

# **Cook Inlet Gas Supply Overview**

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# CAUTIONARY STATEMENT

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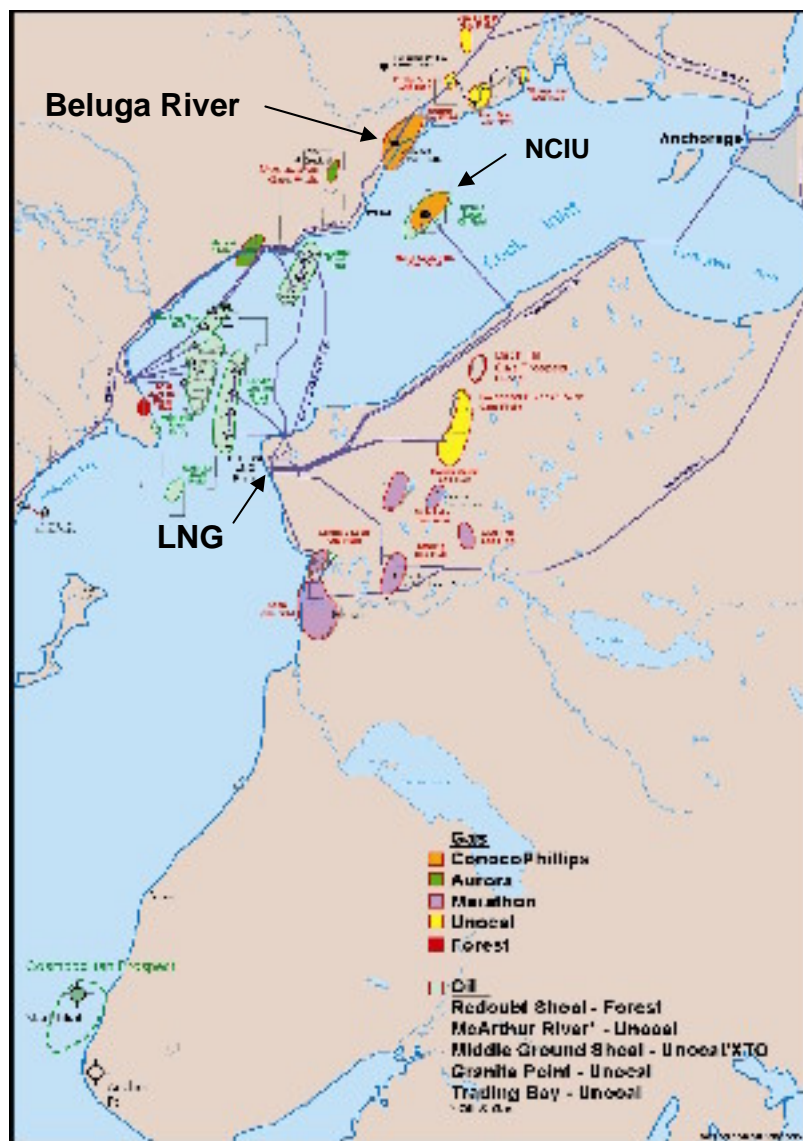
Factors that could cause actual results or events to differ materially include, but are not limited to, crude oil and natural gas prices; refining and marketing margins; potential failure to achieve, and potential delays in achieving expected reserves or production levels from existing and future oil and gas development projects due to operating hazards, drilling risks, and the inherent uncertainties in interpreting engineering data relating to underground accumulations of oil and gas; unsuccessful exploratory drilling activities; lack of exploration success; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying company manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining synthetic crude oil; international monetary conditions and exchange controls; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation; general domestic and international economic and political conditions, as well as changes in tax and other laws applicable to ConocoPhillips’ business. Other factors that could cause actual results to differ materially from those described in the forward-looking statements include other economic, business, competitive and/or regulatory factors affecting ConocoPhillips’ business generally as set forth in ConocoPhillips’ filings with the Securities and Exchange Commission (SEC), including our Form 10-K for the year ending December 31, 2005, as updated by our quarterly and periodic filings with the SEC. ConocoPhillips is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

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- **ConocoPhillips Cook Inlet Asset Summary**
- **Framing Cook Inlet Supply**
- **Supply Management Issues**
- **Observations**

# ConocoPhillips Asset Summary



## ➤ Basin characteristics:

- Mature assets
- 8.4 TCF gas, 1.3 BBO
- Low level of gas exploration

## ➤ ConocoPhillips Assets:

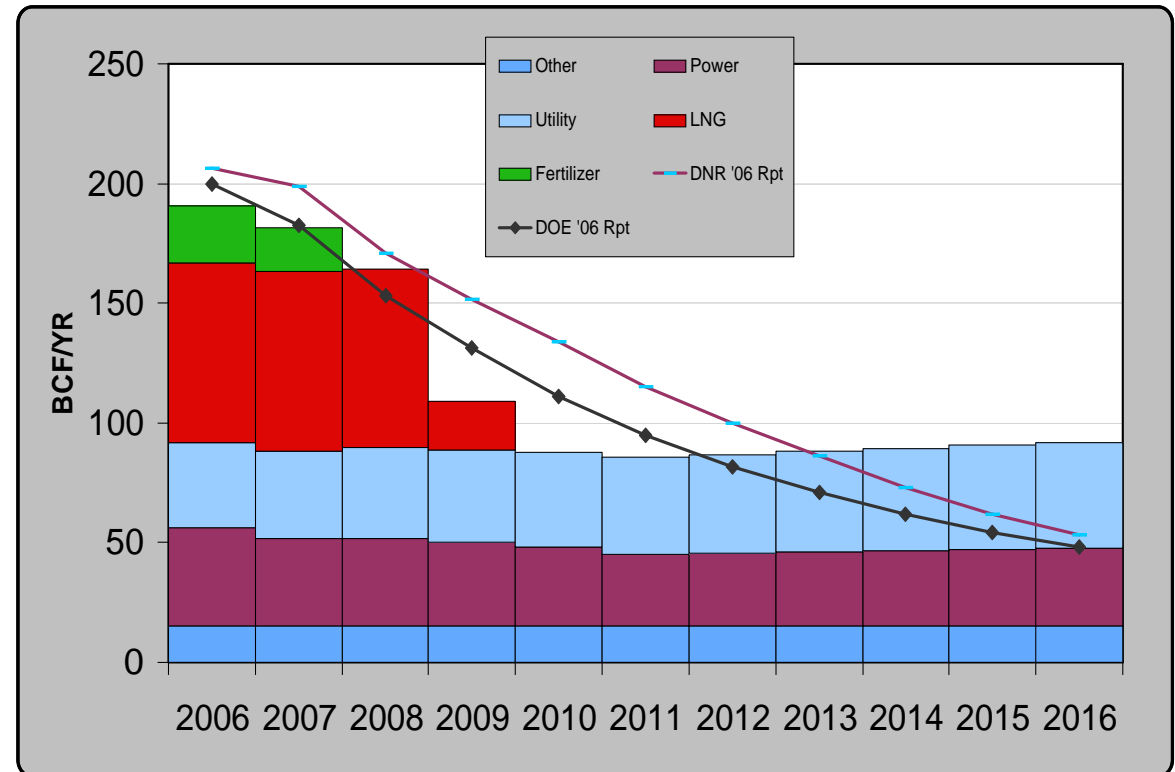
- Beluga River Field
  - COP, CVX, ML&P each 33.3% interest
  - 151 MMSCFD Gross
- North Cook Inlet Field
  - COP 100%
  - 110 MMSCFD Gross
- Kenai LNG Plant
  - 70% COP, 30% MRO
  - Annual production 1.3 MTPA

# Framing Cook Inlet Supply Market Realities



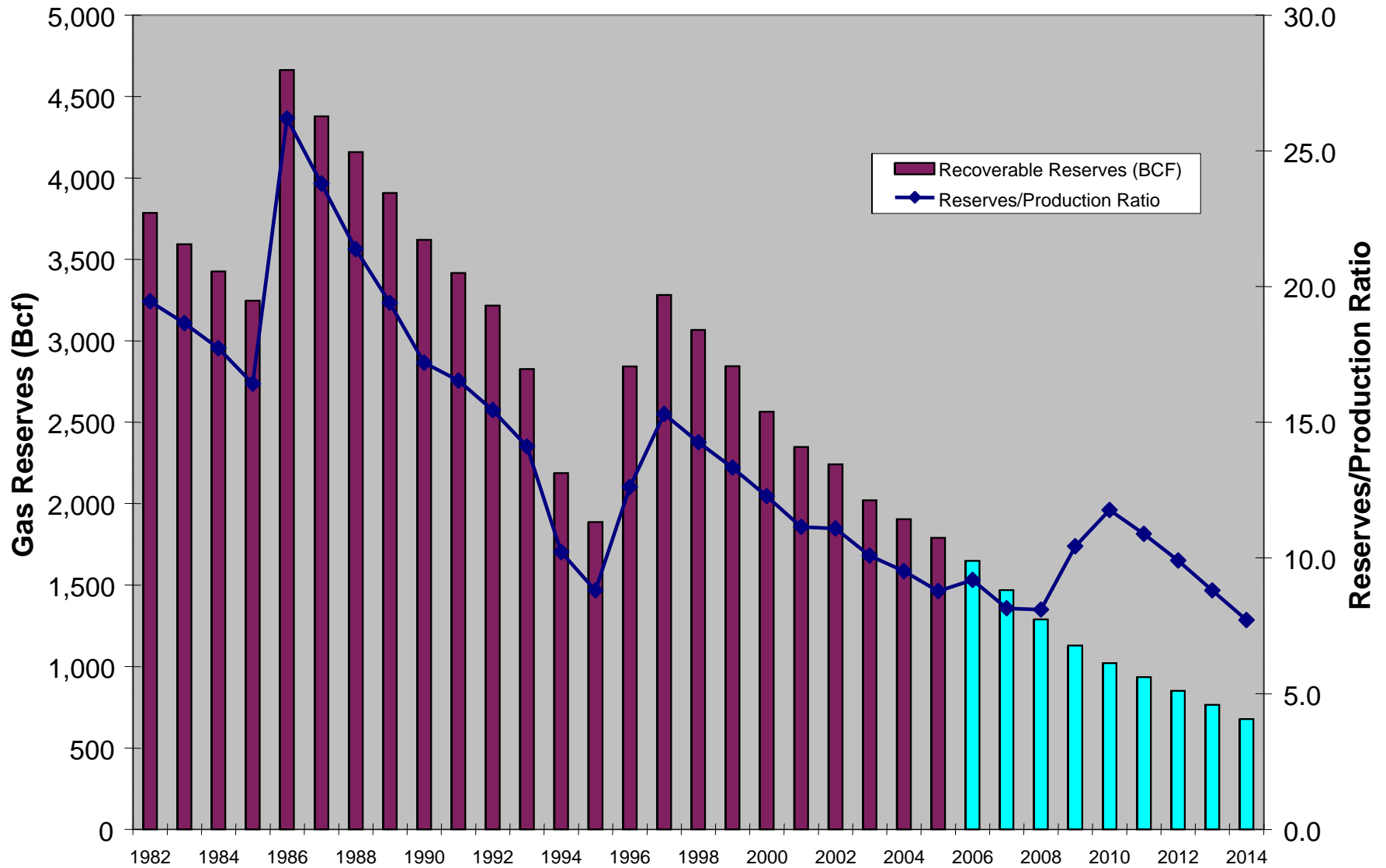
Agency forecasts appear disconcerting, but cannot accurately assess:

- Reserve appreciation
- Exploration success
- Proven undeveloped reserves
- Market reality
  - Enstar has announced contracts sufficient to carry them through 2017
  - ML&P not actively seeking new gas contracts
  - CEA has RFP for 2011 through 2020 – has interested parties
- **Published forecasts do not match up with the market**



Data from Alaska DNR, DOE and press releases

# Framing Cook Inlet Supply Reserves to Production Ratio



Reserves data from Alaska DNR

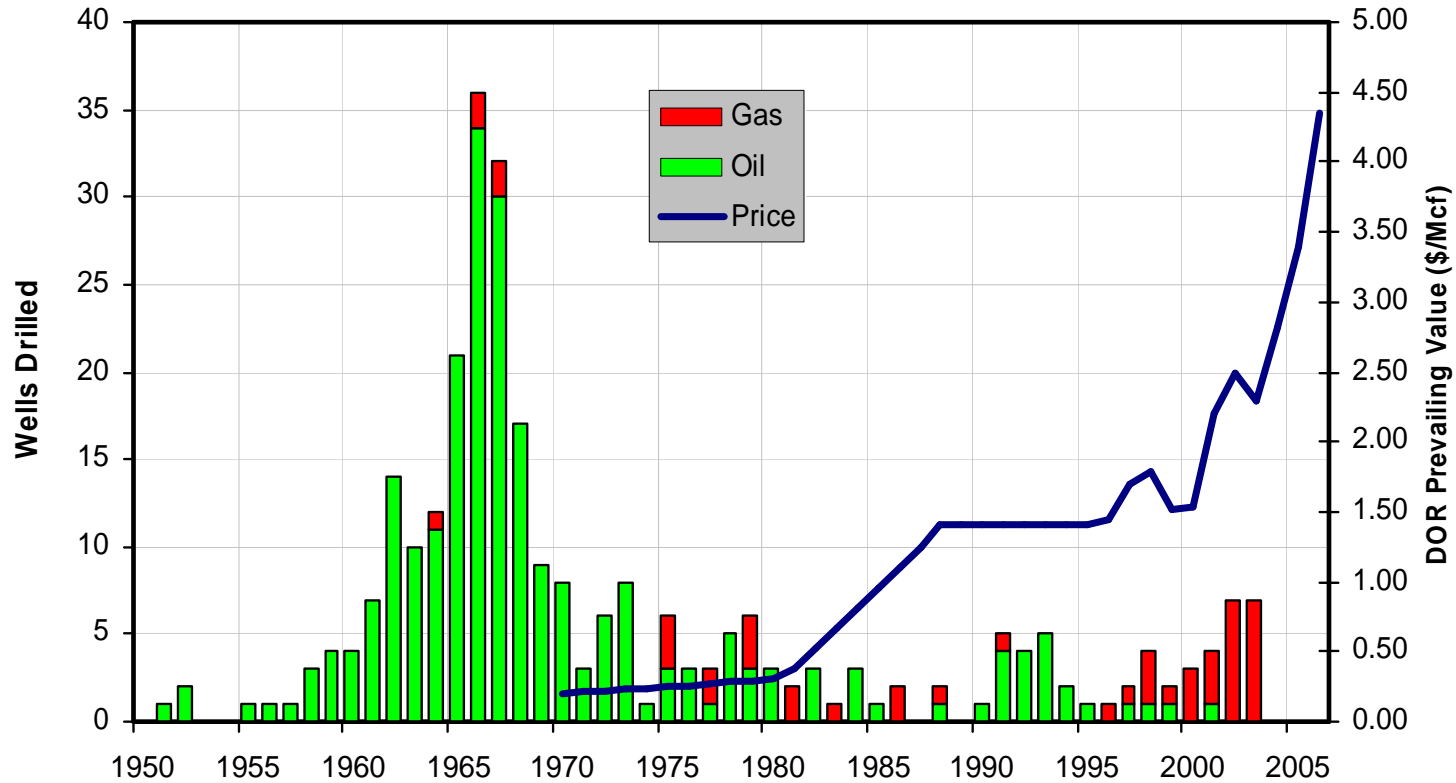
# Framing Cook Inlet Supply

## US Reserves to Production Ratio



Sources: Annual reserves and production - American Petroleum Institute and American Gas Association (1945-1976) (33) and Energy Information Administration, Office of Oil and Gas (1977-2003)(1-27). Cumulative production: *U.S. Oil and Gas Reserves by Year of Field Discovery* (1977-1986).(34)

# Framing Cook Inlet Supply Exploration Wells and Gas Price



Source: State of Alaska

No data available for exploration drilling post 2003

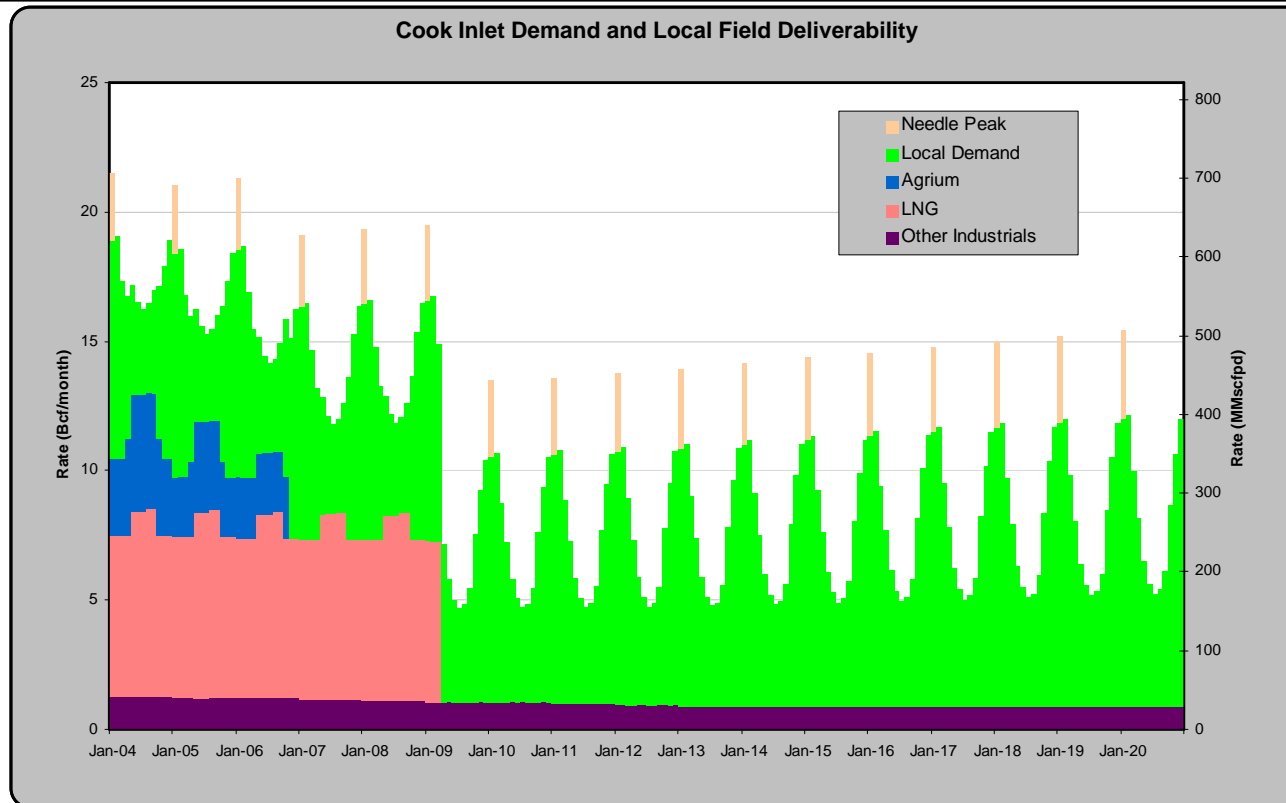


# Supply Management Issues



- Almost all gas production now requires compression
- High swing requires new investment in storage and additional investment in compression

- Significant investment in existing fields will be needed to meet requirements of utilities
- Cook Inlet needs to be able to compete for capital



Source: Utility projections for local demand; COP estimates for Agrium and LNG

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- If Cook Inlet prices are not allowed to rise to market, significant new gas resource additions are unlikely
  - The industrial large industrial consumers are necessary for long term gas supply stability
    - Provide base load market for new exploration and exploitation of existing fields
    - Provide significant peaking gas supply at no investment cost to the utilities
  - ANS gas via a spur line option
    - Timing is uncertain
    - Long term demand could be lower than today's space heating/power demand
    - Start-up gap
  - LNG imports via the Kenai LNG plant could provide gas supply assurance
    - World market pricing
    - Transition role for an ANS spur line
    - Price could be competitive with ANS gas
  - **Cook Inlet faces challenging strategic decisions, not a shortage of gas**