Low Price Environment and the Impact on Unconventional Resource Developments

Mark Nelson
Vice President
Commercial & Communications
ConocoPhillips China

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• Protecting legacy positions, building new growth areas
  • APLNG: Two 4.5 mtpa trains
  • Attractive Malaysian growth
  • Additional growth projects in China and Indonesia
  • Robust cash flows from legacy QG-3 and Bayu Undan
• 80 MBOEPD additional production by 2017
Key Topics in Today’s Discussion

• Currently experiencing a volatile, low oil price environment

• Unconventional developers have responded by:
  • Prioritizing portfolio
  • Advancing technology
  • Capturing general deflation

• Success strategies: Shale producers aren’t going away
Unconventional Resource Development in the U.S.

A megatrend resulting in a renaissance of enormous scale

Source: U.S. Department of Energy, Energy Information Administration (EIA)
2015-2017: Uncertain Price Outlook

- Wide range of outlooks based on differing views of macro factors
  - Global economic outlook
  - Supply and demand response to low oil prices
  - Industry cost deflation
  - Technology change impacting supply or demand

- Multiple future price paths possible

- Risks to planning for any single outcome

- Taking a more conservative approach to running the business

- Unique and diverse portfolio positioned for lower, more volatile prices

Sources: NYMEX, ICE, Bloomberg and industry consultants.
US Lower 48 Unconventionals

- Offsetting impacts of lower prices
- Optimizing full-field development programs
- Aggressive cost control and deflation capture
- Improvements from ongoing technology investments
- Industry-leading cost of supply
- Large resource base with high degree of capital flexibility

Similar Returns Expected at Lower Prices

Rate of Return

Oil Price

Deflation & Cost Efficiencies

Program Optimization

Technology

Impact on after-tax annual rate of return from average operated wells online in 2013 vs. 2015.
Unconventional Developers React Quickly to Pricing Signals

Evolving model: rapid adaptation and maximum flexibility

Rapid response to price collapse

Response to minor price uptick

Source: Baker Hughes Weekly Rig Count for the US Lower 48
Capturing Benefit from Rapid Cost Deflation

Sensitivity of Activity Levels to Oil/Gas Price

- Highly Sensitive
- Moderate
- Minor

LAG TIME SHRINKING

- Land Rigs
- Stimulation
- Well Services
- Oil & Gas Field Equipment
- Fabricated Equipment
- Helicopters
- Subsea
- Rotating Equipment
- Engineering Project Management
- Electrical & Instrumentation Equipment
- Craft Labor
- Tubulars
- Shallow Water Rigs

Depicted circles represent activity levels and are ordered by spend weight percent in 2015 capital expenditures.

- < 3 Months
- 3-9 Months
- > 9 Months

>$700MM
Deflation identified as of 8 April 2015

Lag to Change in Oil/Gas Price

Bubble size represents spend weight percent in 2015 capital expenditures.

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Eagle Ford: Driving Drilling and Completion Efficiencies

- Continued drilling and completion efficiencies
- Pilot studies optimizing recovery
- DEEP implementation to reduce drilling days even further

**Drilling Execution Efficiency Platform (DEEP)**

- ~30% reduction in drilling days

**2013**
- Job Size: 3.8 MM lbs
- Clusters: 75
- Depth: 4,800 ft
- D&C Cost per Well Reduction: 30%
- EUR per Well Increase: 30%
- Spud to Prod Cycle Time Reduction: 40%

**2015**
- Job Size: 7.7 MM lbs
- Clusters: 150
- Depth: 5,150 ft
- DEEP: Faster
- DEEP OFF: Slower

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Eagle Ford: Industry Leading Performance

Lowest Cost of Supply

Highest Oil Rates per Well

Highest NPV per Acre

Data Range: companies with >100 M net acres.

1 Wood Mackenzie March 2015; Limits WTI breakeven at 50% IRR (US$/BBL)  
2 Texas Railroad Commission 2014  
3 Rustad U Cube, March 11, 2015
## What Wins in a Lower, More Volatile Price Environment?

<table>
<thead>
<tr>
<th>Asset Characteristics</th>
<th>Role in Portfolio</th>
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</thead>
<tbody>
<tr>
<td>Diverse, low-decline base</td>
<td>Stable funding to sustain dividend</td>
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<tr>
<td>Low cost of supply</td>
<td>Investment returns resilient to low prices</td>
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<tr>
<td>Flexible investment options</td>
<td>Scalable growth in response to market</td>
</tr>
<tr>
<td>Selective, long-lived projects</td>
<td>Additive to low-decline base</td>
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<tr>
<td>Control and operatorship</td>
<td>Discretion and predictable performance</td>
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<tr>
<td>Low-risk resource inventory</td>
<td>Robust organic growth inventory</td>
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Shale Development Potential in Asia Pacific

- Are North American learnings applicable to Asia Pacific?
  - PSC planning and approval structure can limit flexibility
  - Transportation infrastructure
  - Technology application
- Huge opportunity could be unlocked across the region

Source: 2009 IEA
Conclusions

• Unconventionals are not going away

• In response to falling prices, North American unconventional players have:
  • Prioritized their portfolios
  • Captured general deflation
  • Improved technology

• Cost of supply continues to drop

• New strategies highlight flexibility
  • Respond to pricing signals in a volatile pricing environment