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ConocoPhillips Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes, sir. (Operator instructions) Our first question, gentlemen, comes from Arjun Murti with Goldman Sachs.

Arjun Murti – Goldman Sachs

Thank you. Just a follow-up in terms of some of the operating cost reductions in E&P that you were discussing, it sounds like you're feeling good that those are and will come through. If I look at your sequential comparison you showed here on, I think at page nine, you showed me – I think that's inclusive in the operating cost of the exploration expense, which sequentially was down quite a bit. I guess, I'm just wondering on the production cost alone x exploration, what've you seen so far in terms of reductions and what you're sort of expecting over the course of this year in the E&P segment. Thank you.

John Carrig

Well, thank you, Arjun. When we discussed with you our analyst meeting in March the objectives for the year, we expected that we would see about a \$1.4 billion reduction on our controllable cost. And we're still – we believe that we're on target to achieve that. Yes. The first quarter did include some reductions in exploration cost and some other timing issues that we feel were on track.

We had an excess of \$400 million reduction and controllable cost. We feel we're on track to deliver the \$1.4 billion that we set out to deliver.

Arjun Murti – Goldman Sachs

Got you. And is that both North America and International? Or is one area more important than the other in terms of the split?

John Carrig

Well, it's both. And I actually – the \$400 – yes, it's both.

Arjun Murti – Goldman Sachs

Yes, both US and international.

John Carrig

That was the consolidated number I was addressing, but yes.

Arjun Murti – Goldman Sachs

Okay. Thank you very much.

Operator

The next question is from Paul Sankey with Deutsche Bank.

Paul Sankey – Deutsche Bank

Hi, guys. John, you've just mentioned that you don't anticipate any changes in your CapEx program for 2009 for now, you quite really said. I wondered, could you talk a little about the sensitivities there in terms of re-planning? What you're spending, maybe for the year, given the way the cash flow match up against the CapEx of Q1? Thanks.

John Carrig

Thanks, Paul. What our plans – what the first quarter reflects is largely in line with expectations, our expectations, given the commodity pricing environment. We really think it's pretty mature for us to be making any adjustments in the overall capital program. We have indicated that we would expect to see – if the current environment persists that we'd expect to see debt trend up somewhat. We will continue to evaluate this and look further as the year progresses. But right now, we don't foresee an adjustment in capital program.

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