



Control Number: 39272



Item Number: 1

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DOCKET NO. 39972

APPLICATION OF *CONOCOPHILLIPS*  
COMPANY FOR AMENDMENT TO A  
RETAIL ELECTRIC PROVIDER  
CERTIFICATION

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§  
§

PUBLIC UTILITY COMMISSION  
  
OF TEXAS

**TITLE PAGE**

Name of Applicant: ConocoPhillips Company

**Authorized Company Representative:**

Representative Name: Jackie Georgiou

Representative Title: Power Originator

Representative Address: 600 North Dairy Ashford

(Suite, Floor, Apartment Number, etc.): CH-1081

(City, State, Zip Code): Houston, TX 77079

Representative Phone Number: 281.293.2199

Representative Fax Number: 281.293.3525

Representative Email Address: Jackie.A.Georgiou@conocophillips.com

## PART A – COMPANY ADMINISTRATIVE INFORMATION

A-1 (a) Type of application (check only one):

- ☐ Application for New Option 1 REP Certification  
☐ Application for New Option 2 REP Certification  
☒ Amendment to Existing REP Certification No. 10037

(b) If you are filing an amendment, check one or more of the following amendment categories requested in this filing:

### Option 1 REP

- ☐ Name Change  
☐ Change in Ownership or Control  
☐ Corporate Restructuring  
☐ Transfer of Certificate  
☐ Change in Service Area  
☐ Change in Technical/Managerial Qualifications  
☐ Change in Financial Qualifications  
☐ Cessation of Operations  
☐ Other (Explain below):  
\_\_\_\_\_  
\_\_\_\_\_

### Option 2 REP

- ☐ Name Change  
☐ Change in Ownership or Control  
☐ Corporate Restructuring  
☐ Transfer of Certificate  
☐ Change in Technical/Managerial Qualifications  
☐ Change in Financial Qualifications  
☐ Cessation of Operations  
☒ Other (Explain below):  
**Modify existing Option 2 REP status to become Option 1 REP**  
\_\_\_\_\_

(c) Provide a summary explanation of all items checked in “b” above.  
**ConocoPhillips Company is currently a licensed Option 2 REP that seeks to become an Option 1 REP for the entire state of Texas.**

A-2 Provide required contact information:

(a) **Company Physical Address:**  
Certificated/Primary Company Name: ConocoPhillips Company

REP Application

Company Contact: Jackie Georgiou  
Contact Title: Power Originator  
Company/Physical Address (Street Address): 600 N. Dairy Ashford  
(Suite, Floor, Apartment Number, etc.): CH-1081  
(City, State, Zip Code): Houston, TX 77079  
Company Phone Number: 281.293.2199  
Toll-free customer service telephone number: (800) 646-4427  
Fax number: 281.293.3525  
Website address: www.conocophillips.com  
Email address: Jackie.A.Georgiou@conocophillips.com

(b) **Mailing Address (If Different from Company Physical Address):**

Company Contact: \_\_\_\_\_  
Contact Title: \_\_\_\_\_  
(Street/P.O. Box): \_\_\_\_\_  
(City, State, Zip Code): \_\_\_\_\_

(c) **Texas Office Address:**

Company Contact: Jackie Georgiou  
Contact Title: Power Originator  
Company/Physical Address (Street Address): 600 N. Dairy Ashford  
(Suite, Floor, Apartment Number, etc.): CH-1081  
(City, State, Zip Code): Houston, TX 77079  
Company Phone Number: 281.293.2199  
Toll-free customer service telephone number: (800) 646-4427  
Fax number: 281.293.3525  
Website address: www.conocophillips.com  
Email address: Jackie.A.Georgiou@conocophillips.com

(d) **Regulatory Contact Information:**

Regulatory Contact Name: Julie Unruh  
Regulatory Contact Title: Director, US Power & Natural Gas Compliance &  
Regulatory  
Regulatory Contact Address: 600 N. Dairy Ashford  
(Suite, Floor, Apartment Number, etc.): CH-1081G3  
(City, State, Zip Code): Houston, TX 77079  
Regulatory Contact Phone Number: 281.293.3541  
Regulatory Contact Fax Number: 281.293.3525  
Regulatory Contact Email Address: Julie.L.Unruh@conocophillips.com

(e) **Complaint Contact Information:**

Contact Name: Jackie Georgiou  
Contact Title: Power Originator  
Required Contact Address: 600 N. Dairy Ashford  
(Suite, Floor, Apartment Number, etc.): CH-1081  
(City, State, Zip Code): Houston, TX 77079  
Contact Phone Number: 281.293.2199

REP Application

Contact Fax Number: 281.293.3525

Contact Email Address: Jackie.A.Georgiou@conocophillips.com

Preferred Complaint Email Address: Jackie.A.Georgiou@conocophillips.com

- (f) Officers, Directors and Principals. Provide as Attachment A-2 the name, title, address, phone number, facsimile number and email address of each of the applicant's officers, directors and principals.

**See attached**

A-3. Name(s) on certificate.

- (a) State the Certificated Name of the Applicant. If the applicant is requesting a Certificated Name or the addition of a d/b/a name, provide verification of each authorization to conduct business in Texas. If the applicant is a corporation, partnership, or limited liability company, provide a copy of the Office of the Secretary of State Certificate of Filing or provide the file number and the date of authorization for each requested name. If the applicant is a Sole Proprietorship, provide a copy of the County Certificate of Filing or provide the name of the county, file number, and date of authorization for each requested name.

**Certificated Name: ConocoPhillips Company**

**File Number: \_\_\_\_\_ Date: \_\_\_\_\_ (For new Certificated Names Only)**

**EXISTING Approved d/b/as (if applicable):**

**Not applicable**

(1)

(2)

(3)

(4)

**REQUESTED d/b/as (if applicable)**

**Not applicable**

(1) Requested d/b/a: \_\_\_\_\_

File Number: \_\_\_\_\_ Date: \_\_\_\_\_

(2) Requested d/b/a: \_\_\_\_\_

File Number: \_\_\_\_\_ Date: \_\_\_\_\_

(3) Requested d/b/a: \_\_\_\_\_

File Number: \_\_\_\_\_ Date: \_\_\_\_\_

(4) Requested d/b/a: \_\_\_\_\_

File Number: \_\_\_\_\_ Date: \_\_\_\_\_

(5) Requested d/b/a: \_\_\_\_\_

File Number: \_\_\_\_\_ Date: \_\_\_\_\_

## REP Application

DELETION of d/b/as (if applicable):

**Not applicable**

- (1) \_\_\_\_\_
- (2) \_\_\_\_\_
- (3) \_\_\_\_\_
- (4) \_\_\_\_\_
- (5) \_\_\_\_\_

(b) Form of business (check one):

Corporation   X   Partnership \_\_\_\_\_ Private Company \_\_\_\_\_  
Limited Liability Company \_\_\_\_\_ Sole Proprietorship \_\_\_\_\_  
Other (specify) \_\_\_\_\_

## PART B – SERVICE AREA

Indicate the requested service area below:

(a) Option 1 REP – Service Area by Geography (select only one)

  X   Entire State of Texas.

\_\_\_\_\_ By Service area of one or more Transmission and Distribution Utilities (TDU), Municipal Utilities, or Electric Cooperatives (Identify each requested utility and cooperative): \_\_\_\_\_

\_\_\_\_\_ Geographic area of one or more Independent Organization within Texas (e.g., ERCOT) (Identify each organization): \_\_\_\_\_

\_\_\_\_\_ Specific geographic area. Identify on Attachment B-1 the zip codes defining the requested service area.

(b) Option 2 REP – Service Area by Customer

\_\_\_\_\_ Provide as Attachment B-2 the affidavit from each customer required by §25.107(d)(2).

## PART C – FINANCIAL REQUIREMENTS

C-1 Access to Capital. An applicant must choose one of the three methods below to demonstrate that the applicant meets the capital requirements of §25.107(f)(1).

REP Application

  X   (a) Investment-grade credit rating. If the applicant elects to meet the requirements of §25.107(f)(1)(A)(i), provide as Attachment C-1 the documentation required by §25.107(f)(4)(A) demonstrating an investment-grade credit rating. If the applicant relies on a guarantor to satisfy this requirement, provide the documentation required by §25.107(f)(1)(A)(i) for the guarantor and provide agreements or commitments demonstrating compliance with §25.107(f)(4)(G).

**See attached**

       (b) Tangible net worth. If the applicant elects to meet the requirements of §25.107(f)(1)(A)(ii), provide as Attachment C-1 the documentation required by §25.107(f)(4)(B) demonstrating tangible net worth greater than or equal to \$100,000,000, a minimum current ratio of 1.0, and a debt to total capitalization ratio not greater than 0.60. If the applicant relies on a guarantor to satisfy these requirements, provide the documentation required by §25.107(f)(1)(A)(ii) for the guarantor and provide agreements or commitments demonstrating compliance with §25.107(f)(4)(G).

       (c) Shareholders' equity and letter of credit. If the applicant elects to meet the requirements of §25.107(f)(1)(B), provide as Attachment C-1 the documentation required by §25.107(f)(4)(C) and (F) demonstrating shareholders' equity of not less than \$1,000,000 and an irrevocable stand-by letter of credit payable to the Commission of \$500,000. If the applicant believes that it is exempt from the shareholders' equity requirement under §25.107(f)(1)(B)(iii), include in Attachment C-1 the documentation required by §25.107(f)(4)(F) and provide documentation demonstrating that the applicant began serving load on or before January 1, 2009.

C-2 Protection of Customer Deposits. An applicant that wishes to have the option of collecting customer deposits or residential advance payments must indicate its intention to do so and must comply with the requirements of §25.107(f)(2).

Yes        No   X   Does the applicant wish to have the option of collecting deposits or advance payments from customers? If Yes, provide as Attachment C-2 the documentation required by §25.107(f)(4)(D), (E), or (F) to demonstrate compliance with §25.107(f)(2).

C-3 Financial standards required for billing and collection of transition charges.

Yes   X   No        Will the applicant comply with §25.107(f)(5), relating to financial standards required of REPs for the billing and collection of transition charges?

C-4 Yes        No   X   Does the applicant or a predecessor in interest of the applicant have any history of insolvency, bankruptcy, dissolution, merger, or acquisition during the 60 months immediately preceding the application? If Yes, provide as Attachment C-4 an explanation of each incident.

## REP Application

months immediately preceding the application? If Yes, provide as Attachment C-4 an explanation of each incident.

- C-5 Identify the last month and day of the fiscal reporting year of the applicant and its guarantor, if applicable.

**December 31**

## PART D – TECHNICAL AND MANAGERIAL REQUIREMENTS

An applicant must answer each question for its entire company, including all assumed names under which it operates.

- D-1 Yes X No \_\_\_\_ Is the REP currently providing service to customers? If Yes, answer Questions D-2 thru D-12. If No, answer Questions D-3 thru D-12.

- D-2 Independent Organization Requirements:

- a. Provide as Attachment D-2A the following information for each of your Qualified Scheduling Entities (QSEs): (1) Type of Service Provided; (2) Term of Service Agreement; (3) Date Service Agreement Began; (4) Company Name; (5) Contact Person; (6) Contact Person Title; (7) Company address (street address, city, state & zip code); (8) Company phone number; (9) Facsimile number; and (10) Email address.
- b. Yes X No \_\_\_\_ Are you current with your ERCOT testing obligation? If no, provide an explanation as Attachment D-2B.
- c. Yes \_\_\_\_ No X Have you defaulted on the Load Serving Entity (LSE) Agreement? If yes, provide an explanation as Attachment D-2C.
- d. Yes X No \_\_\_\_ Are you providing Outage Notification as required by §25.107(g)(1)(G)? If no, provide an explanation as Attachment D-2D.
- e. Yes X No \_\_\_\_ Do you agree to comply with all system rules established by the independent system operator as required by §25.107(g)(2)(F)? If no, provide an explanation as Attachment D-2E.

- D-3 Provide as Attachment D-3 the following information for each third party entity or consultant that you rely upon to meet the technical qualifications for REP certification: (1) Type of Service Provided; (2) Term of Service Agreement; (3) Date Service Agreement Began; (4) Number of years of Experience, (5) Type of Experience; (6) Company Name; (7) Contact Person; (8) Contact Person Title; (9) Company address (street address, city, state & zip code); (10) Company phone number; (11) Facsimile number; and (12) Email address.

**See attached**



## REP Application

D-4 Competitive electric or gas industry experience. Provide as Attachment D-4 the following information for each of the principals and permanent employees whose experience the applicant relies upon to meet the requirements of §25.107(g)(1)(D):

(1) The name, title, telephone number, email address, type of experience, number of years of experience, number of years with the applicant of each principal and permanent employee that the applicant relies upon to meet this requirement.

(2) Any information or documentation necessary to substantiate a claim that the principal or permanent employee has the required experience, including but not limited to a resume that provides employment history in the competitive electric or gas industries and includes job titles or classifications, a description of the types of experience, and the contact information of former and current employers. Commission Staff may follow up its initial review of this information with a request for additional information or a telephone interview.

(3) If any person that you rely upon to meet this requirement was a principal of a REP that experienced a mass transition of its customers to a Provider of Last Resort (POLR), identify the person and the name of the REP or REPs that experienced a mass transition.

**See attached**

D-5 Risk Management Experience. Provide as Attachment D-5 the following information to demonstrate compliance with §25.107(g)(1)(E):

(1) The name, title, telephone number, and email address of the principal or permanent employee that the applicant relies upon to meet this requirement, or the contact person, contact person telephone number, and contact person email address of the risk management services company that will provide energy commodity risk management services pursuant to the terms of a two-year contract with the applicant.

(2) Any information or documentation necessary to substantiate a claim that the principal, permanent employee, or risk management services company has the required experience, including but not limited to a resume that provides employment history in energy commodity risk management and includes job titles or classifications, a description of the types of risk management experience, and the contact information of former and current employers; the dollar amounts of client portfolios managed, the specific nature of the risk management objectives, and the contact information for each client, account statements or other similar documents, and credentials that evidence the completion of formal education in commodity risk management. Commission Staff may follow up its initial review of this information with a request for additional information or a telephone interview.

**See attached**

D-6 Provide as Attachment D-6 a brief explanation of how you plan to provide adequate staffing to meet all service level commitments.

**See attached**

## REP Application

- D-7 Complaint history, disciplinary record, and compliance record. Provide as Attachment D-7 the information required by §25.107(g)(2)(B). If you have nothing to report, please state "None" in the following blank: None
- D-8 Investigations, penalties, and violations of deceptive trade or consumer protection laws and regulations. Provide as Attachment D-8 the information required by §25.107(g)(2)(D). If you have nothing to report, please state "None" in the following blank: None
- D-9 Convictions and liabilities for fraud, theft, larceny, deceit, and violations of securities laws, customer protection laws, and deceptive trade laws. Provide as Attachment D-9 the information required by §25.107(g)(2)(E). If you have nothing to report, please state "None" in the following blank: None
- D-10 Provide below the name and PUC certification number for each of the Applicant's affiliates that are certificated to provide electric service in Texas:  
Not applicable
- D-11 Provide as Attachment D-11 any other evidence in support of your plans to meet the requirements of §25.107(g) that you would like considered. If you have nothing to report, please state "None" in the following blank: None

## PART E – CESSATION OF OPERATIONS

### *Section not applicable.*

#### E-1 **Provision of Notice 45 Days Prior to REP Cessation of Operations.**

(a) Date that the REP satisfied or will satisfy the notice requirements of §25.107(i)(6):  
\_\_\_\_\_

(b) Date that the REP intends to cease operations: \_\_\_\_\_

#### E-2 **Customer Notice of REP Cessation of Operations.**

Yes \_\_\_\_ No \_\_\_\_ Did the REP notify all of its customers that it intends to cease operations? If yes, provide as Attachment E-2 a representative copy of the notification sent to each customer. If no, provide an explanation as Attachment E-2.

#### E-3 **Other Notices of REP Cessation of Operations.**

Yes \_\_\_\_ No \_\_\_\_ Did the REP notify the relevant ISO (e.g., ERCOT), the Commission's Customer Protection Division, the Texas Comptroller's Office, the Texas Secretary of State, and the administrator of the Texas Universal Service Fund that the REP intends to cease operations?<sup>1</sup> If no, provide an explanation as Attachment E-3.

<sup>1</sup> The contact information for these entities may be found in the Appendix to this form.

## REP Application

### E-4 Customer Deposits and Credits.


Provide as Attachment E-4 proof that the REP has refunded any monies owed to customers.

# AFFIDAVIT

STATE OF TEXAS §  
§  
COUNTY OF Harris §

1. My name is William L. Bullock, Jr. I am President, Global Gas & Power (Executive Officer) of ConocoPhillips Company.

2. I swear or affirm that I have personal knowledge of the facts stated in this application for, or amendment to, a REP, that I am competent to testify to those facts, and that I have the authority to make this Application on behalf of the Applicant. I further swear or affirm that all of the statements and representations made in this application are true and correct. I swear or affirm that the Applicant understands and will comply with all requirements applicable to a Retail Electric Provider.

  
Signature

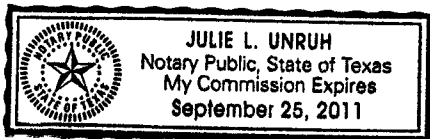
MS

43

William L. Bullock, Jr.  
Typed or Printed Name

President, Global Gas & Power  
Title of Signatory

SWORN TO AND SUBSCRIBED before me on the 23rd day of March, 20 11.



Julie L Unruh  
Notary Public In and For the  
State of: Texas

My commission expires: 9/25/11



## Officers, Directors, and Principals

Name	Position	Address	Phone Number	Fax Number	Email
Knickel, Carin Shirley	Director	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Sheets, Jeffrey Wayne	Director	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Mulva, James Joseph	Chief Executive Officer	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Mitchell, Kevin J.	General Auditor	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Carrig, John Austin	President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Brand, Stephen Richard	Senior Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Cornelius, Sigmund Lee	Senior Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Meyers, Kevin Omar	Senior Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Batchelder, Eugene L.	Senior Vice President and Chief Administration Officer	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Barney, Rand Curtis	Senior Vice President, Corporate Shared Services	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com

Garland, Greg Cyril	Senior Vice President, Exploration & Production - Americas	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Lance, Ryan Michael	Senior Vice President, Exploration & Production - International	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Archibald, Lawrence E.	Senior Vice President, Exploration and Business Development	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Sheets, Jeffrey Wayne	Senior Vice President, Finance, and Chief Financial Officer	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Cavaney, Byron Martin	Senior Vice President, Government Affairs	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Kelly, Janet Langford	Senior Vice President, Legal, General Counsel and Corporate Secretary	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Hirshberg, Alan Jay	Senior Vice President, Planning and Strategy	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Messier, Luc Jean Francois	Senior Vice President, Project Development	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Chiang, Wilfred Chi-Wei	Senior Vice President, Refining, Marketing, Transportation & Commercial	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Adams, Deborah Gay	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Bennett, Jr., Rex William	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Bullock, Jr., William Leonard	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com

Conway, Christopher William	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Cresger, J. Todd	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Herman, Robert Alan	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Hrap, Donald G.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Isaacson, Erec S.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Johansen, Trond Erik	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Johnston, Kerr Allen	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Knickel, Carin Shirley	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Leveille, Gregory P.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Marushack, Joseph P.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Nolen, Bobby Charles	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Oglesby, Ann M.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com



Reasor, Clayton C.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Storaker, Georg E.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Vaage, Steinar	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Viens, Andrew E.	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
Walette, Jr., Donald Everet	Vice President	ConocoPhillips Company Attn: Julie Unruh 600 N. Dairy Ashford Houston, TX 77079	281.293.3541	281.293.3525	Julie.L.Unruh@conocophillips.com
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# ConocoPhillips

## Major Rating Factors

### Strengths:

- Among the largest integrated oil and gas producers;
- Upstream production is supported by long-lived and well-diversified proven reserve base, which affords significant production growth potential;
- Relatively less country risk than borne by some large peers; and
- Refineries are generally well-above-average in their operating efficiency.

### Corporate Credit Rating

A/Stable/A-1

### Weaknesses:

- Participation in the capital-intensive and highly cyclical oil and gas industry, with particular exposure to currently soft North American natural gas prices;
- Substantial exposure to the currently depressed refining sector;
- Aggressive financial leverage relative to the rating, notwithstanding management's planned debt reduction; and
- A history of acquisitive growth and share repurchases.

## Rationale

The ratings on ConocoPhillips reflect the company's excellent business position as one of the world's largest integrated oil and gas producers, although its financial performance is subject to volatile energy prices, and the company's financial policies are relatively aggressive.

Houston-based ConocoPhillips' business risk profile benefits from its extensive proved oil and gas reserve base (10.3 billion barrels of oil equivalent [BOE] at year-end 2009, including equity affiliates) and the large scale of its production (2.271 million BOE per day in the first quarter of 2010), which are well-diversified across geographic regions. ConocoPhillips is among the six largest non-state-owned integrated oil and gas companies based on production. In its upstream operations, ConocoPhillips has high exposure to North American natural gas markets compared with its integrated peer group, and this results in relatively more volatile and weaker earnings at times. On the other hand, with about 80% of its production from countries in the Organization for Economic Cooperation and Development (OECD), ConocoPhillips has less exposure to country risk than some of its large peers.

ConocoPhillips is well-represented across many of the most productive fields in North America and globally, and it has a good inventory of promising future development projects. While Standard & Poor's Ratings Services expects annual production to be basically flat or down modestly in 2010-2013 compared with 2009, largely due to management's decision to reduce capital investment in the face of difficult market conditions, several large-scale investment projects should add significantly to production starting in 2014. These include the expansion of the company's heavy oil, shale-based production in western Canada and liquefied natural gas (LNG) projects in Qatar and Australia.

ConocoPhillips is the second-largest refiner in the U.S., with its 12 domestic refineries having total net crude throughput capacity of about 2 million barrels per day as of year-end 2009. The company is also a major participant in the European refining sector (4 refineries, 610,000 barrels per day). While its facilities vary in their

competitiveness, they are generally above average in their operating efficiency and in their ability to accommodate different feedstocks and produce a diverse slate of end products. Nonetheless, the company's refining and marketing operations have generated moderate pretax losses in recent quarters, owing to difficult sector fundamentals, including broadly weak demand and compression in light-heavy crude oil differentials. However, ConocoPhillips' losses have been less severe than those of most competitors, and there have been signs of improvement in market conditions in recent months, although we expect industry conditions to remain difficult. Over the long range, growth in ConocoPhillips' upstream business, and actions by management to downsize its investment in refining operations should result in ConocoPhillips' refining business being less of a factor for the consolidated company.

ConocoPhillips' operating cash flow varies with market conditions, but within generally strong levels, and has been consistently more than adequate to cover routine capital investment. However, debt levels increased markedly as a result of the acquisition of Burlington Resources Inc. in 2006, and have remained broadly elevated subsequently due to certain large-scale investments—for example, in 2008 the company paid \$5 billion in conjunction with the establishment of its Australian LNG joint venture. Moreover, the company has taken aggressive actions to reward shareholders, such as through share repurchases, which consumed more than \$16 billion during 2006-2008.

In reaction to weak market conditions that arose in early 2009, ConocoPhillips has adopted a more conservative financial policy, at least for the time being. Thus, the company reduced capital expenditures and investments to \$10.9 billion in 2009, from \$19.1 billion in 2008: management recently indicated that it expects capital expenditures to total approximately \$12 billion in 2010. In late 2009 management outlined a plan to generate approximately \$10 billion of proceeds from asset sales during 2010-2011, and the company recently stated that it expects to achieve \$7 billion of this amount in 2010. As part of this plan, the company also articulated the goal of reducing unadjusted debt-to-capital to 20%-25%. ConocoPhillips recently completed the sale of its 9.03% interest in the Syncrude Canada Ltd. joint venture to Sinopec International Petroleum Exploration and Production Co. for approximately \$4.2 billion-\$4.3 billion after-tax. Not included in the \$10 billion asset sale objective: management has also indicated the company's intention to divest half of its ownership interest in LUKOIL, and, towards this end, it initiated open market sales in April 2010, targeting proceeds of \$4 billion-\$5 billion by year-end 2011.

However, we believe that making direct distributions to shareholders also is a priority for the company. Indeed, we think share repurchases could well consume any surplus cash flow remaining after debt reduction and payment of the common dividend over the next few years. While we expect adjusted debt to capital to decline somewhat from recent levels (38% as of March 31, 2010), initiatives to reward shareholders will likely temper the extent of the improvement.

#### **Short-term credit factors**

ConocoPhillips holds comparatively little cash and equivalents on the balance sheet (\$855 million at March 31, 2010) relative to the size of its total asset base and given quarter-to-quarter fluctuations in working capital. However, we view overall liquidity as adequate. The company's commercial paper programs (totaling \$7.85 billion; \$1.662 billion outstanding as of March 31, 2010) are fully backstopped by its \$7.85 billion revolving credit facilities that are currently set to mature in 2012. These bank facilities do not include financial covenants or material adverse change provisions. The company has disclosed that, as of March 31, 2010, a ratings downgrade below investment grade would trigger collateral requirements under derivatives contracts of only \$440 million.

ConocoPhillips enjoys capital markets access commensurate with its rating.

## Outlook

Recent pricing trends have been favorable, supporting significant earnings improvement to date this year from the subpar levels of 2009. Under Standard & Poor's long-term pricing assumptions (\$65 West Texas Intermediate [WTI] crude and \$5.50 Henry Hub natural gas), we would expect ConocoPhillips to generate funds to operations (FFO) to total adjusted debt in the range of 40%-45% on average, but there is tolerance for credit measures to underperform this level temporarily. The current ratings take into account management's stated intention to use a significant portion of free cash flow and asset sale proceeds that it expects to generate during 2010-2011 for share repurchases. Given the promising potential of upstream internal development projects presently under way, we currently view large-scale acquisitions as unlikely.

Conversely, we do not currently view an upgrade as likely within the next two years. Management has publicly outlined a plan to reduce debt by \$5 billion-\$8 billion during 2010-2011, but we believe financial leverage will still not be a strength relative to the current rating if, as anticipated, debt reduction is accompanied by substantial share repurchases. Longer term, were there to be substantial and sustained additional debt reduction, plus demonstrated improvement in profit potential, the ratings could ultimately be raised.

## Business Description: Integrated Oil And Gas Company

ConocoPhillips conducts business through its six operating segments, which consists of E&P, midstream, refining and marketing (R&M), chemicals, its 20% equity interest in the integrated Russian oil and gas firm, LUKOIL [foreign currency BBB/Stable/A-3], and its emerging businesses operations.

In our analysis, we focus primarily on ConocoPhillips' E&P and R&M operations, which account for the dominant share of revenues, investment, and assets. ConocoPhillips' investment in LUKOIL is effectively an extension of its E&P and R&M businesses. Its midstream business is conducted primarily through its 50% interest in DCP Midstream LLC (BBB/Stable/A-2). Its chemicals business is conducted primarily through its 50% interest in Chevron Phillips Chemical Co. LLC (BBB/Negative/A-3).

Table 1

### ConocoPhillips Adjusted Pretax Income By Segment

(\$ Mil.)

	2007	2008	2009	Q1-10
E&P	2,587	24,244	8,782	1,832
Midstream	93	802	484	77
Total R&M	388	3,470	81	(4)
LUKOIL	10	1,985	1,231	387
Chemicals	7	125	295	110
Emerging businesses	(53)	24	(13)	6
Corp. & other	(550)	(1,306)	(1,278)	(310)
Total	2,482	29,344	9,582	2,098

## Major Rated Subsidiaries

Our ratings on ConocoPhillips' major operating subsidiaries are equalized with those of the parent company (see list below).

The primary U.S. operating company is ConocoPhillips Co. which is wholly owned by the ultimate parent company. There are cross guarantees with respect to publicly held debt among ConocoPhillips, ConocoPhillips Co., and such funding entities as ConocoPhillips Australia Funding Co., ConocoPhillips Canada Funding Co. I, and ConocoPhillips Canada Funding Co. II.

## Business Risk Profile: Ratings Benefit From A Large And Diversified Upstream Portfolio and Integrated Operations

ConocoPhillips' strong business risk profile is anchored by its large and geographical diverse oil and gas reserve base and extensive downstream operations. Given management's assessment that R&M is not going to be as profitable in the future as was the case historically and that growth opportunities are more promising in E&P, the company has been acting to downsize its R&M business to about 15% of total invested capital, compared with 25% presently, while expanding E&P to about 85% of the total, compared with approximately two-thirds currently.

### Upstream

Current ratings incorporate ConocoPhillips' participation in the highly cyclical and capital-intensive E&P segment of the oil and gas industry. In addition to commodity price risk, oil and gas firms are exposed to engineering, exploration, depletion, and geopolitical (or country) risks.

ConocoPhillips' large E&P operations are comparable to those of other global integrated energy companies—from both a scale and geographic diversification perspective. As of year-end 2009, the company had total reported proved reserves of 8.1 billion boe, excluding 1.97 billion boe related to its 20% interest in LUKOIL (which ConocoPhillips is in the course of reducing to 10%) and 248 million boe related to its Syncrude oil sands mining interest (which it recently divested).

ConocoPhillips bears less country risk in its upstream operations than its global peers, since the U.S. and Canada accounted for almost 60% of production, and the OECD countries overall account for approximately 80%. On the other hand, the company's overall cost structure is higher than certain peers, and, partly owing to the acquisition of Burlington Resources in 2006, ConocoPhillips has greater exposure to North American natural gas markets—where pricing is currently weak—than does most of its integrated peer group, adding to earnings volatility.

In the first quarter of 2010, upstream production averaged 1.83 million boe per day (excluding LUKOIL), including an average of 901,000 barrels per day of crude oil and natural gas liquids, and 4.64 Bcfe/day of natural gas. The company expects annual production in 2010-2013 to be flat-to-down-1% compared with the 2009 level (1.85 million boe per day, excluding LUKOIL), owing to prior reduction in exploration and development spending in the face of weaker prices, plus the expected sale of assets accounting for about 100,000 boe per day of production. Production should then increase significantly starting in 2014 as a result of several major development projects currently under way.

Over the past five years, ConocoPhillips has maintained its reserves through acquisitions and internal development,



more than offsetting production, substantial price-related reserve revisions in 2008, and the impact of asset appropriations in Venezuela (2007) and Ecuador (2009). Reserve replacement in 2009 was 141%, including 133% from consolidated operations. Excluding the impact of the addition of Syncrude reserves to reported reserves, ConocoPhillips replaced 112% of total production in 2009, reflecting progress on major projects, including the sanctioning of additional phases of in situ oil sands projects in Canada, as well as reserve additions from its LUKOIL Investment segment. Over the five-year period ending 2009, reserve replacement was 145%, including 120% from consolidated operations. Finding and development costs have generally been competitive, but can be lumpy year to year due to the differences in timing between reserve bookings and spending outlays related to larger-scale projects.

In general, we expect ConocoPhillips' already competitive upstream cost structure to improve over the next several years, given declining oilfield service costs and ongoing cost-cutting initiatives.

The U.S. represents ConocoPhillips' largest country concentration, accounting for 42% of liquids production and 38% of natural gas production in the first quarter. Canada accounted for 4% of liquids production and 22% of natural gas production in the first quarter.

In the lower 48 states and western Canada, ConocoPhillips has amassed a very large acreage position (22 million net acres), and it faces limited lease expirations over the next few years. This lends confidence that the company will be able to continue to renew its reserve position (2.5 billion boe net proved reserves at yearend 2009, of which a high 85% is proved developed). Liquids account for a relatively high 30% of production by volume, which is a favorable product mix compared to peers among large independent U.S. E&P companies given that crude oil pricing is currently relatively better than natural gas prices.

ConocoPhillips is one of the largest onshore natural gas producers in the lower 48 states, with a presence in most major domestic gas producing basins/plays. Management recently indicated that 2010 production in this region is expected to be 630,000 BOE per day. One particular strength is the company's extensive onshore U.S. coal-bed methane (CBM) operations, which reside primarily in the San Juan, Uinta, and Piceance basins.

Offshore Gulf of Mexico accounts for only about 1% of ConocoPhillips' production. However, we view the Deepwater Horizon/Macondo spill as a concern given ConocoPhillips' significant exploration investments in the Gulf of Mexico and the potential that this disaster could precipitate regulatory changes that would affect its operating costs. ConocoPhillips has just announced that it is joining three other major energy companies in developing a rapid response capability in the Gulf of Mexico.

In addition to its large footprint in the lower 48 states, ConocoPhillips has substantial upstream operations in Alaska. Key assets reside in the Greater Prudhoe area, Greater Kuparuk area, Western North Slope, and Cook Inlet area. The company also maintains ownership interests in several pipelines in the region, including the Trans-Alaska Pipeline System and the Alpine, Kuparuk, and Oliktok pipelines on the North Slope.

Among its most promising North American growth initiatives: ConocoPhillips formed an integrated heavy oil venture with EnCana Corp. (now Cenovus Energy Inc.) in 2007. The venture includes the Foster Creek and Christiana Lake (FCCL) Oil Sands Partnership, which consists of so-called steam assisted gravity draining (SAGD) bitumen projects in the Athabasca oil sands and the U.S. downstream JV WRB Refining LLC. Separately, ConocoPhillips is participating in the 50/50 Surmont SAGD development project with Total S.A. Together, these ventures make ConocoPhillips the second-largest SAGD producer in Canada. It has a very large resource base—in

excess of 15 billion BOE—and exceptionally low production costs (Foster Creek and Christiana Lake break-even of \$14-\$15 WTI per barrel on a cash basis, \$20-\$21 on a net income basis). ConocoPhillips expects its net share of Canadian SAGD production (before royalties) to grow to more than 100,000 barrels per day (b/d) by 2014, up from about 50,000 in 2009.

ConocoPhillips has extensive E&P operations outside of North America. Among its most promising overseas growth initiatives are its LNG projects in Australia and Qatar.

In October 2008, ConocoPhillips entered into a 50/50 joint venture with Origin Energy called Australia Pacific LNG (APLNG), to focus on coalbed methane development in the low-cost Bowan and Surat basins in Australia. This venture serves the Australian domestic market (230 MMSCFD gross capacity in 2009; ConocoPhillips' share 84 MMSCFD in 2009) and is planning to develop LNG processing capacity for export sales. The initial plan was to develop two LNG trains, which would process an estimated 4.5 million gross tons of LNG per train per year, with production scheduled to begin in late 2014. Planning is under way regarding a possible third train.

Qatargas 3 is an integrated project jointly owned by Qatar Petroleum (68.5%) and ConocoPhillips (30%). The project comprises upstream natural gas production facilities to produce approximately 1.4 billion gross cubic feet per day of natural gas from Qatar's North Field. The project also includes a 7.8 million-gross-ton-per-year LNG facility, from which LNG will be shipped in new, leased LNG carriers. The companies expect the first LNG cargoes to be loaded in the second half of 2010. In order to capture cost savings, Qatargas 3 is executing the development of the onshore and offshore assets as a single integrated project with Qatargas 4, a joint venture between Qatar Petroleum and Royal Dutch Shell PLC.

Together, ConocoPhillips expects production from its SAGD projects in Canada and these two large LNG projects overseas to contribute production approaching 400 MBOED net by 2016, compared with less than 100 MBOED presently.

Table 2

**ConocoPhillips Upstream Operating Data**

	2003	2004	2005	2006	2007	2008	2009
Proved reserves (mmboe)*	7,848	8,488	9,366	11,412	10,560	10,224	10,326
Developed (%)	67%	71%	73%	72%	72%	72%	73%
Crude oil (%)	59%	61%	62%	53%	60%	59%	61%
Daily production (Thousand boe)*	1540	1,582	1,789	1,957	1,880	1,789	1,853
Reserves-to-production ratio (years)	12.8	14.0	13.9	16.0	15.4	15.7	15.3
Organic reserve replacement* (%)	99%	76%	76%	59%	82%	32%	74%
Total reserve replacement* (%)	137%	213%	232%	308%	167%	41%	141%
Reserve replacement cost (RRC; \$)	\$5.35	\$5.16	\$6.58	\$15.30	\$11.59	\$56.36	\$8.95
Three-year avg. RRC	5.49	5.37	5.81	10.50	11.98	17.27	15.66
Net income per boe produced (\$)	7.65	9.87	12.91	13.78	6.73	(20.64)	5.33

Mmboe--Million barrels of oil equivalent. \*Includes equity interests.

Table 3

**ConocoPhillips Co. Average Daily Production**

(Thousand boe per day)

	2006	2007	2008	2009	2009
					(% of total)
Alaska	304	298	277	268	14
Lower 48	504	545	497	487	26
Canada	214	230	226	224	12
Total North America	1,022	1,073	1,000	979	53
Europe	436	384	392	387	21
Asia Pacific	221	198	209	250	13
Middle East/Africa	131	104	99	84	5
Other	10	13	11	18	1
Total consolidated	1,819	1,772	1,711	1,718	93
Canada	21	50	52	66	4
Russia and Caspian	15	15	24	55	3
Asia Pacific	0	0	2	14	1
Other areas (primarily Venezuela)	103	43	0	0	0
Total, including equity	1957	1880	1789	1853	100

**Refining and marketing**

As of year-end 2009, ConocoPhillips owned or had interests in 12 U.S. refineries (net crude throughput capacity of 2.0 million barrels per day), 4 European refineries (610,000 b/d) and one refinery in Malaysia (61,000 b/d). As such, it had the largest capacity of any U.S. industry participant (based on statistics published by Oil & Gas Journal) and, on a worldwide basis, ranked fourth among non-state-controlled companies.

Like competitors in the U.S. and Europe, ConocoPhillips' R&M performance has been severely affected by cyclically weak demand in mid-2009, weak product prices, and, at times, adverse relative crude oil feedstock costs—plus the costs of complying with new regulatory mandates. However, although ConocoPhillips' R&M segment earnings have been loss-making in recent quarters, its R&M results were still better than the earnings performance of most peers. Indeed, ConocoPhillips' R&M profitability has been well-above-average over the past five years. While ConocoPhillips' refineries vary in their relative operating efficiency and complexity (i.e., ability to utilize varied feedstocks and produce a wide range of end products), they are predominantly above average. In response to difficult market conditions, ConocoPhillips has accelerated cost-cutting efforts and pared back capital investment to maintenance levels (with capital expenditures expected to total \$1.2 billion in 2010, compared with \$1.7 billion in 2009, and \$2.3 billion in 2008). In addition, ConocoPhillips has announced that it is exploring various alternatives for downsizing its refining operations. During the first quarter of 2010, COP announced its decision not to participate in a new refinery project in Saudi Arabia, recording an after-tax impairment charge of \$88 million to write off capitalized project costs. Also, ConocoPhillips just announced that it is canceling plans to upgrade its Wilhelmshaven refinery in Germany.

ConocoPhillips' refinery output is sold through wholesale and retail operations in the U.S. (under the Phillips 66, Conoco, and 76 brands) and Europe (under the JET and Coop brands). ConocoPhillips had previously acted to divest company-owned marketing channels in the U.S., including the sale of about 3,000 retail sites. This process has

been largely completed with the recently announced CFJ Properties-Flying J truck stops transaction (see below). As of year-end 2009, ConocoPhillips had 1,225 marketing outlets in its European operations, of which approximately 880 were company-owned. We expect refining margins to remain under pressure for at least the next few quarters. However, there have recently been some signs of improvement in "crack spreads" (i.e., a measure of the differential between feed-stock and end-product costs and pricing) and the light-heavy crude differential, which, if they prove to represent sustained trends, should enable some recovery in financial performance.

Table 4

**ConocoPhillips' Downstream Operating Statistics**

	2008	2009	% change
Worldwide refinery crude oil throughput (MBD)	2,416	2,226	(8)
Worldwide refining utilization	90%	84%	(7)
U.S. automotive gasoline sales (MBD)	1,128	1,130	0
U.S. distillate sales (MBD)	893	858	(4)
Worldwide petroleum product sales (MBD)	3,040	2,974	(2)
LUKOIL investment refinery crude throughput (MBD)*	229	245	7

Source: Company filings. \*ConocoPhillips' net share of LUKOIL's production and processing.

**Profitability**

ConocoPhillips' profitability is ultimately tied to highly cyclical hydrocarbon prices and refining margins. Thus, with the weakening of prices that occurred in 2009 (average crude oil and natural gas liquids price of \$55.63 per barrel, compared with \$88.91 in 2008; average natural gas price of \$4.26 per MCF versus \$8.27), ConocoPhillips' earnings declined precipitously, although adjusted EBIT remained positive (\$13.4 billion compared with \$31.0 billion). With the rebound in oil and natural gas prices that occurred in the first quarter of 2010 (\$71.86/\$5.45), financial performance rebounded: ConocoPhillips generated strong adjusted EBIT of \$4.7 billion, compared with \$2.4 billion in the year-earlier period.

We note that on a return on capital (ROC) basis, ConocoPhillips lagged the peer group during the most recent industry upturn (adjusting for substantial impairment charges)—with ROC declining from a peak of 30.7% in 2005, to a trough of 11.2% in 2009. Moreover, while Standard & Poor's adjusted profitability measures reverse the massive impairment charges recorded in 2008, arguably it would be appropriate to allocate some portion of them to prior years, thereby rendering a less favorable view of historical results.

## **Financial Risk Profile: A Reduction In Debt, Financial Leverage, Likely Before A Resumption Of Substantial Share Repurchases**

**Accounting**

ConocoPhillips uses the successful-efforts method of reserve accounting for oil and gas production activities. This method is more conservative than the full-cost method, as exploration well costs are expensed if not successful. Similar to peers, ConocoPhillips' proved reserve estimates are not audited by independent petroleum engineering firms.

ConocoPhillips took several large noncash impairment charges in fiscal 2008, including \$7.3 billion related to its investment in LUKOIL, \$25.4 billion against goodwill associated with its E&P reporting unit, and an additional amount of \$1.3 billion (all after-tax).

ConocoPhillips invested \$7.5 billion during 2004-2006 to accumulate a 20% interest in LUKOIL. Through the first quarter of 2010, it had received cash dividends from LUKOIL aggregating about \$1 billion. On July 16, 2010, the price of LUKOIL shares was \$52.69 per share, making the total market value of ConocoPhillips' investment \$8.96 billion (170.1 million shares). In March 2010, ConocoPhillips announced plans to sell up to half of its interest in LUKOIL over a two-year period. The sale of LUKOIL shares began in April and 4.6 million shares had been sold, with total proceeds of \$274 million, through April 30, 2010.

ConocoPhillips' investment in LUKOIL has been a source of significant volatility in reported results. Related net income totaled \$387 million in the first quarter of 2010, \$1,663 million in full-year 2009, a loss of \$5,488 million in 2008 (after a \$7,410 million impairment charge), and earnings of \$1,818 million in 2007. The impairment charge in 2008 was prompted by the fact that the market value of ConocoPhillips' investment was significantly lower than ConocoPhillips' carrying value. Subsequently, though, the trading price of LUKOIL's shares rebounded—at March 31, 2010, the book value of ConocoPhillips' equity investment in LUKOIL was \$6.8 billion, while its 20% share of the book net assets of LUKOIL was estimated to be \$11.3 billion. A majority of this negative basis difference of \$4.5 billion is being amortized on a straight-line basis over a 22-year useful life as an increase to equity earnings.

ConocoPhillips uses the LIFO method for the majority of its inventories. Inventories valued on the LIFO basis totaled \$6.1 billion at March 31, 2010, and the excess of current replacement cost over LIFO cost of inventories amounted to \$5.8 billion at March 31, 2010.

Our analytical adjustments for asset retirement obligations, postretirement obligations, operating leases, guarantees, and environmental liabilities totaled \$12.6 billion at year-end 2009. As is also true of its peers among large integrated oil and gas companies, ConocoPhillips has other substantial liabilities with some debt-like characteristics that we take account of in our analysis but do not include in computing financial ratios, most notably:

- Its obligation to contribute \$7.5 billion, plus interest, over a 10-year period that began in 2007, to FCCL Partnership.
- Indemnifications stemming from various agreements to sell ownership interests in certain corporations, joint ventures and assets.
- Obligations under long-term through-put and take-or-pay agreements.

#### **Corporate governance/Risk tolerance/Financial policies**

Historically, internal cash generation has been generally strong, albeit volatile. Thus, adjusted free cash flow (before acquisitions) has been consistently positive, even in 2008, when adjusted capital expenditures peaked at \$19.5 billion. Still, total debt increased markedly in 2006 as a result of the Burlington Resources acquisition—and has remained generally elevated subsequently.

For the decade following predecessor company Conoco Inc.'s spinoff by E. I. du Pont de Nemours and Co. in 1998, ConocoPhillips grew aggressively through acquisitions. These included, most notably, the merger with Phillips Petroleum Co. in 2002, in a deal valued at approximately \$16 billion, and the \$34 billion takeover of Burlington Resources in 2006. ConocoPhillips also made a number of large strategic investments, such as its accumulation of a 20% stake in LUKOIL for \$7.5 billion during 2004-2006. In 2008, the company paid \$5 billion in conjunction with the establishment of the APLNG joint venture, and agreed to pay AU\$1.15 billion related to Origin's initial share of joint venture funding requirements, as incurred. During the late 1990s, ConocoPhillips was also aggressive in directly rewarding shareholders, completing share repurchases aggregating \$16.2 billion during 2006-2008. The company has increased the common dividend each year since the 2002 merger, and currently consumes about \$2.8

billion/year annualizing the most recent dividend payout.

Given weak market conditions, ConocoPhillips subsequently has adopted a more conservative stance. Thus, it suspended its share repurchase program starting in October 2008. Capital expenditures and investments were reduced to \$10.9 billion in 2009, from \$19.1 billion in 2008. Management recently indicated that capital expenditures are expected to total approximately \$12 billion in 2010.

In late 2009 management outlined a plan to generate approximately \$10 billion of proceeds from asset sales during 2010-2011, and management recently stated that it expects the company to achieve \$7 billion of this amount in 2010. We view these targets as likely to be achieved. ConocoPhillips just completed the sale of its 9.03% interest in the Syncrude Canada Ltd. joint venture to Sinopec International Petroleum Exploration and Production Co. for approximately \$4.2 billion-\$4.3 billion after-tax. (The carrying value of Syncrude's net assets at March 31, 2010, was \$1.8 billion. In addition, ConocoPhillips has an associated net deferred tax liability of \$414 million that will be reversed with completion of the sale.) On June 30, 2010, ConocoPhillips completed the sale of its 50% partnership interest in the CFJ Properties-Flying J truck stops to Pilot Travel Centers for \$626 million, while retaining long-term product supply agreements with Pilot. Among other assets slated for divestiture, the company has indicated that it plans to sell about 10% of its oil and gas acreage in the lower 48 states and western Canada.

Not included in the \$10 billion objective: Management has also indicated the company's intention to divest half of its ownership interest in LUKOIL, and, towards this end, it initiated open market sales in April, 2010, targeting proceeds of \$4 billion-\$5 billion.

Management's publicly stated plan is to utilize about \$5 billion-\$8 billion of asset sale proceeds for debt reduction. However, the resumption of share repurchases is also a clear priority for management. At an analysts' meeting on June 3, 2010, ConocoPhillips Chairman and CEO indicated that if, during the period 2010-2011, the company's operating cash flow totaled \$35 billion (which he stated was in line with the consensus view), asset sale proceeds totaled \$15 billion (including LUKOIL), capital spending totaled \$24 billion, common dividends totaled \$6 billion, and debt reduction totaled \$5 billion-\$8 billion, that could leave surplus cash of \$12 billion-\$15 billion available for share repurchases, which he additionally suggested was the most likely use for this cash.

#### **Capital structure/Asset protection**

Applying Standard & Poor's standard adjustments (see "Accounting" section above), ConocoPhillips' total debt to capital was 38% at March 31, 2010—a level that we consider to be somewhat aggressive relative to the rating. This could be reduced to about 30% at year-end 2011 if the targeted \$15 billion of proceeds from asset sales are realized, debt is reduced by \$8 billion, and the balance of asset sale proceeds are utilized for share repurchases. However, management has indicated there is the potential for substantial additional share repurchases, which could significantly impede reduction in leverage. On the other hand, if market conditions were more adverse than currently anticipated, we believe ConocoPhillips would act to maintain financial flexibility, through reducing capital spending and share repurchases.

Table 5

Reconciliation Of ConocoPhillips Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)*									
--Fiscal year ended Dec. 31, 2009--									
ConocoPhillips reported amounts									
	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	28,653.0	63,057.0	17,940.0	17,940.0	8,645.0	1,289.0	12,479.0	12,479.0	10,861.0
Standard & Poor's adjustments									
Operating leases	2,854.3	--	870.0	176.3	176.3	176.3	693.7	693.7	526.1
Postretirement benefit obligations	2,312.1	--	386.0	386.0	386.0	159.0	305.5	305.5	--
Additional items included in debt	1,348.0	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	487.0	(487.0)	(487.0)	(487.0)
Share-based compensation expense	--	--	--	121.0	--	--	--	--	--
Asset retirement obligations	5,391.8	--	394.0	394.0	394.0	394.0	(67.0)	(67.0)	--
Exploration costs	--	--	--	1,182.0	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	3,831.0	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	538.0	--
Other	661.1	3,657.6	--	--	--	--	--	--	--
Total adjustments	12,567.2	3,657.6	1,650.0	2,259.3	4,787.3	1,216.3	445.3	983.3	39.1
Standard & Poor's adjusted amounts									
	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	41,220.2	66,714.6	19,590.0	20,199.3	13,432.3	2,505.3	12,924.3	13,462.3	10,900.1

\*ConocoPhillips reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Table 6

ConocoPhillips -- Peer Comparison*						
Industry Sector: Integrated Oil & Gas						
	ConocoPhillips	Total S.A	Eni SpA	BP PLC	Chevron Corp.	Royal Dutch Shell PLC
Rating as of July 20, 2010	A/Stable/A-1	AA/Negative/A-1+	A+/Stable/A-1	A/Watch Neg/A-1	AA/Stable/A-1+	AA/Stable/A-1+

Table 6

**ConocoPhillips -- Peer Comparison\* (cont.)**

(Mil. mixed curr.)	--Fiscal year ended Dec. 31, 2009--					
	\$	€	€	\$	\$	\$
Revenues	136,016.0	112,153.0	84,039.0	240,064.0	159,293.0	278,188.0
Net income from cont. oper.	4,858.0	8,447.0	4,367.0	16,578.0	10,483.0	12,518.0
Funds from operations (FFO)	13,462.3	13,356.1	12,025.8	30,867.2	22,685.1	26,936.0
Capital expenditures	10,900.1	12,451.6	13,143.6	20,650.0	20,604.5	27,583.0
Debt	41,220.2	23,924.0	33,240.1	58,043.4	27,850.6	53,354.8
Equity	66,714.6	52,738.2	49,770.8	102,113.0	96,130.2	129,540.6
<b>Adjusted ratios</b>						
Oper. income (bef. D&A)/revenues (%)	14.4	18.0	25.2	13.9	17.8	11.5
EBIT interest coverage (x)	5.4	14.9	11.1	9.8	16.6	8.2
EBITDA interest coverage (x)	8.1	20.0	16.9	14.2	24.5	11.9
Return on capital (%)	11.2	18.9	15.9	13.0	15.4	11.6
FFO/debt (%)	33.2	55.8	36.2	53.2	81.5	50.5
Debt/EBITDA (x)	2.0	1.2	1.6	1.8	0.9	1.7

\*Fully adjusted (including postretirement obligations). Excess cash and investments netted against debt.

Table 7

**ConocoPhillips -- Financial Summary\*****Industry Sector: Integrated Oil & Gas**

	--Fiscal year ended Dec. 31--				
	2009	2008	2007	2006	2005
Rating history	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A-/Positive/A-2	A-/Stable/A-2
<b>(Mil. \$)</b>					
Revenues	136,016.0	225,424.0	171,500.0	167,578.0	162,405.0
Net income from continuing operations	4,858.0	(16,998.0)	11,891.0	15,550.0	13,640.0
Funds from operations (FFO)	13,462.3	23,795.3	23,078.5	23,119.2	17,566.4
Capital expenditures	10,900.1	19,484.6	12,041.1	15,902.6	11,450.9
Debt	41,220.2	39,262.9	32,334.5	37,138.3	20,188.4
Equity	66,714.6	57,538.4	94,490.2	83,848.0	53,235.4
<b>Adjusted ratios</b>					
Oper. income (bef. D&A)/revenues (%)	14.4	16.5	18.6	20.0	15.6
EBIT interest coverage (x)	5.4	14.5	12.6	14.9	21.6
EBITDA interest coverage (x)	8.1	17.8	13.8	16.9	22.7
Return on capital (%)	11.2	23.6	20.7	26.7	30.4
FFO/debt (%)	32.7	60.6	71.4	62.3	87.0
Debt/EBITDA (x)	2.0	1.0	1.0	1.1	0.8

\*Fully adjusted (including postretirement obligations).



## Related Criteria And Research

- "Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers," July 2, 2010
- "Assumptions: Revised Oil and Natural Gas Price Assumptions For The Remainder of 2010 and For 2011 and 2012," April 28, 2010
- "Key Credit Factors: Business and Financial Risks In the Oil And Gas Exploration and Production Industry," Nov. 10, 2008

### Ratings Detail (As Of July 23, 2010)\*

#### ConocoPhillips

Corporate Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Senior Secured (1 Issue)	A
Senior Secured (1 Issue)	A/A-1
Senior Secured (3 Issues)	AAA/A-1+
Senior Unsecured (8 Issues)	A
Senior Unsecured (4 Issues)	A/A-1

#### Corporate Credit Ratings History

10-Oct-2007	A/Stable/A-1
10-May-2006	A-/Positive/A-2
23-Aug-2005	A-/Stable/A-2

<b>Business Risk Profile</b>	Strong
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<b>Financial Risk Profile</b>	Modest
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#### Related Entities

##### Burlington Resources Inc.

Senior Unsecured (9 Issues)	A
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##### Chevron Phillips Chemical Co. LLC

Issuer Credit Rating	BBB/Negative/A-3
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##### Commercial Paper

Local Currency	A-3
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Senior Unsecured (3 Issues)	BBB
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##### Chevron Phillips Chemical Co. LP

Senior Unsecured (2 Issues)	BBB
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##### ConocoPhillips Co.

Issuer Credit Rating	A/Stable/NR
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##### Commercial Paper

Local Currency	A-1
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Equipment Trust Certificates (3 Issues)	A
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Senior Secured (1 Issue)	A/A-1
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Senior Unsecured (16 Issues)	A
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##### ConocoPhillips Holding Co.

Commercial Paper	A-1
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**Ratings Detail (As Of July 23, 2010)\*(cont.)**

Senior Unsecured (6 Issues)	A
Senior Unsecured (1 Issue)	A/A-1
<b>Gulf Canada Resources Ltd.</b>	
Preferred Stock (2 Issues)	BBB+
Canadian Preferred Stock Rating (2 Issues)	P-2(High)
Senior Unsecured (1 Issue)	A
<b>Louisiana Land &amp; Exploration Co.</b>	
Senior Unsecured (2 Issues)	A
<b>Phillips Alaska Pipeline Corp.</b>	
Issuer Credit Rating	A/Stable/--
<b>Tosco Corp.</b>	
Senior Unsecured (3 Issues)	A

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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## **Attachment D-2A**

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### **Attachment D-3**

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**Attachment D-4**

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**Attachment D-5**

Attachment D-5 is being filed confidentially.

**Attachment D-6**

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