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PRESENTATION

Doug Leggate *- BofA Merrill Lynch - Analyst*

I couldn't possibly introduce Conoco without acknowledging what a great job they've done as this new class of E&P. We are delighted that Al Hirshberg is here to join us, so without any further ado, Al, I will hand over to you.

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

Thanks, Doug. Okay, we will start with the usual precautionary statement and you can study that in your book I'm sure, the fine print. But obviously we will be making forward-looking statements today, so we need to have this up there.

Last May when we spun off our downstream and our midstream assets to create Phillips 66, we really created a new offering in the marketplace. On the one hand, we were creating an independent E&P company and all the benefits of the sharper focus that come from being a pure play independent but at the same time, we maintained the size that gives us the size, the diversity of assets, and most importantly I think the technology -- the technical capability of a major. So that's really I think the way I think of the new offering that we have put out in the marketplace since last May.

So in terms of just a little bit of background regarding our size and our assets, we are the largest independent E&P Company. You see over on the pie chart in the top right we are currently producing around 1.5 million barrels a day and the thing you note in the pie chart is how liquids heavy we are. We've got a very high percentage of liquids. Our LNG, which of course we are selling at liquids prices and about a fourth of our production is the less profitable North American natural gas.

As I mentioned earlier, one of the benefits that comes from our size is we have got a very diverse asset base, significant scope and scale, geographic spread. We're in all the key plays that we want to be in around the world and use our significant technical prowess to prosecute those assets.

If you look, though at our mix of proved reserves, we are very heavy in OECD, so over 80% of our proved reserves today of almost 9 million barrels of proved reserves are in OECD countries.

Also at the bottom pie, if you look at our resource base, we've got about 43 billion barrels of resources at year-end 2012 and again you see that about three-fourths of it is liquids, LNG, and about one-fourth that's dry gas.

In terms of our strategy that we are using as this new offering in the marketplace, really as I said, we see our diversification, our scale, our technical capability as a competitive advantage. And in terms of our investment strategy, we have moved from the way we really built ConocoPhillips in the 10 years leading up to sort of the 2009, 2010 timeframe which was growth through M&A to a pure focus on organic growth. We are really not interested in the M&A game in our current strategy.

So we have a very significant portfolio of high-margin, high-return investment opportunities already in our organic portfolio. So we are really not -- don't have any focus on M&A work at this point in time.

So we are building -- the way we've built that advantaged portfolio is really through this technical capability that I was talking about earlier. We have built a first-class capability both in oil sands technology, advanced enhanced oil recovery, unconventional reservoirs, deepwater, and that is for example the deepwater technical capability that we built in high-performance computing, high-end subsurface imaging is what has allowed us to acquire all the deepwater acreage that you see in our portfolio now that is already starting to pay dividends in the Gulf of Mexico, as I will talk about a little bit later.

We have also been since 2009 pretty aggressively divesting nonstrategic assets, which has also helped us improve our returns and also provided cash that has helped us balance our cash flow from operations versus CapEx and dividends in this time period that we are in where we don't have those balanced yet from our regular operations.

In the future -- we are just about finished up with really that divesting of nonstrategic asset for the most part and in the future we will continue, though, to prune and rebalance. So going forward, we think we have a lot of good, high return options and choices built into our portfolio.

So with all that, what do we expect to be able to deliver? Of course at the top of our list, this is particularly important for a Company of our size and scope, a relentless focus on safety and day-to-day execution.

Next on our list, compelling dividend. You will hear me talk about the dividend quite a bit today. We put the dividend up very high on our list of priorities and plan to continue to pay an attractive dividend and to continue to grow that dividend over time.

We are also offering a 3% to 5% compounded annual growth rate on production while at the same time growing our cash margins per barrel 3% to 5% compounded every year. So that's really our value equation. You add those two together, 6% to 10% growth per annum in our cash flow as a Company and I will show you a little more detail on how we are going to do that.

Of course as part of that, we also have an ongoing priority to improve our returns, our returns on capital employed.

Have I mentioned the dividend yet? The dividend is a high priority use of our cash flow. Not everybody likes that, but we do. We think it enhances our capital discipline. It's a predictable part of our shareholder return. You can see on the right that it's a bit differential relative to our peers. Shown in blue is the independents so we are paying almost a 4% dividend yield right now. So that's well above our independent peer group and also above our US IOC peer group and below the European majors is basically the bars that are above us.

We did increase our dividend 4.5% last quarter and we expect to be able to continue to increase our dividend.

In terms of capital allocation, just a quick summary here that shows you where the money is going on the capital side. We said when we rolled out the Company last year that as part of this 3% to 5% growth plan in production, we thought we were going to spend about $16 billion of capital a year. It won't be the same every year. It could be plus or minus $1 billion but on average we expect that to achieve that level of growth that's about what we will be spending is $16 billion.

And you can see how it's broken out there. The bottom 10% protecting the base with maintenance type expenditures. The next leg -- these are color-coded to match the production plot that you see on the right -- the next leg of about 45% on development programs. So that's where all our unconventional development is as well as other infill drilling and that sort of work around our legacy assets is all in that blue wedge.

And you can see on the production plot on the right that between that base maintenance money and the development programs, we are just about able to keep our production flat at about that 1.5 million barrels a day across time.

Then that top green wedge that really drives our growth comes from our major projects, so we are spending about 30% of our capital on major projects and I will show you some examples of where that money is going in a few minutes.

When you add that on top, that's what's driving that 3% to 5% annual growth rate. We are also spending about 15% of our capital on exploration and appraisal to try and really -- none of that is going to -- is expected to deliver any significant volumes in this time period out to 2017. But that money is really designed to keep giving us good investment opportunities out beyond 2017.

So to give you some feel for how we are able to grow production and grow margins at the same time, we put together this little plot to kind of show what the margins are in the areas where we have the growth. So we have five significant areas driving our growth between 2012 and 2015 over that five-year time period that are shown there on the map. And on the plot down in the bottom right, we have just taken a standard price deck which is actually not too different than where today's prices are, $100 Brent, $90 WTI, $70 WCS and $3.50 Henry Hub. You just take a flat price deck like that, that's what we have used to calculate those margins that are shown in the plot at the bottom right.

So the red dot shows you under those kind of pricing conditions where ConocoPhillips in 2012 was at. So our after-tax cash margin per barrel was about $25 a barrel. Then each of those dots corresponds to the five areas of growth that we are going to have over the next five years, the net growth in those areas. You can see on the vertical scale how much net growth we expect from each of those areas.

And then on the horizontal scale, you see under those same pricing conditions the after-tax margins per barrel that we expect to earn. So you can see that every one of our growth areas has a substantially higher cash margin under the same pricing conditions versus where the Company was, say, in 2012, which is the red dot.

So that gives you a little insight into how at the same time we are growing our production, we're also going to grow our margins. This is driven because of these growth areas are very heavily weighted toward liquids and they are in locations that tend to have lower tax rates than our corporate average tax rate. So both of those effects are what are helping drive those higher after-tax margins.

This chart kind of shows that -- so we are about 1.5 million barrels today. In 2017 at the end of this five-year period I've been showing, we are going to be at 1.9 million barrels per day, so that's what the 3% to 5% compound annual growth does for you. It's a gain of about 400,000 barrels per day net, so after you take out the decline from all our existing assets, our existing production, our new production will offset that decline and grow 400,000 barrels a day between now and 2017.

So this plot, the blue area plot just shows you that growth from 0 to 400,000 barrels a day. So that's net growth. And then on the right, just shows you the kind of products that make up that net 400,000 barrels of growth. You can see that 75% of it is oil and then the next 15% wedge is LNG, which is being sold at oil pricing. And then a small wedge of NGL and international gas.

Notably absent from the plot is any North American natural gas because we won't be growing -- we're not really investing any significant money in North American natural gas over this time period in our current plans.

I want to mention also returns, return on capital employed. Here we are just comparing ourselves to our independent peers. It's not too useful to compare to the IOCs on ROCE because they've got the downstream and chemicals and as that moves around, it doesn't make for very good comparison with a pure play E&P, so we are just plotting here against the E&Ps.

We are pretty well positioned on our return versus our competitors, but we are certainly not satisfied with this. And as we develop those five, that growth from those five areas I was just showing you, we will be growing our returns at the same time due to the capital efficiency of the kind of projects that we are taking on.

So next I want to get into a few details around where some of the specific projects and the work that we are doing that's going to bring on these increased margins and production. We think of our -- we like to think of this in the same four pieces that I showed you on the CapEx bar a minute ago, the base, the development projects, the development side, the major projects and then the exploration and appraisal. So I will kind of take you through it in that order.

First is the base. We do have a very high quality legacy set of base assets and so we put a lot of effort into protecting that base, making sure we've got good asset and operating integrity, that we are doing all the right things on maintenance and reliability, proper surveillance, optimization of that production. And so doing that we're spending a little bit of money on it allows us to continue to have a high-quality base production to build our growth on.

If we look at the development programs next, so this is the unconventional developments and other places where we are drilling around existing assets to enhance production, that's what we call the development program. You can see there the main areas around the world where this is coming from and in each box gives you the amount of growth. So overall in the five-year period from development programs, we expect to add about 600 million barrels a day of production. You can see on the plot in the bottom right where that comes from, so the bottom wedge, the first 250,000 barrels a day of that 600,000 of growth is from conventional reservoirs. The rest of it is all from unconventional reservoirs in North America.

So this gives you an idea of how much Eagle Ford, Permian, Bakken we have built into this 3% or 5% growth and also you see a small wedge at the top on the order of 100,000 barrels a day of growth over five years from all our other unconventional and North America put together.

So this was -- when we first rolled out this plan to the marketplace last year and as we talked about it at our Analyst Day in February, these are the numbers that we were using to build that plan that we showed at our Analyst Day.

I'm going to show you a few examples today where we are actually in 2013 outperforming what we had laid out here. Obviously that top wedge, we have a lot of other unconventional assets that we are working on in North America and as those de-risk and become more mature, we have the potential to add more volume than what we have there. But I'm just showing you here what we have built into this case that we've built that leads to the 3% to 5% annual growth.

So first piece of this I want to talk about is the Permian conventional. So this is not the unconventional that we have in the Permian but just our conventional assets that's centered on the Central Basin, Central Platform Basin in the Permian basin. Where we expect to spend about $3 billion investing in this area and have an F&D cost around $15 a barrel, we've got 1 million acres available to us in the heart of this area to develop. So a lot of different work. It gives us about a 7% compound annual growth of production across this period.

One of the interesting things though is the little bar chart at the bottom right. It gives you a little more insight into how we are improving margins as we build this production. On the bar on the left shows you the mix - oil, NGL, and gas, and our current Lower 48 production in 2012. Then the bar on the right shows you all the new production that's coming on from our new investment, what the mix is. You can see that it is a much higher oil mix and a much smaller gas mix. All of that -- essentially all of that gas is associated gas that is coming with the oil.

So that change in investment strategy versus where we have been in the past is part of what drives the improved cash margins in the US.

The Bakken is another good example. Here we have in our plans to spend about $4 billion over this time period. We've got a lot of drilling locations left to go. We've got over 600,000 net acres. Results at a pretty good growth rate.

Interestingly here if you look at the plot, again that's the number that's built into the growth from 1.5 million to 1.9 million barrels a day the case that we are showing you, but actually if you look -- if you've been listening closely to our quarterly earnings calls and look at that plot, this is an example you can see we are clearly outperforming what we had kind of built into our case because we are going to exit this year in the Bakken north of 40,000 barrels a day. And if you kind of our eyeball that plot, you can see that the Bakken is performing better for us this year than what we had projected back at Analyst Day back in February.

In fact, I can say the same thing about the Eagle Ford. The Eagle Ford is really our highest quality unconventional play that we are in. We've got over 200,000 net acres and have many, many drilling locations left to go. We've got decades of development work left to do in the Eagle Ford. At the time that we put together our growth case to 1.9 billion barrels a day, we had the production plot that's shown here that showed us growing to a certain level and then kind of plateauing at I guess if I look at the plot it's on the order of about 130,000 barrels a day.

We are -- if you look at where our production is right now in the Eagle Ford, we are north of 130,000 barrels a day now. So that gives you another idea of how the Eagle Ford is performing for us versus what we had kind of built into our plans earlier this year when we were putting together our Analyst Day deck.

Again in the bottom right, you see the same kind of improvement in mix between liquids and gas.

If I move on next to major projects, having hit most of the key development areas, the major projects are going to add about 400,000 barrels per day of new production over this same five-year period. You can see where it's coming from in the various geographies around the world. All of these volumes are coming from projects that are well underway. This is not things we are hoping to discover or that we haven't made a commitment to develop yet. These are all projects that are well underway and in hand.

So you can see that it's spread -- a significant wedges obviously in Canada in the oil sands but in the U.K., Norway, Malaysia, Australia, and a smattering of other places that give us that 400,000 barrels a day.

Generally I would say that all of these projects are in relatively low-risk countries, low-risk geographies, and also low-risk geology. So this is a very confident set of growth projects for us and I will take you through some key examples here.

First is the oil sands. I think most of you know we have a very high-quality asset base of oil sands between Surmont, Foster Creek, Christina Lake. Those are all assets that are top quartile geology in the oil sands and so we are in an advantaged position with our large oil sands asset base.

We have a continuing stream of phases of project coming on production over this five-year period out to 2017 that results in that 16% annual growth over the period, getting us up to around 200,000 barrels a day of net oil sands production out in the 2017 timeframe. And again, just a little reminder in the bottom right of the high margins that we expect to get from this.

Next, the U.K. is a timely one to talk about. We just announced yesterday the start up of our Jasmine project. The Jasmine project is by far the biggest volume wedge that makes up that volumes that you see there in green that grow to about 55,000 barrels a day out in about 2017. So Jasmine just started up this week. I think it says on the chart on track for late 4Q startup, so that's kind of old news now. We've delivered that one and it started -- it's ramping up now.

The good news on Jasmine, we predrilled four wells. This is high pressure, high temperature reservoirs, so it's difficult technically to develop but these are very prolific wells. When we predrilled these wells they came in on the high side in terms of the geology versus our predrill expectations and these wells are capable of very high levels of production -- these will be the most prolific wells in the corporation actually as they come on.

So this is a platform that on a gross basis can handle about 140,000 oil equivalent barrels per day and we have got more than that in well capacity with these four wells. So we should ramp this production up pretty quickly at Jasmine.

I think that's a key milestone for us in starting to grow our production from this point going forward.

In Norway, we have also got a series of projects that builds to around 60,000 barrels a day of incremental production over this time period. Ekofisk South, the first one that's mentioned there, we've already started up. We started it up last month. Eldfisk 2, we will start up next year, so these are just additional platforms that we are putting in in the Greater Ekofisk Area that continue to allow us to bring on new barrels, new production there.

Malaysia is an interesting story for us. If you go back just a handful of years, we weren't even in Malaysia. It's a new presence for us. We were at zero production last year. We are starting to grow production with our Gumusut early production system and then the full-field Gumusut is expected to come on early next year and that will give us our first wedge of real production growth in 2014 in Malaysia.

But we expect to grow this out to 60,000, 70,000 barrels a day and we are continuing to have good luck there in terms of acquiring additional acreage. We've now got our first operated blocks there and we will be doing our planning now for drilling. Some of those are in the deepwater and so you can see where Malaysia is on the plot on the bottom right in terms of the attractive margins that we get from there.

We will be continuing to make some significant investments in Malaysia and bringing on those volumes.

APLNG is one of our monster projects that will reach its peak spend next year. It's something we have been spending money on for a number of years now. Everybody is always asking us how is it going on Curtis Island? There's three different companies trying to build projects at the same time and I can tell you that I'm really very pleased with our project execution at APLNG.

The work on the LNG plant on Curtis Island, what we call the downstream part of the project, has stayed on or ahead of schedule from the beginning. It has run smoothly and has stayed on budget. So we -- despite all the difficulties with the Australian labor and materials and trying to work on Curtis Island with everybody around us, all of that work has stayed on or ahead of schedule and on budget.

The upstream part of the project, the part out in the well field where we are building the pipelines and drilling the wells, has hit some cost issues driven by regulatory issues and some logistics issues. And so as we said earlier this year, we expect that that will increase the cost of the project on an Aussie dollar basis by about 7% all driven by things happening in the well field, not the part everybody was so worried about on Curtis Island.

But you see the net growth in production there in the green wedge up to about 70,000, 80,000 barrels per day. So the first train at APLNG, it's two trains by 4.5 MTA each. The first train should start up in 2015 and the second train in 2016. That's what gives you that growth wedge.

So next shift to that fourth area that I mentioned earlier, our exploration and appraisal. This little world map shows you the key places where we are spending money around the world. In the red is the unconventional locations and in the orange the conventional reservoirs that we are exploring.

In the red, you see the usual suspects there in terms of North America and the places where we have significant acreage positions we are investing money, the Duvernay, the Muskwa, Montney and Canol in Canada; the Wolfcamp, Niobrara, Avalon in the U.S. are all places where we are expecting to spend significant dollars over this timeframe.

Then you see four red spots on the map outside North America -- Colombia, Poland, the Sichuan Basin in China and the Canning Basin in Australia. Those are the four areas outside North America where we are currently doing exploration for the unconventional side.

Then you can also see populated on the map in addition to a number of places where we have been for a long time like Indonesia, Australia, a lot of relatively new deepwater locations where we are spending money, the Gulf of Mexico of course where we have really built a very sizable acreage position over the last three or four years. You see Greenland, Angola, Senegal. We've got the deepwater Malaysia I mentioned earlier, Bangladesh, some of the acreage in Australia. So we've built a worldwide deepwater portfolio.

We've already had some significant success in the Gulf of Mexico. Next year will be the big year for Angola. We have a new build drill ship coming early next year that will allow us to start our operated exploration program in Angola next year.

So I will take you through a few of these examples that where we are spending exploration and appraisal dollars. First is in the Permian unconventional, so this is still -- I know this is an area of a lot of excitement out in the marketplace today. For us it's still relatively early days in terms of our view of how this is going to perform for us and we don't have huge volumes built into our production wedge out to 2017 today but we do see a considerable potential.

We have got in the Delaware Basin, we've got about 150,000 net acres, so we are chasing the Wolfcamp, the Avalon, and the Bone Springs, all the usual suspects that you hear talked about. In the Midland Basin also, we've got about 90,000 net acres and chasing the Wolfcamp. We have continued to be able to acquire additional acreage in these areas even recently at attractive kind of organic growth kind of pricing.

So we have early wells that we've drilled here that have been very successful in these areas where we are continuing to do pilot work and really trying to make sure we understand these reservoirs before we move into a more extensive kind of investment mode.

So that's why we have this chart in our exploration and appraisal part of our deck. We are not ready to declare how the pace that we are going to go develop this acreage at. We're still making sure we understand it before we get into manufacturing mode in the Permian basin.

In terms of the deepwater, I mentioned Angola earlier. We are the operator for Blocks 36 and 37 and we have processed our 3-D seismic, have some very significant prospects that we have identified that we've got plans to drill. We've got a two-well commitment on each of the blocks, so we are going to drill a minimum of four wells here. And so we have this deepwater drill ship that is at Samsung right now that will be coming out in the first quarter next year. By the second quarter we should be out there drilling on our first prospect.

So given what has happened on the acreage right around us since we acquired these blocks with the discoveries that have been made by others, it has left us pretty optimistic and really eager to get started drilling these two blocks.

Between the two of them there is over 2.5 million acres so these are not like Gulf of Mexico blocks. These are very large blocks that can give you a lot of running room if you're in the right ZIP Code.

Also just wanted to mention Senegal, some of you may not have noticed this one. It was a little announcement that came out not too long ago but we have farmed in to some blocks back in July in Senegal and it's about 650,000 net acres and these are going to be drilled fairly soon. We expect to drill two wells here next year. This is non-operated for us right now in the exploration phase and then we have the option to take over as operator in the development phase if we make a discovery here. So Senegal is another Africa deepwater play for us that we are optimistic about. You can see the blocks there on the map.

Finally, the deepwater Gulf of Mexico, as you know, we've already had three significant discoveries. We've built up as you see on the yellow bars, a very significant acreage position and we have already had discoveries at Shenandoah, Coronado and Tiber. We are currently drilling at Gila and at Deep Nansen. We're going to have results from those fairly soon.

So I think you are going to continue to see we are very happy with the kind of results we have been getting and the quality of the acreage we have been able to acquire using our technical capability on deepwater subsurface imaging. And I think you're going to continue to see a stream of good news from us on our Gulf of Mexico deepwater results.

So just to wrap up, I think from an operating standpoint, we are at a significant inflection point. Just for me having in the same week the closing of our Kashagan sale, which to me kind of symbolizes the end of shrink to grow. We got our $5.5 billion in the bank and got out of Kashagan. That was the biggest thing we were trying to sell that we have been trying to sell for about three years now. It feels good to be out of it.

And in that same week, we started up Jasmine, which is these very prolific hot HPHT wells in the North Sea that is to me kind of symbolizes the growth that we've got started coming forward. We are really at that inflection point where we are done with shrink to grow and it's going to all be growth this 3% to 5% annual growth going forward.

You can see visible results already from our exploration programs in the Gulf of Mexico and I think we've been running well, continuing to run well as a safe operator.

On the financial side, we've maintained a strong balance sheet. If you look at where our cash balances will be at the end of the year particularly with the Kashagan money, even though we are, have been spending more if you add our CapEx and our dividends been spending more than our cash flow from operations, we still maintained a very strong balance sheet with the cash that has come in from asset sales.

We are already -- you can already see in our numbers the margin improvement that we are getting this year versus last year and the focus that we've got on improving returns. So we feel we are delivering on the value proposition.

We do have two announced sales that we still need to close, Algeria and Nigeria. So both of those are about $1.75 billion each and so we are still eager to close each of those and you'll see news on those as we go forward.

Then if I forgot to mention it up until now, the dividend is our top priority. Okay.

QUESTIONS AND ANSWERS

Doug Leggate - *BofA Merrill Lynch - Analyst*

Thank you very much indeed. Folks, we've got some roaming microphones is anyone has any questions, please make yourself known. We've got about 10 minutes for Q&A.

Al, maybe I could just kick off on the disposals, if I may. Canada is another area that you've been trying to -- it squeaks a bit.

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

Yes, that's a squeaky chair.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Canada is another area you have been trying to sell for I guess for some time or at least reduce your position. Can you give us an update as to how you see that? There's been some speculation that maybe Surmont could be almost reversed (inaudible) into the Cenovus assets and how you see the level of interest?

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

Well, we didn't break it out by asset type when I was showing you our 43 billion barrel resource base on the chart at the beginning of the talk. But if you break it down, when you look at it you will see that about 40% of our resource base is oil sands and so we just have from a strategic standpoint, we just feel that's heavier than we would like to be. We like the oil sands. We've got a lot of new technology ideas coming forward that are reducing the cost of supply in the oil sands and we certainly expect to always be in that business.

But we think 40%, given the attractiveness of some of the other opportunities we have for spending our capital particularly in the unconventional that we would just like to lighten up in oil sands.

So we went to the market last year to over this past year to sort of see -- to test interest and we got proposals. We got a lot of nonconforming proposals, shall I say that gave us some new ideas about different ways to structure that I really can't get into the details on. But it caused us to pull back and rethink the way that we were doing that.

So we are still interested in doing that. We're not in any hurry. It's not something we need the cash from. We will be sitting on $10 billion of cash at the end of this year plus or minus and so it's not something we're in a rush and we will have to find the right structure and the right price, the right deal. If we do, we are interested in doing that.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Thank you. Any questions from the floor?

Unidentified Audience Member

Just a quick question on managing of your margins. It seems like a compelling story there. But I just wanted to see how you look at the disposals program vis-a-vis your margin management? Would you look at diluting the margin if you were given decent prices on assets or is the management of the margin sacrosanct because of your commitment, your very obvious commitment to the dividend going forward?

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

Right, I think it's the former. If we had an asset that we were able to get a very attractive price for in the marketplace and able to monetize it even if it didn't necessarily fit in our margin story, I don't think that would stop us from selling it. If we can create shareholder value by getting a good price for something, I don't think that one thing would stop us from doing that.

There's a lot of powerful forces that I tried to demonstrate to you on a number of charts that are driving our margins up and that's not going to change with the sale of, say, one high-margin asset perhaps. So at the right price, we will sell anything I guess. So it's not that that is such a high thing that that would stop us from doing that. That would be the philosophy I would go into it with.

Doug Leggate - *BofA Merrill Lynch - Analyst*

If I may try one on cash flow and the balance sheet. The outspend including the dividend essentially chews through the cash that you'd have at the end of the year within a couple of years, notwithstanding the growth in the cash margin. But a large part of your spending is on explorations, about $2.5 billion if I recollect. Given the extent of the unconventional opportunity you have and the development and the visibility of that compared to the uncertainty of exploration, why is $2.5 billion the right level given that you are currently outspending your cash flow?

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

First of all, if you look at our numbers this year, our cash flow from operations is roughly going to equal our CapEx. They will both be in the $16 billion kind of range. And so really it's the dividend -- $3 billion plus of dividend -- that is coming from that cash from sales. And so at $10 billion at the end of the year, you are at three plus years even if you didn't close Algeria and Nigeria, so that all feels pretty comfortable.

But if you look at the kind of -- that growth that I showed you of 400,000 barrels a day with a 3% to 5% annual margin growth creates $6 billion to $7 billion of additional cash flow by the time you get to the end of that period.

So you grow your production compound growth at that kind of rate, it's 6% to 10% compound annual growth on your cash flow, you do the math it's $6 billion to $7 billion of cash flow growth by 2017.

And so we are not very far away from being back to breakeven. It doesn't take that much more growth in our production and our margins and we will be covering our dividend as well. So we don't need three years of cash to pay that money. Those two lines are coming together to cross over in the not-too-distant future.

So we think that's a very sound program in and of itself. So there's nothing there that's causing us to say oh, we've got to shut down our exploration, and eat our seed corn because we have some kind of problem there. We are very comfortable with the way our balance sheet looks.

The exploration is really designed to build the hopper for -- we have very clear line of sight to 1.9 million barrels by 2017. The question is what about after that? And so we have a lot of additional development out in that area but we don't have as much as we would like and that's what we are spending that money on is -- as I showed, a lot of that money is being spent on things like the Permian unconventional and trying to really understand the quality and the investment opportunity and a lot of the unconventional acreage we already own up in Canada as well.

Then a significant part of that money is continuing to build in say the deepwater is our biggest other thing and we need to do that in order to be able to continue to prop -- continue to have a good portfolio of high return projects to choose from out in 2018 and beyond.

Doug Leggate - *BofA Merrill Lynch - Analyst*

Right. Folks, any final questions from the floor? Basically we are out of time. Al, thank you very much. I appreciate it. Thanks a lot.