

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2021**

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 1,318,946,867 shares of common stock, \$.01 par value, outstanding at September 30, 2021.

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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

\$ or USD	U.S. dollar
CAD	Canadian dollar
EUR	Euro
GBP	British pound

Units of Measurement

BBL	barrel
BCF	billion cubic feet
BOE	barrels of oil equivalent
MBD	thousands of barrels per day
MCF	thousand cubic feet
MBOD	thousand barrels of oil per day
MM	million
MMBOE	million barrels of oil equivalent
MMBOD	million barrels of oil per day
MBOED	thousands of barrels of oil equivalent per day
MMBOED	millions of barrels of oil equivalent per day
MMBTU	million British thermal units
MMCFD	million cubic feet per day

Industry

CBM	coalbed methane
E&P	exploration and production
FEED	front-end engineering and design
FPS	floating production system
FPSO	floating production, storage and offloading
G&G	geological and geophysical
JOA	joint operating agreement
LNG	liquefied natural gas
NGLs	natural gas liquids
OPEC	Organization of Petroleum Exporting Countries
PSC	production sharing contract
PUDs	proved undeveloped reserves
SAGD	steam-assisted gravity drainage
WCS	Western Canada Select
WTI	West Texas Intermediate

Accounting

ARO	asset retirement obligation
ASC	accounting standards codification
ASU	accounting standards update
DD&A	depreciation, depletion and amortization
FASB	Financial Accounting Standards Board
FIFO	first-in, first-out
G&A	general and administrative
GAAP	generally accepted accounting principles
LIFO	last-in, first-out
NPNS	normal purchase normal sale
PP&E	properties, plants and equipment
SAB	staff accounting bulletin
VIE	variable interest entity

Miscellaneous

EPA	Environmental Protection Agency
ESG	Environmental, Social and Corporate Governance
EU	European Union
FERC	Federal Energy Regulatory Commission
GHG	greenhouse gas
HSE	health, safety and environment
ICC	International Chamber of Commerce
ICSID	World Bank's International Centre for Settlement of Investment Disputes
IRS	Internal Revenue Service
OTC	over-the-counter
NYSE	New York Stock Exchange
SEC	U.S. Securities and Exchange Commission
TSR	total shareholder return
U.K.	United Kingdom
U.S.	United States of America

PART I. Financial Information

Item 1. Financial Statements

Consolidated Income Statement

ConocoPhillips

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenues and Other Income				
Sales and other operating revenues	\$ 11,326	4,386	30,708	13,293
Equity in earnings of affiliates	239	35	500	346
Gain (loss) on dispositions	2	(3)	294	551
Other income (loss)	49	(38)	884	(983)
Total Revenues and Other Income	11,616	4,380	32,386	13,207
Costs and Expenses				
Purchased commodities	4,179	1,839	11,660	5,630
Production and operating expenses	1,389	963	4,151	3,183
Selling, general and administrative expenses	128	96	556	249
Exploration expenses	65	125	206	410
Depreciation, depletion and amortization	1,672	1,411	5,425	3,980
Impairments	(89)	2	(90)	521
Taxes other than income taxes	403	179	1,154	570
Accretion on discounted liabilities	61	62	186	195
Interest and debt expense	219	200	665	604
Foreign currency transaction (gain) loss	(10)	(5)	19	(88)
Other expenses	17	20	78	7
Total Costs and Expenses	8,034	4,892	24,010	15,261
Income (loss) before income taxes	3,582	(512)	8,376	(2,054)
Income tax provision (benefit)	1,203	(62)	2,924	(171)
Net income (loss)	2,379	(450)	5,452	(1,883)
Less: net loss attributable to noncontrolling interests	-	-	-	(46)
Net Income (Loss) Attributable to ConocoPhillips	\$ 2,379	(450)	5,452	(1,929)
Net Income (Loss) Attributable to ConocoPhillips Per Share of Common Stock (dollars)				
Basic	\$ 1.78	(0.42)	4.10	(1.79)
Diluted	1.78	(0.42)	4.09	(1.79)
Average Common Shares Outstanding (in thousands)				
Basic	1,332,286	1,077,377	1,327,216	1,079,525
Diluted	1,336,379	1,077,377	1,330,652	1,079,525

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	
	2021	2020	2021	2020
Net Income (Loss)	\$ 2,379	(450)	5,452	(1,883)
Other comprehensive income (loss)				
Defined benefit plans				
Reclassification adjustment for amortization of prior service credit included in net income (loss)	(9)	(8)	(28)	(24)
Net actuarial gain (loss) arising during the period	8	(78)	113	(73)
Reclassification adjustment for amortization of net actuarial losses included in net income (loss)	45	45	133	81
Income taxes on defined benefit plans	(9)	10	(49)	3
Defined benefit plans, net of tax	35	(31)	169	(13)
Unrealized holding gain (loss) on securities	-	-	(1)	3
Income taxes on unrealized holding gain on securities	-	-	-	(1)
Unrealized holding gain (loss) on securities, net of tax	-	-	(1)	2
Foreign currency translation adjustments	(237)	188	(72)	(302)
Income taxes on foreign currency translation adjustments	(1)	2	(1)	4
Foreign currency translation adjustments, net of tax	(238)	190	(73)	(298)
Other Comprehensive Income (Loss), Net of Tax	(203)	159	95	(309)
Comprehensive Income (Loss)	2,176	(291)	5,547	(2,192)
Less: comprehensive income attributable to noncontrolling interests	-	-	-	(46)
Comprehensive Income (Loss) Attributable to ConocoPhillips	\$ 2,176	(291)	5,547	(2,238)

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet**ConocoPhillips**

	Millions of Dollars	
	September 30 2021	December 31 2020
Assets		
Cash and cash equivalents	\$ 9,833	2,991
Short-term investments	678	3,609
Accounts and notes receivable (net of allowance of \$2 and \$4, respectively)	5,336	2,634
Accounts and notes receivable—related parties	129	120
Investment in Cenovus Energy	1,416	1,256
Inventories	1,043	1,002
Prepaid expenses and other current assets	1,746	454
Total Current Assets	20,181	12,066
Investments and long-term receivables	8,058	8,017
Loans and advances—related parties	-	114
Net properties, plants and equipment (net of accumulated DD&A of \$65,223 and \$62,213, respectively)	56,689	39,893
Other assets	2,376	2,528
Total Assets	\$ 87,304	62,618
Liabilities		
Accounts payable	\$ 4,101	2,669
Accounts payable—related parties	30	29
Short-term debt	920	619
Accrued income and other taxes	2,082	320
Employee benefit obligations	691	608
Other accruals	2,625	1,121
Total Current Liabilities	10,449	5,366
Long-term debt	18,748	14,750
Asset retirement obligations and accrued environmental costs	5,721	5,430
Deferred income taxes	5,630	3,747
Employee benefit obligations	1,162	1,697
Other liabilities and deferred credits	1,479	1,779
Total Liabilities	43,189	32,769
Equity		
Common stock (2,500,000,000 shares authorized at \$0.01 par value)		
Issued (2021—2,089,046,718 shares; 2020—1,798,844,267 shares)		
Par value	21	18
Capital in excess of par	60,431	47,133
Treasury stock (at cost: 2021—770,099,851 shares; 2020—730,802,089 shares)	(49,521)	(47,297)
Accumulated other comprehensive loss	(5,123)	(5,218)
Retained earnings	38,307	35,213
Total Equity	44,115	29,849
Total Liabilities and Equity	\$ 87,304	62,618

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows**ConocoPhillips**

	Millions of Dollars	
	Nine Months Ended	
	September 30	
	2021	2020
Cash Flows From Operating Activities		
Net income (loss)	\$ 5,452	(1,883)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation, depletion and amortization	5,425	3,980
Impairments	(90)	521
Dry hole costs and leasehold impairments	7	114
Accretion on discounted liabilities	186	195
Deferred taxes	895	(428)
Undistributed equity earnings	258	450
Gain on dispositions	(294)	(551)
(Gain) loss on investment in Cenovus Energy	(743)	1,302
Other	(866)	(188)
Working capital adjustments		
Decrease (increase) in accounts and notes receivable	(1,619)	1,132
Increase in inventories	(13)	(74)
Increase in prepaid expenses and other current assets	(800)	(49)
Increase (decrease) in accounts payable	682	(583)
Increase (decrease) in taxes and other accruals	2,648	(808)
Net Cash Provided by Operating Activities	11,128	3,130
Cash Flows From Investing Activities		
Cash acquired from Concho	382	-
Capital expenditures and investments	(3,767)	(3,657)
Working capital changes associated with investing activities	79	(229)
Proceeds from asset dispositions	792	1,312
Net sales (purchases) of investments	2,846	(1,089)
Collection of advances/loans—related parties	105	116
Other	(386)	(31)
Net Cash Provided by (Used in) Investing Activities	51	(3,578)
Cash Flows From Financing Activities		
Issuance of debt	-	300
Repayment of debt	(363)	(234)
Issuance of company common stock	27	(2)
Repurchase of company common stock	(2,224)	(726)
Dividends paid	(1,750)	(1,367)
Other	6	(27)
Net Cash Used in Financing Activities	(4,304)	(2,056)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(3)	(62)
Net Change in Cash, Cash Equivalents and Restricted Cash	6,872	(2,566)
Cash, cash equivalents and restricted cash at beginning of period	3,315	5,362
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 10,187	2,796

Restricted cash of \$95 million and \$259 million are included in the "Prepaid expenses and other current assets" and "Other assets" lines, respectively, of our Consolidated Balance Sheet as of September 30, 2021.

Restricted cash of \$94 million and \$230 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, 2020.

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 2020 Annual Report on Form 10-K.

Note 2—Inventories

	Millions of Dollars	
	September 30 2021	December 31 2020
Crude oil and natural gas	\$ 485	461
Materials and supplies	558	541
Total Inventories	\$ 1,043	1,002
Inventories valued on the LIFO basis	\$ 305	282

Note 3—Acquisitions and Dispositions

Announced Acquisition of Shell Permian Assets

In September 2021, we signed a definitive agreement to acquire Shell Enterprises LLC's assets in the Delaware Basin in an all-cash transaction for \$9.5 billion before customary adjustments (Shell Permian Acquisition). Assets to be acquired include approximately 225,000 net acres and producing properties located entirely in Texas, as well as over 600 miles of operated crude, gas and water pipelines and infrastructure. The acquisition is anticipated to close in the fourth quarter of 2021, subject to regulatory approval and other customary closing conditions. Under the terms of the agreement, we paid a deposit of \$475 million which is presented within "Cash Flows from Investing Activities - Other" on our consolidated statement of cash flows. See Item 1A "Risk Factors" for further discussion of risks related to the Shell Permian Acquisition.

Acquisition of Concho Resources Inc. (Concho)

We completed our acquisition of Concho on January 15, 2021 and as defined under the terms of the transaction agreement, each share of Concho common stock was exchanged for 1.46 shares of ConocoPhillips common stock, for total consideration of \$13.1 billion.

Total Consideration

Number of shares of Concho common stock issued and outstanding (in thousands)*	194,243
Number of shares of Concho stock awards outstanding (in thousands)*	1,599
Number of shares exchanged	195,842
Exchange ratio	1.46
Additional shares of ConocoPhillips common stock issued as consideration (in thousands)	285,929
Average price per share of ConocoPhillips common stock**	\$ 45.9025
Total Consideration (Millions)	\$ 13,125

*Outstanding as of January 15, 2021.

**Based on the ConocoPhillips average stock price on January 15, 2021.

The transaction was accounted for as a business combination under FASB 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. Debt assumed in the acquisition was valued based on observable market prices. The fair values determined for accounts receivables, 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 \$13.1 billion was allocated to the identifiable assets and liabilities based on their fair values as of January 15, 2021.

Assets Acquired	Millions of Dollars	
Cash and cash equivalents	\$	382
Accounts receivable, net		745
Inventories		45
Prepaid expenses and other current assets		37
Investments and long-term receivables		333
Net properties, plants and equipment		18,968
Other assets		62
Total assets acquired	\$	20,572
Liabilities Assumed		
Accounts payable	\$	638
Accrued income and other taxes		49
Employee benefit obligations		4
Other accruals		510
Long-term debt		4,696
Asset retirement obligations and accrued environmental costs		310
Deferred income taxes		1,123
Other liabilities and deferred credits		117
Total liabilities assumed	\$	7,447
Net assets acquired	\$	13,125

With the completion of the Concho transaction, we acquired proved and unproved properties of approximately \$11.8 billion and \$6.9 billion, respectively.

We recognized approximately \$157 million of transaction-related costs, all of which were expensed in the first quarter of 2021. These non-recurring costs related primarily to fees paid to advisors and the settlement of share-based awards for certain Concho employees based on the terms of the Merger Agreement.

In the first quarter of 2021, we commenced 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 the three- and nine-month periods ending September 30, 2021, we recognized non-recurring restructuring costs of approximately \$52 million and \$209 million, respectively, mainly for employee severance and related incremental pension benefit costs.

The impact from these transaction and restructuring costs to the lines of our consolidated income statement for the nine-month period ending September 30, 2021, are below:

	Millions of Dollars		
	Transaction Cost	Restructuring Cost	Total Cost
Production and operating expenses	\$	110	110
Selling, general and administration expenses	135	64	199
Exploration expenses	18	4	22
Taxes other than income taxes	4	2	6
Other expenses	-	29	29
	\$	157	209
			366

On February 8, 2021, we completed a debt exchange offer related to the debt assumed from Concho. As a result of the debt exchange, we recognized an additional income tax related restructuring charge of \$75 million. See Note 19.

From the acquisition date through September 30, 2021, "Total Revenues and Other Income" and "Net Income (Loss) Attributable to ConocoPhillips" associated with the acquired Concho business were approximately \$4,499 million and \$1,600 million, respectively. The results associated with the Concho business for the same period include a before- and after-tax loss of \$305 million and \$233 million, respectively, on the acquired derivative contracts. The before-tax loss is recorded within "Total Revenues and Other Income" on our consolidated income statement. See Note 11.

The following summarizes the unaudited supplemental pro forma financial information as if we had completed the acquisition of Concho on January 1, 2020:

	Millions of Dollars	
	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Supplemental Pro Forma (unaudited)		
Total revenues and other income	\$ 5,019	16,384
Net loss	(565)	(1,184)
Net loss attributable to ConocoPhillips	(565)	(1,230)
	\$ per share	
	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Earnings per share:		
Basic net loss	\$ (0.41)	(0.90)
Diluted net loss	(0.41)	(0.90)

The unaudited supplemental pro forma financial information is presented for illustration 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 ending September 30, 2020 is a result of combining the consolidated income statement of ConocoPhillips with the results of Concho. 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 to reverse impairment expense of \$10.5 billion and \$1.9 billion related to oil and gas properties and goodwill, respectively, recorded by Concho in the nine-month period ending September 30, 2020. Other adjustments made relate 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.

Assets Sold

In 2020, we completed the sale of our Australia-West asset and operations. The sales agreement entitled us to a \$200 million payment upon a final investment decision (FID) of the Barossa development project. On March 30, 2021, FID was announced and as such, we recognized a \$200 million gain on disposition in the first quarter of 2021. The purchaser failed to pay the FID bonus when due. We have commenced an arbitration proceeding against the purchaser to enforce our contractual right to the \$200 million, plus interest accruing from the due date. Results of operations related to this transaction are reflected in our Asia Pacific segment. *See Note 10.*

In the third quarter of 2021, we sold our interests in certain noncore assets in our Lower 48 segment for approximately \$150 million after customary adjustments, recognizing a before-tax gain on sale of approximately \$26 million. Production from these noncore Lower 48 properties averaged approximately 15 MBOED in the nine-months ended September 30, 2021. We also completed the sale of our noncore exploration interests in Argentina, recognizing a before-tax loss on disposition of \$179 million. Results of operations for Argentina were reported in our Other International segment.

For the three- and nine-months ended September 30, 2021, we recorded contingent payments of \$121 million and \$222 million, respectively, relating to previous dispositions. The contingent payments are recorded as gain on disposition on our consolidated income statement and are reflected within our Canada and Lower 48 segments. No contingent payments were recorded in 2020.

Note 4—Investments, Loans and Long-Term Receivables**Australia Pacific LNG Pty Ltd (APLNG)**

APLNG executed project financing agreements for an \$8.5 billion project finance facility in 2012. All amounts were drawn from the facility. The project financing facility has been restructured over time and at September 30, 2021, this facility was 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 made its first principal and interest repayment in March 2017 and is scheduled to make bi-annual payments until September 2030. At September 30, 2021, a balance of \$5.7 billion was outstanding on these facilities. *See Note 9.*

During the fourth quarter of 2020, the estimated fair value of our investment in APLNG declined to an amount below carrying value, primarily due to the weakening of the U.S. dollar relative to the Australian dollar. Based on a review of the facts and circumstances surrounding this decline in fair value, we concluded the impairment was not other than temporary under the guidance of FASB ASC Topic 323, “Investments – Equity Method and Joint Ventures.” Due primarily to improved outlooks for commodity prices and the strengthening of the U.S. dollar relative to the Australian dollar during the first nine months of 2021, the estimated fair value of our investment increased and is above carrying value at September 30, 2021.

On October 25, 2021, Origin Energy Limited agreed to the sale of 10 percent of their interest in APLNG for approximately \$1.6 billion which is expected to close in the fourth quarter of 2021. The transaction is subject to preemption rights in favor of ConocoPhillips and Sinopec among other considerations. We will continue to monitor and evaluate the relationship between the carrying value and fair value of APLNG, including any impact from this announced transaction.

At September 30, 2021, 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, and consistent with industry practice, 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, 2021, significant loans to affiliated companies included \$114 million in project financing to Qatar Liquefied Gas Company Limited (3), which is recorded within the “Accounts and notes receivable—related parties” line on our consolidated balance sheet.

Note 5—Investment in Cenovus Energy

Our investment in Cenovus Energy (CVE) shares is carried on our consolidated balance sheet at fair value of \$1.4 billion based on the closing price of \$10.06 per share on the NYSE on the last trading day of the quarter. At September 30, 2021 and December 31, 2020, we held 141 million and 208 million shares of CVE common stock, respectively. At September 30, 2021, our investment approximated 7 percent of the issued and outstanding CVE common stock.

During the third quarter, we sold 47 million shares of our CVE common stock, recognizing proceeds of \$404 million. Since we began disposing of our CVE shares in May 2021, we have sold 67 million shares for total proceeds of \$584 million, of which \$569 million was received by the end of the third quarter. Subject to market conditions, we intend to continue to decrease our investment over time.

All gains and losses are recognized within “Other income (loss)” on our consolidated income statement. Proceeds related to the sale of our CVE shares are presented within “Cash Flows from Investing Activities” on our consolidated statement of cash flows. See Note 12 for information related to fair value measurement.

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Total Net gain (loss) on equity securities	\$ 17	(162)	743	(1,302)
Less: Net gain (loss) on equity securities sold during the period	(50)	-	177	-
Unrealized gain (loss) on equity securities still held at the reporting date	\$ 67	(162)	566	(1,302)

Note 6—Impairments

During the three- and nine-month periods ended September 30, 2021 and 2020, we recognized before-tax impairment charges within the following segments:

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Alaska	\$ -	-	3	-
Lower 48	(89)	1	(93)	514
Europe, Middle East and North Africa	-	1	-	7
	\$ (89)	2	(90)	521

In the three-month period ended September 30, 2021, we recorded a credit to impairment of \$89 million in our Lower 48 segment due to a decreased ARO estimate for a previously sold asset, in which we retained the ARO liability.

In the first quarter of 2020, we recorded impairments of \$511 million related to certain noncore natural gas assets in the Lower 48 segment which were written down to fair value.

Note 7—Debt

Our debt balance at September 30, 2021, was \$19.7 billion compared with \$15.4 billion at December 31, 2020.

On January 15, 2021, we completed the acquisition of Concho in an all-stock transaction. In the acquisition, we assumed Concho's publicly traded debt, with an outstanding principal balance of \$3.9 billion, which was recorded at fair value of \$4.7 billion on the acquisition date. Debt assumed consisted of the following:

- 3.75% Notes due 2027 with principal of \$1,000 million
- 4.3% Notes due 2028 with principal of \$1,000 million
- 2.4% Notes due 2031 with principal of \$500 million
- 4.875% Notes due 2047 with principal of \$800 million
- 4.85% Notes due 2048 with principal of \$600 million

The adjustment to fair value of the senior notes of approximately \$0.8 billion on the acquisition date will be amortized as an adjustment to interest expense over the remaining contractual terms of the senior notes.

In the first quarter of 2021, we completed a debt exchange offer related to the debt assumed from Concho. Of the approximately \$3.9 billion in aggregate principal amount of Concho's senior notes offered in the exchange, 98 percent, or approximately \$3.8 billion, were tendered and accepted. The new debt issued by ConocoPhillips had the same interest rates and maturity dates as the Concho senior notes. The portion not exchanged, approximately \$67 million, remained outstanding across five series of senior notes issued by Concho. The debt exchange was treated as a debt modification for accounting purposes resulting in a portion of the unamortized fair value adjustment of the Concho senior notes allocated to the new debt issued by ConocoPhillips on the settlement date of the exchange. The new debt issued in the exchange is fully and unconditionally guaranteed by ConocoPhillips Company. *See Note 3.*

We have a revolving credit facility totaling \$6.0 billion with an expiration date of May 2023. 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 \$6.0 billion of commercial paper. Commercial paper is generally limited to maturities of 90 days and is included in the 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 \$6.0 billion in available borrowing capacity under our revolving credit facility at September 30, 2021. At December 31, 2020, we had \$300 million of commercial paper outstanding and no direct borrowings or letters of credit issued.

Following our September 20, 2021, announcement regarding the Shell Permian Acquisition, the three rating agencies reviewed their pre-announcement ratings on our debt resulting in the following:

- Fitch affirmed its rating of our long-term debt as “A” with a “stable” outlook.
- S&P affirmed its rating of our long-term debt of “A-” with a “stable” outlook.
- Moody’s affirmed its rating of our senior long-term debt of “A3” and upgraded the outlook to “positive” from “stable.”

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 rating 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, 2021, 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 8—Changes in Equity

	Millions of Dollars						
	Attributable to ConocoPhillips						
	Common Stock						
	Par Value	Capital in Excess of Par	Treasury Stock	Accum. Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	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 income				(203)			(203)
Dividends paid (\$0.43 per common share)					(579)		(579)
Dividends payable (\$0.46 per common share)					(609)		(609)
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 paid (\$1.29 per common share)					(1,750)		(1,750)
Dividends payable (\$0.46 per common share)					(609)		(609)
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

	Millions of Dollars						
	Attributable to ConocoPhillips						
	Common Stock						
	Par Value	Capital in Excess of Par	Treasury Stock	Accum. Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total
For the three months ended September 30, 2020							
Balances at June 30, 2020	\$ 18	47,079	(47,130)	(5,825)	37,351		31,493
Net income					(450)		(450)
Other comprehensive income				159			159
Dividends paid (\$0.42 per common share)					(454)		(454)
Distributed under benefit plans		34					34
Other					1		1
Balances at September 30, 2020	\$ 18	47,113	(47,130)	(5,666)	36,448	-	30,783
For the nine months ended September 30, 2020							
Balances at December 31, 2019	\$ 18	46,983	(46,405)	(5,357)	39,742	69	35,050
Net income					(1,929)	46	(1,883)
Other comprehensive loss				(309)			(309)
Dividends paid (\$1.26 per common share)					(1,367)		(1,367)
Repurchase of company common stock			(726)				(726)
Distributions to noncontrolling interests and other						(32)	(32)
Dispositions						(84)	(84)
Distributed under benefit plans		130					130
Other			1		2	1	4
Balances at September 30, 2020	\$ 18	47,113	(47,130)	(5,666)	36,448	-	30,783

Note 9—Guarantees

At September 30, 2021, 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, 2021, we had outstanding multiple guarantees in connection with our 37.5 percent ownership interest in APLNG. The following is a description of the guarantees with values calculated utilizing September 2021 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 9 years. Our maximum exposure under this guarantee is approximately \$170 million and may become payable if an enforcement action is commenced by the project finance lenders against APLNG. At September 30, 2021, 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 with remaining terms of 1 to 21 years. Our maximum potential liability for future payments, or cost of volume delivery, under these guarantees is estimated to be \$670 million (\$1.2 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 15 to 24 years or the life of the venture. Our maximum potential amount of future payments related to these guarantees is approximately \$180 million and would become payable if APLNG does not perform. At September 30, 2021, the carrying value of these guarantees was \$11 million.

Other Guarantees

We have other guarantees with maximum future potential payment amounts totaling approximately \$720 million, which consist primarily of guarantees of the residual value of leased office buildings, guarantees of the residual value of corporate aircrafts, and a guarantee for our portion of a joint venture's project finance reserve accounts. These guarantees have remaining terms of one 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, 2021, the carrying value of these guarantees was \$11 million.

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, lease commitments and environmental liabilities. Those related to environmental issues have terms that are generally indefinite and the maximum amounts of future payments are generally unlimited. The carrying amount recorded for these indemnification obligations at September 30, 2021, was \$30 million. We amortize the indemnification liability over the relevant time period the indemnity is in effect, if one exists, based on the facts and circumstances surrounding each type of indemnity. In cases where the indemnification term is indefinite, we will reverse the liability when we have information the liability is essentially relieved or amortize the liability over

an appropriate time period as the fair value of our indemnification exposure declines. 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 10* for additional information about environmental liabilities.

Note 10—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, 2021, our balance sheet included a total environmental accrual of \$191 million, compared with \$180 million at December 31, 2020, 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 from historic operations, and other contract disputes. 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, 2021, we had performance obligations secured by letters of credit of \$281 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. The annulment proceedings have been suspended as a result of Venezuela's non-payment of advances to cover the costs of these proceedings.

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 \$766 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.

The Office of Natural Resources Revenue (ONRR) has conducted audits of ConocoPhillips' payment of royalties on federal lands and has issued multiple orders to pay additional royalties to the federal government. ConocoPhillips and the ONRR entered into a settlement agreement on March 23, 2021, to resolve the dispute. All orders and associated appeals have been withdrawn with prejudice.

Beginning in 2017, cities, counties, governments 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 involved in these cases are unprecedented. 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. 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. ConocoPhillips is challenging this order. 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 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 FID of the Barossa development project under the sale and purchase agreement. Santos KOTN Pty Ltd. and Santos Limited have filed a counterclaim, and the arbitration is underway.

Note 11—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 2021	December 31 2020
Assets		
Prepaid expenses and other current assets	\$ 1,601	229
Other assets	109	26
Liabilities		
Other accruals	1,681	202
Other liabilities and deferred credits	94	18

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		Nine Months Ended	
	September 30 2021	2020	September 30 2021	2020
Sales and other operating revenues	\$ (483)	33	(862)	30
Other income (loss)	7	(2)	23	3
Purchased commodities	405	(27)	550	(29)

On January 15, 2021, we assumed financial derivative instruments consisting of oil and natural gas swaps in connection with the acquisition of Concho. At the acquisition date, the financial derivative instruments acquired were recognized at fair value as a net liability of \$456 million with settlement dates under the contracts through December 31, 2022. During the first quarter of 2021, we recognized a loss of \$173 million on Concho derivative contracts with settlement dates on or before March 31, 2021, and an additional \$132 million loss related to all remaining Concho derivative contracts with settlement dates subsequent to March 31, 2021, for a total loss of \$305 million. This loss associated with the acquired financial instruments is recorded within the "Sales and other operating revenues" line on our consolidated income statement.

By the end of March 2021, all oil and natural gas derivative financial instruments acquired from Concho were contractually settled. In connection with the settlement, we issued a cash payment of \$692 million in the first quarter of 2021 and \$69 million in the second quarter of 2021. Cash settlements related to the Concho derivative contracts are presented within “Cash Flows From Operating Activities” on our consolidated statement of cash flows.

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

	Open Position Long/(Short)	
	September 30 2021	December 31 2020
Commodity		
Natural gas and power (billions of cubic feet equivalent)		
Fixed price	10	(20)
Basis	(19)	(10)

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, 2021 and December 31, 2020:

	Millions of Dollars					
	Carrying Amount					
	Cash and Cash Equivalents		Short-Term Investments		Investments and Long-Term Receivables	
	September 30 2021	December 31 2020	September 30 2021	December 31 2020	September 30 2021	December 31 2020
Cash	\$ 634	597				
Demand Deposits	1,847	1,133				
Time Deposits						
1 to 90 days	7,226	1,225	469	2,859		
91 to 180 days			8	448		
Within one year			5	13		
One year through five years					2	1
U.S. Government Obligations						
1 to 90 days	16	23	-	-		
	\$ 9,723	2,978	482	3,320	2	1

The following investments in debt securities classified as available for sale are carried at fair value on our consolidated balance sheet at September 30, 2021 and December 31, 2020:

	Millions of Dollars					
	Carrying Amount					
	Cash and Cash Equivalents		Short-Term Investments		Investments and Long-Term Receivables	
	September 30 2021	December 31 2020	September 30 2021	December 31 2020	September 30 2021	December 31 2020
Major Security Type						
Corporate Bonds	\$ -	-	113	130	184	143
Commercial Paper	110	13	69	155		
U.S. Government Obligations	-	-	-	4	6	13
U.S. Government Agency Obligations			2	-	8	17
Foreign Government Obligations			10	-	3	2
Asset-backed Securities			2	-	59	41
	\$ 110	13	196	289	260	216

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 eight years.

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

Major Security Type	Millions of Dollars			
	Amortized Cost Basis		Fair Value	
	September 30 2021	December 31 2020	September 30 2021	December 31 2020
Corporate bonds	\$ 296	271	297	273
Commercial paper	179	168	179	168
U.S. government obligations	6	17	6	17
U.S. government agency obligations	10	17	10	17
Foreign government obligations	13	2	13	2
Asset-backed securities	61	41	61	41
	\$ 565	516	566	518

At September 30, 2021 and December 31, 2020, total unrealized losses for debt securities classified as available for sale with net losses were negligible. Additionally, at September 30, 2021 and December 31, 2020, investments in these debt securities in an unrealized loss position for which an allowance for credit losses has not been recorded were negligible.

For the three- and nine-month periods ended September 30, 2021, proceeds from sales and redemptions of investments in debt securities classified as available for sale were \$165 million and \$485 million, respectively. For the three- and nine-month periods ended September 30, 2020, proceeds from sales and redemptions of investments in debt securities classified as available for sale were \$109 million and \$298 million, 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, foreign government obligations, and time deposits with major international banks and financial institutions.

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, 2021 and December 31, 2020, was \$455 million and \$25 million, respectively. For these instruments, no collateral was posted at September 30, 2021 or December 31, 2020. If our credit rating had been downgraded below investment grade at September 30, 2021, we would have been required to post \$396 million of additional collateral, either with cash or letters of credit.

Note 12—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 following hierarchy:

- Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are directly or indirectly observable.
- Level 3: Unobservable inputs that are significant to the fair value of assets or liabilities.

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 three- and nine-month periods ended September 30, 2021, nor during the year ended December 31, 2020.

Recurring Fair Value Measurement

Financial assets and liabilities reported at fair value on a recurring basis primarily include 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, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Investment in CVE shares	\$ 1,416	-	-	1,416	1,256	-	-	1,256
Investments in debt securities	6	560	-	566	17	501	-	518
Commodity derivatives	882	788	40	1,710	142	101	12	255
Total assets	\$ 2,304	1,348	40	3,692	1,415	602	12	2,029
Liabilities								
Commodity derivatives	\$ 893	723	159	1,775	120	91	9	220
Total liabilities	\$ 893	723	159	1,775	120	91	9	220

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						
	Gross Amounts Recognized	Amounts Not Subject to Right of Setoff	Amounts Subject to Right of Setoff				
			Gross Amounts	Gross Amounts Offset	Net Amounts Presented	Cash Collateral	Net Amounts
September 30, 2021							
Assets	\$ 1,710	113	1,597	883	714	-	714
Liabilities	1,775	129	1,646	883	763	34	729
December 31, 2020							
Assets	\$ 255	2	253	157	96	10	86
Liabilities	220	1	219	157	62	4	58

At September 30, 2021 and December 31, 2020, 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 CVE: *See Note 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 11.*
- 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 4.*
- 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 2021	December 31 2020	September 30 2021	December 31 2020
Financial assets				
Investment in CVE shares	\$ 1,416	1,256	1,416	1,256
Commodity derivatives	827	88	827	88
Investments in debt securities	566	518	566	518
Loans and advances—related parties	114	220	114	220
Financial liabilities				
Total debt, excluding finance leases	18,815	14,478	22,797	19,106
Commodity derivatives	858	59	858	59

Note 13—Accumulated Other Comprehensive Loss

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

	Millions of Dollars			Accumulated Other Comprehensive Loss
	Defined Benefit Plans	Net Unrealized Gain (Loss) on Securities	Foreign Currency Translation	
December 31, 2020	\$ (425)	2	(4,795)	(5,218)
Other comprehensive income (loss)	169	(1)	(73)	95
September 30, 2021	\$ (256)	1	(4,868)	(5,123)

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	
	2021	2020	2021	2020
Defined benefit plans	\$ 29	30	83	46

The above amounts are included in the computation of net periodic benefit cost and are presented net of tax expense of \$7 million and \$7 million for the three-month periods ended September 30, 2021 and September 30, 2020, respectively, and \$22 million and \$11 million for the nine-month periods ended September 30, 2021 and September 30, 2020, respectively. See Note 15.

Note 14—Cash Flow Information

	Millions of Dollars	
	Nine Months Ended September 30	
	2021	2020
Cash Payments		
Interest	\$ 695	591
Income taxes	358	803
Net Sales (Purchases) of Investments		
Short-term investments purchased	\$ (5,487)	(9,662)
Short-term investments sold	8,478	8,776
Long-term investments purchased	(228)	(271)
Long-term investments sold	83	68
	\$ 2,846	(1,089)

We paid a deposit of \$475 million under the terms of the agreement of the Shell Permian Acquisition. This deposit is included within the “Cash Flows from Investing Activities - Other” on our consolidated statement of cash flows.

See Note 3 for additional information on cash and non-cash changes to our consolidated balance sheet associated with our Concho acquisition and information on the announced Shell transaction.

Note 15—Employee Benefit Plans

Pension and Postretirement Plans

	Millions of Dollars					
	Pension Benefits				Other Benefits	
	2021		2020		2021	2020
	U.S.	Int'l.	U.S.	Int'l.		
Components of Net Periodic Benefit Cost						
Three Months Ended September 30						
Service cost	\$ 17	15	21	14	-	1
Interest cost	12	19	17	21	1	2
Expected return on plan assets	(22)	(30)	(21)	(37)	-	-
Amortization of prior service credit	-	-	-	(1)	(9)	(7)
Recognized net actuarial loss	9	8	12	5	-	1
Settlements	28	-	27	-	-	-
Net periodic benefit cost	\$ 44	12	56	2	(8)	(3)
Nine Months Ended September 30						
Service cost	\$ 56	46	63	41	1	2
Interest cost	40	59	51	63	3	5
Expected return on plan assets	(66)	(90)	(63)	(108)	-	-
Amortization of prior service credit	-	-	-	(1)	(28)	(23)
Recognized net actuarial loss	36	24	37	16	1	1
Settlements	72	-	28	(1)	-	-
Curtailments	12	-	-	-	-	-
Special Termination Benefits	9	-	-	-	-	-
Net periodic benefit cost	\$ 159	39	116	10	(23)	(15)

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

We recognized a proportionate share of prior actuarial losses from other comprehensive income as pension settlement expense of \$28 million and \$72 million during the three- and nine-month periods ended September 30, 2021, respectively. As part of our company-wide restructuring program, we concluded that actions taken during the first quarter of 2021, would result in a significant reduction of future service of active employees in the U.S. qualified pension plan, a U.S. nonqualified supplemental retirement plan and the U.S. other postretirement benefit plans. As a result, we recognized an increase in the benefit obligation as a curtailment loss of \$12 million on the U.S. pension benefit plans. 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, 2021. At the measurement date, the net pension liability decreased by \$106 million compared to December 31, 2020, primarily a result of an increase in the discount rate, resulting in a corresponding increase to other comprehensive income.

The relevant assumptions are summarized in the following table:

	September 30	December 31
	2021	2020
Expected return on plan assets	3.40 %	5.80
Relevant discount rates		
U.S. qualified pension plan	2.80 %	2.40
U.S. nonqualified pension plan	2.30	1.85

During the first nine months of 2021, we contributed \$409 million to our domestic benefit plans and \$104 million to our international benefit plans. In 2021, we expect to contribute a total of approximately \$475 million to our domestic qualified and nonqualified pension and postretirement benefit plans and \$115 million to our international qualified and nonqualified pension and postretirement benefit plans.

Severance Accrual Activity	Millions of Dollars	
Balance at December 31, 2020	\$	24
Accruals		165
Benefit payments		(102)
Balance at September 30, 2021	\$	87

Accruals include severance costs associated with our company-wide restructuring program. Of the remaining balance at September 30, 2021, \$51 million is classified as short-term. See Note 3 for information relating to our Concho acquisition.

Note 16—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		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Significant Transactions with Equity Affiliates				
Operating revenues and other income	\$ 22	21	63	59
Purchases	1	-	5	-
Operating expenses and selling, general and administrative expenses	45	16	135	43
Net interest (income) expense*	\$ -	(1)	(2)	(5)

*We paid interest to, or received interest from, various affiliates. See Note 4 for information related to loans to equity affiliates.

Note 17—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		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue from contracts with customers	\$ 8,880	3,078	23,794	9,908
Revenue from contracts outside the scope of ASC Topic 606				
Physical contracts meeting the definition of a derivative	2,620	1,280	7,348	3,432
Financial derivative contracts	(174)	28	(434)	(47)
Consolidated sales and other operating revenues	\$ 11,326	4,386	30,708	13,293

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 18—Segment Disclosures and Related Information*:

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue from Outside the Scope of ASC Topic 606				
by Segment				
Lower 48	\$ 2,123	1,018	5,934	2,692
Canada	266	152	776	452
Europe, Middle East and North Africa	231	110	638	288
Physical contracts meeting the definition of a derivative	\$ 2,620	1,280	7,348	3,432

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue from Outside the Scope of ASC Topic 606				
by Product				
Crude oil	\$ 215	100	517	218
Natural gas	2,192	1,042	6,423	2,895
Other	213	138	408	319
Physical contracts meeting the definition of a derivative	\$ 2,620	1,280	7,348	3,432

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 LiabilitiesReceivables from Contracts with Customers

At September 30, 2021, the “Accounts and notes receivable” line on our consolidated balance sheet, includes trade receivables of \$4,262 million compared with \$1,827 million at December 31, 2020, 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 contractual arrangements where we license proprietary technology to customers related to the optimization process for operating LNG plants. The agreements typically provide for negotiated payments to be made at stated milestones. The payments are not directly related to our performance under the contract and are recorded as deferred revenue to be recognized as revenue when the customer can utilize and benefit from their right to use the license. Payments are received in installments over the construction period.

	<u>Millions of Dollars</u>	
Contract Liabilities		
At December 31, 2020	\$	97
Contractual payments received		7
Revenue recognized		(62)
At September 30, 2021	\$	42
<hr/>		
Amounts Recognized in the Consolidated Balance Sheet at September 30, 2021		
Current liabilities	\$	42

For the nine-month period of 2021, we recognized revenue of \$62 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, 2021. We expect to recognize the contract liabilities as of September 30, 2021, as revenue during 2022.

Note 18—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) attributable to ConocoPhillips. Intersegment sales are at prices that approximate market.

On January 15, 2021, we completed our acquisition of Concho, an independent oil and gas exploration and production company with operations across New Mexico and West Texas. Results of operations for Concho are included in our Lower 48 segment for the current period. Certain transaction and restructuring costs associated with the Concho acquisition are included in our Corporate and Other segment. *See Note 3.*

Analysis of Results by Operating Segment

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Sales and Other Operating Revenues				
Alaska	\$ 1,395	864	3,946	2,396
Intersegment eliminations	-	(30)	-	(11)
Alaska	1,395	834	3,946	2,385
Lower 48	7,566	2,323	19,968	6,859
Intersegment eliminations	(1)	(9)	(5)	(47)
Lower 48	7,565	2,314	19,963	6,812
Canada	967	348	2,636	1,026
Intersegment eliminations	(406)	(20)	(1,063)	(200)
Canada	561	328	1,573	826
Europe, Middle East and North Africa	1,127	432	3,270	1,320
Asia Pacific	673	477	1,880	1,930
Other International	1	1	4	5
Corporate and Other	4	-	72	15
Consolidated sales and other operating revenues	\$ 11,326	4,386	30,708	13,293
Sales and Other Operating Revenues by Geographic Location⁽¹⁾				
United States	\$ 8,963	3,148	23,978	9,209
Australia	-	-	-	605
Canada	561	328	1,573	826
China	193	161	519	374
Indonesia	231	167	634	503
Libya	313	6	833	50
Malaysia	249	148	727	447
Norway	678	358	1,708	1,046
United Kingdom	136	68	729	224
Other foreign countries	2	2	7	9
Worldwide consolidated	\$ 11,326	4,386	30,708	13,293
Sales and Other Operating Revenues by Product				
Crude oil	\$ 6,433	2,321	16,725	6,981
Natural gas	4,099	1,509	11,422	4,354
Natural gas liquids	414	129	976	364
Other ⁽²⁾	380	427	1,585	1,594
Consolidated sales and other operating revenues by product	\$ 11,326	4,386	30,708	13,293

(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		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income (Loss) Attributable to ConocoPhillips				
Alaska	\$ 405	(16)	935	(76)
Lower 48	1,631	(78)	3,274	(880)
Canada	155	(75)	267	(270)
Europe, Middle East and North Africa	241	92	601	318
Asia Pacific	257	25	749	945
Other International	(97)	(8)	(106)	14
Corporate and Other	(213)	(390)	(268)	(1,980)
Consolidated net income (loss) attributable to ConocoPhillips	\$ 2,379	(450)	5,452	(1,929)

	Millions of Dollars	
	September 30 2021	December 31 2020
Total Assets		
Alaska	\$ 14,617	14,623
Lower 48	33,200	11,932
Canada	6,797	6,863
Europe, Middle East and North Africa	8,956	8,756
Asia Pacific	10,657	11,231
Other International	1	226
Corporate and Other	13,076	8,987
Consolidated total assets	\$ 87,304	62,618

Note 19—Income Taxes

Our effective tax rate for the three-month periods ended September 30, 2021 and 2020 was 34 percent and 12 percent, respectively. Both periods were primarily impacted by shifts in our before-tax income between higher and lower tax jurisdictions as well as the change in our U.S. valuation allowance driven by the fair value measurement of our CVE common shares.

Our effective tax rate for the nine-month periods ended September 30, 2021 and 2020 was 35 percent and 8 percent, respectively, and both periods were impacted by the same items noted above. Our 2021 effective tax rate was adversely impacted by \$75 million due to incremental interest deductions from the exchange of debt acquired from Concho offsetting U.S. foreign source revenue that would otherwise have been offset by foreign tax credits. The nine-month period ending September 30, 2020, also reflects the tax impact of the gain on disposition recognized for the Australia-West divestiture. *For additional information relating to the debt exchange, see Note 7.*

During the three and nine-month periods of 2021, our valuation allowance decreased by \$4 million and \$156 million, respectively, compared to increases of \$33 million and \$264 million for the same periods of 2020. The change to our U.S. valuation allowance for all periods relates primarily to the fair value measurement of our CVE common shares and our expectation of the tax impact related to incremental capital gains and losses.

The Company has ongoing income tax audits in numerous jurisdictions which are occasionally extended or completed earlier than anticipated. 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 and the associated impact on our financial statements is not estimable at this time.

Our deferred tax liability increased by approximately \$1.1 billion as part of the liabilities assumed through our Concho acquisition. Additionally, our reserve for unrecognized tax benefits increased by \$150 million related to tax credit carryovers acquired from Concho that we do not expect to recognize. *See Note 3.*

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 57.

The terms "earnings" and "loss" as used in Management's Discussion and Analysis refer to net income (loss) attributable to ConocoPhillips.

Business Environment and Executive Overview

ConocoPhillips is the world's largest independent E&P company with operations and activities in 14 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, 2021, we employed approximately 9,900 people worldwide and had total assets of \$87 billion.

Completed and Announced Acquisitions

On January 15, 2021, we completed our acquisition of Concho Resources Inc. (Concho), an independent oil and gas exploration and production company with operations across New Mexico and West Texas. The addition of complementary acreage in the Delaware and Midland Basins resulted in a significant Permian presence to augment our leading unconventional positions in the Eagle Ford, Bakken and Montney. *See Note 3.*

In September 2021, we signed a definitive agreement to acquire Shell Enterprises LLC's assets in the Delaware Basin (Shell Permian Acquisition) in an all-cash transaction for \$9.5 billion before customary adjustments. Assets to be acquired include approximately 225,000 net acres and producing properties located entirely in Texas, as well as over 600 miles of operated crude, gas and water pipelines and infrastructure. This acquisition further enhances our already sizeable Permian position, and we believe that our development, operational and commercial expertise will deliver significant incremental value. This acquisition is expected to close in the fourth quarter of 2021, subject to regulatory approval and other customary closing conditions. *See Note 3. See Item 1A "Risk Factors" for further discussion of the risks related to the Shell Permian Acquisition.*

Overview

While commodity prices in the third quarter of 2021 improved to pre-pandemic levels, we expect that they will continue to be cyclical and volatile. Our view is that a successful business strategy in the E&P industry must be resilient in lower price environments, while also retaining upside during periods of higher prices. As such, we are unhedged, remain highly disciplined in our investment decisions and continually monitor market fundamentals including OPEC plus updates regarding supply guidance and inventory levels. Demand continues to recover but has yet to regain pre-pandemic levels. The speed and extent of this recovery will be influenced by continual easing of COVID-19 restrictions that have reduced economic activity and depressed the demand for our products globally.

The energy macro-environment, including energy transition, continues to evolve. We believe ConocoPhillips can play a valued role in the energy transition. We have adopted a triple mandate that simultaneously calls for meeting energy pathway demand, delivering competitive returns of and on capital, and achieving our net-zero ambition on operational (scope 1 and 2) emissions.

Our triple mandate is supported by financial principles and capital allocation priorities that should 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 delivering ESG excellence, all of which are in service to delivering competitive financial returns. Our completed and announced acquisitions this year further reinforce our value proposition. In the third quarter, total company production was 1,544 MBOED resulting in cash provided by operating activities of \$4.8 billion. In the nine-month period ended September 30, 2021, we generated \$11.1 billion in cash provided by operating activities, returning \$1.8 billion to shareholders through dividends and \$2.2 billion through share repurchases. We ended the quarter with cash, cash equivalents and short-term investments totaling \$10.5 billion.

In February 2021, we resumed our share repurchase program at an annualized level of \$1.5 billion, which we increased in the second quarter to an annualized level of \$2.5 billion for 2021.

Additionally, in May 2021 we announced a paced monetization program related to the 208 million shares of Cenovus Energy (CVE) common shares owned at that time. We plan to fully dispose of our CVE shares by year-end 2022, however, the sales pace for the remaining shares will be guided by market conditions, and we retain discretion to adjust accordingly. During the third quarter of 2021, we sold 47 million shares for \$404 million and inception to date have sold 67 million shares for \$584 million. Proceeds from the disposition of CVE shares will be deployed toward incremental share repurchases. *See Note 5.*

In September 2021, we declared an increase in the company's quarterly ordinary dividend from 43 cents per share to 46 cents per share, representing a 7 percent increase. The dividend is payable on December 1, 2021, to stockholders of record at the close of business on October 28, 2021.

Planned distributions for 2021 amount to a total of approximately \$6 billion between dividends and share repurchases combined.

Additionally in September 2021, we demonstrated our commitment to preserving our 'A'-rated balance sheet by restating our intent to reduce the company's gross debt by \$5 billion over five years through natural and accelerated maturities.

In conjunction with our Shell Permian Acquisition announcement, we also communicated an increase to our planned disposition target that was initially set in June at \$2 to \$3 billion by 2022. We are now targeting \$4 to \$5 billion in disposition proceeds by 2023, with the additional \$2 billion sourced primarily from the Permian Basin as part of our ongoing portfolio high-grading and optimization efforts. To date, we have generated \$0.2 billion in disposition proceeds. The proceeds from these transactions will be used in accordance with the company's priorities, including returns of capital to shareholders and reduction of gross debt.

In September 2021, in conjunction with the announcement of the Shell Permian Acquisition, we reaffirmed our commitment to ESG leadership and excellence by announcing an improvement to our operational GHG emissions intensity reduction targets by 2030. Our Paris-aligned climate-risk commitment now includes:

- Net-zero ambition for operational (scope 1 and 2) emissions by 2050 with active advocacy for a price on carbon to address end-use (scope 3) emissions;
- Targeting a reduction in gross operated and net equity operational GHG emissions intensity by 40 to 50 percent from 2016 levels by 2030, an improvement from the previously announced target of 35 to 45 percent on only a gross operated basis;
- Zero routine flaring by 2030, with an ambition to get there by 2025;
- 10 percent reduction target for methane emissions intensity by 2025 from a 2019 baseline, in addition to the 65 percent reductions we have made since 2015;
- Adding continuous methane detection devices to our operations, with an initial focus on the larger Lower 48 facilities;
- Dedicated low carbon technology organization responsible for identifying and prioritizing global emissions reduction initiatives and opportunities associated with the energy transition including carbon capture, utilization and storage (CCUS) and hydrogen; and
- ESG performance factoring into executive and employee compensation programs.

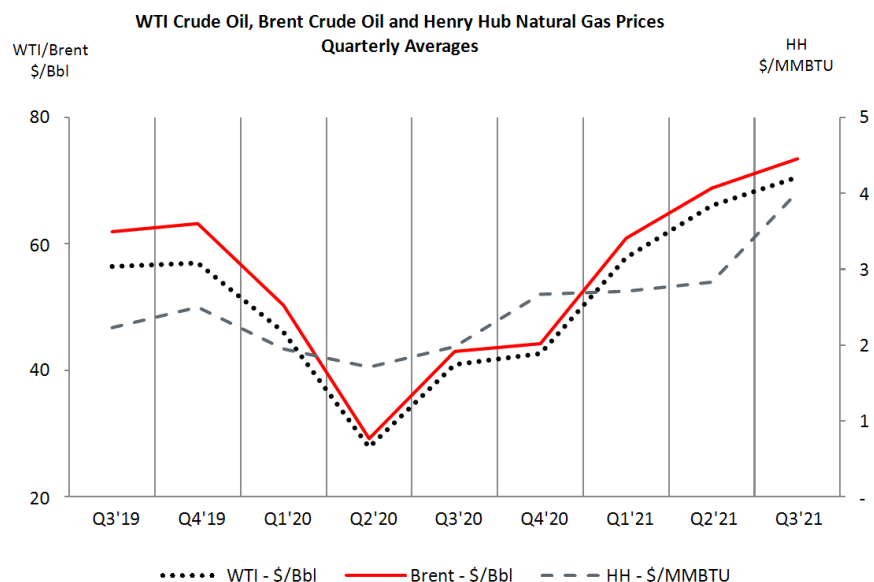
Operationally, we remain focused on safely executing the business. Production was 1,544 MBOED in the third quarter of 2021, an increase of 477 MBOED or 45 percent, compared with the third quarter of 2020, primarily due to the addition of approximately 343 MBOED in the Permian Basin from our Concho acquisition and the absence of last year's economic curtailments predominantly in North American operated assets as a result of lower oil prices.

We re-invested \$1.3 billion into the business in the form of capital expenditures during the third quarter, with over half of our investments focused on flexible, short-cycle unconventional plays in the Lower 48 segment where our production is liquids-weighted and has access to both domestic and export markets. For the full year, we remain disciplined with our allocation of capital with a planned \$5.3 billion program excluding the impacts of the recently announced Shell Permian Acquisition which is anticipated to close in the fourth quarter.

Business Environment

Commodity prices are the most significant factor impacting our profitability and related reinvestment of operating cash flows into our business. 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.

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:



Brent crude oil prices averaged \$73.47 per barrel in the third quarter of 2021, an increase of 71 percent compared with \$43.00 per barrel in the third quarter of 2020. WTI at Cushing crude oil prices averaged \$70.56 per barrel in the third quarter of 2021, an increase of 72 percent compared with \$40.93 per barrel in the third quarter of 2020. Oil prices increased alongside the ongoing global economic recovery following 2020’s COVID impacts as well as OPEC plus supply restraint, continued capital discipline by U.S. E&P’s and various unplanned supply disruptions in producing countries.

Henry Hub natural gas prices averaged \$4.02 per MMBTU in the third quarter of 2021, an increase of 103 percent compared with \$1.98 per MMBTU in the third quarter of 2020. Henry Hub prices have increased due to healthy domestic demand accompanied by record levels of feedgas demand for LNG exports to Europe and Asia.

Our realized bitumen price averaged \$41.19 per barrel in the third quarter of 2021, an increase of 160 percent compared with \$15.87 per barrel in the third quarter of 2020. The increase in the third quarter of 2021 was driven by higher blend price 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 2021 our total average realized price increased to \$56.92 per BOE compared with \$30.94 per BOE in the third quarter of 2020.

Key Operating and Financial Summary

Significant items during the third quarter of 2021 and recent announcements included the following:

- Delivered strong operational performance across the company's asset base, including successful planned maintenance turnarounds, resulting in third quarter production of 1,507 MBOED, excluding Libya.
- Net cash provided by operating activities was \$4.8 billion, exceeding capital expenditures and investments of \$1.3 billion.
- Distributed a total of \$4.0 billion to shareholders year to date, comprised of \$2.2 billion in share repurchases and \$1.8 billion in dividends as part of the company's plan to return approximately \$6.0 billion to shareholders during 2021.
- Announced an increase to the quarterly dividend by 7 percent to 46 cents per share.
- Ended the quarter with cash and cash equivalents totaling \$9.8 billion and short-term investments of \$0.7 billion, equaling \$10.5 billion in ending cash, cash equivalents and short-term investments.
- As part of a commitment to ESG excellence, announced an improvement to the company's scope 1 and 2 GHG emissions intensity reduction targets from a 2016 baseline to 40 to 50 percent on a net equity and gross operated basis, from the previous target of 35 to 45 percent on only a gross operated basis.
- Announced highly accretive pending acquisition of Shell Enterprises LLC's complementary Delaware Basin position in the Permian for \$9.5 billion in cash, before customary closing adjustments.
- Generated approximately \$0.2 billion in disposition proceeds from Lower 48 noncore asset sales as part of the company's target to generate \$4 to \$5 billion in proceeds by 2023. Production from the disposed assets average approximately 15 MBOED in the first nine months of 2021.

Outlook

Capital, Cost and Production

Fourth-quarter 2021 production is expected to be 1.53 to 1.57 MMBOED. This guidance excludes Libya and impacts from pending acquisitions. Guidance regarding capital and cost are unchanged.

This production guidance includes the impact of planned conversion of the significant majority of previously acquired Concho two-stream contracted volumes to a three-stream (crude oil, natural gas and natural gas liquids) reporting basis as Concho volumes are integrated into the company's commercial activities. The conversion to three-stream reporting is neutral to earnings. Effective in the fourth quarter, this conversion is expected to add production of approximately 40 MBOED and increase revenue and operating costs by roughly \$70 million.

Depreciation, Depletion and Amortization

Our proved reserve estimates are greatly impacted by commodity price fluctuations, and generally decrease as prices decline and increase as prices rise. Proved reserves estimates were updated and increased in the current quarter utilizing historical twelve-month first-of-month average prices, which decreased third quarter DD&A expense by approximately \$240 million before-tax. As such, the company reduced its 2021 DD&A expense guidance by \$0.3 billion to \$7.1 billion.

Results of Operations

Unless otherwise indicated, discussion of results for the three- and nine-month periods ended September 30, 2021, is based on a comparison with the corresponding periods of 2020.

Consolidated Results

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

	Millions of Dollars			
	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Alaska	\$ 405	(16)	935	(76)
Lower 48	1,631	(78)	3,274	(880)
Canada	155	(75)	267	(270)
Europe, Middle East and North Africa	241	92	601	318
Asia Pacific	257	25	749	945
Other International	(97)	(8)	(106)	14
Corporate and Other	(213)	(390)	(268)	(1,980)
Net income (loss) attributable to ConocoPhillips	\$ 2,379	(450)	5,452	(1,929)

Net income (loss) attributable to ConocoPhillips in the third quarter of 2021 increased \$2,829 million. Third quarter earnings were positively impacted by:

- Higher realized commodity prices.
- Higher sales volumes, primarily due to our Concho acquisition and absence of production curtailments in our North American operated assets. *See Note 3.*
- Higher equity in earnings of affiliates, primarily due to higher LNG sales prices.
- A gain of \$17 million after-tax on our CVE common shares in the third quarter of 2021, as compared to a \$162 million after-tax loss on those shares in the third quarter of 2020. *See Note 5.*

Third quarter 2021 net income increases were partly offset by:

- Higher production and operating expenses and taxes other than income taxes, primarily due to higher sales volumes.
- Higher DD&A expenses caused by higher production volumes, partially offset by lower rates driven from price-related reserve revisions due to higher commodity prices in 2021.

Net income (loss) attributable to ConocoPhillips in the nine-month period ended September 30, 2021, increased \$7,381 million.

- Inclusive of the third quarter gain associated with our CVE common shares, in the nine-month period we recognized a gain of \$743 million after-tax on our CVE common shares, compared with an after-tax loss of \$1,302 million in the nine-month period of 2020.

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

- Lower impairments of \$611 million, primarily due to a credit recognized for a decrease in the ARO estimate of a previously sold asset, in which we retained the ARO liability, as well as the absence of impairments recognized in the prior period for non-core gas assets in our Lower 48 segment. *See Note 6.*
- An after-tax gain of \$194 million recognized for a FID bonus associated with our Australia-West divestiture completed in the second quarter of 2020. *See Note 3.*
- Lower exploration expenses due to the absence of charges associated with the early cancellation of our 2020 winter exploration program as well as the absence of 2020 dry hole expenses in Alaska, and unproved property impairment and dry hole expenses for the Kamunsu East Field in Malaysia, which is no longer in our development plans.

In addition to the items detailed above, the increases in earnings in the nine-month period ended September 30, 2021, were partly offset by:

- Absence of a \$597 million after-tax gain on our Australia-West divestiture completed in May 2020.
- Restructuring and transaction expenses of \$288 million after-tax associated with the Concho acquisition and mark-to-market impacts on certain key employee compensation programs.
- Realized losses on hedges of \$233 million after-tax related to derivative positions assumed through our Concho acquisition. These derivative positions were settled entirely within the first quarter of 2021. *See Note 11.*
- Absence of gains recorded in 2020 from foreign currency derivatives.

See the “Segment Results” 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 2021 increased \$6,940 million and \$17,415 million, respectively, mainly due to higher realized commodity prices and higher sales volumes.

Equity in earnings of affiliates for the three- and nine-month periods of 2021 increased \$204 million and \$154 million, respectively, primarily due to higher earnings driven by higher LNG and crude prices, partially offset by a higher effective tax rate related to equity method investments in our Europe, Middle East, and North Africa segment.

Gain (loss) on dispositions in the third quarter of 2021 recognized a loss of \$179 million for the sale of noncore assets in our Other International segment. Offsetting the loss were gains recognized for contingent payments associated with previous dispositions in our Canada and Lower 48 segments and gains on sales of certain noncore assets in our Lower 48 segment. For the nine-month period of 2021, net gains on dispositions decreased \$257 million primarily due to the absence of a \$587 million gain associated with our Australia-West divestiture, partially offset by a \$200 million FID bonus recognized in the first quarter of 2021 associated with our Australia-West divestiture.

Other income (loss) for the three- and nine-month periods of 2021 increased \$87 million and \$1,867 million, respectively. During these periods in 2021, we recognized gains of \$17 million and \$743 million, respectively, on our CVE common shares, compared with losses of \$162 million and \$1,302 million for the same periods in 2020.

Purchased commodities for the three- and nine-month periods of 2021 increased \$2,340 million and \$6,030 million, respectively, primarily due to higher gas and crude prices and volumes.

Production and operating expenses for the three- and nine-month periods of 2021 increased \$426 million and \$968 million, respectively, primarily in line with higher production volumes.

Selling, general and administrative expenses increased \$307 million in the nine-month period of 2021, primarily due to transaction and restructuring expenses associated with our Concho acquisition, and higher costs associated with compensation and benefits, including mark-to-market impacts of certain key employee compensation programs.

Exploration expenses for the nine-month period of 2021 decreased \$204 million, primarily due to the absence of charges associated with the early cancellation of our 2020 winter exploration program as well as the absence of 2020 dry hole expenses in Alaska and an unproved property impairment and dry hole expenses related to the Kamunsu East Field in Malaysia.

DD&A for the three- and nine-month periods of 2021 increased \$261 million and \$1,445 million, respectively, mainly due to higher production volumes partly offset by lower rates from price-related reserve revisions.

Impairments decreased \$91 million in the third quarter of 2021, primarily due to a decrease in an ARO estimate for a previously sold asset, in which we retained the ARO liability. The decrease of \$611 million in the nine-month period of 2021 was also impacted by the absence of impairments recorded for certain non-core gas assets in our Lower 48 segment.

Taxes other than income taxes for the three- and nine-month periods of 2021 increased \$224 million and \$584 million, respectively, caused by higher sales volumes primarily in Lower 48 and higher commodity prices.

Foreign currency transaction (gain) loss for the nine-month period of 2021 was impaired by \$107 million due to the absence of derivative gains and other remeasurements.

See *Note 19—Income Taxes* for information regarding our income tax provision (benefit) and effective tax rate.

Summary Operating Statistics

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Average Net Production				
Crude oil (MBD)				
Consolidated operations	802	535	814	546
Equity affiliates	13	13	13	13
Total crude oil	815	548	827	559
Natural gas liquids (MBD)				
Consolidated operations	123	89	116	97
Equity affiliates	7	8	8	7
Total natural gas liquids	130	97	124	104
Bitumen (MBD)	69	49	69	50
Natural gas (MMCFD)				
Consolidated operations	2,144	1,201	2,143	1,353
Equity affiliates	1,033	1,034	1,055	1,042
Total natural gas	3,177	2,235	3,198	2,395
Total Production (MBOED)	1,544	1,067	1,553	1,112
Dollars Per Unit				
Average Sales Prices				
Crude oil (per bbl)				
Consolidated operations*	\$ 70.39	39.49	64.62	39.04
Equity affiliates	73.44	37.56	65.71	38.22
Total crude oil	70.43	39.45	64.63	39.02
Natural gas liquids (per bbl)				
Consolidated operations	33.28	13.73	28.02	11.72
Equity affiliates	56.70	30.21	49.81	31.65
Total natural gas liquids	34.79	15.29	29.58	13.45
Bitumen (per bbl)	41.19	15.87	36.61	2.90
Natural gas (per MCF)				
Consolidated operations*	5.93	2.77	5.02	3.07
Equity affiliates	5.95	2.61	4.48	3.98
Total natural gas	5.94	2.70	4.84	3.47
Millions of Dollars				
Exploration Expenses				
General administrative, geological and geophysical, lease rental, and other				
	\$ 65	81	199	296
Leasehold impairment	-	-	1	31
Dry holes	-	44	6	83
	\$ 65	125	206	410

*Average sales prices, including the impact of hedges settling per initial contract terms in the first quarter of 2021 assumed in our Concho acquisition, were \$63.95 per barrel for crude oil and \$4.98 per mcf for natural gas for the nine-month period ended September 30, 2021. As of March 31, 2021, we had settled all oil and gas hedging positions acquired from Concho. See Note 11.

We explore for, produce, transport and market crude oil, bitumen, natural gas, LNG and NGLs on a worldwide basis. At September 30, 2021, our operations were producing in the U.S., Norway, Canada, Australia, Indonesia, China, Malaysia, Qatar and Libya.

Total production of 1,544 MBOED increased 477 MBOED or 45 percent in the third quarter of 2021 and 441 MBOED or 40 percent in the nine-month period of 2021, primarily due to:

- Higher volumes in the Lower 48 due to our Concho acquisition.
- New wells online in the Lower 48, Canada, Norway and Malaysia.
- Higher volumes in our North American operated assets due to the absence of production curtailments.
- Higher production in Libya due the absence of a forced shutdown of the Es Sider export terminal and other eastern export terminals after a period of civil unrest.
- Improved well performance in Norway, Canada, Alaska and China.

Production increases in the third quarter and in the nine-month period of 2021 were partly offset by normal field decline.

In addition to the normal field decline, in the nine-month period of 2021, production also decreased due to:

- Absence of production from Australia-West due to our second quarter 2020 disposition.
- Higher unplanned downtime in the Lower 48 due to Winter Storm Uri, which impacted production by approximately 50 MBOED in the first quarter of 2021.

Production excluding Libya for the third quarter of 2021 was 1,507 MBOED, an increase of 441 MBOED from the same period a year ago. After adjusting for closed acquisitions and dispositions as well as estimated impacts from the 2020 curtailment program, third-quarter 2021 production increased 26 MBOED or 2 percent. This increase was primarily due to new production from the Lower 48 and other development programs across the portfolio, partially offset by normal field decline. Production from Libya averaged 37 MBOED.

Production excluding Libya for the nine-month period of 2021 was 1,514 MBOED, an increase of 406 MBOED from the same period a year ago. After adjusting for closed acquisitions and dispositions as well as impacts from the 2020 curtailment program and Winter Storm Uri impacts from 2021, production increased 17 MBOED or 1 percent. This increase was primarily due to new production from the Lower 48 and other development programs across the portfolio, partially offset by normal field decline. Production from Libya averaged 39 MBOED.

Segment Results

Alaska

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income (Loss) Attributable to ConocoPhillips (\$MM)	\$ 405	(16)	935	(76)
Average Net Production				
Crude oil (MBD)	163	184	179	179
Natural gas liquids (MBD)	13	14	15	15
Natural gas (MMCFD)	11	14	10	10
Total Production (MBOED)	178	201	196	195
Average Sales Prices				
Crude oil (\$ per bbl)	\$ 72.55	40.88	66.78	41.92
Natural gas (\$ per MCF)	2.63	2.48	3.06	2.71

The Alaska segment primarily explores for, produces, transports and markets crude oil, NGLs and natural gas. As of September 30, 2021, Alaska contributed 19 percent of our consolidated liquids production and less than 1 percent of our consolidated natural gas production.

Net Income (Loss) Attributable to ConocoPhillips

Earnings from Alaska increased \$421 million in the third quarter of 2021 and \$1,011 million in the nine-month period of 2021, respectively. In the third quarter, increases to earnings include:

- Higher realized crude oil prices.
- Lower DD&A expenses primarily driven by lower production volumes and lower rates in the quarter from price-related reserve revisions.

Offsets to the earnings increase include:

- Lower volumes due to a July turnaround at our Western North Slope assets.

In addition to the items detailed above, in the nine-month period of 2021, earnings also increased due to:

- Lower exploration expenses due to the absence of charges associated with the early cancellation of our 2020 winter exploration program as well as the absence of 2020 dry hole expenses.
- Higher volumes due to the absence of production curtailments.

In addition to the items detailed above, in the nine-month period of 2021, earnings also decreased due to:

- Higher DD&A expenses primarily caused by higher rates in the first half of 2021.

Production

Average production decreased 23 MBOED in the third quarter of 2021 and increased 1 MBOED in the nine-month period of 2021, respectively. In the third quarter of 2021, decreases to production include:

- Normal field decline.
- A July turnaround at our Western North Slope assets.

More than offsetting the items detailed above, in the nine-month period of 2021, production increased due to:

- Absence of curtailments.
- Improved performance in the Greater Prudhoe Area and Western North Slope assets.

Willow Update

In August 2021, an Alaska federal judge vacated the U.S. government's approval granted to our planned Willow project previously approved by the Bureau of Land Management (BLM) in October 2020. The Department of Justice did not appeal the decision and neither did we. We believe the best path forward is to work closely with the BLM and engage directly with the relevant agencies to address the matters described in the decision. In the interim, we are continuing with FEED work in service of a final investment decision.

Lower 48

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income (Loss) Attributable to ConocoPhillips (\$MM)	\$ 1,631	(78)	3,274	(880)
Average Net Production*				
Crude oil (MBD)	457	197	442	211
Natural gas liquids (MBD)	101	68	93	74
Natural gas (MMCFD)	1,389	566	1,389	577
Total Production (MBOED)	790	359	767	381
Average Sales Prices				
Crude oil (\$ per bbl)**	\$ 68.59	36.43	63.14	34.02
Natural gas liquids (\$ per bbl)	32.87	13.51	27.48	10.96
Natural gas (\$ per MCF)**	4.63	1.63	4.13	1.45

*Subsequent to the current period, we anticipate a change in both product mix and average net production attributed to the planned conversion of previously acquired two-stream contracted volumes to three-stream.

**Average sales prices, including the impact of hedges settling per initial contract terms in the first quarter of 2021 assumed in our Concho acquisition, were \$61.90 per barrel for crude oil and \$4.07 per mcf for natural gas for the nine-month period ended September 30, 2021. As of March 31, 2021, we had settled all oil and gas hedging positions acquired from Concho. See Note 11.

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, 2021, the Lower 48 contributed 54 percent of our consolidated liquids production and 65 percent of our consolidated natural gas production.

Net Income (Loss) Attributable to ConocoPhillips

Earnings from the Lower 48 increased \$1,709 million in the third quarter of 2021 and increased \$4,154 million in the nine-month period of 2021, respectively. In the third quarter, increases to earnings include:

- Higher realized crude oil, natural gas and NGL prices.
- Higher sales volumes of crude oil and natural gas due to our Concho acquisition and the absence of production curtailments.

Offsets to the earnings increase include:

- Higher DD&A expenses, production and operating expenses and taxes other than income taxes primarily due to higher 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 2021, earnings also increased due to:

- The absence of \$399 million in after-tax impairments related to certain noncore gas assets.

In addition to the items detailed above, in the nine-month period of 2021, earnings also decreased due to:

- Impacts resulting from our Concho Acquisition, including higher selling, general and administrative expenses for transaction and restructuring charges, as well as realized losses on derivative settlements. See Note 3 and Note 11.

Production

Average production increased 431 MBOED and 386 MBOED in the three- and nine-month periods of 2021, respectively. In the third quarter, increases to production include:

- Higher volumes due to our Concho acquisition.
- New wells online from our development programs in Permian, Eagle Ford and Bakken.
- Absence of curtailments.

Offsets to the production increases include:

- Normal field decline.

In addition to normal field decline, in the nine-month period of 2021, production also decreased due to:

- Higher unplanned downtime, primarily due to Winter Storm Uri.

Asset Acquisitions and Dispositions

In September 2021, we announced the Shell Permian Acquisition for \$9.5 billion in cash before customary adjustments. The transaction is anticipated to close in the fourth quarter of 2021, subject to regulatory approval and other customary closing conditions. *See Note 3. See Item 1A "Risk Factors" for further discussion of risks related to the Shell Permian Acquisition.*

Additionally in September 2021, we completed divestitures of certain noncore assets in our Lower 48 segment, recording proceeds of approximately \$150 million. Production from these assets averaged approximately 15 MBOED in the nine-months ended September 30, 2021. *See Note 3.*

Canada

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income (Loss) Attributable to ConocoPhillips (\$MM)	\$ 155	(75)	267	(270)
Average Net Production				
Crude oil (MBD)	8	6	10	4
Natural gas liquids (MBD)	4	2	4	2
Bitumen (MBD)	69	49	69	50
Natural gas (MMCFD)	73	43	83	35
Total Production (MBOED)	93	64	96	62
Average Sales Prices				
Crude oil (\$ per bbl)	\$ 58.99	25.16	53.81	15.39
Natural gas liquids (\$ per bbl)	33.47	5.99	28.49	1.89
Bitumen (\$ per bbl)	41.19	15.87	36.61	2.90
Natural gas (\$ per MCF)	2.45	0.71	2.36	1.05

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, 2021, Canada contributed 8 percent of our consolidated liquids production and 4 percent of our consolidated natural gas production.

Net Income (Loss) Attributable to ConocoPhillips

Earnings from Canada increased \$230 million and \$537 million, respectively, in the three- and nine-month periods of 2021. Increases to earnings include:

- Higher realized bitumen and crude oil prices.
- Higher sales volumes in our Surmont and Montney assets.
- After-tax gains on disposition related to contingent payments of \$77 million and \$149 million in the three- and nine-month periods of 2021, respectively, associated with the sale of certain assets to CVE in 2017. See Note 3.

Offsets to the earnings increase include:

- Higher production and operating expenses primarily due to increased Surmont and Montney production.

Production

Average production increased 29 MBOED in the third quarter of 2021 and increased 34 MBOED in the nine-month period of 2021, respectively. In the third quarter, increases to production include:

- Absence of curtailments.
- Absence of third quarter 2020 turnaround activity in the Surmont.
- New wells online in the Montney.
- Production from our Kelt acquisition completed in the third quarter of 2020.

Offsets to the production increases include:

- Higher well failures, plant power trips and facility upsets in the Surmont.

In addition to the items detailed above, in the nine-month period of 2021, production also increased due to:

- Improved well performance in the Surmont.

Europe, Middle East and North Africa

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income Attributable to ConocoPhillips (\$MM)	\$ 241	92	601	318
<i>Consolidated Operations</i>				
Average Net Production				
Crude oil (MBD)	117	77	118	82
Natural gas liquids (MBD)	5	5	4	5
Natural gas (MMCFD)	303	256	303	276
Total Production (MBOED)	172	125	172	133
Average Sales Prices				
Crude oil (\$ per bbl)	\$ 72.43	41.79	65.94	43.72
Natural gas liquids (\$ per bbl)	50.32	23.50	40.75	20.01
Natural gas (\$ per MCF)	11.96	2.40	8.40	2.85

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. As of September 30, 2021, our Europe, Middle East and North Africa operations contributed 12 percent of our consolidated liquids production and 14 percent of our consolidated natural gas production.

Net Income Attributable to ConocoPhillips

Earnings from Europe, Middle East and North Africa increased by \$149 million and \$283 million in the three- and nine-month periods of 2021, respectively. Increases to earnings include:

- Higher realized natural gas, crude oil and NGL prices.
- Higher LNG sales prices, reflected in equity in earnings of affiliates.
- Higher sales volumes of crude oil and LNG.

Offsets to the earnings increases include:

- Higher taxes.
- Higher production and operating expenses and DD&A expenses.

Consolidated Production

Average consolidated production increased 47 MBOED and 39 MBOED in the three- and nine-month periods of 2021, respectively. Increases to production include:

- Higher production in Libya due to the absence of a forced shutdown of the Es Sider export terminal and other eastern export terminals after a period of civil unrest.
- Improved well performance in Norway.
- New production from Norway drilling activities including our Tor II redevelopment project with first production in December 2020.

Offsets to the production increases include:

- Normal field decline.

Asia Pacific

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income Attributable to ConocoPhillips (\$MM)	\$ 257	25	749	945
<i>Consolidated Operations</i>				
Average Net Production				
Crude oil (MBD)	57	71	65	70
Natural gas liquids (MBD)	-	-	-	1
Natural gas (MMCFD)	368	322	358	455
Total Production (MBOED)	119	125	125	147
Average Sales Prices				
Crude oil (\$ per bbl)	\$ 74.66	42.79	67.41	42.94
Natural gas liquids (\$ per bbl)	-	-	-	33.21
Natural gas (\$ per MCF)	6.66	5.33	6.30	5.42

The Asia Pacific segment has operations in China, Indonesia, Malaysia and Australia. As of September 30, 2021, Asia Pacific contributed 7 percent of our consolidated liquids production and 17 percent of our consolidated natural gas production.

Net Income Attributable to ConocoPhillips

Earnings from Asia Pacific increased \$232 million in the third quarter of 2021 and decreased \$196 million in the nine-month period of 2021, respectively. In the third quarter, increases to earnings include:

- Higher crude oil and natural gas prices.
- Higher LNG sales prices, reflected in equity in earnings of affiliates.
- Lower DD&A expenses in the third quarter of 2021 primarily driven by lower production volumes and lower rates from price-related reserve revisions.

In addition to the items detailed above, in the nine-month period of 2021, earnings also increased due to:

- A \$200 million gain on disposition related to a FID bonus from our Australia-West divestiture. For additional information related to this FID bonus, see *Note 3* and *Note 10*.
- Lower production and operating expenses related to the absence of Australia-West.

Offsetting the items detailed above, in the nine-month period of 2021, earnings decreased due to:

- Absence of a \$597 million after-tax gain related to our Australia-West divestiture.
- Absence of sales volumes associated with Australia-West.

Consolidated Production

Average consolidated production decreased 6 MBOED and 22 MBOED in the three- and nine-month periods of 2021, respectively. In the third quarter, the primary decrease to production was normal field decline.

Partly offsetting the decrease in production was:

- Increased production in Malaysia associated with Malikai Phase 2 first production and ramp-up.
- Bohai Bay development activity in China.

In addition to normal field decline, in the nine-month period of 2021, production also decreased due to:

- The divestiture of our Australia-West assets that contributed 23 MBOED in the nine-month period of 2020.

In addition to the items detailed above, in the nine-month period of 2021, production also increased due to:

- The absence of curtailments across the segment and increased demand in Indonesia from coal supply restrictions.

Other International

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Income (Loss) Attributable to ConocoPhillips (\$MM)	\$ (97)	(8)	(106)	14

The Other International segment consists of exploration and appraisal activities in Colombia as well as contingencies associated with prior operations in other countries.

Earnings from our Other International operations decreased \$89 million and \$120 million in the three- and nine-month periods of 2021, respectively, due to a loss on divestiture related to our Argentina exploration interests in the third quarter as well as an absence of a \$29 million after-tax benefit to earnings from the dismissal of arbitration related to prior operations in Senegal recognized in the first quarter of 2020. *See Note 3* for additional information regarding the divestiture.

Corporate and Other

	Millions of Dollars			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net Loss Attributable to ConocoPhillips				
Net interest expense	\$ (176)	(179)	(627)	(508)
Corporate general and administrative expenses	(57)	(50)	(251)	(90)
Technology	(6)	(8)	31	(16)
Other income (expense)	26	(153)	579	(1,366)
	\$ (213)	(390)	(268)	(1,980)

Net interest expense consists of interest and financing expense, net of interest income and capitalized interest. Net interest expense increased by \$119 million in the nine-month period of 2021 primarily due to higher debt balances assumed due to our Concho acquisition. *See Note 7.*

Corporate G&A expenses include compensation programs and staff costs. These expenses increased by \$7 million in the three-month period of 2021 primarily due to mark to market adjustments associated with certain compensation programs. For the nine-month period of 2021, Corporate G&A expenses increased by \$161 million primarily due to restructuring expenses associated with our Concho acquisition. *See Note 15.*

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. Earnings from Technology increased \$47 million in the nine-month period of 2021 primarily due to higher licensing revenues.

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, premiums incurred on the early retirement of debt, holding gains or losses on equity securities, and pension settlement expense. For the three- and nine-month periods of 2021, "Other" increased \$179 million and \$1,945 million, respectively. During these periods in 2021, we recognized gains of \$17 million and \$743 million, respectively, on our CVE common shares, compared with losses of \$162 million and \$1,302 million for the same periods in 2020. Partially offsetting the impact on the nine-month period was the release of a \$92 million deferred tax asset associated with our Australia West divestiture.

Capital Resources and Liquidity

Financial Indicators

	Millions of Dollars	
	September 30 2021	December 31 2020
Cash and cash equivalents	\$ 9,833	2,991
Short-term investments	678	3,609
Total debt	19,668	15,369
Total equity	44,115	29,849
Percent of total debt to capital*	31 %	34
Percent of floating-rate debt to total debt	4 %	7

*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 2021, the primary uses of our available cash were \$3.8 billion to support our ongoing capital expenditures and investments program; \$2.2 billion to repurchase common stock, \$1.8 billion to pay dividends, and \$1.1 billion of hedging, transaction and restructuring costs. During the first nine months of 2021, our cash and cash equivalents increased by \$6.8 billion to \$9.8 billion.

At September 30, 2021, we had cash and cash equivalents of \$9.8 billion, short-term investments of \$0.7 billion, and available borrowing capacity under our credit facility of \$6.0 billion, totaling approximately \$16.5 billion of liquidity. 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.

On September 20, 2021, we signed a definitive agreement for the Shell Permian Acquisition for \$9.5 billion in cash before customary adjustments. The effective date of the transaction is July 1, 2021, and we expect to close in the fourth quarter of 2021 subject to regulatory clearance and the satisfaction of other customary closing conditions. The transaction will be funded from available cash, and we expect our remaining cash to meet our obligations and business needs.

Significant Changes in Capital

Operating Activities

Cash provided by operating activities was \$11.1 billion for the first nine months of 2021, compared with \$3.1 billion for the corresponding period of 2020. The increase in cash provided by operating activities is primarily due to higher realized commodity prices and higher sales volumes mostly due to our acquisition of Concho. The increase in cash provided by operating activities was partly offset by the settlement of all oil and gas hedging positions acquired from Concho, and transaction and restructuring costs.

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 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, for information about our capital expenditures and investments.

On January 15, 2021, we assumed financial derivative instruments consisting of oil and natural gas swaps in connection with our acquisition of Concho. At March 31, 2021, all oil and natural gas derivative financial instruments acquired from Concho were contractually settled. In the first six months of 2021, we paid \$761 million relating to these settlements. *See Note 11.*

Investing Activities

For the first nine months of 2021, we invested \$3.8 billion in capital expenditures. Our 2021 operating plan capital expenditures is currently expected to be \$5.3 billion compared with \$4.7 billion in 2020. See the “Capital Expenditures and Investments” section, for information about our capital expenditures and investments.

For additional information on Acquisitions & Dispositions discussed below, *see Note 3.*

We completed our acquisition of Concho on January 15, 2021. The assets acquired in the transaction included \$382 million of cash.

In May 2021, we announced and began a paced monetization of our investment in CVE common shares with the plan to direct proceeds toward our existing share repurchase program. We expect to fully dispose of our CVE shares by year-end 2022, however, the sales pace will be guided by market conditions, and we retain discretion to adjust accordingly. Since we began our monetization program, we have sold 67 million CVE shares, representing 32% of our holdings at December 31, 2020, receiving \$569 million of cash proceeds. *See Note 5.* Other proceeds from dispositions include our sale of certain noncore assets in our Lower 48 segment for approximately \$150 million and contingent payments associated with previous divestitures.

In September 2021, we signed a definitive agreement to acquire the Shell Permian assets for \$9.5 billion, before customary adjustments. Under the terms of the agreement, we paid a deposit of \$475 million which is presented within “Cash Flows from Investing Activities - Other” on our consolidated statement of cash flows. *See Item 1A “Risk Factors” for further discussion of risks related to the Shell Permian Acquisition.*

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 2021 included net sales of \$2,846 million of investments. We sold \$2,991 million of short-term instruments and invested \$145 million in long-term instruments. *See Note 11.*

Financing Activities

We have a revolving credit facility totaling \$6.0 billion, expiring in May 2023. 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. With no commercial paper outstanding and no direct borrowings or letters of credit, we had access to \$6.0 billion in available borrowing capacity under our revolving credit facility at September 30, 2021.

On January 15, 2021, we completed the acquisition of Concho in an all-stock transaction. In the acquisition, we assumed Concho's publicly traded debt, which was recorded at fair value of \$4.7 billion on the acquisition date. In June 2021, we reaffirmed our commitment to preserving our 'A'-rated balance sheet by restating our intent to reduce gross debt by \$5 billion over the next five years, driving a more resilient and efficient capital structure.

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: "A3" with a "positive" outlook

See *Note 3* for additional information on our Concho acquisition and *Note 7* 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, 2021 and December 31, 2020, we had direct bank letters of credit of \$281 million and \$249 million, respectively, which secured performance obligations related to various purchase commitments incident to the ordinary conduct of business. In the event of credit ratings downgrades, 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 addition to our capital expenditure and investments program, we anticipate completing the Shell Permian Acquisition in the fourth quarter for \$9.5 billion before customary adjustments. See *Note 3*.

Our debt balance at September 30, 2021, was \$19.7 billion, compared with \$15.4 billion at December 31, 2020. The net increase is primarily due to \$4.7 billion of debt assumed in the Concho acquisition. The current portion of debt, including payments for finance leases, is \$920 million. Payments will be made using current cash balances and cash generated by operations. See *Note 7*.

We believe in delivering value to our shareholders through a growing and sustainable dividend supplemented by additional returns of capital, including share repurchases. In 2020, we paid \$1.8 billion, equating to \$1.69 per share of common stock, in dividends. In the first nine months of 2021, we paid dividends totaling \$1.8 billion, the equivalent of \$1.29 per share. On September 20, 2021, we announced an increase in our quarterly dividend from \$0.43 per share to \$0.46 per share, representing a 7 percent increase. The dividend is payable December 1, 2021, to stockholders of record at the close of business on October 28, 2021. We anticipate returning approximately \$2.4 billion to shareholders in dividends in 2021, or \$1.75 per share.

In late 2016, we initiated our current share repurchase program, which has a total program authorization of \$25 billion. In May 2021, we began a paced monetization of our CVE shares, the proceeds of which, have been applied to share repurchases. The pace of CVE share sales will be guided by market conditions, and we retain the discretion to adjust accordingly. In the nine months ended September 30, 2021, we repurchased 39.3 million shares at a cost of \$2,224 million, \$561 million of which was funded using CVE share proceeds. Since the inception of the share repurchase program, we have repurchased 228 million shares at a cost of \$12.7 billion. Our total planned distributions for 2021, including dividends and share repurchases, is approximately \$6.0 billion.

Our dividend and share repurchase programs are subject to numerous considerations, including market conditions, management discretion and other factors. See “Item 1A—Risk Factors – Our ability to declare and pay dividends and repurchase shares is subject to certain considerations” in Part I—Item 1A in our 2020 Annual Report on Form 10-K.

Capital Expenditures and Investments

	Millions of Dollars	
	Nine Months Ended	
	September 30	
	2021	2020
Alaska	\$ 698	882
Lower 48	2,250	1,398
Canada	129	593
Europe, Middle East and North Africa	385	410
Asia Pacific	235	280
Other International	33	66
Corporate and Other	37	28
Capital expenditures and investments	\$ 3,767	3,657

During the first nine months of 2021, capital expenditures and investments supported key development programs, primarily:

- Development activities in the Lower 48, primarily Permian, Eagle Ford and Bakken.
- Appraisal and development activities in Alaska related to the Western North Slope and development activities in the Greater Kuparuk Area.
- Appraisal activities in liquids-rich plays and optimization of oils sands development in Canada.
- Continued development activities across assets in Norway.
- Continued development activities in China, Malaysia and Indonesia.

In February 2021, we announced 2021 operating plan capital expenditures of \$5.5 billion. In June 2021, we reduced capital guidance to \$5.3 billion, recognizing synergistic savings from our Concho acquisition.

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.

Upon completion of the Concho acquisition on January 15, 2021, we assumed Concho's publicly traded debt of approximately \$3.9 billion in aggregate principal amount, which was recorded at fair value of \$4.7 billion on the acquisition date. We completed a debt exchange offer that settled on February 8, 2021, of which 98 percent, or approximately \$3.8 billion in aggregate principal amount of Concho's notes, were tendered and accepted for new debt issued by ConocoPhillips. The new debt issued in the exchange is fully and unconditionally guaranteed by ConocoPhillips Company. Both the guarantor and issuer of the exchange debt is reflected within the Obligor Group presented here. See *Note 3* and *Note 7* for additional information relating to the Concho transaction.

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, 2021	
Revenues and Other Income	\$	20,893
Income (loss) before income taxes*		5,445
Net income (loss)		5,452
Net Income (Loss) Attributable to ConocoPhillips		5,452

*Includes approximately \$3.6 billion of purchased commodities expense for transactions with Non-Obligated Subsidiaries.

Summarized Balance Sheet Data

	Millions of Dollars	
	September 30	December 31
	2021	2020
Current assets	\$ 12,955	8,535
<i>Amounts due from Non-Obligated Subsidiaries, current</i>	1,194	440
Noncurrent assets	59,997	37,180
<i>Amounts due from Non-Obligated Subsidiaries, noncurrent</i>	8,223	7,730
Current liabilities	7,059	3,797
<i>Amounts due to Non-Obligated Subsidiaries, current</i>	2,778	1,365
Noncurrent liabilities	28,336	18,627
<i>Amounts due to Non-Obligated Subsidiaries, noncurrent</i>	10,304	3,972

Contingencies

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. *See Note 10.*

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 from historic operations, and other contract disputes. 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 64–66 of our 2020 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, 2021, 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, 2021, our balance sheet included a total environmental accrual of \$191 million, compared with \$180 million at December 31, 2020, 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.

Environmental Litigation

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. 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.

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 67–69 of our 2020 Annual Report on Form 10-K.

Climate Change Litigation

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 involved in these cases are unprecedented. 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.

Company Response to Climate-Related Risks

The company has responded by putting in place a Sustainable Development Risk Management Standard covering the assessment and registering 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.

Emissions are categorized into three different scopes. Gross operated scope 1 and scope 2 GHG emissions help us understand our climate transition risk.

- Scope 1 emissions are direct GHG emissions from sources that we own or control.
- Scope 2 emissions are GHG emissions from the generation of purchased electricity or steam that we consume.

Scope 3 emissions are indirect emissions from sources that we neither own nor control.

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.

The strategy is comprised of four pillars:

- **Targets:** Our target framework consists of a hierarchy of targets, from a long-term ambition that sets the direction and aim of the strategy, to a medium-term performance target for GHG emissions intensity, to shorter-term targets for flaring and methane intensity reductions. These performance targets are supported by lower-level internal business unit goals to enable the company to achieve the company-wide targets. In September 2021, we increased our interim operational target and have set it to reduce our gross operated and net equity (scope 1 and 2) emissions intensity by 40 to 50 percent from 2016 levels by 2030, an improvement from the previously announced target of 35 to 45 percent on only a gross operated basis, with an ambition to achieve net-zero operated emissions by 2050. We have joined the World Bank Flaring Initiative to work towards zero routine flaring of associated gas by 2030, with an ambition to meet that goal by 2025.
- **Technology choices:** We expanded our Marginal Abatement Cost Curve process to provide a broader range of opportunities for emission reduction technology.
- **Portfolio choices:** Our corporate authorization process requires all qualifying projects to include a GHG price in their project approval economics. Different GHG prices are used depending on the region or jurisdiction. Projects in jurisdictions with existing GHG pricing regimes incorporate the existing GHG price and forecast into their economics. Projects where no existing GHG pricing regime exists utilize a scenario forecast from our internally consistent World Energy Model. In this way, both existing and emerging regulatory requirements are considered in our decision-making. The company does not use an estimated market cost of GHG emissions when assessing reserves in jurisdictions without existing GHG regulations.
- **External engagement:** Our external engagement aims to differentiate ConocoPhillips within the oil and gas sector with our approach to managing climate-related risk. We are a Founding Member of the Climate Leadership Council (CLC), an international policy institute founded in collaboration with business and environmental interests to develop a carbon dividend plan. Participation in the CLC provides another opportunity for ongoing dialogue about carbon pricing and framing the issues in alignment with our public policy principles. We also belong to and fund Americans For Carbon Dividends, the education and advocacy branch of the CLC.

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, objectives of management for future operations, the anticipated benefits of the transaction between us and Concho Resources Inc. (Concho), including the expected amount and the timing of synergies from such transaction, the anticipated closing of the acquisition of assets from Shell Enterprises LLC (Shell), and the anticipated impact of the Concho and Shell transactions on the combined company’s business and future financial and operating results 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 resulting 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.
- 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 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, 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.
- 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 related to the transaction with Concho, 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.
- 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.
- Our inability to liquidate the common stock issued to us by Cenovus Energy as part of our sale of certain assets in western Canada at prices we deem acceptable, or 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.
- Our ability to successfully integrate Concho's business and fully achieve the expected benefits and cost reductions associated with the transaction with Concho in a timely manner or at all.
- The risk that we will be unable to retain and hire key personnel.
- Unanticipated difficulties or expenditures relating to integration with Concho.
- The risk that the conditions to close the acquisition of assets from Shell are not satisfied on a timely basis or at all, or the failure of the transaction to close for any reason.
- The risk that any regulatory approval, consent or authorization that may be required for the proposed acquisition of assets from Shell is not obtained or is obtained subject to conditions that are not anticipated.
- Unanticipated integration issues relating to the proposed 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 2020 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, 2021, does not differ materially from that discussed under Item 7A in our 2020 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, 2021, 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, 2021.

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

The interim-period financial information presented in the financial statements included in this report is unaudited. There are no new material legal proceedings or material developments with respect to matters previously disclosed in Item 3 of our 2020 Annual Report on Form 10-K.

Item 1A. Risk Factors

Other than the risk factors set forth below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Risks Related to the Proposed Shell Permian Acquisition

Our ability to complete the Shell Permian Acquisition is subject to various closing conditions, including regulatory clearance, which may impose conditions that could adversely affect us or cause the acquisition not to be completed.

The Shell Permian Acquisition is subject to a number of conditions to closing as specified in the definitive agreement signed on September 20, 2021 (Purchase Agreement), including but not limited to the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. No assurance can be given that the required regulatory clearance will be obtained or that the other required conditions to closing will be satisfied, and, if the regulatory clearance is obtained and the required conditions are satisfied, no assurance can be given as to the terms, conditions and timing of such clearance, including whether any required conditions will materially adversely affect ConocoPhillips following the Shell Permian Acquisition. Any delay in closing the Shell Permian Acquisition could cause ConocoPhillips not to realize, or to be delayed in realizing, some or all of the benefits that we expect to achieve if the Shell Permian Acquisition is successfully closed within its expected time frame.

The termination of the Purchase Agreement could negatively impact our business and in some circumstances, we could forfeit a portion of the purchase price.

If the Shell Permian Acquisition is not completed for any reason, including if the above closing conditions are not satisfied, our ongoing business may be adversely affected and, without realizing any of the expected benefits of having completed the Shell Permian Acquisition, we would be subject to a number of risks, including the following:

- We may experience negative reactions from the financial markets, including negative impacts on the trading price of our common stock; and
- We will be required to pay our costs relating to the Shell Permian Acquisition, such as legal and accounting costs and associated fees and expenses, whether or not the Shell Permian Acquisition is completed.

Additionally, upon entry into the Purchase Agreement, 5% (the Deposit) of the \$9.5 billion (Base Purchase Price) was paid to Shell. If the Purchase Agreement is terminated solely as a result of the material breach or failure of any of our representations, warranties or covenants included in the Purchase Agreement, the Deposit will not be refunded.

Integrating the assets acquired in the Shell Permian Acquisition may be more difficult, costly or time-consuming than expected and we may fail to realize the full anticipated benefits of the transaction, which may adversely affect our business results and negatively affect the value of our common stock.

We may encounter difficulties integrating the assets acquired from Shell into our business and realizing the anticipated benefits of the transaction or such benefits may take longer to realize than expected. The Shell Permian Acquisition is expected to add approximately 225,000 net acres, thereby increasing our unconventional position in Permian by nearly 30 percent. There are a large number of processes, policies, procedures, operations and technologies and systems that must be integrated in connection with the Shell Permian Acquisition and the integration of Shell's assets. It is possible that the integration process could result in the disruption of our ongoing business; inconsistencies in standards, controls, procedures and policies; unexpected integration issues; higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. We will be required to devote management attention and resources to integrating the business practices and operations, and prior to closing the transaction, management attention and resources will be required to plan for such integration. An inability to realize the full extent of the anticipated benefits of the Shell Permian Acquisition, as well as any delays encountered in the integration process, could have an adverse effect on our revenues or on our level of expenses and operating results, which may adversely affect the value of our common stock. In addition, the actual integration may result in additional and unforeseen expenses. Although we expect that the strategic benefits, and additional income, as well as the realization of other efficiencies related to the integration of the Shell assets, may offset incremental transaction-related costs over time, if we are not able to adequately address integration challenges, we may be unable to successfully integrate operations or realize the anticipated benefits of the integration of the Shell assets.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Millions of Dollars	
				Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs	
July 1-31, 2021	7,118,526	\$ 58.18	7,118,526	\$	13,088
August 1-31, 2021	7,530,282	55.61	7,530,282		12,669
September 1-30, 2021	6,990,322	58.70	6,990,322		12,259
	21,639,130		21,639,130		

*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, which has a total program authorization of \$25 billion of our common stock. At September 30, 2021, we had repurchased \$12.7 billion of shares, with \$12.3 billion remaining under our current authorization. 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 the "Our ability to declare and pay dividends and repurchase shares is subject to certain considerations" section in Risk Factors on page 31 of our 2020 Annual Report on Form 10-K.

Item 6. Exhibits

10.1*	Purchase and Sale Agreement, dated as of September 20, 2021, by and between Shell Enterprises LLC and ConocoPhillips Company.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	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 4, 2021