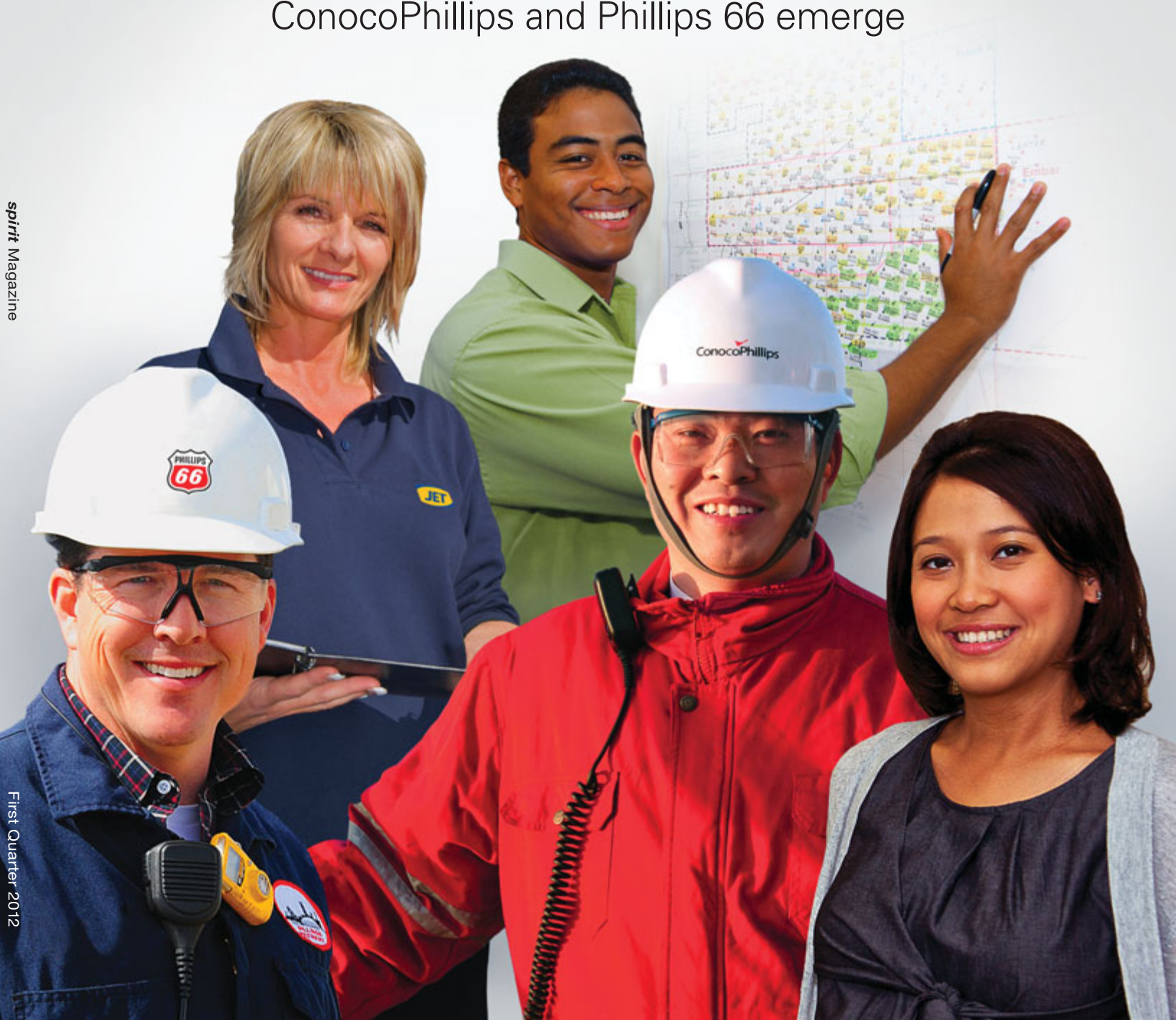


CONOCOPhillips

spirit

First Quarter 2012

Faces of the Future: ConocoPhillips and Phillips 66 emerge



spirit Magazine

First Quarter 2012



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"We need to protect
the environment."

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Sharing Insights



Jim Mulva
Chairman and CEO

Five years ago, I wrote the first *Sharing Insights* letter for the new **spirit** Magazine. Since then, the magazine has documented a pivotal time in our company's history, consistently delivering news and information to a wide-ranging audience. More than 7,000 employees have appeared in its pages. Remarkably, as the magazine grew, so did the number of employees who volunteered to contribute content. When your audience is engaged enough to do that, you know you are making a difference.

Now, as we approach the completion of our repositioning effort, I am writing in what will be the final issue of **spirit** Magazine for the integrated company. I have little doubt that both ConocoPhillips and Phillips 66 will continue to offer robust and engaging internal communications. But it seems fitting that this final issue includes a variety of feature articles, news stories and people profiles that reflect the broad scope of our work across upstream and downstream and the rich heritage of our history. From the Alberta oil sands to Ferndale Refinery, this issue captures in time the pre-split ConocoPhillips and the many dedicated people who have established a sound foundation for our next evolution into two independent pure-play companies.

The culmination of our repositioning work is upon us, and a change of this magnitude understandably brings a mix of emotions. Routines will be disrupted; some traditions will come to an end; and colleagues will be missed. At the same time, new opportunities will open up for those with the foresight and passion to seize them.

As I prepare to retire, my mind is flooded with memories of all the people who have become my second family, and of all the great work we have done together. There is no industry quite like ours. I have been privileged to participate in this very noble endeavor for nearly four decades. Along the way, I never lost my fascination with the scope and size of the work we do, the investments we make, the advanced technology we pioneer, and the importance of the product we deliver to the world. It's not easy to walk away, but I retire knowing that I leave two great companies in very capable hands. Your hands ...

Thank you for nearly 39 thrilling years.



Jim Mulva at the 20th World Petroleum Congress (WPC) in Doha surrounded by some of the many company and industry colleagues who have become like a second family over the nearly four decades of his career. For more information on the WPC, turn to page 74.

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An acute focus on protecting the environment is second nature at Ferndale Refinery.

To the Editor *Our readers respond*

I think this (fourth quarter 2011) might be the best issue you have done. Outstanding job! A very nice balance of informative images and copy. I hope the management understands how much public relations a magazine like *spirit* generates for the company.

Jerry Poppenhouse

I wanted to compliment you and the staff on the quality of *spirit Magazine*. It's very professionally done, with good articles and excellent photography. It even has the little details like different backgrounds for different stories, like the camo at the bottom of the pages on veterans, which shows the amount of attention and work you all put into it.

You all are doing a great job with the magazine, and I enjoy reading it every quarter.

Thanks,

Ian Kress

Drilling Engineer
ConocoPhillips Norway

I am a Phillips retiree who served in Norway and Libya. I look forward to each *spirit Magazine* and enjoy each article. Of course, I most enjoy articles about the North Sea and Libya. Thank you for including me!

Cecil Ingram

I admire the courage and workmanship of what I see and read in ConocoPhillips' *spirit Magazine*, and in all of the company's public press. Making connections and delivering messages both internally and externally was a big part of my 34 years in Marketing for Conoco, so I know how difficult a job it can be. You are truly enhancing the company's image. Keep up the good work!

H.S. Campbell

Editor's note: We welcome your comments, suggestions and contributions. Send them in or call us using the contact information below. Be sure to include suggestions for follow-up articles.

Address mail to *spirit Magazine*, ConocoPhillips, MA3132, P.O. Box 2197, Houston, TX 77252-2197; send email to the editor at ray.scippa@conocophillips.com; or call 281-293-6169.



On the Cover | design by Michelle Gunnett

Faces of the future ConocoPhillips and Phillips 66 include (from left) Howard Butler, Billings Refinery; Sabine Muttentaler, JET brand, Austria; Javier Pardo, Global Business Development; Peitai Wang, ConocoPhillips China; and Karina Shahab, ConocoPhillips Indonesia.

Then & now

text and photography by Garth Hannum

Qatargas

One of the most interesting aspects of my job is getting to document ConocoPhillips' mega projects around the world from start to finish. Showing employees, and hopefully the general public, the amount of investment, engineering, logistics and work-hours it takes to complete one of these projects is important in understanding the impact

the oil and gas industry has on the economic growth of countries all over the globe.

On one of my first trips to Qatar, in March of 2004, we visited Ras Laffan Industrial City, and I photographed Jon Glover and Bobby Kassamali standing in an open field that was soon to become part of the giant Qatargas 3 project, the largest LNG complex in the world.

The next photo, taken in December of 2011, shows Nigel Basey-Fisher, Stephen Mayo, Alan Nielson and David Twaite in front of the completed Train 6, a 7.8 MTPA LNG joint venture among ConocoPhillips, Qatar Petroleum, and Mitsui & Co. LTD, which delivered its first LNG cargo in November of 2011.

With 33,000 peak workers representing more than 50 countries around the world, speaking nine major languages and 42 dialects, one can also imagine the challenges in conveying ConocoPhillips' safety culture to such a diverse workforce. Yet, by doing so, it helps spread an influence of change for the better to a vast number of skilled and unskilled laborers.



Above: Jon Glover and Bobby Kassamali

Right: Nigel Basey-Fisher, Stephen Mayo, Alan Nielson and David Twaite



Wood River

One of the great downstream capital projects I've documented for ConocoPhillips has been the Wood River Coker and Refinery Expansion, or CORE, Project.

North American mega projects face many of the same challenges that overseas operations do because some of the complex components, for various reasons, must be fabricated in different parts of the world and then shipped to the destination by a variety of transportation methods. This was especially true of the 2-million-pound, 209-foot vacuum tower, which was built in Italy, and four 1.1-million-pound coke drums, which were manufactured in Belgium (see the 2010 *eStream OnDemand* video on this project). Moving these vessels meant overcoming transportation and weather-related challenges as well. This project showcased ConocoPhillips' teamwork and knowledge sharing at their fullest.

Overall, the CORE Project has a long list of advantages for Midwestern markets. The most obvious being creation of construction and permanent refinery jobs and reduced emissions. Clean product yield has increased by five percent and heavy crude oil capacity is expected to increase between 90,000 and 110,000 bpd dependent on the quality of available heavy crude. The CORE Project will allow the refinery to process more heavy Canadian crude from the oil sands in Alberta, which in turn will provide a safe, stable, secure and abundant source of clean energy for years to come.

The top photo, taken in June of 2009, shows the



Left: Concrete pylons are poured to support the coke drums and derrick structures.

Below: The nearly completed CORE Project



concrete pylons being poured, which would support the four coke drums and derrick structures. The bottom image, taken just over two years later in October of 2011, shows the nearly completed CORE Project in all its glory.

ConocoPhillips in Photos *10-year Retrospective*



▲ '02 *Onstream* magazine debuts

Since the merger of Conoco and Phillips in 2002, the company's growth has been well documented by talented photographers. Most familiar to *spirit Magazine* readers is the prolific work of Senior Videographer Garth Hannum, whose travels have taken him around the globe, often subjecting him to extreme conditions, but always resulting in behind-the-scenes images that make us proud. Other photo contributors include Senior Videographers Rich Ostrem, Paul MacFarlane and Dennis Mitchell; Video Lead Jim Spanos; Contract Writer/Photographer

Patrick Currey; Principal Geochemist Albert Holba; and several other long-time contractors, including John Smallwood, Hall Puckett, Nash Baker, Kjetil Alsvik, Enrico Sacchetti, Matthew Lyons and Ken Childress.

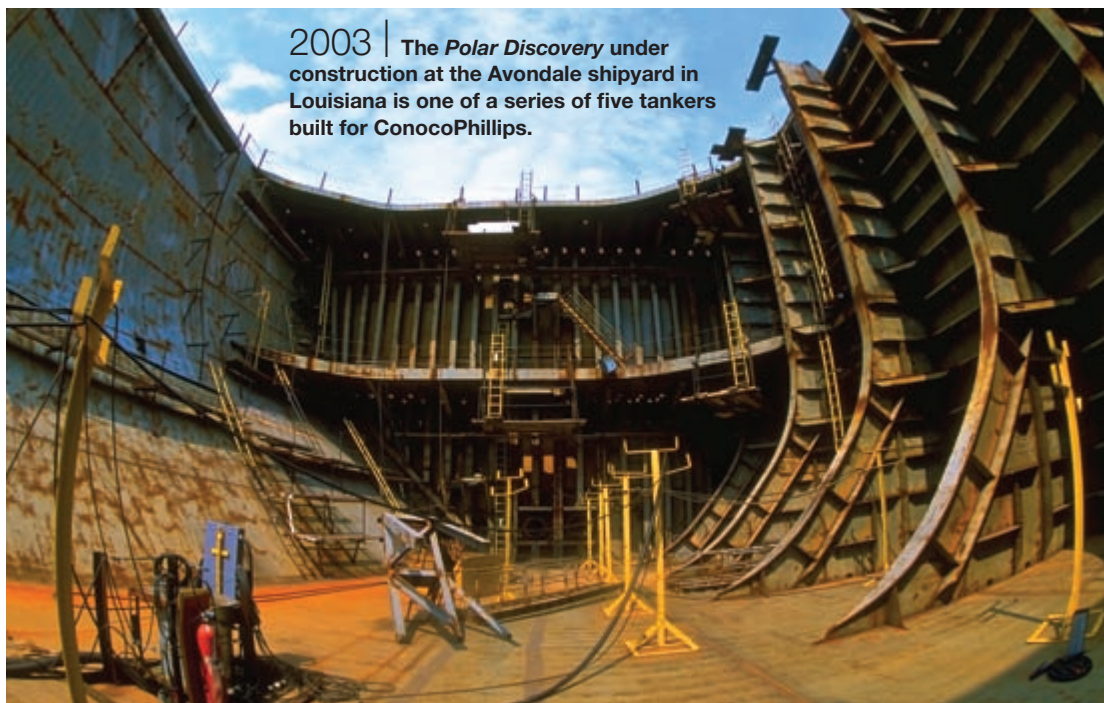
In the pages that follow, we take a 10-year journey through some of the more memorable photos produced by these and other contributors, fondly remembering the path that has led us to the company's next evolution into two leading independent pure-play companies. While the future is bright, the past is surely worth a second look ...



2002 | **Above:** Team members brave the Canadian Arctic chill to complete the Parsons Lake Seismic Project. This natural gas reservoir in Canada's Mackenzie Delta is about two miles below the surface.

Above right: Jim Mulva (left) and Archie Dunham, former Conoco chairman, raise the new corporate flag shortly after the merger of Conoco Inc. and Phillips Petroleum Company was completed.

2003 | **The *Polar Discovery*** under construction at the Avondale shipyard in Louisiana is one of a series of five tankers built for ConocoPhillips.





2003 | Ekofisk was the first commercial oil field in the Norwegian North Sea. Headquartered in Tananger, ConocoPhillips Norway is the country's third-largest energy company.



2004 | Above: The Magnolia extended tension leg platform (ETLP) is towed out into the Gulf of Mexico. The world's deepest ETLP at 4,698 feet, Magnolia's design capacity is an estimated daily production of 50,000 BBL of oil and 150 million cu. ft. of natural gas.

Left: Oil sands operations in Surmont, Canada. Oil sands refers to a layer of sand that, through the ages, became soaked in oil that migrated from deeper rock. The oil's lighter hydrocarbons gradually separated and dissipated, leaving behind bitumen, which is thicker than the tar used on roads.





2005 | *Top:* The three ConocoPhillips U.S. fuel brands, 76®, Phillips 66® and Conoco®, have rich heritages and loyal customer bases.

Right: ConocoPhillips' Whitegate Refinery, located in Cork Harbour, is the only refinery in Ireland.

2006 | *Above:* Garth Hannum took this shot of a Lower 48 pump jack in the state of Wyoming, standing in picturesque contrast against the sunset.

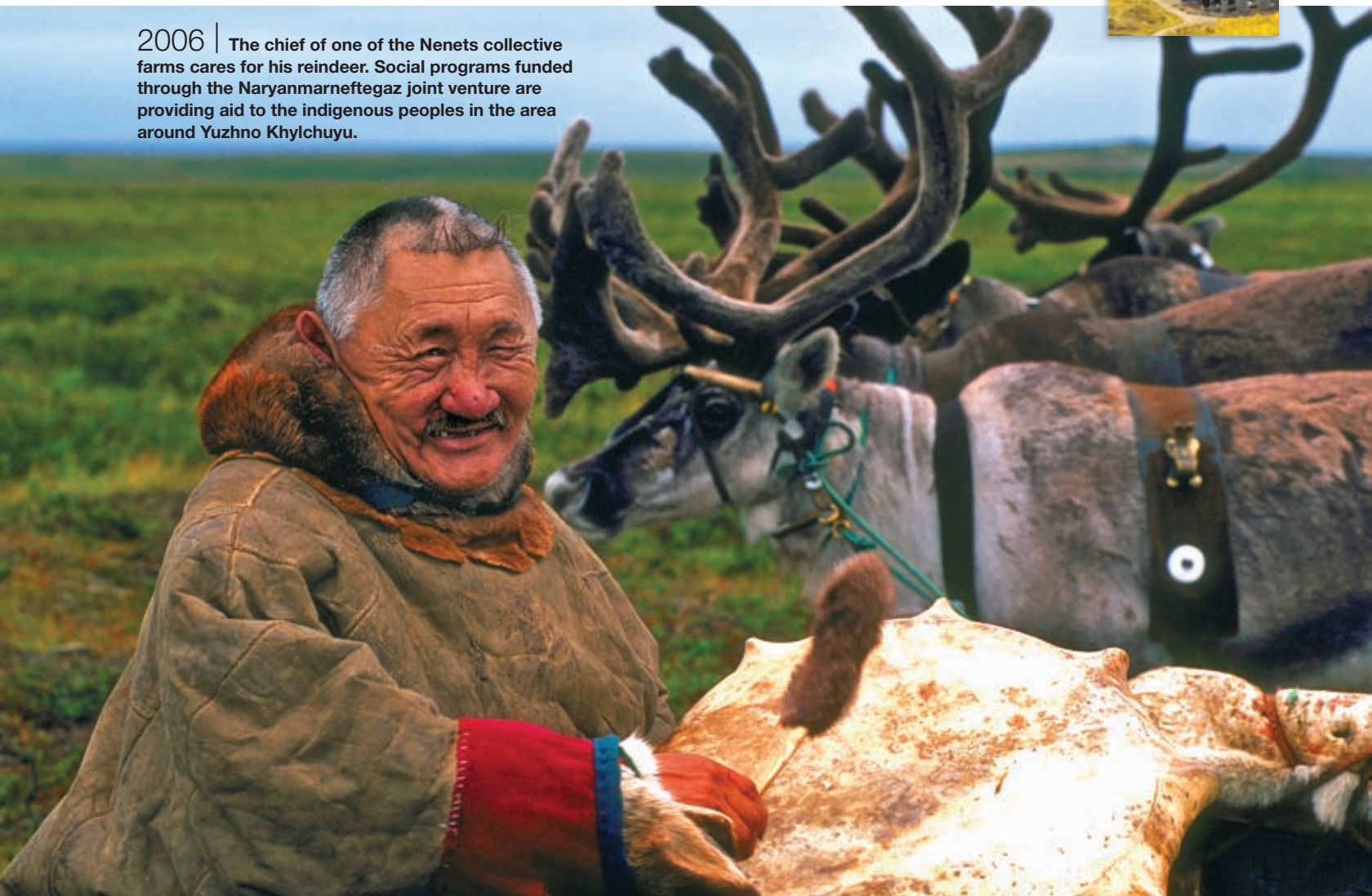


2007 | *Left:* Patrick Currey captured the spray pattern of a Hired Gun® monitor atop one of the Bayway Refinery's 2,000-gallon-per-minute pumpers. The Bayway Refinery Emergency Response Team includes personnel trained to handle emergency medical situations, firefighting, hazmat incidents and confined-space rescue.

- ▼ '06 *Onstream* magazine ends
- '07 *spirit* Magazine debuts



2006 | The chief of one of the Nenets collective farms cares for his reindeer. Social programs funded through the Naryanmarneftegaz joint venture are providing aid to the indigenous peoples in the area around Yuzhno Khylichuyu.





2007 | Above: A Sumatran worker carries a bale of rubber. ConocoPhillips' community assistance in Indonesia supports local enterprise and helps change lives.

Left: Chairman and CEO Jim Mulva during the landmark grand opening of the Phillips historical museum in Bartlesville, Okla.

Far left: Tremendous effort by highly skilled employees resulted in a successful dual maintenance shutdown for the Bayu-Undan offshore producing field and the Darwin LNG (liquefied natural gas) Plant onshore.



2008 | On assignment for *spirit Magazine*, Video Lead Jim Spanos (left) and Senior Videographer Garth Hannum enjoy the view from atop the Tyonek Platform in Cook Inlet, Alaska.



2009 | The *Peng Bo* FPSO is connected to the soft yoke mooring system (SYMS) tower in Bohai Bay. Work began in 2005 on *Peng Bo*, a massive structure whose hull alone measures some 323 meters in length (353 yards) with the capacity to process nearly 200,000 BOD and enough space to store 2 million more.



Above: Principal Geochemist Albert Holba's photographs were featured in the fourth-quarter 2009 *spirit Magazine*, including this closeup of a rose taken one block from London's Salisbury Cathedral.



Right: With new coke drums delivered via the Mississippi River in the background, Prepare to Operate Manager Val Huntsman displays the enthusiasm and optimism of the Wood River CORE Project team.

Below: This picturesque Santa Fe-style train depot in Bartlesville, Okla., today houses the city's chamber of commerce and can be seen from the ConocoPhillips campus.





2010 | *Above left:* Interns are an integral part of the ConocoPhillips team. During their terms, they work hard and play hard. Volunteering at the Houston Zoo, Intern Susan Rudolph pets a giraffe.

Above right: Peruvian children, who make up about half of the population in ConocoPhillips' exploration blocks in that country, always lend a helping hand.

Left: LNG vessel loading up at the state-of-the-art Darwin LNG facility in Australia

Below: The complex and sophisticated Humber Refinery is the only coking refinery in the U.K. It also has a well-deserved reputation for being clean and green.





2011 | Above: West Coast Lease Crude Manager Dorene Ruiz poses in front of the Bakersfield Heritage Mural at the Kern County Museum.

Left: A JET fuel delivery arriving at a station, displaying the famous blue and yellow colors of the JET brand

Below left: A view of the award-winning visitors' entrance and wellness center at ConocoPhillips' Houston headquarters.

Below: ConocoPhillips' new Australia Pacific LNG (APLNG) Gladstone office at dusk



The future is now

by Ray Scippa

**ConocoPhillips and Phillips 66 are set to emerge
from successful repositioning effort**



The final countdown to Day One has begun. At *spirit Magazine's* press time, less than 60 days remained before the anticipated split date. So what began on July 14, 2011, with an announcement letter to employees, is approaching reality thanks to countless extraordinary efforts. The months since that first day have been packed with activity, as reported through an ongoing stream of employee communications (see Communications timeline, Page 18).

Throughout February, several milestones were met and progress was made toward others, with all the actions undertaken to not only achieve the repositioning but also ensure the long-term competitiveness of the future ConocoPhillips and Phillips 66 in their industries (see accompanying charts).

For example, the repositioning teams made steady progress on Workforce Planning. Before the end of the month, ConocoPhillips employees in functional and support group positions had received communications regarding their roles going forward.

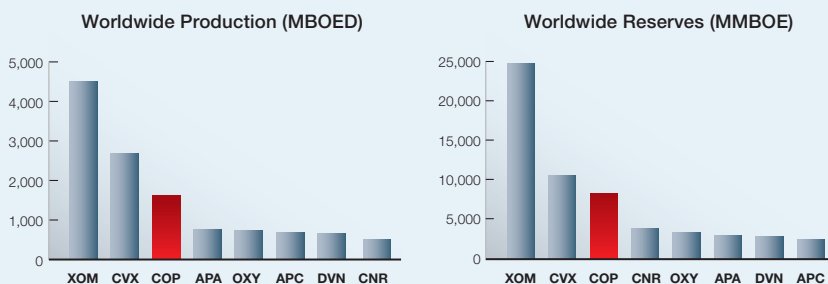
Additionally, in a Feb. 13 email, Ryan Lance and Greg Garland assured employees that just as the company's long-standing commitment to safety would remain unchanged, so would the principles behind compensation and benefits programs and plans. "We will continue to pay for performance and provide compensation and benefits that competitively position both future companies within their industries," they said.

Accordingly, the transition team has made the development of compensation and benefits structures for the two future companies for 2013 and beyond one of its key priorities. In designing these plans, Human Resources recognized that employees were already experiencing the stress that is inherent to any organization

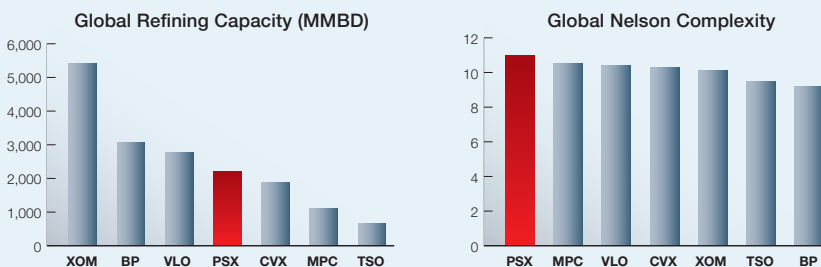
transition, particularly one as far-reaching as the repositioning. Consequently, few differences will be seen in current programs and plans. Some decisions may be made on specific compensation and benefits considerations after the repositioning is complete.

How the new companies will compare

ConocoPhillips



Phillips 66



All data is estimated based on best publicly available information at press time.

March investor update

by Aftab Ahmed

On March 5, Chairman and CEO Jim Mulva presented to investors in New York an update on the company's performance and repositioning progress, as well as the future prospects and competitive strengths of the new ConocoPhillips and Phillips 66 companies.

Strategic plan update

ConocoPhillips is in the latter stages of a three-year strategic plan to reposition the company. The plan is focused on optimizing the portfolio, enhancing returns, strengthening financial flexibility and increasing shareholder distributions.

Through 2011, progress has been strong, with total dispositions, including LUKOIL, of more than \$20 billion; improvements in both return on capital employed (ROCE) and cash return on capital employed (CROCE), as well as unit margins; \$6 billion reduction in debt; a 32 percent dividend increase; and \$15 billion in share repurchases.

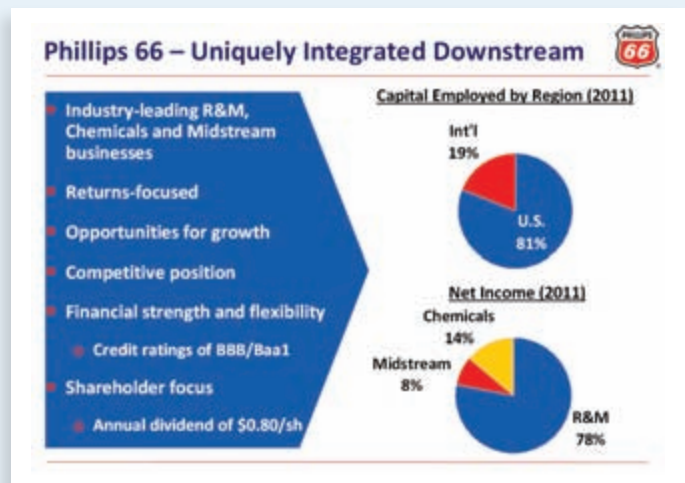
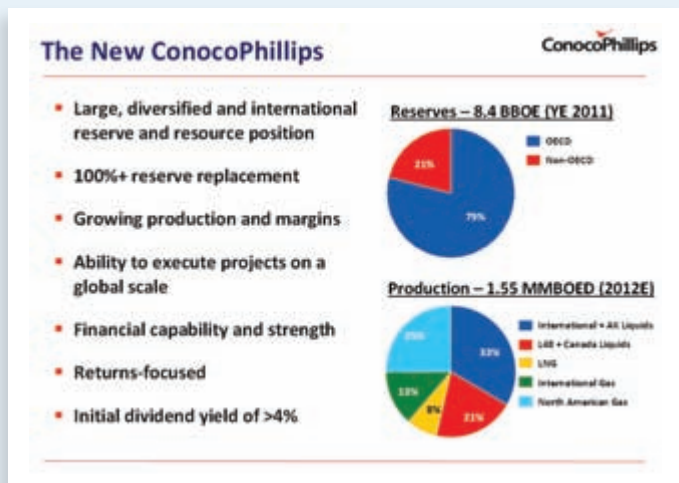
Further portfolio optimization through divestment of nonstrategic assets, as well as share repurchases, will continue in 2012. The planned second-quarter repositioning into two leading

energy companies is intended to help grow value for shareholders by unlocking the potential of their assets and employees, providing both companies with the best way to succeed and ensure competitiveness over the long term.

The new ConocoPhillips

ConocoPhillips will be the industry's largest pure-play exploration and production company. Its competitive strengths will include:

- Unique positioning to create differential value through a diversified portfolio generating cash flow growth and strong shareholder distributions.
- Continuing strong reserve replacement exceeding 100 percent at competitive finding and development costs.
- A disciplined approach to capital allocation, through investing in the highest-return projects.
- Strong growth from global major projects, with high-margin liquids and LNG driving annual average production growth rates of 3 to 5 percent.



- Significant future opportunities through global exploration of conventional and unconventional resource plays, including deepwater and shale prospects.

Phillips 66

Phillips 66 will be a uniquely integrated downstream company, with segment-leading refining and marketing and midstream and chemicals businesses.

- Differential value will be generated through a unique combination of shareholder focus and growth opportunities across a diversified portfolio.
- The company will enjoy a competitive refining position domestically and worldwide.
- The midstream and chemicals businesses have multiple large-scale growth projects that will increase their proportion of capital

employed in the company.

- Phillips 66 will benefit from a flexible financing position and a BBB/Baa1 credit rating earned through the company's strong commitment to plan execution.

Repositioning update

Jim Mulva also provided details of the latest developments in the transition of ConocoPhillips into two leading energy companies. This included confirmation that issuer credit ratings had been received for Phillips 66, bank financing is completed, and plans are being made to access debt markets prior to the separation. The timeline for the Phillips 66 share distribution approval and issue was also outlined, along with the expected dividend schedule for both companies.

If you have not already done so, view the replay of this presentation, available on the *Repositioning* website under *Video Library*.

This is primarily to allow for 2012 market data to become available so that this benchmarking information can be used in specific compensation and benefits considerations going forward.

Since timely and transparent communication of such high-interest news is essential, a dedicated Compensation and Benefits page on the *Repositioning ConocoPhillips* intranet site was launched with a video from Carin Knickel, vice president, Human Resources, providing details about the 2013 programs and plans.

Among the milestones yet to be achieved is finalizing a new Phillips 66 headquarters location. The goal is finding a permanent facility with capacity to hold up to 2,000 people, sufficient to hold all Phillips 66 Houston personnel.

“We want a convenient location and a work environment that employees can be proud of and that

reflects the values and winning spirit of Phillips 66,” said Garland, CEO designee, Phillips 66. “Our options are to build a new building, which would take two to three years to complete, or to find a building that could be modified to fit our needs.”

As the final countdown toward Day One continues, new and exciting details are emerging almost daily, including the name of the new Phillips 66 intranet site, *Connect 66*; logo standards, design usage guidelines and signage for the Phillips 66 corporate logo; and step-by-step work tools and services information to help employees move forward to Day One and beyond.

There are many tasks remaining for completion by Day One, and some work will extend for several months beyond. But the future for ConocoPhillips and Phillips 66 is now definitely taking shape. ■

Communications timeline through January 2012

JULY

- 15 Jim Mulva holds global town hall webcast.
- 20 Transition Team structure announced.
- 27 *Repositioning* intranet site established.

AUGUST

- 11 Answers to first 50+ employee questions are published.
- 25 Strategic Rationale article for the repositioning posted.

SEPTEMBER

- 6 Jim Mulva presents at Barclays 2011 Energy-Power Conference.
- 19 *Repositioning in Less Than 45 Seconds* transition team videos posted.
- 23 *spirit Magazine* cover story.

OCTOBER

- 3 An additional 120 employee questions are answered.
- 7 Ryan Lance and Greg Garland are named as designated CEOs.
- 13 External *Repositioning* website established.
- 19 Jim Mulva, Ryan Lance and Greg Garland appear on *Perspectives* video.
- 19 Workforce Planning leads Michael Hatfield and Doug Johnson are named.
- 21 Repositioning asset map released.
- 26 Overview on IRS Ruling and Form 10 published.

NOVEMBER

- 7 Blog post on media tracking of repositioning.
- 10 Name and location city of downstream company headquarters announced.
- 14 Senior leadership update provided from Jim Mulva, Ryan Lance and Greg Garland.
- 21 Upstream senior leaders Matt Fox, Al Hirshberg and Don Walette are announced.
- 29 CEO designees speak at BRSC Conference; video published.

DECEMBER

- 2 Black Employee Network holds Preparing for Change panel.
- 8 *Workforce Planning* site launched with CEO designees' email to employees.
- 9 Blog post from Dean Acosta on repositioning communications.
- 12 *Repositioning in Less Than 45 Seconds* video posted on Workforce Planning.
- 21 Greg Garland and Ryan Lance blog posts.
- 21 Phillips 66 names senior leaders Greg Maxwell, Tim Taylor and Chantal Veevaete.

JANUARY

- 8 *spirit Magazine* cover story on repositioning progress.
- 9 Phillips 66 names additional members to board of directors.
- 9 Phillips 66 NYSE ticker symbol PSX revealed.
- 11 Senior leadership updates issued for both companies.
- 12 Repositioning town hall webcast with Ryan Lance and Greg Garland.
- 17 Organizational update from Jim Mulva.
- 19 Senior leadership update from Ryan Lance.
- 25 Workforce Planning FAQs posted.
- 27 Phillips 66 leadership announcement.
- 30 *Our Business: A Closer Look* on Workforce Planning.



Phillips 66 financing Q&A with Fran Vallejo

By Aftab Ahmed

A key part of setting up Phillips 66 for success involves developing a financing plan for the new company. Fran Vallejo, vice president and treasurer, heads up the transition subteam on financial structuring. She recently provided insight on how this financing plan is coming together.

Q: Fran, at a high level, can you describe the main components of the Phillips 66 financing plan?

A: The financing plan for Phillips 66 is comprised of debt and liquidity (such as cash and line of credit) facilities. Debt will be used to provide the necessary financial support for the spin-off from ConocoPhillips and establish the desired levels of debt-to-capital in Phillips 66. Liquidity facilities will provide financial flexibility for the general purposes of running the company.

Q: How much debt will Phillips 66 take on at separation?

A: Phillips 66 has issued \$7.8 billion in new debt through bank and bond markets and accepted assignment of \$0.2 billion of existing ConocoPhillips debt associated with downstream operations. \$5.8 billion of the new debt has been raised through issuing bonds with long-term maturities ranging from three to 30 years. The remainder consists of a three-year-term loan.

Q: What will Phillips 66 do with the proceeds from this debt issue?

A: At separation, we expect Phillips 66 to retain a minimum of \$2 billion in cash and to distribute approximately \$5.8 billion to ConocoPhillips, the majority of which is expected to be used for debt reduction.

Q: Can you describe the liquidity facilities that Phillips 66 will have in place?

A: We have in place a five-year revolving credit facility for \$4 billion with favorable financial terms and market pricing. We also expect a receivables securitization facility (funds secured by our accounts receivable balances) of approximately \$1 billion. Combined with a \$2 billion cash balance, Phillips 66 will have approximately \$7 billion in liquidity.

Q: With which banks will Phillips 66 have these debt arrangements and liquidity facilities?

A: Phillips 66 intends to establish and maintain credit relationships with approximately 30 international banks. A small number of large, global corporate banks chosen from those with long-standing relationships with ConocoPhillips will lead in arranging the new bank financings, liquidity facilities and debt issuance.

Q: What about credit ratings – when will we know what the ratings will be for Phillips 66 and ConocoPhillips as two separate companies?

A: Both companies will have strong, investment-grade credit ratings. We have received ratings of BBB/Baa1 from S&P



and Moody's, respectively, for Phillips 66, with ConocoPhillips expected to retain its A/A1 ratings.

Q: When will all these financing arrangements be finalized?

A: We expect to have all bank borrowings, the receivables securitization facility and bond issue finalized over the next few months, before the spin date.

Q: Thanks, Fran. Is there anything else we should know about the Phillips 66 financing plan?

A: A team from Treasury, Tax, Controllers, Legal and various other groups is working hard to complete the necessary steps to put all the financing arrangements in place. Both companies will be positioned with strong balance sheets and significant financial flexibility so they are able to capture opportunities and strategically adapt to their market environments.

Learn more about Phillips 66's financing arrangements by reviewing the Phillips 66 Form 10 at www.ConocoPhillips.com/investor and selecting Phillips 66 SEC Filings.

Working together to ensure a successful repositioning

by Summer Austin and Karen Sivils

Far right: John Henthorne, director of strategy, Corporate IT, recommends employees clean up their own electronic files now so that unnecessary information is not copied and stored during the data cloning phase of the repositioning.

The announcement of the repositioning and resulting business changes may have many of us wondering how we will be affected.

But have you considered the interdependencies that come with such a huge effort and what you can contribute to the repositioning – and more importantly, its success?

The work of our internal service groups facilitates communication, interaction and interdependence across the company. And a vast number of complex changes in support of the repositioning are taking place within these service organizations. Consider, for example, how integrated our Information Technology (IT) systems have become, such as SAP with more than 1,000 system and application interfaces. These interfaces, or data feeds, ensure the right information is routed to the right location, such as billing the correct customer when a Transportation truck pulls in to a rack for reloading.

Luckily, we have teams working around the clock to figure out the best ways to ensure the new ConocoPhillips and the new Phillips 66 both have what they need to operate successfully on Day One and beyond.

Experts from IT, Real Estate and Facilities Services (REFS), Procurement, Financial and HR Shared Services, and other service organizations have been assembled to determine what each company requires to operate optimally following the split. Though many critical tasks must be completed by May 1, “There is at least as much to accomplish after Day One as before Day One,” said John Henthorne, director of strategy, Corporate IT. This will require many services transition subteams to remain intact beyond that date.

IT is the common thread that runs throughout the services’ repositioning efforts, enabling all these groups to successfully separate and operate their systems. “But no one group can do this without the

other,” Henthorne said. “There is a huge interdependency among the services groups, and this is a massive, orchestrated process.”

The Financial Services group is coordinating closely with IT on the critical targeted downstream



dual close, the largest system cutover, taking place April 27-30. This effort will copy the SAP systems, providing each company with separate systems for their operations, books and records.

Another group making certain everything is in order on Day One is Human Resources. Moving downstream employee information from the integrated data in SAP is an enormous undertaking. To create the new Phillips 66 employee database, the HR and IT groups are coordinating a seven-day blackout period beginning April 27, when some self-service systems, such as *Manager Express* and *HR Express*, will be unavailable. During this period, current employee records will be duplicated for the Phillips 66 systems, and data will be validated to ensure only downstream employees’ information is in the new system.



Lanny Seals (left), strategic planner, REFS, and Tony Behar, senior consultant, Strategy Policy and Compliance, Real Estate Services, discuss the specific needs of each group in an effort to meet their goal of no more than one office move per affected person.

In addition to system separation, services groups are handling many other critical Day One items. The efforts are too exhaustive to list, but include Real Property Administration assigning 25 million pages of legal ownership records to the proper company legal entity, while creating necessary master data for conveyance (property transfer) documents; Excise Tax reapplying for 500 new licenses across 48 states; REFS updating 10,000 real estate documents to ensure each company has the legal rights to operate their respective assets; and Procurement reviewing, updating and renegotiating, where necessary, nearly 39,000 materials and services contracts.

The goal of these groups is to ensure a seamless transition, and because of this, most employees and contractors may not see a lot of differences between the way they work today and their jobs on Day One. In fact, many employees and contractors will be working in the same physical locations with the same ID badges and access to the same facilities they have now. Some exceptions include Commercial traders, who are required to be physically separated Day One. The relocating of employees and contractors to buildings owned by their respective employers will affect more people in Bartlesville and Houston than in other locations.

Bartlesville's approximately 2,500 moves are anticipated to begin in the third quarter and be completed by the end of the year. Once a headquarters facility is determined and ready for Phillips 66, downstream employees and contractors who are affected will be relocated. There will be some employees and

contractors affected at other locations, such as Washington, D.C.; Calgary; London; Singapore; and a few others.

"Move planning is like a giant jigsaw puzzle," said Lanny Seals, strategic planner, REFS. Many details and interdependencies must be considered when relocating a group, including available floor space, the number of office units needed, adjacency preferences and building restrictions. Preplanning is crucial since REFS' goal is no more than one move per affected person, if possible.

As Day One approaches, many may wonder how and if they will be affected. Some things will change, such as Phillips 66 employees currently holding OneCards will receive replacement cards, and the company will have a new email domain name – *P66.com*. Other things won't change, such as user IDs, passwords, computers, company-issued mobile devices and the *ConocoPhillips.com* domain name. A new *Repositioning* subsite, *Moving Forward*, was recently added to our intranet to help answer questions about such changes.

But employees and contractors can take a crucial step now to minimize the huge amount of server space required to store information following data cloning efforts. Everyone should review all electronic data per Records Management guidelines, so unnecessary information isn't copied and stored. This also makes good sense because current owners can make quicker, better-informed decisions about the information than someone who inherits it as part of a new role.

OIL SANDS



Collaboration in the oil sands

Business as unusual by Tami Hutchinson

Canada's oil sands, with their unique resource base, rapid growth and development plans, present a number of unique hurdles. These challenges affect the whole industry – not just ConocoPhillips, which plans to grow production 10 percent to 15 percent per year through 2020. Now more than ever, public attention is focused on new technology, innovations, sustainability and environmental research.

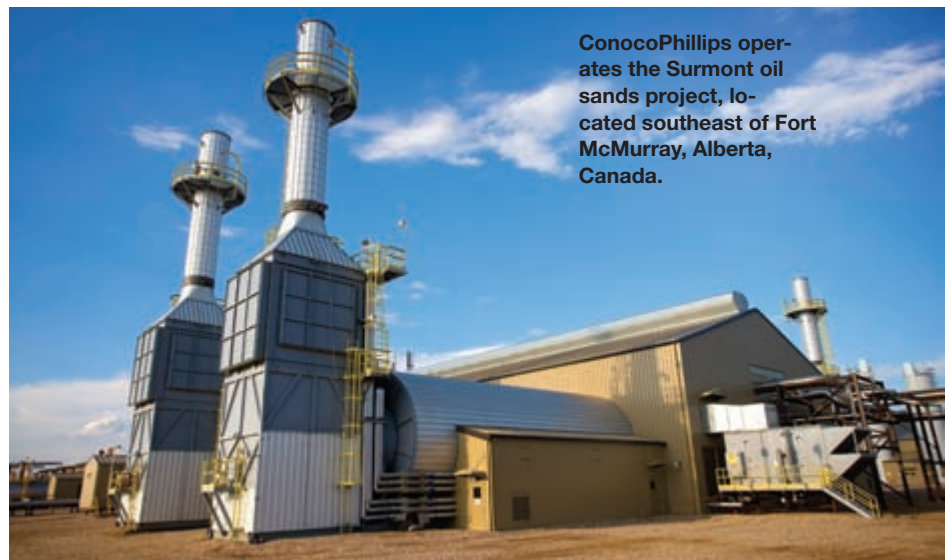
Oil sands producers hope that joining forces will allow for a more rapid adoption of technological solutions that both lighten their environmental footprint and reduce costs, thus benefiting consumers, as well as the public well-being.

“We’re moving into an era of growing collaboration within our industry,” said Nick Olds, senior vice president, Oil Sands, ConocoPhillips Canada. “The key success in meeting the oil sands’ unique challenges will be bringing like-minded companies together, pooling their financial resources and innovative ideas, and focusing on key areas to raise the industry’s overall performance.”

This is no small feat. Producers are used to competing against each other – for land base, talent and investment dollars. Sharing ideas and innovation with competitors contrasts with conventional business practices that command fierce protection of every competitive advantage. Yet, the concept of open innovation has become prominent in Canada’s oil sands industry.

“I’ve worked all over the globe, and I’ve never seen an industry like the oil sands where collaboration is predominantly driving performance levels forward,” Olds said. “We are banding together

Opposite page: In 2009, the OSLI companies collectively planted approximately 170,000 trees on reclaimed drilling pads in an effort to accelerate the speed at which these areas are restored with mature trees. In 2010, that number increased substantially with 247,000 trees planted. The five-year goal is an additional 1 million trees.



ConocoPhillips operates the Surmont oil sands project, located southeast of Fort McMurray, Alberta, Canada.

“I’m proud to say that ConocoPhillips was a key leader in industry collaboration and will continue as a driving force.” – Nick Olds

and raising the bar collectively.”

The oil sands industry is still competitive, but many are now willing to park corporate egos and work together on collective initiatives to improve the industry’s performance and reputation. Rather than attempt to sell or license their intellectual property, oil sands companies will exchange knowledge for the greater good.

“I’m proud to say that ConocoPhillips was a key leader in industry collaboration and will continue as a driving force,” Olds said. “We will be part of the solution.”

The steps toward collaboration started in 2007, when Bob Mitchell, manager, Oil Sands Performance, ConocoPhillips Canada, worked with Gord Lambert, Suncor, and the late consultant Peter Dickey to push the boundaries of normal business practices by advocating industry collaboration at an unprecedented scale. They proposed to create an agreement between progressive

operators to drive environmental, social and economic performance to new levels and set an aggressive standard for the rest of the sector.

After three years of hard work and creativity, the idea was accepted by several other progressive oil sands producers. By April 2010, ConocoPhillips Canada, along with Nexen, Statoil, Suncor Energy, and Total E&P, signed a charter to formalize the creation of the Oil Sands Leadership Initiative (OSLI). The group committed to improving the performance and reputation of the sector through advancing a number of initiatives that demonstrate and communicate environmental, social and economic performance.

“OSLI is going to do some great things and is one of the things I’m most proud of in my career so far,” Mitchell said. “I am blown away by the power of collaboration that has been demonstrated.”

OSLI has created working groups to focus on

In April 2010, Rick George (Suncor), Marvin Romanow (Nexen), Lars Christian Bacher (Statoil), Jean-Michel Gires (Total E&P Canada), Steve Williams (Suncor) and Matt Fox (ConocoPhillips Canada) signed the OSLI charter, agreeing to work collaboratively on noncompetitive issues and share research and best practices.



performance improvement in the areas of land stewardship, water management, technology and sustainable communities. Each OSLI company develops its assets individually but works collaboratively to achieve significant improvements in key performance areas, like environmental sustainability, social well-being and economic viability.

“To date, those teams have conceived almost 60 projects,” Mitchell said. “I am so pleased to see how much they can imagine and then do by pooling their talent, resources and expertise.”

For example, in 2010, OSLI’s Land Stewardship Working Group assembled a comprehensive land disturbance map of the entire oil sands region. This map, created by walking the area’s all-terrain vehicle trails, seismic lines and pipeline corridors, includes a database of known disturbances. OSLI’s member companies now use this tool to locate conservation and reclamation efforts where they will have the greatest impact.

OSLI compels organizations to look at the broader picture and the greater good to see where it makes the most sense to focus its efforts, whether planting trees, initiating caribou protection programs or carving out conservation offsets. They will then jointly direct financial resources and manpower to those areas – even those far away from any particular company’s land holdings. Piggybacking off ConocoPhillips Canada’s Faster Forests program, OSLI companies started their own Faster Forests initiative. The program speeds land reclamation by planting various species of trees. OSLI companies had planted an estimated 600,000 trees as part of this program by the end of 2011.

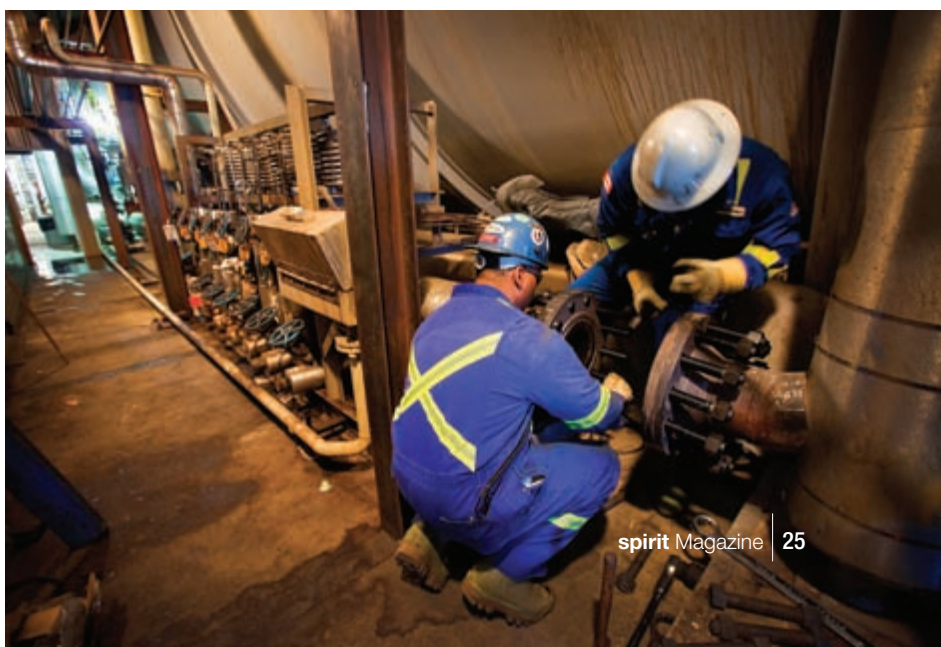
“That demonstrated progress is helping reshape the oil sands conversation to become more constructive and solutions-oriented,” Mitchell said.

Technology is another big part of finding innovative solutions to oil sands issues. OSLI member companies have put up a total of \$24 million to



Left: A tree planter is working for OSLI’s Faster Forests program aimed at reducing the environmental footprint by accelerating reforestation of oil sands leases.

Below left: ConocoPhillips Canada’s Surmont operations have hosted technology pilot programs for some of the industry’s collaborative research projects.





The company's Surmont development has now moved into Phase II, with expected first production in 2015.

support primary research in fields like synthetic biology, chemical engineering and nanotechnology. The group has also held exploratory talks with Virgin Group to study billionaire Richard Branson's Earth Challenge model of innovation. The venture capitalist has promised \$25 million to any firm or individual who successfully demonstrates a commercial technology for scrubbing unwanted carbon dioxide from the atmosphere.

"OSLI is dealing directly with both the environmental and social challenges associated with the extraction of the oil sands resource to ensure that while we're providing energy to the world, we are also making the world a better place," said John LeGrow, vice president, Strategy, Oil Sands Planning Strategy and Integration. "By working together, we pool our talents and create better solutions."

And this model is expanding. After seeing the success of OSLI, oil sands collaboration is appearing in more places and on a much larger scale. A

new industry group, Canada's Oil Sands Innovation Alliance (COSIA), launched March 1 to build on the successes of groups like OSLI. But where OSLI had five member companies at its inception, COSIA has 12 – and they represent over 80 percent of oil sands production in Canada. The COSIA companies will work together with government, academia and the wider public to address environmental performance in four priority areas: tailings, water, land and greenhouse gases.

The collaboration idea is also expanding outside of environmental performance and technology. Highways 63 and 881, where ConocoPhillips' operations are located, have been the site of hundreds of vehicle-related injuries and dozens of fatalities and are considered two of Canada's deadliest highways. So together, community members and operators formed the Coalition for a Safer 63 and 881. This initiative includes 21 member companies cooperating to encourage greater public safety and safe driving. ConocoPhillips Canada was a leader

“By working together, we pool our talents and create better solutions.” – John LeGrow

in the campaign’s creation.

“This organization is ultimately about saving the lives of family members, employees, friends and people in our community,” Olds said. “We’re proud to be a foundational part of it.”

If past success is any indication, there are bound to be more of these strategic partnerships in all aspects of oil sands development. In four years, a small idea has changed the whole industry’s outlook. And these companies have shown that collaboration not only provides access to better solutions in economic and environmental performance, it can also minimize the negative impact on the communities closest to our operations.

Here in the oil sands, unusual business has become business as usual. ■



Left: ConocoPhillips Canada employees Peter Zimmerman and Garrett Brown work with tree planters on OSLI’s Faster Forests initiative, which accelerates reclamation of Alberta’s boreal forest by planting a wide range of native tree and shrub species.

Above: Representatives from oil sands companies, technology groups, academia and government share ideas at an annual OSLI forum. Each working group was distinguished by a different bandana color to inspire cross-function discussions and sharing.

FERNDALE REFINERY



N

estled in the most northwestern corner of the most northwestern state in the U.S. lower 48, Ferndale Refinery sits among pristine hills with mountains in the distance; frequently with deer on the green; and a cold,



HSE Manager Ryan Biggs

winter drizzle to keep a chill in the air. Kids in Whatcom County, Wash., think of the refinery as a cloud-making company, based on the impressive steam billowing in the cold Pacific air. But Ferndale, the ConocoPhillips continental U.S. asset farthest from its Houston headquarters, is both a powerful refinery and home port of ConocoPhillips' Polar Tanker organization. (For more information on Polar's future with the new ConocoPhillips, see the story on Page 31.) And thanks to a passionate workforce, along with a decade of urban renewal, the 100,000 barrel per day refinery maintains a successful focus on continuous improvement in every aspect of its business.

AN ERA OF NEW

The era of “new” began at Ferndale long before any mention of the term repositioning. Not only will Ferndale Refinery be part of the new Phillips 66 organization, but with new talent, a fresh perspective and several updates to the nearly 60-year-old facility, you would think the refinery was a recent addition to the landscape of Washington, not the first full-scale refinery constructed in that state.

“We are absolutely in a time of renewal,” said Marjorie Hatter, manager, Ferndale Refinery. “Two-thirds of my unit engineers are 30 years old or younger, and 40 percent of our employees have been hired within the last five years. We have been able to benefit from a fresh set of eyes to come in and help us take the refinery to the next level, whether it be new process safety implementations, a new strategy for our upcoming turnaround, or just clearing out old equipment and putting in new. We are dedicated to



Ferndale Chemist
Rikki Smeltzer

building for our future.”

Today, Ferndale processes 100,000 barrels of crude oil per day, much of which is delivered via Polar Tanker. The crude is then processed into a product slate of gasoline, ultra-low-sulfur diesel fuel, propane, fuel oil and sulfur, resulting in more than 1 billion gallons of transportation fuels per year. Ferndale Refinery is the primary gasoline supplier for 76® brand stations throughout the Pacific Northwest.

Additions over the past decade include a new laboratory, centralized control room, fluid catalytic cracker, sulfur plant, SZorb® unit, boiler and enhanced wastewater treatment plant. The facility is also in the final stages of a multiyear project to upgrade the electrical system for better efficiency and long-term viability.

In the state of urban renewal Ferndale Refinery embraces all things new

by Monica Silva, with Jeff Callender

“We’re not the only refinery in Washington state, but we want to be the one all of the others look to as the standard.” – Josh Ross



Above: Production Manager Rich Harbison

Top: Technical Manager Dan Kier

Far right: Safety Superintendent Josh Ross

“We are proud of where we work,” said Ryan Biggs, HSE manager. “We want our home to look excellent. But it’s not just about housekeeping; it’s about taking pride in our facility.”

Safety Superintendent Josh Ross agrees. “It’s so nice to be able to see the change in the refinery, the improvements on so many levels. We’re not the only refinery in Washington state, but we want to be the one all of the others look to as the standard,” Ross said.

“We’ve accomplished a lot over the past five years,” said Rich Harbison, production manager. “Our reorg of operations and the way operations does business was a huge turning point for us. Many were concerned about taking operators out of the field and into a centralized control room, but what we found is that response communications has vastly improved because of the location in the same control room.”

“I’m particularly proud of the position we, as a company, have taken to raise the bar for safety and reliability by implementing a large number of new required standards,” Technical Manager Dan Kier said. “These standards are being applied across all the ConocoPhillips refineries to improve safety. The new design and operating requirements are set well above state and federal agencies’ expectations and accepted industry practice. Ferndale is making good progress on implementing these standards, and the benefits in safety and reliability are seen every day.”

CUSTOMER SERVICE

The same sentiment holds true when it comes to health, safety and environmental (HSE) standards at Ferndale. In fact, the HSE leaders see their job as customer service – making sure each customer (employee) leaves the facility each day safe and sound.

“Our HSE culture has been through a renewal of sorts as well. From procedures, practices and

processes, we are all working toward 100 percent compliance, 100 percent of the time,” Biggs said. “Although we are a relatively small plant, we have as much to focus on as any of the large facilities when it comes to safety. Our HSE folks wear a lot of hats, which makes us all well-rounded and not too specialized in any one area.”

The team takes pride in identifying leading indicators versus lagging indicators.

“It’s a lot easier to identify what went wrong instead of what could go wrong, but that’s what we need to do,” Ross said. “Achieving ZERO can only be done by performing each and every task safely, with no shortcuts.”

As part of the refinery’s safety efforts, every Ferndale employee is asked to include a safety goal in their performance agreement. The thinking behind the HSE goals was the potential sum of all of the parts.

“If each person does his or her part, the sum tends to be pretty good. When the goal is connected to something meaningful, the sum tends to be even better,” Biggs said.

Another big part of the HSE team’s role has been preparation for the March/April turnaround of Ferndale Refinery. With more than 1,700 contractors on-site for the 39-day shutdown, the onboarding of every contract organization to the





A view of the *Polar Resolution* as it maneuvers through Puget Sound

Working together, separately

ConocoPhillips' Polar Tanker organization and the future Phillips 66 Ferndale Refinery are committed to ongoing partnership after restructuring.

The ConocoPhillips Polar Tanker organization calls Ferndale Refinery its home port. It's a perfect location of residence, centered between both the Alaskan and Californian ports the Polar ships frequent. Now, as the company's announced repositioning becomes finalized, the organizations will no longer be a part of the same company, as ConocoPhillips will retain the Polar Tanker organization and Phillips 66 will operate Ferndale Refinery. But both organizations have committed to a long-standing relationship, regardless of the sign on the door.

"Our marine terminal at Ferndale receives crude oil from the Polar ships and handles outgoing shipments of diesel, gasoline and fuel oil," Ferndale Refinery Manager Marjorie Hatter said. "We intend for this to remain the same, post-repositioning."

The Polar Tanker organization manages the marine transportation of ConocoPhillips' Alaska North Slope production. From 2001 to 2006,

five tankers were brought into service: *Polar Endeavour*, *Polar Resolution*, *Polar Discovery*, *Polar Adventure* and *Polar Enterprise*. The five vessels are completely double-hulled with fully redundant operating and navigation systems and twin engine rooms that are individually capable of propelling the vessel at full capacity in the event that one engine loses power. These tankers, with capacities of approximately 1 million barrels, are primarily used to transport feedstocks to U.S. refineries, including Ferndale, Rodeo and Los Angeles.

"ConocoPhillips will continue to sell Alaskan North Slope crude oil to Phillips 66, much like we do today," said John Wright, president, Global Supply. "Ferndale Refinery will continue to be a strategic customer for ConocoPhillips,

and the Polar organization will be a strategic customer of Ferndale Refinery and Phillips 66."

A term contract is in place to ensure that the relationship continues, so that everyone benefits.

"We've been a part of Downstream Transportation for the past several years, and it's been a great group to be a part of," said Chris Bulera, manager, Marine. "But we are excited to be part of the Global Marine organization in the future ConocoPhillips."



Operations Coordinator Jay Pederson



Above: Turnaround Manager Jeff Feemster

Top left: A beautiful summer sunset in the Pacific Northwest

Top right: Ferndale employees and families ride on the refinery fire truck in the Old Settlers parade.

Right: Light Oils Shift Supervisor Patsy Williams

ConocoPhillips safety culture is imperative.

“We have to ensure that each person working on-site during the turnaround leaves bad habits at the front gate,” Ross said. “This is no easy task, but we find that when expectations are set upfront, and when we, as a safety team, work to critically assess each job, the result is positive.”

To prepare for the turnaround, much of the HSE work was done ahead of time, including extensive planning and preparation on everything from improving the permitting process to developing detailed transportation plans for getting people and equipment safely from point A to point B.

“One of the things I like best about my job is that it’s never done; you’re always looking to improve things, find new risks, get better. When you do find new ways of keeping your colleagues safe, it makes the job so much more rewarding,” Ross said.

A HEALTHY HOME

Ferndale is making environmental strides. The refinery sits on the coast of one of the most pristine areas of the United States. The stringent Washington state standards have changed over the years, becoming more and more challenging, all in an effort to protect the beautiful landscape.



“I truly believe one of the reasons this area of Washington state has maintained a healthy environment is largely due to our industry,” said Sandy Paris, environmental supervisor. “ConocoPhillips has been a good steward of environmental service to this area. We have a vested interest because we live here, and many of us grew up here – 65 percent of the Ferndale workforce is local.”

The refinery has a lot of pride in being proactive on environmental issues rather than reactive to additional regulations. The facility was an early implementer of ultra-low-sulfur diesel, as well as new standards on gasoline vapor pressure.

“Washington state is unique in the sensitivity of the environmental regulations and standards,” Hatter said. “But what is also unique is the loyalty and dedication our local neighbors have to the refinery. Generations of families have been associated with Ferndale Refinery in one way or another, so they are our biggest supporters whether it be writing letters to their elected officials in support of issues that will affect our operations, or the elected official themselves coming to the refinery to hear what our employees have to say and what they are concerned about. The people in this area recognize that this facility is a huge economic boost to the area – we have the highest-paying jobs and the most educated workforce in the county.”

The acute focus on protecting the environment at Ferndale is second nature, so to speak.

“The state has a level of confidence in us that we are going to take care of our home in the right way. We take the necessary precautions to ensure the environment is protected. It’s just the way we do business,” Paris said.

Paris has been in her role as environmental supervisor for more than 20 years, and although the work she does lacks instant gratification, she is excited about the future.

“What I love most about my job is that I know I

“We take the necessary precautions to ensure the environment is protected. It’s just the way we do business.”

– Sandy Paris



am making a difference in this world that will live far beyond my years,” she said. “Everything I do is focused on the long term. But I’ve seen it work, and that’s fulfilling.”

40 DAYS AND 40 NIGHTS (ALMOST)

For 39 days in March and April, Ferndale Refinery was set to shut down all systems for a scheduled refinery turnaround. The turnaround allows maintenance on all of the major units of the refinery and also gives refinery employees the opportunity to work outside of their normal daily duties, as many employees take on different roles during turnaround time.

“Since Ferndale is what we call a single-train refinery, we shut down the entire facility during a turnaround. Some of the larger refineries can shut down different units at a time, but not here,” said Jeff Feemster, turnaround manager. “Planning, plotting, assessing risks, identifying resource requirements and staffing – a lot of work has gone into making this a successful shutdown, maintenance and startup operation.”

The local impact of the turnaround at Ferndale is immense. More than 1,700 contractors on-site

during the turnaround, coupled with all of the pre-turnaround work, ensure proper facilities, transportation and materials necessary for the work to be done. In turn, this brings a small economic boom to the local area.

“We’ve been planning this turnaround for more than two years,” Feemster said. “In an effort to enhance safety, productivity and efficiency, we implemented a lot of changes and lessons learned, not only from past Ferndale experience, but also from other ConocoPhillips refineries.”

The team called in experts from around the vast ConocoPhillips refinery network to offer their expertise on various units and turnaround activities. In some cases, retired ConocoPhillips employees return for special assignments. “Being a smaller facility, we don’t always have that resource depth. It’s so nice to call on our sister refineries and find who and what we need right at our fingertips,” Feemster said.

Some of the newly implemented practices include strategic placement of materials to increase safety and productivity and decrease risk, a blast-resistant shelter centrally located in the plant, and a vast parking and transportation system throughout the Ferndale facility to get workers where they need to be in an efficient and safe manner.

“This turnaround needs to be safe and leak-free with a flawless startup,” Feemster said. “I believe quality and safety go hand in hand, and based on our planning and preparation for this turnaround, I’m confident we will be successful. Our contractors received guides on ConocoPhillips policies, procedures and quality well ahead of the turnaround, with an effort to onboard every contractor before they step foot on the plant.”

All of the employees know and understand the complexity of a turnaround process, how important it is to get everything right, and the risks and rewards associated with a project you do only once every five years.



Above: Ferndale Refinery Manager Marjorie Hatter

Far left: Business Team Leader Dale Thanjan and Environmental Supervisor Sandy Paris

“The fear of the unknown is intimidating, but it also motivates you to do the absolute best you can.”

– Shelby Muren

“We have one shot to fix everything we need to until 2017,” Business Team Leader Dale Thanjan said. “The future of our facility depends on it.”

FOSTERING TALENT

The future of Ferndale is most certainly its people. “I think the different experience levels in our workforce at Ferndale is a really great thing,” Hatter said. “Our younger generation is enthusiastic,

but they are charting unfamiliar territory. That’s where our more experienced professionals can step in and mentor, fill management roles, and help both generations learn from each other.”

Process engineers Lauren Turner and Shelby Muren are perfect examples of this reciprocal relationship. Turner filled Muren’s former role in 2011, allowing for a shadowing opportunity to learn the ropes.

Serving the local community

Part of being a good neighbor to the Ferndale community is the refinery’s strong commitment to serving the area in various philanthropic outreach programs. An added bonus is the fun.

“We support local and statewide math competitions for middle- and high-school age kids,” said Brandi Civico, executive assistant. “Our refinery volunteers serve in various roles,

including data entry, proctors and grading. It’s so much fun to see the kids so committed to math at young ages.”

Projects like the math competitions give Ferndale employees the opportunity to serve the community, while building camaraderie with colleagues.

“It’s refreshing to see your co-workers outside the refinery,” Civico said. “You’re

able to have fun while getting to know each other better and, in a lot of cases, make new relationships with co-workers you never really knew.”

Ferndale community-service projects include the Relay for Life benefiting the American Cancer Society, the Jingle Bell Run benefiting the Arthritis Foundation, the Human Race, and the Junior Ski to Sea Relay.



Many employee volunteers at Ferndale serve the community through various math competitions for local youth. The competitions give students the opportunity to prove their math skills, while developing useful knowledge that may lead them to be refinery employees one day soon.



“Every day is a different project,” Turner said. “I learn more every day. It’s when problems arise that I’m able to turn to Shelby and get his perspective on how he would handle things. Sometimes we brainstorm, sharing our ideas for a possible solution, and end up coming up with an idea together.”

“Everyone here is smart, and everyone has different experiences to call on. Sometimes a seemingly simple fix will cause a chain reaction of other problems, many of which someone at the plant has run into before. Calling on our peers not only teaches us better problem-solving skills, but can also save a lot of time and energy,” Muren said.

Overall, they agree it’s a balance of sorts.

“The fear of the unknown is intimidating, but it also motivates you to do the absolute best you can,” Muren said.

For Patsy Williams, shift supervisor, Light Oils, the balancing act involves a management position, shift work and two kids – not an easy task. Williams finds her motivation in being named the first female shift supervisor in the history of Ferndale Refinery. Her life revolves around a family calendar to keep track of the days – and nights.

“Surprisingly, the shift schedule, though complex, allows more time to attend my kids’ school functions and field trips during the weekdays,” Williams said.

Her management position in a male-dominated

industry hasn’t been an issue at Ferndale, which she attributes to mutual respect and a good sense of humor.

“My team has such different personalities and all sorts of ages and backgrounds,” she said. “I remember my first day as a supervisor, when one employee came in and gave me all of his expectations. As soon as he finished, I turned it around and told him my expectations of him as his supervisor. We haven’t had a miscommunication since.”

Hatter, ConocoPhillips’ only female refinery manager, agrees that it’s all in how you approach matters. “Women have a different way of handling things. Once your colleagues see you as an individual, then it works,” she said.

THE BIG PICTURE

When you ask Ferndale employees what they like most about their jobs, odds are the answers will be, “The people I work with.” It was a common theme throughout the refinery, in all roles from operations to HSE to administration. This camaraderie makes the Ferndale workforce act as one focused team, rather than a group of units.

“I started as a security contractor, so I saw every employee come in to work and leave for the day. I always noticed how happy everyone looked as they arrived at work, and rarely did anyone leave looking frustrated or upset. This was a place I wanted to be a part of,” Operator Quoc Dang said.

The employees at Ferndale enjoy their colleagues, love their home state and, most importantly, see the big-picture view of the value each contributes.

“As I drive to and from work each day, I often think about the cars driving on the streets with me and the homes I pass that are heated, keeping families warm on cold days. It makes me proud to know that, in a way, I’m a part of that. It’s a service everyone benefits from. I’m proud to recognize what we offer as an industry that so many take for granted,” Dang said. ■



Above: Operator Quoc Dang

Top: Process Engineer Lauren Turner

Top left: Process Engineer Shelby Muren



Any company can claim to support employee health and wellness, but it's putting those words into action that really counts. At ConocoPhillips, employees are supported in a variety of ways in their efforts to become active and improve their overall health.

Paving the way to wellness

by Kathryn Donelson

MAKING THE CASE

Employee well-being has always been a priority at ConocoPhillips, and for good reason. “Supporting health and wellness throughout our company makes sense,” said Carin Knickel, vice president, Human Resources. “Building a wellness culture helps keep us safe, aligns well with our SPIRIT values, helps contain costs – for employees and the company – and ensures that our employees can feel, work, play and live at their best.”

The statistics echo that sentiment. A 2010 study by the World Economic Forum reveals an impressive correlation between workplace wellness initiatives and employee engagement. The study found that employees are significantly more likely to be engaged when wellness is a workplace priority.

A similar study conducted by Maritz found that employees who participate in wellness programs have a particularly strong connection with their companies. Among the study’s findings, these employees cited greater job satisfaction, a desire

to remain with the company long term and fewer illnesses requiring sick days. Participants in wellness programs are also more likely to recommend the company to a friend or family member – a key indicator of engagement. Given that employee engagement is widely recognized as a critical driver of success, both employees and companies benefit when employees are encouraged and supported to stay well.

A WELL-ROUNDED APPROACH

As trends in work-site wellness continue to evolve, so does ConocoPhillips’ benefits programs. In recognition of a broad definition of wellness, health-related information and resources are available through a multipronged approach.

“A person’s overall health depends on much more than just their physical health,” said Dr. Paul Hodgins, chief medical officer. “There are several dimensions to health – emotional, social, mental and others, in addition to the physical. It’s



Carin Knickel, vice president, Human Resources

“A person’s overall health depends on much more than just their physical health.” – Dr. Paul Hodgins



Far right: Randy Austin, Health and Safety team lead, chooses some healthy snacks after his 12-hour fast and testing.

important to include as many of those components as possible when developing wellness programs.”

Effective work-site wellness programs often take advantage of the resources and features of a company-sponsored health and welfare program. At ConocoPhillips, the benefits available to employees and their dependents offer various levels of financial protection in the event of illness. Although the medical benefits vary by option and location, most offer a selection of health-improvement programs to support employees in attaining their health-related goals.

Another way ConocoPhillips supports workforce health is through Integrated Occupational Health Services, or IOHS, which meets the medical needs of employees around the globe with services such as locally run wellness programs, traveler health, flu vaccinations, and, in collaboration with HSE, emergency preparedness and health and safety risk mitigation. IOHS also covers critical needs, such as the Substance Abuse Prevention Program and the global Employee Assistance Program.

Additionally, some ConocoPhillips locations offer an on-site wellness facility that provides



group fitness classes and personal trainers, as well as seminars on nutrition, stress reduction and other wellness-related topics. Where such a facility is absent, employees may have access to locally run health-related programs and activities.

WELLNESS GOES GLOBAL

In early 2011, a global wellness team was established at ConocoPhillips to encourage health and wellness; share success stories; and keep wellness fun, interesting and sustainable. This multifunctional team is made up of members from various locations, business units and perspectives – some with day-to-day wellness-related responsibilities and other Wellness Champions who share a passion to spread the wellness word in their

respective locations.

The team functions as a network, facilitating wellness strategies and identifying opportunities across ConocoPhillips' diverse cultures. "Due to our global makeup, we are able to learn what works in various areas," said Jan Castelli, director, Wellness-Fitness Services. "Some locations are similar and can leverage the same wellness programs, while modifications can be made to accommodate another country's culture."

Much of the program design has its foundation in actual employee data. Although results from individual screenings and other assessments are confidential, aggregate data can be used to tailor programs and health-related initiatives that serve a particular need. "If the data in one region

What's the best path to wellness?

While recognizing that awareness and taking action are good ways to structure a wellness program, we asked Dr. Hodgins, Jan Castelli and Juli Merciez to recommend one wellness initiative to employees. Here's what they had to say:



◀ Dr. Hodgins

"The single most important thing is what you eat."

Jan ▼

"Agreed. And when you combine a balanced diet with moderate exercise, you really are headed in the right direction. We have some great programs for those who don't want to be gym rats – and for those who do!"



Juli ▶

"Alright, I accept those. But don't lose sight of getting a baseline on biometrics. A balanced diet and moderate exercise are probably good for almost everyone, but getting the facts on your underlying health metrics and keeping score on an ongoing basis is an excellent way of getting an early warning."





Above: Employee Relations Advisor Rachelle Capps

Below: An on-site diagnostics technician preps Derrek Wiedeman, project engineer, for the glucose test.

shows a preponderance of, say, high blood pressure, we are able to build learning opportunities focused on that topic,” Castelli said. “The data is critical in helping us customize our programs to meet our regions’ unique needs.” When possible, the team leverages the expertise of its wellness

“We were encouraged to see employees motivated to learn more about their health.” – Rachelle Capps

partners, such as the Wellness Center or on-site food provider, to coordinate and enhance its programming.

To facilitate the exchange of ideas and best practices, this team created its own Network of Excellence (NoE). “The global Wellness NoE keeps us connected. It’s a place for us to share successes and updates on programs and activities under development or under way,” Castelli said. In addition, the team worked to create a global

Wellness website that provides employees with access to regional wellness-related content and contact information.

The collaboration of this team has resulted in a variety of successful health initiatives. At any given time around the globe, ConocoPhillips

employees can be found taking part in walking programs, running events, weight-loss challenges, Lunch-and-Learns, biometric screenings, health fairs, ergonomic workplace assessments, healthy cooking demonstrations, and more. “These programs foster our employees’ desire to look out for each other’s health and well-being,” Hodgins said. “In turn, we reap the rewards for ourselves, our families and our company.”

AWARENESS: STEP 1 TOWARD IMPROVED HEALTH

In 2011, U.S. Benefits introduced a new campaign aimed at raising employees’ awareness of their overall health. Called *Know Your Numbers*, this voluntary and confidential program offered a Well-Being Assessment, as well as biometric screenings of cholesterol, blood pressure, blood sugar and body mass index (BMI) – key indicators of a person’s risk for developing serious health conditions, such as heart disease and diabetes.

Many employees took advantage of on-site screenings provided by a third-party vendor, while others completed their screenings by way of their personal physicians or company regulatory exams.

With a participation rate of 60 percent across the U.S., the program was deemed a huge success. “We were very pleased with the response. Over 11,000 U.S. employees chose to take the first critical step toward greater health awareness,” said Rachelle





Capps, advisor, Employee Relations, who led the 2011 *Know Your Numbers* campaign. “We were encouraged to see employees motivated to learn more about their health.”

Similar programs were also offered globally. While some countries leveraged the *Know Your Numbers* campaign, other regions either created or maintained their own biometric screening programs. Overall, participation aligned with that of the U.S., with more than 60 percent of global employees gaining this type of valuable insight into their personal health.

“It’s important to have your health screenings,” Hodgins said. “About 50 percent of the diseases that can kill us or make us chronically ill are preventable. Heart disease and diabetes, which cause millions of deaths each year, are often preventable. These screenings can also detect certain types of cancer in the early stages when it’s highly treatable. The result is lives saved.”

In 2012, many employees will again have the opportunity to know their numbers. Biometric screenings will be available, with one exciting addition in the U.S. “This year, we are piloting a coaching service to enhance the effectiveness of the screenings,” said Lynn Tramel, manager, U.S. Benefits COE. “In specific locations, certified health care providers will be available on-site to help employees understand their individual biometric screening results in real time. We’re hopeful employees will respond favorably, and we can expect to expand the service to other locations in 2013.”

TURNING NUMBERS INTO ACTION

As the saying goes, it’s not what you know, it’s what you do with what you know. And at ConocoPhillips, employees have the tools they need to take action.

“The biometric screenings give employees important health data, but that’s just the

beginning,” said Juli Merciez, senior health management advisor and leader of the 2012 *Know Your Numbers* campaign. “In 2012 and beyond, we’re encouraging employees to take control of their health and health care costs by taking action to improve their health.”

To that end, resources are available to support employees in their quest for wellness. In the U.S., those resources are packaged under the umbrella of *Your Life Choices*, a comprehensive set of health improvement programs and services – all of which are voluntary, confidential and offered at no cost to employees.

“In the U.S., we have made a very concerted effort to provide resources to employees who truly desire to tackle their individual health concerns,” Tramel said. “Many of our employees are motivated by their biometric results, and we want to be sure they have the resources they need when they are ready to take action to improve their health.”

As with the U.S., many locations globally have been successful in implementing local programs as a follow-up to their health screenings. In the U.K., Malaysia, China, Singapore and Canada, for example, employees have taken advantage of programs focused on nutrition, physical activity, smoking cessation and mental health.

LEADERSHIP SUPPORT – CRITICAL TO SUCCESS

When it comes to creating a culture of wellness, one thing is clear: Leadership support is critical to success. “When leaders get personally involved in a particular campaign or even simply voice support for the cause, we see stronger employee participation,” Castelli said. “We are fortunate to have many Wellness Champions across the company. It’s an evolving process, but we’re pleased with the reception by our leadership and the recognition of the importance of supporting a healthy, thriving workforce.” ■



**U.S. Benefits COE
Manager Lynn Tramel**

How they did it

Five ConocoPhillips employees share their personal journeys to wellness

Katherine Springall ▶ Calgary, Canada

How I got started

I joined ConocoPhillips in 2006, overweight and out of shape. I knew I had to make changes. In 2009, I actually started doing something to take control of my health.

How I did it

I started out with Weight Watchers meetings and eventually signed on for Weight Watchers at Work. I paid for the weekly on-site meetings with my Personal Development Account, or PDA (benefit exclusive to Canada). I added exercise the following year by joining a gym and working out with a personal trainer twice a week, also paid for with my PDA. At the gym, I started gaining confidence and using the elliptical machine.



Center Champion, advocating health and wellness to my peers.

How I stayed with it

My wife, Janet, is my best friend and a strong supporter. My kids are also great motivators – they are so full of life and energy and challenge me to do better. Also, I take full advantage of the knowledge and skills of the Houston Wellness Center staff. What also helped was thinking about what I wanted to accomplish and writing down specific, realistic goals; taking it one small step at a time; and giving myself rewards along the way to stay motivated.

Jisha Varughese ▼ Doha, Qatar

How I got started

The *Know Your Numbers* campaign, supported by the Qatar Wellness Team, was the starting point to my healthier lifestyle. I had high cholesterol and BMI, primarily from bad eating habits, not enough exercise and family history. The program helped me realize the future impacts of my unhealthy lifestyle and the need to begin a healthy makeover before it was too late.

How I did it

I began hour-long workouts at the gym three days a week. I simultaneously changed my eating habits by exchanging fried food for grilled, reducing rice to twice a week, eating more fruits and vegetables, not skipping breakfast, and incorporating healthier lunch and snack options. I lost nearly 10 kilos



in 2:13. I love running now! I run every day and am planning to participate in CPC Runs and Walks again in 2012.

With hard work and support, I have lost over 100 pounds.

◀ **Brian Blowers** Houston, Texas

How I got started

I kicked the smoking habit, started walking, and bought a treadmill and some small weights for the house. After a while, I took the plunge and ventured into the Wellness Center. Best move I ever made!

How I did it

By participating in *Know Your Numbers*, I learned about HDL/LDL, total cholesterol and body mass index (BMI). I also learned the role stress plays in your health.

I work out at the Wellness Center and have participated in Polar BodyAge® fitness assessments; fitness classes; and programs such as the Lean Team Challenge, Poker Walk and Nutrition Programs. I joined the ConocoPhillips Running Club and Biking Club and have participated in the ConocoPhillips Rodeo Run, the Chevron Houston Half Marathon and the BP MS 150 bike ride. I proudly serve as a Wellness

How I stayed with it

When the ConocoPhillips Canada CPC Runs and Walks program for 2011 was announced, I decided to give running a try and signed up to train for a half marathon. That was the first time I had run since grade 9 gym class! I ran my first half marathon in Calgary in May 2011, finishing



(22 pounds) in about eight months and reduced my total cholesterol by a third.

The various initiatives promoted by our BU Wellness Team also supported my journey to better fitness. I took advantage of the corporate membership at a local fitness facility, healthy snacks and fruits in the workplace, Lunch-and-Learn sessions, Wellness Workshops, the Qatar Wellness website, links to ConocoPhillips Global Wellness, and Art of Abundant Living, to name a few.

How I stayed with it

I truly believe that a personal commitment to health and wellness, combined with the



How I did it

The opportunity to participate in *Know Your Numbers* came at the right time. From the biometric screening, I learned that if I wanted to have a long, active life, I needed to make lifestyle changes now. I was heading down the road to a heart attack or a stroke. My blood pressure was borderline high, and my cholesterol was significantly higher than normal range.

How I stayed with it

I was motivated by what the doctors told me and my goal of retiring in the Rockies. I want to live in the mountains; I don't want to just sit on the porch and look at the mountains. My wife, Cathy, also took on the role of diet police!

I stuck with exercise and diet – just being smarter about what I eat and putting in a little sweat equity. When I first started at the gym, I was amazed at how out of shape I was. Getting old and soft kind of snuck up on me. I also saw my doctor. I was able to get my numbers down with diet and exercise, but I have to take medication for my cholesterol. With my family history and the numbers I had, it seemed like the smart thing to do.

Jaime Conway ▼
Bartlesville, Okla.

How I got started

I was at my heaviest weight when I became pregnant. I had high blood pressure, carpal tunnel, shortness of breath, fatigue and

swelling so bad my shoes didn't fit – all conditions tied to my weight. After having the baby and trying a miserable crash diet, I knew I would have to make lifelong, sustainable changes that fit the lifestyle of a working mom who travels and eats out. I found Weight Watchers easy to follow and dropped 19 pounds in the first month!

How I did it

I started working out with a personal trainer in the Wellness Center. He showed me several exercises to do in the gym and while traveling. I take advantage of the lunch-hour workout classes. My favorites are Women and Weights, Kettlebell, and Spin.

How I stayed with it

Asking my husband to join me has opened up a new world to us. We both weigh less now than we did in high school! We have more energy and love the way we feel and look.

I plan all my meals around Weight Watchers points and always plan the day before so I know how many points I use the next day. My friends think I am crazy, but I have started to plan out dinner meals four weeks at a time – a big timesaver.

As of January, after one year on Weight Watchers, I have lost 68 pounds, and my husband has lost 60 pounds.

company's support, definitely makes the "mission impossible" seem possible for employees. Because of the changes I have made, my work-life balance has improved, and I feel fitter and more productive.

For 2012, I have committed to furthering my personal and family health and fitness goals.

Paul Davis ▲
Ponca City, Okla.

How I got started

I knew I needed to start getting back in shape and had begun going to the gym in preparation for a week-long backpacking trip in Colorado.



Before



After

Global Marketing: To 2015 and beyond!

by Nellie Betzen, photography by Garth Hannum and others

Years ago, mention of 2015 evoked images of a science-fiction movie with peculiar-looking space robots and fast-flying cars. Now, only three years down the road, the year will be here before we know it, and Global Marketing is prepared to be better than ever in 2015.

In October 2010, Global Marketing leaders met in Houston with a few key objectives in mind, including how to define the group, where the business should be in 2015, and what culture and action items were needed to get there.

Right: Andy Viens, president, Global Marketing



“Although we operate as separate, individual business units, we have much more in common than each of us ever realized,” said Andy Viens, president, Global Marketing. “We identified common practices and issues, and as a result, this group of leaders truly feels like a Global Marketing team rather than a group of individual business unit managers.”

The group realized there were sizeable opportunities to elevate individual business performance by leveraging best practices and knowledge of the collective Global Marketing organization. The 5 by 15 initiative was born, an aggressive goal to improve earnings by \$150 million over five years. The group is targeting earnings of \$500 million in 2015.

Along with 5 by 15, Global Marketing is striving to be three things: a high-performance marketing organization, a learning organization and a world-class sales organization.



Carla Hernandez
works at the Yorba
Linda, Calif., 76 store.

The will to be a learning organization is best represented by the formation of Functional Excellence Teams (FETs), where business units work together to share best practices and solve problems across multiple platforms. You'll learn more about the FETs later, but first, it is important to understand the businesses that make up Global Marketing, their individual strengths and how they operate.

U.S. FUELS

With the main goal of offloading product from its refineries, U.S. Fuels operates under three business models: branded wholesale, reseller and unbranded. Branded wholesale consists of independent, licensed operators, called marketers,

diesel fuel and heating oil; manage major fuel supply agreements; and administer brand-licensing programs. Its customers include major truck stop operators, independent branded retailers, high-volume retailers, national resellers and heating oil suppliers.

Each of the three U.S. fuel brands stands for something unique and has a long, rich heritage with a loyal customer base. The 76 brand's mission and tagline are "We're on the driver's side." Phillips 66 is branded as the "Experts in gas since 1927," and Conoco reminds consumers to fuel up at Conoco every time "Because your car knows." The business uses an innovative digital advertising approach, with each brand having its own interactive website to correspond with regional

Each of the three U.S. fuel brands stands for something unique and has a long, rich heritage with a loyal customer base.

who conduct sales under the Phillips 66, Conoco and 76 trademarks. In the U.S., ConocoPhillips' branded network consists of approximately 7,300 outlets. Resellers are customers who own and operate outlets under a branded supply agreement. They are different from wholesale in pricing methodology and contract structure. Unbranded's role is to market unbranded gasoline,

television, radio, and out-of-home and in-station advertisements. Sponsorships of professional and college sports are also used to build consumer affinity and loyalty. For example, 76 sponsors the PAC 12 college athletics conference and Los Angeles Dodgers; Conoco sponsors the Mountain West Conference; and Phillips 66 sponsors the Big XII Conference, St. Louis Cardinals, and Kansas

A major point of differentiation for U.S. Fuels is its unbeatable customer service.

City American Parade and Rodeo. These sponsorships correspond to the regions where each brand is most popular. See the map below for a breakdown of market share across the U.S.

U.S. Fuels also operates an aviation fuel business with an 80-year history, which is one of the major suppliers of jet fuels and avgas to general, commercial and military aviation. It is bolstered by an extensive distribution network of more than 700 fixed-base operators coast to coast.

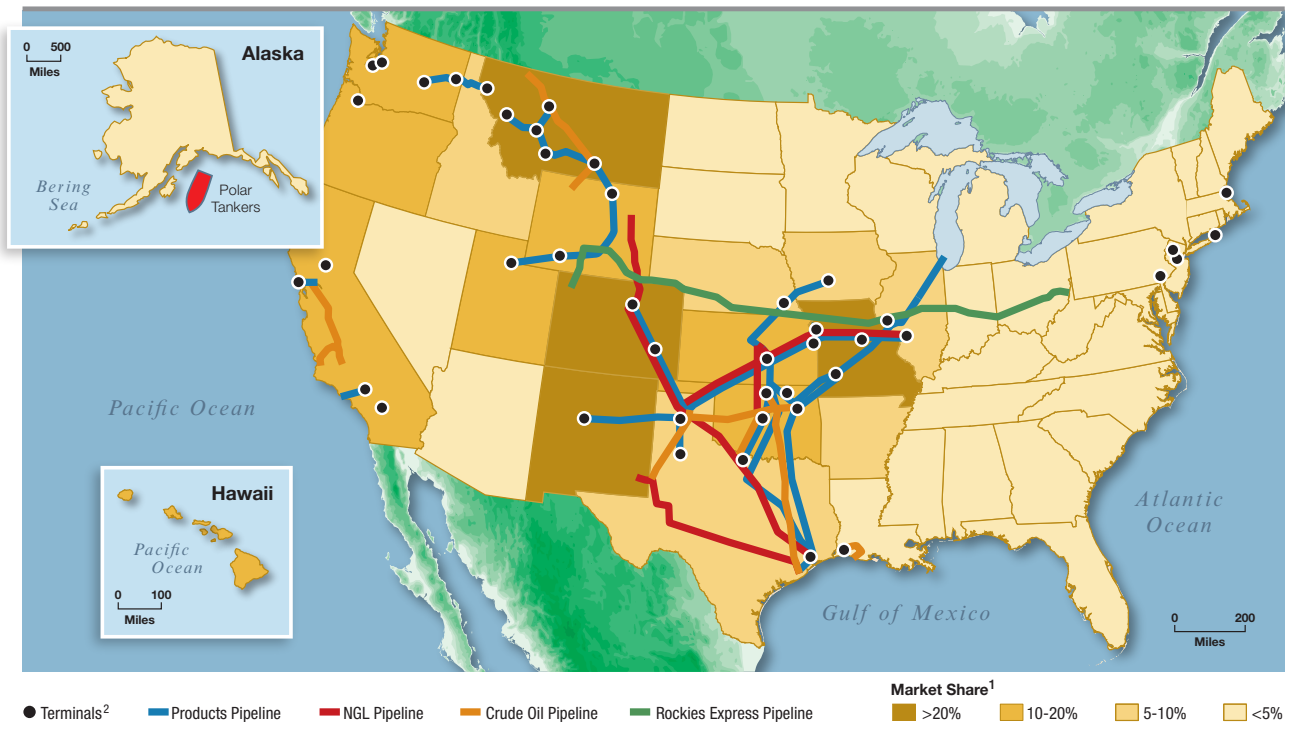
Currently, U.S. Fuels is implementing several sales force effectiveness improvement projects, which tie into Global Marketing's larger goal of becoming a world-class sales organization. On the West Coast, it's conducting a world-class sales process aligned with the buyer's branding process that will increase average deal volume and improve deal closure rate. For the unbranded business, it

is working on matching sales force capacity with territory potential, and on the branded sales channel side, projects are under way to determine the optimal sales force structure and to increase the time sales reps have with customers.

A major point of differentiation for U.S. Fuels is its unbeatable customer service. A 2010 Gelb Survey, which measures customers' thoughts on a variety of issues, showed ConocoPhillips' customer service levels to be at unprecedented levels and significantly better than the competition. The survey mentioned specifically that ConocoPhillips excels in these areas: sales personnel, customer service personnel and product supply.

"These scores indicate that we are achieving our vision to attain a level of service excellence that drives customers to prefer ConocoPhillips over all other suppliers, which is a true competitive

U.S. MARKETING AND TRANSPORTATION as of March 2012



Phillips 66 awards three Local Legends with gas for a year

Bringing customers the best in performance gasoline, Phillips 66 hosted a contest in 2011 to find topics on which its loyal customers are experts and name them as official Local Legends. To personally connect with its fans, the brand encouraged patrons in Illinois, Kansas, Missouri, New Mexico and Texas to submit personal videos of their special talents for a chance to win weekly, monthly, sweepstakes and grand prizes. The successful seven-month campaign motivated more than 200 consumers to submit videos of their exceptional skills, with the top three grand prize winners receiving Phillips 66 gas for a year.

“The Phillips 66 brand is passionate about two things – the performance gasoline we produce and the people in the places where we do business,” said Tami Walker, manager, U.S. Fuels Brand Management. “The Local Legends contest was a fun and different way for us to engage with our consumer patrons, and we look forward to finding more Local Legends in the future.”



The five grand prize winning videos can be viewed at phillips66.com:

1. Chris Dryden (Hannibal, Mo.)
“Phillips 66 Pool Trick Shots”
2. Ken Danley (Amarillo, Texas)
“Hands on the Wheel Harmonica Man”
3. Richard Dinkela (St. Peters, Mo.)
“Route 66 Rich”
4. David Werth (Albuquerque, N.M.)
“Inverted Tail Grab”
5. John Hagerty (Kirkwood, Mo.)
“Phillips 66 Marshmallow Tricks”

The purpose of the campaign was to re-energize the Phillips 66 brand with a younger audience, build affinity for the brand, and educate and inform consumers of how Phillips 66 is the expert in gas.



advantage,” Viens said. “This success has been achieved through a significant multiyear effort to improve and upgrade every part of our service offering.”

LUBRICANTS

The business starts with the refining of petroleum feedstocks, called vacuum gas oils, which are converted into base oils. Base oils are then blended with a variety of additives into a multitude of finished lubricant products at blending facilities across the country. The business produces literally thousands of stock keeping units (SKUs), from motor, hydraulic and gas engine oils to automatic transmission fluids and greases.

In North America, ConocoPhillips holds about a 7 percent market share and is the third-largest branded lubricants marketer, offering consumers four premier brands, including 76[®] Lubricants,

Conoco[®], Phillips 66[®] and Kendall[®] Motor Oil. The company operates the Excel Paralubes Group II base oil plant (a joint venture with Flint Hills), as well as five proprietary U.S. finished lubricant blending facilities. The business also has a world-class research, development and technical services facility in Ponca City, Okla.

ConocoPhillips lubricants are sold in all 50 U.S. states and in over 50 countries. Finished lubricants sales are made through two primary channels – on a direct basis to large customers and through branded marketers. Direct sales account for about 50 percent of the total volume sold and include such companies as John Deere, Firestone, Peabody Coal and Ford Motor Company, with business relationships going back more than 35 years. The other half of finished product sales are made to about 425 branded marketers who, in turn, sell the company’s branded products

Above left: U.S. Fuels Brand Management Manager Tami Walker

Above right: (from left) Associate Promotions Director Kimberly Dunman, Store Manager Tom Morelli, Grand Prize Winner Chris Dryden and Local Radio Personality Rick Wallace at the Local Legends winner celebration.

JET Germany launches new price alert campaign

JET has now made the search for more affordable fuel even easier for its customers. Those who register on the new JET website can determine a price limit and receive a price alert for the desired fuel type at their preferred petrol station. As soon as the price limit has been achieved, the customer receives a message via email.

The new website, www.jet-tankstellen.de, has been optimized for easy access via mobile devices, such as smartphones and tablet PCs. It enables price-conscious drivers to learn about JET locations and latest prices while on the road. At the same time, JET now offers JET KLICke. It gives customers the opportunity to become part of a community and take advantage of practical services centered around the car, including the price alert and calendar function for the next inspection appointment and oil change. In this online community, which resembles a social media site such as Facebook, members can add friends, post pictures of their cars and interact with one another.

"KLICke now has 8,000 members and counting, which is more than we anticipated," said Nikolai Lassen, team lead, Brand Strategy and Communication. "Every day, new members are joining, and that shows us that there is a need and a special attractiveness for this promotion."

The new website and price alert campaign are further components of digital strategy at JET, which began with QR codes at all JET petrol stations that allow JET customers to post the latest fuel prices at the stations on their own Facebook pages via their smartphones.

Around 800,000 people per month visit the JET website, which features characters developed by the famous German cartoonist Brosel. Al Alarmo is the character for the price alert campaign (see advertisement at right), but several more characters exist to promote the JET brand. You can learn more about them on JET's website.



Above: (from left) Regional Manager Oliver Reichert, Brand Development Senior Advisor Bettina Schmidt, Brand Strategy and Communication Team Lead Nikolai Lassen and Site Operator Jürgen Haack inspect marketing literature about smart saving with JET at a service station in Deelbøge, Hamburg.

to their customers, such as locally owned fleets, construction companies, quick lubes and automotive repair shops.

Lubricants' success depends on a four-dimensional strategy – operational excellence, easiest to do business with, optimization of the value chain and strict cost control. These four strategic elements have been integral to the business since the merger of ConocoPhillips. For instance, the business has managed to hold its operating costs flat in an absolute sense from Day One of the merger. Unlike other lubricants suppliers, ConocoPhillips has elected to avoid expensive mass media advertising and has chosen instead to generate brand awareness by targeting specific customers through

trade journals, sales aids and relatively inexpensive Internet videos. One such video features a man from Shreveport, La., who runs a delivery business using his own car, a 2007 Toyota Corolla. After several years, his car now has well over 500,000 miles and counting, all driven on Kendall Motor Oil. The video was posted on Kendall's YouTube channel and has already received thousands of hits and made millions of impressions.

With regard to creating value, the Lubricants team works on building meaningful performance benefits into its product line. Just last year, Lubricants developed a unique wireline lubricant that is used in the natural gas and oil production industries. The wireline oil seals and facilitates the

“Working to build the business with these competitive advantages with the help of our experienced and dedicated staff has helped us succeed beyond our expectations.” – Loretta Koster

transport of equipment up and down the well-bore, making the process more efficient, clean and environmentally friendly than other alternatives. With hydraulic fracturing of natural-gas-bearing formations increasingly utilized across the country, the market potential of this premium product is sizeable.

“When you look at the entire value chain for the business, starting at base oil production and supply through the plant operations and logistics, product and brand management, and the sales team, you quickly appreciate this is a fairly complex business,” said Gary Balzhiser, manager, Commercial Lubricants. “It doesn’t get any easier when you consider the flat projection for future lubricant demand. But we intend to continue growing the size and profitability of the business through outstanding teamwork and communication, anticipating trends and developments, and staying focused on our four established and proven strategy principles.”

POLYPROPYLENE

Propylene and ethylene are products produced from processing crude oil in a refinery and are the building blocks for polypropylene. The polypropylene plant is a way to upgrade the value of propylene in comparison to using it as fuel. ConocoPhillips’ polypropylene plant at Bayway Refinery in Linden, N.J., not only upgrades the value of the propylene produced, it also increases capacity to process crude oil and other petroleum feedstocks.

Polypropylene can be found in everyday plastic products, such as food packaging or medical supplies. You can tell a plastic container is made from polypropylene if you see the number five on the bottom. The polypropylene market is large and complex, with annual demand of nearly 20 billion pounds and hundreds of products that differ in their qualities and production requirements.

ConocoPhillips markets its polypropylene under the COPYLENE™ brand name, selling directly to converters and also via resellers and distributors. The converters take the COPYLENE™ product and convert it to plastic parts that are then sold to customers who use these parts in their manufacturing and sales process. As an example, COPYLENE™ product is sold to a manufacturer of food containers, who then sells the finished containers to your neighborhood takeout restaurant. The reseller and distributor customers buy polypropylene from ConocoPhillips and resell to smaller customers with whom ConocoPhillips does not have direct relationships.

The polypropylene business markets its products through trade shows and customer packs, which are used by the sales and technical services teams to attract potential customers. It also leverages relationships with business partners, such as additive suppliers, to help access the market and promote the COPYLENE™ brand, which was established at the beginning of 2010 when ConocoPhillips took over marketing the product from an external company.

“In the past two years, we’ve really worked to promote our COPYLENE™ brand name,” said Loretta Koster, manager, Global Specialty Petroleum Coke and Polypropylene. “Having our plant located in the Northeast puts us in a favorable position as far as weather and in close proximity to our customers, and we have supply consistency through being connected to Bayway Refinery. Working to build the business with these competitive advantages with the help of our experienced and dedicated staff has helped us succeed beyond our expectations.”

GLOBAL SPECIALTY PETROLEUM COKE

The Global Specialty Petroleum Coke business covers a wide range of products, from a highly specialized product purposely produced for the



Above: Gary Balzhiser, manager, Commercial Lubricants

Top: Loretta Koster, manager, Global Specialty Petroleum Coke and Polypropylene

“Our mission is to be the supplier of choice within our customer segments well into the future.” – *Stefan Wulkan*

Stefan Wulkan,
manager, UKIM



steel industry to coke that is a byproduct of the refining process.

Needle coke, the most sophisticated of the petroleum cokes, was first produced in Conoco's Ponca City Refinery in the early 1950s. This product is used to make an electrode that is essential to the process of recycling steel. Although Ponca City no longer makes needle coke, it's produced at the Lake Charles and Humber refineries, and ConocoPhillips is the leading supplier of this product to electrode manufacturers around the world.

The aluminum industry needs a special product, anode coke, for processing ore into aluminum. Humber, Alliance and Ponca City are the main locations that produce it, with Humber and Alliance making top-quality anode coke.

Unlike other key markets, the specialty coke market is fairly small, with only 100-200 customers. Given the specialization, long history and market leadership, the business has decided to not advertise or brand its products. Instead, it focuses on strong relationships with its refineries to ensure the product meets high standards and on its relationships with customers to ensure an understanding of their business and that their needs are being met.

“Our challenge, moving forward, is to not take our leadership position for granted,” Koster said. “We've worked hard to get where we are, with a world-class team of sales and technical support, as well as dedication from the refineries to produce the product our customers need. We work hard to continue serving as the supplier of choice, such as by delivering improvements in quality or increases in production of products in short supply. I see a bright future as we move forward into Phillips 66.”

UNITED KINGDOM AND IRELAND MARKETING

The U.K. and Ireland Marketing (UKIM) business has achieved significant success over the last 10 years with a mantra of “Customer focus, cost leadership and HSE excellence.” UKIM is a wholesaler of industrial, heating and transport fuels and profitably finds inland markets for the bulk of ConocoPhillips' Humber and Whitegate refineries' clean fuels distillate production and a significant portion of its gasoline production. Customers range from single-station owners to large national fuel distributors, often serving multiple market segments (marine barge, LPG, aviation, heating oils and transport fuels). Products are predominantly sold unbranded and on a collect basis. Branded sales are to JET branded, independently owned fuel distributors and JET branded dealer-owned retail outlets.

Last year, the business completed a strategic study of its markets and potential and, as a result, is currently shifting from the traditional wholesale focus to a national and regional sales organization reflecting the business focus of its customer base. The new structure includes increased sales support to improve customer face time and additional resources to allow for sales development and strengthened inventory management.

“With this change, we began a journey toward sales and operational excellence and being a truly

opportunity- and solutions-driven organization,” said Stefan Wulkan, manager, UKIM. “Our mission is to be the supplier of choice within our customer segments well into the future. We are moving away from generalist to specialist functions, allowing people to focus and become really great at what they do. Through this change, a number of people have moved into new positions, new leaders have emerged, and there is clearly an excitement about the future.”

In addition to the increased market alignment, HSE (health, safety and environmental) continues to be a



focus throughout the UKIM business, from head-office employees to the contractors who deliver fuels to the service stations. In fact, in September 2011, the business celebrated 10 years without an

employee recordable incident, which sets the bar even higher for the future. Using its network of 330 JET branded sites, UKIM also works to promote safety in the community through a number of retail-focused campaigns.

In the summer of 2011, JET launched its 20 is Plenty campaign and teamed up with BRAKE, a U.K. road-safety charity that works to decrease the number of pedestrian road accidents. The simple message was aimed at encouraging motorists to slow down to prevent the growing number of pedestrians, especially children, who

Left: A local advertisement promotes JET's 20 is Plenty road safety campaign.

Below: North Oxfordshire Member of Parliament Tony Baldry (*left*) receives 390 signatures of local drivers who pledged to drive at or below 20 mph in built up areas as part of JET's recent 20 is Plenty road safety campaign, from Elliot Fairbrother (*right*), manager of JET's Antelope Garage in Banbury. Pupils from The Grange County Primary School in Banbury are present to support the initiative.



“I know we will be able to successfully deal with the market changes that we face.” – Barry Quinn



Above: Barry Quinn, general manager, Continental Europe

Top: Tony Reddington, marketing manager, Finance

are injured on U.K. roads every year. Part of this campaign gave customers the opportunity to sign an in-store pledge to reduce their speed, and more than 14,000 signatures were received.

“UKIM is really proud of its HSE record and our ability to maintain quality products and dedicated customer service, while still keeping safety and operational excellence at the forefront,” Wulkan said.

CONTINENTAL BUSINESS UNIT

“Individually strong, together unbeatable” is the slogan developed by ConocoPhillips Germany in 2008 after a careful evaluation of the operations’ vision and values. The business unit is living that slogan today, and the meaning behind it helped spur the need for increased knowledge sharing and collaboration among the whole Global Marketing organization.

ConocoPhillips Germany, headquartered in Hamburg, is known for its JET brand supported by an 18.75 percent interest in MiRO Refinery, from which it receives a big share of its fuel supply. MiRO is the largest and one of the most modern German facilities of its kind. Having a supplier like MiRO puts ConocoPhillips at a strategic advantage in the sale and distribution of JET branded fuels and plays a significant role in supporting the company’s 10 percent market share.

The customers of JET feel a strong connection to the brand, much like the emotional connection they feel toward their own cars. Part of what makes this connection between the brand and the customers so strong is that the 550 JET stations belong to ConocoPhillips and are individually, yet consistently, run by self-employed station operators. Customers stop at JET stations not only for the fuel, but for grocery items, a car wash or a snack from the bakery.

JET Germany has several competitive advantages, including a high degree of customer loyalty,

and the business unit is focused on growing the JET network, upgrading the existing retail network through disposals and high-quality replacements, and continuing to develop pricing analytics to improve margin and maintain volume.

“With our dedication to innovation, our increased level of knowledge sharing and collaboration through the Functional Excellence Teams, and the power of our people, I know we will be able to successfully deal with the market changes that we face,” said Barry Quinn, general manager, Continental Europe. “JET will continue to be a leader in the industry.”

FUNCTIONAL EXCELLENCE TEAMS

Now that each individual business has been explained, it is easier to understand how they are working together to achieve the common goal of 5 by 15. Shortly after this aggressive goal was announced, seven FETs were formed. These cross-functional teams include Pricing, Customer Service, Sales, Data Management, Supply Chain Management, Brand Marketing, and People and Culture.

“I’m a big believer in this system,” Quinn said. “Conversations are happening that probably wouldn’t have happened without the formation of these FETs. The knowledge sharing is really turning ideas into action items, and I think everyone within the organization can see the value in this.”

Although the FET initiative is just a year old, the organization has already seen extremely valuable results. For example, the Supply Chain Management FET, which includes members from outside of Marketing, including a co-team lead from Commercial, carried out several projects in 2011 that resulted in several million dollars of cost savings. One such project focused on contracts with additive suppliers. Through the knowledge-sharing capability of the FET concept, the Supply Chain Management team was able to recognize that the vendor used to supply additives in North

America was the same vendor the European Marketing group used for its additives.

“We put a similar contract together for Europe, based on commodity indexes used in the manufacturing of the fuel additives we buy, then, on top of that, negotiated a global purchasing discount,” said Jay Hong, manager, Base Oils and Specialty Products, and team co-lead for the Supply Chain Management FET. “This project was our first success and proved how quickly one good idea could be leveraged in another of our businesses.”

This project, and several others carried out by the Supply Chain Management FET, earned it one of Global Marketing’s STAR Awards in 2011.

“One of the reasons for the recognition is that our project teams work together very cohesively,” Hong said. “The core members have done a great job of pulling in the right resources to get the job done. In order for the FET concept to work, you need team members who are invested in the success of their projects, and you need projects completed early on to demonstrate that the FET concept works. The additive contract negotiation was our first big win, and that really gave people motivation to work hard.”

An example of how the FET concept is really catching on is the addition of Finance FETs in the fall of 2011.

“As Marketing has developed as a global organization, it has become clear that within Marketing Finance, we have several areas where we have issues, challenges and processes that are common to all locations,” said Tony Reddington, marketing manager, Finance. “Clearly, the goal of becoming a learning organization, sharing and implementing best practices, is as relevant for Finance as for the rest of the business.”

Two Finance FETs have been set up for now, focusing on reporting and economics. Two more are slated to be launched later this year in the areas of credit and business governance.



Jay Hong, manager,
Base Oils and Specialty
Products

“The core members have done a great job of pulling in the right resources to get the job done.” – Jay Hong

“These FETs will make certain we have a network of expertise in specific key areas, which, in the short-term, will ensure the provision of insightful financial information in an efficient manner and build bench strength of expertise that can sustain that in the future,” Reddington said.

MOVING FORWARD TO PHILLIPS 66

As the company continues its plans to reposition into two leading energy companies, Global Marketing also marches on with its focused commitment of achieving its 5 by 15 goal. As part of an integrated downstream company, the Marketing business of Phillips 66 is ready to shine. The collaborative work being done now will carry the organization through repositioning and into the future to help achieve the Phillips 66 objective, which is to win in the marketplace.

“Our global organization couldn’t have a better opportunity than it does right now to shine,” Viens said. “Now is our time to really set the stage for what we want Global Marketing to look like, act like and perform like for the future.” ■



Joachim Asmussen

May the wind always be at your back by Marion Oehlmann

Faces of ConocoPhillips

If you happen to be sailing along the Baltic Sea

this summer, keep your eyes peeled because you just might see Joachim Asmussen. The retail manager of ConocoPhillips Germany, based in Hamburg and responsible for the German JET gas station business, is saying goodbye after more than 33 years with the company. In June, he'll be setting course with his 40-foot yacht, the *Tootega II*. His route will take him to Sweden, the Baltic, Finland, Russia and then back to Sweden.

Before his voyage begins, it is only fitting to take a brief look back on his remarkable career. Joachim started at Conoco in Hamburg in 1979 as an analyst. His tasks included the implementation of probability studies for Retail in the area of Economics and Planning. It was a detailed assignment, which continues to influence him even today. It explains why Joachim is always extremely well-informed before making a decision – without ever losing sight of what's important. And he has had to make many decisions. His career has taken him to various departments, positions and countries, including ConocoPhillips' headquarters in Texas.

"Joachim's goal has always

been to make a difference, and his decisions have managed to do this on a number of occasions," said George Ober, manager, Strategy and Optimization in Houston. "The energy with which he goes about his day is amazing. And his sense of humor is too – a characteristic which I, as a Bavarian, do not necessarily associate with dry Northern Germans."

One decision, back in 1995, that Joachim played an essential role in making was to bring the carwash business in Germany back into company hands – now known as the successful brand StarWash.

"Without his enthusiasm and effort in persuading the Board of Management and Sales, the StarWash concept would never have been possible," said Detlef Hitzweibel, team lead, Maintenance and Repair. "Joachim scored points during the negotiations with his analytical thought process, his straightforwardness and, most of all, his direct way of talking. He simply said what he thought – and that was, more often than not, very convincing!"

Following further stops in Germany, Joachim and his family were off to Stockholm in 2000. It was here that he served as managing director for Conoco

Nordic, as it was known at the time, until 2009. After this business was sold to Statoil, Joachim returned to Hamburg. Because he spent so many years in Stockholm, the city had become Joachim's second home, where he, as a passionate sailor, purchased his first yacht.

Ulrike, Joachim's wife, revealed why her husband finds sailing so fascinating: "It's not only the freedom and peacefulness, but the challenge, more than anything else, that he is constantly being faced with on the open sea."

Challenges are also something he willingly took on during his career, much to the appreciation of those he worked for and with.

"Joachim can take pride in the impact he has had on the organizations he has worked with and led," said Barry Quinn, managing director, ConocoPhillips Germany. "Heartfelt thanks go out to him, and best wishes for the future – on land and on the water. May the wind always be at your back!"



Above: Finally with plenty of time for his biggest passion, Joachim sets sail and bids farewell.

Opposite page: Energy, straightforwardness and lots of humor are the traits that helped Joachim master virtually every challenge during his three decades at ConocoPhillips.



Cecil Galloway

To live to tell it by Mariana Cavin

Faces of ConocoPhillips

When the United States entered World War II in late 1941, the largest horse cavalry force in the nation could be found at Fort Bliss near El Paso, Texas. Cecil W. Galloway, serving with the 7th Cavalry Regiment, was just 19 years old. At the onset of the war, the War Department determined that the 1st Cavalry Division would give up their horses after 20 years in service. In 1943, the division was dismounted for overseas duty. The era of the horse-mounted cavalry had come to an end.

The 1st Cavalry was sent to the Southwest Pacific where its men – Cecil Galloway included – served with distinction. Cecil served five years in the U.S. Army, three of them overseas in Africa and Italy as a sergeant major of the 91st Cavalry Reconnaissance Squadron, Mechanized. Cecil supervised 800 personnel, received six Bronze Stars, the Good Conduct Medal and the American Defense Service Medal before being awarded an honorable discharge in 1945.

Back in civilian life, Cecil married Dorothy E. Sweatt in 1947. Soon, he began working with Phillips Petroleum Company at the Borger Refinery. The job was a satisfying way to do something he enjoyed while supporting his

young family of five children – Brenda, Charlie, Carolyn, Betty and Judy.

“Phillips offered me a job that helped me learn valuable skills and gave me the opportunity to advance,” Cecil said. “Phillips cared about us, paid us well for our work and provided scholarship opportunities for our children. We were a big family, and the company showed us their appreciation when we worked hard.”

As a yard hand, Cecil performed manual labor at the refinery, helping with any needed

task. “I did everything, from maintenance to monitoring gages to supervising work crews,” he said. Still, some of Cecil’s fondest memories come from working on the cat crackers, one of the most important refinery units where heavy crude oil is cracked, or fractionated, into gasoline products.

Cecil could always be found amid the action. He recalls



Above: Four generations up close. Cecil with son, Charlie Galloway; granddaughter Jamie Davis; and great granddaughter Briar Davis.

Left: After being awarded an honorable discharge in 1945, Cecil Galloway worked temporarily in Memphis, Texas. Shortly after, he started working at the Borger Refinery.

Opposite page: Cecil Galloway at ConocoPhillips’ corporate campus in Houston proudly shows his hard hat and the Phillips jacket that he continues to wear today.



To live to tell it (continued from previous page)

Cecil stands next to his 1960 Corvair 700 Coupe, the car he drove to work. "I liked its sporty look, and it got good gas mileage; with the motor in the rear end, it also drove well in the snow." On the weekends, the large family rode in a station wagon.

vividly the day he was standing at the bottom of one of the refinery's crude oil fractionating towers and heard a fast-moving bolt bouncing up and down from a height of at least 80 feet. Sure enough, Cecil's hard hat was penetrated when the falling bolt

came crashing down. Luckily, his safety gear was able to prevent a head injury.

"I remember, when the bolt hit my helmet, feeling relieved that I was required to wear a hard hat at all times at work. You can never be too safe in a

refinery. Seeing the hole made me appreciate the company's safety requirements even more," Cecil said. During his 37 years with Phillips, Cecil received numerous awards for safe work-hours.

Even though Cecil retired in





Left: Shaking hands with Refinery Superintendent R.D. White on the occasion of his 30-year service anniversary with Phillips. As a stillman's helper, Cecil reported to White.

1985, he remains very proud of his service to the company and his Phillips Petroleum memorabilia, including the Phillips jacket he continues to wear today. The hard hat, which served such a valuable purpose the day the bolt fell, holds a special place in his heart.

Equally meaningful to him is being an Honorary Dallas Cowboy, a recognition that came to Cecil for the temporary work he did next to Dallas Cowboys

legendary coach Tom Landry during the Phillips union strike in the late 1960s. Needless to say, Cecil is still a die-hard Cowboys football fan.

After the death of his beloved wife of 62 years, Cecil traded Texas Panhandle tornadoes for hurricanes and moved to Houston, where he enjoys venturing out with his family to local eateries for shrimp dinners. He's adapted well to his new hometown and now roots for the Houston Texans.

He also enjoys NASCAR and The History Channel. "Axe Men," "Swamp People," "American Pickers" and "Pawn Stars" are just a few of his favorites.

At age 90, Cecil continues to be a competitive dominoes player and only occasionally lets his opponents win. He has 11 grandchildren and five



Above: Cecil with long-time friend Lois Wallis at his 90th birthday party. Lois' husband, Eugene Wallis, worked many years for Phillips as a welder before he passed away.

great-grandchildren. To remain sharp and healthy, he says he keeps his weight where it should be, plays dominoes with friends and maintains a good sense of humor: "I always like to kid around with folks and see people laughing, especially at my silly pranks and jokes."





Shirley Stevens Coyner

Still soaring by Karen Sivils

Faces of ConocoPhillips

While working for Conoco-Phillips is not the only job

Shirley Stevens Coyner has ever had, you wouldn't know it by her tenure. August will mark her 60th anniversary with the company. A registered nurse in the Bartlesville, Okla., Medical Center, Shirley knew at a very early age what profession would make her happy. "Back in grade school, I knew I wanted to be a nurse. I knew I didn't want to be a teacher or a stenographer," Shirley said of the professions typical of young women at the time. She came to the realization because when allowed to accompany her parents to visit friends in the hospital, she was intrigued by what she saw and wished to understand the tools of healing.

Though she wanted to attend college in Bartlesville to be close to her parents, the local junior college at the time didn't offer nursing training. Intent on pursuing the only occupation she desired, three days before classes started, Shirley decided to attend Oklahoma Baptist University (OBU) in Shawnee, Okla. She studied there for two years, but transferred to the University of Oklahoma (OU) School of Nursing in Oklahoma City to achieve her lifelong passion. Upon graduation from OU, Shirley returned

to OBU to work as the school nurse for a year before finally returning to Bartlesville to work for Phillips Petroleum Company in the Medical Center where she administered injections and assisted the physician with exams and physicals.

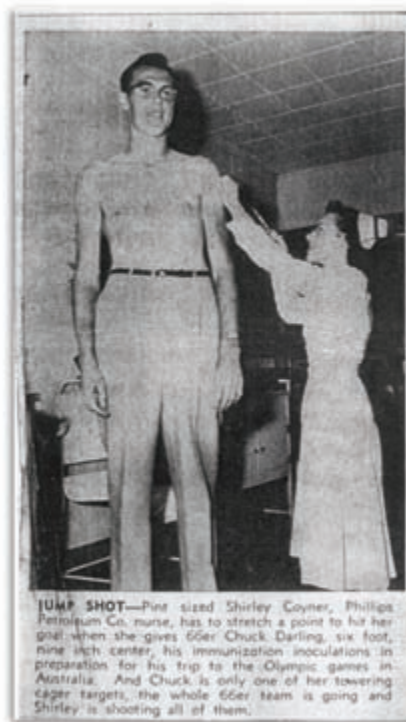
This decision would shape the rest of her life, because not long after her return, a friend invited Shirley to a dinner party to meet fellow Phillips employee Herbert Coyner. Herbert became her husband and, years later, her inspiration to learn to pilot an airplane. After earning his pilot's license, Herbert enjoyed taking Shirley with him when he flew. Perhaps spurred on by a return home flight one night after dark in which Herbert unintentionally flew into a flock of birds, causing the plane to fall dramatically, Shirley decided to earn her pilot's license as well. She felt understanding the pitch and roll of the small, four-passenger Cessna 72 would make her more at ease in the air. She was right. Of her zest for flying, Shirley said, "During my third lesson, it struck me." From the middle of that lesson on, she loved being in the air.

Unfortunately, Shirley gave up flying after Herbert passed away in 1982, because with her small stature, it was too difficult to

maneuver the plane into and out of the hanger. And she didn't enjoy it as much without Herbert. "It wasn't the same without him," she said.

Over the years, Shirley decreased her hours and is now a part-time employee working six hours per week providing basic medical services, such as administering allergy injections, at the Medical Center in the basement of the Frank Phillips Tower Center. But she says she will probably retire later this year. As for what she will do after retirement, she said, "It won't be very much different. I'm very active in my church." In the past, Shirley has served as the Women's Missionary Union director and a Sunday school teacher and has traveled on numerous mission trips. After retirement, she intends to continue being involved in such activities.

Shirley is summed up in a few words by Farrah Mojabi, control center manager, Transportation Logistics. "She is an amazing woman and an inspiration," she said.



Above: Shirley's small stature is emphasized in this newspaper clipping from early in her career when she had the task of inoculating the Phillips 66ers basketball team for their Olympic trip to Australia.

Opposite page: Bartlesville employees receiving allergy shots might encounter Shirley in the Medical Center, her place of employment for almost 60 years.

Hydraulic Fracturing: An Overview

About Hydraulic Fracturing

Hydraulic fracturing is essential to produce oil and natural gas that is otherwise trapped in low-permeability rock formations. It significantly improves the recovery from the reservoir by stimulating the movement of oil and natural gas.

It is important to understand where hydraulic fracturing fits into the entire drilling, well construction/completion and production phases of oil and natural gas activities. Hydraulic fracturing is **not** a method for drilling or constructing a well.

To reach a hydrocarbon formation – thousands of feet below the surface and freshwater resources – the hole (wellbore) is drilled in successive sections through the rock layers. Once the desired length of each wellbore section has been drilled, the drilling assembly is removed, and steel casing is inserted and cemented in place. As the well is constructed, concentric layers of steel casing and cement form the barrier to protect groundwater resources from the contents that will later flow inside the well. Next, only the section of casing within the hydrocarbon formation is perforated at the desired location.

The well is now ready for the hydraulic fracturing process. This process involves pumping fluid through the perforations. The fracturing fluid itself exerts pressure against the rock, creating tiny cracks, or fractures, in the reservoir deep underground. The fluid is predominantly water, proppant (grains of sand or ceramic particles) and a small fraction of chemical additives.

Once fluid injection stops, pressure begins to dissipate, and the fractures previously held open by the fluid pressure begin to close. Proppants then act as tiny wedges to hold open these narrow fractures, creating pathways for oil, natural gas and fracturing fluids to flow more easily to the well. A plug is set inside the casing to isolate the stimulated section of the well. The entire perforate-inject-plug cycle is then repeated at regular intervals along the targeted section of the reservoir. Finally, the plugs are drilled out, allowing the oil, natural gas and fluids to flow into the well casing and up to the surface.

The hydrocarbon/fracturing fluid mixture is separated at the surface, and the fracturing fluid (also known as flowback water) is captured in tanks or lined pits. The fracturing fluids are then disposed of according to government-approved methods.

Hydraulic fracturing operations generally occur over a three-to-five day period. The entire well construction process (including hydraulic fracturing) takes only two-to-three months, compared to the 20-to-30 year productive life of a typical well.

Importance of Hydraulic Fracturing

Since the late 1940s, over 1 million wells have been hydraulically fractured in the United States and more than 2 million have been fractured worldwide. When used in conjunction with horizontal drilling, an advanced drilling technology, hydraulic fracturing has made it possible to develop vast unconventional resources. Without hydraulic fracturing and horizontal drilling, resources like gas from tight sands, coalbeds and shale would remain largely undeveloped. According to the U.S. Energy Information Administration, all of these resources combined accounted for 50 percent of U.S. natural gas production in 2009 and are projected to account for 60 percent of supply by 2035. These sources are also contributing to growing U.S. oil production.

A Safe and Proven Technique

Hydraulic fracturing is a safe and proven technique that has enabled oil and natural gas resources to be developed safely for over 60 years. The National Petroleum Council reported that "Up to 95 percent of wells drilled today are hydraulically fractured." Many studies – and decades of history – indicate that oil and natural gas operations, including hydraulic fracturing, are safe when wells are properly designed, constructed and operated.

Recent studies have found no substantiated connection between hydraulic fracturing and groundwater contamination:

- A 2004 Environmental Protection Agency (EPA) study of fracturing of coalbed methane reservoirs found "little or no threat" to underground sources of drinking water. Hydraulic fracturing continues to be studied by the EPA.
- A 2009 study by the Ground Water Protection Council, an association of state regulators, reviewed 10,000 wells and found only one complaint, which proved to be unrelated to hydraulic fracturing.
- In 2010, the Interstate Oil & Gas Compact Commission, representing 30 state governments, affirmed that there have been no verified cases of drinking-water contamination resulting from hydraulic fracturing operations in states where shale gas is produced.

There's Power in Cooperation

Multiple Safeguards Protect Groundwater

Protection of groundwater resources is important through every stage of oil and natural gas development. Below the surface, well integrity is crucial to isolate and protect potable groundwater from hydraulic fracturing and flowback fluids during completion operations and from oil, natural gas and water produced from the reservoir over the well life. Proper well design, construction and monitoring are necessary to ensure groundwater is protected.

A well is much more than a pipe in the ground. After a wellbore is drilled through the rock, concentric layers of steel casing and cement are installed, creating multiple, impermeable barriers between the inside of the well and the earth's strata, including aquifer formations containing freshwater.

Looking at a cross section of a well, the outermost structure typically includes a shallow conductor casing to stabilize the ground at the well surface and always includes surface casing. The surface casing extends to depths below freshwater aquifers, in accordance with government regulations, and is cemented in place with the explicit intent of protecting useable groundwater. Inside this structure, there may be one or more intermediate casings. The innermost structure is a production casing that extends to the bottom of the well. Typically, cement is pumped into the open space between each casing and the rock, forming a complete seal with multiple layers of protection.

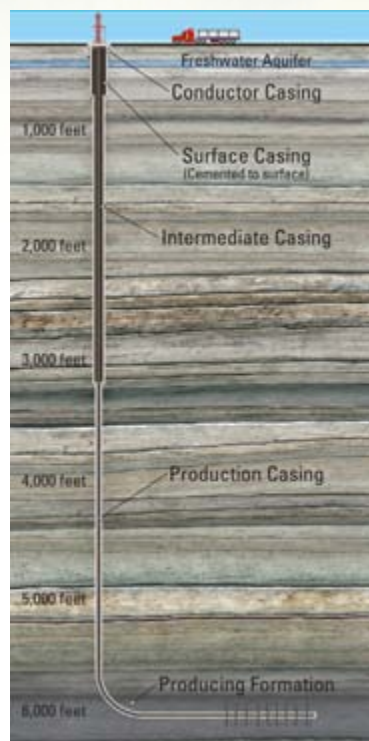
To ensure well integrity, the entire system is pressure tested before the hydraulic fracturing process begins. Personnel at the well site continually monitor fluid injection rates and pressures throughout the hydraulic fracturing process. This data can also be transmitted via satellite to remote operation centers for off-site monitoring. Hydraulic fracturing operations are immediately shut down in the event of unexpected pressure responses.

Once hydraulic fracturing is complete and the well is

placed into production, the pressure inside the well drops below the pressure of the hydrocarbons outside the well. This pressure difference causes oil, natural gas and fracturing fluids to migrate into the well. The well is the path of least resistance for hydrocarbons to flow to the surface in a controlled manner, rather than being driven upward through geological barriers.

Beyond the mechanical safeguards of the well itself, groundwater is protected by physical factors. Hydraulic

fracturing typically occurs thousands of feet below freshwater aquifers and often more than a mile below the earth's surface. Multiple layers of permeable and impermeable rock separate the targeted hydrocarbon formation from the aquifers, providing natural geologic barriers to the upward migration of fluids.



Frequently Asked Questions

Who regulates hydraulic fracturing?

A range of local, state, federal and national laws and regulations currently govern hydraulic fracturing operations. These rules include well permitting, well materials and construction, air emissions, flowback and produced water disposal, storm water management, and chemical recordkeeping and reporting.

Is hydraulic fracturing safe?

Yes. Well operations, including those involving horizontal drilling and hydraulic fracturing, are low risk activities that

we manage responsibly. We are confident in our ability to safely and responsibly develop oil and natural gas resources by using proven practices.

Where does hydraulic fracturing take place?

Hydraulic fracturing takes place in hydrocarbon-bearing formations that are typically thousands of feet below the surface. It would take approximately five Empire State Buildings (1,250 feet each) on top of one another to reach a targeted formation at 6,000 feet below the surface.

In December 2011, media attention was ignited by the release of an EPA draft report, which found that, in Pavillion, Wyo., "Data indicates likely impact to ground water that can be explained by hydraulic fracturing." Since then, the EPA has backtracked with the statement, "We make clear that the causal link to hydraulic fracturing has not been demonstrated." The preliminary report was released prior to peer review.

Mega cool asset

When you hear the name Amauligak, you might think it's the name of a new "Transformers" character.

Amauligak is ConocoPhillips' largest asset in the Canadian Arctic. Named after a local migratory bird, it's located 31 miles (50 kilometers) northwest of Tuktoyaktuk at a water depth of approximately 100 feet (30 meters) and is the largest oil and natural gas field in the Beaufort Sea. Although not a Transformer per se, the Amauligak asset has the potential to morph into a big project.

Recently, the Canadian Arctic Business Unit announced that the Amauligak asset has entered into the first stage of the formalized project process, front-end loading (FEL) 1. This project is just the beginning, but its potential has the team excited.

FEL 1 is a three-year study to explore all possible options and configurations to allow the team to select a single development concept. To make this selection, the team will need to evaluate the myriad of development options and configurations. A project of this magnitude in the Arctic is a complex process. With frigid temperatures, dramatically variant hours of daylight and gigantic ice features, the team will be faced with a multitude of additional technical challenges.

Once the concept has been selected, the next step is identifying successful economic merit in order to move on to FEL 2 and 3. Passing through all these phases would result in a potential

construction date sometime around 2019.

Production, according to Gary Sykes, vice president, Canadian Arctic Business Unit, would follow a few years later. "Amauligak would be a true mega project," Sykes said. "And as such, the complexities of the design, project approvals, construction, installation and commissioning point toward a first production date around 2022 to 2025."

The FEL 1 phase will require a Calgary-based, 25-person multidisciplinary team, including positions in Safety, Engineering,

Amauligak is ConocoPhillips' largest asset in the Canadian Arctic and the largest oil and gas field in the Beaufort Sea.

Subsurface, Commercial, Regulatory, Environment and Stakeholder Engagement. Additional functional support and external contractors will also be necessary to move the project ahead.

The announcement of this first stage of the project comes after an industry Arctic Offshore Drilling Review and roundtable hosted by Canada's National Energy Board (NEB) in 2011. ConocoPhillips participated in the review with a global, multifunctional team to encourage efficient Canadian Arctic offshore regulation, advance the company's Arctic interests, and respond to NEB and stakeholder expectations.

"The roundtable was a very open, transparent process that brought the regulator, industry and stakeholders together for a wide-ranging discussion on the challenges of drilling in the Arctic environment," Sykes said.

ConocoPhillips garnered positive feedback on its involvement in the review, demonstrating a commitment to safety, the environment and carrying out Arctic offshore operations responsibly.

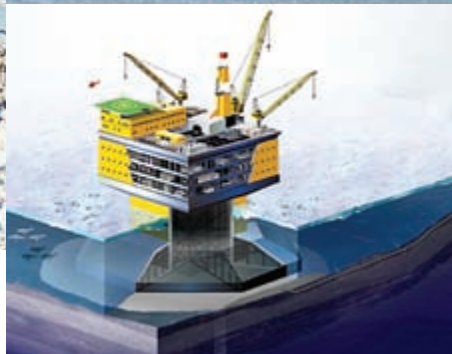
This is particularly important to ConocoPhillips, which is the largest leaseholder of discovered resources in the Canadian Arctic. With approximately 1.9 billion barrels of oil equivalent net discovered resources, there are a lot of opportunities for ConocoPhillips in this region. Looking beyond FEL 1, Amauligak is seen as the key to unlocking future development of ConocoPhillips' Arctic assets.

The Canadian Arctic spans a total of 1.4 million square miles (3.6 million kilometers squared), and since the 1950s, exploration has focused on the areas of Mackenzie Delta, Beaufort Sea and Sverdrup Basin. The Amauligak asset was discovered in 1984 when there was significant activity in the area. Shifting economics at the time created a halt of activities.

Twenty-eight years later, it's hard not to be excited as the Amauligak project moves into FEL 1. Although still early in the process, advancing Amauligak is positioning ConocoPhillips as a first mover in the Canadian Arctic, which is a positive step forward for project proponents and stakeholders alike. ●



Above: The original bottom-founded rig, Moliqpak, used to delineate the Amauligak reservoir. Top right: Amauligak (Inuvialuit) – One of the first migratory birds to return to the Arctic each spring. Bottom right: An artist's impression of the Amauligak Central Drilling and Production Centre.



Top knowledge sharers win 2011 Archimedes Awards

Now in their eighth year, the Archimedes Awards represent excellence in knowledge sharing across the company. The winning Networks of the Year, regions, teams and individuals demonstrate how people in a global, collaborative workplace deliver additional value to the company.

“Employees around the world have made knowledge sharing part of their daily jobs, enabling the company to deliver even stronger results,” said Dan Ranta, director, Knowledge Sharing.

The Archimedes Give Award recognized Alaska, Norway and Qatar for giving their knowledge to others. The Alaska Business Unit asset teams, along with other groups across the business, gave an integrated plan and roadmap to an operator that delivered an economic impact of \$118 million. Establishing its own knowledge-sharing ambassador program, the Norway Business Unit worked with other business units to help them establish similar programs. During the Qatargas 3 & 4 projects, an initiative was undertaken to incorporate lessons learned from Qatargas 2 and earlier mega-train startups. Approximately 1,200 lessons learned were included in the design and commissioning of LNG trains 6 and 7. The outcome reduced the predicted startup time of train 6 by several months and worked well above what was predicted for Qatar.

Presented with the Archimedes Grab Award, Lower 48 pulled knowledge from Crude Oil Marketing, various trucking companies, and Engineering and Operations to improve production in the Eagle Ford Field. The result was an increase in barrels of oil per day and an economic impact of approximately \$54 million over a four-month period. Canada also received the award for its knowledge gained from colleagues in the Lobo asset and Midland office, where they used a new approach, conditioned monitoring, to safely maximize time between maintenance activities. The economic impact was \$26 million in cost avoidance and production increases.

For bringing multiple parties together, Canada and Russia Caspian received the Archimedes Gather Award. Investigating flow distribution control technology being used by partners and competitors,

Archimedes Award Winners

Give	Alaska, Norway and Qatar
Grab	Canada and Lower 48
Gather	Canada and Russia Caspian
Guts	Algeria, Asia Pacific and Canada
Networks of the Year	Global Chemicals, Pipeline & Subsea Systems Integrity, Power & Automation, and Project HSE
Hall of Honor	Facility Optimization, Facilities Integrity and Upstream Rotating Equipment
Success Stories of the Year	13 winning stories, including four stories representing HSE
Honorable Mention	Tank Network

Canada oil sands applied flow distribution technology to control steam coning in steam-assisted gravity drainage. Initial efforts resulted in a \$10 million economic benefit for Surmont 2, with the potential of delivering \$100 million in value from Surmont overall. Through the Geophysics Network’s Ask & Discuss forum, Russia Caspian gained multiple responses to improve the imaging, channel definition, size and location of the Kalamkas 3-D seismic dataset.



The Archimedes Guts Award recognizes groups who share painful lessons learned so that others do not have to repeat them. The Guts Award was presented to Asia Pacific, Algeria and Canada. The Australia Business Unit implemented a rigorous new inspection and repair strategy utilizing best practices from around the world at Bayu-Undan. After a gas release incident, the Algeria Business Unit embarked on a process safety and training campaign to refocus awareness and prevent recurrence. Safety and training were also the outcomes in

Canada after an incident involving an operator during a routine commissioning activity for a newly completed well.

Networks of the Year

Networks are business-focused global teams who deliver additional value to the business through peer-to-peer problem solving and validating solutions. Currently, there are more than 150 Networks of Excellence at ConocoPhillips. Out of 12 nominated networks, four were named Networks of the Year.

A two-time winner, Project HSE Network developed and implemented a global electronic book for capturing HSE alerts and lessons learned. A first-time winner, Pipeline and Subsea Systems Integrity Network achieved \$34.8 million in savings resulting from knowledge sharing of intelligent pigging, cathodic protection, assessment and nondestructive testing methods, and riser integrity improvements. Establishing corrosion guidelines and offering global trainings, along with authoring articles for the company’s Web-based encyclopedia, OneWiki, the Global Chemicals Network received its second win. With more than 350 members, the Power and Automation Network achieved a second win through its ongoing development of upstream standards with global applicability and leveraging the network’s communication model to ensure safety and reliability issues are communicated with accuracy.

To learn more about the Archimedes Awards, including the Success Stories of the Year by region, visit the Knowledge Sharing home page from eStream. ●

Employees honored at annual SPIRIT Awards



Jim Mulva presents Bob Nadon with the Lifetime Achievement Award.



The company's annual SPIRIT of Performance Awards honor employees who best exemplify ConocoPhillips' highest standards of performance in conducting business and contributing to society. This year, 29 teams, three lifesavers and two individuals were recognized at the awards event, which featured the theme Looking Back, Moving Forward.

Members of the 29 teams worked diligently during 2011 on projects ranging from safely evacuating employees from Libya during major civil unrest to eliminating the impact of the California cap and trade rules and the Low Carbon Fuel Standard on the company's refineries.

Bob Herman, vice president, Health, Safety and Environment, presented Life-saver Awards to the three recipients, who were honored for performing the Heimlich maneuver. The night concluded as Chairman and Chief Executive Officer Jim Mulva presented Bob Nadon and Peter Micciche with Individual Lifetime Achievement Awards.

Nadon was honored for his involvement with Big Brothers, the Special Olympics, World Police and Fire Games, the Alberta Luge Association, and Calgary Family Services. In addition to his community volunteer activities, Nadon enthusiastically mentors young

Below left: Cathy Cram, manager, Strategic Issues, displays a piece of shale as she accepts a SPIRIT Award on behalf of the natural gas team. Beginning in 2011, the team implemented a comprehensive public affairs campaign to ensure employees and external stakeholders understand the benefits and opportunities of natural gas.

Below right: Jim Mulva presents Peter Micciche with the Lifetime Achievement Award.





Above: In line with the event's Looking Back, Moving Forward theme, the evening featured music from the Beatles performed by The Return.

professionals within his HR organization.

"This is definitely the highlight of my life and my career," Nadon said as he accepted his award. "I'm really proud to say I work for ConocoPhillips and am part of an organization that recognizes employees both on the job and in their respective communities."

Micciche's commitment to his community earned him the prestigious award. Aside from his countless volunteer activities, he serves as mayor of his community. Among his proudest achievements as mayor, he points to a reduction in the cost of living, lowering property taxes by 30 percent, completing the city's comprehensive plan, developing recreational areas and installing street crossings at schools.

"I volunteer because I've been blessed with good fortune in my life, and I was raised to share my blessings. What makes it significantly easier is our company's support of employee volunteer efforts," Micciche said. "There are so many ConocoPhillips employees globally that do so much to make the world a better place, which makes tonight's recognition all the more humbling." ●

People and Safety

- Billings and Lake Charles Refineries' VPP Star
- Safety As a Way of Life
- Global Wellness Initiatives
- U.K. Upstream HSE Team
- Libya Evacuation Team
- Nipomo Creek Restoration

Operating Excellence

- Margin Maximization Trio
- Commercial and Downstream Business Improvement
- Eagle Ford Condensate Operations/Marketing
- 2011 Surmont Turnaround and Optimization Team
- COPI Well Operations Onshore and Offshore Drilling
- Darwin Operations Centre DLNG Production Threat
- San Juan Base Optimization

Commercial Negotiations and Transactions

- APLNG Marketing Team
- Norway 21st Bid Round Team
- Revolving Credit Facility Renewal
- Pipeline and Terminal Dispositions Teams
- Collaborative Effort Solves a "Rare" Challenge
- Methane Hydrates Well Test Funding

Project Excellence

- Natural Gas Campaign
- Australia Pacific LNG Utilities Project
- Alaska BRU Wellhead Compression Surpasses Expectations
- Non-Conventional Reservoir SMART Technology

Environmental and Community Responsibility

- Houston, We Don't Have a Problem!
- Bayway Hurricane Response Team
- Humber Education Excellence
- Bohai Oil Spill Response Team
- California Climate Change Solutions Team
- Ekofisk I Cessation Project

Lifesavers

- James Dodge, third mate, *Polar Resolution*
- Mary Ann Peeler, operations analyst, Hartford Products Terminal
- Bob Shuttleworth, area leader – Tetney, Humber Refinery

Individual Lifetime Achievement

- Robert (Bob) Nadon
- Peter Micciche



Understanding the policy issues that affect the oil and gas industry can be overwhelming. Let *The PoliTicker* make it easier on you. Keep up with the most pressing legislative and regulatory issues by following this interactive blog from Government Affairs. Ask questions, get answers, connect with fellow employees, and find important election and voter information.

The **PoliTICKER**

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Sirte Field Hospital – Today, International Medical Corps is committed to helping Libya rebuild and recover. The organization has identified health care facilities in need of support and will provide additional staffing and supplies.

Photo by Jean-Baptiste Lopez www.fotozeam.com

Donation supports rebuilding of Libya

While the conflict in Libya has ended, the process of rebuilding has just begun. Libyan people have faced shortages of food, water, fuel, electricity and access to adequate health care. Health facilities are operating beyond capacity and are in need of skilled nurses to treat those wounded during the conflict, as well as to provide basic health care. As one of the largest foreign companies operating in Libya, ConocoPhillips has chosen to make a significant contribution in support of these needs.

In early January, ConocoPhillips and the Libya Business Unit donated \$500,000 to a project that will support the rebuilding of Libya by treating the wounded and training Libyan nurses.

Developed by the International Medical Corps (IMC), in conjunction with the U.S. Agency for International Development, the project will bring in 320 nurses and technical personnel to treat those wounded in the conflict.

“We are proud to support such an important effort that will help rehabilitate those injured during the conflict,” said Don Robertson, president and general manager, Libya. “It is our hope that this contribution will aid in the continuous rebuilding of Libya.”

In addition, the IMC-run project will provide essential nursing care to the Libyan people and simultaneously train Libyan nurses with vital skills for a self-sustaining medical system. IMC has

played an integral role responding to the crisis in Libya for nearly a year, providing critical staffing, medical supplies and training across the nation.



Don Robertson

In Tripoli, home of the company’s Libya office, IMC supplied surgeons and nurses within 24 hours of the outbreak of violence. Over the few months that followed, IMC trained more than 200 front-line medics, helped reopen hospitals, assisted with medical evacuations, and delivered medicine and supplies. ●



Left: Following the outbreak of conflict in Libya in February 2011, International Medical Corps immediately deployed to deliver critical emergency health care services.

Far left: International Medical Corps continues to support hospitals in Tripoli, Sirte and other Libyan cities while also running mobile medical clinics to provide primary health care to those who remain displaced.

News Briefs

ConocoPhillips announces sale of Vietnam Business Unit

ConocoPhillips announced in February that, as part of its ongoing strategy to create shareholder value, it has entered into an agreement to sell its Vietnam Business Unit for a total of \$1.29 billion plus customary working capital adjustments.

ConocoPhillips has entered into definitive agreements with a subsidiary of Perenco to sell its three wholly owned subsidiaries that separately hold its 23.25 percent participating interest in Block 15-1, 36 percent participating interest in Block 15-2 and 16.3 percent participating interest in Nam Con Son Pipeline. The transaction is anticipated to close in the first half of 2012.

"The sale of our Vietnam Business Unit is an important component of our \$15 billion to \$20 billion 2010-12 asset divestiture program. ConocoPhillips has conducted business in Vietnam for more than 15 years, and we are pleased that Perenco has recognized the value of these quality assets," said Al Hirshberg, senior vice president, Planning and Strategy.

For 2010-11, ConocoPhillips' asset divestiture program yielded \$10.7 billion in proceeds, in addition to \$9.5 billion from LUKOIL share sales, giving total dispositions of \$20.2 billion over this period.

The sale of the Vietnam Business Unit is just one part of ConocoPhillips' plan to create value for shareholders through a continued focus on optimizing the portfolio, enhancing returns, strengthening financial flexibility and increasing shareholder distributions.

ConocoPhillips working on first ice-worthy jack-up rig for Arctic offshore

ConocoPhillips is working with Keppel Offshore & Marine Technology Centre to design a first-of-its-kind ice-worthy jack-up rig to operate in one of the harshest marine frontiers, the Arctic seas.

The jack-up rig will have dual cantilevers to optimize drilling operations within a limited time frame. The rig is capable of operating in a self-sustained manner for 14 days and is equipped with a hull that is designed for towing in ice. It is also able to resist the impacts from multiyear ice floes and ridges, as well as

withstand a certain level of ice thickness. This joint design project is expected to be completed by the end of 2013.

"We are glad to partner with ConocoPhillips to jointly design this ice-worthy jack-up rig for the Arctic seas. The features of this jack-up rig make it a cost-effective and promising drilling solution for the Arctic offshore," said Dr. Foo Kok Seng, centre director, Keppel Offshore & Marine Technology Centre. "In leveraging the combined expertise, resources and research findings of Keppel O&M and ConocoPhillips, we believe this joint project will achieve significant breakthroughs in offshore Arctic drilling."

Caspian president receives prestigious award

Colette Cohen, president, Caspian, recently received the commemorative medal for the 20th anniversary of the Republic of Kazakhstan independence at the official ceremony held at the House of Government in Astana, Kazakhstan.

"We are especially proud that in the large-scale achievements reached by Kazakhstan over the years of independence, there is a measure of ConocoPhillips' contribution," said Kerr Johnston, president, Russia/Caspian. "We regard it as recognition of the input that ConocoPhillips and Colette Cohen have made to the development of Kazakhstan's oil and gas industry and the country as a whole." The prestigious medal is awarded to citizens of Kazakhstan and foreign citizens who have demonstrated commitment to development of the national economy, as well as to commemorate the 20th anniversary of Kazakhstan's independence.



Caspian President Colette Cohen receives an award from the Republic of Kazakhstan prime minister on the eve of the 20th anniversary of Kazakhstan's independence.



ConocoPhillips headquarters design receives award

The Connecticut chapter of the American Institute of Architects announced that Pickard Chilton has won an award for the firm's design of the ConocoPhillips headquarters' west campus in Houston, Texas.

From the 135 submissions, the jury selected four nonresidential projects to receive design awards. Jurors remarked that ConocoPhillips' award-winning design "is in the tradition of the neo-avant-gard. It is an articulated version of Le Corbusier. A pristine, clean set of shapes, sunlight and shadows are at play."

ConocoPhillips recognized for contributions

The Cherokee Area Council Boy Scouts of America presented ConocoPhillips with the Second Century Award for the company's donations and volunteer efforts. These contributions have made it possible for the council to teach leadership and character-building skills to many young men and women. Rand Berney, senior vice president, Corporate Shared Services, accepted the award on behalf of the company.

Sabrina Watkins named to ISHN's Power 101 list

Industrial Safety and Hygiene News (ISHN) magazine, a safety and health trade publication, named Sabrina Watkins, manager, Sustainable Development, to their Power 101 list. Individuals on the list must meet stringent criteria, including possessing the ability to reach an international audience, to influence executives and policymakers, and to facilitate collaboration. ●



In early February, a group of Transportation Engineering & Projects employees gathered with their contractor teams to meet for two days of knowledge sharing on HSE best practices, share information and initiatives, and network with new faces. At the end of the summit, many contractor teams were presented awards by ConocoPhillips Transportation Leadership for their exceptional HSE performance. Above is a photo of the contractor teams who were honored.

ConocoPhillips recognized for spill response project

The Louisiana Mid-Continent Oil and Gas Association (LMOGA) awarded its Blue Heron Award to the Marine Well Containment Company (MWCC) and its four founding member companies, including ConocoPhillips, for their response to the Deepwater Horizon incident. The award was presented Jan. 25 in New Orleans at the association's annual meeting.

The award recognizes exceptional environmental stewardship associated with oil and gas activity. MWCC and the

four founding members were honored for their efforts in deepwater well containment in the U.S. Gulf of Mexico.

"In addition to recognizing environmental stewardship, LMOGA also recognized the role MWCC and founding member companies played in enabling

industry drilling operations to restart following the drilling moratorium, thereby restoring employment to thousands of people across the Gulf Coast Region," said Bobby Nolen, general manager, Upstream HSE.

In July 2010, ConocoPhillips, along with Chevron, ExxonMobil and Shell, announced a plan to build and deploy a rapid response system to capture and contain oil in the event of a future underwater well blowout in the deep-water Gulf of Mexico.

The system is operated and maintained by MWCC, a nonprofit organization. The creation and development of this sophisticated system, which is scheduled for completion this year, will greatly enhance the industry's ability to ensure a quick and effective response. ●

The Blue Heron Award recognizes exceptional environmental stewardship associated with oil and gas activity.



ConocoPhillips among Houston's healthiest employers

The Houston Business Journal has named ConocoPhillips one of Houston's Healthiest Employers. This award recognizes small, medium and large employers who have health and wellness programs that bring creativity, leadership and cultural change to improve the lives of their employees. The company also received the Paragon Award for teamwork and integration between departments. ●

It started with a pitch

ConocoPhillips Australia sponsors the Australian Baseball League (ABL)

In December 2011, ConocoPhillips sponsored the inaugural ABL All Star Game in Perth, where West Australian team Perth Heat played the ABL All Stars with some of the best players in baseball from Australia, Asia and the United States. The sponsorship was very successful, with global television coverage and a great turnout from ConocoPhillips employees.

After such a terrific introduction to the league, the Australian Business Unit went on to support the ABL post-season, which involved sponsorship of the semifinals and championship series in January and February 2012.

The 2012 ConocoPhillips ABL Championship Series was held in Perth, where the Perth Heat played the Melbourne Aces in front of a crowd of 4,000. The Heat won the championships in a three-game thriller.

It was a fantastic experience for ConocoPhillips employees and their families. Todd Creeger, president, Australia Business Unit West, had the rare experience of throwing out the first pitch at the third game.

“Throwing out the first pitch at the championship series was a fantastic experience. It was a full house at the ballpark. The crowd was really excited, and the atmosphere was amazing,”



Creeger said.

ConocoPhillips received high-profile exposure through ballpark signage, game merchandise, game announcements and extensive television coverage across Australia, the United States and Asia.

Over the past two years, the ABL has made considerable progress in promoting and advancing baseball in Australia, and ConocoPhillips was proud to support these significant ABL events. The ABL is

ConocoPhillips ballpark signage is prominent in the background as Perth Heat ace Warwick Saupold delivers a pitch.

a joint venture with Major League Baseball (MLB) that enables the ABL to establish relationships with MLB clubs and attract talented U.S. players. In 2011 and 2012, 21 MLB teams were represented in the ABL through players and coaches, and eight ABL players were signed by MLB clubs. This increased international profile, and interest in the sport has

“Throwing out first pitch at the championship series was a fantastic experience.”

– Todd Creeger

enabled the ABL to secure local and international television coverage. Having a global energy company, such as ConocoPhillips, sponsor two major events in the ABL 2011/2012 season was also an important recognition of the development of baseball in Australia. ●

Left: Australia Business Unit West President Todd Creeger (second from right) strikes a pose with a local team Perth Heat player and mascots before the championship game.



North Slope project tests innovative hydrate production technologies

Late last spring, a well was drilled on the North Slope of Alaska to test innovative technologies for producing methane gas from hydrate deposits. The result of a partnership between ConocoPhillips and the Department of Energy (DOE), the well officially entered its final production testing phase at the beginning of 2012, setting the stage for what could be a breakthrough in unlocking the potential methane hydrate resource.

Methane hydrate is a cage-like lattice of ice with methane molecules – the chief constituent of natural gas – trapped inside. If methane hydrate is either warmed or depressurized, it will revert back to water and natural gas. When brought to the earth’s surface, one cubic foot of hydrate releases 164 cubic feet of natural gas. While global estimates vary considerably, the energy content of methane in hydrate form is significant, potentially exceeding the combined energy content of all known fossil fuels.

ConocoPhillips, in collaboration with scientists from the University of Bergen, Norway, has been developing technology

to produce methane hydrates since 2003. In 2008, ConocoPhillips’ application to the DOE to perform the first field trial of this technology was approved. The joint project aims to define, plan and conduct a field trial of methane hydrate production whereby carbon dioxide molecules

“This trial is an important step in developing technology to access this potential resource while sequestering carbon dioxide.”

– Helen Farrell

are exchanged in situ for the methane molecules within a hydrate structure, releasing the methane for production.

“This project holds exciting potential,” said Helen Farrell, manager, Shale Resources. “At present, there is no technology to produce natural gas economically from hydrates. This trial is an important step in developing technology to access this potential resource while sequestering carbon dioxide.”

The project will significantly increase scientific knowledge about hydrates. It will advance hydrate reservoir modeling capabilities as the algorithms needed to simulate the exchange of carbon dioxide molecules for methane molecules are developed and calibrated. The tests will also provide key data on drilling, completions and surveillance technologies related to gas hydrates.



To date, production testing of gas hydrates has not demonstrated commercial viability. This potential supply of clean fossil fuel will remain untapped unless a technically and economically viable means of producing methane from hydrates is found. This field trial may ultimately set the stage for larger-scale, long-term tests needed to advance viable production technologies for methane hydrate.

While the resource will not be accessed for some time, hydrates are expected to remain an important potential energy resource for many years to come, since natural gas is the cleanest fossil fuel. Over the long term, domestic methane hydrate resources could represent increased energy security for the United States. ●



Above left: Spotting gas-mixing skid, inside temporary berming, beside nitrogen and carbon dioxide tanks

Far left: Rigging-up lubricator for running of sand control screens on slickline

Left: Wellhead before installation of wellhouse

Top: Spooling logging tools up into lubricator prior to electromagnetic completion mapping

ConocoPhillips participates in World Petroleum Congress

The World Petroleum Congress and Exhibition, held every three years, is one of the largest and most prominent oil and gas industry gatherings in the world. The most recent event, which focused on Energy Solutions for All – Promoting Cooperation, Innovation and Investment, was held in December 2011 in Doha, Qatar, and included more than 4,000 delegates, 600 media and 550 presenters.

It marked the 20th congress, which made its first-ever trip to the Middle East.

ConocoPhillips was a proud platinum sponsor of the congress, which provided a global platform for the company to discuss both conventional and nonconventional resources, such as oil sands, shale and natural gas. ConocoPhillips also promoted its efforts in the Qatar Region, including the Global Water Sustainability

Center and the Qatargas 3 & 4 projects.

Chairman and Chief Executive Officer Jim Mulva attended this year's event and participated in the plenary session, Solutions for Global Energy Challenges: Regulatory Certainty, Environmental. Mulva's remarks focused on the viability of natural gas being a part of the global energy solution, citing energy security, economic opportunity and sustainability. ●



Jim Mulva participates in the plenary session.



Left: Carlotta Chernoff, manager, Lower 48 New Ventures Exploration, hands out information and branded souvenirs.

Top left: ConocoPhillips Qatar President Erec Isaacson welcomes the Qatar Minister of Energy & Industry His Excellency Dr. Al-Sada to the ConocoPhillips booth.

Right: Sand sculptors from the World Sand Sculpting Academy created incredible displays of local landmarks, as well as the ConocoPhillips logo.



Above left: The State of Qatar constructed the new, state-of-the-art Qatar National Convention Centre after being awarded the 20th World Petroleum Congress and Exhibition. The center is the only one of its kind built to the gold certification standard of the Leadership in Energy and Environment Design rating system of the U.S. Green Building Council. The steel façade is a tribute to the Sidra tree, an iconic element in Qatari culture.

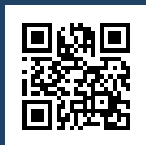
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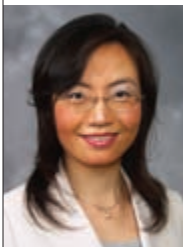
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Human Resources is leading the charge for change

It is said that the only constant in life is change. Writer John A. Simone Sr. put it this way: “If you’re in a bad situation, don’t worry, it’ll change. If you’re in a good situation, don’t worry, it’ll change.”

In early 2011, it was in this spirit that the ConocoPhillips Human Resources leadership team formulated a plan to equip the HR function to better understand and lead through change. “Change is inevitable – it’s a part of business just as it is part of life,” said Laura Wang, HR



“As strategic partners to the businesses, HR plays a critical role in proactively working with businesses to

navigate employees through all types of change.” – Laura Wang

manager, Corporate Staffs. “As strategic partners to the businesses, HR plays a critical role in proactively working with businesses to navigate employees through all types of change. We realized that our first step involved preparing ourselves with the knowledge and skills to understand and deal with change, as well as how best to facilitate and lead change in the businesses we support.”

Channeling change

In planning the June 2011 Global HR Conference, the topic of change merited top billing. The agenda included preparing HR to become a stronger strategic partner, enhancing communications and honing the function’s change leadership skills. As if foreshadowing the soon-to-be-announced repositioning, the HR team spent the entire second day of the conference with internal and external experts, discussing the challenges and phases of change and how individuals adapt to and sustain change. Participants agreed the conference represented

a solid step toward equipping the HR team to lead the company through the inevitable tides of change.

Retooling

In July, with the repositioning under way, the Leadership and Development team (L&D) took a fresh look at an online Change Management Toolkit initially

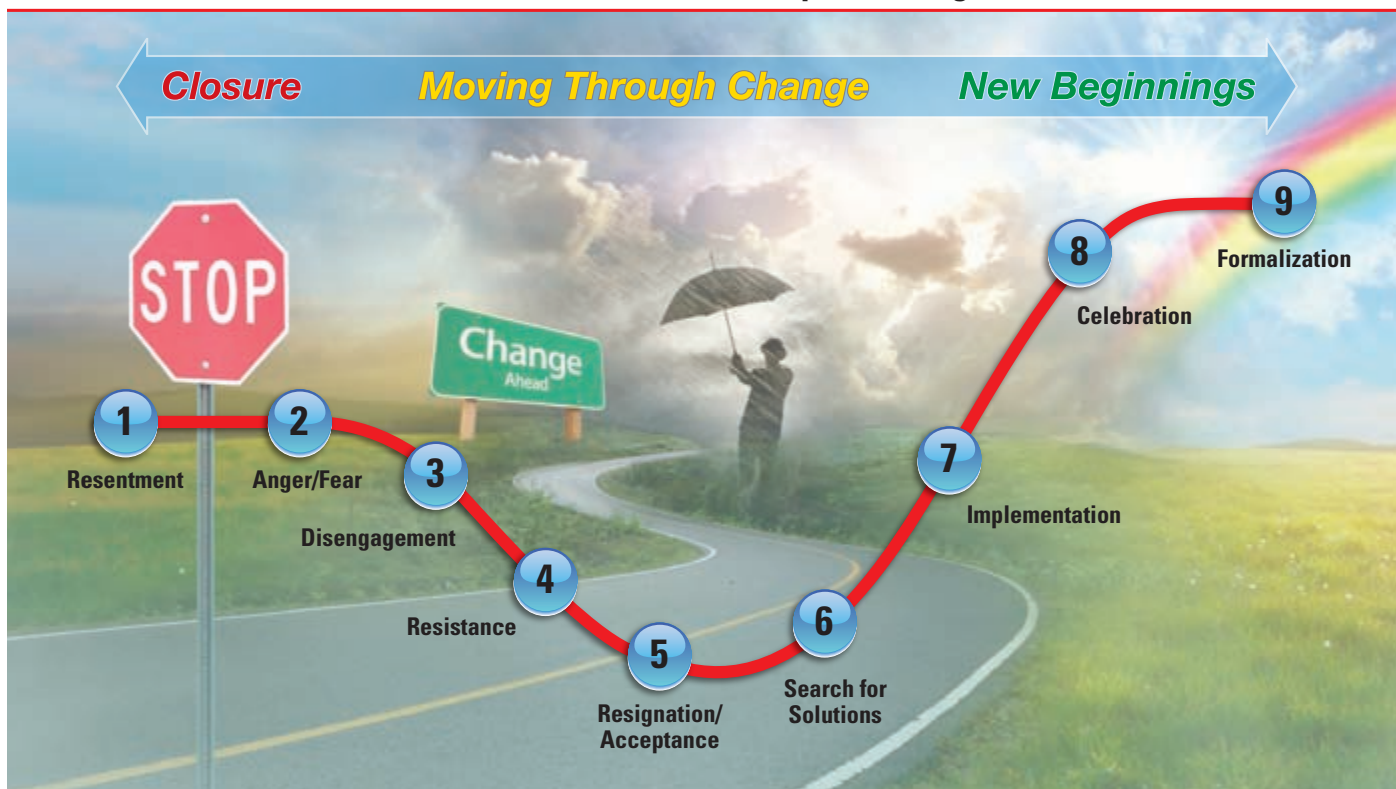


“We tried to anticipate future needs and ensure the material was timely, relevant, understandable and

easy to access.” – Michael Sullivan

developed to support the company through another notable change – the merger of Conoco and Phillips. The

Three Phases and Nine Steps of Change



Source: Adapted from ConocoPhillips’ HR Change Management Toolkit

toolkit mainly addressed behavioral aspects of change and how to build and form new organizational teams. “Knowing this resource would prove valuable during the repositioning, we tried to anticipate future needs and ensure the material was timely, relevant, understandable and easy to access,” said Michael Sullivan, advisor, L&D.

With input from an ad hoc advisory group of HR business partners (HRBPs) representing major lines of businesses, an HR Guide on Change was created



“To date, I have trained approximately 30 supervisors, with excellent results and feedback.”

– Karen Augustino

to help HR lead itself, supervisors and employees through large-scale organizational change.

Among the many HRBPs who adopted the materials was Karen Augustino, who used sections of the toolkit to create an interactive presentation for supervisors in her business unit, Corporate Financial Shared Services. “I used some of the models and theory as the building blocks for training that focused on giving supervisors practical guidance and role-play scenarios to help them respond effectively to their employees’ questions and concerns,” Augustino said. “To date, I have trained approximately 30 supervisors, with excellent results and feedback.”

Toolkit materials were also shared on the Supervisor Resources page of the Repositioning intranet site to help supervisors manage the change process in their teams.

Opening the door to Conversations

L&D also supported HR leadership with a monthly conference call with global HR called *Conversations on Change*. These updates allow HR leadership to provide timely and transparent communications

regarding the repositioning and other topics relevant to change. Begun in August, the *Conversations* are ongoing, and topics and agendas are generated by an advisory group that meets monthly.

To enhance knowledge-sharing value, individuals from other areas of the business are invited to share their expertise on the calls. In August, participants learned how to identify and address change-related stress from Michael Hack, manager, Global Workplace Solutions. Dean Acosta, director, External Communications and Media, joined the September call to share the repositioning communication strategy. HRBPs from across the business also shared their experiences with change management prior to the repositioning. Heather Sirdashney, current HR manager, L48, shared lessons learned on the strategies the Commercial business used to navigate through organizational changes.

“The insight and level of detail these subject-matter experts provide has significantly helped our organization be more



“The insight and level of detail these subject-matter experts provide has significantly helped our organization

be more effective change leaders.”

– Jennifer Sefton

effective change leaders,” said Jennifer Sefton, interim manager, L&D.

Training for transition

In early October, the HR function gained further momentum with the addition of a customized skill-building training course titled Making Change Work for You, developed in partnership with Nigel Bristow of Targeted Learning.

An eight-hour train-the-trainer course was offered to 20 HRBPs identified as being most affected by the repositioning. When Robin Yardley, HRBP, Technology, shared the training with the business,

she observed significant interest in the Phases of Change model. “We showed the model when discussing the importance of managing stress during times of change. Employees were relieved to hear



“Employees were relieved to hear that various reactions are normal when a change is first announced and that adjusting to change becomes easier with time and experience.”

– Robin Yardley

that various reactions are normal when a change is first announced and that adjusting to change becomes easier with time and experience,” Yardley said.

By mid-October, an additional 200 HR professionals had taken advantage of a condensed version of the training – both in person and virtually – to strengthen their support of the businesses.

Building teams, building the future

The repositioning prompted significant staffing requirements for the two new organizations. To accomplish this work, HRBPs partnered with businesses, as well as with a dedicated Workforce Planning team, to analyze future staffing needs and help structure the new teams. “We have been fortunate to draw heavily on our change management materials to work through the complexities and inherent challenges of this effort,” Sefton said. The Workforce Planning team has also used the information to support supervisors’ efforts to maintain safety and productivity throughout the transition.

Beyond the repositioning, change will continue to be a way of life in the two new companies. Once the transition dust has settled, the routine fluctuations of the business world will take over. And when they do, two well-equipped HR teams will be poised and ready to guide their respective organizations through whatever the future holds. ●

On Assignment

Tami Hutchinson (*Oil Sands, Page 22*) is communications lead, Oil Sands, ConocoPhillips Canada. She has been with ConocoPhillips since 2008. Tami began her career as a journalist in Calgary. She then moved on to work several years as a communications consultant for one of the largest public relations agencies in Canada before leaving to gain experience as a project manager in an investor relations firm. Since joining ConocoPhillips Canada, Tami has worked exclusively on oil sands communications with a focus on reputation management, communications support and collaborative industry communications.



Jeff Callender (*Ferndale, Page 28*) is regional director, Public Affairs and Communications, ConocoPhillips. Jeff began his career in public affairs with Security Pacific Bank (later acquired by Bank of America), where he spent nine years in government relations and employee and executive communications. Jeff joined Union Oil Company in 1989 as a public relations representative. He switched to the pharmaceutical industry in 1993, accepting the position of communications manager for CIBA Vision in

Atlanta, Ga. He returned to Southern California in 1997, where he served for seven years as manager of public affairs and communications for Tosco, and later ConocoPhillips. In 2004, Jeff moved to ConocoPhillips' corporate headquarters in Houston, Texas, where he was director, Issues Management. Jeff assumed his current position, based in Ferndale, Wash., in August 2007. Jeff has a B.A. in political science from Claremont Men's College and a master's degree in business administration from Loyola Marymount University.

Marion Oehlmann (*Joachim Asmussen, Page 54*) has been employed at ConocoPhillips Germany since January 1996. Her first job, advisor, Brand Development, included supporting the project Service Station Design for 2 1/2 years. In the years that followed, she took charge of various tasks in the Innovation department, as a Six Sigma Black Belt in the area of Six Sigma and Manager HSE. Today, as manager, Retail Services, she heads the areas of Brand Strategy and Communication, Training, and Cards and Operator Management and is also responsible for daily sales control. Outside of work, Marion likes to spend her free time with her family most of all – and, if possible, travel. If there is still a bit of time left over after that, she enjoys a good book.



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