North America Supply Response

GasMart 2008

Will Hussey

ConocoPhillips

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FOR THE PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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This presentation includes certain non-GAAP financial measures, as indicated. Such non-GAAP measures are intended to supplement, not substitute for, comparable GAAP measures. Investors are urged to consider closely the GAAP reconciliation tables provided in the presentation Appendix.

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North America Industry Accomplishments

2000 – 2007

- Gas drilling rigs increased from average of 929 to peak of 1892
- 20,000+ miles of new pipeline
- 31 TCF of gas reserves added
- 400 BCF of working gas storage added
- LNG regas capacity doubled to 5 BCFD (Worldwide liquefaction increased 10 BCFD)

Source: CERA

Impact on Costs
2000 - 2007

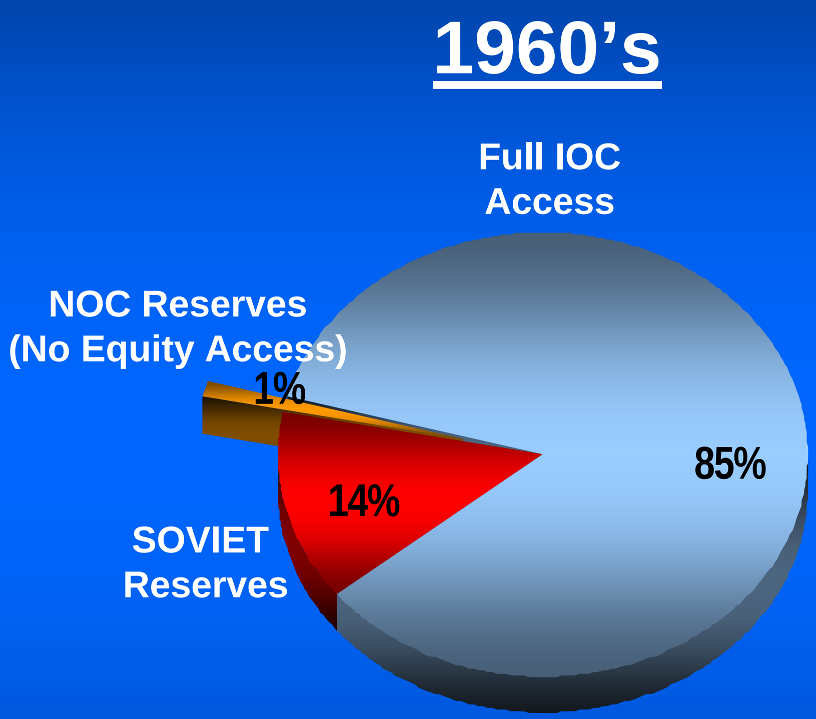
• Offshore Rigs	up 3.5 times
• Steel	up 1.5 times
• Engineering & Project Costs	up 2 times
• Labor & Equipment	up 75%
• Land Rigs	up 40%

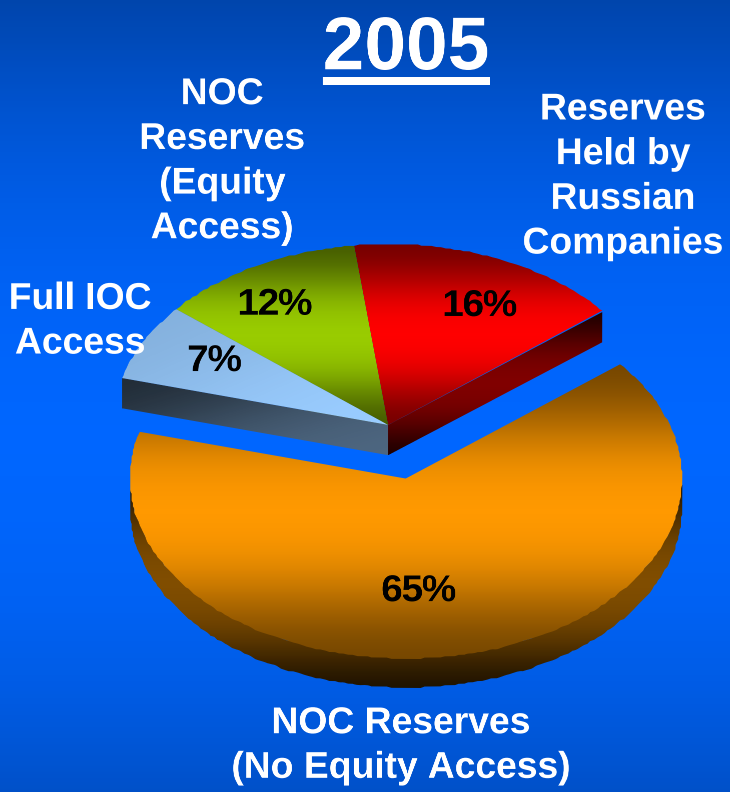
Full cycle costs to develop are now above $6
(capex, opex, royalties, return)

Source: CERA

With costs this high can the US expect future development?

World Oil & Gas Reserves





Constrained IOC access

Source: PFC Energy, Oil & Gas Journal, BP Statistical Review 2006

NOTE: Excludes unconventional crude oil and bitumen reserves

IOC = International oil company

NOC = National oil company

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If North America is the answer, what about Canadian gas investments?

- In 2007 the value of the US Dollar dropped 18.5% in Canada
- Is the Alberta government increasing royalties?
- Various industry consultants anticipate a drop in production of 2 BCFD from 2007 to 2009
- Oil Sands gas demand may exceed 2 BCFD

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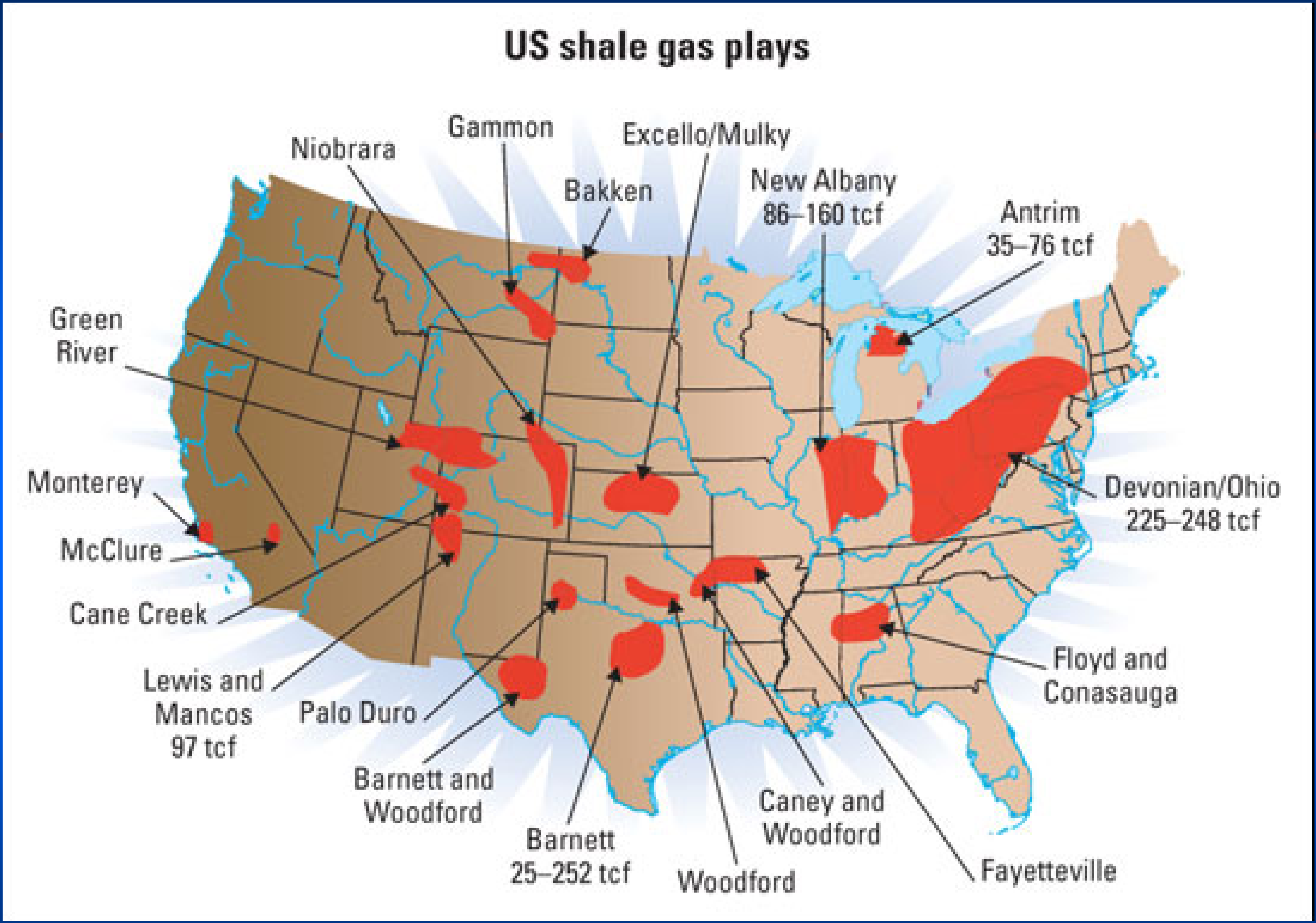
The Future of US Production

- Exxon Wall Street Journal article stating potential of 35 TCF of reserves and 1 BCFD of potential production in the Rockies
- East Texas production of 3 BCFD in 2000 has potential to reach 8 BCFD by 2010 due to shale play
- Chesapeake and Southwestern control 1+MM acres in the Fayetteville Shale



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