

NOT YOUR TYPICAL

oil company


ConocoPhillips
Alaska's Oil & Gas Company

2008 - 2009 Report to Alaskans

Not Your Typical Oil Company

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Dear Alaskan

Reflecting on Alaska's 50th anniversary as a state, we all have much to celebrate.

Over the past 50 years ConocoPhillips has collaborated with the state and its citizens to help build a vital, sustainable economy. Since our heritage company's first exploration and development work at the Swanson River field on the Kenai River, to the historic discovery well at Prudhoe Bay, to the initial phases of a major natural gas pipeline project, we have been employing Alaskans' pioneering spirit to responsibly develop the state's vast energy resources. And in that quest, we have assumed a leadership role in providing jobs for Alaskans, supporting local companies and community organizations.

Over the past two decades, ConocoPhillips has reinvested about \$10 billion of direct capital in Alaska. These dollars contributed to the construction of the Alpine satellite oil fields as well as continued development within the existing Prudhoe Bay and Kuparuk areas. As the state's largest oil producer, we are aggressively continuing our efforts to slow the production decline of the major fields through advanced drilling technologies and enhanced oil recovery techniques, all the while adhering to the premise that our work is never so urgent or important that we can't take the time to do it in a safe and environmentally responsible manner.

ConocoPhillips' ongoing relationship with Alaska is evident, not only in our level of local spending, but in the kind of investments we make. We are one of Alaska's leading explorers.

Jim Bowles

President, ConocoPhillips Alaska, Inc.



We have participated in more than 45 exploration wells since 2000, primarily on the North Slope. These include more than 20 in the National Petroleum Reserve-Alaska (NPR-A).

In 2008 ConocoPhillips acquired significant acreage in the Chukchi Sea off Alaska's northwest coast. We have already invested tens of millions of dollars in additional studies and analyses to support exploration on these leases beginning in 2012.

U.S. Department of Interior's Minerals Management Service (MMS) says Alaska's offshore energy basins could contain 27 billion barrels of oil and 132 trillion cubic feet of natural gas. This is a vast resource potential that many say could fuel Alaska's economy for years to come, and make a major contribution in the nation's drive for energy independence. As one of the largest holders of state and federal leases in Alaska, ConocoPhillips plans to be at the forefront in tapping Alaska's offshore energy resources.

To further underscore our long-term commitment to Alaska, we joined with BP Alaska Gas Pipelines LLC in 2008 to form Denali - The Alaska Gas Pipeline LLC. Denali is working on a gas pipeline project that would move upwards of four billion cubic feet per day of Alaska natural gas to North American markets, representing six to eight percent of U.S. demand.

Over the past 50 years Alaskans have shared in the benefits of a growing, thriving economy; not only in jobs and career opportunities, but also in improved education and social service

resources - all of which have significantly enhanced the quality of life here.

In addition to providing a large share of the state's revenues through taxes and royalties, we also have helped grow the state's savings account, its Permanent Fund, which is shared by every Alaskan through the annual dividend program.

Our employees are actively engaged in improving Alaska's quality of life. Throughout the year they volunteer their time in a wide variety of non-profit community organizations.

Alaska has just completed a remarkable, 50 - year odyssey that began in 1959, when it was a fledgling state. Today, as one of America's key energy producers and explorers, we are at the threshold of another exciting journey - a journey that if allowed to progress - will surpass anything done to date.

Alaska is not a typical state. Unquestionably, this land and its people are truly unique. Hopefully, as you read this report, you will conclude that we are "not a typical oil company." By working together, we can build a future as bright, if not brighter, than the past.

Jim Bowles

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ConocoPhillips
Alaska's Oil & Gas Company

ConocoPhillips in Alaska

With net oil production in Alaska in 2008 averaging 244,000 barrels of oil per day and net gas production of 97 million cubic feet per day, ConocoPhillips is the state's leading oil and gas producer. The company is also one of the largest holders of federal and state leases in Alaska, with significant holding interests in the National Petroleum Reserve-Alaska, as well as other acreage outside of producing fields.

ConocoPhillips has major ownership in and operates the Kuparuk River Unit, the Colville River Unit (Alpine), the Greater Mooses Tooth Unit (in the National Petroleum Preserve Alaska or NPR-A), as well as the North Cook Inlet Unit, the Kenai Liquefied Natural Gas Plant and the Beluga River Unit. Additionally, ConocoPhillips has major ownership in the Prudhoe Bay Unit, and owns 28 percent of the Trans-Alaska Pipeline System (TAPS). ConocoPhillips has corporate offices in Anchorage where approximately one-third of the Alaska work force is located; the remainder work on the North Slope of Alaska and in Kenai.

As one of Alaska's leading explorers, ConocoPhillips has participated in more than 45 exploration wells since 2000, including more than 20 in the NPR-A. Over the past two decades, ConocoPhillips has reinvested about \$10 billion of direct capital in Alaska. These dollars contributed to the construction of the Alpine satellite oil fields, as well as continued development within the existing Prudhoe Bay and Kuparuk areas.

During our 50-year history in the state, we have developed an operating standard based on these principles: We will develop Alaska's resources in a responsible manner. We will provide economic opportunity for Alaska and Alaskans. We will operate to the highest safety standards, minimize environmental impacts, and will always strive to be a good neighbor. While the company may have operations across the world, ConocoPhillips Alaska, Inc. is a local business - supporting local families. Nearly 90 percent of the ConocoPhillips employees working in Alaska call the state home. The company and its employees are clearly invested in the well-being and development of the communities where we work and live - today and into the future.



2008-2009 Highlights

VPP for Alpine – An outstanding safety achievement: In early 2008, ConocoPhillips' Alpine field in the Colville River Unit received "Star" status under Alaska Occupational Safety and Health's Voluntary Protection Program, or VPP. Issued by the Alaska Department of Labor and Workforce Development, the "Star" rating is the state's highest level, signifying outstanding achievement in occupational safety and health. VPP was initiated by the federal Occupational Safety and Health Administration in 1982 as a way of encouraging companies to exceed minimum OSHA safety requirements. The program grants participants greater autonomy and self regulation in occupational and health safety programs. On average, VPP participants experience 52% fewer workplace accidents than their competitors. Of the 22 sites in Alaska participating in the VPP program, five of those belong to ConocoPhillips. The ConocoPhillips Anchorage Tower office complex earned VPP Star status in 2009.

Benefitting all Alaskans – \$13 million in charitable contributions: In 2008, ConocoPhillips donated approximately \$13 million to more than 400 different nonprofit organizations, benefiting communities throughout the state of Alaska. Since 2000, the company has given more than \$80 million in charitable contributions to benefit Alaskan communities.

Coiled Tubing Drilling – New rig to increase recoverable assets: A new phase of development for the Kuparuk field began in earnest in 2009 with the delivery of a new Coiled Tubing Drilling (CTD) rig. This rig, Nabors CDR2-AC, has been designed and built specifically to optimize CTD operations in the Kuparuk field. This is the first time in Alaska that a rig has been designed and built from the ground up specifically for Coiled Tubing Drilling operations. The design enhancements that have been included are targeted to provide a safer, more efficient drilling machine and will enable CTD to deliver lower cost, higher value results, saving time and money and increasing recoverable assets.

Chukchi Sea – An offshore resource with great potential: Looking to the future, ConocoPhillips acquired 98 blocks covering about 550,000 acres in a February 2008 Chukchi Sea lease sale. The Chukchi Sea is off Alaska's northwest coast. The company is in the process of investing tens of millions of dollars in additional studies and analyses in support of advancing exploration drilling on these leases beginning in 2012. ConocoPhillips is committed to responsible oil and gas development in the Arctic. Demand for oil and gas is growing; ConocoPhillips favors developing all forms of energy – conventional, renewable and alternative. However, the Energy Information Administration (EIA) estimates that, even with aggressive alternative energy research and development, fossil fuels will still represent more than 80% of the world's total energy supply in 2030. Developing offshore resources like the Chukchi could be key to our nation's future energy supply.

Denali – The Alaska Gas Pipeline moves forward: ConocoPhillips created a gas pipeline subsidiary, ConocoPhillips Denali Company, which joined with BP Alaska Gas Pipelines LLC to form Denali—The Alaska Gas Pipeline LLC. Denali will develop the Alaska portions of a gas pipeline project that would move approximately four billion cubic feet per day of Alaska natural gas to North American markets. The Denali pipeline has made significant progress since it was launched in June 2008. \$55 million was spent on field work, engineering and studies. Denali also established a field office in Tok, leased space for its midtown Anchorage headquarters, established an office in Calgary, obtained FERC approval to use its pre-file process and filed a right-of-way application to cross federal lands in Alaska. The 2008 field work program employed as many as 80 people with an additional 90 people in engineering and management efforts. The purpose of the field work was to acquire accurate site-specific data necessary for routing, engineering design and the eventual regulatory and environmental review of the pipeline route - all preparatory to a pipeline open season in 2010.

*"I know in my heart that man is good. That what is right will always eventually triumph.
And there's purpose and worth to each and every life."*

Ronald Reagan



NPR-A Progresses – A possible offset to Alpine decline: ConocoPhillips and Kuukpiik Corporation signed a Memorandum of Agreement (MOA) in December 2008 to advance activities in the National Petroleum Reserve-Alaska (NPR-A), located in northwest Alaska. If successfully permitted and sanctioned, first production from NPR-A is anticipated in 2012 from CD5, a satellite field located about five miles west of Alpine field production facilities. Production from NPR-A will help offset the continuous production decline from the Alpine field and already developed satellites. ConocoPhillips has been working closely with Kuukpiik Corporation to find solutions to local concerns. The MOA with Kuukpiik Corporation will promote job opportunities and training for local residents and neighboring Alaska Native communities, offer better access to hunting grounds, and provide for Native corporation contracts.

Greater Mooses Tooth – New unit in NPR-A: ConocoPhillips has been drilling wells in the NE National Petroleum Reserve – Alaska (NPR-A) during most winter exploratory seasons since 2000 - not so coincidentally, the year that the Alpine Field first came online. In 2008, these discoveries were gathered together in the establishment of the Greater Mooses Tooth Unit (GMTU), the first federal unit on the North Slope. In the spring of 2009, ConocoPhillips announced that test production rates for two of the Mooses Tooth exploration wells, Pioneer I and Rendezvous II, ranged from about 500 barrels of oil per day to as high as 1,300 barrels of oil per day of high API gravity oil. Gas production rates averaged about 1.5 million cubic feet per day for each well. These two accumulations will be evaluated as possible satellite developments with processing at the Alpine facilities in the Colville River Unit. Satellite fields now account for nearly 50 percent of the production flowing through the Alpine facilities, making them integral to the company's efforts to prolong the life of the Alpine field and maximize the useful life of the facilities.

Employee Volunteers Strengthen Communities

In 2008, ConocoPhillips employees requested more than 200 employee volunteer grants, directing over \$160,000 to 126 different youth, educational, civic, and social service nonprofit organizations in Alaska. As neighbors helping neighbors, our employees volunteered more than 5,500 hours in local communities. CPAI employee Peter Brakora (right) is an example of this commitment, dedicating countless hours each year in support of youth activities.

“We are committed to Alaska, and we take our role as a major contributor to the statewide community very seriously. Looking forward, we will continue to show significant support through our philanthropic giving and donations of time and resources from our employees, while maintaining our role as an important business driver of Alaska’s economy. It is our honor to be able to participate in such a significant fashion in Alaska, to work with hundreds of nonprofit organizations to help Alaskans in need and to fund programs that support education, social services, the arts, civic and youth groups and the environment. We are proud to be part of an industry that has helped create a culture of giving and has had such an impact on Alaska.”

- Jim Bowles, President ConocoPhillips Alaska

NOT YOUR T

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ConocoPhillips
Alaska's Oil & Gas Company



Corporate Giving

A company's success is often measured by its bottom line - its profits. But in today's competitive world, a company cannot be successful unless it builds a solid reputation as an involved and committed corporate citizen.

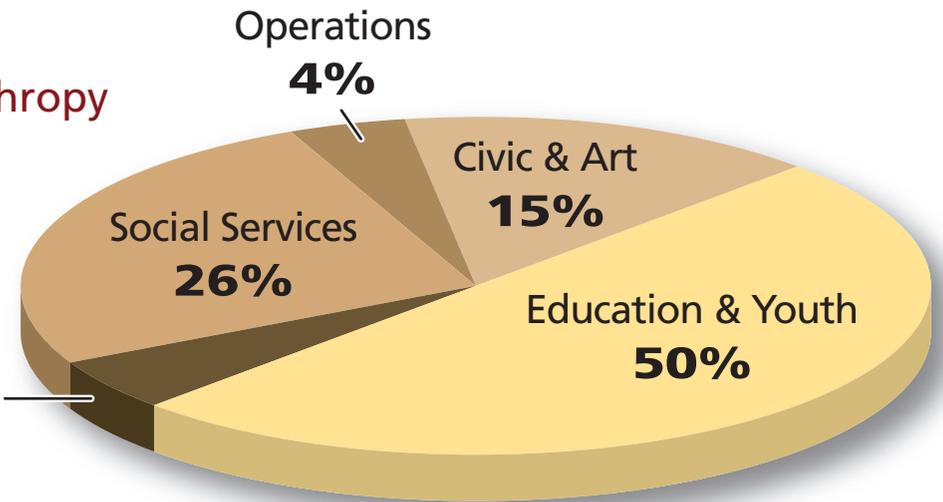
While Alaska is large in land area, it is relatively small in population. This allows individuals considerable freedom in making contributions within their respective communities, and to be recognized for those contributions. ConocoPhillips and its employees have historically been committed to building relationships and enhancing the quality of life in the communities where we work and live.

For more than 40 years, ConocoPhillips and its predecessor companies have proudly provided jobs, state revenue and a wide variety of charitable contributions that have made a positive difference in the lives of Alaskans. Since 2000, the company has given more than \$80 million to Alaska-based nonprofit programs and projects, including more than \$24 million to the University of Alaska. In 2008, ConocoPhillips donated more than \$13 million to nearly 400 nonprofit organizations benefiting our fellow Alaskans.

2008 CPAI Philanthropy

~\$13 million

Industrial Safety
& Environment
5%



Corporate Giving

Employee Involvement – *Helping hands*

It's our people who make ConocoPhillips the company it is. In every respect, our employees are the driving force behind the company's support of the communities in which we live and work. Employees' commitment extends far beyond the work they do for the company on a daily basis. Their dedication allows us to provide a very strong volunteer presence throughout Alaska's communities.

Our employees have roots in Alaska. They have longstanding relationships with numerous non-profit organizations. By donating time, knowledge and financial support to these organizations, employees in Alaska touch thousands of lives each year. Involvement in community projects fuels individual passions, develops employee skills, facilitates teamwork and helps employees understand and appreciate the interdependence between our company and the communities where we do business. To demonstrate support for employees and their respective personal involvement with charitable organizations, the company offers grants to help fund employee - championed programs.

*"How wonderful it is
that nobody need wait a single
moment before starting to
improve the world."*

Anne Frank





ConocoPhillips employee and adjunct professor Alice Bullington meets with students for a construction tour of the new ConocoPhillips Integrated Science building at UAA.

Education and Youth – *Building a brighter future*

People make a society what it is, and ConocoPhillips believes that the best way to prepare a community for the future is to equip its youth with practical skills and education to help them achieve their full potential. For this reason, more than half of our annual contributions in 2008 were directed toward education and youth programs. With support of these programs in Alaska, we help communities strengthen their economic base and train their future workforce. In 2008, ConocoPhillips provided more than \$6.6 million to support educational programs.

Highlights

- **Higher Education:** A \$15 million multi-year commitment to the University of Alaska Anchorage made in early 2008 is the largest gift ever made by ConocoPhillips in Alaska, and is the largest single corporate gift that the University of Alaska has ever received. This gift is helping make the ConocoPhillips Arctic Science and Engineering Endowment a reality and will fund equipment for the state-of-the-art ConocoPhillips Integrated Science Building scheduled to open its doors in the fall of 2009. Additionally, ConocoPhillips provided over \$200,000 in support to Alaska Pacific University in 2008, including a \$50,000 capital grant for renovation and enhancement of Grant Hall. In 2008 alone, ConocoPhillips contributed more than \$5 million in support of programs and activities related to higher education in Alaska.
- **ANSEP:** ConocoPhillips participated in funding an endowed chair for the University of Alaska's Native Science & Engineering Program (ANSEP) in 2008. The endowment, with pledged gifts in excess of \$4 million, will ensure stable funding for a full-time, year-round faculty member dedicated to students enrolled in ANSEP. The program was founded in 1995, followed in 2001 by the formation of the Pacific Alliance with the goal of replicating ANSEP at the University of Alaska Fairbanks, the University of Hawaii Manoa, and the University of Washington. Today, there are 350 Indigenous engineering students in the Alliance, including more than 140 Alaska Native engineering students in Alaska alone. In addition, there are approximately 200 high school students engaged in the ANSEP Pre-College component. Cited as one of the most effective programs of its kind in the country, ANSEP is an intensive course of

study that stays with students from the time they are high school freshmen all the way through graduate school.

- **National Energy Education Development Project:** ConocoPhillips believes that the science of energy is an important topic for our nation's education system, and is pleased to join National Energy Education Development (NEED) to provide training and resources to help energy become a part of America's classrooms. As part of the company's long-standing commitment to education, ConocoPhillips believes that it is vital to prepare today's students for careers in math and science in order to ensure the efficient use of our natural resources now and in the future. In the fall of 2008, ConocoPhillips sponsored an energy education workshop for more than 40 teachers in Anchorage. These seminars were designed to equip K-12 teachers with tools to improve their students' energy knowledge and encourage classroom dialogue about energy.
- **2008 USSA Junior Olympic Championships:** ConocoPhillips was proud to be the premier sponsor of the 2008 United Ski and Snowboard Association (USSA) Cross Country Junior Olympic Championships hosted by the Nordic Skiing Association of Anchorage. This national event brought together the top junior athletes in the country and was held at the Kincaid Park in Anchorage. With more than 400 athletes, 100 coaches and hundreds of parents, team supporters and volunteers from around the country, this thrilling event brought national recognition to Alaska and a positive economic impact for Anchorage. We wish these young athletes the best as they continue with their athletic and educational endeavors.



Corporate Giving

Health & Social Services – *Making a difference in the community*

About half of the company's donations to social service organizations are channeled through United Way, an umbrella organization which supports dozens of health and social service organizations. Among United Way's many key agencies are shelters for the homeless as well as abused women and children, the Food Bank of Alaska, and facilities like Bean's Cafe, which offer meals to those in need. The remaining funds are contributed directly to the Red Cross, the Salvation Army and other service organizations.

Highlights:

- **United Ways in Alaska:** For the sixth year in a row, ConocoPhillips and its employees continued their leadership role with United Ways throughout Alaska, with combined company and employee contributions exceeding \$1 million for the 2008 United Way Campaign. Giving generously of their time, more than 300 employees volunteered for the annual Day of Caring that undertakes a range of projects throughout the community. In addition to monetary and volunteer support, ConocoPhillips provides office space to United Way of Anchorage valued at over \$180,000 per year.
- **Standing Together Against Rape (STAR):** Responding to an identified community need, ConocoPhillips continued its support of STAR's rural outreach programs as well as the purchase and renovation of a new office building-- with contributions exceeding \$350,000 over the past two years.

- **American Red Cross:** ConocoPhillips is proud to be a "Humanitarian" level sponsor of the American Red Cross of Alaska. Our support helps to ensure the Red Cross can deliver critically needed disaster relief to Alaskans. Our support also ensures that thousands of Alaskans receive training on life-saving skills while educating our communities on how to be prepared for unexpected emergencies and disasters. The American Red Cross is there when needed, and ConocoPhillips is there for the American Red Cross.

- **Covenant House Alaska:** A long-time sponsor of Covenant House Alaska, ConocoPhillips continued its support in 2008 with grants totaling more than \$50,000. Our employees actively volunteer to serve as board and committee members, mentors, and team members who worked at Covenant House as a United Way Day of Caring project.

- **Kenai Food Bank:** ConocoPhillips has supported the Kenai Food Bank since 1990, providing more than \$200,000 in total contributions. From remodeling a bus for use as a Kenai soup kitchen, to purchasing a forklift and supplying food, supporting the Food Bank is one way that ConocoPhillips helps the community meet its most basic needs. In 2008, ConocoPhillips gave more than \$69,000 to food banks throughout the state.





*"Act as if what you
do makes a difference.
It does."*

William James

Helping Salmon Make Their way

ConocoPhillips has been instrumental in helping fund projects that restore, enhance and provide access to key fish and wildlife habitats and populations in focus areas in Alaska. We fund projects statewide that meet our criteria (direct habitat improvement, public education, employee engagement) but a particular area of focus has been on protecting wild salmon and their habitats in Anchorage, the Matanuska-Susitna Valley and the Kenai Peninsula. Broad goals for protecting salmon habitat are to mitigate potential threats to salmon, restore connectivity between salmon habitats, and increase knowledge about salmon and their use of freshwater and marine habitats.

- Projects on the Kenai Peninsula include repairing and stabilizing stream banks to improve the condition of a salmon-bearing stream, constructing an educational platform near a salmon spawning stream, and removing a flattened culvert that completely blocked a stream during low water and replacing it with a bridge.
- Projects in the Mat-Su include rerouting a stream to restore the channel, thus allowing salmon to move up the creek for the first time in 80 years; and replacing out-dated culverts on Little Susitna River tributaries with re-engineered structures to reclaim lost rearing and spawning grounds.
- In Anchorage, ConocoPhillips has supported Salmon in the City, a collaboration with state and federal agencies, community groups and the public, to work toward sustainable salmon populations in the city. Our funds have helped Ship, Chester and Campbell creeks, with projects such as fishing access, bank restoration, and interpretive education kiosks along stream banks.

From left to right, Joe Meehan, State of Alaska Department of Fish and Game, Caryn Rea, ConocoPhillips staff biologist, and Jim Bowles, president of ConocoPhillips Alaska.



Corporate Giving

The Spirit of Conservation – *An ongoing commitment to the environment*

ConocoPhillips has invested more than \$4 million since 2005 in the Spirit of Conservation initiative, a program designed to restore, enhance and provide access to Alaska’s key fish and wildlife habitats and populations. The program achieves this through direct habitat improvement programs, public education, outreach programs and employee engagement. Many of the projects that are part of ConocoPhillips’ Spirit of Conservation initiative are multi-year commitments in collaboration with local, state and federal agencies, as well as environmental nonprofit organizations. In 2008 we continued our support of projects statewide, from Barrow to the Kenai Peninsula.

bald eagles, water birds, and spawning salmon flourish. A summer celebration for Potter Marsh’s grand opening drew more than 1,000 enthusiastic naturalists. Working together with regulatory agencies and environmental non-profit organizations, ConocoPhillips has created a legacy for Alaskans and is proud of this signature Spirit of Conservation program.

- **Creamer’s Field Migratory Waterfowl Refuge:** In Fairbanks, Creamer’s Refuge is rich with opportunities for wildlife viewing and education about biological systems and wildlife. The Boreal Forest Trail in Creamer’s Field was in need of replacement and had been closed to the public. We were proud to support the Friends of Creamer’s Field in a Grand Reopening of the Boreal Forest Trail in the fall of 2008. More than 30,000 visitors now walk the trails during the summer and over 8,000 students use the trail system while participating in educational programs.

- **Alaska Geographic Stream Watch Program:** Stream Watch was founded in 1994 and has won national awards and recognition as an important education program to protect the riparian areas of two world-class sockeye salmon fisheries on Alaska’s Kenai Peninsula: the Russian and Kenai rivers. In 2008, ConocoPhillips provided more than \$15,000 in support of the program which coordinates “Stream Watch Ambassadors” to help protect river habitat by educating anglers and visitors about ethical angling, agency regulations, and bear awareness.

Highlights

- **Potter Marsh:** Potter Marsh, at the southern end of the Anchorage Coastal Wildlife Refuge, is one of the most accessible and scenic wildlife viewing areas in Alaska. ConocoPhillips has invested more than \$2 million for habitat enhancement at Potter Marsh. The expansion of a boardwalk provides birding and wildlife-viewing options as





*"Life was meant to be lived
and curiosity must be kept alive.
One must never, for whatever reason,
turn his back on life."*

Eleanor Roosevelt

Corporate Giving

Civic & Art –

Stimulating creative thought

Art and culture are at the very core of what it is to be human. They are vital to the intellectual and social well-being of individuals and communities. Art and cultural programs foster creative thought and, in turn, bring about innovative, new ideas.

Art and culture often entertain, but they also inspire. In 2008, ConocoPhillips donated nearly \$2 million to the promotion of arts and cultural programs in Alaska. These are valuable and sometimes life-changing experiences that should be shared by people everywhere. By sponsoring music and theater productions, building museums and funding music and art education programs, ConocoPhillips is committed to a variety of projects that support the arts and celebrate culture, history and diversity.

Highlights

- **Alaska Marketplace – Fostering economic sustainability:** The Alaska Marketplace is an Alaska Federation of Natives (AFN) initiative to foster growth in the rural economies where many Alaska Natives live and work. ConocoPhillips was one of the founding funders of this “ideas competition” and we were proud to continue our investment totaling more than \$500,000 in Alaska Marketplace over the five-year life of the program. ConocoPhillips invested some \$200,000 in 2008 alone. We congratulate the award recipients and wish them well as they develop and implement their business plans and ideas.

- **Alaska Public Communications – Informing Alaskans through the broadcast media:** ConocoPhillips has supported public radio and public television in Alaska since the 1970s. We continued our sponsorship of public radio and television programming throughout Alaska in 2008 with support of organizations like Kachemak Bay Broadcasting out of Homer, Silakkuagvik Communications out of Barrow, and of course Alaska Public Radio Network based in Anchorage. Alaska Public Telecommunications, Inc. received more than \$100,000 in 2008 for underwriting and challenge grants to support educational programs. Similarly, Koahnic Broadcast Corporation received some \$70,000.

- **Anchorage Concert Association – Enriching the community:** ConocoPhillips’ season sponsorship supported the Anchorage Concert Association in its mission to present high-level artistic excellence to Anchorage audiences. ConocoPhillips also celebrated 20 years of sponsoring the timeless production of The Nutcracker in collaboration with the Anchorage Concert Association, the Anchorage Symphony Orchestra and the Alaska Dance Theatre. As part of our sponsorship, more than 1,800 complimentary tickets for the community performance were distributed to clients of local nonprofit organizations.

- **Fairbanks Summer Arts Festival – Supporting arts and education in interior Alaska:** Founded in 1980, the Fairbanks Summer Arts Festival has been offering arts education and performance opportunities for local performance artists for nearly 30 years. Festival classes and local entertainment range from accordion music to Shakespeare and feature instructors from around the globe, from Fairbanks to London, England. ConocoPhillips has proudly provided annual contributions to the festival for nearly 25 years, with total donations in excess of \$200,000.

Going the Extra Mile –

In-kind contributions

help non-profit organizations

For many non-profit organizations and schools with limited budgets, the purchase of furniture and office equipment can be extremely challenging. In addition to financial support in 2008, ConocoPhillips donated surplus furniture, industrial equipment, office equipment and other items to many of these organizations. The company also shared the use of its Atrium in downtown Anchorage to support nonprofit fundraising functions. Other ways ConocoPhillips supports non-profit organizations are through the donation of items for prizes and auctions and graphics support. We also provide more than 6,500 square feet of office space to the United Way of Anchorage.





Honoring Tradition and Cultural Values

Traditional Knowledge – *Listening and learning*

ConocoPhillips values its relationships with the people of the North Slope communities, and we work diligently with those communities as we advance our activities on the North Slope. We consult with nearby landowners before commencing operations and seek the traditional knowledge of local elders in helping us plan our activities. Through these efforts we have built strong relationships and communications with the Slope's indigenous communities, whose members include subsistence hunters and whalers.

We listen and continue to learn from the Native traditions and culture of North Slope communities. Additionally, we strive to aid communities in meeting basic needs and in stimulating economic and social development, while ensuring that our operations do not adversely impact local residents or the environment in which they live.

We hire traditional hunters to help guide our activities both onshore and offshore. We employ local Marine Mammal Observers (MMOs), who are knowledgeable of marine mammal behavior on ice and offshore. They scan the horizon for wildlife including walrus, seal and beluga or bowhead whales during offshore activities. Subsistence representatives provide guidance and advice regarding onshore exploration, construction

Marine Mammal Observers (MMO) help vessels avoid disturbing marine mammals.

and development activities and are a valuable part of a knowledge-sharing network that helps us design our activities to accommodate the environment we share. We have modified the design of pipelines and production pads based on the input of traditional hunters.

In 2008, while ConocoPhillips conducted environmental studies offshore in the Chukchi Sea, the cooperation with North Slope residents became increasingly important. To ensure that environmental surveys did not conflict with subsistence outings, residents of Barrow, Wainwright, Point Lay, and Point Hope were informed of vessel locations and movements in the Chukchi Sea through Communication and Call Centers (Com Center). In addition, ConocoPhillips arranged for MMOs and/or communicators to be onboard the vessels. Their job was to observe marine mammals near vessels and initiate power-down or shut-down protocols if a marine mammal entered or approached the designated safety zone. After years of operations in the Beaufort Sea, the Com Center expanded in 2006 to the Chukchi Sea, from Point Hope to Kaktovik. Com Centers allow for ConocoPhillips and subsistence hunters to communicate their locations with operators through the Arctic coast using their VHF radios, GPS, and satellite phones.

ConocoPhillips conducted community meetings in 2008 to review the exploration program and to preview the 2009 program.



Working Together – *An improved quality of life*

Natural Gas to Nuiqsut: The 14-mile Nuiqsut Natural Gas Pipeline began operating in fall 2008, in preparation to provide Nuiqsut residents with clean-burning natural gas to

heat their homes. The Nuiqsut Natural Gas Pipeline has been a work in progress since early development at the Alpine oil field. ConocoPhillips, and its co-owner in the Alpine field, Anadarko Petroleum Corporation, supply the pipeline with 1 million cubic feet of natural gas per day from Alpine as part of the land-use agreement with Kuukpik, the Nuiqsut Native corporation. The move to natural gas from heating oil will dramatically lower heating costs for the approximately 125 homeowners in Nuiqsut. The North Slope Borough financed the \$10 million pipeline project.

Donation to Nuiqsut Fire Station: ConocoPhillips recently donated a fire truck to the village of Nuiqsut. This freed space by eliminating an under-utilized vehicle at our Kuparuk Fire Department, while providing an added measure of protection for Nuiqsut families. The donation was a natural extension of a well-established relationship which was solidified several years ago when the Nuiqsut volunteer fire department sought assistance from the Alpine Emergency Response Team to extinguish a particularly stubborn residence fire. Since that time, our

North Slope emergency response teams have maintained a closer working relationship with the Nuiqsut volunteer fire department, encouraging collaboration in training and emergency response. Members of the Nuiqsut fire department routinely join our North Slope emergency response crews for rescue training.

Wainwright Coalbed Natural Gas – Long-term energy potential: The power generation needs for the village of Wainwright currently require barging 450,000 gallons of diesel fuel annually. ConocoPhillips is providing technical support to help assess an alternative energy source – Wainwright’s significant deposits of coal. A ConocoPhillips expert in coalbed natural gas exploration and development worked with the Rural Energy group established by the Bureau of Land Management (BLM) and the United States Geological Survey (USGS), including Arctic Slope Regional Corporation, North Slope Borough, Olgoonik Corporation, and the Department of Interior (DOI) scientists, on 2008 summer field testing for a coalbed natural gas test well drilled in 2007.

ConocoPhillips values its relationships with the people of the North Slope communities and these projects are just examples of the company’s efforts to aid communities in meeting basic needs and in stimulating economic and social development.



Responsible Development on Many Fronts

Protecting the natural environment is one of our highest priorities, and we achieve this through a number of programs and activities. For example, through the Spirit of Conservation program, ConocoPhillips directs a significant portion of its philanthropic budget to support environmental education outreach, research, monitoring and conservation activities. In addition to these contributions, ConocoPhillips supports research relevant to our areas of operation by science consultants, academia and conservation entities.

Advancing Education & Awareness

ConocoPhillips provides funding and in-kind support to the following groups and organizations that promote environmental research, education, awareness and stewardship.

- In 1981, the Angus Gavin Memorial Migratory Bird Research Fund was established to support research on wetland and coastal nesting birds, with a focus on collection of data that are useful to regulatory managers. Today a ConocoPhillips staff biologist, who is responsible for managing our Environmental Studies Program, sits on a five-person committee that reviews and awards the fund's research proposals annually.
- ConocoPhillips has historically provided in-kind support to graduate students with the University of Alaska's Institute of Arctic Biology and Institute of Northern Engineering in Fairbanks. Recent project topics included biological studies on various bird species, fox, fish and the limnology of tundra ponds.

- Science of the Sound, an outdoor education program for elementary-aged students, teaches children about responsible decision-making and environmental sustainability. This program is conducted by the Prince William Sound Science Center located in Cordova in southeastern Prince William Sound.
- Eider Journey is an education and outreach program centered on the conservation of the Alaska sea duck, the Steller's Eider, which has been classified as threatened under the U.S. Endangered Species Act.
- ConocoPhillips, in collaboration with the Alaska Department of Fish and Game, Minerals Management Service and North Slope Borough's Department of Wildlife Management sponsored the implementation of a traditional ecological knowledge (TEK) study of the bowhead whale subsistence harvest by North Slope communities. This is an important issue for the local communities, and ConocoPhillips is supportive of gathering this knowledge from the whaling captains in order to fully understand the historical movement patterns of this important subsistence species.
- ConocoPhillips has been a participant in the development of an annual migratory bird calendar, issued by the US Fish and Wildlife Service, featuring pictures drawn by school children from remote Alaskan villages.
- ConocoPhillips also continued its support of Green Star and its mission to encourage businesses to practice waste reduction, energy conservation and pollution prevention.



NOT Y


Alaska's Oil & Gas Company

OUR TYPICAL

stewardship



Collaboration with Government Agencies

ConocoPhillips has worked closely with governmental agencies over the past decades to protect, preserve and improve the state's natural resources and ecosystems. We routinely conduct multidisciplinary environmental studies to support exploration, development and operations activities on the North Slope. This includes recent efforts related to offshore Outer Continental Shelf (OCS) plans in the Chukchi Sea.

Baseline studies: In order to fully measure impacts that could result from oil and gas development, acquiring a complete understanding of the pre-development condition of an area or ecosystem - or what is called baseline data - is crucial. Documentation of baseline conditions prior to developing new production facilities and drill sites constitutes ConocoPhillips' most extensive environmental studies program. Working with federal, state and local regulators, as well as local communities, we develop monitoring programs for a variety of wildlife species. We enlist support from our biological consultants to conduct intensive habitat mapping surveys onshore for key wildlife species that enable us to plan the routing and placement of gravel roads and drilling pads in a way that minimizes impacts to birds and other wildlife, particularly during sensitive life-cycle periods.

Responsible Development on Many Fronts

Collaboration with Government Agencies

Baseline studies: An important part of our studies prior to development is the hydrology of rivers and streams on the North Slope. These studies help project teams design and construct our production facilities. This information is also used to maintain the safety of the environment, our personnel and infrastructure. We conduct lake surveys to document water quality and quantity, as well as to understand usage by various fish species, including those of interest to subsistence users. Additionally, an archaeological survey is always conducted by a professional archaeologist to ensure that we avoid culturally important sites or artifacts.

In our diligence to avoid polar bear dens and encounters during winter activities, we provide support to the U.S. Geological Survey's polar bear team in conducting a mark/recapture study on polar bears. Polar bear sows are captured and fitted with a satellite collar to allow scientists to track their movements along the coastal plain. USGS biologists and industry staff conduct aerial surveys to locate polar bear dens and denning bears in December and January. In addition to using data from tagged bears, we use forward-looking infrared radar (FLIR) technology mounted on our fixed-wing aircraft to detect a heat signature from denning bears, a technology that has seen vast improvements over the years. Identification of denning sites is important to minimize impacts to polar bear sows and their young cubs as well as to minimize human/bear interactions.

A similar mark/recapture effort of grizzly bears has been conducted since the late 1990s in an effort to understand the habitats preferred for denning in areas of our operations. This program is administered by the Alaska Department of Fish and Game.

Funding research projects: We also fund selected research projects that assess the potential impact of exploration and production activities on North Slope wildlife and fish species. More than 200 species of waterfowl and shorebirds migrate to the North Slope each spring and are seen frequently within the oil fields.

We have conducted aerial surveys of various bird species such as spectacled eiders, tundra swans and yellow-billed loons. Grizzly bears, arctic foxes, red foxes, arctic hares, ground squirrels, lemmings and other wildlife can also be viewed throughout the North Slope. Studies show that caribou and other wildlife move freely through the oil fields and are generally unaffected by roads, pipelines, drilling sites and other oilfield facilities near our operations if the pipelines are sufficiently elevated and separated from an adjacent road. In fact, the number of Central Arctic Herd caribou (the primary of four herds on the North Slope) using habitat on lands leased by the oil industry in Prudhoe Bay, Kuparuk and Alpine has increased more than ten-fold - from about 3,000 in 1972, when development began - to more than 30,000 today.

Offshore studies: In 2008, CPAI initiated a multi-year baseline studies program in the Chukchi Sea. The program involved the collection of multi-disciplinary data to allow for the understanding of baseline conditions on an ecosystem level. The program consisted of collection of observational data on marine mammals (polar bears, walrus, seals, whales), plankton and benthic invertebrates, as well as baseline information on the chemical composition of sediments and biota in select areas within a lease sale area opened for bidding in February 2008. Scientists documented numbers and locations of seals (ringed, spotted, bearded), walrus, polar bears, whales (bowheads, gray whales, killer whales) and seabirds. ConocoPhillips participated in the collection of wildlife data associated with the conduct of seismic surveys in 2006 and 2007 and shallow hazard surveys in 2008.





Offshore collaboration: Working closely with agencies such as the U.S. Geological Survey (USGS), the National Marine Fisheries Service (NMFS), the Alaska Department of Fish and Game (ADF&G) and the North Slope Borough (NSB), we have significantly advanced our base of knowledge pertaining to the offshore environment, marine habitats and organisms. Examples of such studies include supporting the U.S. Geological Survey's satellite tagging program for Pacific Walrus, and a multi-stakeholder satellite tagging program (NSB, ADF&G, NMFS) for Arctic beluga whales. ConocoPhillips has a history of collaboration with multiple stakeholders with our onshore program and has extended that model to the offshore.

Smaller Footprints for the Future

The development "footprint" is the amount of land, or surface space, needed for operations. Employing the latest technology and site design over the years, ConocoPhillips has dramatically reduced the amount of land needed, significantly reducing our impact. Today our drilling sites or pads are significantly smaller than those of early North Slope developments. The Alpine field in the Colville River Unit, for example, has been constructed without a permanent access road to the rest of the state and other North Slope infrastructure. Instead, personnel, equipment and supplies are brought in by aircraft for much of the year. Fiord, an Alpine satellite field, hosts a roadless drill pad located in the Colville Delta in the Colville River Unit. Flights to its airstrip are restricted during key nesting periods to minimize disturbance to the area's spectacled eider population.

Since heavy or bulky loads can only be moved over land during the winter, we build ice roads, ice bridges and ice pads to protect the tundra while allowing seasonal access to remote areas – particularly our Alpine field. The roads are used to move equipment, supplies and other heavy loads necessary for exploration and drilling, but which are unsuitable for air transport. Drilling rigs are modified for disassembly into many loads for transport using low-ground-pressure vehicles and are then reassembled at the drill site.

Responsible Development on Many Fronts

Air Quality Monitoring

Continuous monitoring for decades in and around North Slope oil fields reveals that air quality is consistently better than national ambient air quality. ConocoPhillips' monitoring stations measure wind speed and direction, as well as the levels of pollutants such as nitrogen oxide, sulfur dioxide, ozone and particulates. ConocoPhillips also operates an air quality monitoring station in the village of Nuiqsut to determine if impacts occur to the community. It has recently installed the same kind of monitoring equipment in the village of Wainwright to establish baseline conditions prior to off-shore drilling in the Chukchi Sea. The results of the air monitoring are reported to the communities on a quarterly basis and the reports document no significant pollution in the villages from oilfield activities. Other monitoring stations are in the planning phase for Alpine.

Waste Reduction

Good waste management is a win-win for everyone. It reduces the cost of operations, saves energy, reduces air pollution and preserves natural resources that are critically important to people living on the North Slope. Grind-and-inject technology, which allows solid drilling wastes to be crushed and re-injected into specially permitted disposal wells, eliminates the need for surface reserve pits, decreasing environmental impact and dramatically reducing the footprint of new developments. ConocoPhillips works aggressively to reduce the amount of waste generated by its operations. It not only benefits the environment, but also reduces the company's costs.

New Technologies

We continue to investigate new technologies that will minimize our impact on Arctic ecosystems. One way we do this is through the U.S. Environmental Protection Agency's (EPA) Natural Gas STAR Program. It is a voluntary cooperation program that encourages companies across the natural gas industry to adopt cost-effective technologies and practices that improve operational efficiency and reduce methane emissions. In the future ConocoPhillips will take every opportunity to evaluate new technologies through the STAR program and others.





Continued Commitments – *Mitigating our effects, and those of others*

One of our top priorities worldwide is to conduct business in an environmentally responsible manner. This requires that we protect employees, contractors and neighbors while preserving and even improving the environment. In Alaska, ConocoPhillips works closely with government policy makers and regulatory agencies to ensure that we not only reduce our own impact, but also help mitigate the effects others may have historically had on the land.

Abandoned Drum Removal

Over the past several decades of exploration and oil production, hundreds of drums have been abandoned across Alaska's North Slope by unknown individuals and entities. Under the Charter Agreement with the State of Alaska, ConocoPhillips agreed to collect and dispose of these drums. To date, we have removed and properly disposed of about 1,600 abandoned drums. This cleanup effort highlights ConocoPhillips' commitment to protecting our natural resources. Due to the success of the recovery program, fewer and fewer drums are being found each year.

Contaminated Site Cleanup

Exhibit D.2 of the Alaska Charter Agreement lists 41 contaminated sites. ConocoPhillips manages 18 of those sites. To date, the company has completed cleanup and mitigation for 13 of the 18 sites. Of the remaining five sites, one is scheduled for remediation in the winter of 2009/2010, and the other four (at active facilities) are closed per the Charter but are monitored

annually as a condition of that closure. This monitoring ensures that institutional controls are in place to adequately stabilize remaining contamination until facility abandonment.

Inactive Reserve Pit Rehabilitation

During the early days of North Slope oil operations, producers typically used reserve pits to hold drilling mud, cuttings and associated fluids generated during exploration and drilling operations. As part of the industry's modernization and ongoing efforts to minimize environmental impacts, reserve pits were phased out. Today, all drilling mud and fluids are injected via wells into approved disposal zones deep underground.

Today, ConocoPhillips is diligently working toward permanent closure and rehabilitation of the inactive reserve pits that the company assumed responsibility for under the Charter Agreement. The status of ConocoPhillips' work on these sites is set out below:

- ConocoPhillips agreed to rehabilitate 37 production reserve pits listed in Exhibit D.3A of the Charter Agreement and all 37 of those production reserve pits have been rehabilitated and closed.
- ConocoPhillips also agreed to rehabilitate 43 of the 84 inactive exploration reserve pits listed in Exhibit D.3B of the Charter Agreement. Of the 43 sites; 39 are closed (two in 2008) and four sites remain (one of which is also listed on the D.2 list). The remaining sites are scheduled for closure by 2011.

Continued Commitments – *Mitigating our effects, and those of others*

Response Preparedness – Training, Drills, and Research

Because we genuinely care about our employees and contractors, our community and neighbors, and the environment in which we live and operate, ConocoPhillips is highly committed to continuously improving the statewide workforce's level of spill response preparedness. We do this through a comprehensive drill and training program, research and development of new spill response technology, and by supporting our oil spill response organizations.

As the foundation for our spill response preparedness, ConocoPhillips has developed a premier drill and training program for all our operating areas. Our program voluntarily follows the National Preparedness for Response Exercise Program (PREP). This is a unified federal agency effort that includes the United States Coast Guard and Environmental Protection Agency, and addresses drill exercise requirements that meet response standards from the Oil Pollution Act of 1990. Training conducted throughout the year for spill response organization members provides the education needed for incident management, while tabletop exercises and equipment deployment drills allow for practical application and hands-on experience in spill response. ConocoPhillips hosted the North Slope Mutual Aid Drill in April 2008, which included more than 200 oil industry participants and federal, state and local agency representatives. Annual Mutual Aid drills focus on coordinating response assets and incident management for a major North Slope incident.

In 2008 ConocoPhillips continued funding support for research and development projects that focus on innovative spill response technology as well as processes that assist in the prevention, detection, recovery and removal of oil in the harsh Arctic environment. The funding for 2008 adds to the nearly \$2 million spent over the past 10 years as part of the Charter for Development of the Alaskan North Slope.

This year's projects included:

- Continued research for ground penetration radar studies for oil under ice - Alaska Clean Seas conducted a comprehensive demonstration following the 2008 Mutual Aid drill;
- Continued research for the Joint Industry Program for oil spill response planning in ice-infested and Arctic waters;
- Continued research for clean-up standards for saltwater spill-to-snow test plan;
- Continued research for snow clean-up levels (oil spray on top of snow) test plan;
- Research for high-volume oleophilic skimmers, which pick up oil that adheres to a collection surface while leaving water behind, were tested at an oil spill research center in March 2008.

Finally, ConocoPhillips works closely with and supports our North Slope Oil Spill Response Organization, Alaska Clean Seas (ACS). In 2008, ConocoPhillips supported ACS's Voluntary Protection Program (VPP) Star certification achievement from OSHA for its North Slope operations. Through efforts with ACS, we have approximately 100 Village Response Team (VRT) members, who in 2008 participated in spill response training and real response activities for North Slope producers. ConocoPhillips also provided \$325,000 for the ACS spill-response internship program, and two North Slope residents participated in 2008. Keith Williams, from Barrow, gained operational experiences while working at the Alpine field, while Curtis Ahvakana, from Nuiqsut, started his program with lessons in the warehouse at ACS base. These contributions go above and beyond our Charter commitment, demonstrating the priority we at ConocoPhillips place on spill response preparedness.





“There are two ways to live: you can live as if nothing is a miracle; you can live as if everything is a miracle.”

Albert Einstein

the ship's outer hull by ballast tanks or void spaces; hulls painted with tin-free, anti-fouling paint to protect the ocean environment; and cargo space for just under one million barrels of cargo at full capacity.

Polar Tankers continuously evaluates and incorporates new technologies into the ships to ensure they remain at the forefront of tanker technologies. In 2008, Polar Tankers started to convert certain systems that may pose risks to the environment such as stern tube seals and bow thrusters. Originally, these systems contained petroleum-based fluids; the new designs feature water or biodegradable fluids.

In 2009, Polar Tankers is undertaking a comprehensive review of the energy consumption associated with operating the vessels. By reducing the oil burned on the vessels we will reduce the environmental impacts of air emissions and minimize use of resources.

The Polar Tankers fleet has recently been certified under the Washington Department of Ecology's (DOE) Exceptional Compliance Program (ECOPRO). ECOPRO is a voluntary program for tankers which recognizes compliance with standards exceeding regulatory requirements. The DOE plans to recognize Polar Tankers in a formal ceremony in 2009.

Safety at Sea — *Raising the bar for tanker technology*

After North Slope crude oil completes its 800-mile journey through the Trans Alaska Pipeline System to Valdez, Polar Tankers, Inc., a wholly-owned ConocoPhillips subsidiary, safely and responsibly transports ConocoPhillips' oil thousands of miles to the Lower 48 and Hawaii. Since North Slope oil production began in 1977, more than 20,000 oil tanker vessels have safely delivered their cargoes from Alaska.

As part of our pledge under the Alaska Charter and in compliance with the Oil Pollution Act of 1990 (OPA 90), Polar Tankers now owns and operates five Endeavour Class, state-of-the-art, double-hull tankers. OPA 90 requires that all non-double-hulled tankers in the Alaska crude oil trade must be phased

out of service by 2010. Polar Tankers completed the conversion to an all double-hull fleet in mid-2007—two years ahead of schedule—and in 2008, every barrel sent from the Valdez Marine Terminal was carried in a double-hulled vessel.

Polar Tankers' Endeavour Class ships have raised the bar for tanker technology and safety at sea by meeting or exceeding all existing environmental regulatory requirements. In addition to double hulls, these U.S. built, flagged, and crewed oil tankers feature dual independent engine rooms; dual propulsion and steering systems; bow thrusters; highly sophisticated, dependable navigation and control systems; cargo, fuel and lubricating oil tanks that are isolated from

Safety at Sea – *Raising the bar for tanker technology*

Emergency Response Efforts – *Coordination, communication are the keys*

Polar Tankers fully supports the spill response organization, or Ship Escort Response Vessel System (SERVS), operated by Alyeska Pipeline Service Company.

SERVS is one of the largest and best-equipped oil spill response organizations in the Pacific northwest. Working closely with the U.S. Coast Guard vessel-tracking system (VTS) at Valdez, SERVS provides tug escorts to ensure that all loaded ships are safely accompanied and closely monitored as they

move through Prince William Sound to outside waters. SERVS is also on-call 24 hours per day to provide equipment and personnel for immediate response to any marine incident in Prince William Sound.

Polar Tankers works closely with Prince William Sound citizens' groups, the Alaska Department of Environmental Conservation (ADEC) and other state and federal regulatory agencies to ensure that its operations meet or exceed requirements. During periodic spill exercises, Joint Information Centers (JICs) are established that rely on close teamwork among members of industry, government and local citizens groups.

Polar Tankers continues to train and exercise an emergency response team that includes Marine Tier I members from Polar Tankers, the ConocoPhillips Alaska Prince William Sound Strike Team and the corporate Incident Management Assist Team (IMAT).

Polar Tankers' Safety and Environmental Quality Management System:

- Promotes the highest levels of safety and pollution prevention through continuous improvement and management review.
- Monitors vessel operations, maintenance, management and employee training to ensure the highest standards are maintained.
- Uses bridge team management training as a way to familiarize fleet employees with ships' systems. Independent marine pilots who guide the ships in local waters are also invited to participate in bridge management training.

Specifically, Polar Tankers and the Southwest Alaska Pilots Association have developed a program that promotes master/pilot collaboration for safe passage and recovery from emergency conditions, with particular emphasis on developing a highly effective Master/Pilot relationship. The program, hosted by the Alaska Vocational Technical Center, has provided advanced and emergency ship-handling scenarios to Polar Masters and to SWAPA Pilots in a simulated environment that primarily focuses on improving communication skills while maintaining a high level of situational awareness.

On-Board Quality Assurance – *A safety backup*

ConocoPhillips Marine was awarded the Safety at Sea International Award in the Management/Operations category in 2008. The award was given in recognition of the Quality Assurance Officer (QAO) program, a cutting-edge program in the maritime industry. Dedicated QAOs, staffed with experienced fleet officers, assist vessel personnel to ensure that all vessel operations are compliant with established standards of performance for all regulatory and corporate requirements. The QAO works closely with the officers onboard, as well as appropriate shore staff, to ensure that the administrative processes utilized are as efficient as possible. This position aboard the vessels has provided more time for the senior officers to focus on their critical roles of safety leadership, personnel training and development.





We can't solve problems by using the same kind of thinking we used when we created them.
Albert Einstein

Best-in-Class Pipeline Management

ConocoPhillips uses a best-in-class, multi-layered approach to prevent, mitigate and detect corrosion on its extensive North Slope pipeline network. First, corrosion (internal and external) is avoided by using good engineering design practices and continuously reviewing and improving these practices. Second, a mitiga-



tion program is employed to further reduce corrosion rates, primarily involving measures such as effective maintenance pigging and application of corrosion-inhibiting chemicals and biocides. Third, a comprehensive monitoring program is designed to measure corrosion tendencies so that mitigation measures can be adjusted appropriately to prevent further corrosion. Fourth, should corrosion occur, an extensive inspection program is designed to detect it in the early stages, before it becomes problematic, in order to avoid leaks and unplanned shutdowns, and to allow planned instead of reactive repairs.

Best available technology - The inspection program uses several techniques such as radiographic testing (RT), ultrasonic testing (UT), intelligent pigging or in-line inspection (ILI), and infrared thermography (IR), with several variants of each technology employed. The combination of good design practices, effective mitigation, monitoring and inspection programs provides a comprehensive approach to managing the risks associated with both internal and external corrosion.

Our asset integrity programs undergo routine review by regulatory agencies such as the Alaska Department of Environmental Conservation (ADEC), ConocoPhillips specialists and industry experts. Over the past five years ConocoPhillips has increased its investment in pipeline inspection and management resulting in, for example, additional “smart pig” runs and pipeline refurbishments.

NOT YOUR TYPICAL

health & safety




ConocoPhillips

Alaska's Oil & Gas Company

Business Culture

We are dedicated to the principle that our operations and products not only protect the natural environment, but also ensure the safety and well-being of our employees, contractors and neighbors. Achieving continuous improvement in health, safety and environmental performance is integral to our operations and deeply embedded in our business culture. In recognizing the value of our employees, we strive to have them connect positively with the company and have the opportunity to reach their individual potential. Our goals are to provide a safe and fair work place, create an engaged and energized work force, recognize diversity and foster employee wellness, training and development.

Target Zero

Safety is of paramount importance at ConocoPhillips. We work diligently with employees and contractors toward the goal of cultivating a zero-incident culture in the workplace. The company has implemented behavior-based safety programs at each of our facilities to develop a proactive approach to safety awareness and to identify and reduce at-risk behaviors through the involvement and commitment of employees.

ConocoPhillips has instituted several initiatives to further improve safety, including contractor safety auditing, process safety management, behavior safety training, near-miss re-

porting and daily toolbox meetings. We require our contractors to meet high safety standards and to train and provide their workers with appropriate tools to perform their work safely.

ConocoPhillips has received state and national recognition that its efforts to promote safety have been exceptionally successful. The Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) is designed to promote excellence in safety and health management systems by recognizing facilities that have implemented outstanding health and safety programs. ConocoPhillips currently has five sites in Alaska certified under the VPP Program. Two sites are located in Cook Inlet, the Beluga River Unit (2005) and the Tyonek Platform in the North Cook Inlet Unit (2007), while two additional sites are located on the North Slope of Alaska, the Kuparuk River Unit (2007) and the Alpine field (2008). This year marks the completion of our effort to obtain VPP status for all ConocoPhillips-operated facilities. We achieved VPP Start status for our Anchorage Tower office complex in 2009.

Healthy Lifestyles

Health and safety go hand in hand, and ConocoPhillips champions wellness programs that focus on nutrition, weight loss and work-life balance. CPAI's Alaska Wellness Team promotes employee-led Health, Safety and Environmental (HSE) committees that seek continuous improvement of HSE processes applicable to all employees and contractors. Wellness initiatives include an annual health fair with free health screenings, recognition and financial support of employee-led teams in community fitness activities, monthly healthy snack breaks in the Anchorage Tower and fitness challenges on the North Slope. In addition, running competitions among workers are held during the North Slope's brief summer. In summary, keeping our employees healthy and safe - no matter where they work - is our top priority.





NOT YOUR TY

impact on the economy

ConocoPhillips
ALASKA, INC.

Michael Brueggeman

ConocoPhillips
Alaska's Oil & Gas Company

Building a Future - *Training and jobs for Alaskans*

We proudly count ourselves as Alaskans. Our families live and work here. If we make visible improvements to our community, we get to see them every day. Fundamentally, a strong and vital economy needs stable jobs - jobs for local people who spend their money locally. This “multiplier effect” further strengthens the local economy and consequently, creates even more jobs. As Alaskans, ConocoPhillips employees are firmly invested in the state’s future. We are committed to protecting the resources that make Alaska such a very special place to live.

Recruiting for Today

- ConocoPhillips has more than 1,000 employees in Alaska, of those, 88 percent call Alaska home;
- Of the 133 new employees hired in 2008, only 18 were non-residents;
- We regularly recruit through Alaska Job Center Network postings on Alaska’s Job Bank, as well as listings in the local newspapers;
- We participate in local job fairs such as the Barrow Career Fair, Kenai Peninsula College Career Fair and the Oil and Gas Industry Career Fair;
- ConocoPhillips also regularly alerts interested groups, including job centers across the state of Alaska, of job vacancies through e-mail notification.

The Next Generation – *Human energy to capture nature’s energy*

Energy developments of the future, from oil and gas to alternative sources, will require an educated, highly trained and skilled workforce. As the future unfolds, one of industry’s greatest challenges will be recruiting workers locally. ConocoPhillips provides thousands of direct and indirect local job opportunities, and continues to sponsor initiatives aimed at recruiting local trainees for future employment.

ConocoPhillips looks to Alaska’s universities for interns as well as full-time employees. The company works with the University of Alaska Fairbanks (UAF) and the University of Alaska Anchorage (UAA) as part of its recruiting effort.

ConocoPhillips is a proponent and sponsor of Alaska’s Native Science & Engineering Program (ANSEP). ANSEP increases university recruitment and retention rates in a number of ways: hands-on high school outreach initiatives, rigorous summer bridging programs, focused academic learning communities, organized student cohorts, networks of peer and professional mentors,

community-based learning, professional internships and undergraduate research projects. ConocoPhillips is proud to support ANSEP and participates in the summer bridging program by sponsoring interns every summer.

Another highly effective program, the Alaska Process Industry Career Consortium (APICC) Operator Internship Program, is coordinated through the Kenai, Fairbanks and Anchorage University of Alaska campuses. APICC has prepared many Alaskans for jobs in the oil and gas industry, and ConocoPhillips continues to support this valuable program.

North Slope employment outreach: It is logical and desirable for North Slope residents to seek employment at nearby oil fields, since they live in relatively close proximity. For many years ConocoPhillips has worked closely with the community of Nuiqsut, adjacent to the Alpine oil fields, to provide training and employment opportunities. Opportunities begin as early as high school through Career Quest, a job-shadowing experience with Alpine employees in the winter, and local Nuiqsut businesses and organizations in the summer.



Creating Jobs

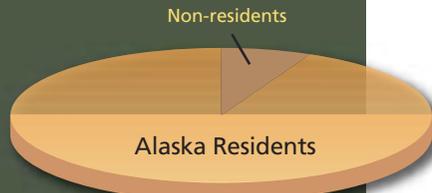
ASRC Energy Services

Total Workforce: 3,692
 AK Residents: 3,008 (81.5%)
 AK Native: 449 (12.2%)



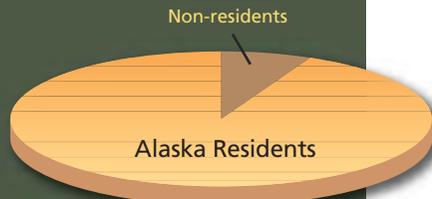
Doyon Universal Services

Total Workforce: 953
 AK Residents: 886 (92.9%)
 AK Native: 178 (18.7%)



Kuukpik Arctic Catering

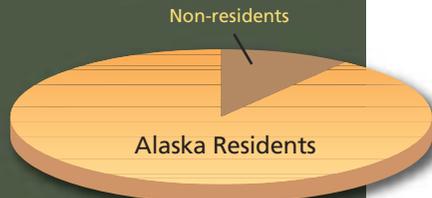
Total Workforce: 69*
 AK Residents: 64 (92.8%)
 AK Native: 5 (7.2%)



* Statistic applies to COP contract only

Doyon Drilling

Total Workforce: 305
 AK Residents: 274 (89.8%)
 AK Native: 152 (49.8%)



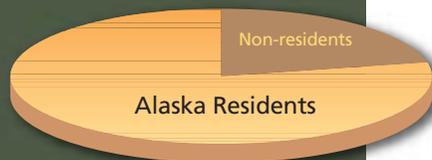
Halliburton Energy Services

Total Workforce: 346
 AK Residents: 257 (74.3%)
 AK Native: 7 (2.0%)



Nabors Alaska Drilling

Total Workforce: 700
 AK Residents: 547 (78.1%)
 AK Native: 37 (5.3%)



Building a Future - Training and jobs for Alaskans

North Slope employment outreach: Alpine field internship opportunities for local residents include drill rig roustabout training, spill response training, electrical, plumbing or water/wastewater programs, camp management and security positions. Most of these positions last for a year and include a thorough training component that the students must complete. When they complete the program, participants are better prepared to continue working in that field of expertise and are able to apply the experience gained during the internship elsewhere across the Slope.

Our many North Slope contractors from across the state play a vital role in supporting the recruitment and development of Alaskan workers in staffing their operations. Contractors participate in various job fairs across the state, provide Alaskans with internship programs, support the craft training programs and the Alaska Vocational Technical Center (AVTEC) and offer job

shadow programs to provide operations exposure along with a window into the work environment. To encourage local hire, ConocoPhillips also provides incentives to our major contractors working in the Nuiqsut vicinity.





Local Business Support – *the supply chain starts here*

The benefits of developing Alaska's oil and gas resources are extensive, and ConocoPhillips is pleased to play a key role in helping to maximize those benefits to Alaskans and Alaska businesses. In 2008, for example, about 84% of ConocoPhillips' \$1.1 billion expenditures for goods, services and transportation was spent locally with Alaska-based companies. These companies employ thousands of Alaska workers who buy and rent houses and purchase cars, clothing and groceries; in short - their earnings spin off to energize and expand the local economy. We place a high priority on purchasing goods

and services locally and have been a strong supply chain toward that end. We are committed to giving local contractors and suppliers the opportunity to participate in projects through a competitive bid process.

ConocoPhillips and its co-venturers could not operate safely and effectively on the North Slope and in Cook Inlet without the support of Alaska businesses. During 2008, for instance, Alaska businesses provided ongoing support for drilling operations, field maintenance, engineering, construction and other significant tasks. Many of those same businesses and contractors worked on the various ConocoPhillips Alaska projects, collectively employing some 5,000 people.

2008 Spend Profile

3rd-Party Spend

Services: \$834,720,262

Goods: \$259,336,939

Transportation: \$30,947,831

Total: \$1,125,005,032

Percentage Spent in Alaska
2008 — 84%

2007 Spend Profile

3rd-Party Spend

Services: \$769,188,191

Goods: \$264,329,821

Transportation: \$30,701,459

Total: \$1,064,219,471

Percentage Spent in Alaska
2007 — 79%

“Everyone thinks of changing the world, but no one thinks of changing himself.”

Leo Nikolaevich Tolstoy

The Charter for the Development of the Alaska North Slope is an agreement between the oil companies and the state of Alaska, signed in 1999. The Charter addresses corporate responsibility, as well as renewal and growth in exploration, development and production of Alaskan North Slope oil and gas.

ConocoPhillips produces this report to share our company's efforts to meet and exceed its commitment to Alaskans.

The Charter contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

Actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Economic, business, competitive and regulatory factors that may affect ConocoPhillips' business are generally as set forth in ConocoPhillips' filings with the Securities and Exchange Commission (SEC).


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ConocoPhillips Alaska, Inc.

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907-276-1215

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