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COP - Q4 2019 ConocoPhillips Earnings Call

EVENT DATE/TIME: FEBRUARY 04, 2020 / 5:00PM GMT

OVERVIEW:

Co. reported 4Q19 results.

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PRESENTATION

Ellen DeSanctis - *ConocoPhillips Company - SVP of Corporate Relations*

Hello to our listeners, and welcome to today's call. With me in the room today are Ryan Lance, our Chairman and CEO; Don Wallette, our EVP and Chief Financial Officer; Matt Fox, our EVP and Chief Operating Officer; Bill Bullock, our President of the Asia Pacific, Middle East region; and Michael Hatfield, the President of our Alaska, Canada and Europe region are also with us today. Dominic Macklon, President of our Lower 48 region, was unable to join today's call.

Page 2 of the presentation deck contains our cautionary statement. We will make some forward-looking statements during this morning's call. Actual results could differ due to the factors described on this slide and also in our periodic filings with the SEC. We will also refer to some non-GAAP financial measures today. And reconciliations to the nearest corresponding GAAP measure can be found in this morning's press release and on our website.

And with that, I'm going to turn the call over to Ryan.

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

Thanks, Ellen, and welcome again to all our listeners. It's certainly early in the new year and this sector is already off to another volatile start. Volatility can certainly be tough on an industry or a company if you're not built for it. Well, we're built for it, with clear resilience to lower prices, full upside to higher prices and a shareholder-friendly framework that works through the cycles. All of our usual results and outlook details can be found in today's published materials, but we're going to keep our prepared remarks pretty short. Our main goal is to reinforce why ConocoPhillips offers an attractive way to invest in this cyclical business. That's the key theme as we reflect on 2019 and we look forward to the future.

2019 capped off a successful three-year period in which we transformed our business model and significantly improved the underlying performance drivers across our entire business. Slide 3 summarizes those 2019 results that contributed to this transformation. In the financial column, we delivered strong earnings, and we generated cash from operations of $11.7 billion, delivering free cash flow of over $5 billion. Our balance sheet got stronger. We ended 2019 with over $8 billion of cash and short-term investments and lowered our asset retirement obligation by almost 30%, largely due to dispositions. And our North Star return on capital employed was 11%. We delivered on our volume projections for the year with roughly 5% underlying growth, including 22% growth from the Big 3 unconventionals. The rest of our portfolio delivered strong base performance, and we progressed new projects and exploration opportunities across our regions.

Our world-class portfolio keeps getting better. As part of our high-grading efforts, we generated over $3 billion of disposition proceeds, and we have another $2 billion of announced dispositions that we expect to close in early 2020. But we're not just selling. We're also on the lookout for opportunities to add low cost of supply resources to the portfolio, like we did last year in the Lower 48, Alaska and internationally. And when reserves closed for the year, we replaced 117% of our production organically.

2019 was another outstanding year for delivering on our disciplined, shareholder-friendly strategy. We returned 43% of our CFO to our shareholders. That's essentially all of our free cash flow. We paid $1.5 billion in dividends, including a 30% increase in our quarterly dividend, and we repurchased $3.5 billion of shares. In today's announcement, you saw our board approved an increase of our existing repurchase authorization by $10 billion to a total of $25 billion. This demonstrates our commitment to executing a consistent long-term buyback program.

Finally, our execution focus goes beyond just the numbers. We continue to take a leadership role in environmental, social and governance matters through target setting, engagement, disclosure, advocacy and stakeholder alignment. We call this performance with purpose, and it's an imperative.

So 2019 is over, and we're in the starting gates for new year and a new decade. In November, we laid out a powerful 10-year plan that can deliver on all the elements we believe investors want from this sector: a disciplined strategy framework, consistent execution, strong free cash flow and compelling returns of and returns on capital. That's the path we set for ourselves in 2016. That's what we delivered in 2017, '18 and '19, and that's what we're ready to do again in 2020. We're focused on executing a strategy that we believe is right for the future of our industry and certainly right for ConocoPhillips and our investors.

So with that, let's go to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Doug Leggate from Bank of America.

Doug Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

I appreciate the opportunity for a lengthy Q&A session. So I've just got a couple, and then I'll let someone else jump on. I guess, first of all, there's a number of headlines have been circulating for quite a while now around Alaska tax, and that's obviously a little different from the last time you presented to us back in November.

So I'm just wondering if you can offer your perspective as to how you think -- what you think is going on there, how do you think that plays out, whether they get signatures and what the implications could be as to how you respond to that.

And my second one is really on the production outlook for 2020. Obviously, the Malaysia pipeline issue appears to be back on the table again. So I'm just wondering if you could walk us through the cadence of how we should expect production to evolve through the year. I'll leave it there.

Michael Hatfield - *ConocoPhillips Company - President of Alaska, Canada & Europe*

Yes. Thanks, Doug. This is Michael. I'll answer the first question about the Alaska tax. So you asked where we are in this process. The division of elections in Alaska is currently certifying signatures now. They were gathered as part of the initiative for this November ballot. We anticipate that the initiative will be part of the ballot. So they're in the process of certifying those now. Now as we showed in November, we're currently planning to invest about $25 billion of capital over the next 10 years in Alaska. These investments will increase the state's production and mitigate the current decline through tax. In fact, in 2020 alone, our net capital and OpEx spend in Alaska is expected to be roughly $3.4 billion. On a gross basis, in 2020, total industry capital and OpEx spend in Alaska is expected to be about $6 billion. Now if there's a negative change in the fiscal regime, our investment plans will change. But we've been in Alaska for over 40 years. We know Alaskans understand the industry. It's the lifeblood of the state's economy. We believe Alaskans will understand that short-term revenue gain is a risky and fleeting proposition if it comes at the cost of billions of dollars of investment over the coming years. We've had ballot measure challenges over the past few years that would have negatively impacted our business and Alaska's economy. After understanding the issues, Alaska voters have voted "no" on all of them. Now we're part of an industry group that will provide information to voters about the benefits of the current fiscal regime -- the benefits that it has on jobs, investment, oil production and long-term revenue to the state. So the bottom line is we're working hard to ensure Alaskans understand the significant benefits that investment by this industry brings to the people and the state of Alaska under the current fiscal structure.

Doug Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

So as things stand right now, no change in your current plans, more of a wait-and-see-type situation?

Michael Hatfield - *ConocoPhillips Company - President of Alaska, Canada & Europe*

That's correct. So in terms of our current plans, we're waiting to see. We're executing on our current plans, but we are gearing up to help Alaskans understand our view of the benefits that the current fiscal structure brings to the state and the people.

Doug Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

Okay, thank you for that. And on the production cadence?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Yes. Doug, this is Matt. The -- I can give you an update on that. The -- so the most significant update in our production guidance, as you mentioned, was associated with the KBB production in Malaysia. As you know, most of KBB's gas is sold through the third-party Sabah-Sarawak pipeline to the Malaysia LNG plant and it's exported from that plant. So in normal operating conditions for 2020, we would anticipate about 20,000 barrels a day being exported through MLNG via the Sabah-Sarawak pipeline. But right at the beginning of the year, there was a significant operational issue with the pipeline. So our expectation for the year, given that we don't operate that, our expectation is that might not be repaired at all through the year. So that's what we're assuming at the moment. Then we're hopeful that we may get access to some domestic gas offtake. But the magnitude of that and how long it might last is uncertain. So that's the vast majority of the adjustment to guidance. We also had some puts and takes across the business units. And we also adjusted our expectation for timing of dispositions, but the new range of 1,230 to 1,270 are our best guess at the moment of what we should expect for this year. And that's about 4% growth on an underlying basis.

Doug Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

Okay. Matt, I don't want to press the topic. But are there any particular dips in the quarterly cadence as we go through the year?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Well, obviously, we have turnarounds as we go into the middle of the year. We have one in the first quarter at Qatar, and then we have usual turnarounds in Alaska and elsewhere as we go through the second and third quarters. So it's a similar profile to previous years.

Operator

Our next question comes from Doug Terreson from Evercore ISI.

Doug Terreson - *Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Energy Research*

So Ryan, you guys are one of the few, if not the only big oil or E&P with higher rather than lower normalized returns on capital in recent years. And while your stock has been a top-5 performer in S&P Energy three years in a row for this reason, in my view. Your cash position is building, it's strong. You have better valuation in your equity than a lot of peers. And so you're basically better positioned than your peers for strategic activity. At the same time, you guys outlined a pretty compelling multiyear investment plan in November, which suggested that you can attain your returns profile even without meaningful strategic action. So my question is, with the ongoing decline in upstream values that we've seen in public and private E&P, one, has strategic actions become more appealing to you guys? Are they more compelling? And what effect on return on capital employed is needed for you guys to move forward in this area? So two questions.

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

Well, thanks, Doug. Yes, I think we believe we're on the right track with what we're doing in terms of what you describe, our return profile focused on shareholder distributions, focused on free cash flow generation and a hyper-focus on our return on capital employed. As I said, 2019 was 11%. That is our guiding North Star as we think about how we're executing the business. We have built a little bit of cash on the balance sheet. We believe we need it for the volatility we're experiencing in the marketplace. Just look at the month of January alone, early in the month, I think people were thinking it was headed to $70 a barrel, and now people are thinking it might be going to $40 a barrel. So that's the kind of volatility we see in this business, and we're keeping the balance sheet so we can execute our consistent programs, pay our capital, pay -- fund the dividend, pay our buybacks back to our shareholders. So we're executing that consistent program. We believe in it, and that's what we set up to do. And that's what we described to everybody in November that it's not just a one-or two-year plan. This is a plan that's got a lot of legs and it can go on for the next decade. We have the portfolio and the people to execute on that plan. Now we have been in the bolt-on acquisition game. We've added some assets that I described in my opening remarks, and we keep on the lookout for some of those kinds of opportunities. But we also, I think, laid out a pretty consistent framework at our analyst meeting in November about how we think about those kinds of opportunities. I think as you and others have reported, there needs to be consolidation in this business. There's still a pretty big gap between buyers and sellers, is what we see in the business. We don't have to do anything because we have a solid plan in terms of what we're going to do. But we're not blind about what's going on in the industry around us, either. But we tried to lay out a pretty consistent framework for how we think about resource adds, both organically through the exploration channel, conversion within our resource portfolio, and inorganically when we think about that piece of the business as well. So we're happy with where we're at, but we obviously watch everything very closely.

Doug Terreson - *Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Energy Research*

OK, good messages Ryan, thanks.

Operator

Our next question comes from Neil Mehta of Goldman Sachs.

Neil Mehta - *Goldman Sachs Group Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Good morning, and thanks for taking the time today. My opening question is around Venezuela, recognizing there are sensitivities around securing the cash flow that is owed to the company. How should we think about modeling that around a go-forward basis, and what are the steps you're taking to ensure that the cash can be collected?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

OK Neil, this is Don, I'll address that question. I think the first thing I would say is kind of a repeat of what I've said for the past six or seven quarters, is we've never forecasted that we would be receiving those payments because of the risks involved, so we would never encourage anybody else to build that into their forecasts as well. We did manage to receive six or seven quarterly installments from PDVSA, but as of the fourth quarter we received no payments, and so what we've done as a result is that in October and November we issued default notices to PDVSA, and as of today they have not cured the breach. And as a consequence of that, we've resumed our legal enforcement action. Of course, we're not the only creditor out there. It's a competitive marketplace. And so I think you'll understand that I can't go into any details at all about what those enforcement actions entail. But as you saw from us in 2018, you can expect us to vigorously pursue all legal remedies that we have available to us.

Neil Mehta - *Goldman Sachs Group Inc., Research Division - VP and Integrated Oil & Refining Analyst*

We appreciate that. The follow-up question is just around some of the demand issues in Asia. And I was hoping, Matt and Ryan, you could put into context how we should be thinking about some of that demand weakness in the context of other demand checks that you've seen. And just how does it affect the way you think about your business, if at all?

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

Yes. And Neil, you're talking about demand for oil as opposed to, say, LNG?

Neil Mehta - *Goldman Sachs Group Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Both would be interesting actually.

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

Both. Yes. So we do see some -- I mean, we're factoring in some demand loss in the first quarter of this year. And that translates into some reduction in demand as we go through the course of the full year. I think our estimate still, as we look at the markets and look at the global economies, we're still projecting something on the order of 1 million barrels a day of demand growth as we go through 2020. Now that's probably down 100,000 barrels or 100,000 to 200,000 barrels a day because of the current issues that we're facing with the coronavirus in China. So we do see some impact to that. It will flow through to the storage side of the equation. So we'll see some building storage we believe in the U.S. and in the non-OPEC countries around the world as well. So that will put, obviously, some pressure on prices. We see inventory draws, though, coming later in the year. And we still see pretty good supply growth in terms of total liquids coming out of the U.S. that probably eats up most of the demand growth that we see coming from around.

So it's going to be another volatile year, and that's what we've been preaching for, for the last three to four years because it's a well-supplied world and any small changes in demand or changes in what OPEC or others might do for the supply side will create that volatility that we've seen in spades here in January as well. We do see some weakness in the spot LNG market. It's had some pretty warm winters around the world. So demand has been -- demand growth, we still see over the long term in the LNG markets, but we've seen softness in the LNG side. And of course, you know how that lags in terms of how it manifests itself in our cash flows for the company. So -- but we still are long term belief in the growth in the LNG market and still participating in that channel of the business.

Operator

Our next question comes from Philip Gresh from JPMorgan.

Phil Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

A couple of quick questions. First, just looking at the quarter, in the Lower 48, we saw some declines in the oil production quarter-over-quarter, NGLs and gas were up. I presume that was mostly mix effects. And the Big 3 was with Bakken and the Eagle Ford down. But just any thoughts you could share around that as well as we look out to 2020 and your guidance for 410,000 barrels a day there. Just any color you could provide around rig count and production cadence specifically for the Big 3?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Yes. Phil, it's Matt here. The -- yes, so I think you probably saw our numbers for the production individually for the Big 3. In aggregate, it was relatively flat. There was a -- Eagle Ford was down a little bit just because of the timing for when we're bringing wells on, and there was growth in the Permian, and the Permian production is a bit gassier than the Eagle Ford production. So that's why there was that slight mix shift. In terms of the activity, the -- we averaged 12-and-a-half rigs in the last year across the Big 3: seven in Eagle Ford, three in Bakken and two-and-a-half in the Permian. And that was -- those were supported by six frac crews. You'll have seen in our capital that as we go into 2020, it's pretty much the same level of activity in aggregate to the same capital cost for the Lower 48 last year.

Phil Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. Great. Second question for Don. The cash flows in the quarter looked a little bit light there. I think there is another bucket that had some headwinds. If you could just elaborate what might have been in that bucket? And just generally, how we think about cash flow for 2020, if there are any moving pieces we should think about, whether it's distributions or other things. You already talked about PDVSA, but anything else we should think about?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

Yes, Phil, I can point to a few items that may help explain the cash flow in the quarter. The way we look at it, we take our ratable guidance items along with the cash flow sensitivities that we publish. And if you do that and nothing else, you come up with an estimate of about $2.9 billion CFO, and I think a lot of analysts came in at a number similar to that, whereas our actual results were about $2.7 billion.

So to start, LNG realizations were about $100 million lower than what our sensitivities would have predicted because we don't incorporate the three-month lag to Brent pricing. Brent was up about $1 quarter-on-quarter, but JCC fell $5. And so that's what's causing that impact. In addition to that, our adjustable controllable costs for the year came in at $6.14 billion versus our guidance of $6.1 billion. So that's $40 million or about $0.03 a share on that, and that came through the SG&A. And the items on -- and you will have noticed that SG&A was up quarter-on-quarter, and what drove that increase was basically two things about equally split: the mark-to-market on compensation because of the good quarter that the stock enjoyed in the fourth quarter; and the other was due to an accrual that was made related to employee-based incentive compensation.

So those were kind of unusual items. And we also made a pension contribution to the U.S. qualified plan that was probably about $50 million higher than what our typical quarterly run rate was. And so I think if you look at those items -- and even though we don't -- we try to encourage people not to include the PDVSA $90 million payment. We know that some do. And so that may have been a contributing factor for some folks.

As far as 2020, I think we've been pretty clear about what our distribution plans are, $3 billion of buybacks. Nothing has changed on that. Our dividend rate is what our dividend rate is, until we consider adjusting it probably toward the end of the year. So that won't have much impact. As far as CFO, you've got some new sensitivities that have been updated for 2020 in the Appendix of the materials that we published today. And I would say as far as a benchmark and expectation on CFO at, say, current prices, around $50 WTI, we would expect about $8.5 billion to $9 billion of CFO.

Phil Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. Great. That's very helpful. Just one clarification. With the proceeds from distributions of $2 billion, I assume that's gross. Is there a net amount that you might have for that?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

I don't know that I can provide you a net on that. I know our Australia headline -- Australia-West headline number there is about $1.4 billion, and we would expect cash proceeds to be about $1.1 billion based on our expectation of closing at the end of this quarter. And then Niobrara, the proceeds on that are going to be close to $400 million about $380 million. But I haven't seen the estimates on cash on that. But I would expect it would be close to the proceeds. And then the remainder is just smaller assets that we'll do to round off to the $2 billion.

Operator

Our next question comes from Roger Read from Wells Fargo.

Roger Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

I think that was probably the shortest management introduction I've been on a call and at least the last several years, so congrats on that. A couple of questions. A couple of questions to follow-up on, one on Neil's question about the demand issues in Asia and maybe more specifically on LNG there. There have been some reports that some of the buyers in China may declare force majeure, and that's kind of a just-in-time market. So I get that if they're not getting offtake, they're going to run into other issues. So I was curious, direct exposure to China as you think about it. And then the second question on the LNG front. Just an update of where we are with the Qatar expansion and everything.

Bill Bullock - *ConocoPhillips Company - President of Asia Pacific & Middle East*

Roger, it's Bill Bullock. I'll take this one. First, we've heard similar concerns raised in the market about force majeure into Asia. But to date, we haven't had any force majeure declarations. So we are continuing to watch the market and see if we do. We'll be addressing those with spot sales or domestic sales in the market and managing appropriately. So nothing to date, but we have heard similar concerns.

With respect to Qatar, we continue to be very interested in Qatar. We continue to believe we're well-placed. Qatar is a great location that serves the global market with low-cost supply resources. And it's a strategic location that works well for both Europe and Asia. We are still in the process. That process is being managed by Qatar Petroleum, and they're in control of that pace, and we're moving along at pace as they provide. Really can't say any more on that at this time. What I can say is that we're very hopeful the opportunity is going to be a competitive cost of supply addition to our portfolio. And as we laid out in November, it needs to be a competitive cost of supply to be an attractive addition. So that's kind of where we're at for Qatar.

Roger Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Just a quick follow-up. Is there any reason to think anything material has changed in the project since kind of late last summer when it picked up and certainly the analyst day in November?

Bill Bullock - *ConocoPhillips Company - President of Asia Pacific & Middle East*

No. No. QP continues to manage a very good project.

Operator

Our next question comes from Jeanine Wai from Barclays.

Jeanine Wai - *Barclays Bank PLC, Research Division - Research Analyst*

My first question is on ROCE. It's 11%, very strong for 2019. And the 10-year plan calls for a 1% to 2% improvement per year, assuming your $50 WTI with some inflation. So ROCE about 16% in 2025. So in terms of what is contributing to this improvement, can you talk about the ROCE of the incremental addition -- incremental production adds relative to what you're achieving today? So perhaps any color you may have on the absolute ROCE of the Big 3 or maybe some future Alaska projects or any other conventional projects?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

Yes. Jeanine, this is Don. I'll address the ROCE question. So yes, at the analyst day in November, we showed ROCE growing between 1% and 2% over the 10-year period. And that's being driven primarily by production growth because we're working at $50 WTI real. So there's a little bit of contribution there. But the other thing that I would point to is our capital efficiency. Our DD&A is actually very flat, while our production is going up. So I would point to those two being the primary drivers behind the improvement.

Jeanine Wai - *Barclays Bank PLC, Research Division - Research Analyst*

Okay. That's very helpful. And my second question, it's on Alaska, and I think exploration. In the event that Alaska activity is either slowed or pushed further to the right for either regulatory reasons or otherwise, can you talk about what other opportunities may move into the activity queue as a result? And I'm guessing these are mainly exploration activities because we assume that the Big 3 and the Montney, all of those are already optimized for your 10-year plan.

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Jeanine, are you referring to what we would do in Alaska or what we do elsewhere in the globe?

Jeanine Wai - *Barclays Bank PLC, Research Division - Research Analyst*

Elsewhere in the globe?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Yes. So this year, about half of our exploration capital is going into Alaska, the -- and half is going elsewhere. So the primary areas outside our Norway exploration program that we discussed and Michael discussed at the November Analyst Day. We also have an exploration program going on in Malaysia, in the shallow water shelf of Sarawak. And we have exploration activity going on in Argentina, both in the south of the country and in the Vaca Muerta. Those are the primary new exploration activity outside Alaska.

Jeanine Wai - *Barclays Bank PLC, Research Division - Research Analyst*

Okay. Great.

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

I would add, Jeanine, that we set an allocation for exploration. And if we don't have the opportunity to compete for the cost of supply that we set, we bring down that allocation. But today, we're spending the $300 million on exploration that we've allocated to that channel.

Operator

Our next question comes from Paul Cheng from Scotiabank.

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Research Analyst*

I think first question maybe is for Matt. Matt, in Permian, the fourth quarter, we see a big jump sequentially. Should we look at it just the normal lumpiness because of the wells coming on stream? Or that this is signaling a beginning of a accelerating development pace and that we should assume the growth starting in this year will be accelerating compared to the last couple of years?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Yes. Thanks, Paul. Yes, we did have very strong growth quarter-on-quarter in the Permian. It was about 23% growth. But that is, as you sort of implied, there's real lumpiness as we bring on new pads there. So we actually expect Permian to be relatively flat in the first quarter and then growth will resume again through the rest of the year. We had an unusually lumpy fourth-quarter production.

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Research Analyst*

And when that you think the Permian will take on a more accelerated growth? And when that you think you will have sufficient delineation and infrastructure in place for that to happen?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Yes, so what we said in November was we're running about 2.5 rigs pace. We will build over the next few years to about six 6 rigs running in the Permian, but that will be a sort of measured growth rate as we get the confidence, much like we did in the Eagle Ford and the Bakken and we're doing in the Montney. We make sure that we're -- we get the right spacing and stacking and completion design. So we're still in a bit of a learning mode there, and we'll ramp up the rigs to the optimum over the next two, three years. So there is significant growth coming in the Permian, but it will be at a pace that's consistent with the pace at which we're learning how to optimize the completions and spacing and stacking.

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Research Analyst*

The second question is for, I think, Ryan. Ryan, over the last 12 months, ESG all of a sudden become a far more active topic among the investor, even for the North American investor, and over the last two or three years, we have seen some of the international integrated oil companies (inaudible) and move outside or making a lot of investment outside of oil and gas for the transitioning of the low-carbon fuel transitioning or low-carbon-world transitioning. From ConocoPhillips standpoint, I mean, how do you guys look at that and saying that with the transitioning in the low-carbon world? Are you guys going to essentially stick to what you guys are doing in oil and gas or are you evaluating other opportunity sets to supplement that?

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

Yes, Paul, I guess, right now, we're focused on the E&P business. That's the kind of company we are, and that's what we're doing. We have a strong record on ESG in terms of transparency, how we think about that piece, how we manage the transition. We're focused on eliminating emissions from our operations. We've done that, over 7 million tons over the last number of years. We're the only E&P company, I believe, that has an emissions target that is out there for our business. So we're focused on doing that. When we get the external recognition for our climate stance, how we think about our climate action report, how we think about our sustainability report, and how we describe that, how -- what we're doing in our business to make it a more sustainable oil and gas business. So yes, we're focused on being low cost of supply and really taking care of our own business in terms of our emissions footprint, and what we're doing in our activities to reduce our greenhouse gas emissions, flaring fugitive emissions, methane, all of the above. That's what we're about. That's what we're trying to do, and that's how we're managing the -- this aspect of the company.

Operator

Our next question comes from Jeoffrey Lambujon from Tudor, Pickering, Holt.

Jeoffrey Lambujon - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director of Exploration and Production Research*

My first one is on Alaska from an op standpoint. As you continue helping to inform voters on the potential ramifications of the ballot measure, can you just give us a reminder of what operations over 2020 you'll focus on in Alaska? And then any color on learnings from ongoing appraisal would be helpful as well.

Michael Hatfield - *ConocoPhillips Company - President of Alaska, Canada & Europe*

Yes. So as far as our base operations, we've got a big operation that we continue to execute both at Kuparuk and at Alpine. As Matt mentioned, we've got some smaller turnarounds that we've got to execute this year. We've also got the ERD rig that's going to be starting up in the second quarter in Alpine. So we've got a lot -- and we've got a lot of drilling that's going on. Now in addition, you asked about our exploration program, and we're in the middle of that now. So we've got four wells that we're going to drill at Willow -- four appraisal wells and one flow test that we'll conduct. We spudded our first well at Willow at the end of January. So that's going on now. In addition, we're going to drill three exploration wells at Harpoon, and we expect to spud the first well toward the end of February. So we'll be running two rigs between the Willow and Harpoon programs.

Now in addition, we have our Narwhal opportunity that we spoke to you about in November where we had drilled the production well, and we had tested that well and flowed it back through our central facilities. We produced up to 4,500 barrels a day from that production well, and then that well was shut in as we monitored the pressure buildup. Since that time, we've also drilled an injection well that reached TD in early December. We flowed that well back to clean it up just recently, and we're quite encouraged with those results. In fact, our peak flow back was around 2,500 barrels a day. That well is now being prepared for an injection interference test with the producer that I mentioned we previously drilled. So we're going to do an injection test and interference test to see how those two wells are talking to each other, and that information is going to help us a lot as we optimize future development planning. So we're quite encouraged with the results that we've seen in Narwhal. So in short, we've got a big program that we're executing across our assets in Alaska, including at the non-op asset in Prudhoe Bay.

Jeoffrey Lambujon - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director of Exploration and Production Research*

My second question is just a follow-up to the discussion on how you all look at inorganic adds and the potential for those to come into the portfolio mix. As you look at potential opportunities, compare them to the existing asset base, what would you say are the disconnects between what you think could fit and what clearly doesn't? And are you seeing quality packages with just different parameters on valuation? Is there a lack of availability of assets in areas where you look to potentially add exposure? And then lastly, are there any key differences between the domestic and international A&D markets as you guys look at the landscape today?

Matt Fox - *ConocoPhillips Company - Executive VP & COO*

Jeoffrey, I think I'll take that. This is Matt. Yes. You saw that last year we -- on the inorganic front, we did about $300 million of inorganic additions in the Lower 48, Alaska and internationally. The -- and we've laid out the -- Ryan alluded to this a bit earlier, we laid out very clear guidelines, we hope, and certainly clear internally, as to what it would take in order to make an inorganic addition to the portfolio attractive. And we've said it has to have an all-in cost of supply, including the acquisition cost of below $50 a barrel. And it has to have a development cost of below $40 a barrel to compete for capital. So we've been very clear on the criteria we would have to achieve. It's the same criteria for larger-scale corporate activity and for our exploration program and for resource conversion within the portfolio. So as we look around the portfolio, we can see some potential for incremental bolt-ons, much like we did last year, but we're not at the stage of consummating any of those at the moment. But there are still opportunities out there that could be attractive additions to the portfolio as we go through time, as long as they meet those two criteria that I mentioned a minute ago.

Operator

Our next question comes from Scott Hanold from RBC.

Scott Hanold - *RBC Capital Markets, Research Division - MD of Energy Research & Analyst*

I think this one is for Don. Can you discuss with the KBB pipeline, Don, how does that impact the financials? I mean, what the -- on a relative basis, how does that generate the cash flow relative to, say, Conoco as a whole?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

Yes, Scott, for 2020 and as Matt said, we're not counting on the resumption of that Sabah-Sarawak gas pipeline. So the financial impact that we're estimating is about $90 million of cash flow and about $60 million on net income. And that's -- okay? And that's built into the sensitivities in our -- that we published this morning.

Scott Hanold - *RBC Capital Markets, Research Division - MD of Energy Research & Analyst*

Okay. I appreciate that color. And turning reallyquickly back to Alaska again, how has the process or the progress going with evaluating a sell-down in 2020 on that asset, considering, obviously, the propositions that are out there? Do you find it's going to be a little bit more challenging in front of the November ballot to get something done?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

Yes, Scott. So I'll take you back just for a second to November at the analyst meeting when we provided our preliminary 2020 capital and production outlooks. And at that point, we reflected that we would retain our current ownership level through this year, so through 2020. And at this point, we only plan to sell down after the uncertainty related to the Citizens' Initiative has been resolved, and after we fully interpreted the results of our

2020 exploration and appraisal program, and when we've progress through Willow, through the concept select gate. So after we've satisfied those three criteria, that's when we plan to execute this sell-down. So that pushes the sell-down most likely well into next year. We won't execute a sell-down in a way that causes us to lose control of the investment pace. We're already confident that there's multiple quality parties that are interested in these great assets. We would be open to an equal-value strategic transaction or a swap rather than cash, if that makes sense. So that's where we are in the process. We're going to resolve some of these uncertainties, and then we'll approach the market.

Operator

Our next question comes from Joe Allman from Baird.

Joe Allman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

On Libya, is -- with the situation in Libya now, is production basically zero at this point? And do you have any thoughts on the outlook? And I know you don't guide for production in Libya. But what are you assuming in terms of your cash flow? What production level are you assuming for your cash flow guidance?

Bill Bullock - *ConocoPhillips Company - President of Asia Pacific & Middle East*

Yes. So you're right, we don't guide for production in Libya. Our guidance is excluding Libya. Right now because of the disruptions associated with this conflict, our Libya project company and the Libya National Oil Company have declared force majeure. And so we're just in the process of tapering down our production. We're not quite at zero now, but we expect to be fairly soon. So our hope is that these parties can resolve this conflict, and we can restart operations soon. But right now, we're tapering down towards not producing.

Joe Allman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

In terms of your cash flow guidance for this year, are you assuming that Libya is off-line for an extended period? Or are you assuming kind of flattish production from the fourth-quarter level?

Ryan Lance - *ConocoPhillips Company - Chairman & CEO*

Yes, we're assuming that it will just be off-line then.

Joe Allman - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. That's helpful. And on the defined benefit contribution, my understanding is that it was around $100 million in the fourth quarter and that you're guiding for about $100 million each quarter through 2020. So beyond 2020, should we assume the same kind of quarterly contribution? Or is this just kind of like a five-quarter catch-up? And could you talk about sort of the cash impact?

Don Wallette - *ConocoPhillips Company - Executive VP & CFO*

Yes, Joe, this is Don. Let me address that. So in the fourth quarter, our contribution to the U.S. plan was, I believe, close to $80 million. We probably rounded that up to $100 million. But we plan to continue contributions at that pace for the next three quarters, so quarter 1, 2 and 3 in 2020. And so what's occurring here is that we've implemented a liability management strategy that's intended to de-risk the pension liability over time. So the contributions that we make this year are going to allow us to shift more of the -- our assets from equities into fixed income. And that's how we're going to be de-risking the plan and hopefully reduce contributions as we go forward. So after the third quarter, you should expect that our contributions will reduce significantly and then, hopefully, depending on asset performance and interest rates, continue to be quite small as we go into 2021 and beyond.

Operator

We have no further questions at this time. I would like to turn the call back over to Ellen.

Ellen DeSanctis - *ConocoPhillips Company - SVP of Corporate Relations*

Thank you, everybody. If you have any calls, please feel free to reach out to Investor Relations, and look forward to seeing all of you over the next several months. Thank you.

Operator

Thank you, and thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.
