CONOCOPHILLIPS
Form 10-K
February 21, 2012
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2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

For the fiscal year ended **December 31, 2011**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: **001-32395**

ConocoPhillips

(Exact name of registrant as specified in its charter)

Delaware	**01-0562944**
(State or other jurisdiction of	*(I.R.S. Employer*
incorporation or organization)	*Identification No.)*

600 North Dairy Ashford

Houston, TX 77079

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **281-293-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 Par Value	New York Stock Exchange
Preferred Share Purchase Rights Expiring June 30, 2012	New York Stock Exchange
6.65% Debentures due July 15, 2018	New York Stock Exchange
7% Debentures due 2029	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

[x] Yes [ ] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

[ ] Yes [x] No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [x] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[x] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [x] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [x] No

The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2011, the last business day of the registrant s most recently completed second fiscal quarter, based on the closing price on that date of $75.19, was $103.2 billion. The registrant, solely for the purpose of this required presentation, had deemed its Board of Directors and grantor trusts to be affiliates, and deducted their stockholdings of 854,854 and 36,219,102 shares, respectively, in determining the aggregate market value.

The registrant had 1,279,692,596 shares of common stock outstanding at January 31, 2012.

Documents incorporated by reference:

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 9, 2012 (Part III)

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PART I

Unless otherwise indicated, the company, we, our, us and ConocoPhillips are used in this report to refer to the businesses of ConocoPhillips its consolidated subsidiaries. Items 1 and 2 Business and Properties, contain forward-looking statements including, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words anticipate, estimate, believe, budget, continue, could, intend, may, plan, p seek, should, will, would, expect, objective, projection, forecast, goal, guidance, outlook, effort, target and similar ex forward-looking statements. The company does not undertake to update, revise or correct any forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the company s disclosures under the heading CAUTIONARY STATEMENT FOR THE PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, beginning on page 73.

Items 1 and 2. BUSINESS AND PROPERTIES

CORPORATE STRUCTURE

ConocoPhillips is an international, integrated energy company. ConocoPhillips was incorporated in the state of Delaware on November 16, 2001, in connection with, and in anticipation of, the merger between Conoco Inc. and Phillips Petroleum Company. The merger between Conoco and Phillips was consummated on August 30, 2002.

Our business is organized into six operating segments:

- **Exploration and Production (E&P)** This segment primarily explores for, produces, transports and markets crude oil, bitumen, natural gas, liquefied natural gas (LNG) and natural gas liquids on a worldwide basis.
- **Midstream** This segment gathers, processes and markets natural gas produced by ConocoPhillips and others, and fractionates and markets natural gas liquids, predominantly in the United States and Trinidad. The Midstream segment primarily consists of our 50 percent equity investment in DCP Midstream, LLC.
- **Refining and Marketing (R&M)** This segment purchases, refines, markets and transports crude oil and petroleum products, mainly in the United States, Europe and Asia.
- **LUKOIL Investment** This segment consists of our past investment in the ordinary shares of OAO LUKOIL, an international, integrated oil and gas company headquartered in Russia. We completed the divestiture of our entire interest in LUKOIL in the first quarter of 2011.
- **Chemicals** This segment manufactures and markets petrochemicals and plastics on a worldwide basis. The Chemicals segment consists of our 50 percent equity investment in Chevron Phillips Chemical Company LLC (CPChem).
- **Emerging Businesses** This segment represents our investment in new technologies or businesses outside our normal scope of operations.

At December 31, 2011, ConocoPhillips employed approximately 29,800 people.

Planned Separation of Downstream Businesses

On July 14, 2011, we announced approval by our Board of Directors to pursue the separation of our refining, marketing and transportation businesses into a stand-alone, publicly traded corporation via a tax-free distribution. The new downstream company, named Phillips 66, will be headquartered in Houston, Texas. In addition to the refining, marketing and transportation businesses, we expect Phillips 66 will also include most of our Midstream segment, our Chemicals segment, as well as our power generation and certain technology operations included in our Emerging Businesses segment, to create an integrated downstream company.

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The separation would be accomplished by the pro rata distribution of one share of Phillips 66 stock for every two shares of ConocoPhillips stock held by ConocoPhillips shareholders on the record date for such distribution.

In October 2011, we requested a private letter ruling from the U.S. Internal Revenue Service, which is expected to confirm the distribution will qualify as a tax-free reorganization for U.S. federal income tax purposes. In addition, we filed the initial Phillips 66 Form 10 registration statement with the U.S. Securities and Exchange Commission (SEC) on November 14, 2011, and an amendment on January 3, 2012.

The separation is subject to market conditions, customary regulatory approvals, the receipt of an affirmative Internal Revenue Service private letter ruling and final Board approval, and is expected to be completed in the second quarter of 2012.

SEGMENT AND GEOGRAPHIC INFORMATION

For operating segment and geographic information, see Note 25 Segment Disclosures and Related Information, in the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

EXPLORATION AND PRODUCTION (E&P)

At December 31, 2011, our E&P segment represented 67 percent of ConocoPhillips total assets. This segment primarily explores for, produces, transports and markets crude oil, bitumen, natural gas and natural gas liquids on a worldwide basis. Operations to liquefy natural gas, transport and market the resulting LNG are also included in the E&P segment. At December 31, 2011, our E&P operations were producing in the United States, Norway, the United Kingdom, Canada, Australia, offshore Timor-Leste in the Timor Sea, Indonesia, China, Vietnam, Libya, Nigeria, Algeria, Qatar and Russia.

The E&P segment does not include the financial results or statistics from our prior investment in the ordinary shares of LUKOIL, which are reported in our LUKOIL Investment segment. As a result, references to results, production, prices and other statistics throughout the E&P segment discussion exclude amounts related to LUKOIL. However, our share of LUKOIL is included in the Oil and Gas Operations disclosures, as well as in the following net proved reserves table, for periods before we ceased using equity-method accounting for this investment, which occurred at the end of the third quarter of 2010.

The information listed below appears in the Oil and Gas Operations disclosures following the Notes to Consolidated Financial Statements and is incorporated herein by reference:

Proved worldwide crude oil and natural gas liquids, natural gas, bitumen and synthetic oil reserves.
Net production of crude oil and natural gas liquids, natural gas, bitumen and synthetic oil.
Average sales prices of crude oil and natural gas liquids, natural gas, bitumen and synthetic oil.
Average production costs per barrel of oil equivalent (BOE).
Net wells completed, wells in progress and productive wells.
Developed and undeveloped acreage.

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The following table is a summary of the proved reserves information included in the Oil and Gas Operations disclosures following the Notes to Consolidated Financial Statements. Approximately 80 percent of our proved reserves are located in politically stable countries that belong to the Organization for Economic Cooperation and Development. Natural gas reserves are converted to BOE based on a 6:1 ratio: six thousand cubic feet of natural gas converts to one BOE. See Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of factors that will enhance the understanding of the table below.

	Millions of Barrels of Oil Equivalent		
Net Proved Reserves at December 31	**2011**	2010	2009
Crude oil and natural gas liquids			
Consolidated operations	**3,287**	3,161	3,194
Equity affiliates	**175**	231	1,710
Total Crude Oil and Natural Gas Liquids	**3,462**	3,392	4,904
Natural gas			
Consolidated operations	**2,933**	3,039	3,161
Equity affiliates	**553**	580	880
Total Natural Gas	**3,486**	3,619	4,041
Bitumen			
Consolidated operations	**530**	455	417
Equity affiliates	**909**	844	716
Total Bitumen	**1,439**	1,299	1,133
Synthetic oil			
Consolidated operations	**-**	-	248
Equity affiliates	**-**	-	-
Total Synthetic Oil	**-**	-	248
Total consolidated operations	**6,750**	6,655	7,020
Total equity affiliates	**1,637**	1,655	3,306
Total company	**8,387**	8,310	10,326
Includes amounts related to LUKOIL investment:	*-*	*-*	*1,967*

In 2011, E&P s worldwide production, including its share of equity affiliates, averaged 1,619,000 barrels of oil equivalent per day (BOED), compared with 1,752,000 BOED in 2010. During 2011, 653,000 BOED were produced in the United States, a 5 percent decrease from 686,000 BOED in 2010. Production from our international E&P operations averaged 966,000 BOED in 2011, a 9 percent decrease from 1,066,000 BOED in 2010. Worldwide production decreased primarily due to suspended operations in Libya and Bohai Bay, China, asset dispositions and unplanned downtime. Normal field decline was largely offset by new production.

E&P s worldwide annual average crude oil and natural gas liquids sales price increased 34 percent, from $72.77 per barrel in 2010 to $97.22 per barrel in 2011. Worldwide bitumen prices increased 18 percent, from $53.06 per barrel in 2010 to $62.56 per barrel in 2011. E&P s average annual worldwide natural gas sales price increased 7 percent, from $4.98 per thousand cubic feet in 2010 to $5.34 per thousand cubic feet in 2011.

E&P UNITED STATES

In 2011, U.S. E&P operations contributed 45 percent of E&P s worldwide liquids production and 36 percent of natural gas production.

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Alaska

			2011		
	Interest	Operator	Liquids MBD[1]	Natural Gas MMCFD[2]	Total MBOED[3]
Average Daily Net Production					
Greater Prudhoe Area	36.1%	BP	106	6	107
Greater Kuparuk Area	52.2-55.4	COP	58	-	58
Western North Slope	78.0	COP	51	1	51
Cook Inlet Area	33.3-100	COP	-	54	9
Total Alaska			215	61	225

(1)Thousands of barrels per day.

(2)Millions of cubic feet per day.

(3)Thousands of barrels of oil equivalent per day.

Greater Prudhoe Area

The Greater Prudhoe Area includes the Prudhoe Bay Field and five satellite fields, as well as the Greater Point McIntyre Area fields. Prudhoe Bay, the largest oil field on Alaska s North Slope, is the site of a large waterflood and enhanced oil recovery operation, as well as a gas processing plant which processes natural gas for reinjection into the reservoir. Prudhoe Bay s satellites are Aurora, Borealis, Polaris, Midnight Sun and Orion, while the Point McIntyre, Niakuk, Raven and Lisburne fields are part of the Greater Point McIntyre Area.

Greater Kuparuk Area

We operate the Greater Kuparuk Area, which is made up of the Kuparuk Field and four satellite fields: Tarn, Tabasco, Meltwater and West Sak. Kuparuk is located 40 miles west of Prudhoe Bay on Alaska s North Slope. Field installations include three central production facilities that separate oil, natural gas and water, as well as a separate seawater treatment plant. The natural gas is either used for fuel or compressed for reinjection.

Western North Slope

On the Western North Slope, we operate the Colville River Unit, which includes the Alpine Field and three satellite fields: Nanuq, Fiord and Qannik. Alpine is located 34 miles west of Kuparuk. In December 2011, the U.S. Army Corps of Engineers granted us a permit required to build a gravel road, bridge and pipeline crossing over the Nigliq channel of the Colville River for development of a satellite field west of Alpine in the National Petroleum Reserve Alaska (NPRA), the Alpine West CD5 Project. We plan to incorporate the terms of the permit into our project plan as we progress project sanctioning of CD5 in 2012. Initial production is anticipated toward the end of 2015.

Cook Inlet Area

We operate the North Cook Inlet Unit, the Beluga River Unit, and the Kenai LNG Plant in the Cook Inlet Area. We have a 100 percent interest in the North Cook Inlet Unit, while we own 33.3 percent of the Beluga River Unit. Our share of production is used to supply feedstock and fuel to the Kenai LNG Plant and is also sold to local utilities.

In October 2011, we acquired an additional 30 percent interest in the Kenai LNG Plant, bringing our ownership interest to 100 percent. The Kenai LNG Plant had historically supplied LNG to utility companies in Japan. Due to market conditions, the Kenai Plant was scheduled to be mothballed in the second quarter of 2011; however, we delayed the shutdown in order to ship additional cargoes to Asia, due to energy shortages caused by the earthquake and tsunami in Japan. In November 2011, we idled the plant for future use. We subsequently secured additional third-party gas supplies, and as a result, expect to resume limited LNG exports in the second half of 2012.

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Exploration

In the February 2008 Outer Continental Shelf (OCS) Lease Sale 193, we successfully bid and were awarded 10-year-primary-term leases on 98 blocks in the Chukchi Sea. We plan to drill an exploration well on our Chukchi Sea leasehold in 2014, subject to the outcome of pending litigation challenging Lease Sale 193 and the receipt of required regulatory permits.

In January 2010, we exchanged a 25 percent working interest in 50 of our leases in the Chukchi Sea for cash consideration and additional working interests in the deepwater Gulf of Mexico. In late 2010, we entered into an agreement to farm-down an additional 10 percent of our working interest in the same Chukchi Sea leases, and that agreement received regulatory approval in July 2011.

Transportation

We transport the petroleum liquids produced on the North Slope to south-central Alaska through an 800-mile pipeline that is part of the Trans-Alaska Pipeline System (TAPS). We have a 28.3 percent ownership interest in TAPS, and we also have ownership interests in the Alpine, Kuparuk and Oliktok Pipelines on the North Slope.

Our wholly owned subsidiary, Polar Tankers, Inc., manages the marine transportation of our North Slope production, using five company-owned double-hulled tankers in addition to chartering third-party vessels as necessary.

In 2008, ConocoPhillips and BP plc formed a limited liability company to progress the pipeline project named Denali The Alaska Gas Pipeline. The project was intended to move natural gas from Alaska s North Slope to North American markets. In May 2011, the project was canceled as a result of insufficient customer transportation commitments to the project.

U.S. Lower 48

				2011 Natural	
			Liquids	Gas	Total
	Interest	Operator	MBD	MMCFD	MBOED
Average Daily Net Production					
Eagle Ford	Various%	Various	22	39	29
Williston	Various	Various	15	12	17
Fort Worth	Various	Various	6	47	13
Permian	Various	Various	29	111	48
San Juan	Various	Various	49	773	179
Lobo	Various	COP	5	138	28
Panhandles	Various	Various	2	76	15
Wind River	Various	Various	-	88	15
Bossier	Various	Various	-	67	11
Anadarko	Various	Various	3	59	12
Other onshore	Various	Various	21	129	42
Gulf of Mexico	Various	Various	16	17	19
Total U.S. Lower 48			168	1,556	428

Onshore

Our 2011 onshore production principally consisted of natural gas and associated liquids production, with the majority of production located in the San Juan Basin, Permian Basin, Lobo Trend, Eagle Ford, Williston Basin, panhandles of Texas and Oklahoma, Fort Worth Basin, Anadarko Basin and Bossier Trend. We also have operations in the Wind River Basin, East Texas, Rockies and northern and southern Louisiana. Onshore activities in 2011 were centered mostly on continued optimization and development of existing assets, with particular focus on areas with higher liquids production.

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Shale Plays

Exploration and development continues in our shale positions in Eagle Ford, Bakken and Barnett. In the Eagle Ford, we drilled approximately 160 exploration and development wells in 2011 and plan to drill approximately 200 wells in 2012. With subsequent investments, we expect to achieve peak production in 2017 and long-term average production of 140,000 BOED. During 2011, we acquired approximately 240,000 additional acres in various resource plays across the Lower 48, which included the Avalon, Wolfcamp and Niobrara areas, further expanding our significant acreage position in Lower 48 shale plays.

San Juan

The San Juan Basin, located in northwestern New Mexico and southwestern Colorado, includes the majority of our U.S. coalbed methane (CBM) production. We continue to pursue development opportunities in three conventional formations in the San Juan Basin.

Gulf of Mexico

At year-end 2011, our portfolio of producing properties in the Gulf of Mexico consisted of one operated field and three fields operated by co-venturers, including:

- 75 percent operator interest in the Magnolia Field in Garden Banks Blocks 783 and 784.
- 16 percent nonoperator interest in the unitized Ursa Field located in the Mississippi Canyon Area.
- 16 percent nonoperator interest in the Princess Field, a northern, subsalt extension of the Ursa Field.
- 12.4 percent nonoperator interest in the unitized K2 Field, comprised of seven blocks in the Green Canyon Area.

Exploration

In the Gulf of Mexico, we have a 45 percent interest in the Coronado well, which was spud in October 2011. A decision to cease drilling the well was made prior to reaching the targeted depth, and the well was expensed as a dry hole. We are in the planning process to appraise the results of Tiber and Shenandoah, which were discovered in 2009. Additionally, we were the successful bidder on 75 blocks in the Paleogene play in OCS Lease Sale 218 in December 2011. We expect these blocks will be awarded in 2012.

Offshore south Louisiana, we drilled the Shalimar exploration well. The well did not reach its target depth due to technical drilling issues and was expensed as a dry hole.

Onshore, we actively pursued the appraisal of our existing unconventional resource plays, including the Eagle Ford in South Texas, the Bakken in the Williston Basin, and the Barnett in the Fort Worth Basin. We have seen encouraging results in these liquids-rich plays and plan to continue appraisal and development in 2012.

Transportation

We have a 25 percent interest in the Rockies Express Pipeline (REX). The REX natural gas pipeline runs 1,679 miles from Cheyenne, Colorado, to Clarington, Ohio, and has a natural gas transmission capacity of 1.8 billion cubic feet per day. Numerous compression facilities support the pipeline system. The REX pipeline is designed to enable natural gas producers in the Rocky Mountains region to deliver natural gas supplies to the Midwest and eastern regions of the United States. Upon the completion of the separation of the downstream businesses, we expect REX will be included in the new downstream company, Phillips 66.

E&P EUROPE

In 2011, E&P operations in Europe contributed 20 percent of E&P s worldwide liquids production and 14 percent of natural gas production. Our European assets are principally located in the Norwegian and U.K. sectors of the North Sea.

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Norway

			2011		
			Liquids	Natural Gas	Total
	Interest	Operator	MBD	MMCFD	MBOED
Average Daily Net Production					
Greater Ekofisk Area	35.1%	COP	73	66	84
Alvheim	20.0	Marathon	14	11	16
Heidrun	24.1	Statoil	10	11	12
Statfjord Area	6.0-12.1	Statoil	7	13	9
Other	Various	Various	16	62	26
Total Norway			120	163	147

The Greater Ekofisk Area, located approximately 200 miles offshore Stavanger, Norway in the North Sea, is comprised of four producing fields: Ekofisk, Eldfisk, Embla and Tor. Ekofisk crude oil is exported to Teesside, England, and the natural gas is exported to Emden, Germany. Our Ekofisk South and Eldfisk II projects continue to progress, with production from both of these projects expected in 2013 and 2014, respectively.

The Alvheim development consists of a floating production, storage and offloading (FPSO) vessel and subsea installations. Produced crude oil is exported via shuttle tankers, and natural gas is transported to the United Kingdom via a pipeline to the Beryl-Sage system.

The Heidrun Field is located in the Norwegian Sea. Produced crude oil is transported to Mongstad in Norway and Tetney in the United Kingdom by double-hulled shuttle tankers. Part of the natural gas is transported and sold to buyers in Europe, while the remainder is used as feedstock in a methanol plant in Norway, in which we own an 18.3 percent interest.

The Statfjord Field straddles the boundary between the United Kingdom and Norway. In January 2012, we entered into an agreement to sell our interests in the Statfjord Field and associated satellites. The transaction is expected to close in the second quarter of 2012.

We also have varying ownership interests in five other producing fields in the Norwegian sector of the North Sea and in the Norwegian Sea.

Exploration

During 2011, we drilled one exploration well, Peking Duck (7/11-12S), including the Agn sidetrack well (7/11-12A). The wells were non-commercial gas discoveries and were expensed as dry holes. In addition, we participated in two partner-operated wells, Caterpillar (PL340BS) in the Alvheim Area and Arran (PL309) in the Oseberg Area. The Caterpillar discovery is currently being evaluated. Arran was a dry hole and has been plugged and abandoned.

We were awarded three new licenses in the Norwegian 21^{st} Licensing Round: PL603, a 25 percent working interest in the Norwegian Sea; PL605, a 50 percent operating interest in the Barents Sea; and PL615, a 25 percent working interest in the Barents Sea. We acquired 3D seismic over PL605.

Transportation

We own a 35.1 percent interest in the Norpipe Oil Pipeline System, a 220-mile pipeline which carries crude oil from Ekofisk to a terminal and natural gas processing facility in Teesside, England. In addition, we own a 1.9 percent interest in Norwegian Continental Shelf Gas Transportation (Gassled), which owns most of the Norwegian gas transportation infrastructure.

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United Kingdom

			2011		
	Interest	Operator	Liquids MBD	Natural Gas MMCFD	Total MBOED
Average Daily Net Production					
Britannia	58.7%	Britannia Operator Ltd.	5	136	28
Britannia Satellites	75.0-83.5	COP	20	57	30
J-Block	32.5-36.5	COP	11	74	23
Southern North Sea	Various	Various	-	127	21
East Irish Sea	100	HRL	-	62	10
Other	Various	Various	19	7	20
Total United Kingdom			55	463	132

In addition to our interest in the Britannia natural gas and condensate field, we own 50 percent of Britannia Operator Limited, the operator of the field. Condensate is delivered through the Forties Pipeline to an oil stabilization and processing plant near the Grangemouth Refinery in Scotland, while natural gas is transported through Britannia s line to St. Fergus, Scotland. The Britannia satellite fields, Callanish and Brodgar, produce via subsea manifolds and pipelines linked to the Britannia platform.

J-Block is comprised of the Judy/Joanne, Jade and Jasmine fields, located in the U.K. central North Sea. In 2010, we received government approval for the development of the Jasmine Field, which is expected to achieve average net peak production of 34,000 BOED by 2013.

We have various ownership interests in 18 producing gas fields in the Rotliegendes and Carboniferous areas of the Southern North Sea. Our interests in the East Irish Sea include the Millom, Dalton and Calder fields, which are operated on our behalf by a third party.

We own a 24 percent interest in the Clair Field, located in the Atlantic Margin. The Clair Ridge Project received government approval in October 2011, and we anticipate initial production in 2016.

In December 2011, we entered into an agreement to sell our interests in the MacCulloch, Alba and Nicol fields. The sales of these interests are expected to close in the first half of 2012.

Exploration

During 2011, we participated in two partner-operated exploration wells. Well 206/12a-3 in the Clair South West Area, West of Shetlands, was an oil discovery and has been suspended in order to evaluate development options for the area. The Cameron well (44/19a-7a) in the Southern North Sea was a small gas discovery and is currently being evaluated for commerciality.

Transportation

We have a 10 percent interest in the Interconnector Pipeline, which links the United Kingdom and Belgium and facilitates the marketing throughout Europe of natural gas produced in the United Kingdom. We have export capability to ship up to 220 million cubic feet of natural gas per day to markets in continental Europe via the Interconnector, and our reverse-flow rights provide 85 million cubic feet per day of import capability into the United Kingdom.

We operate the Teesside oil and Theddlethorpe gas terminals in which we have 29.3 percent and 50 percent ownership interests, respectively. We also have a 100 percent ownership interest in the Rivers Gas Terminal, operated by a third party, in the United Kingdom.

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Poland

Exploration

We are participating in a shale gas venture in Poland, which provides us with the option to earn a 70 percent operating interest in six exploration licenses in the Baltic Basin. We participated in two wells in 2011.

E&P CANADA

In 2011, E&P operations in Canada contributed 12 percent of E&P s worldwide liquids production and 21 percent of E&P s worldwide natural gas production.

			2011			
	Interest	Operator	Liquids MBD	Natural Gas MMCFD	Bitumen MBD	Total MBOED
Average Daily Net Production						
Western Canada	Various%	Various	38	928	-	193
Surmont	50.0	COP	-	-	10	10
Foster Creek	50.0	Cenovus	-	-	46	46
Christina Lake	50.0	Cenovus	-	-	11	11
Total Canada			38	928	67	260

Western Canada

Our operations in western Canada are primarily comprised of three core development areas: Deep Basin, Kaybob and O Chiese, which extend from central Alberta to northeastern British Columbia. We operate or have ownership interests in approximately 80 natural gas processing plants in the region, and, as of December 31, 2011, held leasehold rights in 6 million net acres in western Canada.

Oil Sands

We hold approximately 1 million net acres of land in the Athabasca Region of northeastern Alberta. Our bitumen resources in Canada are produced via an enhanced thermal oil recovery method called steam-assisted gravity drainage (SAGD), whereby steam is injected into the reservoir, effectively liquefying the heavy bitumen, which is recovered and pumped to the surface for further processing.

Surmont

The Surmont oil sands lease is located approximately 35 miles south of Fort McMurray, Alberta. Surmont Phase II construction began in 2010, with production startup targeted for 2015. Surmont s net production is expected to increase to 50,000 barrels per day by 2016.

FCCL

We have two 50/50 North American heavy oil business ventures with Cenovus Energy Inc.: FCCL Partnership, a Canadian upstream general partnership, and WRB Refining LP, a U.S. downstream limited partnership. FCCL s assets, operated by Cenovus, include the Foster Creek, Christina Lake and Narrows Lake SAGD bitumen projects.

Construction continued in 2011 on Foster Creek Phase F, the first of three additional approved expansion phases. Upon completion of Foster Creek Phases F, G and H, net peak production is anticipated to increase by 42,500 barrels per day beginning in 2014. At Christina Lake, first production for Phase C occurred in the third quarter of 2011. Construction of Christina Lake Phase D continued through 2011, with initial production expected in late 2012. Once phases C and D are both fully operational, net peak production at Christina Lake is estimated to be 47,000 barrels per day. Christina Lake Phases E, F and G received regulatory approval in the second quarter of 2011, and construction on Phase E commenced in the third quarter of 2011.

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Narrows Lake is an emerging opportunity within the FCCL Partnership. A regulatory application for the development of Narrows Lake was submitted in June 2010, and we anticipate receiving a response in the second quarter of 2012. Initial production is anticipated in 2017.

For information on WRB, see the Refining and Marketing (R&M) section.

Parsons Lake/Mackenzie Gas Project

We are involved with three other energy companies, as members of the Mackenzie Delta Producers Group, on the development of the Mackenzie Valley Pipeline and gathering system, which is proposed to transport onshore gas production from the Mackenzie Delta in northern Canada to established markets in North America. We have a 75 percent interest in the Parsons Lake natural gas field, one of the primary fields in the Mackenzie Delta, which would anchor the pipeline development. In March 2011, the project received regulatory approval from the National Energy Board of Canada. However, due to a continued decline in market conditions and lack of resolution with the Canadian government on fiscal terms, we are currently evaluating multiple options regarding the scope and timing of this project. Should the project not proceed, we would need to assess for impairment the carrying value of the undeveloped leasehold and capitalized project development costs, which totaled $662 million at December 31, 2011, including capitalized interest.

Amauligak

We have a 53.8 percent operating interest in Amauligak, which lies approximately 31 miles offshore in shallow water in the Beaufort Sea. A range of development options are being evaluated.

Exploration

We hold exploration acreage in four areas of Canada: offshore eastern Canada, onshore western Canada, the Mackenzie Delta/Beaufort Sea Region and the Arctic Islands. During 2011, we conducted pilot drilling programs in the Muskwa (Horn River Basin) and Duvernay (West Shale Basin) unconventional resource plays, and we acquired approximately 260,000 acres of exploration leasehold in the Canol Shale, Duvernay Shale and other plays.

E&P SOUTH AMERICA

Venezuela

In 2007, we announced we had been unable to reach agreement with respect to our migration to an *empresa mixta* structure mandated by the Venezuelan government s Nationalization Decree. As a result, Venezuela s national oil company, Petróleos de Venezuela S.A. (PDVSA), or its affiliates, directly assumed control over ConocoPhillips interests in the Petrozuata and Hamaca heavy oil ventures and the offshore Corocoro development project. In response to this expropriation, we filed a request for international arbitration on November 2, 2007, with the World Bank s International Centre for Settlement of Investment Disputes (ICSID). An arbitration hearing was held before an ICSID tribunal during the summer of 2010, and we are currently awaiting an interim decision on key legal and factual issues. A separate arbitration hearing was held in January 2012 before the International Chamber of Commerce on ConocoPhillips separate claims against PDVSA for certain breaches of their Association Agreements prior to the expropriation.

Ecuador

In 2008, Burlington Resources, Inc., a wholly owned subsidiary of ConocoPhillips, initiated arbitration before ICSID against The Republic of Ecuador, as a result of the newly enacted Windfall Profits Tax Law and government-mandated renegotiation of our production sharing contracts. Despite a restraining order issued by ICSID, Ecuador confiscated the crude oil production of Burlington and its co-venturer and sold the illegally seized crude oil. In 2009, Ecuador took over operations in Blocks 7 and 21, fully expropriating our assets. In June 2010, the ICSID tribunal concluded it has jurisdiction to hear the expropriation claim. An arbitration hearing on case merits occurred in March 2011. On September 30, 2011, Ecuador filed a supplemental counterclaim asserting environmental damages, which we believe will not be material. The arbitration process is ongoing.

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Peru

Exploration

We own a 45 percent operating interest in Blocks 123 and 129, covering nearly 1.6 million net acres. During 2011, we completed an initial 2-D seismic program on Blocks 123 and 129 and began to further delineate the play with an infill 2-D seismic program. In April 2011, we entered into an agreement to sell our entire 35 percent interest in Block 39, subject to government approval. Block 124 was relinquished in May 2011.

E&P ASIA PACIFIC/MIDDLE EAST

In 2011, E&P operations in the Asia Pacific/Middle East Region contributed 15 percent of E&P s worldwide liquids production and 26 percent of natural gas production.

Australia and Timor Sea

				2011	
				Natural	
			Liquids	Gas	Total
	Interest	Operator	MBD	MMCFD	MBOED
Average Daily Net Production					
Australia Pacific LNG	42.5%	Origin Energy	-	122	20
Bayu-Undan	56.9	COP	30	199	63
Athena/Perseus	50.0	ExxonMobil	-	35	6
Total Australia and Timor Sea			30	356	89

Australia Pacific LNG

Australia Pacific LNG (APLNG), our joint venture with Origin Energy and China Petrochemical Corporation (Sinopec), is focused on producing CBM from the Bowen and Surat basins in Queensland, Australia. Origin operates APLNG s production and pipeline system, and we will operate the LNG facility. Natural gas is currently sold to domestic customers, while progress continues on the development of an LNG processing and export sales business. Once established, this will enhance our LNG position and serve as an additional LNG hub supplying Asia Pacific markets. Two initial 4.5-million-tonnes-per-year LNG trains are anticipated, with over 10,000 net wells ultimately envisioned to supply both the domestic gas market and the LNG development. The additional wells will be supported by expanded gas gathering systems, centralized gas processing and compression stations, and water treatment facilities, in addition to a new export pipeline from the gas fields to the LNG facilities.

The project received environmental approval from the Australian federal government in February 2011, and a final investment decision on the initial LNG train and common facilities was approved in July 2011. The project s first LNG exports are expected to begin in 2015.

In April 2011, APLNG and Sinopec signed definitive agreements for APLNG to supply up to 4.3 million tonnes of LNG per year for 20 years. The agreements also specified terms under which Sinopec subscribed for a 15 percent equity interest in APLNG, with both our ownership interest and Origin Energy s ownership interest diluting from 50 percent to 42.5 percent. The Subscription Agreement was completed in August 2011.

In November 2011, APLNG signed a binding Heads of Agreement with Japan-based Kansai Electric Power Co. Inc., for the sale of approximately 1 million tonnes of LNG per year for 20 years. Under the terms of the agreement, Kansai Electric will be supplied LNG beginning in mid-2016. The agreement is subject to a final investment decision on the second LNG train, which is expected in the first half of

2012.

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In January 2012, APLNG and Sinopec signed an amendment to their existing LNG sales agreement for the sale and purchase of an additional 3.3 million tonnes of LNG per year through 2035, subject to a final investment decision on the second LNG train. This agreement, in combination with the Kansai Electric agreement, finalizes the marketing of the second train. In conjunction with the LNG sale, the parties have also agreed for Sinopec to subscribe for additional shares in APLNG, which would raise its equity interest from 15 percent to 25 percent. As a result, both our ownership interest and Origin Energy s ownership interest would dilute from 42.5 percent to 37.5 percent. These agreements are subject to customary government approvals.

For additional information, see Note 6 Investments, Loans and Long-Term Receivables, in the Notes to Consolidated Financial Statements.

Bayu-Undan

The Bayu-Undan gas condensate field is located in the Timor Sea joint petroleum development area between Timor-Leste and Australia. We also operate and own a 56.9 percent interest in the associated Darwin LNG facility, located at Wickham Point, Darwin. Produced natural gas is used to supply the Darwin LNG Plant. In 2011, we sold 153 billion gross cubic feet of LNG to utility customers in Japan.

Athena/Perseus

The Athena production license (WA-17-L) is located offshore Western Australia and contains part of the Perseus Field which straddles the boundary with WA-1-L, an adjoining license area. Natural gas is produced from these licenses.

Greater Sunrise

We have a 30 percent interest in the Greater Sunrise gas and condensate field located in the Timor Sea. Although the governments of Australia and Timor-Leste have reached an agreement concerning sharing of revenues from the anticipated development of Greater Sunrise, key challenges must be resolved before significant funding commitments can be made. These include gaining both governments approval of the development concept selected by the co-venturers.

Exploration

We operate three permits located in the Browse Basin, offshore northwest Australia. We own a 60 percent interest in two of the permits, WA-315-P and WA-398-P. In February 2012, we received regulatory approval to reduce our interest in the third permit, WA-314-P, from 60 percent to 10 percent. The first phase of drilling in 2009/2010 resulted in discoveries in WA-315-P and WA-398-P. In 2011, we completed the analysis of the 3-D seismic survey acquired during the 2009/2010 drilling campaign. The Phase II drilling campaign will commence in the first quarter of 2012 and will comprise a five- to eight-well program.

During 2011, we executed an option agreement to earn up to a 75 percent working interest in the Goldwyer Shale Project located in the Canning Basin of Western Australia. Drilling is expected to commence in 2012. Upon completion of the initial drilling program, we will have the right to assume operatorship of the Goldwyer Shale Project. The agreement is awaiting regulatory approvals.

In the Bonaparte Basin, offshore northern Australia, we operate and own a 60 percent interest in two permits, NT/P69 and NT/P61. During 2011, we reprocessed the seismic data over the Caldita structure in NT/P61, which will allow us to fully evaluate the remaining exploration potential of the permit.

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Indonesia

	Interest	Operator	Liquids MBD	2011 Natural Gas MMCFD	Total MBOED
Average Daily Net Production					
South Natuna Sea Block B	40.0%	COP	8	117	28
South Sumatra	45.0-54.0	COP	3	333	58
Total Indonesia			11	450	86

We operate six production sharing contracts (PSCs) in Indonesia. Three of the blocks are located offshore: South Natuna Sea Block B, Kuma and Arafura Sea. The three onshore PSCs consist of the Corridor Block, South Jambi B , both in South Sumatra, and Warim in Papua. Our producing assets are primarily concentrated in two core areas: South Natuna Sea and onshore South Sumatra.

South Natuna Sea Block B

The offshore South Natuna Sea Block B PSC has two producing oil fields and 16 natural gas fields in various stages of development. Natural gas production is sold under international sales agreements to Malaysia and Singapore.

South Sumatra

The Corridor PSC consists of six oil fields and six natural gas fields in various stages of development. Natural gas is supplied from the Grissik and Suban gas processing plants to the Duri steamflood in central Sumatra and to markets in Singapore, Batam and West Java. Unitization of the Suban natural gas field was finalized in 2011, and as a result, 10 percent of the field s proved reserves are now attributable to an adjacent PSC. The South Jambi B PSC includes three gas fields which are in various stages of development.

Exploration

We operate two offshore exploration PSCs, Kuma and Arafura Sea, with ownership interests of 60 percent and 51 percent, respectively. During 2011, we drilled the Kaluku well in the Kuma PSC and the Mutiara Putih well in the Arafura Sea PSC. Both were expensed as dry holes. A third PSC, Amborip VI, was relinquished in 2011. We also own and operate an 80 percent interest in the Warim onshore exploration PSC in Papua.

Transportation

We are a 35 percent owner of a consortium company that has a 40 percent ownership in PT Transportasi Gas Indonesia, which owns and operates the Grissik to Duri and Grissik to Singapore natural gas pipelines.

China

	Interest	Operator	Liquids MBD	2011 Natural Gas MMCFD	Total MBOED
Average Daily Net Production					

Peng Lai	49.0%	COP	42	-	42
Panyu	24.5	CNOOC	10	-	10
Total China			52	-	52

The Peng Lai 19-3, 19-9 and 25-6 fields are located in Bohai Bay Block 11/05. Production from the Phase I development of the PL 19-3 Field began in 2002. The Phase II development includes six drilling and production platforms and an FPSO vessel used to accommodate production from all the fields.

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On July 13, 2011, the State Oceanic Administration (SOA) in the People s Republic of China instructed us to suspend production from the Peng Lai 19-3 Field Platforms B and C, as a result of two separate seepage incidents which occurred near the platforms. On September 2, 2011, the SOA ordered us to halt operations at the Peng Lai 19-3 Field, pending additional cleanup efforts and reservoir depressurization activities to ensure any residual seepage had stopped. The incidents resulted in a total release of approximately 700 barrels of oil into Bohai Bay and approximately 2,600 barrels of mineral oil-based drilling mud onto the seafloor. The mineral oil-based drilling mud was recovered and cleaned up from the seafloor. The sources of the seeps have been sealed and containment devices deployed as a preventative measure to capture any residue.

The SOA also required implementation of preventative measures to avoid recurrence, in addition to the filing of an updated environmental impact assessment and development plan for approval. A revised development plan was submitted to China s National Development and Reform Commission in November 2011 and is currently under review. A revised environmental impact assessment was submitted to the SOA in February 2012.

The approved depressurization plan, combined with limited development and field optimization, reduced 2011 average daily net production from the field by 14,000 barrels of oil per day, compared to 2010 production levels. Future impacts on our business are not known at this time.

In January 2012, we and the China National Offshore Oil Corp. (CNOOC) announced an agreement with China s Ministry of Agriculture to resolve fishery-related issues in connection with the seepage incidents. Under this agreement, approximately $160 million will be paid as compensation to settle private claims of potentially affected fishermen in relevant Bohai Bay communities, and public claims for alleged fishery damage. We hold a 49 percent ownership interest in the Peng Lai fields. The agreement fulfills the objectives of the compensation fund we announced in September 2011. As part of this agreement, we have also designated approximately $16 million of our previously announced environmental fund to be used to improve fishery resources and for related projects.

The Panyu development, also located in the South China Sea, is comprised of three oil fields: Panyu 4-2, Panyu 5-1 and Panyu 11-6. An expansion of the scope and capacity of the existing Panyu 4-2 and Panyu 5-1 fields is being undertaken, with the addition of two production platforms targeted for completion in 2013.

Vietnam

	Interest	Operator	Liquids MBD	2011 Natural Gas MMCFD	Total MBOED
Average Daily Net Production					
Su Tu Den and Su Tu Vang	23.3%	Cuu Long Joint Operating Company	13	5	14
Rang Dong	36.0	Japan Vietnam Petroleum Co.	5	6	6
Total Vietnam			18	11	20

Our ownership interest in Vietnam is centered around the Cuu Long Basin in the South China Sea and consists of two primarily oil-producing blocks and one gas pipeline transportation system.

Our activities in Block 15-1 are focused around three producing fields: Su Tu Den, Su Tu Den Northeast and Su Tu Vang; and two fields in development: Su Tu Trang and Su Tu Nau. Su Tu Den crude oil is processed and stored in a 1-million-barrel FPSO vessel.

The Rang Dong Field is located in Block 15-2. Rang Dong crude oil is stored in a floating storage and offloading vessel.

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In February 2012, we entered into an agreement to sell our entire Vietnam business. The transaction is expected to close in the first half of 2012.

Transportation

We own a 16.3 percent interest in the Nam Con Son natural gas pipeline. This 244-mile transportation system links gas supplies from the Nam Con Son Basin to gas markets in southern Vietnam.

Exploration

An appraisal well, SD-9Pst, was drilled and completed as a producer in the Su Tu Den Field. Early production data is currently being evaluated.

Malaysia

We own interests in three deepwater PSCs located off the eastern Malaysian state of Sabah: Block G, Block J and the Kebabangan Cluster. We have a 35 percent interest in Block G, 40 percent in Block J and 30 percent in the Kebabangan Cluster. Development of the Gumusut deepwater oil discovery in Block J continues and includes the installation of a semi-submersible oil production platform. First production from Gumusut is anticipated in 2012, with estimated net peak production of 32,000 barrels of liquids per day occurring in 2014. The development of the Kebabangan Gas Field (KBB) started in 2011, with first production anticipated in late 2014. Estimated net annual peak production from KBB is 29,000 BOED occurring in 2015.

Bangladesh

Exploration

In 2009, we were formally awarded two deepwater blocks in the Bay of Bengal, offshore Bangladesh. We received government approval of the PSC terms in June 2011 and hold 100 percent interests in Blocks 10 and 11. Seismic acquisition activities are expected to commence in early 2012.

Brunei

Exploration

In 2011, we acquired a 6.25 percent working interest in Block CA-2. We drilled two exploration wells in 2011, which were expensed as dry holes. Exploration activities will continue in 2012.

Qatar

				2011 Natural	
			Liquids	Gas	Total
	Interest	Operator	MBD	MMCFD	MBOED
Average Daily Net Production					
Qatargas 3	30.0%	Qatargas Operating Co.	23	370	85
Total Qatar			23	370	85

Qatargas 3 (QG3) is an integrated project jointly owned by Qatar Petroleum (68.5 percent), ConocoPhillips (30 percent) and Mitsui & Co., Ltd. (1.5 percent). 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 over a 25 year life. The project also includes a 7.8-million-gross-tonnes-per-year LNG facility, from which LNG is shipped in leased LNG carriers destined for sale in the United States and other markets. First production was achieved in October 2010, and we achieved peak production during 2011.

QG3 executed the development of the onshore and offshore assets as a single integrated project with Qatargas 4 (QG4), a joint venture between Qatar Petroleum and Royal Dutch Shell plc. This included the joint development of offshore facilities situated in a common offshore block in the North Field, as well as the construction of two identical LNG process trains and associated gas treating facilities for both the QG3 and QG4 joint ventures. Production from the LNG trains and associated facilities are combined and shared.

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We have a 12.4 percent ownership interest in the Golden Pass LNG Terminal and affiliated Golden Pass Pipeline. It is located adjacent to the Sabine-Neches Industrial Ship Channel northwest of Sabine Pass, Texas. The terminal became commercially operational in May 2011. We hold terminal and pipeline capacity for the receipt, storage and regasification of the LNG purchased from QG3 and the transportation of regasified LNG to interconnect with major interstate natural gas pipelines. Market conditions currently favor the flow of LNG to European and Asian markets; therefore, our near-to-mid-term utilization of the terminal is expected to be limited.

E&P AFRICA

During 2011, E&P operations in Africa contributed 5 percent of E&P s worldwide liquids production and 3 percent of natural gas production.

Nigeria

	Interest	Operator	Liquids MBD	2011 Natural Gas MMCFD	Total MBOED
Average Daily Net Production					
OMLs 60, 61, 62, 63	20.0%	Eni	19	157	45
Total Nigeria			19	157	45

We have an interest in four onshore Oil Mining Leases (OMLs). Natural gas is sourced from our proved reserves in the OMLs and provides fuel for a 480-megawatt gas-fired power plant in Kwale, Nigeria. We have a 20 percent interest in this power plant, which supplies electricity to Nigeria s national electricity supplier. In 2011, the plant consumed 12 million net cubic feet per day of natural gas.

We have a 17 percent equity interest in Brass LNG Limited, which plans to construct an LNG facility in the Niger Delta.

Exploration

The Uge North exploration well in OPL 214 was spud in December 2011 as a step-out to the 2005 Uge Field discovery. It is the first of two remaining commitment wells.

Libya

	Interest	Operator	Liquids MBD	2011 Natural Gas MMCFD	Total MBOED
Average Daily Net Production					
Waha Concession	16.3%	Waha Oil Co.	8	1	8
Total Libya			8	1	8

The Waha Concession is made up of multiple concessions and encompasses nearly 13 million gross acres in the Sirte Basin. Our production operations in Libya and related oil exports were temporarily suspended in 2011 during Libya s period of civil unrest. Production restarted in late November 2011, and by year-end 2011, net production was approximately 15,000 BOED.

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Algeria

			2011		
				Natural	
			Liquids	Gas	Total
	Interest	Operator	MBD	MMCFD	MBOED
Average Daily Net Production					
Menzel Lejmat North	65.0%	COP	9	-	9
Ourhoud	3.7	L Organization Ourhoud	4	-	4
Total Algeria			13	-	13

Our activities in Algeria are centered around three fields in Block 405a: the Menzel Lejmat North Field (MLN), the Ourhoud Field and the EMK Field. Crude oil production from MLN and Ourhoud is transported to northern Algerian ports where it is lifted to tankers and marketed primarily to refineries in North America and Europe. The El Merk Project was sanctioned in 2009 to develop the EMK Field, in which we own a 16.9 percent interest. Engineering, procurement and construction is ongoing.

Angola

Exploration

In December 2011, we signed two PSCs with Angola s national oil company for a 42.86 percent operating interest in two ultra deepwater blocks, Blocks 36 and 37, in Angola s subsalt play trend. These agreements became effective in January 2012, and we anticipate commencing acquisition of seismic data in early 2012.

E&P RUSSIA

During 2011, E&P operations in Russia contributed 3 percent of E&P s worldwide liquids production.

			2011		
				Natural	
			Liquids	Gas	Total
	Interest	Operator	MBD	MMCFD	MBOED
Average Daily Net Production					
Naryanmarneftegaz (NMNG)	30.0%	OOO NMNG	23	-	23
Polar Lights	50.0	Polar Lights Co.	6	-	6
Total Russia			29	-	29

NMNG

NMNG is a joint venture we entered into with LUKOIL to develop oil and natural gas resources in the northern part of Russia s Timan-Pechora Province. Yuzhno Khylchuyu (YK), NMNG s anchor field, achieved first production in June 2008. The joint venture currently holds seven licenses and is producing from five fields. Production is transported via pipeline to LUKOIL s terminal at Varandey Bay on the Barents Sea and then shipped via tanker to international markets.

Polar Lights

Polar Lights Company is an entity which was established to develop the Ardalin Field in the Timan-Pechora Basin in northern Russia.

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E&P CASPIAN

In the Caspian Sea, we have an 8.4 percent interest in the Republic of Kazakhstan s North Caspian Sea Production Sharing Agreement (NCSPSA), which includes the Kashagan Field. The first phase of field development currently being executed includes construction of artificial drilling islands, processing facilities, living quarters and pipelines to carry production onshore. In addition to the Kashagan Field, the NCSPSA includes the satellite fields of Aktote, Kairan and Kalamkas. The initial production phase of the contract lasts until 2041. First production is expected in 2013.

Transportation

The Baku-Tbilisi-Ceyhan (BTC) Pipeline transports crude oil from the Caspian Region through Azerbaijan, Georgia and Turkey for tanker loadings at the port of Ceyhan. We have a 2.5 percent interest in BTC.

Exploration

We have a 24.5 percent interest in the N Block, located offshore Kazakhstan. In the fourth quarter of 2010, drilling operations were completed on the Rak More well. The well encountered oil and gas but requires further evaluation. Further exploration drilling is planned to determine development potential of a second area of interest within the block. The Nursultan well is expected to spud in the first quarter of 2012. In addition, appraisal drilling and development studies continue for the next phase of Kashagan and the satellite fields of Kalamkas, Kairan and Aktote.

E&P OTHER

Greenland

Exploration

We were formally awarded Block 7011/11, Qamut, in December 2010 for oil and gas exploration in Baffin Bay, offshore Greenland. We own a 61.3 percent operating interest in the Qamut license. The work program, including 2-D seismic acquisitions, commenced in 2011.

Spill Containment

Marine Well Containment Company

In 2010, we formed a non-profit organization with Exxon Mobil Corporation, Chevron Corporation and Royal Dutch Shell plc to develop a new oil spill containment system and improve industry spill response in the Gulf of Mexico. Since its formation, several companies have joined the Marine Well Containment Company (MWCC).

In February 2011, MWCC launched an interim containment system, which provides rapid containment response capabilities in the event of an underwater well control incident in the deepwater Gulf of Mexico. MWCC is advancing this capability and is currently developing an expanded containment system with significantly increased capacity. The expanded containment system is expected to be available in 2012.

Subsea Well Response Project

During 2011, we, along with eight leading oil and gas companies, launched the Subsea Well Response Project (SWRP), an initiative designed to enhance the industry s capability to respond to international subsea well control incidents. SWRP is a non-profit organization based in Stavanger, Norway. This project complements the work being undertaken in the United States by MWCC and also in the United Kingdom by the Oil Spill Prevention and Response Advisory Group (OSPRAG). We are also a participant in OSPRAG.

Freeport LNG

We have a long-term agreement with Freeport LNG Development, L.P. to use 0.9 billion cubic feet per day of regasification capacity at Freeport s 1.5-billion-cubic-feet-per-day LNG receiving terminal in Quintana, Texas. Market conditions currently favor the flow of LNG to European and Asian markets; therefore, our near- to mid-term utilization of the Freeport Terminal is expected to be limited. We are responsible for monthly process-or-pay payments to Freeport irrespective of whether we utilize the terminal for regasification. The financial impact of this capacity underutilization is not expected to be material to our future earnings or cash flows.

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LNG Technology

Our Optimized Cascade® LNG liquefaction technology business continues to grow with the demand for new LNG plants. The technology has been applied in nine LNG trains around the world, and eight more are under construction.

E&P RESERVES

We have not filed any information with any other federal authority or agency with respect to our estimated total proved reserves at December 31, 2011. No difference exists between our estimated total proved reserves for year-end 2010 and year-end 2009, which are shown in this filing, and estimates of these reserves shown in a filing with another federal agency in 2011.

DELIVERY COMMITMENTS

We sell crude oil and natural gas from our E&P producing operations under a variety of contractual arrangements, some of which specify the delivery of a fixed and determinable quantity. Our Commercial organization also enters into natural gas sales contracts where the source of the natural gas used to fulfill the contract can be the spot market or a combination of our reserves and the spot market. Worldwide, we are contractually committed to deliver approximately 5 trillion cubic feet of natural gas, including approximately 700 billion cubic feet related to the noncontrolling interests of consolidated subsidiaries, and 180 million barrels of crude oil in the future. These contracts have various expiration dates through the year 2029. We expect to fulfill the majority of these delivery commitments with proved developed reserves. In addition, we anticipate using proved undeveloped reserves and spot market purchases to fulfill these commitments. See the disclosure on Proved Undeveloped Reserves in the Oil and Gas Operations section following the Notes to Consolidated Financial Statements, for information on the development of proved undeveloped reserves.

MIDSTREAM

At December 31, 2011, our Midstream segment represented 2 percent of ConocoPhillips total assets. Our Midstream business is primarily conducted through our 50 percent equity investment in DCP Midstream, LLC, a joint venture with Spectra Energy.

The Midstream business purchases raw natural gas from producers and gathers natural gas through extensive pipeline gathering systems. The gathered natural gas is then processed to extract natural gas liquids. The remaining residue gas is marketed to electrical utilities, industrial users and gas marketing companies. Most of the natural gas liquids are fractionated separated into individual components such as ethane, butane and propane and marketed as chemical feedstock, fuel or refinery blendstock. Total natural gas liquids extracted in 2011, including our share of DCP Midstream, averaged 200,000 barrels per day.

DCP Midstream is headquartered in Denver, Colorado. At December 31, 2011, DCP Midstream owned or operated 61 natural gas processing facilities, with a gross inlet capacity of 7.2 billion cubic feet per day of natural gas. Its natural gas pipeline systems included gathering services for these facilities, as well as natural gas transmission, and totaled approximately 62,000 miles of pipeline. At December 31, 2011, DCP Midstream also owned or operated 12 natural gas liquids fractionation plants, along with propane terminal facilities and natural gas liquids pipeline assets.

In 2011, DCP Midstream s raw natural gas throughput averaged 6.1 billion cubic feet per day, and natural gas liquids extraction averaged 383,000 barrels per day. DCP Midstream s assets are primarily located in the following producing regions of the United States: Rocky Mountains, Midcontinent, Permian, East Texas/North Louisiana, South Texas, Central Texas and Gulf Coast.

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DCP Midstream markets a portion of its natural gas liquids to us and CPChem under a supply agreement whose volume commitments remain steady until December 31, 2014. This purchase commitment is on an if-produced, will-purchase basis and is expected to have a relatively stable purchase pattern over the remaining term of the contract. Under the agreement, natural gas liquids are purchased at various published market index prices, less transportation and fractionation fees.

DCP Midstream is constructing a natural gas processing plant in the Eagle Ford shale area of Texas. The plant, named the Eagle Plant, is expected to have a capacity of 200 million cubic feet per day and be accompanied by related natural gas liquids infrastructure. The Eagle Plant would increase DCP Midstream s total natural gas processing capacity in the area to 1 billion cubic feet per day and is expected to be online in the third quarter of 2012.

DCP Midstream is building a major natural gas liquids pipeline in Texas. The Sand Hills Pipeline is designed to provide new natural gas liquids transportation capacity from the Permian Basin and Eagle Ford shale area to markets in the Gulf Coast. The pipeline s initial capacity is expected to be 200,000 barrels per day, with expansion to 350,000 barrels per day possible. The pipeline will be phased into service, with completion of the first phase expected by the third quarter of 2012 to accommodate DCP Midstream s growing Eagle Ford liquids volumes. Service from the Permian Basin could be available as soon as the third quarter of 2013.

Outside of DCP Midstream, our U.S. natural gas liquids business includes the following:

- A 25,000-barrel-per-day capacity natural gas liquids fractionation plant in Gallup, New Mexico.
- A 22.5 percent equity interest in Gulf Coast Fractionators, which owns a natural gas liquids fractionation plant in Mont Belvieu, Texas. Our net share of capacity is 24,300 barrels per day. In October 2010, Gulf Coast Fractionators announced plans to expand the capacity of its fractionation facility to 145,000 barrels per day, which would bring our net capacity to approximately 32,600 barrels per day. The expansion is expected to be operational in the second quarter of 2012.
- A 40 percent interest in a fractionation plant in Conway, Kansas. Our net share of capacity is 43,200 barrels per day.
- A 12.5 percent equity interest in a fractionation plant in Mont Belvieu, Texas. Our net share of capacity is 26,000 barrels per day.
- Marketing operations that optimize the flow of natural gas liquids and markets propane on a wholesale basis.

We also own a 39 percent equity interest in Phoenix Park Gas Processors Limited, which processes natural gas in Trinidad and markets natural gas liquids throughout the Atlantic Basin. Its facilities include a 2-billion-cubic-feet-per-day gas processing plant and a 70,000-barrel-per-day natural gas liquids fractionator. In 2011, our share of natural gas liquids extracted averaged 8,000 barrels per day, and our share of fractionated liquids averaged 16,000 barrels per day.

Upon completion of the separation of the downstream businesses, we expect all of our investments in Midstream will be included in Phillips 66, with the exception of the Gallup, New Mexico natural gas liquids fractionation plant and our equity interest in Phoenix Park.

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REFINING AND MARKETING (R&M)

At December 31, 2011, our R&M segment represented 24 percent of ConocoPhillips total assets. Our R&M segment primarily refines crude oil and other feedstocks into petroleum products (such as gasolines, distillates and aviation fuels); buys, sells and transports crude oil; and buys, transports, distributes and markets petroleum products. R&M has operations in the United States, Europe and Asia. The R&M segment does not include the results or statistics from our prior investment in LUKOIL, which are reported in our LUKOIL Investment segment.

Upon completion of the separation of the downstream businesses, we expect all of the assets within the R&M segment will be included in Phillips 66.

R&M UNITED STATES

Refining

At December 31, 2011, we owned or had an interest in 12 refineries in the United States.

			Thousands of Barrels Daily			
			Net Crude Throughput	Clean Product Capacity***		Clean Product Yield
Refinery	Location	Interest	Capacity	Gasolines	Distillates	Capability
East Coast Region						
Bayway	Linden, NJ	100%	238	145	115	90%
Trainer*	Trainer, PA	100	-	-	-	-
			238			
Gulf Coast Region						
Alliance	Belle Chasse, LA	100	247	125	120	86
Lake Charles	Westlake, LA	100	239	90	115	69
Sweeny	Old Ocean, TX	100	247	130	120	87
			733			
Central Region						
Wood River**	Roxana, IL	50	153	83	45	80
Borger**	Borger, TX	50	73	50	25	89
Ponca City	Ponca City, OK	100	187	105	80	91
Billings	Billings, MT	100	58	35	25	89
			471			
West Coast Region						
Ferndale	Ferndale, WA	100	100	55	30	75
Los Angeles	Carson/	100	139	80	65	87

	Wilmington, CA			
San Francisco	Arroyo Grande/ San Francisco, CA	100	120	55