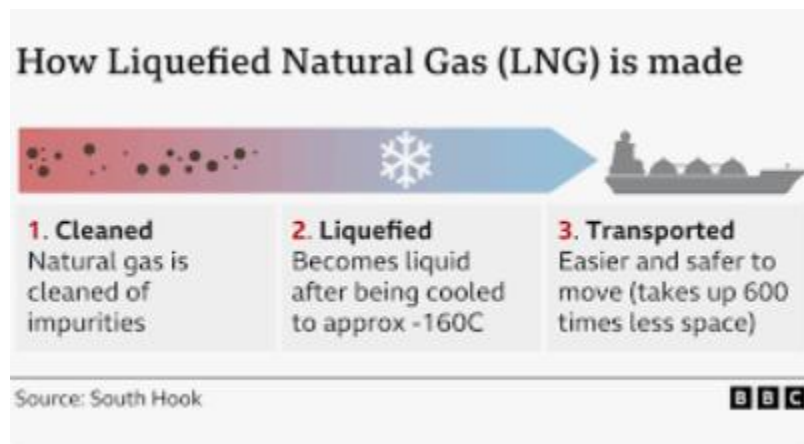


Inside Conoco Phillips: Last Quarter's Progress.

Nov. 17, 2022

The third quarter was another smashing success for Conoco Phillips, with earnings doubling from a year ago due to higher oil and gas prices and higher volumes from Conoco's acquisitions last year. Production increased 14%, with its US shale production hitting a record number of over 1 thousand barrels of oil per day. The production increase came from the acreage Conoco added when it bought Shell's shale property last year. Management was quick to point out that industry-wide production growth in US shale is limited right now because of rapidly-rising costs and supply chain constraints.

Aside from its shale portfolio's successes, Conoco built up its liquid natural gas (LNG) portfolio even more this quarter. Becoming a bigger player in the LNG market has been a focus of management lately, as they believe it will be a key energy source during the next few decades. Conoco was selected for Qatar's North Field South project, following its selection for the North Field East project last quarter. It agreed to terminal services for a 15-year period at a future LNG import terminal in Germany and is building its Port Arthur LNG project with Semptra, expected to enter final agreement in early 2023. Conoco's goal is to have a footprint in all aspects of the LNG lifecycle: upstream production and storage, liquefaction and ocean transport, and the regasification that occurs once the LNG reaches its final destination.



It's popular opinion that LNG will play a big role in the energy transition. Many companies are focusing on it. An analyst asked about the potential for an oversupply of the market once new projects from Qatar and the US all come online in the middle of the decade. To no surprise, Conoco's answer was that they are in it for the long haul and not worried about shorter term market fluctuations. They are signing 10 to 20 year agreements on some of these projects, so its going to be a part of its business that will add value for many years to come.

Conoco's operational success this quarter yet again infused its balance sheet with cash, which it continues to hand back to shareholders. It increased its dividend by 11% and added \$20 billion to its share repurchase program. It expects to return \$15 billion to shareholders in 2022, representing 50% of cash from operations, well above its target of 30%. Conoco continues to overdeliver, making us happy investors.