*(Mark One)*

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2022**

or

* TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission file number: **001-32395**



**ConocoPhillips**

*(Exact name of registrant as specified in its charter)*

**Delaware** **01-0562944**

*(State or other jurisdiction of incorporation or organization)*

*(I.R.S. Employer Identification No.)*

**925 N. Eldridge Parkway, Houston, TX 77079**

*(Address of principal executive offices) (Zip Code)*

**281-293-1000**

*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |
| --- | --- | --- |
| **Title of each class** | **Trading symbols** | **Name of each exchange on which registered** |
| Common Stock, $.01 Par Value | COP | New York Stock Exchange |
| 7% Debentures due 2029 | CUSIP—718507BK1 | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 1,246,071,066 shares of common stock, $.01 par value, outstanding at September 30, 2022.

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## Commonly Used Abbreviations

The following industry-specific, accounting and other terms, and abbreviations may be commonly used in this report.

|  |  |  |  |
| --- | --- | --- | --- |
| **Currencies** |  | **Accounting** |  |
| $ or USD | U.S. dollar | ARO | asset retirement obligation |
| CAD | Canadian dollar | ASC | accounting standards codification |
| EUR | Euro | ASU | accounting standards update |
| GBP | British pound | DD&A | depreciation, depletion and amortization |
| **Units of Measurement** |  | FASB | Financial Accounting Standards |
| BBL | barrel |  | Board |
| BCF | billion cubic feet | FIFO | first-in, first-out |
| BOE | barrels of oil equivalent | G&A | general and administrative |
| MBD | thousands of barrels per day | GAAP | generally accepted accounting |
| MCF | thousand cubic feet |  | principles |
| MBOD | thousand barrels of oil per day | LIFO | last-in, first-out |
| MM | million | NPNS | normal purchase normal sale |
| MMBOE | million barrels of oil equivalent | PP&E | properties, plants and equipment |
| MMBOD | million barrels of oil per day | VIE | variable interest entity |
| MBOED | thousands of barrels of oil equivalent per day |  |  |
| MMBOED | millions of barrels of oil equivalent per day | **Miscellaneous** |  |
| MMBTU | million British thermal units | DE&I | diversity, equity and inclusion |
| MMCFD | million cubic feet per day | EPA | Environmental Protection Agency |
|  |  | ESG | Environmental, Social and Corporate Governance |
| **Industry** |  | EU | European Union |
| BLM | Bureau of Land Management | FERC | Federal Energy Regulatory |
| CBM | coalbed methane |  | Commission |
| CCUS | carbon capture utilization and | GHG | greenhouse gas |
|  | storage | HSE | health, safety and environment |
| E&P | exploration and production | ICC | International Chamber of Commerce |
| FEED | front-end engineering and design | ICSID | World Bank’s International |
| FPS | floating production system |  | Centre for Settlement of |
| FPSO | floating production, storage and |  | Investment Disputes |
|  | offloading | IRS | Internal Revenue Service |
| G&G | geological and geophysical | OTC | over-the-counter |
| JOA | joint operating agreement | NYSE | New York Stock Exchange |
| LNG | liquefied natural gas | SEC | U.S. Securities and Exchange |
| NGLs | natural gas liquids |  | Commission |
| OPEC | Organization of Petroleum | TSR | total shareholder return |
|  | Exporting Countries | U.K. | United Kingdom |
| PSC | production sharing contract | U.S. | United States of America |
| PUDs | proved undeveloped reserves | VROC | variable return of cash |
| SAGD | steam-assisted gravity drainage |  |  |
| WCS | Western Canada Select |  |  |
| WTI | West Texas Intermediate |  |  |

# PART I. Financial Information

## Item 1. Financial Statements

##### Consolidated Income Statement ConocoPhillips

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Revenues and Other Income** |  |  |  |  |
| Sales and other operating revenues | **$ 21,013** | 11,326 | **59,936** | 30,708 |
| Equity in earnings of affiliates | **561** | 239 | **1,511** | 500 |
| Gain (loss) on dispositions | **(40)** | 2 | **1,039** | 294 |
| Other income | **80** | 49 | **408** | 884 |
| Total Revenues and Other Income | **21,614** | 11,616 | **62,894** | 32,386 |
| **Costs and Expenses** |  |  |  |  |
| Purchased commodities | **9,251** | 4,179 | **25,236** | 11,660 |
| Production and operating expenses | **1,799** | 1,389 | **5,121** | 4,151 |
| Selling, general and administrative expenses | **148** | 128 | **431** | 556 |
| Exploration expenses | **89** | 65 | **301** | 206 |
| Depreciation, depletion and amortization | **1,872** | 1,672 | **5,505** | 5,425 |
| Impairments | **2** | (89) | **6** | (90) |
| Taxes other than income taxes | **843** | 403 | **2,677** | 1,154 |
| Accretion on discounted liabilities | **60** | 61 | **182** | 186 |
| Interest and debt expense | **199** | 219 | **627** | 665 |
| Foreign currency transaction (gain) loss | **(93)** | (10) | **(139)** | 19 |
| Other expenses | **4** | 17 | **(46)** | 78 |
| Total Costs and Expenses | **14,174** | 8,034 | **39,901** | 24,010 |
| Income before income taxes | **7,440** | 3,582 | **22,993** | 8,376 |
| Income tax provision | **2,913** | 1,203 | **7,562** | 2,924 |
| **Net Income** | **$ 4,527** | 2,379 | **15,431** | 5,452 |
| **Net Income Per Share of Common Stock** *(dollars)* |  |  |  |  |
| Basic | **$ 3.56** | 1.78 | **11.96** | 4.10 |
| Diluted | **3.55** | 1.78 | **11.93** | 4.09 |
| **Average Common Shares Outstanding** *(in thousands)* |  |  |  |  |
| Basic | **1,265,893** | 1,332,286 | **1,285,739** | 1,327,216 |
| Diluted | **1,269,321** | 1,336,379 | **1,289,953** | 1,330,652 |
| *See Notes to Consolidated Financial Statements.* |  |  |  |  |

##### Consolidated Statement of Comprehensive Income ConocoPhillips

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income** | **$ 4,527** | 2,379 | **15,431** | 5,452 |
| Other comprehensive income |  |  |  |  |
| Defined benefit plansReclassification adjustment for amortization of prior service credit included in net income | **(10)** | (9) | **(30)** | (28) |
| Net change | **(10)** | (9) | **(30)** | (28) |
| Net actuarial gain (loss) arising during the period | **(23)** | 8 | **(105)** | 113 |
| Reclassification adjustment for amortization of net actuarial losses included in net income | **17** | 45 | **58** | 133 |
| Net change | **(6)** | 53 | **(47)** | 246 |
| Income taxes on defined benefit plans | **4** | (9) | **16** | (49) |
| Defined benefit plans, net of tax | **(12)** | 35 | **(61)** | 169 |
| Unrealized holding loss on securities | **(7)** | — | **(16)** | (1) |
| Reclassification adjustment for loss included in net income | **(1)** | — | **(1)** | — |
| Income taxes on unrealized holding loss on securities | **2** | — | **4** | — |
| Unrealized holding loss on securities, net of tax | **(6)** | — | **(13)** | (1) |
| Foreign currency translation adjustments | **(534)** | (237) | **(841)** | (72) |
| Income taxes on foreign currency translation adjustments | **—** | (1) | **—** | (1) |
| Foreign currency translation adjustments, net of tax | **(534)** | (238) | **(841)** | (73) |
| **Other Comprehensive Income (Loss), Net of Tax** | **(552)** | (203) | **(915)** | 95 |
| **Comprehensive Income** | **$ 3,975** | 2,176 | **14,516** | 5,547 |
| *See Notes to Consolidated Financial Statements.* |  |  |  |  |

Financial Statements [Table of Contents](#_bookmark0)

##### Consolidated Balance Sheet ConocoPhillips

Millions of Dollars

|  |  |  |
| --- | --- | --- |
|  | **September 30****2022** | December 312021 |
| **Assets** |  |  |
| Cash and cash equivalents | **$ 8,010** | 5,028 |
| Short-term investments | **2,412** | 446 |
| Accounts and notes receivable (net of allowance of $2 and $2, respectively) | **7,338** | 6,543 |
| Accounts and notes receivable—related parties | **16** | 127 |
| Investment in Cenovus Energy | **—** | 1,117 |
| Inventories | **1,226** | 1,208 |
| Prepaid expenses and other current assets | **1,451** | 1,581 |
| Total Current Assets | **20,453** | 16,050 |
| Investments and long-term receivables | **8,204** | 7,113 |
| Net properties, plants and equipment (net of accumulated DD&A of $64,874 and$64,735, respectively) | **63,673** | 64,911 |
| Other assets | **2,507** | 2,587 |
| Total Assets | **$ 94,837** | 90,661 |
| **Liabilities** |  |  |
| Accounts payable | **$ 6,242** | 5,002 |
| Accounts payable—related parties | **26** | 23 |
| Short-term debt | **664** | 1,200 |
| Accrued income and other taxes | **3,187** | 2,862 |
| Employee benefit obligations | **628** | 755 |
| Other accruals | **3,250** | 2,179 |
| Total Current Liabilities | **13,997** | 12,021 |
| Long-term debt | **16,297** | 18,734 |
| Asset retirement obligations and accrued environmental costs | **5,729** | 5,754 |
| Deferred income taxes | **7,218** | 6,179 |
| Employee benefit obligations | **1,087** | 1,153 |
| Other liabilities and deferred credits | **1,430** | 1,414 |
| Total Liabilities | **45,758** | 45,255 |
| **Equity** |  |  |
| Common stock (2,500,000,000 shares authorized at $0.01 par value) |  |  |
| Issued (2022—2,100,379,079 shares; 2021—2,091,562,747 shares) |  |  |
| Par value | **21** | 21 |
| Capital in excess of par | **61,089** | 60,581 |
| Treasury stock (at cost: 2022—854,308,013 shares; 2021—789,319,875 shares) | **(57,444)** | (50,920) |
| Accumulated other comprehensive loss | **(5,865)** | (4,950) |
| Retained earnings | **51,278** | 40,674 |
| Total Equity | **49,079** | 45,406 |
| Total Liabilities and Equity | **$ 94,837** | 90,661 |
| *See Notes to Consolidated Financial Statements.* |  |  |

##### Consolidated Statement of Cash Flows ConocoPhillips

Millions of Dollars Nine Months Ended September 30

|  |  |  |
| --- | --- | --- |
|  | **2022** | 2021 |
| **Cash Flows From Operating Activities** |  |  |
| Net income | **$ 15,431** | 5,452 |
| Adjustments to reconcile net income to net cash provided by operating activitiesDepreciation, depletion and amortization | **5,505** | 5,425 |
| Impairments | **6** | (90) |
| Dry hole costs and leasehold impairments | **136** | 7 |
| Accretion on discounted liabilities | **182** | 186 |
| Deferred taxes | **1,594** | 895 |
| Undistributed equity earnings | **569** | 258 |
| Gain on dispositions | **(1,039)** | (294) |
| Gain on investment in Cenovus Energy | **(251)** | (743) |
| Other | **(38)** | (866) |
| Working capital adjustmentsIncrease in accounts and notes receivable | **(1,317)** | (1,619) |
| Increase in inventories | **(64)** | (13) |
| Increase in prepaid expenses and other current assets | **(469)** | (800) |
| Increase in accounts payable | **1,098** | 682 |
| Increase in taxes and other accruals | **379** | 2,648 |
| Net Cash Provided by Operating Activities | **21,722** | 11,128 |
| **Cash Flows From Investing Activities** |  |  |
| Capital expenditures and investments | **(7,626)** | (3,767) |
| Working capital changes associated with investing activities | **542** | 79 |
| Acquisition of businesses, net of cash acquired | **37** | 382 |
| Proceeds from asset dispositions | **3,354** | 792 |
| Net (purchase) sale of investments | **(2,235)** | 2,846 |
| Collection of advances/loans—related parties | **114** | 105 |
| Other | **7** | (386) |
| Net Cash (Used in) Provided by Investing Activities | **(5,807)** | 51 |
| **Cash Flows From Financing Activities** |  |  |
| Issuance of debt | **2,897** | — |
| Repayment of debt | **(5,874)** | (363) |
| Issuance of company common stock | **345** | 27 |
| Repurchase of company common stock | **(6,524)** | (2,224) |
| Dividends paid | **(3,336)** | (1,750) |
| Other | **(53)** | 6 |
| Net Cash Used in Financing Activities | **(12,545)** | (4,304) |
| **Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash** | **(452)** | (3) |
| **Net Change in Cash, Cash Equivalents and Restricted Cash** | **2,918** | 6,872 |
| Cash, cash equivalents and restricted cash at beginning of period | **5,398** | 3,315 |
| Cash, Cash Equivalents and Restricted Cash at End of Period | **$ 8,316** | 10,187 |

*Restricted cash of $306 million is included in the "Other assets" line of our Consolidated Balance Sheet as of September 30, 2022.*

*Restricted cash of $152 million and $218 million are included in the "Prepaid expenses and other current assets" and "Other assets" lines, respectively, of our Consolidated Balance Sheet as of December 31, 2021.*

*See Notes to Consolidated Financial Statements.*

# Notes to Consolidated Financial Statements

#### Note 1—Basis of Presentation

The interim-period financial information presented in the financial statements included in this report is unaudited and, in the opinion of management, includes all known accruals and adjustments necessary for a fair presentation of the consolidated financial position of ConocoPhillips, its results of operations and cash flows for such periods. All such adjustments are of a normal and recurring nature unless otherwise disclosed. Certain notes and other information have been condensed or omitted from the interim financial statements included in this report. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes included in our 2021 Annual Report on Form 10-K.

#### Note 2—Inventories

Millions of Dollars

|  |  |  |
| --- | --- | --- |
|  | **September 30** | December 31 |
|  | **2022** | 2021 |
| Crude oil and natural gas | **$ 650** | 647 |
| Materials and supplies | **576** | 561 |
| Total Inventories | **$ 1,226** | 1,208 |
|  |  |  |
| Inventories valued on the LIFO basis | **$ 389** | 395 |

#### Note 3—Acquisitions and Dispositions

##### Acquisition of Shell Enterprise LLC's (Shell) Permian Assets

In December 2021, we completed our acquisition of Shell's assets in the Permian based Delaware Basin in an all-cash transaction for $8.6 billion after customary adjustments. Assets acquired include approximately 225,000 net acres and producing properties located entirely in Texas. The acquisition was accounted for as a business combination under FASB Topic ASC 805 using the acquisition method, which requires assets acquired and liabilities assumed to be measured at their acquisition date fair values. Fair value measurements were made for acquired assets and liabilities, and adjustments to those measurements may be made in subsequent periods, up to one year from the acquisition date as we identify new information about facts and circumstances that existed as of the acquisition date to consider.

Oil and gas properties were valued using a discounted cash flow approach incorporating market participant and internally generated price assumptions, production profiles and operating and development cost assumptions. The fair values determined for accounts receivable, accounts payable and most other current assets and current liabilities were equivalent to the carrying value due to their short-term nature. The total consideration of $8.6 billion was allocated to the identifiable assets and liabilities based on their fair values at the acquisition date.

|  |  |
| --- | --- |
| **Assets Acquired** | Millions of Dollars |
| Accounts receivable, net | $ 337 |
| Inventories | 20 |
| Net properties, plants and equipment | 8,582 |
| Other assets | 50 |
| **Total assets acquired** | **$ 8,989** |
| **Liabilities Assumed** |  |
| Accounts payable | $ 206 |
| Accrued income and other taxes | 6 |
| Other accruals | 20 |
| Asset retirement obligations and accrued environmental costs | 86 |
| Other liabilities and deferred credits | 36 |
| **Total liabilities assumed** | **$ 354** |
| **Net assets acquired** | **$ 8,635** |

With the completion of the Shell Permian transaction, we acquired proved and unproved properties of approximately

$4.2 billion and $4.3 billion, respectively.

*Supplemental Pro Forma (unaudited)*

The following table summarizes the unaudited supplemental pro forma financial information for the

three- and nine-month periods ended September 30, 2021, as if we had completed the acquisition of Shell's Permian assets on January 1, 2020:

Three Months Ended September 30, 2021

Millions of Dollars

Nine Months Ended September 30, 2021

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Supplemental Pro Forma (unaudited)** | As Reported | Pro formaShell | Pro forma Combined |  | As Reported | Pro formaShell | Pro forma Combined |
| Total Revenues and Other Income | 11,616 | 882 | 12,498 |  | 32,386 | 2,277 | 34,663 |
| Income before income taxes | 3,582 | 364 | 3,946 |  | 8,376 | 780 | 9,156 |
| Net Income | 2,379 | 279 | 2,658 |  | 5,452 | 597 | 6,049 |
| **Earnings per share ($ per share):** |  |  |  |  |  |  |  |
| Basic net income | $ 1.78 |  | 1.99 |  | 4.10 |  | 4.55 |
| Diluted net income | 1.78 |  | 1.98 |  | 4.09 |  | 4.54 |

The unaudited supplemental pro forma financial information is presented for illustration and comparative purposes only and is not necessarily indicative of the operating results that would have occurred had the transaction been completed on January 1, 2020, nor is it necessarily indicative of future operating results of the combined entity. The unaudited pro forma financial information for the three- and nine-month periods ended September 30, 2021, is a result of combining the consolidated income statement of ConocoPhillips with the results of the assets acquired from Shell. The pro forma results do not include transaction-related costs, nor any cost savings anticipated as a result of the transaction. The pro forma results include adjustments made primarily to DD&A, which is based on the unit-of-production method, resulting from the purchase price allocated to properties, plants and equipment. We believe the estimates and assumptions are reasonable, and the relative effects of the transaction are properly reflected.

##### Acquisition of Concho Resources Inc. (Concho)

In January 2021, we completed our acquisition of Concho, an independent oil and gas exploration and production company in an all-stock transaction. In conjunction with this acquisition, we commenced, and completed in 2021, a company-wide restructuring program, the scope of which included combining the operations of the two companies as well as other global restructuring activities for which we recognized non-recurring restructuring and transaction costs. Further information regarding the Concho acquisition can be found in the following footnotes: [*Note*](#_bookmark13) *7*[*—Changes in*](#_bookmark13)[*Equity*](#_bookmark13); [*Note*](#_bookmark15) *9*[*—Contingencies and Commitments*](#_bookmark15); [*Note*](#_bookmark16) *10*[*—Derivative and Financial Instruments*](#_bookmark16); and [*Note*](#_bookmark18) *13*[*—Cash*](#_bookmark18)[*Flow Information*](#_bookmark18)and should be read in conjunction with the notes included in our Annual Report on Form 10-K.

##### Acquisition of Additional Shareholding Interest in Australia Pacific LNG Pty Ltd (APLNG)

In February 2022, we completed the acquisition of an additional 10 percent interest in APLNG from Origin Energy for approximately $1.4 billion, after customary adjustments, in an all-cash transaction resulting from the exercise of our preemption right. This increased our ownership in APLNG to 47.5 percent, with Origin Energy and Sinopec owning

27.5 percent and 25 percent, respectively. APLNG is reported as an equity investment in our Asia Pacific segment.

##### Asset Acquisition

In September 2022, we completed the acquisition of additional working interest in certain Eagle Ford acreage in the Lower 48 segment for cash consideration of $236 million after customary adjustments. This agreement was accounted for as an asset acquisition resulting in the recognition of $254 million of PP&E, $10 million of ARO and an $8 million net reduction in working capital.

##### Assets Sold

In September 2022, we sold our interest in certain noncore assets in the Anadarko basin of our Lower 48 segment for net proceeds of $210 million and recognized a $76 million before-tax and $58 million after-tax loss. At the time of disposition, our interest in these assets had a net carrying value of $286 million, consisting of $310 million of assets, primarily related to $303 million of PP&E, and $24 million of liabilities, primarily related to AROs.

In April 2022, we sold our interests in certain noncore assets in the Permian basin of our Lower 48 segment for net proceeds of $370 million and recognized an $80 million before-tax and $63 million after-tax gain. At the time of disposition, our interests in these assets had a net carrying value of $290 million, consisting primarily of $401 million of PP&E and $111 million of liabilities, primarily related to AROs.

In March 2022, we completed the divestiture of our subsidiaries that held our Indonesia assets and operations, and based on an effective date of January 1, 2021, we received net proceeds of $731 million after customary adjustments and recognized a $534 million before-tax and $462 million after-tax gain related to this transaction. Together, the subsidiaries sold indirectly held our 54 percent interest in the Indonesia Corridor Block Production Sharing Contract (PSC) and

35 percent shareholding in the Transasia Pipeline Company. At the time of the disposition, the net carrying value was

approximately $0.2 billion, excluding $0.2 billion of cash and restricted cash. The net book value consisted primarily of

$0.3 billion of PP&E and $0.1 billion of ARO. The before-tax earnings associated with the subsidiaries sold, excluding the gain on disposition noted above, were $138 million and $423 million for the nine-month period ended September 30, 2022 and 2021, respectively. Results of operations for the Indonesia interests sold were reported in our Asia Pacific segment.

For the three- and nine-months ended September 30, 2022, we recorded contingent payments of $6 million and $430 million, respectively, relating to the previous dispositions of our interest in the Foster Creek Christina Lake Partnership and western Canada gas assets as well as our San Juan assets. The contingent payments are recorded as gain on dispositions in our consolidated income statement and are reflected within our Canada and Lower 48 segments. The term of contingent payments in our Canada segment ended in the second quarter of 2022. For the three- and nine-months ended September 30, 2021, we recorded contingent payments of $121 million and $222 million, respectively, relating to these dispositions.

#### Note 4—Investments, Loans and Long-Term Receivables

##### APLNG

APLNG executed an $8.5 billion project finance facility in 2012 which became non-recourse following financial completion in 2017. Following refinancing efforts, the facility is currently composed of a financing agreement with the Export-Import Bank of the United States, a commercial bank facility and two United States Private Placement note facilities. APLNG principal and interest payments commenced in March 2017 and are scheduled to occur bi-annually until September 2030. At September 30, 2022, a balance of $5.2 billion was outstanding on these facilities.

[*See Note*](#_bookmark14) *8*[*.*](#_bookmark14)

In February 2022, we completed the acquisition of an additional 10 percent interest in APLNG from Origin Energy for approximately $1.4 billion resulting from the exercise of our preemption right. This increased our ownership in APLNG to

47.5 percent, with Origin Energy and Sinopec owning 27.5 percent and 25 percent, respectively.

At September 30, 2022, the carrying value of our equity method investment in APLNG was $6.4 billion. The balance is included in the “Investments and long-term receivables” line on our consolidated balance sheet.

##### Loans

As part of our normal ongoing business operations, we enter into numerous agreements with other parties to pursue business opportunities. Included in such activity are loans made to certain affiliated and non-affiliated companies. At September 30, 2022, there were no outstanding loans to affiliated companies as the final loan payment related to Qatar Liquefied Gas Company Limited (3) project financing was received in the third quarter of 2022.

#### Note 5—Investment in Cenovus Energy

At December 31, 2021, we held 91 million common shares of Cenovus Energy (CVE), which approximated 4.5% of their issued and outstanding common shares. Those shares were carried on our balance sheet at fair value of $1.1 billion based on NYSE closing price of $12.28 per share on the last day of trading for the period. During the first quarter of 2022, we sold our remaining 91 million shares, recognizing proceeds of $1.4 billion.

All gains and losses were recognized within *"*Other income” on our consolidated income statement. Proceeds related to the sale of our CVE shares were included within “Cash Flows from Investing Activities” on our consolidated statement of cash flows. [*See Note*](#_bookmark17) *11*[*.*](#_bookmark17)

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| Total Net gain on equity securities | **$ —** | 17 | **251** | 743 |
| Less: Net gain (loss) on equity securities sold during the period | **—** | (50) | **251** | 177 |
| Unrealized gain on equity securities still held at the reportingdate | **$** | **—** | 67 **$** | **—** | 566 |

#### Note 6—Debt

Millions of Dollars

|  |  |  |
| --- | --- | --- |
|  | **September 30****2022** | December 312021 |
| 2.4% Notes due 2022 | **$ 329** | 329 |
| 7.65% Debentures due 2023 | **78** | 78 |
| 3.35% Notes due 2024 | **426** | 426 |
| 2.125% Notes due 2024 | **900** | — |
| 8.2% Notes due 2025 | **134** | 134 |
| 3.35% Debentures due 2025 | **199** | 199 |
| 2.4% Notes due 2025 | **900** | — |
| 6.875% Debentures due 2026 | **67** | 67 |
| 4.95% Notes due 2026 | **—** | 1,250 |
| 7.8% Debentures due 2027 | **203** | 203 |
| 3.75% Notes due 2027 | **196** | 1,000 |
| 4.3% Notes due 2028 | **223** | 1,000 |
| 7.375% Debentures due 2029 | **92** | 92 |
| 7% Debentures due 2029 | **112** | 200 |
| 6.95% Notes due 2029 | **1,195** | 1,549 |
| 8.125% Notes due 2030 | **390** | 390 |
| 7.4% Notes due 2031 | **382** | 500 |
| 7.25% Notes due 2031 | **400** | 500 |
| 7.2% Notes due 2031 | **447** | 575 |
| 2.4% Notes due 2031 | **227** | 500 |
| 5.9% Notes due 2032 | **505** | 505 |
| 4.15% Notes due 2034 | **246** | 246 |
| 5.95% Notes due 2036 | **326** | 500 |
| 5.951% Notes due 2037 | **645** | 645 |
| 5.9% Notes due 2038 | **350** | 600 |
| 6.5% Notes due 2039 | **1,588** | 2,750 |
| 3.758% Notes due 2042 | **785** | — |
| 4.3% Notes due 2044 | **750** | 750 |
| 5.95% Notes due 2046 | **329** | 500 |
| 7.9% Debentures due 2047 | **60** | 60 |
| 4.875% Notes due 2047 | **319** | 800 |
| 4.85% Notes due 2048 | **219** | 600 |
| 3.8% Notes due 2052 | **1,100** | — |
| 4.025% Notes due 2062 | **1,770** | — |
| Floating rate notes due 2022 at 1.06% – 1.41% during 2022 and 1.02% –1.12% during 2021 | **—** | 500 |
| Marine Terminal Revenue Refunding Bonds due 2031 at 0.07% – 2.55% during 2022 and 0.04% –0.15% during 2021 | **265** | 265 |
| Industrial Development Bonds due 2035 at 0.07% – 2.55% during 2022 and 0.04% – 0.12% during2021 | **18** | 18 |
| Other | **31** | 35 |
| Debt at face value | **16,206** | 17,766 |
| Finance leases | **1,282** | 1,261 |
| Net unamortized premiums, discounts and debt issuance costs | **(527)** | 907 |
| Total debt | **16,961** | 19,934 |
| Short-term debt | **(664)** | (1,200) |
| Long-term debt | **$ 16,297** | 18,734 |

In May 2022, we redeemed $1,250 million principal amount of our 4.95 percent Notes due 2026. We paid premiums above face value of $79 million to redeem the debt and recognized a loss on debt extinguishment of $83 million which is included in the "Other expenses" line on our consolidated income statement. We also paid $500 million to retire the outstanding principal amount of the floating rate notes due 2022 at maturity.

In the first quarter of 2022, we completed a debt refinancing consisting of three concurrent transactions: a tender offer to repurchase existing debt for cash; exchange offers to retire certain debt in exchange for new debt and cash; and a new debt issuance to partially fund the cash paid in the tender and exchange offers.

Tender Offer

In March 2022, we repurchased a total of $2,716 million aggregate principal amount of debt as listed below. We paid premiums above face value of $333 million to repurchase these debt instruments and recognized a gain on debt extinguishment of $155 million which is included in the "Other expenses" line on our consolidated income statement.

* 3.75% Notes due 2027 with principal of $1,000 million (partial repurchase of $804 million)
* 4.3% Notes due 2028 with principal of $1,000 million (partial repurchase of $777 million)
* 2.4% Notes due 2031 with principal of $500 million (partial repurchase of $273 million)
* 4.875% Notes due 2047 with principal of $800 million (partial repurchase of $481 million)
* 4.85% Notes due 2048 with principal of $600 million (partial repurchase of $381 million)

Exchange Offers

Also in March 2022, we completed two concurrent debt exchange offers through which $2,544 million of aggregate principal of existing notes was tendered and accepted in exchange for a combination of new notes and cash. The debt exchange offers were treated as debt modifications for accounting purposes resulting in a portion of the unamortized debt discount, premiums and debt issuance costs of the existing notes being allocated to the new notes on the settlement dates of the exchange offers. We paid premiums above face value of $883 million, comprised of $872 million of cash as well as new notes, which were capitalized as additional debt discount. We incurred expenses of $28 million in the exchanges which are included in the "Other expenses" line on our consolidated income statement.

The notes tendered and accepted in the exchange offers were:

* 7% Debentures due 2029 with principal amount of $200 million (partial exchange of $88 million)
* 6.95% Notes due 2029 with principal amount of $1,549 million (partial exchange of $354 million)
* 7.4% Notes due 2031 with principal amount of $500 million (partial exchange of $118 million)
* 7.25% Notes due 2031 with principal amount of $500 million (partial exchange of $100 million)
* 7.2% Notes due 2031 with principal amount of $575 million (partial exchange of $128 million)
* 5.95% Notes due 2036 with principal amount of $500 million (partial exchange of $174 million)
* 5.9% Notes due 2038 with principal amount of $600 million (partial exchange of $250 million)
* 6.5% Notes due 2039 with principal amount of $2,750 million (partial exchange of $1,162 million)
* 5.95% Notes due 2046 with principal amount of $500 million (partial exchange of $171 million)

The notes tendered and accepted were exchanged for the following new notes:

* 3.758% Notes due 2042 with principal amount of $785 million
* 4.025% Notes due 2062 with principal amount of $1,770 million

New Debt Issuance

On March 8, 2022, we issued the following new notes consisting of:

* 2.125% Notes due 2024 with principal of $900 million
* 2.4% Notes due 2025 with principal of $900 million
* 3.8% Notes due 2052 with principal of $1,100 million

In February 2022, we refinanced our revolving credit facility from a total borrowing capacity of $6.0 billion to $5.5 billion with an expiration date of February 2027. Our revolving credit facility may be used for direct bank borrowings, the issuance of letters of credit totaling up to $500 million, or as support for our commercial paper program. The revolving credit facility is broadly syndicated among financial institutions and does not contain any material adverse change provisions or any covenants requiring maintenance of specified financial ratios or credit ratings. The facility agreement contains a cross-default provision relating to the failure to pay principal or interest on other debt obligations of

$200 million or more by ConocoPhillips, or any of its consolidated subsidiaries. The amount of the facility is not subject to

redetermination prior to its expiration date.

Credit facility borrowings may bear interest at a margin above rates offered by certain designated banks in the London interbank market or at a margin above the overnight federal funds rate or prime rates offered by certain designated banks in the U.S. The facility agreement calls for commitment fees on available, but unused, amounts. The facility agreement also contains early termination rights if our current directors or their approved successors cease to be a majority of the Board of Directors.

The revolving credit facility supports our ability to issue up to $5.5 billion of commercial paper. Commercial paper is generally limited to maturities of 90 days and is included in short-term debt on our consolidated balance sheet. With no commercial paper outstanding and no direct borrowings or letters of credit, we had access to $5.5 billion in available borrowing capacity under our revolving credit facility at September 30, 2022. At December 31, 2021, we had no commercial paper outstanding and no direct borrowings or letters of credit issued.

In September 2022, Moody's upgraded our long-term credit rating to "A2" with a stable outlook from the previous "A3" with a positive outlook and upgraded our commercial paper rating to "Prime-1" from "Prime-2".

The current credit ratings on our long-term debt are:

* Fitch: “A” with a “stable” outlook
* S&P: “A-” with a “stable” outlook
* Moody's: "A2" with a "stable" outlook

We do not have any ratings triggers on any of our corporate debt that would cause an automatic default, and thereby impact our access to liquidity upon downgrade of our credit ratings. If our credit ratings are downgraded from their current levels, it could increase the cost of corporate debt available to us and restrict our access to the commercial paper markets. If our credit ratings were to deteriorate to a level prohibiting us from accessing the commercial paper market, we would still be able to access funds under our revolving credit facility.

At September 30, 2022, we had $283 million of certain variable rate demand bonds (VRDBs) outstanding with maturities ranging through 2035. The VRDBs are redeemable at the option of the bondholders on any business day. If they are ever redeemed, we have the ability and intent to refinance on a long-term basis, therefore, the VRDBs are included in the “Long-term debt” line on our consolidated balance sheet.

#### Note 7—Changes in Equity

Common Stock

Millions of Dollars

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Par Value | Capital in Excess of Par | Treasury Stock | Accum. Other Comprehensive Income (Loss) | Retained Earnings | Total |
| **For the three months ended September 30, 2022** |  |  |  |  |  |  |
| Balances at June 30, 2022 | $ 21 | 61,045 | (54,644) | (5,313) | 49,093 | 50,202 |
| Net income |  |  |  |  | 4,527 | 4,527 |
| Other comprehensive loss |  |  |  | (552) |  | (552) |
| Dividends declared |  |  |  |  |  |  |
| Ordinary ($0.46 per common share) |  |  |  |  | (588) | (588) |
| Variable return of cash ($1.40 per common share) |  |  |  |  | (1,754) | (1,754) |
| Repurchase of company common stock |  |  | (2,799) |  |  | (2,799) |
| Distributed under benefit plans |  | 44 |  |  |  | 44 |
| Other |  |  | (1) |  |  | (1) |
| **Balances at September 30, 2022** | **$ 21** | **61,089** | **(57,444)** | **(5,865)** | **51,278** | **49,079** |
| **For the nine months ended September 30, 2022** |  |  |  |  |  |  |
| Balances at December 31, 2021 | $ 21 | 60,581 | (50,920) | (4,950) | 40,674 | 45,406 |
| Net income |  |  |  |  | 15,431 | 15,431 |
| Other comprehensive loss |  |  |  | (915) |  | (915) |
| Dividends declared |  |  |  |  |  |  |
| Ordinary ($1.38 per common share) |  |  |  |  | (1,789) | (1,789) |
| Variable return of cash ($2.40 per common share) |  |  |  |  | (3,040) | (3,040) |
| Repurchase of company common stock |  |  | (6,524) |  |  | (6,524) |
| Distributed under benefit plans |  | 508 |  |  |  | 508 |
| Other |  |  |  |  | 2 | 2 |
| **Balances at September 30, 2022** | **$ 21** | **61,089** | **(57,444)** | **(5,865)** | **51,278** | **49,079** |

Millions of Dollars

Common Stock

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Par Value | Capital in Excess of Par | Treasury Stock | Accum. Other Comprehensive Income (Loss) | Retained Earnings | Total |
| For the three months ended September 30, 2021 |  |  |  |  |  |  |
| Balances at June 30, 2021 | $ 21 | 60,337 | (48,278) | (4,920) | 37,116 | 44,276 |
| Net income |  |  |  |  | 2,379 | 2,379 |
| Other comprehensive loss |  |  |  | (203) |  | (203) |
| Dividends declared |  |  |  |  |  |  |
| Ordinary ($0.89 per common share) |  |  |  |  | (1,188) | (1,188) |
| Repurchase of company common stock |  |  | (1,243) |  |  | (1,243) |
| Distributed under benefit plans |  | 94 |  |  |  | 94 |
| Balances at September 30, 2021 | $ 21 | 60,431 | (49,521) | (5,123) | 38,307 | 44,115 |
| For the nine months ended September 30, 2021 |  |  |  |  |  |  |
| Balances at December 31, 2020 | $ 18 | 47,133 | (47,297) | (5,218) | 35,213 | 29,849 |
| Net income |  |  |  |  | 5,452 | 5,452 |
| Other comprehensive income |  |  |  | 95 |  | 95 |
| Dividends declared |  |  |  |  |  |  |
| Ordinary ($1.75 per common share) |  |  |  |  | (2,359) | (2,359) |
| Acquisition of Concho | 3 | 13,122 |  |  |  | 13,125 |
| Repurchase of company common stock |  |  | (2,224) |  |  | (2,224) |
| Distributed under benefit plans |  | 176 |  |  |  | 176 |
| Other |  |  |  |  | 1 | 1 |
| Balances at September 30, 2021 | $ 21 | 60,431 | (49,521) | (5,123) | 38,307 | 44,115 |

#### Note 8—Guarantees

At September 30, 2022, we were liable for certain contingent obligations under various contractual arrangements as described below. We recognize a liability, at inception, for the fair value of our obligation as a guarantor for newly issued or modified guarantees. Unless the carrying amount of the liability is noted below, we have not recognized a liability because the fair value of the obligation is immaterial. In addition, unless otherwise stated, we are not currently performing with any significance under the guarantee and expect future performance to be either immaterial or have only a remote chance of occurrence.

##### APLNG Guarantees

At September 30, 2022, we had outstanding multiple guarantees in connection with our 47.5 percent ownership interest in APLNG. The following is a description of the guarantees with values calculated utilizing September 2022 exchange rates:

* During the third quarter of 2016, we issued a guarantee to facilitate the withdrawal of our pro-rata portion of the funds in a project finance reserve account. We estimate the remaining term of this guarantee is 8 years. Our maximum exposure under this guarantee is approximately $210 million and may become payable if an enforcement action is commenced by the project finance lenders against APLNG. At September 30, 2022, the carrying value of this guarantee was $14 million.
* In conjunction with our original purchase of an ownership interest in APLNG from Origin Energy Limited in October 2008, we agreed to reimburse Origin Energy Limited for our share of the existing contingent liability arising under guarantees of an existing obligation of APLNG to deliver natural gas under several sales agreements. The final guarantee expires in the fourth quarter of 2041. Our maximum potential liability for future payments, or cost of volume delivery, under these guarantees is estimated to be $760 million ($1.3 billion in the event of intentional or reckless breach) and would become payable if APLNG fails to meet its obligations under these agreements and the obligations cannot otherwise be mitigated. Future payments are considered unlikely, as the payments, or cost of volume delivery, would only be triggered if APLNG does not have enough natural gas to meet these sales commitments and if the co-venturers do not make necessary equity contributions into APLNG.
* We have guaranteed the performance of APLNG with regard to certain other contracts executed in connection with the project’s continued development. The guarantees have remaining terms of 14 to 23 years or the life of the venture. Our maximum potential amount of future payments related to these guarantees is approximately

$280 million and would become payable if APLNG does not perform. At September 30, 2022, the carrying value of these guarantees was approximately $20 million.

##### Other Guarantees

We have other guarantees with maximum future potential payment amounts totaling approximately $600 million, which consist primarily of guarantees of the residual value of leased office buildings and guarantees of the residual value of corporate aircrafts. These guarantees have remaining terms of three to five years and would become payable if certain asset values are lower than guaranteed amounts at the end of the lease or contract term, business conditions decline at guaranteed entities, or as a result of nonperformance of contractual terms by guaranteed parties. At September 30, 2022, there was no carrying value associated with these guarantees.

##### Indemnifications

Over the years, we have entered into agreements to sell ownership interests in certain legal entities, joint ventures and assets that gave rise to qualifying indemnifications. These agreements include indemnifications for taxes and environmental liabilities. The carrying amount recorded for these indemnification obligations at September 30, 2022, was

$20 million. Those related to environmental issues have terms that are generally indefinite and the maximum amounts of future payments are generally unlimited. Although it is reasonably possible future payments may exceed amounts recorded, due to the nature of the indemnifications, it is not possible to make a reasonable estimate of the maximum potential amount of future payments. [*See Note*](#_bookmark15) *9* for additional information about environmental liabilities.

#### Note 9—Contingencies and Commitments

A number of lawsuits involving a variety of claims arising in the ordinary course of business have been filed against ConocoPhillips. We also may be required to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various active and inactive sites. We regularly assess the need for accounting recognition or disclosure of these contingencies. In the case of all known contingencies (other than those related to income taxes), we accrue a liability when the loss is probable and the amount is reasonably estimable. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the low end of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. We accrue receivables for insurance or other third-party recoveries when applicable. With respect to income tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is less than certain.

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures. Estimates particularly sensitive to future changes include contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes.

##### Environmental

We are subject to international, federal, state and local environmental laws and regulations and record accruals for environmental liabilities based on management’s best estimates. These estimates are based on currently available facts, existing technology, and presently enacted laws and regulations, taking into account stakeholder and business considerations. When measuring environmental liabilities, we also consider our prior experience in remediation of contaminated sites, other companies’ cleanup experience, and data released by the U.S. EPA or other organizations. We consider unasserted claims in our determination of environmental liabilities, and we accrue them in the period they are both probable and reasonably estimable.

Although liability of those potentially responsible for environmental remediation costs is generally joint and several for federal sites and frequently so for other sites, we are usually only one of many companies cited at a particular site. Due to the joint and several liabilities, we could be responsible for all cleanup costs related to any site at which we have been designated as a potentially responsible party. We have been successful to date in sharing cleanup costs with other financially sound companies. Many of the sites at which we are potentially responsible are still under investigation by the EPA or the agency concerned. Prior to actual cleanup, those potentially responsible normally assess the site conditions, apportion responsibility and determine the appropriate remediation. In some instances, we may have no liability or may attain a settlement of liability. Where it appears that other potentially responsible parties may be financially unable to bear their proportional share, we consider this inability in estimating our potential liability, and we adjust our accruals accordingly. As a result of various acquisitions in the past, we assumed certain environmental obligations. Some of these environmental obligations are mitigated by indemnifications made by others for our benefit, and some of the indemnifications are subject to dollar limits and time limits.

We are currently participating in environmental assessments and cleanups at numerous federal Superfund and comparable state and international sites. After an assessment of environmental exposures for cleanup and other costs, we make accruals on an undiscounted basis (except those acquired in a purchase business combination, which we record on a discounted basis) for planned investigation and remediation activities for sites where it is probable future costs will be incurred and these costs can be reasonably estimated. We have not reduced these accruals for possible insurance recoveries.

At September 30, 2022, our balance sheet included a total environmental accrual of $182 million, compared with $187 million at December 31, 2021, for remediation activities in the U.S. and Canada. We expect to incur a substantial amount of these expenditures within the next 30 years. In the future, we may be involved in additional environmental assessments, cleanups and proceedings.

##### Litigation and Other Contingencies

We are subject to various lawsuits and claims including, but not limited to, matters involving oil and gas royalty and severance tax payments, gas measurement and valuation methods, contract disputes, environmental damages, climate change, personal injury, and property damage. Our primary exposures for such matters relate to alleged royalty and tax underpayments on certain federal, state and privately owned properties, claims of alleged environmental contamination and damages from historic operations, and climate change. We will continue to defend ourselves vigorously in these matters.

Our legal organization applies its knowledge, experience and professional judgment to the specific characteristics of our cases, employing a litigation management process to manage and monitor the legal proceedings against us. Our process facilitates the early evaluation and quantification of potential exposures in individual cases. This process also enables us to track those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, our legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required.

We have contingent liabilities resulting from throughput agreements with pipeline and processing companies not associated with financing arrangements. Under these agreements, we may be required to provide any such company with additional funds through advances and penalties for fees related to throughput capacity not utilized. In addition, at September 30, 2022, we had performance obligations secured by letters of credit of $261 million (issued as direct bank letters of credit) related to various purchase commitments for materials, supplies, commercial activities and services incident to the ordinary conduct of business.

In 2007, ConocoPhillips was unable to reach agreement with respect to the empresa mixta structure mandated by the Venezuelan government’s Nationalization Decree. As a result, Venezuela’s national oil company, Petróleos de Venezuela,

S.A. (PDVSA), or its affiliates, directly assumed control over ConocoPhillips’ interests in the Petrozuata and Hamaca heavy oil ventures and the offshore Corocoro development project. In response to this expropriation, ConocoPhillips initiated international arbitration on November 2, 2007, with the ICSID. On September 3, 2013, an ICSID arbitration tribunal held that Venezuela unlawfully expropriated ConocoPhillips’ significant oil investments in June 2007. On January 17, 2017, the Tribunal reconfirmed the decision that the expropriation was unlawful. In March 2019, the Tribunal unanimously ordered the government of Venezuela to pay ConocoPhillips approximately $8.7 billion in compensation for the government’s unlawful expropriation of the company’s investments in Venezuela in 2007. On August 29, 2019, the ICSID Tribunal issued a decision rectifying the award and reducing it by approximately $227 million. The award now stands at $8.5 billion plus interest. The government of Venezuela sought annulment of the award, which automatically stayed enforcement of the award. On September 29, 2021, the ICSID annulment committee lifted the stay of enforcement of the award.

In 2014, ConocoPhillips filed a separate and independent arbitration under the rules of the ICC against PDVSA under the contracts that had established the Petrozuata and Hamaca projects. The ICC Tribunal issued an award in April 2018, finding that PDVSA owed ConocoPhillips approximately $2 billion under their agreements in connection with the expropriation of the projects and other pre-expropriation fiscal measures. In August 2018, ConocoPhillips entered into a settlement with PDVSA to recover the full amount of this ICC award, plus interest through the payment period, including initial payments totaling approximately $500 million within a period of 90 days from the time of signing of the settlement agreement. The balance of the settlement is to be paid quarterly over a period of four and a half years. Per the settlement, PDVSA recognized the ICC award as a judgment in various jurisdictions, and ConocoPhillips agreed to suspend its legal enforcement actions. ConocoPhillips sent notices of default to PDVSA on October 14 and November 12, 2019, and to date PDVSA has failed to cure its breach. As a result, ConocoPhillips has resumed legal enforcement actions. To date, ConocoPhillips has received approximately $772 million in connection with the ICC award. ConocoPhillips has ensured that the settlement and any actions taken in enforcement thereof meet all appropriate U.S. regulatory requirements, including those related to any applicable sanctions imposed by the U.S. against Venezuela.

In 2016, ConocoPhillips filed a separate and independent arbitration under the rules of the ICC against PDVSA under the contracts that had established the Corocoro Project. On August 2, 2019, the ICC Tribunal awarded ConocoPhillips approximately $33 million plus interest under the Corocoro contracts. ConocoPhillips is seeking recognition and enforcement of the award in various jurisdictions. ConocoPhillips has ensured that all the actions related to the award meet all appropriate U.S. regulatory requirements, including those related to any applicable sanctions imposed by the

U.S. against Venezuela.

Beginning in 2017, governmental and other entities in several states in the U.S. have filed lawsuits against oil and gas companies, including ConocoPhillips, seeking compensatory damages and equitable relief to abate alleged climate change impacts. Additional lawsuits with similar allegations are expected to be filed. The amounts claimed by plaintiffs are unspecified and the legal and factual issues are unprecedented, therefore, there is significant uncertainty about the scope of the claims and alleged damages and any potential impact on the Company’s financial condition. ConocoPhillips believes these lawsuits are factually and legally meritless and are an inappropriate vehicle to address the challenges associated with climate change and will vigorously defend against such lawsuits.

Several Louisiana parishes and the State of Louisiana have filed 43 lawsuits under Louisiana’s State and Local Coastal Resources Management Act (SLCRMA) against oil and gas companies, including ConocoPhillips, seeking compensatory damages for contamination and erosion of the Louisiana coastline allegedly caused by historical oil and gas operations. ConocoPhillips entities are defendants in 22 of the lawsuits and will vigorously defend against them. Defendants are seeking rehearing of a Fifth Circuit panel’s recent decision affirming the remand of these cases to Louisiana state court which operates to extend the stay of the remand order. Because Plaintiffs’ SLCRMA theories are unprecedented, there is uncertainty about these claims (both as to scope and damages) and we continue to evaluate our exposure in these lawsuits.

In October 2020, the Bureau of Safety and Environmental Enforcement (BSEE) ordered the prior owners of Outer Continental Shelf (OCS) Lease P-0166, including ConocoPhillips, to decommission the lease facilities, including two offshore platforms located near Carpinteria, California. This order was sent after the current owner of OCS Lease P-0166 relinquished the lease and abandoned the lease platforms and facilities. BSEE’s order to ConocoPhillips is premised on its connection to Phillips Petroleum Company, a legacy company of ConocoPhillips, which held a historical 25 percent interest in this lease and operated these facilities but sold its interest approximately 30 years ago. ConocoPhillips is challenging the BSEE order but continues to evaluate its exposure in this matter.

On May 10, 2021, ConocoPhillips filed arbitration under the rules of the Singapore International Arbitration Centre (SIAC) against Santos KOTN Pty Ltd. and Santos Limited for their failure to timely pay the $200 million bonus due upon final investment decision of the Barossa development project under the sale and purchase agreement. Santos KOTN Pty Ltd. and Santos Limited have filed a response and counterclaim. The arbitration is ongoing with a hearing scheduled in December 2022.

In July 2021, a federal securities class action was filed against Concho, certain of Concho’s officers, and ConocoPhillips as Concho’s successor in the United States District Court for the Southern District of Texas. On October 21, 2021, the court issued an order appointing Utah Retirement Systems and the Construction Laborers Pension Trust for Southern California as lead plaintiffs (Lead Plaintiffs). On January 7, 2022, the Lead Plaintiffs filed their consolidated complaint alleging that Concho made materially false and misleading statements regarding its business and operations in violation of the federal securities laws and seeking unspecified damages, attorneys’ fees, costs, equitable/injunctive relief, and such other relief that may be deemed appropriate. We believe the allegations in the action are without merit and are vigorously defending this litigation.

#### Note 10—Derivative and Financial Instruments

We use futures, forwards, swaps and options in various markets to meet our customer needs, capture market opportunities and manage foreign exchange currency risk.

##### Commodity Derivative Instruments

Our commodity business primarily consists of natural gas, crude oil, bitumen, LNG and NGLs.

Commodity derivative instruments are held at fair value on our consolidated balance sheet. Where these balances have the right of setoff, they are presented on a net basis. Related cash flows are recorded as operating activities on our consolidated statement of cash flows. On our consolidated income statement, gains and losses are recognized either on a gross basis if directly related to our physical business or a net basis if held for trading. Gains and losses related to contracts that meet and are designated with the NPNS exception are recognized upon settlement. We generally apply this exception to eligible crude contracts and certain gas contracts. We do not apply hedge accounting for our commodity derivatives.

The following table presents the gross fair values of our commodity derivatives, excluding collateral, and the line items where they appear on our consolidated balance sheet:

Millions of Dollars

|  |  |  |
| --- | --- | --- |
|  | **September 30** | December 31 |
| **2022** | 2021 |
| **Assets** |  |  |
| Prepaid expenses and other current assets | **$ 1,675** | 1,168 |
| Other assets | **267** | 75 |
| **Liabilities** |  |  |
| Other accruals | **1,668** | 1,160 |
| Other liabilities and deferred credits | **220** | 63 |

The gains (losses) from commodity derivatives incurred and the line items where they appear on our consolidated income statement were:

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| Sales and other operating revenues | **$ (129)** | (483) | **(549)** | (862) |
| Other income | **(4)** | 7 | **(2)** | 23 |
| Purchased commodities | **6** | 405 | **352** | 550 |

During the first quarter of 2021, we recognized a $305 million loss on settlement of derivative contracts acquired through the Concho transaction. This loss is recorded within the “Sales and other operating revenues” line on our consolidated income statement. In connection with this settlement, we issued a cash payment of $692 million in the first quarter of 2021 and $69 million in the second quarter of 2021 which are included within “Cash Flows From Operating Activities” on our consolidated statement of cash flows.

The table below summarizes our net exposures resulting from outstanding commodity derivative contracts:

Open Position Long (Short)

**September 30** December 31

|  |  |  |
| --- | --- | --- |
|  | **2022** | 2021 |
| **Commodity**Natural gas and power (billions of cubic feet equivalent) Fixed price | **(18)** | 4 |
| Basis | **(2)** | (22) |

##### Financial Instruments

We invest in financial instruments with maturities based on our cash forecasts for the various accounts and currency pools we manage. The types of financial instruments in which we currently invest include:

* Time deposits: Interest bearing deposits placed with financial institutions for a predetermined amount of time.
* Demand deposits: Interest bearing deposits placed with financial institutions. Deposited funds can be withdrawn without notice.
* Commercial paper: Unsecured promissory notes issued by a corporation, commercial bank or government agency purchased at a discount to mature at par.
* U.S. government or government agency obligations: Securities issued by the U.S. government or U.S. government agencies.
* Foreign government obligations: Securities issued by foreign governments.
* Corporate bonds: Unsecured debt securities issued by corporations.
* Asset-backed securities: Collateralized debt securities.

The following investments are carried on our consolidated balance sheet at cost, plus accrued interest, and the table reflects remaining maturities at September 30, 2022, and December 31, 2021:

Millions of Dollars Carrying Amount

Cash and Cash Equivalents Short-Term Investments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **September 30****2022** | December 312021 | **September 30****2022** | December 312021 |
| **Cash** | **$ 664** | 670 |  |  |
| **Demand Deposits** | **1,413** | 1,554 |  |  |
| **Time Deposits** |  |  |  |  |
| 1 to 90 days | **5,843** | 2,363 | **1,591** | 217 |
| 91 to 180 days |  |  | **137** | 4 |
| Within one year |  |  | **34** | 4 |
| **U.S. Government Obligations** |  |  |  |  |
| 1 to 90 days | **23** | 431 | **—** | — |
|  | **$ 7,943** | 5,018 | **1,762** | 225 |

The following investments in debt securities classified as available for sale are carried at fair value on our consolidated balance sheet at September 30, 2022, and December 31, 2021:

Millions of Dollars Carrying Amount

Cash and Cash Equivalents Short-Term Investments

Investments and Long-Term Receivables

**Major Security Type**

**September 30**

**2022**

December 31

2021

##### September 30

**2022**

December 31

2021

##### September 30

**2022**

December 31

2021

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Corporate Bonds **$ —** | 3 | **322** | 128 | **287** | 173 |
| Commercial Paper **67** | 7 | **216** | 82 |  |  |
| U.S. GovernmentObligations **—** | — | **101** | — | **68** | 2 |
| U.S. Government Agency Obligations |  | **8** | 2 | **—** | 8 |
| Foreign Government Obligations |  | **3** | 7 | **7** | 2 |
| Asset-backed Securities |  | **—** | 2 | **118** | 63 |
| **$ 67** | 10 | **650** | 221 | **480** | 248 |

Cash and Cash Equivalents and Short-Term Investments have remaining maturities within one year. Investments and Long-Term Receivables have remaining maturities greater than one year through five years.

The following table summarizes the amortized cost basis and fair value of investments in debt securities classified as available for sale:

Millions of Dollars

Amortized Cost Basis Fair Value

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **September 30** | December 31 | **September 30** | December 31 |
| **2022** | 2021 | **2022** | 2021 |
| **Major Security Type** |  |  |  |  |
| Corporate Bonds | **$ 621** | 305 | **609** | 304 |
| Commercial Paper | **284** | 88 | **283** | 89 |
| U.S. Government Obligations | **172** | 2 | **169** | 2 |
| U.S. Government Agency Obligations | **8** | 10 | **8** | 10 |
| Foreign Government Obligations | **10** | 9 | **10** | 9 |
| Asset-backed Securities | **119** | 65 | **118** | 65 |
|  | **$ 1,214** | 479 | **1,197** | 479 |

As of September 30, 2022, and December 31, 2021, total unrealized losses for debt securities classified as available for sale with net losses were $17 million and negligible, respectively. No allowance for credit losses has been recorded on investments in debt securities which are in an unrealized loss position.

Proceeds from sales and redemptions of investments in debt securities classified as available for sale were $198 million and $399 million for the three- and nine-month periods ended September 30, 2022, respectively; and $165 million and

$485 million for the three- and nine-month periods ended September 30, 2021, respectively. Gross realized gains and losses included in earnings from those sales and redemptions were negligible. The cost of securities sold and redeemed is determined using the specific identification method.

##### Credit Risk

Financial instruments potentially exposed to concentrations of credit risk consist primarily of cash equivalents, short-term investments, long-term investments in debt securities, OTC derivative contracts and trade receivables. Our Cash Equivalents and Short-Term Investments are placed in high-quality commercial paper, government money market funds,

U.S. government and government agency obligations, time deposits with major international banks and financial institutions, high-quality corporate bonds, foreign government obligations and asset-backed securities. Our long-term investments in debt securities are placed in high-quality corporate bonds, asset-backed securities, U.S. government and government agency obligations, and foreign government obligations.

The credit risk from our OTC derivative contracts, such as forwards, swaps and options, derives from the counterparty to the transaction. Individual counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant nonperformance. We also use futures, swaps and option contracts that have a negligible credit risk because these trades are cleared primarily with an exchange clearinghouse and subject to mandatory margin requirements until settled; however, we are exposed to the credit risk of those exchange brokers for receivables arising from daily margin cash calls, as well as for cash deposited to meet initial margin requirements.

Our trade receivables result primarily from our oil and gas operations and reflect a broad national and international customer base, which limits our exposure to concentrations of credit risk. The majority of these receivables have payment terms of 30 days or less, and we continually monitor this exposure and the creditworthiness of the counterparties. We may require collateral to limit the exposure to loss including letters of credit, prepayments and surety bonds, as well as master netting arrangements to mitigate credit risk with counterparties that both buy from and sell to us, as these agreements permit the amounts owed by us or owed to others to be offset against amounts due to us.

Certain of our derivative instruments contain provisions that require us to post collateral if the derivative exposure exceeds a threshold amount. We have contracts with fixed threshold amounts and other contracts with variable threshold amounts that are contingent on our credit rating. The variable threshold amounts typically decline for lower credit ratings, while both the variable and fixed threshold amounts typically revert to zero if we fall below investment grade. Cash is the primary collateral in all contracts; however, many also permit us to post letters of credit as collateral, such as transactions administered through the New York Mercantile Exchange.

The aggregate fair value of all derivative instruments with such credit risk-related contingent features that were in a liability position at September 30, 2022 and December 31, 2021, was $377 million and $281 million, respectively. For these instruments, collateral posted at September 30, 2022, was $4 million and no collateral was posted at December 31, 2021. If our credit rating had been downgraded below investment grade at September 30, 2022, we would have been required to post $314 million of additional collateral, either with cash or letters of credit.

#### Note 11—Fair Value Measurement

We carry a portion of our assets and liabilities at fair value that are measured at the reporting date using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclosed according to the quality of valuation inputs under the fair value hierarchy.

The classification of an asset or liability is based on the lowest level of input significant to its fair value. Those that are initially classified as Level 3 are subsequently reported as Level 2 when the fair value derived from unobservable inputs is inconsequential to the overall fair value, or if corroborated market data becomes available. Assets and liabilities initially reported as Level 2 are subsequently reported as Level 3 if corroborated market data is no longer available. There were no material transfers into or out of Level 3 during the nine-month period ended September 30, 2022, nor during the year ended December 31, 2021.

##### Recurring Fair Value Measurement

Financial assets and liabilities reported at fair value on a recurring basis includes our investment in CVE common shares, our investments in debt securities classified as available for sale, and commodity derivatives.

* Level 1 derivative assets and liabilities primarily represent exchange-traded futures and options that are valued using unadjusted prices available from the underlying exchange. Level 1 also includes our investment in common shares of CVE, which is valued using quotes for shares on the NYSE, and our investments in U.S. government obligations classified as available for sale debt securities, which are valued using exchange prices.
* Level 2 derivative assets and liabilities primarily represent OTC swaps, options and forward purchase and sale contracts that are valued using adjusted exchange prices, prices provided by brokers or pricing service companies that are all corroborated by market data. Level 2 also includes our investments in debt securities classified as available for sale including investments in corporate bonds, commercial paper, asset-backed securities, U.S. government agency obligations and foreign government obligations that are valued using pricing provided by brokers or pricing service companies that are corroborated with market data.
* Level 3 derivative assets and liabilities consist of OTC swaps, options and forward purchase and sale contracts where a significant portion of fair value is calculated from underlying market data that is not readily available. The derived value uses industry standard methodologies that may consider the historical relationships among various commodities, modeled market prices, time value, volatility factors and other relevant economic measures. The use of these inputs results in management’s best estimate of fair value. Level 3 activity was not material for all periods presented.

The following table summarizes the fair value hierarchy for gross financial assets and liabilities (i.e., unadjusted where the right of setoff exists for commodity derivatives accounted for at fair value on a recurring basis):

Millions of Dollars

**September 30, 2022** December 31, 2021

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| **Assets**Investment in Cenovus Energy | **$ —** | **—** | **—** | **—** | 1,117 | — | — | 1,117 |
| Investments in debt securities | **169** | **1,028** | **—** | **1,197** | 2 | 477 | — | 479 |
| Commodity derivatives | **919** | **977** | **46** | **1,942** | 562 | 619 | 62 | 1,243 |
| Total assets | **$ 1,088** | **2,005** | **46** | **3,139** | 1,681 | 1,096 | 62 | 2,839 |
| **Liabilities**Commodity derivatives | **$ 927** | **772** | **189** | **1,888** | 593 | 543 | 87 | 1,223 |
| Total liabilities | **$ 927** | **772** | **189** | **1,888** | 593 | 543 | 87 | 1,223 |

The following table summarizes those commodity derivative balances subject to the right of setoff as presented on our consolidated balance sheet. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements when a legal right of setoff exists.

Millions of Dollars

Amounts Subject to Right of Setoff

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Gross Amounts Recognized | Amounts Not Subject to Right of Setoff | Gross Amounts | Gross AmountsOffset | Net Amounts Presented | Cash Collateral | Net Amounts |
| **September 30, 2022**Assets | **$ 1,942** | **11** | **1,931** | **1,099** | **832** | **1** | **831** |
| Liabilities | **1,888** | **2** | **1,886** | **1,099** | **787** | **32** | **755** |
| December 31, 2021 Assets | $ 1,243 | 85 | 1,158 | 650 | 508 | — | 508 |
| Liabilities | 1,223 | 82 | 1,141 | 650 | 491 | 36 | 455 |

At September 30, 2022 and December 31, 2021, we did not present any amounts gross on our consolidated balance sheet where we had the right of setoff.

##### Reported Fair Values of Financial Instruments

We used the following methods and assumptions to estimate the fair value of financial instruments:

* Cash and cash equivalents and short-term investments: The carrying amount reported on the balance sheet approximates fair value. For those investments classified as available for sale debt securities, the carrying amount reported on the balance sheet is fair value.
* Accounts and notes receivable (including long-term and related parties): The carrying amount reported on the balance sheet approximates fair value. The valuation technique and methods used to estimate the fair value of the current portion of fixed-rate related party loans is consistent with Loans and advances— related parties.
* Investment in Cenovus Energy: [*See Note*](#_bookmark11) *5* for a discussion of the carrying value and fair value of our investment in CVE common shares.
* Investments in debt securities classified as available for sale: The fair value of investments in debt securities categorized as Level 1 in the fair value hierarchy is measured using exchange prices. The fair value of investments in debt securities categorized as Level 2 in the fair value hierarchy is measured using pricing provided by brokers or pricing service companies that are corroborated with market data. [*See Note*](#_bookmark16) *10*[.](#_bookmark16)
* Loans and advances—related parties: The carrying amount of floating-rate loans approximates fair value. The fair value of fixed-rate loan activity is measured using market observable data and is categorized as Level 2 in the fair value hierarchy. [*See Note*](#_bookmark10) *4*[.](#_bookmark10)
* Accounts payable (including related parties) and floating-rate debt: The carrying amount of accounts payable and floating-rate debt reported on the balance sheet approximates fair value.
* Fixed-rate debt: The estimated fair value of fixed-rate debt is measured using prices available from a pricing service that is corroborated by market data; therefore, these liabilities are categorized as Level 2 in the fair value hierarchy.
* Commercial paper: The carrying amount of our commercial paper instruments approximates fair value and is reported on the balance sheet as short-term debt.

The following table summarizes the net fair value of financial instruments (i.e., adjusted where the right of setoff exists for commodity derivatives):

Millions of Dollars

Carrying Amount Fair Value

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **September 30** | December 31 | **September 30** | December 31 |
| **2022** | 2021 | **2022** | 2021 |
| **Financial assets** |  |  |  |  |
| Investment in CVE common shares | **$ —** | 1,117 | **—** | 1,117 |
| Commodity derivatives | **842** | 593 | **842** | 593 |
| Investments in debt securities | **1,197** | 479 | **1,197** | 479 |
| Loans and advances—related parties | **—** | 114 | **—** | 114 |
| **Financial liabilities** |  |  |  |  |
| Total debt, excluding finance leases | **15,679** | 18,673 | **15,755** | 22,451 |
| Commodity derivatives | **757** | 537 | **757** | 537 |

#### Note 12—Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss in the equity section of our consolidated balance sheet includes:

Millions of Dollars

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Defined Benefit Plans | Net UnrealizedLoss onSecurities | Foreign Currency Translation | AccumulatedOther ComprehensiveLoss |
| December 31, 2021 | $ (31) | — | (4,919) | (4,950) |
| Other comprehensive loss | **(61)** | **(13)** | **(841)** | **(915)** |
| **September 30, 2022** | **$ (92)** | **(13)** | **(5,760)** | **(5,865)** |

The following table summarizes reclassifications out of accumulated other comprehensive loss and into net income (loss):

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| Defined benefit plans | **$ 6** | 29 | **22** | 83 |

*The above amounts are included in the computation of net periodic benefit cost and are presented net of tax expense of $1 million and $7 million for the three-month periods ended September 30, 2022 and September 30, 2021, respectively, and $6 million and $22 million for the nine-month periods ended September 30, 2022 and September 30, 2021, respectively.* [*See Note*](#_bookmark19) *14*[*.*](#_bookmark19)

#### Note 13—Cash Flow Information

Millions of Dollars Nine Months Ended September 30

|  |  |  |
| --- | --- | --- |
| **Cash Payments** | **2022** | 2021 |
| Interest | **$ 706** | 695 |
| Income taxes | **5,602** | 358 |
| **Net Sales (Purchases) of Investments**Short-term investments purchased | **$ (2,960)** | (5,487) |
| Short-term investments sold | **1,297** | 8,478 |
| Long-term investments purchased | **(640)** | (228) |
| Long-term investments sold | **68** | 83 |
|  | **$ (2,235)** | 2,846 |

Income tax payments have increased in the first nine months of 2022 as the company is returning to a tax paying position in the U.S. as well as timing of foreign tax payments primarily in Libya and Norway.

In the first quarter of 2021, we acquired Concho in an all-stock transaction for $13.1 billion. In connection with this transaction, we acquired cash of $382 million, which is included in "Cash Flows From Investing Activities" on our consolidated statement of cash flows.

#### Note 14—Employee Benefit Plans

##### Pension and Postretirement Plans

Millions of Dollars

Pension Benefits Other Benefits

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2022** |  | 2021 |  | **2022** | 2021 |
| **U.S.** | **Int'l.** | U.S. | Int'l. |  |  |
| **Components of Net Periodic Benefit Cost** |  |  |  |  |  |  |
| Three Months Ended September 30 |  |  |  |  |  |  |
| Service cost | **$ 13** | **13** | 17 | 15 | **—** | — |
| Interest cost | **18** | **19** | 12 | 19 | **1** | 1 |
| Expected return on plan assets | **(10)** | **(31)** | (22) | (30) |  |  |
| Amortization of prior service credit | **—** | **(1)** | — | — | **(9)** | (9) |
| Recognized net actuarial loss | **6** | **2** | 9 | 8 | **—** | — |
| Settlements | **9** | **—** | 28 | — |  |  |
| Net periodic benefit cost | **$ 36** | **2** | 44 | 12 | **(8)** | (8) |
| Nine Months Ended September 30 |  |  |  |  |  |  |
| Service cost | **$ 45** | **39** | 56 | 46 | **1** | 1 |
| Interest cost | **42** | **61** | 40 | 59 | **3** | 3 |
| Expected return on plan assets | **(36)** | **(99)** | (66) | (90) |  |  |
| Amortization of prior service credit | **—** | **(1)** | — | — | **(29)** | (28) |
| Recognized net actuarial loss | **17** | **6** | 36 | 24 | **—** | 1 |
| Settlements | **31** | **—** | 72 | — |  |  |
| Curtailments | **—** | **—** | 12 | — | **—** | — |
| Special Termination Benefits | **—** | **—** | 9 | — | **—** | — |
| Net periodic benefit cost | **$ 99** | **6** | 159 | 39 | **(25)** | (23) |

The components of net periodic benefit cost, other than the service cost component, are included in the "Other expenses" line of our consolidated income statement.

During the first nine months of 2022, we contributed $68 million to our domestic benefit plans and $93 million to our international benefit plans. We expect our total contributions in 2022 to be approximately $95 million to our domestic qualified and nonqualified pension and postretirement benefit plans and $100 million to our international qualified and nonqualified pension and postretirement benefit plans.

We recognized a proportionate share of prior actuarial losses from other comprehensive income as pension settlement expense of $9 million and $31 million during the three- and nine-month periods ended September 30, 2022, respectively. In conjunction with the recognition of pension settlement expense, the fair market values of the pension plan assets were updated and the pension benefit obligations of the U.S. qualified pension plan and the U.S. nonqualified supplemental retirement plan were remeasured at September 30, 2022. At the measurement date, the net pension liability increased by $23 million, primarily a result of lower than premised return on assets, partially offset by an increase in the discount rate, resulting in a corresponding decrease to other comprehensive income.

|  |  |
| --- | --- |
| The relevant assumptions are summarized in the following table: |  |
|  | **September 30****2022** | December 312021 |
| **Expected return on plan assets (U.S. qualified pension plan)** | **5.30 %** | 3.40 |
| **Relevant discount rates** |  |  |
| U.S. qualified pension plan | **5.65 %** | 2.85 |
| U.S. nonqualified pension plan | **5.60** | 2.50 |

#### Note 15—Related Party Transactions

Our related parties primarily include equity method investments and certain trusts for the benefit of employees.

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Significant Transactions with Equity Affiliates** | **2022** | 2021 | **2022** | 2021 |
| Operating revenues and other income | **$ 21** | 22 | **64** | 63 |
| Purchases | **—** | 1 | **1** | 5 |
| Operating expenses and selling, general and administrative expenses | **55** | 45 | **145** | 135 |
| Net interest (income) expense\* | **—** | — | **(1)** | (2) |

*\*We paid interest to, or received interest from, various affiliates*. [*See Note*](#_bookmark10) *4 for information related to loans to equity affiliates.*

#### Note 16—Sales and Other Operating Revenues

##### Revenue from Contracts with Customers

The following table provides further disaggregation of our consolidated sales and other operating revenues:

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| Revenue from contracts with customers | **$ 15,968** | 8,880 | **47,202** | 23,794 |
| Revenue from contracts outside the scope of ASC Topic 606Physical contracts meeting the definition of a derivative | **5,012** | 2,620 | **12,563** | 7,348 |
| Financial derivative contracts | **33** | (174) | **171** | (434) |
| Consolidated sales and other operating revenues | **$ 21,013** | 11,326 | **59,936** | 30,708 |

Revenues from contracts outside the scope of ASC Topic 606 relate primarily to physical gas contracts at market prices which qualify as derivatives accounted for under ASC Topic 815, “Derivatives and Hedging,” and for which we have not elected NPNS. There is no significant difference in contractual terms or the policy for recognition of revenue from these contracts and those within the scope of ASC Topic 606. The following disaggregation of revenues is provided in conjunction with [*Note*](#_bookmark21) *17*[*—Segment Disclosures and Related Information:*](#_bookmark21)

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

##### Revenue from Outside the Scope of ASC Topic 606 by Segment

**2022** 2021 **2022** 2021

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Lower 48 | **$ 4,275** | 2,123 | **10,202** | 5,934 |
| Canada | **553** | 266 | **1,920** | 776 |
| Europe, Middle East and North Africa | **184** | 231 | **441** | 638 |
| Physical contracts meeting the definition of a derivative | **$ 5,012** | 2,620 | **12,563** | 7,348 |

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

##### Revenue from Outside the Scope of ASC Topic 606 by Product

**2022** 2021 **2022** 2021

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Crude oil | **$ 147** | 215 | **430** | 517 |
| Natural gas | **4,355** | 2,192 | **11,382** | 6,423 |
| Other | **510** | 213 | **751** | 408 |
| Physical contracts meeting the definition of a derivative | **$ 5,012** | 2,620 | **12,563** | 7,348 |

##### Practical Expedients

Typically, our commodity sales contracts are less than 12 months in duration; however, in certain specific cases they may extend longer, which may be out to the end of field life. We have long-term commodity sales contracts which use prevailing market prices at the time of delivery, and under these contracts, the market-based variable consideration for each performance obligation (i.e., delivery of commodity) is allocated to each wholly unsatisfied performance obligation within the contract. Accordingly, we have applied the practical expedient allowed in ASC Topic 606 and do not disclose the aggregate amount of the transaction price allocated to performance obligations or when we expect to recognize revenues that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

##### Receivables and Contract Liabilities

Receivables from Contracts with Customers

At September 30, 2022, the “Accounts and notes receivable” line on our consolidated balance sheet includes trade receivables of $5,701 million compared with $5,268 million at December 31, 2021, and includes both contracts with customers within the scope of ASC Topic 606 and those that are outside the scope of ASC Topic 606. We typically receive payment within 30 days or less (depending on the terms of the invoice) once delivery is made. Revenues that are outside the scope of ASC Topic 606 relate primarily to physical gas sales contracts at market prices for which we do not elect NPNS and are therefore accounted for as a derivative under ASC Topic 815. There is little distinction in the nature of the customer or credit quality of trade receivables associated with gas sold under contracts for which NPNS has not been elected compared to trade receivables where NPNS has been elected.

Contract Liabilities from Contracts with Customers

We have entered into certain agreements under which we license our proprietary technology, including the Optimized Cascade® process technology, to customers to maximize the efficiency of LNG plants. These agreements typically provide for milestone payments to be made during and after the construction phases of the LNG plant. The payments are not directly related to our performance obligations under the contract and are recorded as deferred revenue to be recognized when the customer is able to benefit from their right to use the applicable licensed technology.

Millions of Dollars

##### Contract Liabilities

At December 31, 2021 $ 50

Contractual payments received **25**

Revenue recognized **(56)**

##### At September 30, 2022 $ 19

For the nine-month period ended September 30, 2022, we recognized revenue of $56 million in the "Sales and other operating revenues" line on our consolidated income statement. No revenue was recognized during the three-month period ended September 30, 2022. We expect to recognize the contract liabilities as of September 30, 2022, as revenue in 2026.

#### Note 17—Segment Disclosures and Related Information

We explore for, produce, transport and market crude oil, bitumen, natural gas, LNG and NGLs on a worldwide basis. We manage our operations through six operating segments, which are primarily defined by geographic region: Alaska; Lower 48; Canada; Europe, Middle East and North Africa; Asia Pacific; and Other International.

Corporate and Other represents income and costs not directly associated with an operating segment, such as most interest income and expense; premiums on early retirement of debt; corporate overhead and certain technology activities, including licensing revenues; and unrealized holding gains or losses on equity securities. Corporate assets include all cash and cash equivalents and short-term investments.

We evaluate performance and allocate resources based on net income (loss). Intersegment sales are at prices that approximate market.

##### Analysis of Results by Operating Segment

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Sales and Other Operating Revenues** |  |  |  |  |
| Alaska | **$ 1,984** | 1,395 | **6,251** | 3,946 |
| Lower 48 | **14,287** | 7,566 | **40,302** | 19,968 |
| Intersegment eliminations | **(2)** | (1) | **(15)** | (5) |
| Lower 48 | **14,285** | 7,565 | **40,287** | 19,963 |
| Canada | **1,348** | 967 | **4,662** | 2,636 |
| Intersegment eliminations | **(583)** | (406) | **(1,960)** | (1,063) |
| Canada | **765** | 561 | **2,702** | 1,573 |
| Europe, Middle East and North Africa | **3,361** | 1,127 | **8,602** | 3,270 |
| Asia Pacific | **617** | 673 | **2,005** | 1,880 |
| Other International | **—** | 1 | **—** | 4 |
| Corporate and Other | **1** | 4 | **89** | 72 |
| Consolidated sales and other operating revenues | **$ 21,013** | 11,326 | **59,936** | 30,708 |
|  |  |  |  |  |
| **Sales and Other Operating Revenues by Geographic Location(1)** |
| United States | **$ 16,269** | 8,963 | **46,624** | 23,978 |
| Canada | **764** | 561 | **2,702** | 1,573 |
| China | **273** | 193 | **847** | 519 |
| Indonesia | **—** | 231 | **159** | 634 |
| Libya | **317** | 313 | **1,099** | 833 |
| Malaysia | **345** | 249 | **999** | 727 |
| Norway | **1,042** | 678 | **2,711** | 1,708 |
| United Kingdom | **2,002** | 136 | **4,792** | 729 |
| Other foreign countries | **1** | 2 | **3** | 7 |
| Worldwide consolidated | **$ 21,013** | 11,326 | **59,936** | 30,708 |
|  |  |  |  |  |
| **Sales and Other Operating Revenues by Product** |  |  |  |  |
| Crude oil | **$ 10,353** | 6,433 | **31,717** | 16,725 |
| Natural gas | **8,295** | 4,099 | **21,560** | 11,422 |
| Natural gas liquids | **989** | 414 | **2,909** | 976 |
| Other(2) | **1,376** | 380 | **3,750** | 1,585 |
| Consolidated sales and other operating revenues by product | **$ 21,013** | 11,326 | **59,936** | 30,708 |

1. *Sales and other operating revenues are attributable to countries based on the location of the selling operation.*
2. *Includes LNG and bitumen.*

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income (Loss)** |  |  |  |  |
| Alaska | **$ 580** | 405 | **1,851** | 935 |
| Lower 48 | **2,653** | 1,631 | **9,024** | 3,274 |
| Canada | **119** | 155 | **726** | 267 |
| Europe, Middle East and North Africa | **922** | 241 | **1,719** | 601 |
| Asia Pacific | **520** | 257 | **2,181** | 749 |
| Other International | **(28)** | (97) | **(28)** | (106) |
| Corporate and Other | **(239)** | (213) | **(42)** | (268) |
| Consolidated net income | **$ 4,527** | 2,379 | **15,431** | 5,452 |

Millions of Dollars

**September 30** December 31

|  |  |  |
| --- | --- | --- |
|  | **2022** | 2021 |
| **Total Assets** |  |  |
| Alaska | **$ 14,787** | 14,812 |
| Lower 48 | **42,912** | 41,699 |
| Canada | **6,747** | 7,439 |
| Europe, Middle East and North Africa | **8,259** | 9,125 |
| Asia Pacific | **9,996** | 9,840 |
| Other International | **4** | 1 |
| Corporate and Other | **12,132** | 7,745 |
| Consolidated net income | **$ 94,837** | 90,661 |

#### Note 18—Income Taxes

Our effective tax rate for the three-month periods ended September 30, 2022 and 2021 was 39.2 percent and 33.6 percent, respectively, and our effective tax rate for the nine-month periods ended September 30, 2022 and 2021 was

32.9 percent and 34.9 percent, respectively. Our effective tax rate for the first nine months of 2022 was impacted by the shift of income among our taxing jurisdictions, the release of tax reserves related to the closing of an IRS audit, a change to our valuation allowance and the impact of the interest deduction related to our debt exchange, as described below.

In the first quarter of 2022, the IRS closed the 2017 audit of our U.S. federal income tax return. As a result, we recognized federal and state tax benefits totaling $515 million relating to the recovery of outside tax basis previously offset by a full reserve.

During the second quarter of 2022, Norway enacted changes to the Petroleum Tax System. As a result of the enactment, a valuation allowance of $58 million was recorded during the second quarter to reflect changes to our ability to realize certain deferred tax assets under the new law.

For the nine-month period of 2022, our valuation allowance increased by $5 million, compared to a decrease of $156 million for the same period of 2021. The increase in the nine-month period of 2022 relates to the Norway tax law change described above. In addition, our nine-month periods of 2022 and 2021 include impacts from changes in our valuation allowance related to the fair value measurement of our CVE common shares and our expectation of the tax impact related to incremental capital gains and losses. [*See Note*](#_bookmark11) *5*[*.*](#_bookmark11)

Our 2022 and 2021 effective tax rates were adversely impacted by $37 million and $75 million, respectively, due to incremental interest deductions from debt exchanges in both periods offsetting U.S. foreign source revenue that would otherwise have been offset by foreign tax credits. [*See Note*](#_bookmark12) *6*[*.*](#_bookmark12)

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implements a 15 percent minimum tax on book income of certain large corporations, a 1 percent excise tax on net stock repurchases and several tax incentives to promote lower carbon energy. We are continuing to evaluate the impacts of this legislation; however, we do not believe any impacts will be material to our consolidated financial statements.

The Company has ongoing income tax audits in a number of jurisdictions. The government agents in charge of these audits regularly request additional time to complete audits, which we generally grant, and conversely occasionally close audits unpredictably. Within the next twelve months, we may have audit periods close that could significantly impact our total unrecognized tax benefits. The amount of such change is not estimable but could be significant when compared with our total unrecognized tax benefits.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*Management’s Discussion and Analysis is the company’s analysis of its financial performance and of significant trends that may affect future performance. It should be read in conjunction with the financial statements and notes. It contains forward-looking statements including, without limitation, statements relating to the company’s plans, strategies, objectives, expectations and intentions that are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “budget,” “continue,” “could,” “effort,” “estimate,” “expect,” “forecast,” “goal,” “guidance,” “intend,” “may,” “objective,” “outlook,” “plan,” “potential,” “predict,” “projection,” “seek,” “should,” “target,” “will,” “would” and similar expressions identify forward-looking statements. The company does not undertake to update, revise or correct any of the forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the company’s disclosures under the heading: “CAUTIONARY STATEMENT FOR THE PURPOSES OF THE ‘SAFE HARBOR’ PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995,” beginning on page* [*52*](#_bookmark25)*.*

*The terms “earnings” and “loss” as used in Management’s Discussion and Analysis refer to net income (loss).*

## Business Environment and Executive Overview

ConocoPhillips is the world’s largest independent E&P company with operations and activities in 13 countries. Our diverse, low cost of supply portfolio includes resource-rich unconventional plays in North America; conventional assets in North America, Europe and Asia; LNG developments; oil sands in Canada; and an inventory of global conventional and unconventional exploration prospects. Headquartered in Houston, Texas, at September 30, 2022, we employed approximately 9,400 people worldwide and had total assets of $95 billion.

### Overview

Overall, we anticipate that commodity prices will continue to be cyclical and volatile, and our view is that a successful business strategy in the E&P industry must be resilient in lower price environments, while also retaining full upside exposure during periods of higher prices. As such, we are unhedged, remain highly disciplined in our investment decisions and continue to monitor market fundamentals including the impacts associated with the conflict in Ukraine, OPEC Plus supply updates, global demand for our products, oil and gas inventory levels, governmental policies, inflation, supply chain disruptions and the fluctuating global COVID-19 impacts. During the third quarter of 2022, commodity prices moved in opposite directions, with oil prices decreasing due to macroeconomic concerns while natural gas prices continued to increase as compared with the prior quarter.

The macro-environment, including the energy transition, also continues to evolve. We believe ConocoPhillips is playing a valued role in the energy transition. We are guided by our triple mandate that simultaneously calls for us to reliably and responsibly deliver oil and gas production to meet energy transition pathway demand, deliver competitive returns on and of capital and achieve our net-zero operating emissions ambition. Our triple mandate is supported by financial principles and capital allocation priorities designed to allow us to deliver superior returns through the price cycles. Our financial principles consist of maintaining balance sheet strength, providing peer-leading distributions, making disciplined investments and demonstrating ESG leadership, all of which are in service to generating competitive financial returns through the price cycles.

In the third quarter, total company production was 1,754 MBOED, resulting in cash provided by operating activities of

$8.7 billion. We returned $1.5 billion to shareholders through our ordinary dividend and a VROC and $2.8 billion through share repurchases. We ended the quarter with cash, cash equivalents and short-term investments totaling $10.4 billion.

In August 2022, we increased our 2022 expected distributions through our three-tier return of capital framework to $15 billion for the year. This framework includes our ordinary dividend, share repurchases and the VROC tier we introduced last December. In November 2022, we declared an increase to the company's quarterly ordinary dividend from 46 cents per share to 51 cents per share, representing an 11 percent increase. In addition, we also declared our first quarter 2023 VROC payment of 70 cents per share.

Demonstrating our commitment to further enhance balance sheet strength, in the first half of 2022, we executed several activities focused on debt reduction including debt refinancing and early retirement of certain Notes. In aggregate, these transactions reduced the company's total debt by $3 billion. These activities facilitate our ability to achieve our previously announced $5 billion debt reduction target by the end of 2026, while also reducing the company's annual cash interest expense. [*See Note*](#_bookmark12) *6*[*.*](#_bookmark12)

In 2022, we have taken several steps to expand our global LNG business. In the first quarter, we increased our equity share in Australia Pacific LNG (APLNG) by 10 percent to 47.5 percent. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)During 2022 we signed agreements forming two new joint ventures with QatarEnergy that will participate in both the North Field East (NFE) and the North Field South (NFS) LNG projects. Subject to regulatory approvals, we will hold a 25 percent interest in each joint venture. In NFE and NFS, our joint ventures will participate with 12.5 percent and 25 percent interests in the respective LNG projects. Additionally, during the third quarter, we agreed to LNG receiving terminal services for a 15-year period at the prospective German LNG Terminal in Brunsbuettel, Germany.

Domestically, in July 2022, we announced a Heads of Agreement (HOA) with Sempra to potentially acquire a 30 percent direct equity holding in Port Arthur Liquefaction Holdings, LLC and an LNG offtake equivalent to approximately 5 million tonnes per annum from the Port Arthur LNG project. The HOA is a preliminary, non-binding arrangement, with development of the Port Arthur LNG project subject to concluding definitive agreements and resolving a number of risks and uncertainties, including, among others, signing engineering and construction contracts, obtaining financing and reaching a final investment decision between the parties.

In support of our commitment to ESG leadership and excellence, in July 2022, we joined the Oil and Gas Methane Partnership (OGMP) 2.0 initiative. The initiative's mission is to improve industry transparency in methane emissions reporting and encourage progress in reducing those emissions. We believe that applying the rigorous OGMP 2.0 reporting standards across our global assets will be a vital step towards meeting our Paris-aligned climate-risk commitments, including our net-zero ambition for operational emissions by 2050, and will allow us to credibly demonstrate how we are delivering against our methane improvement objectives and targets. In October 2022, we demonstrated further evidence of our commitment by setting a new 2030 methane emissions intensity target of approximately 0.15 percent of gas produced, consistent with our commitment to OGMP 2.0.

As part of our ongoing portfolio high-grading and optimization efforts, in the third quarter, we completed the sale of certain noncore assets in the Lower 48 segment for approximately $300 million after customary adjustments while also coring up other strategic positions in the Lower 48 segment through acquisitions of approximately $300 million after customary adjustments. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

Operationally, we remain focused on safely executing the business. Production was 1,754 MBOED in the third quarter of 2022, an increase of 210 MBOED from the same period a year ago. After adjusting for closed acquisitions and dispositions and the conversion of previously acquired Concho contracted volumes from a two-stream to a three-stream basis, third- quarter 2022 production increased by 30 MBOED or two percent from the same period a year ago. Organic growth from Lower 48 and other development programs more than offset decline and downtime.

We re-invested $2.5 billion into the business in the form of capital expenditures and investments during the third quarter of 2022, with over half of the expenditures focused on flexible, short-cycle unconventional plays in the Lower 48 segment, where our production has access to both domestic and export markets.

### Business Environment

Commodity prices are the most significant factor impacting our profitability and related returns on and of capital to our shareholders. Dynamics that could influence world energy markets and commodity prices are global economic health, supply or demand disruptions or fears thereof caused by civil unrest, global pandemics, military conflicts, actions taken by OPEC Plus and other major oil producing countries, environmental laws, tax regulations, governmental policies and weather-related disruptions. Our strategy is to create value through price cycles by delivering on the financial, operational and ESG priorities that underpin our value proposition.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which, among other things, implements a 15 percent minimum tax on book income of certain large corporations, a 1 percent excise tax on net stock repurchases and several tax incentives to promote lower carbon energy. We are continuing to evaluate the impacts of this legislation; however, we do not believe any impacts will be material to our consolidated financial statements.

Our earnings and operating cash flows generally correlate with price levels for crude oil and natural gas, which are subject to factors external to the company and over which we have no control. The following graph depicts the trend in average benchmark prices for WTI crude oil, Brent crude oil and Henry Hub natural gas:

### WTI Crude Oil, Brent Crude Oil and Henry Hub Natural Gas Prices Quarterly Averages

120

100

80

WTI/Brent

$/Bbl

60

40

20

Q3'20

Q4'20

Q1'21

Q2'21

Q3'21

Q4'21

Q1'22

Q2'22

9

8

7

6

HH

$/MMBTU

5

4

3

2

1

—

Q3'22

WTI - $/Bbl Brent - $/Bbl HH - $/MMBTU

Brent crude oil prices averaged $100.85 per barrel in the third quarter of 2022, an increase of 37 percent compared with

$73.47 per barrel in the third quarter of 2021. WTI at Cushing crude oil prices averaged $91.56 per barrel in the third quarter of 2022, an increase of 30 percent compared with $70.56 per barrel in the third quarter of 2021. Oil prices increased as a result of the ongoing global economic recovery following COVID-related impacts as well as supply constraints due to Russia's invasion of Ukraine, OPEC plus adherence to agreed production quotas and supply chain bottlenecks limiting growth.

Henry Hub natural gas prices averaged $8.20 per MMBTU in the third quarter of 2022, an increase of 104 percent compared with $4.02 per MMBTU in the third quarter of 2021. Henry Hub prices have increased due to strong domestic demand led by the power sector, lagging production growth, low inventories and higher export demand via pipelines and LNG. As we move into the fourth quarter of 2022, growing production in the Permian basin is approaching offtake capacity limits in the short term, which is causing regional markers to experience higher differentials to Henry Hub. As additional pipeline infrastructure is expected to be completed in the next 12 to 18 months, we anticipate these differentials to narrow to more historic levels.

Our realized bitumen price averaged $49.77 per barrel in the third quarter of 2022, an increase of 21 percent compared with $41.19 per barrel in the third quarter of 2021. The increase in the third quarter of 2022 was driven by higher blend prices for Surmont sales, largely attributed to a strengthening of WTI price. We continue to optimize bitumen price realizations through the utilization of downstream transportation solutions and implementation of alternate blend capability, which results in lower diluent costs.

For the third quarter of 2022, our total average realized price was $83.07 per BOE compared with $56.92 per BOE in the third quarter of 2021.

### Key Operating and Financial Summary

Significant items during the third quarter of 2022 and recent announcements included the following:

* Distributed $4.3 billion to shareholders through a three-tier framework, including $1.5 billion in cash through the ordinary dividend and VROC and $2.8 billion through share repurchases.
* Increased quarterly dividend by 11 percent to 51 cents per share and raised existing share repurchase authorization by $20 billion.
* Expanded global LNG portfolio through participation in QatarEnergy's North Field South LNG project and agreed to terminal services in Germany for a 15-year period at the prospective German LNG Terminal.
* Set a new 2030 methane emissions intensity target of approximately 0.15 percent of gas produced, consistent with our commitment to OGMP 2.0.
* Achieved Lower 48 production milestone of greater than 1,000 MBOED, contributing to record global production of 1,754 MBOED while successfully completing planned maintenance turnarounds.
* Generated cash provided by operating activities of $8.7 billion.
* Ended the quarter with cash, cash equivalents and restricted cash of $8.3 billion and short-term investments of

$2.4 billion.

### Outlook

Capital and Production

Fourth-quarter 2022 production is expected to be 1.74 to 1.80 MMBOED. Full-year production remains unchanged at 1.74 MMBOED.

2022 operating capital guidance has been adjusted to $8.1 billion versus the prior guidance of $7.8 billion, reflecting inflationary impacts and partner-operated well mix in the Lower 48. This guidance excludes $1.7 billion of capital associated with the closed acquisitions of an additional 10 percent interest in APLNG and bolt-on acquisitions in the Lower 48 segment.

2022 guidance for DD&A has decreased from $7.6 billion to $7.5 billion.

## Results of Operations

*Unless otherwise indicated, discussion of consolidated results for the three- and nine-month periods ended September 30, 2022, is based on a comparison with the corresponding period of 2021.*

### Consolidated Results

A summary of the company's net income (loss) by business segment follows:

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| Alaska | **$ 580** | 405 | **1,851** | 935 |
| Lower 48 | **2,653** | 1,631 | **9,024** | 3,274 |
| Canada | **119** | 155 | **726** | 267 |
| Europe, Middle East and North Africa | **922** | 241 | **1,719** | 601 |
| Asia Pacific | **520** | 257 | **2,181** | 749 |
| Other International | **(28)** | (97) | **(28)** | (106) |
| Corporate and Other | **(239)** | (213) | **(42)** | (268) |
| Net income | **$ 4,527** | 2,379 | **15,431** | 5,452 |

Net income in the third quarter of 2022 increased $2,148 million. Third quarter earnings were positively impacted by:

* Higher realized commodity prices.
* Higher sales volumes, primarily due to our Shell Permian acquisition, partly offset by assets divested. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)
* Higher equity in earnings of affiliates, primarily due to higher LNG sales prices as well as higher sales volumes inclusive of the additional 10 percent interest in APLNG we acquired in the first quarter of 2022. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)
* Gains related to certain commodity contracts and price impacts primarily on gas transportation in Europe.

Third quarter 2022 earnings were negatively impacted by:

* Higher production and operating expenses, taxes other than income taxes and DD&A expenses primarily due to higher prices and production volumes. Partially offsetting the increase in DD&A expenses were lower rates from price-related reserve revisions.
* Higher income tax provision.

Net income in the nine-month period ended September 30, 2022, increased $9,979 million. In addition to the items mentioned above, earnings in the nine-month period were positively impacted by:

* Gain on dispositions primarily due to a $462 million after-tax gain related to the divestiture of our Indonesia assets, higher contingent payments related to prior dispositions in our Canada and Lower 48 segments, divestiture of noncore assets in our Lower 48 segment in the second quarter of 2022 and absence of a $137 million after-tax loss related to the divestiture of noncore assets in our Other International segment in the third quarter of 2021. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)
* Recognized $515 million tax benefit related to the closing of an IRS audit in the first quarter.

[*See Note*](#_bookmark22) *18*[*.*](#_bookmark22)

* Absence of restructuring and transaction expenses of $243 million after-tax related to our Concho acquisition.
* Absence of realized losses on hedges of $233 million after-tax related to derivative positions acquired in our Concho acquisition. [*See Note*](#_bookmark16) *10*[*.*](#_bookmark16)
* Foreign exchange gains increased $122 million after-tax primarily as a result of the USD strengthening against the Norwegian Kroner.

In addition to the items mentioned above, earnings in the nine-month period were negatively impacted by:

* Absence of mark to market gains associated with Cenovus Energy (CVE) shares. [*See Note*](#_bookmark11) *5*[*.*](#_bookmark11)
* Absence of $194 million after-tax gain recognized in conjunction with our Australia-West divestiture. [*See Note*](#_bookmark15) *9*[*.*](#_bookmark15)

[*See the “Segment Results”*](#_bookmark24)section for additional information.

### Income Statement Analysis

*Unless otherwise indicated, all results in Income Statement Analysis are before-tax.*

Sales and other operating revenues for the three- and nine-month periods of 2022 increased $9,687 million and

$29,228 million, respectively, mainly due to higher realized commodity prices and higher sales volumes primarily due to our Shell Permian acquisition, partly offset by assets divested. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

Equity in earnings of affiliates for the three- and nine-month periods of 2022 increased $322 million and $1,011 million, respectively, due to higher earnings primarily driven by higher LNG and crude prices as well as higher sales volumes inclusive of the additional 10 percent interest in APLNG we acquired in the first quarter of 2022. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

Gain (loss) on dispositions in the third quarter of 2022 decreased due to the absence of contingent payments in our Canada segment and a loss of $76 million primarily related to the sale of noncore assets in the Lower 48 segment, partially offset by the absence of a loss of $179 million for the sale of noncore assets in our Other International segment divested in the third quarter of 2021. For the nine-month period of 2022, we recognized a gain of $534 million from our Indonesia divestiture and a gain of $80 million for the sale of noncore assets in the Lower 48 from the second quarter. In the nine-month period of 2022, we recognized higher contingent payments in our Canada and Lower 48 segments than in the same periods of 2021. Offsetting the increase in gains in the nine-month period of 2022 was the absence of a $200 million gain associated with our Australia-West divestiture recognized in the first quarter of 2021. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

Other income for the nine-month period of 2022 decreased $476 million primarily due to the absence of mark to market gains associated with our CVE common shares which were fully divested in the first quarter of 2022. [*See Note*](#_bookmark11) *5*[*.*](#_bookmark11)

Purchased commodities for the three- and nine-month periods of 2022 increased $5,072 million and $13,576 million, respectively, primarily due to higher gas, crude and power prices and volumes.

Production and operating expenses for the three- and nine-month periods of 2022 increased $410 million and

$970 million, respectively, primarily due to higher production volumes and inflationary impacts.

Selling, general and administrative expenses decreased $125 million in the nine-month period primarily due to the absence of transaction and restructuring expenses associated with our Concho acquisition in 2021.

Exploration expenses for the nine-month period of 2022 increased $95 million primarily due to dry hole expenses in the Europe, Middle East and North Africa and Asia Pacific segments related to 2022 exploration programs.

DD&A Expenses for the three- and nine-month periods of 2022 increased $200 million and $80 million, respectively, mainly due to higher overall production volumes primarily associated with our Shell Permian acquisition partially offset by lower rates from price-related reserve revisions and the absence of DD&A from disposed assets.

Taxes other than income taxes for the three- and nine-month periods of 2022 increased $440 million and $1,523 million, respectively, caused by higher commodity prices and higher production volumes.

Foreign currency transaction (gain) loss for the three- and nine-month periods of 2022 was improved by $83 million and

$158 million, respectively, primarily as a result of the USD strengthening against the Norwegian Kroner.

Other expenses for the nine-month period of 2022, other expenses decreased $124 million primarily related to a gain of

$127 million associated with extinguishment of debt from the first quarter of 2022. [*See Note*](#_bookmark12) *6*[*.*](#_bookmark12)

*See* [*Note*](#_bookmark22) *18*[*—Income Taxes*](#_bookmark22)for information regarding our Income tax provision and effective tax rate.

### Summary Operating Statistics

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Average Net Production**Crude oil (MBD) Consolidated operations | **882** | 802 | **881** | 814 |
| Equity affiliates | **13** | 13 | **13** | 13 |
| Total crude oil | **895** | 815 | **894** | 827 |
| Natural gas liquids (MBD) Consolidated operations | **263** | 123 | **238** | 116 |
| Equity affiliates | **8** | 7 | **8** | 8 |
| Total natural gas liquids | **271** | 130 | **246** | 124 |
| Bitumen (MBD) | **69** | 69 | **65** | 69 |
| Natural gas (MMCFD) Consolidated operations | **1,899** | 2,144 | **1,966** | 2,143 |
| Equity affiliates | **1,214** | 1,033 | **1,192** | 1,055 |
| Total natural gas | **3,113** | 3,177 | **3,158** | 3,198 |
| **Total Production** (MBOED) | **1,754** | 1,544 | **1,731** | 1,553 |

##### Average Sales Prices

Crude oil (per bbl)

Dollars Per Unit

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Consolidated operations | **$ 97.60** | 70.39 | **101.19** | 64.62 |
| Equity affiliates | **94.58** | 73.44 | **101.38** | 65.71 |
| Total crude oil | **97.56** | 70.43 | **101.19** | 64.63 |
| Natural gas liquids (per bbl) |  |  |  |  |
| Consolidated operations | **34.83** | 33.28 | **39.06** | 28.02 |
| Equity affiliates | **55.51** | 56.70 | **64.91** | 49.81 |
| Total natural gas liquids | **35.47** | 34.79 | **39.90** | 29.58 |
| Bitumen (per bbl) | **49.77** | 41.19 | **63.14** | 36.61 |
| Natural gas (per MCF) |  |  |  |  |
| Consolidated operations | **14.14** | 5.93 | **10.98** | 5.02 |
| Equity affiliates | **11.37** | 5.95 | **10.15** | 4.48 |
| Total natural gas | **13.04** | 5.94 | **10.66** | 4.84 |
|  |  | Millions of Dollars |  |  |
| **Exploration Expenses** |  |  |  |  |
| General administrative, geological and geophysical, lease rental and other | **$ 57** | 65 | **165** | 199 |
| Leasehold impairment | **7** | — | **23** | 1 |
| Dry holes | **25** | — | **113** | 6 |
|  | **$ 89** | 65 | **301** | 206 |

We explore for, produce, transport and market crude oil, bitumen, natural gas, LNG and NGLs on a worldwide basis. In the quarter ending September 30, 2022, our operations were producing in the U.S., Norway, Canada, Australia, China, Malaysia, Qatar and Libya.

Total production of 1,754 MBOED increased 210 MBOED or 14 percent in the third quarter of 2022 and 178 MBOED or 11 percent in the nine-month period of 2022, primarily due to:

* New wells online in the Lower 48, Alaska, Australia and China.
* Acquisitions including Shell Permian in the Lower 48 and additional working interest at APLNG in Asia Pacific.
* Conversion of previously acquired Concho contracted volumes from a two-stream to a three-stream basis.

Production increases in the third quarter and in the nine-month period of 2022 were partly offset due to:

* Normal field decline.
* Divestitures of Indonesia and noncore assets in the Lower 48 segment.

Production for the third quarter of 2022 was 1,754 MBOED, an increase of 210 MBOED from the same period a year ago. After adjusting for closed acquisitions and dispositions and the conversion of previously acquired Concho contracted volumes from a two-stream to a three-stream basis, third-quarter 2022 production increased by 30 MBOED or two percent from the same period a year ago. Organic growth from Lower 48 and other development programs more than offset decline and downtime.

Production for the first nine months of 2022 was 1,731 MBOED, an increase of 178 MBOED from the same period a year ago. After adjusting for closed acquisitions and dispositions, the conversion of previously acquired Concho contracted volumes from a two-stream to a three-stream basis and 2021 Winter Storm Uri impacts, production decreased 23 MBOED or one percent from the same period a year ago. Organic growth from Lower 48 and other development programs more than offset decline; however, production was lower overall primarily due to planned and unplanned downtime.

## Segment Results

*Unless otherwise indicated, discussion of segment results for the three- and nine-month periods ended September 30, 2022, is based on a comparison with the corresponding period of 2021 and are shown after-tax.*

### Alaska

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income** ($MM) | **$ 580** | 405 | **1,851** | 935 |
| **Average Net Production**Crude oil (MBD) | **171** | 163 | **177** | 179 |
| Natural gas liquids (MBD) | **15** | 13 | **16** | 15 |
| Natural gas (MMCFD) | **29** | 11 | **33** | 10 |
| **Total Production (MBOED)** | **191** | 178 | **198** | 196 |
| **Average Sales Prices**Crude oil ($ per bbl) | **$ 103.90** | 72.55 | **104.83** | 66.78 |
| Natural gas ($ per MCF) | **4.38** | 2.63 | **3.82** | 3.06 |

The Alaska segment primarily explores for, produces, transports and markets crude oil, NGLs and natural gas. As of September 30, 2022, Alaska contributed 16 percent of our consolidated liquids production and two percent of our consolidated natural gas production.

#### Net Income

Earnings from Alaska increased $175 million and $916 million in the three- and nine-month periods of 2022, respectively. Increases to earnings are primarily due to higher realized prices.

Offsets to the earnings increase include higher taxes other than income taxes associated with higher realized commodity prices and higher production volumes.

#### Production

Average production increased 13 MBOED and 2 MBOED in the three- and nine-month periods of 2022, respectively. Increases to production include:

* New wells online at our Western North Slope assets.
* Lower turnaround impacts at our Western North Slope assets.
* Higher gas volumes in our Greater Prudhoe Area.

Offsets to the production increases include normal field decline.

### Lower 48

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income** ($MM) | **$ 2,653** | 1,631 | **9,024** | 3,274 |
| **Average Net Production**Crude oil (MBD) | **537** | 457 | **534** | 442 |
| Natural gas liquids (MBD)\* | **241** | 101 | **216** | 93 |
| Natural gas (MMCFD)\* | **1,410** | 1,389 | **1,416** | 1,389 |
| **Total Production** (MBOED) | **1,013** | 790 | **986** | 767 |
| **Average Sales Prices**Crude oil ($ per bbl) | **$ 93.19** | 68.59 | **98.64** | 63.14 |
| Natural gas liquids ($ per bbl) | **34.59** | 32.87 | **38.74** | 27.48 |
| Natural gas ($ per MCF) | **7.36** | 4.63 | **6.28** | 4.13 |

*\*2022 includes the conversion of previously acquired Concho two-stream contracts to three-stream initiated in the fourth quarter of 2021.*

The Lower 48 segment consists of operations located in the U.S. Lower 48 states, as well as producing properties in the Gulf of Mexico. As of September 30, 2022, the Lower 48 contributed 64 percent of our consolidated liquids production and 72 percent of our consolidated natural gas production.

#### Net Income

Earnings from the Lower 48 increased $1,022 million and $5,750 million in the three- and nine-month periods of 2022, respectively. Increases to earnings include:

* Higher realized prices.
* Higher sales volumes primarily related to our Shell Permian Acquisition. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

Offsets to the earnings increase include higher production and operating expenses, taxes other than income taxes and DD&A expenses primarily due to higher prices and production volumes. Partially offsetting the increase in DD&A expenses were lower rates from price-related reserve revisions.

In addition to the items detailed above, in the nine-month period of 2022, earnings also increased due to the absence of one-time impacts from our Concho acquisition including realized losses on hedges related to derivative positions acquired and higher selling, general and administrative expenses for transaction and restructuring charges. [*See Note*](#_bookmark16) *10*[*.*](#_bookmark16)

#### Production

Average production increased 223 MBOED and 219 MBOED in the three- and nine-month periods of 2022, respectively. Increases to production include:

* New wells online from our development programs in Permian, Eagle Ford and Bakken.
* Higher volumes due to our Shell Permian acquisition, partly offset by assets divested. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)
* Conversion of previously acquired Concho contracted volumes from a two-stream to a three-stream basis.

Offsets to the production increases include normal field decline.

#### Asset Acquisitions and Dispositions

We completed multiple divestitures of noncore assets in the nine-month period of 2022 totaling approximately $700 million in proceeds after customary adjustments. Production from these assets averaged approximately 18 MBOED in 2021. In the third quarter of 2022, we also cored up strategic positions through acquisitions of approximately $300 million after customary adjustments. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

### Canada

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income** ($MM) | **$ 119** | 155 | **726** | 267 |
| **Average Net Production** |  |  |  |  |
| Crude oil (MBD) | **4** | 8 | **5** | 10 |
| Natural gas liquids (MBD) | **3** | 4 | **3** | 4 |
| Bitumen (MBD) | **69** | 69 | **65** | 69 |
| Natural gas (MMCFD) | **49** | 73 | **59** | 83 |
| **Total Production** (MBOED) | **84** | 93 | **83** | 96 |
| **Average Sales Prices** |  |  |  |  |
| Crude oil ($ per bbl) | **$ 71.11** | 58.99 | **83.36** | 53.81 |
| Natural gas liquids ($ per bbl) | **29.62** | 33.47 | **39.24** | 28.49 |
| Bitumen ($ per bbl) | **49.77** | 41.19 | **63.14** | 36.61 |
| Natural gas ($ per MCF) | **2.40** | 2.45 | **3.47** | 2.36 |
| *Average sales prices include unutilized transportation costs.* |  |  |  |  |

Our Canadian operations mainly consist of the Surmont oil sands development in Alberta and the liquids-rich Montney unconventional play in British Columbia. As of September 30, 2022, Canada contributed six percent of our consolidated liquids production and three percent of our consolidated natural gas production.

#### Net Income

Earnings from Canada decreased $36 million and increased $459 million in the three- and nine-month periods of 2022, respectively. In the third quarter, decreases to earnings include:

* The absence of contingent payments associated with the prior sale of certain assets to CVE. The term for contingent payments in our Canada segment ended in the second quarter of 2022. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)
* Lower sales volumes.
* Higher production and operating expenses primarily due to higher electricity and fuel gas costs in the Surmont.

Offsetting the earnings decreases were higher realized crude oil and bitumen prices.

In addition to the items detailed above, in the nine-month period of 2022, earnings increased due to higher after-tax gains on disposition related to contingent payments of $282 million in the nine-month period of 2022, associated with the prior sale of certain assets to CVE, compared to $149 million in the same period of 2021. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

#### Production

Average production decreased 9 MBOED and 13 MBOED in the three- and nine-month periods of 2022, respectively. Decreases to production include:

* Normal field decline.
* Higher royalty rates across the segment due to higher commodity prices.
* Planned turnaround in our Montney assets in the third quarter of 2022.

Offsets to the production decreases include absence of higher well failures, plant power trips and facility upsets experienced in the third quarter of 2021.

In addition to the items detailed above, in the nine-month period of 2022, production decreased due to a planned turnaround at the Surmont Central Processing Facility 1 during the second quarter of 2022.

### Europe, Middle East and North Africa

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income** ($MM) | **$ 922** | 241 | **1,719** | 601 |
| *Consolidated Operations* |  |  |  |  |
| **Average Net Production**Crude oil (MBD) | **107** | 117 | **104** | 118 |
| Natural gas liquids (MBD) | **4** | 5 | **3** | 4 |
| Natural gas (MMCFD) | **331** | 303 | **323** | 303 |
| **Total Production** (MBOED) | **166** | 172 | **161** | 172 |
| **Average Sales Prices**Crude oil ($ per bbl) | **$ 102.70** | 72.43 | **103.03** | 65.94 |
| Natural gas liquids ($ per bbl) | **51.67** | 50.32 | **57.01** | 40.75 |
| Natural gas ($ per MCF) | **48.10** | 11.96 | **35.35** | 8.40 |

The Europe, Middle East and North Africa segment consists of operations principally located in the Norwegian sector of the North Sea and the Norwegian Sea, Qatar, Libya and commercial operations in the U.K. During the current year, we have increased our capacity and supply arrangements on future gas purchases, which are primarily offset by future gas sales contracts, primarily in Europe. As of September 30, 2022, our Europe, Middle East and North Africa operations contributed nine percent of our consolidated liquids production and 16 percent of our consolidated natural gas production.

#### Net Income

Earnings from Europe, Middle East and North Africa increased by $681 million and $1,118 million in the three- and nine-month periods of 2022, respectively. Increases to earnings include:

* Higher realized prices.
* Gains related to certain commodity contracts and price impacts primarily on gas transportation in Europe.
* Foreign exchange gains as the USD strengthened against the Norwegian Kroner.
* Higher equity in earnings of affiliates, primarily due to higher LNG sales prices.

#### Consolidated Production

Average consolidated production decreased 6 MBOED and 11 MBOED in the three- and nine-month periods of 2022, respectively. Decreases to production include:

* Normal field decline.
* Curtailed production in Libya due to the force majeure at the Es Sider export terminal in July.

Offsets to the production decreases include new wells online, improved performance and higher exports in Norway.

In addition to the items detailed above, in the nine-month period of 2022, production also decreased due to field-wide turnarounds in the Greater Ekofisk Area of Norway in the second quarter of 2022.

#### Force Majeure in Libya

Production ceased the last week of June 2022, due to a forced shutdown of the Es Sider export terminal after a period of civil unrest. Force majeure was lifted and production resumed late July 2022.

#### Exploration Activity

The fourth and last well from our 2022 operated exploration and appraisal campaign in Norway was drilled in the third quarter. In total for the year, we drilled four operated wells, all of which were determined to be dry holes, including the Slagugle appraisal well which effectively delineated the 2020 discovery. Slagugle is a discovery we are continuing to evaluate.

### Asia Pacific

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income** ($MM) | **$ 520** | 257 | **2,181** | 749 |
| *Consolidated Operations* |  |  |  |  |
| **Average Net Production**Crude oil (MBD) | **63** | 57 | **61** | 65 |
| Natural gas (MMCFD) | **80** | 368 | **135** | 358 |
| **Total Production** (MBOED) | **76** | 119 | **84** | 125 |
| **Average Sales Prices**Crude oil ($ per bbl) | **$ 108.99** | 74.66 | **110.25** | 67.41 |
| Natural gas ($ per MCF) | **4.18** | 6.66 | **6.05** | 6.30 |

The Asia Pacific segment has operations in China, Malaysia, Australia and commercial operations in Singapore and Japan. As of September 30, 2022, Asia Pacific contributed five percent of our consolidated liquids production and seven percent of our consolidated natural gas production.

#### Net Income

Earnings from Asia Pacific increased $263 million and $1,432 million in the three- and nine-month periods of 2022, respectively. Increases to earnings include:

* Higher equity in earnings of affiliates reflecting higher LNG sales prices as well as our increased interest in APLNG.
* Higher realized crude oil prices.

Offsets to the earnings increases include:

* Lower sales volumes primarily due to the divestiture of our Indonesia assets.
* Higher taxes other than income taxes primarily due to higher realized crude oil prices.

In addition to the items detailed above, in the nine-month period of 2022, earnings impacts include:

* Increase due to an after-tax gain of $534 million associated with the divestiture of our Indonesia assets.

[*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

* Decrease due to the absence of an after-tax gain of $200 million recognized in the first quarter of 2021 related to a contingent payment from our Australia-West divestiture in 2020. [*See Note*](#_bookmark15) *9*[*.*](#_bookmark15)
* Lower DD&A expenses associated with lower production volumes primarily driven by the divestiture of our Indonesia assets.

#### Consolidated Production

Average consolidated production decreased 43 MBOED and 41 MBOED in the three- and nine-month periods of 2022, respectively. Decreases to production include:

* Divestiture of our Indonesia assets in the first quarter of 2022.
* Normal field decline.

Offsets to the production decreases include Bohai Bay development activity in China.

#### Asset Acquisitions and Dispositions

In the first quarter of 2022, we completed the acquisition of an additional 10 percent interest in APLNG increasing our ownership to 47.5 percent. Also in the first quarter, we completed the divestiture of our subsidiaries that held our Indonesia assets and operations. Production from the disposed assets averaged approximately 33 MBOED in the three-months ended March 31, 2022. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

### Other International

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Loss** ($MM) | **$ (28)** | (97) | **(28)** | (106) |

The Other International segment consists of exploration and appraisal activities in Colombia as well as contingencies associated with prior operations in other countries. As a result of recent acquisitions, we refocused our exploration program and announced our intent to pursue managed exits from certain areas.

Earnings from our Other International operations improved $69 million in the third quarter of 2022 and $78 million in the nine-month period ended September 30, 2022, compared with the same periods of 2021 primarily due to the absence of a $137 million after-tax loss on divestiture related to our Argentina exploration interests in the third quarter of 2021, partially offset by higher taxes related to legal settlements in the third quarter of 2022.

### Corporate and Other

Millions of Dollars

Three Months Ended September 30

Nine Months Ended September 30

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | 2021 | **2022** | 2021 |
| **Net Income (Loss)**Net interest expense | **$ (125)** | (176) | **(507)** | (627) |
| Corporate general and administrative expenses | **(62)** | (57) | **(157)** | (251) |
| Technology | **(8)** | (6) | **41** | 31 |
| Other income (expense) | **(44)** | 26 | **581** | 579 |
|  | **$ (239)** | (213) | **(42)** | (268) |

Net interest expense consists of interest and financing expense, net of interest income and capitalized interest. Net interest expense improved by $51 million and $120 million in the three- and nine-month periods of 2022, respectively, primarily due to higher interest income as well as lower interest expenses as a result of our debt reduction transactions. Improvement in the nine-month period also includes the absence of a prior year tax adjustment.

Corporate G&A expenses include compensation programs and staff costs. In the nine-month period of 2022 these expenses decreased by $94 million primarily due to the absence of restructuring expenses associated with our 2021 acquisition of Concho Resources Inc.

Technology includes our investment in new technologies or businesses, as well as licensing revenues. Activities are focused on both conventional and tight oil reservoirs, shale gas, heavy oil, oil sands, enhanced oil recovery, as well as LNG. [*See Note*](#_bookmark20) *16*[*.*](#_bookmark20)

Other income (expense) or “Other” includes certain corporate tax-related items, foreign currency transaction gains and losses, environmental costs associated with sites no longer in operation, other costs not directly associated with an operating segment, gains/losses on the early retirement of debt, holding gains or losses on equity securities, and pension settlement expense. In the third quarter of 2022, “Other” decreased $70 million primarily due to the absence of unrealized gains associated with our CVE common shares, which were fully divested in the first quarter of 2022, and foreign currency transaction losses. For the nine-month period of 2022, *"*Other*"* increased $2 million due to the IRS closing the 2017 audit of our U.S. federal income tax return resulting in a $474 million federal tax benefit, the absence of a release of a $92 million deferred tax asset associated with prior dispositions and recognizing an after-tax gain of $62 million associated with the debt restructuring transactions. These increases were offset by the absence of $492 million in gains related to our CVE common shares and a $101 million tax impact associated with the disposition of our Indonesia assets. [*See Note*](#_bookmark11) *5* for information on our CVE common shares, [*Note*](#_bookmark22) *18* for information about the tax benefit, [*Note*](#_bookmark12) *6* for information regarding debt and [*Note*](#_bookmark9) *3* for information on our Indonesia divestiture.

## Capital Resources and Liquidity

### Financial Indicators

Millions of Dollars

|  |  |  |
| --- | --- | --- |
|  | **September 30** | December 31 |
| **2022** | 2021 |
| Cash and cash equivalents | **$ 8,010** | 5,028 |
| Short-term investments | **2,412** | 446 |
| Total debt | **16,961** | 19,934 |
| Total equity | **49,079** | 45,406 |
| Percent of total debt to capital\* | **26 %** | 31 |
| Percent of floating-rate debt to total debt | **2 %** | 4 |
| \**Capital includes total debt and total equity.* |  |  |

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources, including cash generated from operating activities, our commercial paper and credit facility programs, and our ability to sell securities using our shelf registration statement. During the first nine months of 2022, the primary uses of our available cash were

$7.6 billion to support our ongoing capital expenditures and investments program, $6.5 billion to repurchase common stock, $3.0 billion net to reduce debt as part of refinancing transactions and retirements, $3.3 billion to pay dividends, including the ordinary dividend and a VROC, and $2.2 billion net purchases of investments.

At September 30, 2022, we had total liquidity of $15.9 billion, including cash and cash equivalents of $8.0 billion, short- term investments of $2.4 billion, and available borrowing capacity under our credit facility of $5.5 billion. We believe current cash balances and cash generated by operating activities, together with access to external sources of funds as described below in the “Significant Changes in Capital” section, will be sufficient to meet our funding requirements in the near- and long-term, including our capital spending program, acquisitions, dividend payments and debt obligations.

### Significant Changes in Capital

Operating Activities

Cash provided by operating activities was $21.7 billion for the first nine months of 2022, compared with $11.1 billion for the corresponding period of 2021. The increase in cash provided by operating activities is primarily due to higher realized commodity prices, higher sales volumes mostly due to our acquisition of Shell Permian assets, and the absence of the 2021 settlement of all oil and gas hedging positions acquired from Concho. The increase in cash provided by operating activities was partly offset by foreign tax and royalty payments primarily in Libya and Norway in addition to U.S. tax payments.

Our short- and long-term operating cash flows are highly dependent upon prices for crude oil, bitumen, natural gas, LNG and NGLs. Prices and margins in our industry have historically been volatile and are driven by market conditions over which we have no control. Absent other mitigating factors, as these prices and margins fluctuate, we would expect a corresponding change in our operating cash flows.

The level of production volumes, as well as product and location mix, impacts our cash flows. Future production is subject to numerous uncertainties, including, among others, the volatile crude oil and natural gas price environment, which may impact investment decisions; the effects of price changes on production sharing and variable-royalty contracts; acquisition and disposition of fields; field production decline rates; new technologies; operating efficiencies; timing of startups and major turnarounds; political instability; impacts of a global pandemic; weather-related disruptions; and the addition of proved reserves through exploratory success and their timely and cost-effective development. While we actively manage for these factors, production levels can cause variability in cash flows, although generally this variability has not been as significant as that caused by commodity prices.

To maintain or grow our production volumes, we must continue to add to our proved reserve base. See the “Capital Expenditures and Investments” section.

Investing Activities

For the first nine months of 2022, we invested $7.6 billion in capital expenditures and investments; $1.7 billion of which was acquisition capital for the additional 10 percent interest in APLNG and acquisition of certain Lower 48 assets, and the remainder funding our operating capital program. Our 2022 operating plan capital expenditures are currently expected to be $8.1 billion versus the prior guidance of $7.8 billion, reflecting inflationary impacts and partner-operated well mix in the L48. This guidance excludes approximately $1.7 billion of acquisition capital. Our 2021 capital expenditures and investments were $5.3 billion. See the “Capital Expenditures and Investments” section.

In May 2021, we initiated the monetization of our investment in CVE common shares with the plan to direct proceeds toward our existing share repurchase program. We began disposing of our CVE shares in May 2021, and by the end of the first quarter, we fully divested of our investment, recognizing proceeds of $1.4 billion in the first quarter of 2022. Since inception, we have generated total proceeds of $2.5 billion. [*See Note*](#_bookmark11) *5.* Other proceeds from dispositions received in the current year include our divestitures in Asia Pacific and Lower 48 segments for approximately $1.4 billion after customary adjustments and $500 million in contingent payments associated with prior divestitures. *S*[*ee Note*](#_bookmark9) *3.*

In the third quarter, we completed the sale of certain noncore assets in the Lower 48 segment for approximately $300 million after customary adjustments while also coring up other strategic positions in the Lower 48 segment through acquisitions of approximately $300 million after customary adjustments. [*See Note*](#_bookmark9) *3*[*.*](#_bookmark9)

We invest in short-term investments as part of our cash investment strategy, the primary objective of which is to protect principal, maintain liquidity and provide yield and total returns; these investments include time deposits, commercial paper, as well as debt securities classified as available for sale. Funds for short-term needs to support our operating plan and provide resiliency to react to short-term price volatility are invested in highly liquid instruments with maturities within the year. Funds we consider available to maintain resiliency in longer term price downturns and to capture opportunities outside a given operating plan may be invested in instruments with maturities greater than one year.

Investing activities in the first nine months of 2022 included net purchases of $2,235 million of investments. We had net purchases of $1,663 million of short-term instruments and $572 million of long-term instruments*.* [*See Note*](#_bookmark18) *13.*

Financing Activities

In February 2022, we refinanced our revolving credit facility from a total aggregate principal amount of $6.0 billion to

$5.5 billion with an expiration date of February 2027. The credit facility may be used for direct bank borrowings, the issuance of letters of credit totaling up to $500 million, or as support for our commercial paper program. With no commercial paper outstanding and no direct borrowings or letters of credit, we had access to $5.5 billion in available borrowing capacity under our revolving credit facility at September 30, 2022.

Our debt balance at September 30, 2022 was $17.0 billion compared with $19.9 billion at December 31, 2021. The current portion of debt, including payments for finance leases, is $0.7 billion. Payments will be made using current cash balances and cash generated by operating activities. In the second quarter of 2022, we repurchased notes and retired floating rate debt and in the first quarter of 2022, we executed a debt refinancing comprised of concurrent transactions including new debt issuances, a cash tender offer and debt exchange offers. In aggregate, the transactions reduced the company's total debt by $3.0 billion. The refinancing facilitates our ability to achieve our previously announced $5 billion debt reduction target by the end of 2026 while also reducing the company's annual cash interest expense.

The current credit ratings on our long-term debt are:

* Fitch: “A” with a “stable” outlook
* S&P: “A-” with a “stable” outlook
* Moody's: "A2" with a "stable" outlook

[*See Note*](#_bookmark12) *6* for additional information on debt, revolving credit facility and credit ratings.

Certain of our project-related contracts, commercial contracts and derivative instruments contain provisions requiring us to post collateral. Many of these contracts and instruments permit us to post either cash or letters of credit as collateral. At September 30, 2022 and December 31, 2021, we had direct bank letters of credit of $261 million and $337 million, respectively, which secured performance obligations related to various purchase commitments incident to the ordinary conduct of business. In the event of a credit rating downgrade, we may be required to post additional letters of credit.

Shelf Registration

We have a universal shelf registration statement on file with the SEC under which we have the ability to issue and sell an indeterminate number of various types of debt and equity securities.

### Capital Requirements

For information about our capital expenditures and investments, see the “Capital Expenditures and Investments” section.

In 2021, as part of our objective to maintain a strong balance sheet, we announced our intention to reduce our total debt by $5 billion by the end of 2026. In the first half of 2022, we executed concurrent debt refinancing transactions, repurchased existing notes, and retired floating rates notes upon natural maturity, that in aggregate reduced the company's total debt by $3 billion and progressed the achievement of our debt reduction target while also lowering our annual cash interest expense and extending the weighted average maturity of our debt portfolio. [*See Note*](#_bookmark12) *6.*

In December 2021, we announced our expected 2022 return of capital program and the initiation of a three-tier return of capital framework. The framework is structured to deliver a compelling, growing ordinary dividend and through-cycle share repurchases. In addition to the ordinary dividend and share repurchases, beginning in December 2021, the framework includes the addition of a discretionary VROC tier. The VROC will provide a flexible tool for meeting our commitment of returning greater than 30 percent of cash from operating activities during periods where commodity prices are meaningfully higher than our planning price range. Our expected 2022 total capital return is $15 billion.

In the first nine months of 2022, we paid ordinary dividends of $1.38 per common share and VROC dividends of $1.20 per common share. In the first nine months of 2021, we paid ordinary dividends of $1.29 per common share. In November 2022, we declared an increase in the company's quarterly ordinary dividend from 46 cents per share to 51 cents per share representing an 11 percent increase. In addition, we declared a VROC dividend of 70 cents per share. The ordinary dividend of 51 cents per share is payable December 1, 2022, to shareholders of record on November 15, 2022. The VROC of 70 cents per share is payable January 13, 2023, to shareholders of record on December 27, 2022.

In late 2016, we initiated our current share repurchase program. As of September 30, 2022, share repurchases since the inception of our current program totaled 312 million shares and $20.7 billion. In the nine months ended September 30, 2022, we repurchased 65 million shares for a cost of $6.5 billion. In October 2022, our Board of Directors approved an increase to our authorization from $25 billion to $45 billion of our common stock to support our plan for future share repurchases. Repurchases are made at management’s discretion, at prevailing prices, subject to market conditions and other factors.

*See Part I—Item 1A—Risk Factors –* “*Our ability to execute our capital return program is subject to certain considerations*” in our 2021 Annual Report on Form 10-K.

### Capital Expenditures and Investments

Millions of Dollars Nine Months Ended September 30

|  |  |  |
| --- | --- | --- |
|  | **2022** | 2021 |
| Alaska | **740** | 698 |
| Lower 48 | **4,120** | 2,250 |
| Canada | **382** | 129 |
| Europe, Middle East and North Africa | **531** | 385 |
| Asia Pacific | **1,791** | 235 |
| Other International | **—** | 33 |
| Corporate and Other | **62** | 37 |
| Capital expenditures and investments | **7,626** | 3,767 |

During the first nine months of 2022, capital expenditures and investments supported key operating activities and acquisitions, primarily:

* Development activities in the Lower 48, primarily in the Permian, Eagle Ford and Bakken and inclusive of our recent acquisitions.
* Appraisal and development activities in Alaska related to the Western North Slope and development activities in the Greater Kuparuk Area.
* Appraisal and development activities in the Montney as well as development and optimization of oil sands development in Canada.
* Development and exploration activities across assets in Norway.
* Continued development and exploration activities in Malaysia and China.
* Acquisition capital associated with additional interest in APLNG and in certain Lower 48 assets.

Our 2022 operating plan capital expenditure guidance is currently expected to be $8.1 billion. This guidance excludes approximately $1.7 billion of acquisition capital. Our operating capital was $5.3 billion in 2021.

### Guarantor Summarized Financial Information

We have various cross guarantees among our Obligor group; ConocoPhillips, ConocoPhillips Company and Burlington Resources LLC, with respect to publicly held debt securities. ConocoPhillips Company is 100 percent owned by ConocoPhillips. Burlington Resources LLC is 100 percent owned by ConocoPhillips Company. ConocoPhillips and/or ConocoPhillips Company have fully and unconditionally guaranteed the payment obligations of Burlington Resources LLC, with respect to its publicly held debt securities. Similarly, ConocoPhillips has fully and unconditionally guaranteed the payment obligations of ConocoPhillips Company with respect to its publicly held debt securities. In addition, ConocoPhillips Company has fully and unconditionally guaranteed the payment obligations of ConocoPhillips with respect to its publicly held debt securities. All guarantees are joint and several.

The following tables present summarized financial information for the Obligor Group, as defined below:

* The Obligor Group will reflect guarantors and issuers of guaranteed securities consisting of ConocoPhillips, ConocoPhillips Company and Burlington Resources LLC.
* Consolidating adjustments for elimination of investments in and transactions between the collective guarantors and issuers of guaranteed securities are reflected in the balances of the summarized financial information.
* Non-Obligated Subsidiaries are excluded from the presentation.

Transactions and balances reflecting activity between the Obligors and Non-Obligated Subsidiaries are presented below:

##### Summarized Income Statement Data

Millions of Dollars Nine Months Ended September 30, 2022

Revenues and Other Income **$ 42,822**

Income before income taxes\* **15,081**

Net Income **15,431**

*\*Includes approximately $7.4 billion of purchased commodities expense for transactions with Non-Obligated Subsidiaries.*

##### Summarized Balance Sheet Data

Millions of Dollars

|  |  |  |
| --- | --- | --- |
|  | **September 30,** | December 31, |
|  | **2022** | 2021 |
| Current assets | **$ 10,428** | 7,689 |
| *Amounts due from Non-Obligated Subsidiaries, current* | ***1,613*** | *1,927* |
| Noncurrent assets | **77,913** | 69,841 |
| *Amounts due from Non-Obligated Subsidiaries, noncurrent* | ***8,421*** | *7,281* |
| Current liabilities | **9,186** | 8,005 |
| *Amounts due to Non-Obligated Subsidiaries, current* | ***3,355*** | *3,477* |
| Noncurrent liabilities | **36,634** | 30,677 |
| *Amounts due to Non-Obligated Subsidiaries, noncurrent* | ***20,946*** | *13,007* |

### Contingencies

We are subject to legal proceedings, claims and liabilities that arise in the ordinary course of business. We accrue for losses associated with legal claims when such losses are considered probable and the amounts can be reasonably estimated. [*See Note*](#_bookmark15) *9*.

Legal and Tax Matters

We are subject to various lawsuits and claims including but not limited to matters involving oil and gas royalty and severance tax payments, gas measurement and valuation methods, contract disputes, environmental damages, climate change, personal injury, and property damage. Our primary exposures for such matters relate to alleged royalty and tax underpayments on certain federal, state and privately owned properties, claims of alleged environmental contamination and damages from historic operations, and climate change. We will continue to defend ourselves vigorously in these matters.

Our legal organization applies its knowledge, experience and professional judgment to the specific characteristics of our cases, employing a litigation management process to manage and monitor the legal proceedings against us. Our process facilitates the early evaluation and quantification of potential exposures in individual cases. This process also enables us to track those cases that have been scheduled for trial and/or mediation. Based on professional judgment and experience in using these litigation management tools and available information about current developments in all our cases, our legal organization regularly assesses the adequacy of current accruals and determines if adjustment of existing accruals, or establishment of new accruals, is required.

Environmental

We are subject to the same numerous international, federal, state and local environmental laws and regulations as other companies in our industry. For a discussion of the most significant of these environmental laws and regulations, including those with associated remediation obligations, see the “Environmental” section in Management’s Discussion and Analysis of Financial Condition and Results of Operations on pages 58–60 of our 2021 Annual Report on Form 10-K.

We occasionally receive requests for information or notices of potential liability from the EPA and state environmental agencies alleging that we are a potentially responsible party under the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or an equivalent state statute. On occasion, we also have been made a party to cost recovery litigation by those agencies or by private parties. These requests, notices and lawsuits assert potential liability for remediation costs at various sites that typically are not owned by us, but allegedly contain waste attributable to our past operations. As of September 30, 2022, there were 15 sites around the U.S. in which we were identified as a potentially responsible party under CERCLA and comparable state laws.

At September 30, 2022, our balance sheet included a total environmental accrual of $182 million, compared with $187 million at December 31, 2021, for remediation activities in the U.S. and Canada. We expect to incur a substantial amount of these expenditures within the next 30 years.

Notwithstanding any of the foregoing, and as with other companies engaged in similar businesses, environmental costs and liabilities are inherent concerns in our operations and products, and there can be no assurance that material costs and liabilities will not be incurred. However, we currently do not expect any material adverse effect upon our results of operations or financial position as a result of compliance with current environmental laws and regulations.

*See Part I—Item 1A—Risk Factors – "We expect to continue to incur substantial capital expenditures and operating costs as a result of our compliance with existing and future environmental laws and regulations"* in our 2021 Annual Report on Form 10-K and [*Note*](#_bookmark15) *9* for information on environmental litigation.

Climate Change

Continuing political and social attention to the issue of global climate change has resulted in a broad range of proposed or promulgated state, national and international laws focusing on GHG reduction. These proposed or promulgated laws apply or could apply in countries where we have interests or may have interests in the future. Laws in this field continue to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, such laws, if enacted, could have a material impact on our results of operations and financial condition. For examples of legislation or precursors for possible regulation and factors on which the ultimate impact on our financial performance will depend, see the “Climate Change” section in Management’s Discussion and Analysis of Financial Condition and Results of Operations on pages 61–63 of our 2021 Annual Report on Form 10-K.

*See Part I—Item 1A—Risk Factors – "Existing and future laws, regulations and internal initiatives relating to global climate changes, such as limitations on GHG emissions may impact or limit our business plans, result in significant expenditures, promote alternative uses of energy or reduce demand for our products"* in our 2021 Annual Report on Form 10-K and [*Note*](#_bookmark15) *9* for information on climate change litigation.

Company Response to Climate-Related Risks

The company has responded by putting in place a Sustainable Development Risk Management Standard covering the assessment and registration of significant and high sustainable development risks based on their consequence and likelihood of occurrence. We have developed a company-wide Climate Change Action Plan with the goal of tracking mitigation activities for each climate-related risk included in the corporate Sustainable Development Risk Register.

The risks addressed in our Climate Change Action Plan fall into four broad categories:

* GHG-related legislation and regulation.
* GHG emissions management.
* Physical climate-related impacts.
* Climate-related disclosure and reporting.

We announced in October 2020 the adoption of a Paris-aligned climate risk framework with the objective of implementing a coherent set of choices designed to facilitate the success of our existing exploration and production business through the energy transition. Given the uncertainties remaining about how the energy transition will evolve, the strategy aims to be robust across a range of potential future outcomes.

We announced in July 2022 that ConocoPhillips has joined the OGMP 2.0 initiative. The initiative's mission is to improve industry transparency in methane emissions reporting and encourage progress in reducing those emissions. We believe that applying the rigorous OGMP 2.0 reporting standards across our global assets will be a vital step towards meeting our Paris-aligned climate-risk commitments, including our net-zero ambition for operational emissions by 2050, and will allow us to credibly demonstrate how we are delivering against our methane improvement objectives and targets.

In 2022, we published our Plan for the Net-Zero Energy Transition (the ‘Plan’) focusing on meeting energy transition pathway demand, delivering competitive returns on and of capital and achieving our net-zero operational emissions ambitions.

Our Plan includes the following:

* Build a resilient asset portfolio: Focus on low cost of supply and low GHG intensity resources.
* Commit to near, medium and long-term targets: Reducing operational (Scope 1 and 2) emissions over which we have ownership and control with an ambition to become a net-zero company for Scope 1 and 2 emissions by 2050. These targets include:
	+ Strengthening our previously announced operational GHG emissions intensity reduction target to 40-50% by 2030 and expanding it to apply to both a gross operated and net equity basis.
	+ Meeting a further 10% reduction target for methane emissions intensity by 2025 from our 2019 baseline.
	+ Achieving zero routine flaring by 2025.
	+ Achieving a near-zero methane intensity target, defined as 1.5 kilograms of carbon dioxide equivalent per BOE or approximately 0.15 percent of natural gas produced by 2030.
* Address end-use emissions: Advocate for a well-designed, economy-wide price on carbon and other policies that would address end-use demand and emissions from high-carbon intensity energy use.
* Pursue transition opportunities: Evaluate potential investments in emerging energy transition and low-carbon technologies.
	+ In 2021, we established a multi-disciplinary Low-Carbon Technologies organization to identify and evaluate business opportunities that address end-use emissions and early-stage low-carbon technology opportunities that would leverage our existing expertise and adjacencies.
	+ In the 2022 capital budget, we allocated $200 million to advance energy transition activities, the majority of which will address Scope 1 and 2 emissions reduction projects across our global operations, with the rest allocated for early-stage low-carbon technology opportunities.
* Track the energy transition: Utilize a comprehensive scenario planning process to calibrate and understand alternative energy transition pathways.
* Maintain capital discipline: Use scenario analyses and a fully-burdened cost of supply, including an appropriate cost of carbon, as the primary basis for capital allocation.

## Cautionary Statement for the Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans, and objectives of management for future operations, are forward-looking statements. Examples of forward-looking statements contained in this report include our expected production growth and outlook on the business environment generally, our expected capital budget and capital expenditures, and discussions concerning future dividends. You can often identify our forward-looking statements by the words “anticipate,” “believe,” “budget,” “continue,” “could,” “effort,” “estimate,” “expect,” “forecast,” “intend,” “goal,” “guidance,” “may,” “objective,” “outlook,” “plan,” “potential,” “predict,” “projection,” “seek,” “should,” “target,” “will,” “would” and similar expressions.

We based the forward-looking statements on our current expectations, estimates and projections about ourselves and the industries in which we operate in general. We caution you these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors and uncertainties, including, but not limited to, the following:

* The impact of public health crises, including pandemics (such as COVID-19) and epidemics and any related company or government policies or actions.
* Global and regional changes in the demand, supply, prices, differentials or other market conditions affecting oil and gas, including changes as a result of any ongoing military conflict, including the conflict between Russia and Ukraine, and the global response to such conflict, security threats on facilities and infrastructure, or from a public health crisis or from the imposition or lifting of crude oil production quotas or other actions that might be imposed by OPEC and other producing countries and the resulting company or third-party actions in response to such changes.
* Fluctuations in crude oil, bitumen, natural gas, LNG and NGLs prices, including a prolonged decline in these prices relative to historical or future expected levels.
* The impact of significant declines in prices for crude oil, bitumen, natural gas, LNG and NGLs, which may result in recognition of impairment charges on our long-lived assets, leaseholds and nonconsolidated equity investments.
* The potential for insufficient liquidity or other factors, such as those described herein, that could impact our ability to repurchase shares and declare and pay dividends, whether fixed or variable.
* Potential failures or delays in achieving expected reserve or production levels from existing and future oil and gas developments, including due to operating hazards, drilling risks and the inherent uncertainties in predicting reserves and reservoir performance.
* Reductions in reserves replacement rates, whether as a result of the significant declines in commodity prices or otherwise.
* Unsuccessful exploratory drilling activities or the inability to obtain access to exploratory acreage.
* Unexpected changes in costs, inflationary pressures or technical requirements for constructing, modifying or operating E&P facilities.
* Legislative and regulatory initiatives addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal.
* Lack of, or disruptions in, adequate and reliable transportation for our crude oil, bitumen, natural gas, LNG and NGLs.
* Inability to timely obtain or maintain permits, including those necessary for construction, drilling and/or development, or inability to make capital expenditures required to maintain compliance with any necessary permits or applicable laws or regulations.
* Failure to complete definitive agreements and feasibility studies for, and to complete construction of, announced and future E&P and LNG development in a timely manner (if at all) or on budget.
* Potential disruption or interruption of our operations due to accidents, extraordinary weather events, supply chain disruptions, civil unrest, political events, war, terrorism, cyber attacks, and information technology failures, constraints or disruptions.
* Changes in international monetary conditions and foreign currency exchange rate fluctuations.
* Changes in international trade relationships, including the imposition of trade restrictions or tariffs relating to crude oil, bitumen, natural gas, LNG, NGLs and any materials or products (such as aluminum and steel) used in the operation of our business, including any sanctions imposed as a result of any ongoing military conflict, including the conflict between Russia and Ukraine.
* Substantial investment in and development use of, competing or alternative energy sources, including as a result of existing or future environmental rules and regulations.
* Liability for remedial actions, including removal and reclamation obligations, under existing and future environmental regulations and litigation.
* Significant operational or investment changes imposed by existing or future environmental statutes and regulations, including international agreements and national or regional legislation and regulatory measures to limit or reduce GHG emissions.
* Liability resulting from litigation, including litigation directly or indirectly related to the transaction with Concho Resources Inc., or our failure to comply with applicable laws and regulations.
* General domestic and international economic and political developments, including armed hostilities; expropriation of assets; changes in governmental policies relating to crude oil, bitumen, natural gas, LNG and NGLs pricing; regulation or taxation; and other political, economic or diplomatic developments, including as a result of any ongoing military conflict, including the conflict between Russia and Ukraine.
* Volatility in the commodity futures markets.
* Changes in tax and other laws, regulations (including alternative energy mandates) or royalty rules applicable to our business.
* Competition and consolidation in the oil and gas E&P industry.
* Any limitations on our access to capital or increase in our cost of capital, including as a result of illiquidity or uncertainty in domestic or international financial markets or investment sentiment.
* Our inability to execute, or delays in the completion of, any asset dispositions or acquisitions we elect to pursue.
* Potential failure to obtain, or delays in obtaining, any necessary regulatory approvals for pending or future asset dispositions or acquisitions, or that such approvals may require modification to the terms of the transactions or the operation of our remaining business.
* Potential disruption of our operations as a result of pending or future asset dispositions or acquisitions, including the diversion of management time and attention.
* Our inability to deploy the net proceeds from any asset dispositions that are pending or that we elect to undertake in the future in the manner and timeframe we currently anticipate, if at all.
* The operation and financing of our joint ventures.
* The ability of our customers and other contractual counterparties to satisfy their obligations to us, including our ability to collect payments when due from the government of Venezuela or PDVSA.
* Our inability to realize anticipated cost savings and capital expenditure reductions.
* The inadequacy of storage capacity for our products, and ensuing curtailments, whether voluntary or involuntary, required to mitigate this physical constraint.
* The risk that we will be unable to retain and hire key personnel.
* Unanticipated integration issues relating to the acquisition of assets from Shell, such as potential disruptions of our ongoing business and higher than anticipated integration costs.
* Uncertainty as to the long-term value of our common stock.
* The diversion of management time on integration-related matters.
* The factors generally described in Part I—Item 1A in our 2021 Annual Report on Form 10-K and any additional risks described in our other filings with the SEC.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information about market risks for the nine months ended September 30, 2022 does not differ materially from that discussed under Item 7A in our 2021 Annual Report on Form 10-K.

## Item 4. Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. At September 30, 2022, with the participation of our management, our Chairman and Chief Executive Officer (principal executive officer) and our Executive Vice President and Chief Financial Officer (principal financial officer) carried out an evaluation, pursuant to Rule 13a-15(b) of the Act, of ConocoPhillips’ disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chairman and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded our disclosure controls and procedures were operating effectively at September 30, 2022.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) of the Act, in the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. Other Information

## Item 1. Legal Proceedings

ConocoPhillips has elected to use a $1 million threshold for disclosing certain proceedings arising under federal, state or local environmental laws when a governmental authority is a party. ConocoPhillips believes proceedings under this threshold are not material to ConocoPhillips' business and financial condition. Applying this threshold, there are no such proceedings to disclose for the quarter ended September 30, 2022. [*See Note*](#_bookmark15) *9* for information regarding other legal and administrative proceedings.

## Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A of our 2021 Annual Report on Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

|  |  |
| --- | --- |
|  | Millions of Dollars |
|  | Total Number of |  | Total Number of Shares Purchased as Part of Publicly | Approximate Dollar Value of Shares That May Yet Be Purchased |
| Period | SharesPurchased\* | Average Price Paidper Share | Announced Plans orPrograms | Under the Plans orPrograms |
| July 1 - 31, 2022 | 4,670,147 | $ 86.98 | 4,670,147 | $ 6,729 |
| August 1 - 31, 2022 | 10,943,703 | 101.96 | 10,943,703 | 5,614 |
| September 1 - 30, 2022 | 11,700,114 | 109.21 | 11,700,114 | 4,336 |
|  | 27,313,964 |  | 27,313,964 |  |

*\*There were no repurchases of common stock from company employees in connection with the company's broad-based employee incentive plans.*

In late 2016, we initiated our current share repurchase program. As of September 30, 2022, we had repurchased $20.7 billion of shares. In October 2022, our Board of Directors approved an increase to our authorization from $25 billion to

$45 billion of our common stock to support our plan for future share repurchases. Repurchases are made at management’s discretion, at prevailing prices, subject to market conditions and other factors. Except as limited by applicable legal requirements, repurchases may be increased, decreased or discontinued at any time without prior notice. Shares of stock repurchased under the plan are held as treasury shares. *See Part I—Item 1A—Risk Factors –* “*Our ability to execute our capital return program is subject to certain considerations*” in our 2021 Annual Report on Form 10-K.

## Item 6. Exhibits

10.1\* Form of Key Employee Award Terms and Conditions, as part of the ConocoPhillips Targeted Variable Long Term Incentive Program, granted under the 2014 Omnibus Stock and Performance Incentive Plan of ConocoPhillips dated August 1, 2022.

* 1. \* Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
	2. \* Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32\* Certifications pursuant to 18 U.S.C. Section 1350. 101.INS\* Inline XBRL Instance Document.

101.SCH\* Inline XBRL Schema Document.

101.CAL\* Inline XBRL Calculation Linkbase Document. 101.LAB\* Inline XBRL Labels Linkbase Document.

101.PRE\* Inline XBRL Presentation Linkbase Document. 101.DEF\* Inline XBRL Definition Linkbase Document.

104\* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*\* Filed herewith.*

## Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

##### CONOCOPHILLIPS

*/s/ Kontessa S. Haynes-Welsh Kontessa S. Haynes-Welsh* Chief Accounting Officer

November 3, 2022