

Low Price Environment and the Impact on Unconventional Resource Developments

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ConocoPhillips Asia Pacific & Middle East Assets

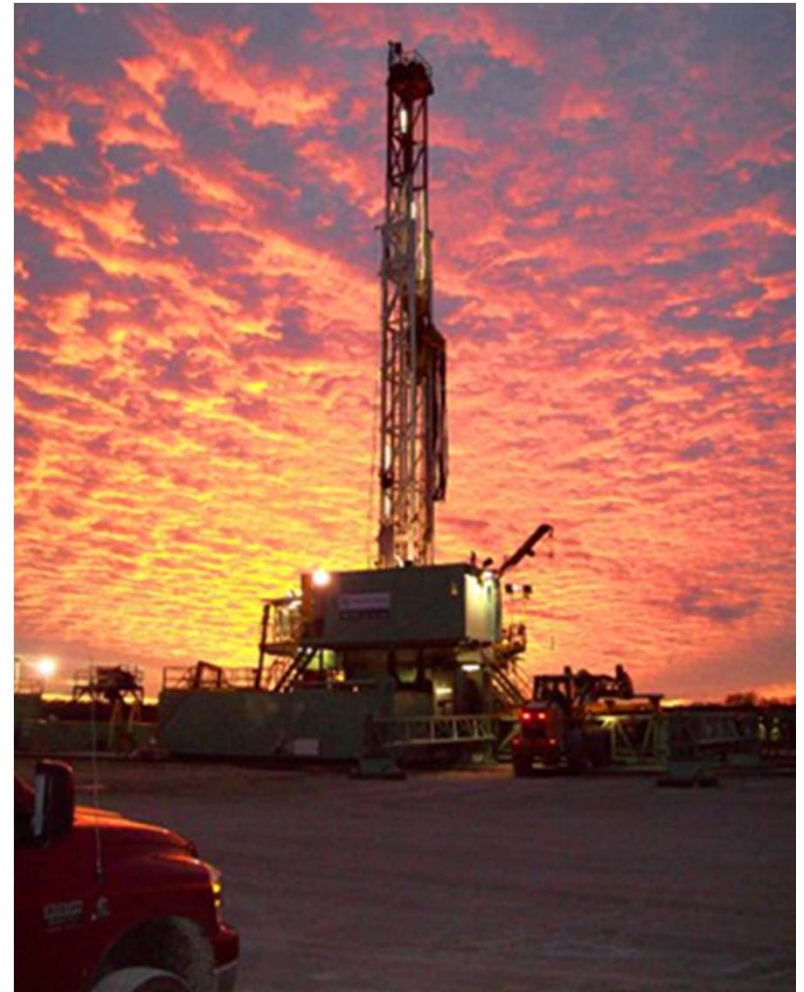


- Protecting legacy positions, building new growth areas
 - APLNG: Two 4.5 mtpa trains
 - Attractive Malaysian growth
 - Additional growth projects in China and Indonesia
 - Robust cash flows from legacy QG-3 and Bayu Undan
- 80 MBOEPD additional production by 2017



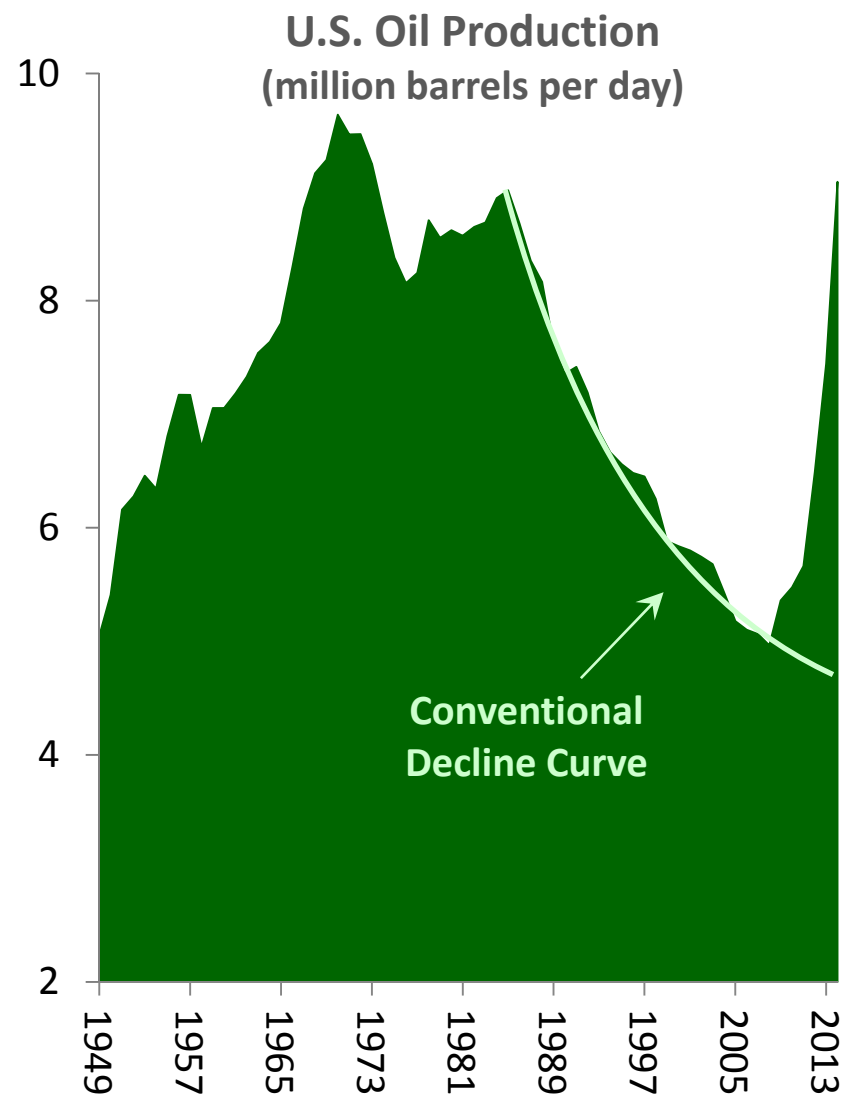
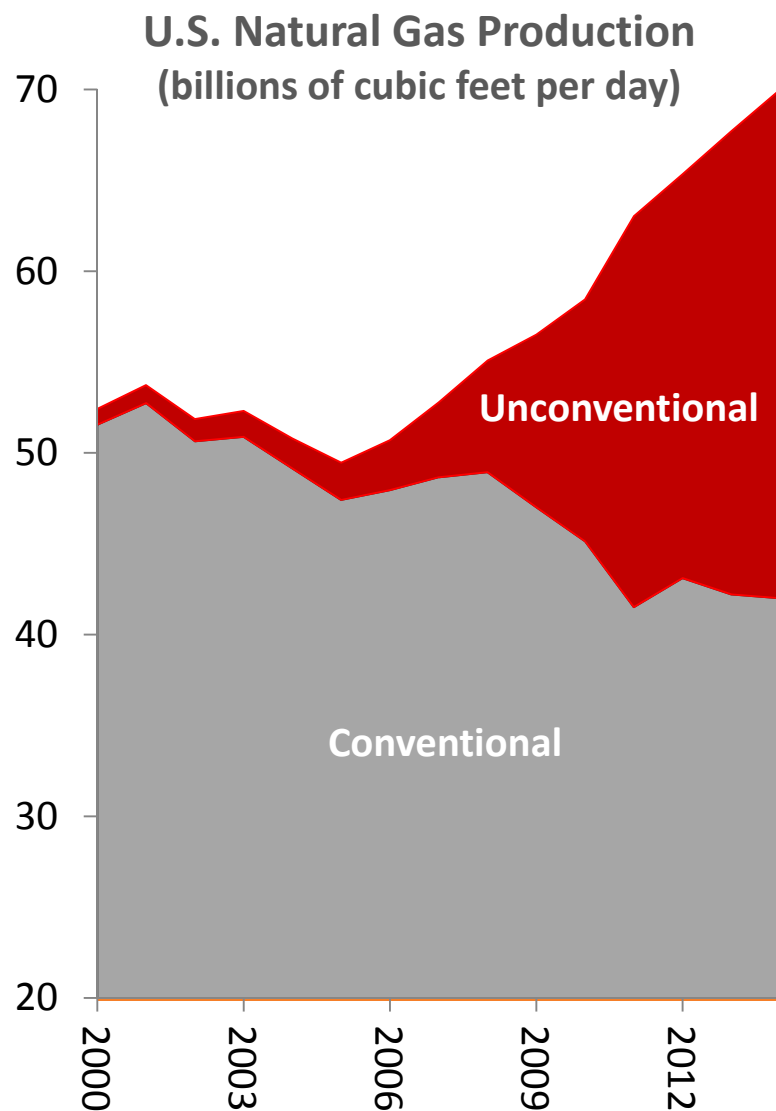
Key Topics in Today's Discussion

- 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

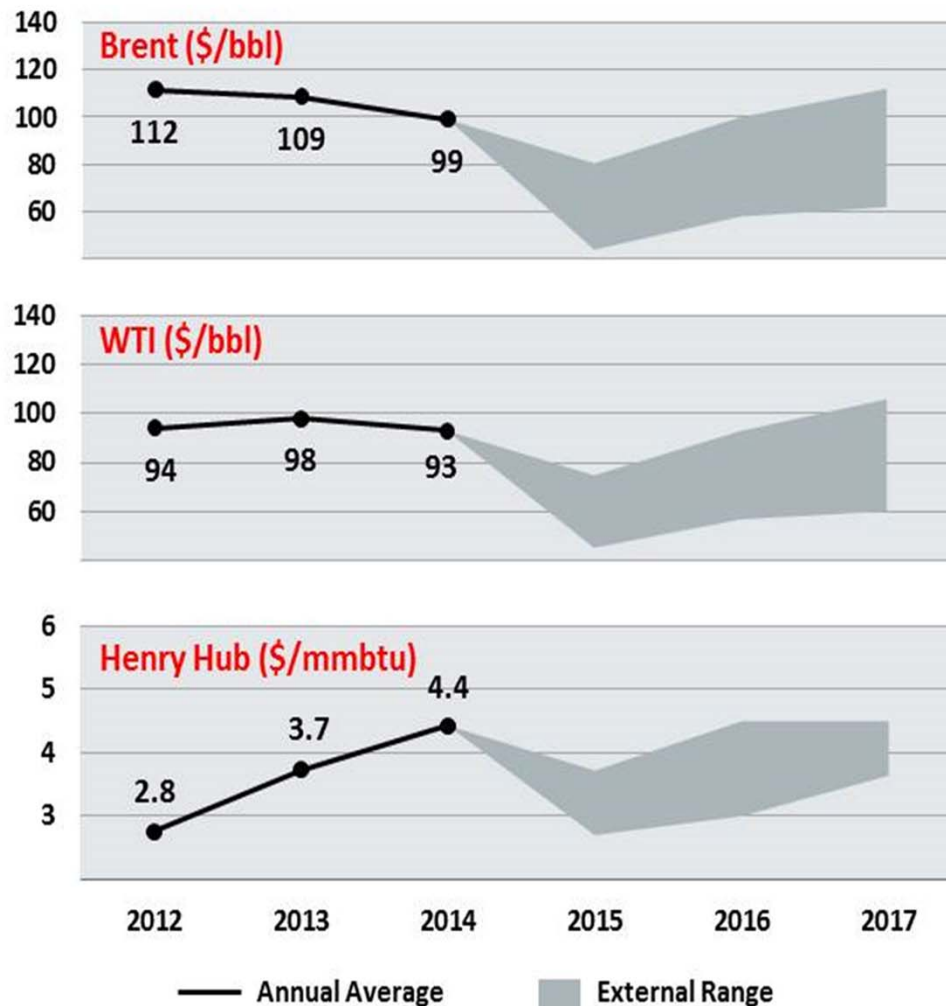


Unconventional Resource Development in the U.S.

A megatrend resulting in a renaissance of enormous scale



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

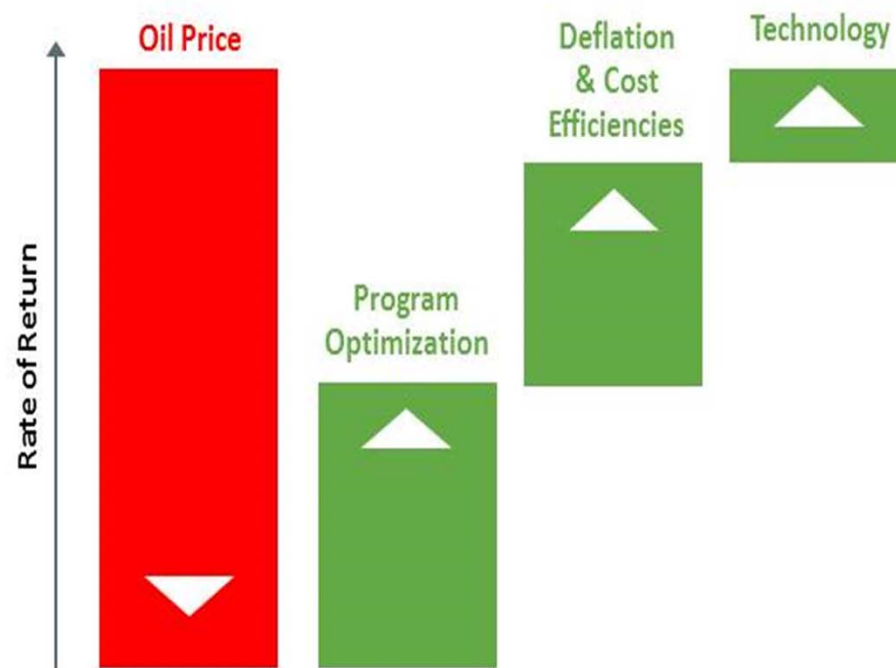
Sources: NYMEX, ICE, Bloomberg and industry consultants.

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

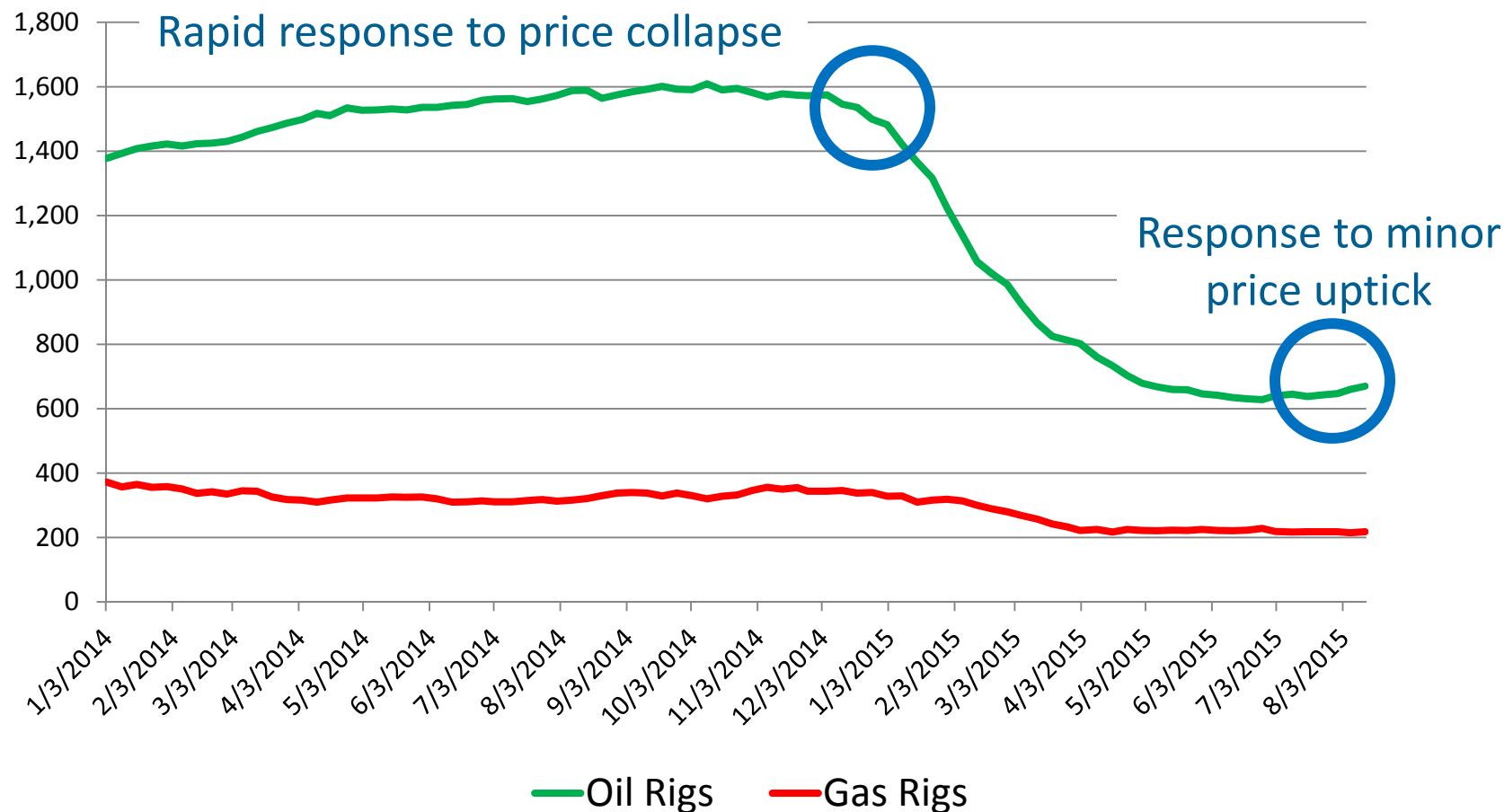
Similar Returns Expected at Lower Prices



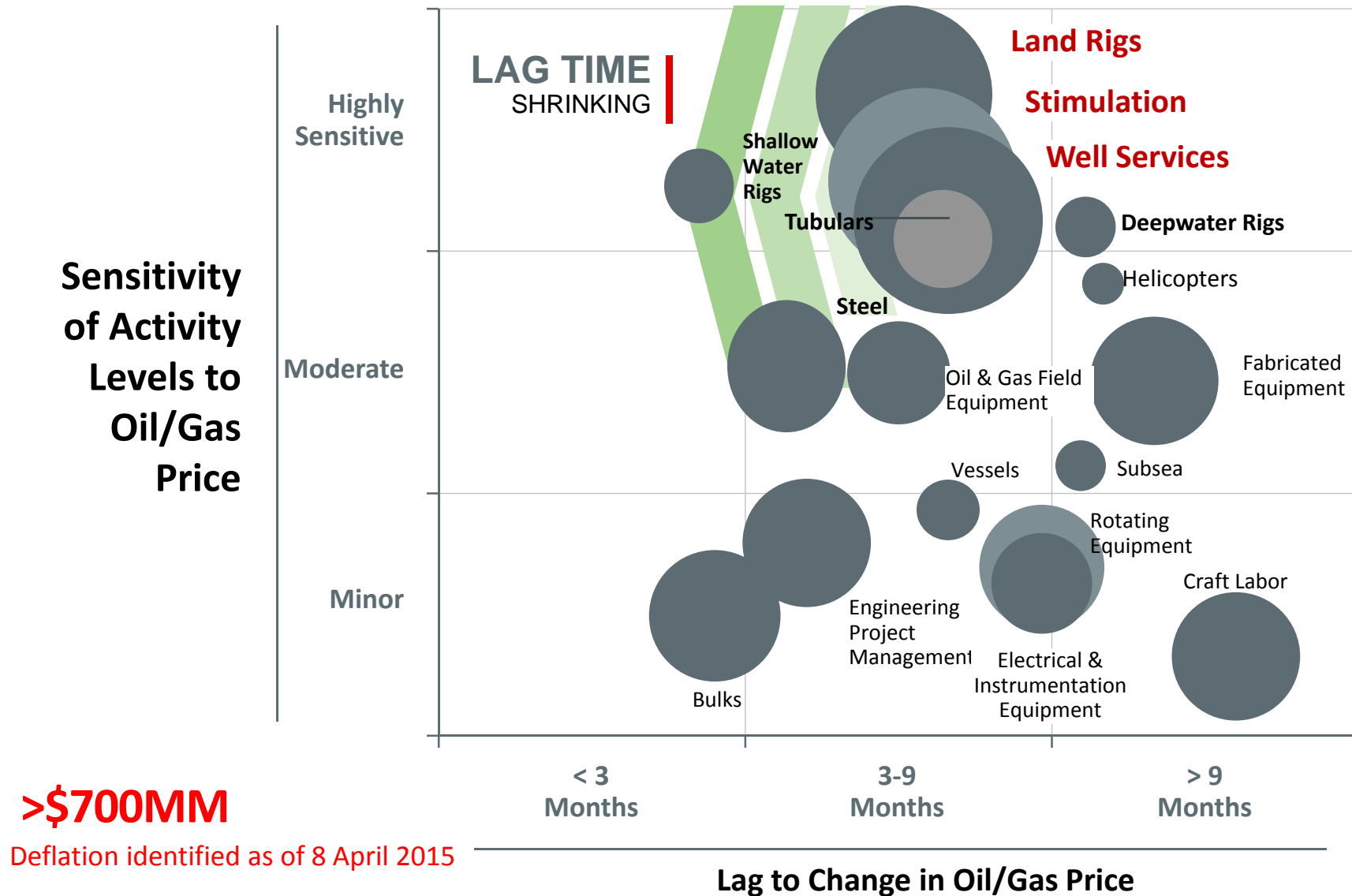
Impact on after-tax annual rate of return from average operated wells online in 2013 vs. 2015.

Unconventional Developers React Quickly to Pricing Signals

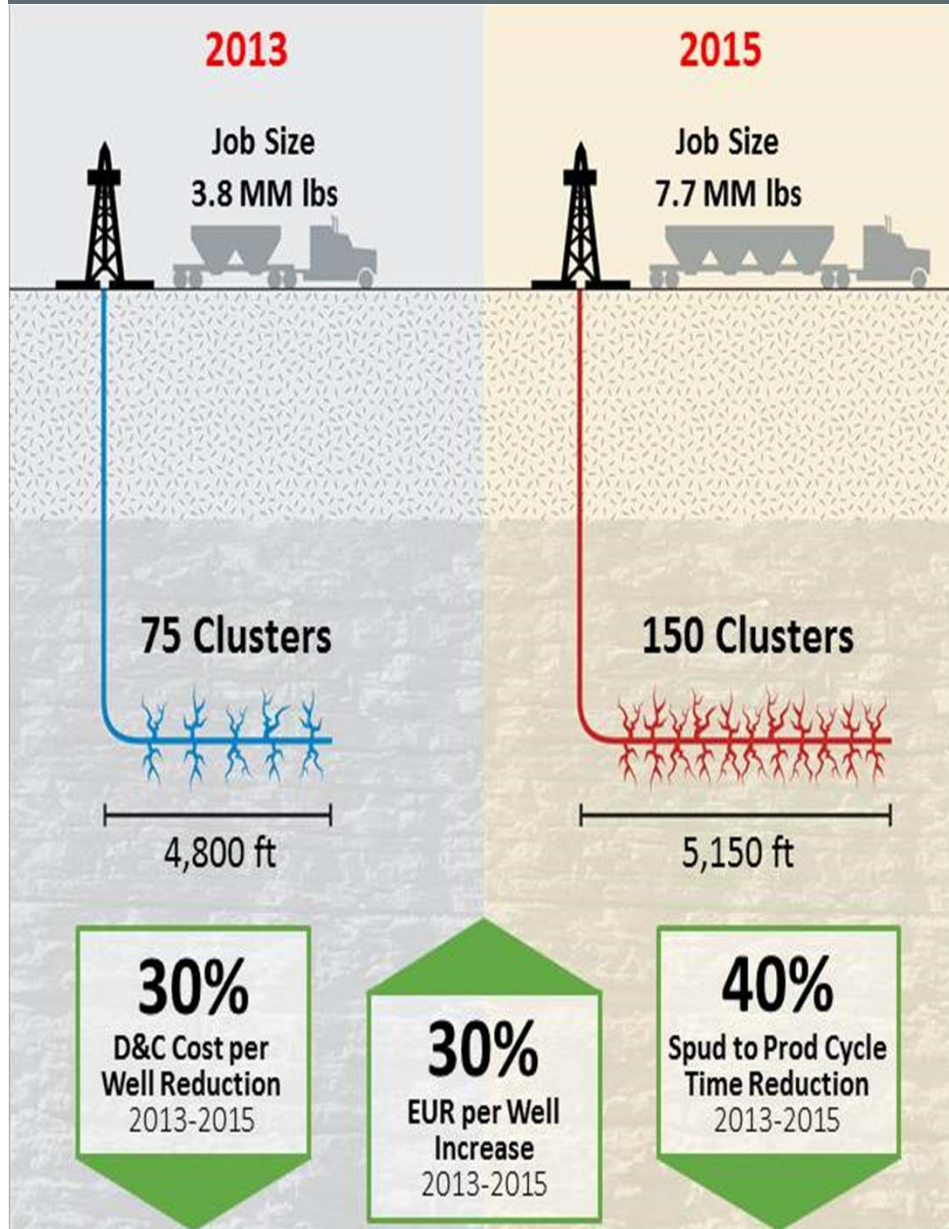
Evolving model: rapid adaptation and maximum flexibility



Capturing Benefit from Rapid Cost Deflation

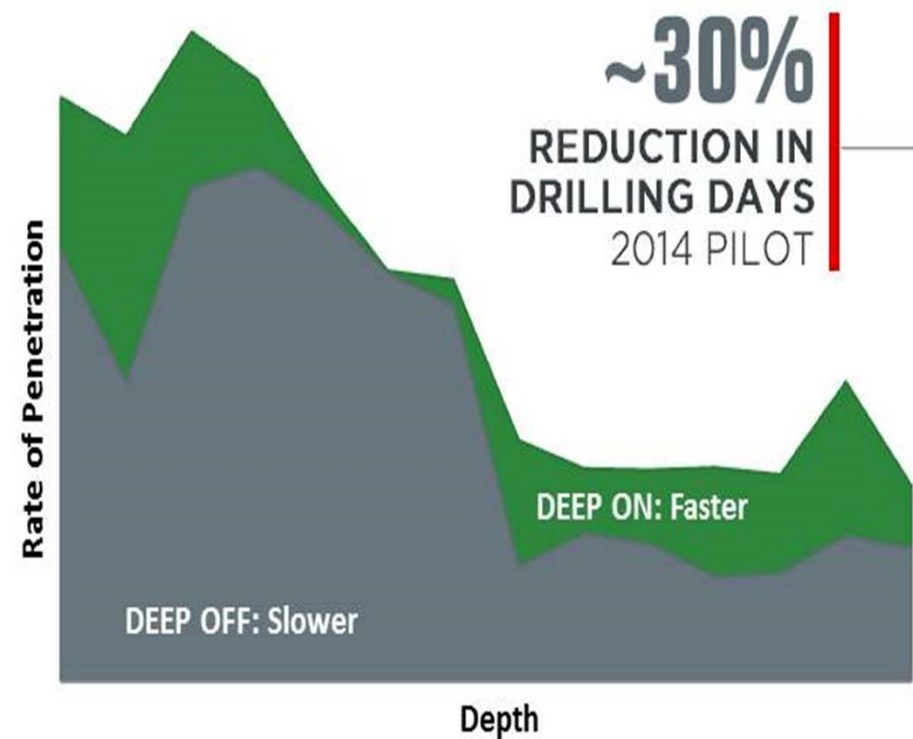


Eagle Ford: Driving Drilling and Completion Efficiencies



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

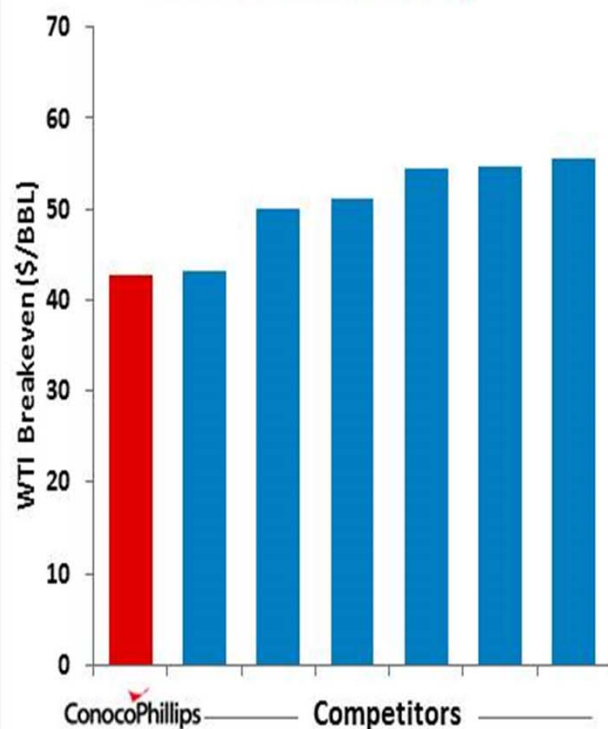
Drilling Execution Efficiency Platform (DEEP)



Eagle Ford: Industry Leading Performance



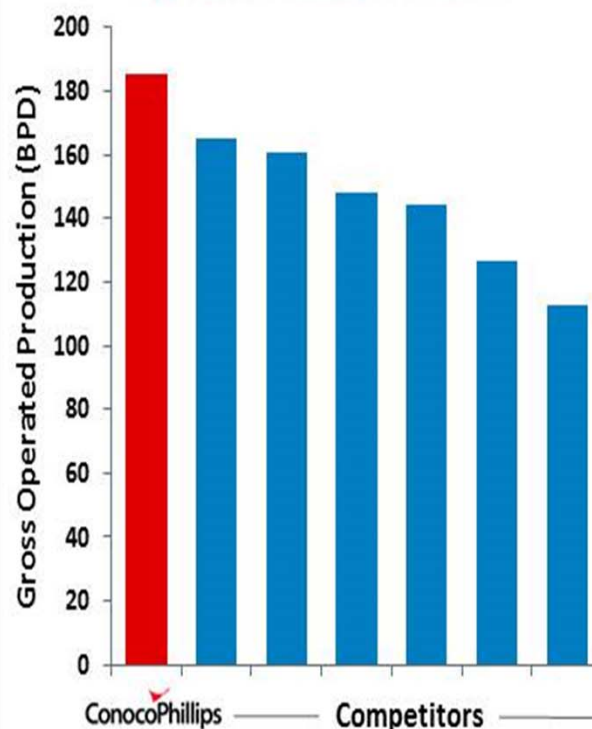
Lowest Cost of Supply¹



Data Range: companies with >100 M net acres.

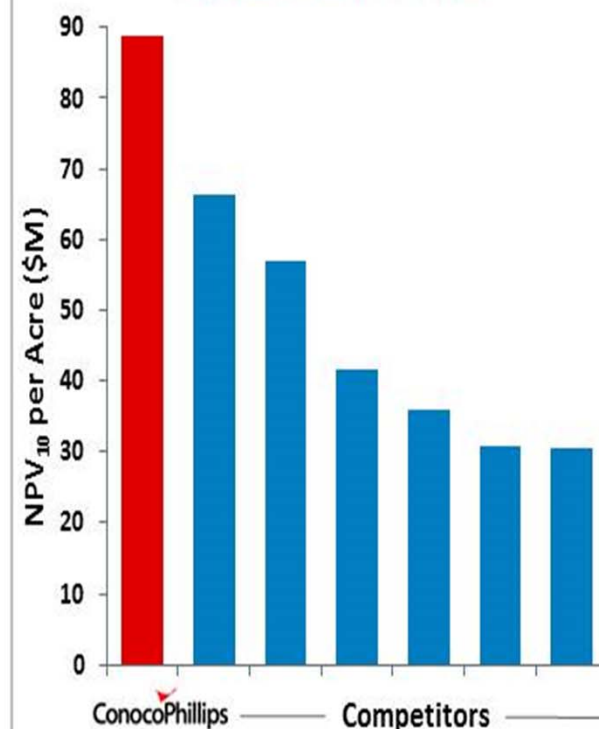
¹ Wood Mackenzie March 2015: liquids WTI breakeven at 10% IRR (US\$/BBL)

Highest Oil Rates per Well²



² Texas Railroad Commission 2014.

Highest NPV per Acre³



³ Rystad U Cube, March 11, 2015.

What Wins in a Lower, More Volatile Price Environment?

Asset Characteristics

Role in Portfolio

Diverse, low-decline base



Stable funding to sustain dividend

Low cost of supply



Investment returns resilient to low prices

Flexible investment options



Scalable growth in response to market

Selective, long-lived projects



Additive to low-decline base

Control and operatorship



Discretion and predictable performance

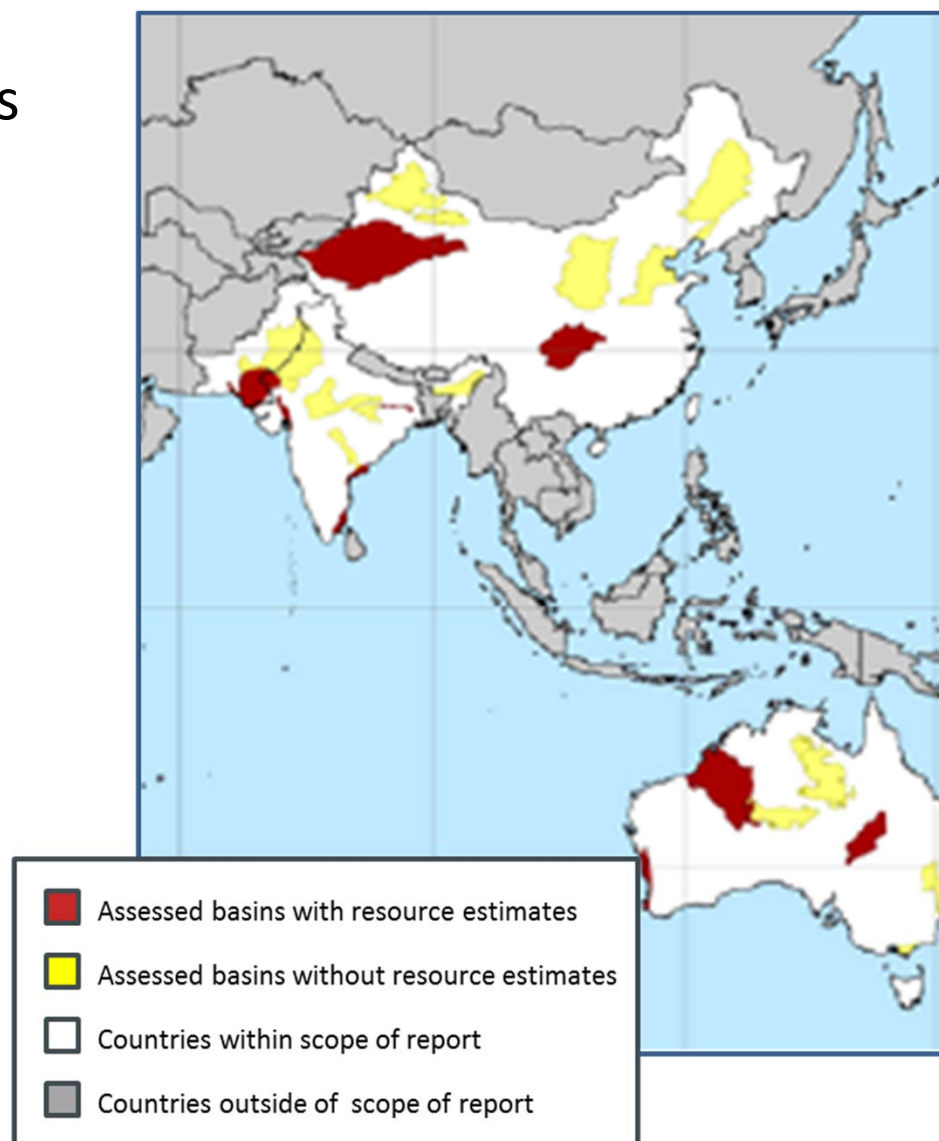
Low-risk resource inventory



Robust organic growth inventory

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

