

Shale Play The Target Of ConocoPhillips N.W.T. Acquisition

By Elsie Ross

ConocoPhillips will be targeting what it describes as the "Canol shale play" on recently acquired acreage in the Central Mackenzie Valley southeast of Norman Wells, a company official said today.

"The unconventional that we are going after will be more from a liquids perspective than from a gas perspective," **Clayton Reasor**, vice-president, corporate and investor relations, said in a conference call to discuss second quarter results.

Earlier this month, ConocoPhillips bid work commitments of C\$66.71 million for an 87,495 hectare parcel adjacent to **Husky Energy Inc.**'s top bid of \$188 million for two similar sized block.

So far this year, the company has added about 340,000 acres in North American resource plays, about two-thirds of it in Canada.

ConocoPhillips reported lower second quarter net earnings of US\$3.4 billion, down from \$4.16 billion in the 2010 quarter, although adjusted earnings improved to \$3.4 billion from \$2.45 billion during the previous year due mainly to higher commodity prices and refining margins, partially offset by higher taxes.

Net earnings were \$6.43 billion for the six months compared to \$6.26 billion in 2010, while adjusted earnings rose to \$6.04 billion from \$4.66 billion a year earlier.

Adjusted earnings for Exploration & Production (E&P) were \$2.55 billion compared to \$1.48 billion in 2010, and Refining and Marketing (R&M) adjusted earnings of \$740 million were up from \$720 million a year earlier.

"We had a solid quarter," **Jim Mulva**, chairman and chief executive officer, said in a news release. "Higher adjusted earnings and cash flow were driven by better commodity prices and refining margins. Production performance was strong and capacity utilization of our refineries exceeded 90 per cent."

ConocoPhillips recently announced it plans to separate the company's E&P and R&M businesses into two energy companies ([DOB, July 14, 2011](#)).

Production for the second quarter of 2011 was 1.64 million bbls of oil equivalent per day, a decrease of about 90,000 boe per day versus the same period in 2010.

Canadian production for the half was down 11.6 per cent to 260,667 boe per day from 295,000 boe per day in the first half of 2010, as lower conventional oil and natural gas production reflecting natural gas asset sales offset increased bitumen production in the second quarter, which rose to 67,000 bbls per day from 58,000 bbls per day the previous year (see table).

Excluding the impact of dispositions of North America natural gas and the civil unrest in Libya, production exceeded levels from the second quarter of 2010 as new projects and lower downtime more than offset decline.

"Upstream operated well and we are seeing the benefits of our focus on margins and returns," said Mulva. "While our production fell, the earnings impact was limited as we shifted production from North American natural gas toward higher margin production of oilsands, Lower 48 liquids and LNG."

The company continues to expand its footprint in emerging exploration regions. In addition to its Canadian acreage, ConocoPhillips signed a new deepwater production sharing contract in Bangladesh and signed an agreement for a potential interest in the Goldwyer project in the Canning shale basin, onshore Western Australia.

R&M's second-quarter 2011 adjusted earnings were slightly higher than the same period of 2010, primarily due to improved U.S. refining margins. However, international refining margins were lower and costs were slightly higher driven by foreign exchange impacts. In the quarter, the U.S. refining crude oil capacity utilization rate was 90 per cent and the international rate was 96 per cent.

Production Summary for ConocoPhillips Canada Limited

Year	Oil And NGLs		Natural Gas		BOE Per Day
	BBLs Per Day	Price Per BBL	MMCF Per Day	Price Per MCF	
Three months ending June 30					
2011	103,000	\$65.45	947.0	\$3.62	260,833
Six months ending June 30					
2011	103,000	\$61.14	946.0	\$3.58	260,667
2010	123,000	\$60.60	1,032.0	\$4.26	295,000
2009	105,500		1,120.0	\$4.21	292,167

1 - Price converted to Canadian dollars using average exchange rate for the period
2 - Net production after royalty