridge program and provided two students with paid internships – one in our capital projects organization and another in the drilling and wells department.

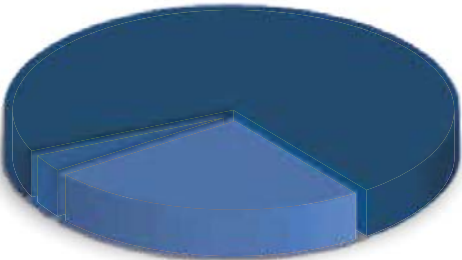
High School Programs

ConocoPhillips participates in the Anchorage School District's Gifted Mentorship program. This program provides high-achieving 11th and 12th-grade students with hands-on experience working with experts in fields they are interested in. We also offer internships to local area high school juniors and seniors. These internships give students the opportunity to get real work experience and exposure to the oil and gas industry.



Alaska Spend Profile (Goods, Services & Freight)

ConocoPhillips is committed to supporting Alaska businesses because we know that Alaska spending generates Alaska jobs. In 2012, 87 percent of all the dollars we spent for goods, services and transportation went to Alaska-based companies.



ALASKA SPEND PROFILE 2012

Goods:	\$846,588,089
Services:	\$276,528,566
Freight:	\$39,920,094
Total:	\$1,163,036,749

Creating Jobs in the Contract Workforce

ConocoPhillips encourages our contract companies to hire locally. While we work with hundreds of contract companies around the state, the key contractors listed below represent thousands of Alaska jobs.

ASRC Energy Services (AES)

Total Alaska Workforce: 3,397
Alaska Residents: 2,627 (79%)
Alaska Natives: 622 (18%)

Kakivik

Total Alaska Workforce: 194
Alaska Residents: 139 (72%)
Alaska Natives: 50 (26%)

Nabors Alaska Drilling

Total Alaska Workforce: 217
Alaska Residents: 177 (82%)
Alaska Natives: 23 (11%)

Doyon Drilling

Total Alaska Workforce: 449
Alaska Residents: 375 (84%)
Alaska Natives: 219 (49%)

Kuukpik Arctic Catering

Total Alaska Workforce: 93
Alaska Residents: 86 (92%)
Alaska Natives: 12 (13%)

Schlumberger

Total Alaska Workforce: 872
Alaska Residents: 703 (81%)
Alaska Natives: 22 (3%)

Doyon Universal Services (DUS)

Total Alaska Workforce: 967
Alaska Residents: 783 (81%)
Alaska Natives: 216 (22%)

MI Swaco

Total Alaska Workforce: 215
Alaska Residents: 185 (86%)

Udelhoven

Total Alaska Workforce: 696
Alaska Residents: 505 (73%)
Alaska Natives: 30 (4%)

Halliburton Energy Services

Total Alaska Workforce: 463
Alaska Residents: 310 (67%)
Alaska Natives: 9 (2%)





Future

ConocoPhillips has long been a leader in exploration and development of the oil resources on Alaska's North Slope, and that is still true today. In late 2012 we received approval to progress the first oil development in the National Petroleum Reserve-Alaska. Located on land owned by the Kuukpiik Corporation, called CD-5, it's an extension of the Alpine field. Plans to complete engineering design work, order materials and equipment, begin fabrication and prepare for construction will be underway throughout 2013. Construction is scheduled to begin in the winter of 2014 and production is expected in late 2015. CD-5 should result in an estimated peak production of about 18,000 BOPD gross, with peak employment of approximately 400 new direct jobs during construction and hundreds more support jobs.

Meantime, in winter 2013, we drilled the Cassin well in the Bear Tooth Unit in NPR-A. The well was successfully flow tested and hydrocarbons were encountered. At the Kuparuk River field in 2012, we drilled the Shark Tooth well which confirmed that the formation's A-sands extend to the southwest and can be developed. We also acquired leases totaling 15,800 net acres for possible future exploration.

ConocoPhillips intends to pursue new developments and increased drilling in legacy fields on Alaska's North Slope following the State Legislature's recent changes to the state's oil severance tax system known as SB21.

Since passage of SB21, we announced the addition of another rig – Nabors 7ES – at Kuparuk that began operating in late May. This rig has already brought on new production of approximately 1,600 BOPD. In addition, ConocoPhillips Alaska has also recently announced plans to pursue approval of two new projects on the North Slope. The projects – Greater Mooses Tooth #1 (GMT1) in the National Petroleum Reserve-Alaska (NPR-A), and Drill Site 2S in Kuparuk – could add approximately 38,000 BOPD gross to North Slope production by 2018 at a cost of about \$1.5 billion.

In the Chukchi Sea, we hold 71 blocks of federal offshore leases, but exploration drilling in the Chukchi Sea, originally planned for 2014, was placed on hold due to regulatory uncertainty. We plan to work with the federal government and other stakeholders to further define and clarify the regulatory requirements for drilling in the Alaska arctic offshore. Once those requirements are understood, we will re-evaluate our Chukchi Sea drilling plans.

In all, ConocoPhillips is one of the largest holders of state and federal exploration leases, with approximately 1.2 million undeveloped acres at the end of 2012. With an improved business environment and tax regime, we expect to be busy in the years ahead. As ConocoPhillips Alaska president Trond-Erik Johansen put it, "ConocoPhillips is here for the long term. The new oil tax bill makes the North Slope a more attractive business environment and should lead to more investment in oil producing projects than we have seen in recent years."

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