

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 March 31, 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**

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

**01-0562944**

*(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:

<b>Title of each class</b>	<b>Trading symbols</b>	<b>Name of each exchange on which registered</b>
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 and post 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 1,349,418,454 shares of common stock, \$.01 par value, outstanding at March 31, 2021.



# CONOCOPHILLIPS

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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	
	March 31	
	2021	2020
<b>Revenues and Other Income</b>		
Sales and other operating revenues	\$ 9,826	6,158
Equity in earnings of affiliates	122	234
Gain (loss) on dispositions	233	(42)
Other income (loss)	378	(1,539)
Total Revenues and Other Income	10,559	4,811
<b>Costs and Expenses</b>		
Purchased commodities	4,483	2,661
Production and operating expenses	1,383	1,173
Selling, general and administrative expenses	311	(3)
Exploration expenses	84	188
Depreciation, depletion and amortization	1,886	1,411
Impairments	(3)	521
Taxes other than income taxes	370	250
Accretion on discounted liabilities	62	67
Interest and debt expense	226	202
Foreign currency transactions (gain) loss	19	(90)
Other expenses	24	(6)
Total Costs and Expenses	8,845	6,374
Income (loss) before income taxes	1,714	(1,563)
Income tax provision	732	148
Net income (loss)	982	(1,711)
Less: net income attributable to noncontrolling interests	-	(28)
<b>Net Income (Loss) Attributable to ConocoPhillips</b>	<b>\$ 982</b>	<b>(1,739)</b>
<b>Net Income (Loss) Attributable to ConocoPhillips Per Share</b>		
<b>of Common Stock (dollars)</b>		
Basic	\$ 0.75	(1.60)
Diluted	0.75	(1.60)
<b>Average Common Shares Outstanding (in thousands)</b>		
Basic	1,300,375	1,084,561
Diluted	1,302,691	1,084,561

See Notes to Consolidated Financial Statements.

**Consolidated Statement of Comprehensive Income****ConocoPhillips**

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2021	2020
<b>Net Income (Loss)</b>	<b>\$ 982</b>	<b>(1,711)</b>
Other comprehensive income (loss)		
Defined benefit plans		
Reclassification adjustment for amortization of prior service credit included in net income (loss)	<b>(9)</b>	<b>(8)</b>
Net actuarial gain arising during the period	<b>75</b>	<b>5</b>
Reclassification adjustment for amortization of net actuarial losses included in net income (loss)	<b>25</b>	<b>18</b>
Income taxes on defined benefit plans	<b>(21)</b>	<b>(4)</b>
Defined benefit plans, net of tax	<b>70</b>	<b>11</b>
Net unrealized holding loss on securities	<b>(1)</b>	<b>(3)</b>
Income taxes on net unrealized holding loss on securities	<b>-</b>	<b>1</b>
Net unrealized holding loss on securities, net of tax	<b>(1)</b>	<b>(2)</b>
Foreign currency translation adjustments	<b>69</b>	<b>(799)</b>
Income taxes on foreign currency translation adjustments	<b>-</b>	<b>2</b>
Foreign currency translation adjustments, net of tax	<b>69</b>	<b>(797)</b>
<b>Other Comprehensive Income (Loss), Net of Tax</b>	<b>138</b>	<b>(788)</b>
<b>Comprehensive Income (Loss)</b>	<b>1,120</b>	<b>(2,499)</b>
Less: comprehensive income attributable to noncontrolling interests	<b>-</b>	<b>(28)</b>
<b>Comprehensive Income (Loss) Attributable to ConocoPhillips</b>	<b>\$ 1,120</b>	<b>(2,527)</b>

*See Notes to Consolidated Financial Statements.*

**Consolidated Balance Sheet****ConocoPhillips**

	Millions of Dollars	
	March 31 2021	December 31 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 2,831	2,991
Short-term investments	4,104	3,609
Accounts and notes receivable (net of allowance of \$3 and \$4, respectively)	4,339	2,634
Accounts and notes receivable—related parties	142	120
Investment in Cenovus Energy	1,564	1,256
Inventories	1,098	1,002
Prepaid expenses and other current assets	536	454
Total Current Assets	14,614	12,066
Investments and long-term receivables	8,286	8,017
Loans and advances—related parties	59	114
Net properties, plants and equipment (net of accumulated DD&A of \$64,082 and \$62,213, respectively)	58,270	39,893
Other assets	2,464	2,528
<b>Total Assets</b>	<b>\$ 83,693</b>	<b>62,618</b>
<b>Liabilities</b>		
Accounts payable	\$ 3,779	2,669
Accounts payable—related parties	22	29
Short-term debt	689	619
Accrued income and other taxes	959	320
Employee benefit obligations	567	608
Other accruals	1,168	1,121
Total Current Liabilities	7,184	5,366
Long-term debt	19,338	14,750
Asset retirement obligations and accrued environmental costs	5,782	5,430
Deferred income taxes	4,982	3,747
Employee benefit obligations	1,530	1,697
Other liabilities and deferred credits	1,722	1,779
<b>Total Liabilities</b>	<b>40,538</b>	<b>32,769</b>
<b>Equity</b>		
Common stock (2,500,000,000 shares authorized at \$.01 par value)		
Issued (2021—2,087,207,067 shares; 2020—1,798,844,267 shares)		
Par value	21	18
Capital in excess of par	60,278	47,133
Treasury stock (at cost: 2021—737,788,613 shares; 2020—730,802,089 shares)	(47,672)	(47,297)
Accumulated other comprehensive loss	(5,080)	(5,218)
Retained earnings	35,608	35,213
<b>Total Equity</b>	<b>43,155</b>	<b>29,849</b>
<b>Total Liabilities and Equity</b>	<b>\$ 83,693</b>	<b>62,618</b>

See Notes to Consolidated Financial Statements.

**Consolidated Statement of Cash Flows**
**ConocoPhillips**

	Millions of Dollars	
	Three Months Ended	
	March 31	
	<b>2021</b>	2020
<b>Cash Flows From Operating Activities</b>		
Net Income (Loss)	\$ 982	(1,711)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation, depletion and amortization	1,886	1,411
Impairments	(3)	521
Dry hole costs and leasehold impairments	6	67
Accretion on discounted liabilities	62	67
Deferred taxes	203	(227)
Undistributed equity earnings	81	31
(Gain) loss on dispositions	(233)	42
Unrealized (gain) loss on investment in Cenovus Energy	(308)	1,691
Other	(581)	(284)
Working capital adjustments		
Decrease (increase) in accounts and notes receivable	(785)	1,041
Decrease (increase) in inventories	(51)	277
Increase in prepaid expenses and other current assets	(43)	(79)
Increase (decrease) in accounts payable	424	(297)
Increase (decrease) in taxes and other accruals	440	(445)
<b>Net Cash Provided by Operating Activities</b>	<b>2,080</b>	<b>2,105</b>
<b>Cash Flows From Investing Activities</b>		
Cash acquired from Concho	382	-
Capital expenditures and investments	(1,200)	(1,649)
Working capital changes associated with investing activities	61	81
Proceeds from asset dispositions	(17)	549
Net purchases of investments	(499)	(935)
Collection of advances/loans—related parties	52	66
Other	6	(44)
<b>Net Cash Used in Investing Activities</b>	<b>(1,215)</b>	<b>(1,932)</b>
<b>Cash Flows From Financing Activities</b>		
Repayment of debt	(26)	(24)
Issuance of company common stock	(28)	2
Repurchase of company common stock	(375)	(726)
Dividends paid	(588)	(458)
Other	2	(24)
<b>Net Cash Used in Financing Activities</b>	<b>(1,015)</b>	<b>(1,230)</b>
<b>Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash</b>		
<b>Cash</b>	<b>(2)</b>	<b>(122)</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>(152)</b>	<b>(1,179)</b>
Cash, cash equivalents and restricted cash at beginning of period	3,315	5,362
<b>Cash, Cash Equivalents and Restricted Cash at End of Period</b>	<b>\$ 3,163</b>	<b>4,183</b>

Restricted cash of \$94 million and \$238 million are included in the "Prepaid expenses and other current assets" and "Other assets" lines, respectively, of our Consolidated Balance Sheet as of March 31, 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.



**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 and 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**

Inventories consisted of the following:

	Millions of Dollars	
	March 31 2021	December 31 2020
Crude oil and natural gas	\$ 541	461
Materials and supplies	557	541
	<b>\$ 1,098</b>	<b>1,002</b>

Inventories valued on the LIFO basis totaled \$352 million and \$282 million at March 31, 2021 and December 31, 2020, respectively.

**Note 3—Acquisitions and Dispositions****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 at a fixed ratio of 1.46 for 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
<b>Total Consideration (Millions)</b>	<b>\$ 13,125</b>

\*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.

<b>Assets Acquired</b>	Millions of Dollars
Cash and cash equivalents	\$ 382
Accounts receivable, net	742
Inventories	45
Prepaid expenses and other current assets	37
Investments and long-term receivables	333
Net properties, plants and equipment	18,998
Other assets	62
<b>Total assets acquired</b>	<b>\$ 20,599</b>
<b>Liabilities Assumed</b>	
Accounts payable	\$ 638
Accrued income and other taxes	76
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
<b>Total liabilities assumed</b>	<b>\$ 7,474</b>
<b>Net assets acquired</b>	<b>\$ 13,125</b>

With the completion of the Concho transaction, we acquired proved and unproved properties of approximately \$11.9 billion and \$6.9 billion, respectively.

We recognized approximately \$157 million of transaction-related costs that were expensed in the current period. 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 restructuring program, the scope of which included combining the operations of the two companies. For the three-month period ending March 31, 2021, we recognized non-recurring restructuring costs mainly for employee severance and related incremental pension benefit costs of approximately \$134 million.

The impact from these transaction and restructuring costs to the lines of our consolidated income statement for the three-month period ending March 31, 2021, are below:

	Millions of Dollars		
	Transaction Cost	Restructuring Cost	Total Cost
Production and operating expenses	\$	56	56
Selling, general and administration expenses	135	45	180
Exploration expenses	18	4	22
Taxes other than income taxes	4		4
Other expenses		29	29
	<b>\$ 157</b>	<b>134</b>	<b>291</b>

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 18—Income Taxes, for additional information.

“Total Revenues and Other Income” and “Net Income (Loss) Attributable to ConocoPhillips” associated with the acquired Concho business were approximately \$1,040 million and \$190 million, respectively, for the three-month period ending March 31, 2021. The results associated with the Concho business include a before- and after-tax loss of \$173 million and \$132 million, respectively, on the acquired derivative contracts with settlement dates on or before March 31, 2021, and an additional before- and after-tax loss of \$132 million and \$101 million, respectively, for contracts with settlement dates subsequent to March 31, 2021. The before-tax loss is recorded within “Total Revenues and Other Income” on our consolidated income statement. For additional information about the financial derivative instruments acquired, see Note 10—Derivative and Financial Instruments.

The following summarizes the unaudited supplemental pro forma financial information for the three-month period ending March 31, 2020, as if we had completed the acquisition of Concho on January 1, 2020:

<b>Supplemental Pro Forma (unaudited)</b>	Millions of Dollars	
	Three Months Ended March 31, 2020	
Total revenues and other income	\$	7,300
Net loss		(390)
Net loss attributable to ConocoPhillips		(418)
		<b>\$ per share</b>
Earnings per share:	Three Months Ended March 31, 2020	
Basic net loss	\$	(0.31)
Diluted net loss		(0.31)

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-month period ending March 31, 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 recorded by Concho in the three-month period ending March 31, 2020, related to oil and gas properties and goodwill, respectively. 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 Australian-West asset and operations. The sales agreement entitles 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 intend to take all action required 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.

In 2017, we completed the sale of our 50 percent nonoperated interest in the Foster Creek Christina Lake (FCCL) Partnership, as well as the majority of our western Canada gas assets to Cenovus Energy. Consideration for the transaction included a five-year, uncapped contingent payment. The contingent payment, calculated on a quarterly basis, is \$6 million CAD for every \$1 CAD by which the WCS quarterly average crude price exceeds \$52 CAD per barrel. Contingent payments during the five-year period are recorded as gain on dispositions on our consolidated income statement and reflected in our Canada segment. We recorded a gain on disposition for these contingent payments of \$26 million for the three-month period of March 31, 2021. No contingent payments were recorded in 2020.

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

#### **APLNG**

APLNG executed project financing agreements for an \$8.5 billion project finance facility in 2012. The \$8.5 billion project finance facility was initially composed of financing agreements executed by APLNG with the Export-Import Bank of the United States for approximately \$2.9 billion, the Export-Import Bank of China for approximately \$2.7 billion, and a syndicate of Australian and international commercial banks for approximately \$2.9 billion. All amounts were drawn from the facility. APLNG made its first principal and interest repayment in March 2017 and is scheduled to make bi-annual payments until March 2029.

APLNG made a voluntary repayment of \$1.4 billion to the Export-Import Bank of China in September 2018. At the same time, APLNG obtained a United States Private Placement (USPP) bond facility of \$1.4 billion. APLNG made its first interest payment related to this facility in March 2019, and principal payments are scheduled to commence in September 2023, with bi-annual payments due on the facility until September 2030.

During the first quarter of 2019, APLNG refinanced \$3.2 billion of existing project finance debt through two transactions. As a result of the first transaction, APLNG obtained a commercial bank facility of \$2.6 billion. APLNG made its first principal and interest repayment in September 2019 with bi-annual payments due on the facility until March 2028. Through the second transaction, APLNG obtained a USPP bond facility of \$0.6 billion. APLNG made its first interest payment in September 2019, and principal payments are scheduled to commence in September 2023, with bi-annual payments due on the facility until September 2030.

In conjunction with the \$3.2 billion debt obtained during the first quarter of 2019 to refinance existing project finance debt, APLNG made voluntary repayments of \$2.2 billion and \$1.0 billion to a syndicate of Australian and international commercial banks and the Export-Import Bank of China, respectively.

At March 31, 2021, a balance of \$6.0 billion was outstanding on the facilities. See Note 8—Guarantees, for additional information.

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 an improved outlook for crude oil prices, the estimated fair value of our investment increased and is above carrying value at March 31, 2021. We will continue to monitor the relationship between the carrying value and fair value of APLNG. Should we determine in the future there has been a loss in the value of our investment that is other than temporary, we would record an impairment of our equity investment, calculated as the total difference between carrying value and fair value as of the end of the reporting period.

At March 31, 2021, the carrying value of our equity method investment in APLNG was \$6.6 billion. The balance is included in the “Investments and long-term receivables” line on our consolidated balance sheet.

### **Loans and Long-Term Receivables**

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 March 31, 2021, significant loans to affiliated companies included \$168 million in project financing to Qatar Liquefied Gas Company Limited (3).

On our consolidated balance sheet, the long-term portion of these loans is included in the “Loans and advances—related parties” line, while the short-term portion is in the “Accounts and notes receivable—related parties” line.

### **Note 5—Investment in Cenovus Energy**

In 2017, we completed the sale of certain assets to Cenovus Energy (CVE) in which we received 208 million CVE common shares as consideration. At March 31, 2021, the investment was included on our consolidated balance sheet at fair value of \$1.56 billion, which approximates 10.3 percent of the issued and outstanding CVE common stock. The fair value of the 208 million CVE common shares reflects the closing price of \$7.52 per share on the NYSE on the last trading day of the quarter. In the first quarter of 2021, we recognized an unrealized gain of \$308 million before-tax on our CVE common shares, compared with an unrealized loss of \$1,691 million before-tax in the first quarter of 2020. The unrealized gain (loss) associated with changes in fair value are reflected within the “Other income (loss)” line on our consolidated income statement in the first quarter of 2021 relating to the shares held at the reporting date. See Note 11—Fair Value Measurement for additional information. Subject to market conditions, we intend to decrease our investment over time through market transactions, private agreements or otherwise.

### **Note 6—Debt**

Our debt balance at March 31, 2021, was \$20.0 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.

On February 8, 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 has the same interest rates and maturity dates as the Concho senior notes. The portion not exchanged, approximately \$67 million, remains 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—Acquisitions and Dispositions, for more information on the acquisition.

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 agreement calls for commitment fees on available, but unused, amounts. The 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, which is primarily a funding source for short-term working capital needs. Commercial paper maturities are generally limited to 90 days, and is included in the short-term debt on our consolidated balance sheet. With \$300 million of commercial paper outstanding and no direct borrowings or letters of credit, we had access to \$5.7 billion in available borrowing capacity under our revolving credit facility at March 31, 2021. At December 31, 2020, we had \$300 million of commercial paper outstanding and no direct borrowings or letters of credit issued.

In October 2020, Moody's affirmed its rating of our senior long-term debt of "A3" with a "stable" outlook, and affirmed its rating of our short-term debt as "Prime-2." In January 2021, Fitch affirmed its rating of our long-term debt as "A" with a "stable" outlook and affirmed its rating of our short-term debt as "F1+." On January 25, 2021, S&P revised its industry risk assessment of the E&P industry to "Moderately High" from "Intermediate" based on a view of increasing risks from the energy transition, price volatility, and weaker profitability. On February 11, 2021, S&P downgraded its rating of our long-term debt from "A" to "A-" with a "stable" outlook and downgraded its rating of our short-term debt from "A-1" to "A-2." 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 March 31, 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 7—Changes in Equity

The following tables reflect the changes in stockholders' equity:

	Millions of Dollars						
	Attributable to ConocoPhillips						
	Common Stock			Accum. Other Comprehensive Income (Loss)	Retained Earnings	Non- Controlling Interests	Total
Par Value	Capital in Excess of Par	Treasury Stock					
For the three months ended March 31, 2021							
Balances at December 31, 2020	\$ 18	47,133	(47,297)	(5,218)	35,213		29,849
Net income					982		982
Other comprehensive income				138			138
Dividends paid (\$0.43 per common share)					(588)		(588)
Acquisition of Concho	3	13,122					13,125
Repurchase of company common stock			(375)				(375)
Distributed under benefit plans		23					23
Other					1		1
<b>Balances at March 31, 2021</b>	<b>\$ 21</b>	<b>60,278</b>	<b>(47,672)</b>	<b>(5,080)</b>	<b>35,608</b>		<b>43,155</b>
For the three months ended March 31, 2020							
Balances at December 31, 2019	\$ 18	46,983	(46,405)	(5,357)	39,742	69	35,050
Net income (loss)					(1,739)	28	(1,711)
Other comprehensive loss				(788)			(788)
Dividends paid (\$0.42 per common share)					(458)		(458)
Repurchase of company common stock			(726)				(726)
Distributions to noncontrolling interests and other						(26)	(26)
Distributed under benefit plans		44					44
Other			1			1	2
<b>Balances at March 31, 2020</b>	<b>\$ 18</b>	<b>47,027</b>	<b>(47,130)</b>	<b>(6,145)</b>	<b>37,545</b>	<b>72</b>	<b>31,387</b>

## Note 8—Guarantees

At March 31, 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 March 31, 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 March 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 to be 10 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 March 31, 2021, the carrying value of this guarantee was approximately \$14 million.
- In conjunction with our original purchase of an ownership interest in APLNG from Origin Energy in October 2008, we agreed to reimburse Origin Energy 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 \$740 million (\$1.3 billion in the event of intentional or reckless breach) and would become payable if APLNG fails to meet its obligations under these agreements and the obligations cannot otherwise be mitigated. Future payments are considered unlikely, as the payments, or cost of volume delivery, would only be triggered if APLNG does not have enough natural gas to meet these sales commitments and if the co-venturers do not make necessary equity contributions into APLNG.
- We have guaranteed the performance of APLNG with regard to certain other contracts executed in connection with the project's continued development. The guarantees have remaining terms of 16 to 25 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 March 31, 2021, the carrying value of these guarantees was approximately \$11 million.

### **Other Guarantees**

We have other guarantees with maximum future potential payment amounts totaling approximately \$730 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 March 31, 2021, the carrying value of these guarantees was approximately \$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 and environmental liabilities. Most of these indemnifications are related to tax issues and the majority of these expire in 2021. 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 indemnifications at March 31, 2021, was approximately \$50 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. For additional information about environmental liabilities, see Note 9—Contingencies and Commitments.



## **Note 9—Contingencies and Commitments**

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

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

### **Environmental**

We are subject to international, federal, state and local environmental laws and regulations. When we prepare our consolidated financial statements, we record accruals for environmental liabilities based on management's best estimates, using all information that is available at the time. We measure estimates and base liabilities 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 March 31, 2021, our consolidated balance sheet included a total environmental accrual of \$188 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 and claims of alleged environmental contamination from historic operations. 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 March 31, 2021, we had performance obligations secured by letters of credit of \$309 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. ConocoPhillips has filed a request for recognition of the award in several jurisdictions. 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. Annulment proceedings are underway.

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. To date, ConocoPhillips has received approximately \$754 million. 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 failed to cure its breach. As a result, ConocoPhillips has resumed legal enforcement actions. 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, 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.

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 any potential financial impact on the company.

In October 2020, the Bureau of Safety and Environmental Enforcement (BSEE) ordered the prior owners of Outer Continental Shelf (OCS) Lease P-0166, including ConocoPhillips, to decommission the lease facilities, including two offshore platforms located near Carpinteria, California. This order was sent after the current owner of OCS Lease P-0166 relinquished the lease and abandoned the lease platforms and facilities. BSEE's order to ConocoPhillips is premised on its connection to Phillips Petroleum Company, a legacy company of ConocoPhillips, which held a historical 25 percent interest in this lease and operated these lease facilities, but sold its interest approximately 30 years ago. ConocoPhillips has not had any connection to the operation or production on this lease since that time. ConocoPhillips is challenging this order.

## Note 10—Derivative and Financial Instruments

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

### Commodity Derivative Instruments

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

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

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

	Millions of Dollars	
	March 31 2021	December 31 2020
<b>Assets</b>		
Prepaid expenses and other current assets	\$ 232	229
Other assets	46	26
<b>Liabilities</b>		
Other accruals	221	202
Other liabilities and deferred credits	33	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 March 31	
	2021	2020
Sales and other operating revenues	\$ (279)	47
Other income (loss)	17	2
Purchased commodities	13	(27)

On January 15, 2021, we assumed financial derivative instruments consisting of oil and natural gas swaps following 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, we recognized a before-tax 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 acquired Concho derivative contracts with settlement dates subsequent to March 31, 2021, for a total before-tax 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.

At March 31, 2021, all oil and natural gas derivative financial instruments acquired from Concho were contractually settled. In connection with the settlement, we paid \$692 million in the first quarter of 2021 and will pay the remaining \$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 cash flow statement.

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

Commodity	Open Position Long/(Short)	
	March 31	December 31
	2021	2020
Natural gas and power (billion cubic feet equivalent)		
Fixed price	17	(20)
Basis	(12)	(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 March 31, 2021 and December 31, 2020:

	Millions of Dollars					
	Carrying Amount					
	Cash and Cash Equivalents		Short-Term Investments		Investments and Long-Term Receivables	
	March 31	December 31	March 31	December 31	March 31	December 31
	2021	2020	2021	2020	2021	2020
<b>Cash</b>	\$ 636	597				
<b>Demand Deposits</b>	1,281	1,133				
<b>Time Deposits</b>						
1 to 90 days	861	1,225	3,625	2,859		
91 to 180 days			171	448		
Within one year			16	13		
One year through five years					2	1
<b>U.S. Government Obligations</b>						
1 to 90 days	10	23	-	-		
	\$ 2,788	2,978	3,812	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 March 31, 2021 and December 31, 2020:

Major Security Type	Millions of Dollars					
	Carrying Amount					
	Cash and Cash Equivalents		Short-Term Investments		Investments and Long-Term Receivables	
	March 31 2021	December 31 2020	March 31 2021	December 31 2020	March 31 2021	December 31 2020
Corporate Bonds	\$ -	-	114	130	151	143
Commercial Paper	43	13	162	155		
U.S. Government Obligations	-	-	3	4	7	13
U.S. Government Agency Obligations					10	17
Foreign Government Obligations			13	-	-	2
Asset-backed Securities			-	-	49	41
	\$ 43	13	292	289	217	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	
	March 31 2021	December 31 2020	March 31 2021	December 31 2020
Corporate bonds	\$ 264	271	265	273
Commercial paper	205	168	205	168
U.S. government obligations	10	17	10	17
U.S. government agency obligations	10	17	10	17
Foreign government obligations	13	2	13	2
Asset-backed securities	49	41	49	41
	\$ 551	516	552	518

As of March 31, 2021 and December 31, 2020, total unrealized losses for debt securities classified as available for sale with net losses were negligible. Additionally, at March 31, 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-month periods ended March 31, 2021 and March 31, 2020, proceeds from sales and redemptions of investments in debt securities classified as available for sale were \$147 million and \$63 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, government debt securities, time deposits with major international banks and financial institutions, high-quality corporate bonds, and foreign government obligations. Our long-term investments in debt securities are placed in high-quality corporate bonds, U.S. government and government agency obligations, asset-backed securities, 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. At our option, 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 March 31, 2021 and December 31, 2020, was \$22 million and \$25 million, respectively. For these instruments, no collateral was posted as of March 31, 2021 or December 31, 2020. If our credit rating had been downgraded below investment grade at March 31, 2021, we would have been required to post \$21 million of additional collateral, either with cash or letters of credit.

## **Note 11—Fair Value Measurement**

We carry a portion of our assets and liabilities at fair value that are measured at the reporting date using an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability) and disclosed according to the quality of valuation inputs under the 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 2021 or 2020.

### Recurring Fair Value Measurement

Financial assets and liabilities reported at fair value on a recurring basis primarily include our investment in Cenovus Energy 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 Cenovus Energy, 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							
	March 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Investment in Cenovus Energy	\$ 1,564	-	-	1,564	1,256	-	-	1,256
Investments in debt securities	10	542	-	552	17	501	-	518
Commodity derivatives	162	104	12	278	142	101	12	255
<b>Total assets</b>	<b>\$ 1,736</b>	<b>646</b>	<b>12</b>	<b>2,394</b>	<b>1,415</b>	<b>602</b>	<b>12</b>	<b>2,029</b>
<b>Liabilities</b>								
Commodity derivatives	\$ 155	89	10	254	120	91	9	220
<b>Total liabilities</b>	<b>\$ 155</b>	<b>89</b>	<b>10</b>	<b>254</b>	<b>120</b>	<b>91</b>	<b>9</b>	<b>220</b>



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
<b>March 31, 2021</b>							
Assets	\$ 278	5	273	197	76	1	75
Liabilities	254	2	252	197	55	1	54
December 31, 2020							
Assets	\$ 255	2	253	157	96	10	86
Liabilities	220	1	219	157	62	4	58

At March 31, 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 Cenovus Energy: See Note 5—Investment in Cenovus Energy for a discussion of the carrying value and fair value of our investment in Cenovus Energy 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 10—Derivatives and Financial Instruments, for additional information.
- 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—Investments, Loans and Long-Term Receivables, for additional information.
- 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	
	March 31 2021	December 31 2020	March 31 2021	December 31 2020
<b>Financial assets</b>				
Investment in Cenovus Energy	\$ 1,564	1,256	1,564	1,256
Commodity derivatives	80	88	80	88
Investments in debt securities	552	518	552	518
Loans and advances—related parties	168	220	168	220
<b>Financial liabilities</b>				
Total debt, excluding finance leases	19,154	14,478	22,578	19,106
Commodity derivatives	56	59	56	59

#### Note 12—Accumulated Other Comprehensive Loss

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

	Millions of Dollars			
	Defined Benefit Plans	Net Unrealized Gain (Loss) on Securities	Foreign Currency Translation	Accumulated Other Comprehensive Loss
December 31, 2020	\$ (425)	2	(4,795)	(5,218)
Other comprehensive income (loss)	70	(1)	69	138
<b>March 31, 2021</b>	<b>\$ (355)</b>	<b>1</b>	<b>(4,726)</b>	<b>(5,080)</b>

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

	Millions of Dollars	
	Three Months Ended March 31	
	2021	2020
Defined benefit plans	\$ 12	8

The above amounts are included in the computation of net periodic benefit cost and are presented net of tax expense of \$3 million and \$2 million for the three-month periods ended March 31, 2021 and 2020, respectively. See Note 14—Employee Benefit Plans, for additional information.

**Note 13—Cash Flow Information**

	Millions of Dollars	
	Three Months Ended	
	March 31	
	<b>2021</b>	2020
<b>Cash Payments</b>		
Interest	\$ 233	200
Income taxes	53	465
<b>Net Sales (Purchases) of Investments</b>		
Short-term investments purchased	\$ (3,432)	(3,423)
Short-term investments sold	2,966	2,606
Investments and Long-term receivables purchased	(60)	(143)
Investments and Long-term receivables sold	27	25
	<b>\$ (499)</b>	<b>(935)</b>

We assumed various financial derivative instruments in the Concho acquisition. In the first quarter of 2021, we settled all financial derivative contracts assumed in the Concho acquisition, including accelerating settlement of contracts with settlement dates after March 31, 2021. Cash settlements related to financial derivatives of \$692 million are presented within “Cash Flows From Operating Activities” on our consolidated cash flow statement. See Note 10—Derivative and Financial Instruments, for additional information.

For the first quarter of 2021, included within “Cash Flows From Investing Activities” is \$382 million of cash received through the addition of cash balances acquired from Concho. We had additional non-cash increases in assets and liabilities associated with the acquisition of Concho as consideration for the transaction was entirely in ConocoPhillips common stock. See Note 3—Acquisitions and Dispositions for additional information on the acquisition.

## Note 14—Employee Benefit Plans

### Pension and Postretirement Plans

The components of net periodic benefit cost of all defined benefit plans for the first quarter are presented in the following table:

	Millions of Dollars					
	Pension Benefits				Other Benefits	
	2021		2020		2021	2020
	U.S.	Int'l.	U.S.	Int'l.		
<b>Components of Net Periodic Benefit Cost</b>						
Three Months Ended March 31						
Service cost	\$ 21	15	21	14	-	1
Interest cost	13	20	17	22	1	2
Expected return on plan assets	(24)	(30)	(21)	(37)	-	-
Amortization of prior service credit	-	-	-	-	(9)	(8)
Recognized net actuarial loss	15	8	12	6	-	-
Settlements	2	-	1	(1)	-	-
Curtailments	12	-	-	-	-	-
Special termination benefits	9	-	-	-	-	-
Net periodic benefit cost	\$ 48	13	30	4	(8)	(5)

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.

As part of our restructuring program, we concluded that actions taken during the three-month period ended March 31, 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 during the three-month period ended March 31, 2021. In conjunction with the recognition of curtailment losses, the fair market values of pension plan assets were updated, and the pension benefit obligations of the U.S. qualified pension, a U.S. nonqualified supplemental retirement plan and the U.S. other postretirement benefit plans were remeasured. At March 31, 2021, the net pension liability decreased by \$76 million, primarily as a result of discount rate increases for each plan offset by lower than premised return on assets on the U.S. qualified pension plan, resulting in a corresponding increase to other comprehensive income.

The relevant discount rates are summarized in the following table:

Discount rate		March 31	December 31
		2021	2020
U.S. qualified pension plan	%	3.00	2.40
U.S. nonqualified pension plan		2.40	1.85
U.S. postretirement benefit plans		2.80	2.20

## Severance Accrual

The following table summarizes our severance accrual activity for the three-month period ended March 31, 2021:

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2021	2020
Balance at December 31, 2020	\$	24
Accruals		<b>101</b>
Benefit payments		<b>(33)</b>
<b>Balance at March 31, 2021</b>	<b>\$</b>	<b>92</b>

Accruals in the first quarter of 2021 represent severance costs associated with our restructuring program. Of the total remaining balance at March 31, 2021, \$77 million is classified as short-term. See Note 3—Acquisitions and Dispositions, for additional information on the restructuring program.

## Note 15—Related Party Transactions

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

Significant transactions with our equity affiliates were:

	Millions of Dollars		
	Three Months Ended		
	March 31		
	2021	2020	
Operating revenues and other income	\$	17	17
Operating expenses and selling, general and administrative expenses		26	15
Net interest (income) expense*		(1)	(2)

\*We paid interest to, or received interest from, various affiliates. See Note 4—Investments, Loans and Long-Term Receivables, for additional information on loans to affiliated companies.

## Note 16—Sales and Other Operating Revenues

### Revenue from Contracts with Customers

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

	Millions of Dollars		
	Three Months Ended		
	March 31		
	2021	2020	
Revenue from contracts with customers	\$	7,161	4,911
Revenue from contracts outside the scope of ASC Topic 606			
Physical contracts meeting the definition of a derivative		2,974	1,296
Financial derivative contracts		(309)	(49)
<b>Consolidated sales and other operating revenues</b>	<b>\$</b>	<b>9,826</b>	<b>6,158</b>

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 17—Segment Disclosures and Related Information:

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2021	2020
<b>Revenue from Outside the Scope of ASC Topic 606 by Segment</b>		
Lower 48	\$ 2,466	976
Canada	303	179
Europe, Middle East and North Africa	205	141
Physical contracts meeting the definition of a derivative	\$ 2,974	1,296

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2021	2020
<b>Revenue from Outside the Scope of ASC Topic 606 by Product</b>		
Crude oil	\$ 124	92
Natural gas	2,727	1,090
Other	123	114
Physical contracts meeting the definition of a derivative	\$ 2,974	1,296

### Practical Expedients

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

### Receivables and Contract Liabilities

#### Receivables from Contracts with Customers

At March 31, 2021, the “Accounts and notes receivable” line on our consolidated balance sheet included trade receivables of \$3,380 million compared with \$1,827 million at December 31, 2020, and included 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 with 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>	
<b>Contract Liabilities</b>		
At December 31, 2020	\$	97
Contractual payments received		7
Revenue recognized		<b>(62)</b>
<b>At March 31, 2021</b>	<b>\$</b>	<b>42</b>
<hr/>		
<b>Amounts Recognized in the Consolidated Balance Sheet at March 31, 2021</b>		
Current liabilities	\$	<b>42</b>

We expect to recognize the contract liabilities at March 31, 2021, as revenue in the first quarter of 2022.

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

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

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

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

Effective with the third quarter of 2020, we restructured our segments to align with changes to our internal organization. The Middle East business was realigned from the Asia Pacific and Middle East segment to the Europe and North Africa segment. The segments have been renamed the Asia Pacific segment and the Europe, Middle East and North Africa segment. We have revised segment information disclosures and segment performance metrics presented within our results of operations for the prior comparative periods.

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—Acquisitions and Dispositions for additional information related to our Concho acquisition.

## Analysis of Results by Operating Segment

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2021	2020
<b>Sales and Other Operating Revenues</b>		
Alaska	\$ 1,133	1,113
Lower 48	6,513	3,103
Intersegment eliminations	(2)	(10)
Lower 48	6,511	3,093
Canada	867	513
Intersegment eliminations	(305)	(180)
Canada	562	333
Europe, Middle East and North Africa	978	600
Asia Pacific	577	1,003
Other International	1	3
Corporate and Other	64	13
Consolidated sales and other operating revenues	\$ 9,826	6,158

### Sales and Other Operating Revenues by Geographic Location <sup>(1)</sup>

United States	\$ 7,707	4,217
Australia	-	437
Canada	562	333
China	155	146
Indonesia	196	204
Libya	230	44
Malaysia	226	216
Norway	412	446
United Kingdom	336	110
Other foreign countries	2	5
Worldwide consolidated	\$ 9,826	6,158

### Sales and Other Operating Revenues by Product

Crude oil	\$ 4,495	3,444
Natural gas	4,511	1,655
Natural gas liquids	237	151
Other <sup>(2)</sup>	583	908
Consolidated sales and other operating revenues by product	\$ 9,826	6,158

(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	
	March 31	
	2021	2020
<b>Net Income (Loss) Attributable to ConocoPhillips</b>		
Alaska	\$ 159	81
Lower 48	468	(437)
Canada	10	(109)
Europe, Middle East and North Africa	153	201
Asia Pacific	317	272
Other International	(4)	28
Corporate and Other	(121)	(1,775)
<b>Consolidated net income (loss) attributable to ConocoPhillips</b>	<b>\$ 982</b>	<b>(1,739)</b>

	Millions of Dollars	
	March 31	December 31
	2021	2020
<b>Total Assets</b>		
Alaska	\$ 14,571	14,623
Lower 48	32,474	11,932
Canada	6,925	6,863
Europe, Middle East and North Africa	8,689	8,756
Asia Pacific	11,041	11,231
Other International	229	226
Corporate and Other	9,764	8,987
<b>Consolidated total assets</b>	<b>\$ 83,693</b>	<b>62,618</b>

### Note 18—Income Taxes

Our effective tax rate for the first quarter of 2021 was 42.7 percent compared with negative 9.5 percent for the first quarter of 2020. The increase in the effective tax rate for the first quarter of 2021 is primarily due to a shift in the mix of our before-tax income between higher and lower tax jurisdictions and the impact of the interest deduction related to our Concho debt exchange, described below. This increase is partially offset by a decrease in our valuation allowance.

Our effective tax rate for the first quarter of 2021 is 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. See Note 6—Debt, for additional information on the debt exchange.

During the first quarter of 2021, our valuation allowance decreased by \$65 million compared to an increase of \$346 million for the first quarter of 2020. The change to our U.S. valuation allowance for both periods relates primarily to the fair value measurement of our Cenovus Energy common shares and our expectation of the tax impact related to incremental capital gains and losses.

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—Acquisitions and Dispositions for more information.

## **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 55.*

*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 15 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 March 31, 2021, we employed approximately 10,300 people worldwide and had total assets of \$84 billion.

#### **Completed Acquisition of Concho Resources Inc.**

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 creates a sizeable Permian presence to augment our leading unconventional positions in the Eagle Ford, Bakken and Montney.

Consideration for the all-stock transaction was valued at \$13.1 billion, in which 1.46 shares of ConocoPhillips common stock were exchanged for each outstanding share of Concho common stock, resulting in the issuance of approximately 286 million shares of ConocoPhillips common stock. We also assumed \$3.9 billion in aggregate principal amount of outstanding debt for Concho, which was recorded at fair value of \$4.7 billion as of the closing date. We have made significant progress since the closing of the transaction on achieving our previously announced \$750 million of annual cost and capital savings by 2022.

Transaction and restructuring activities associated with combining the operations of ConocoPhillips and Concho resulted in non-recurring expenses for employee severance payments; incremental pension benefit costs related to the workforce reductions; employee retention costs; employee relocations; fees paid to financial, legal, and accounting advisors; and filing fees. We recognized \$291 million before-tax related to these costs in the first quarter of 2021 and expect to incur less of these expenses throughout the remainder of the year. Additionally, we recognized \$305 million of before-tax losses on commodity derivatives related to hedging positions assumed in the Concho acquisition. At March 31, 2021, all oil and natural gas derivative financial instruments acquired from Concho were contractually settled. In connection with the settlement, we paid \$692 million in the first quarter of 2021 and will pay the remaining \$69 million in the second quarter of 2021. For additional information related to the settlement of financial derivatives acquired from Concho, see Note 10—Derivative and Financial Instruments, in the Notes to Consolidated Financial Statements.

For additional information related to our Concho acquisition, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.

## Overview

After an unprecedented 2020, the energy landscape improved in the first quarter of 2021 with oil prices rallying to peak over \$60 per barrel for both Brent and WTI, a level not seen since the outbreak of the COVID-19 pandemic. Oil prices have benefited from the continuation of coordinated production cuts by the OPEC plus countries and capital discipline by independent oil and gas producers.

Despite the recent upswing in oil prices, we believe that commodity prices will remain cyclical and volatile, and a successful business strategy in the exploration and production industry must be resilient in lower price environments, while retaining upside during periods of higher prices. Accordingly, we remain disciplined and are monitoring market fundamentals, including adherence of the OPEC plus countries to production cut agreements and capital restraint across the broader E&P industry. Demand is recovering but has yet to reach pre-pandemic levels. The speed and extent of this recovery will be influenced by the easing of COVID-19 restrictions that have reduced economic activity and depressed the demand for our products.

We believe a successful strategy in the E&P industry is to create value through the price cycles by delivering on the foundational principles that underpin our value proposition; free cash flow generation, a strong balance sheet, commitment to differential returns of and on capital, and ESG leadership. Our first quarter as a combined company demonstrated the power of Concho's acquired assets to help deliver on our value proposition. Total company production was 1,527 MBOED, including 405 MBOED from the Permian Basin, resulting in net cash provided by operating activities of \$2.1 billion. We returned 46 percent of this cash to shareholders with dividends of \$0.6 billion and share repurchases of \$0.4 billion, and ended the quarter with cash, cash equivalents and short-term investments totaling \$6.9 billion. Net cash provided by operating activities in the first quarter was negatively impacted by approximately \$1 billion due to impacts from settling outstanding hedging contracts, in addition to transaction and restructuring costs.

In February 2021, we resumed our share repurchase program, with \$1.5 billion of share repurchases anticipated in 2021. As of March 31, 2021, approximately \$14.1 billion of repurchase authority remained of the \$25 billion share repurchase program our Board of Directors had previously authorized.

In May 2021, we announced further progress on our value proposition principles. We plan to undertake a paced monetization program related to the 10 percent of Cenovus Energy common shares we own. We obtained these shares as partial consideration in the 2017 disposition of our Foster Creek Christina Lake oil sands and western Canada Deep Basin natural gas assets. The proceeds from these sales will be directed towards our existing share repurchase authorization and will be incremental to our previously announced \$1.5 billion of share repurchases in 2021. We plan to fully dispose of our Cenovus shares by year-end 2022, however, the sales pace will be guided by market conditions and we retain discretion to adjust accordingly.

Additionally, in May 2021, we reaffirmed our commitment to preserving our top-tier balance sheet with an intent to reduce the company's gross debt by \$5 billion over five years, driving a more resilient and efficient capital structure.

We remain focused on our commitment to ESG leadership and excellence. This commitment is demonstrated by our continued progress on specific targets that we set in October 2020 when we announced our adoption of a Paris-aligned climate risk framework, including:

- Our ambition to become a net-zero company for operational (scope 1 and scope 2) emissions by 2050;
- Targeting a reduction in operational greenhouse gas emissions intensity by 35 to 45 percent from 2016 levels by 2030;
- Our ambition to exceed the World Bank Zero Routine Flaring 2030 initiative by five years;
- Adding continuous methane monitoring devices to our operations, with an initial focus on our Lower 48 facilities;

- Advocating for a U.S. carbon price to address end-use (scope 3) emissions through our membership in the Climate Leadership Council;
- Including ESG performance in executive and employee compensation programs; and
- Increasing internal and external transparency of diversity and inclusion metrics.

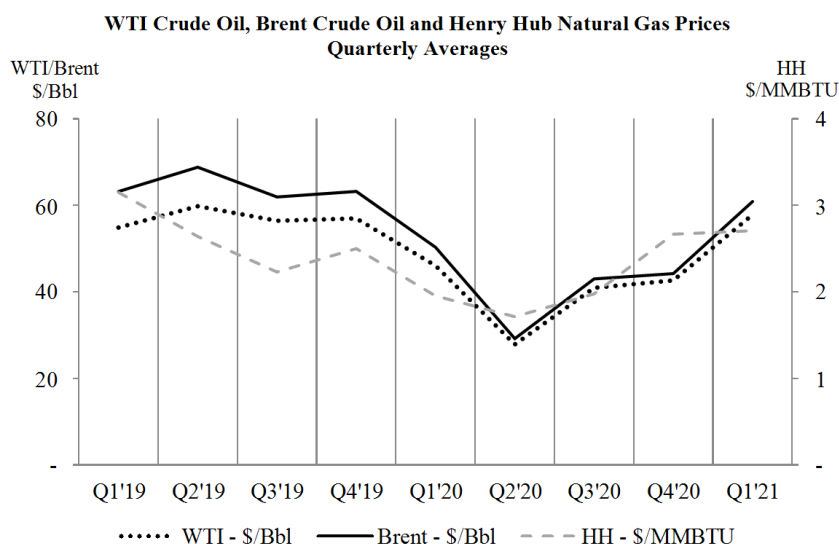
Operationally, we remain focused on safely executing the business. In the first quarter of 2021, production of 1,527 MBOED was impacted by 50 MBOED of unplanned downtime in the Lower 48 due to Winter Storm Uri. Production increased approximately 238 MBOED or 18 percent in the first quarter of 2021, compared with the first quarter of 2020, primarily due to the acquisition of over 300 MBOED in the Permian Basin from Concho, partly offset by the absence of 46 MBOED from the disposition of our Australia-West assets in the second quarter of 2020. Adjusted for all acquisitions and dispositions in the comparative periods and excluding Libya, production decreased 59 MBOED or 4 percent.

We re-invested \$1.2 billion back into the business in the form of capital expenditures during the first quarter, with over half of our investments focused on flexible, short-cycle unconventional plays in the Permian, Eagle Ford and Bakken where our production is unhedged and located in tax and royalty regimes. For the full-year, we remain disciplined capital allocators with a planned \$5.5 billion of capital expenditures in 2021.

## Business Environment

Commodity prices are the most significant factor impacting our profitability and related reinvestment of operating cash flows into our business. Among other 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 pandemic or 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 and operational priorities that underpin our value proposition.

Our earnings and operating cash flows generally correlate with industry price levels for crude oil and natural gas, the prices of 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 \$60.90 per barrel in the first quarter of 2021, an increase of 21 percent compared with \$50.31 per barrel in the first quarter of 2020. WTI at Cushing crude prices averaged \$57.84 per barrel in the first quarter of 2021, an increase of 26 percent compared with \$46.06 per barrel in the first quarter

of 2020. Oil prices increased due to the recovery from simultaneous demand and supply shocks experienced in the first quarter of 2020.

Henry Hub natural gas prices averaged \$2.71 per MMBTU in the first quarter of 2021, an increase of 39 percent compared with \$1.95 per MMBTU in the first quarter of 2020. Henry Hub prices are higher due to Winter Storm Uri and normalization of inventories following COVID-19 demand losses.

Our realized bitumen price averaged \$30.78 per barrel in the first quarter of 2021, a significant increase compared with \$5.90 per barrel in the first quarter of 2020. The increase in the first quarter of 2021 was driven by higher WTI prices and a strengthening WCS differential to WTI at Hardisty. 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.

Our total average realized price was \$45.36 per BOE in the first quarter of 2021, compared with \$38.81 per BOE in the first quarter of 2020, due to the recovery from simultaneous demand and supply shocks impacting all of our produced commodities in 2020.

## **Key Operating and Financial Summary**

Significant items during the first quarter of 2021 included the following:

- Completed the Concho acquisition, enhancing both our asset portfolio and financial framework.
- Net cash provided by operating activities was \$2.1 billion, exceeding capital expenditures and investments of \$1.2 billion.
- Net cash provided by operating activities included approximately \$1.0 billion of non-recurring items associated with our Concho acquisition.
- Produced 1,488 MBOED, excluding Libya, during the first quarter despite incurring approximately 50 MBOED of unplanned production downtime throughout Lower 48 caused by Winter Storm Uri.
- Ended the quarter with cash and cash equivalents totaling \$2.8 billion and short-term investments of \$4.1 billion, equaling \$6.9 billion in ending cash, cash equivalents and short-term investments.
- Resumed the share repurchase program at an annualized level of \$1.5 billion.
- Distributed \$0.6 billion in dividends and repurchased \$0.4 billion of shares.
- Recognized by the Dow Jones Sustainability Index as the top U.S. ESG performer in the Oil and Gas Upstream and Integrated sector.
- Reaffirmed commitment to preserving a top-tier balance sheet with intent to reduce the company's gross debt by \$5 billion over the next five years, driving a more resilient and efficient capital structure.
- Announced plans to sell our Cenovus shares in the open market in a disciplined manner by year-end 2022 beginning in the second quarter of 2021, utilizing the proceeds to fund incremental ConocoPhillips share repurchases.

## **Outlook**

### Capital and Production

Second-quarter 2021 production is expected to be 1.50 to 1.54 MMBOED, reflecting the impact from seasonal turnarounds planned in our Europe, Middle East and North Africa and Asia Pacific segments. This production guidance excludes Libya.

In February 2021, we announced 2021 operating plan capital of \$5.5 billion. The plan includes \$5.1 billion to sustain current production and \$0.4 billion for investment in major projects, primarily in Alaska, in addition to ongoing exploration appraisal activity.

## RESULTS OF OPERATIONS

Effective with the third quarter of 2020, we have restructured our segments to align with changes to our internal organization. The Middle East business was realigned from the Asia Pacific and Middle East segment to the Europe and North Africa segment. The segments have been renamed the Asia Pacific segment and the Europe, Middle East and North Africa segment. We have revised segment information disclosures and segment performance metrics presented within our results of operations for the prior period.

Unless otherwise indicated, discussion of results for the three-month period ended March 31, 2021, is based on a comparison with the corresponding period 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	
	March 31	
	2021	2020
Alaska	\$ 159	81
Lower 48	468	(437)
Canada	10	(109)
Europe, Middle East and North Africa	153	201
Asia Pacific	317	272
Other International	(4)	28
Corporate and Other	(121)	(1,775)
Net income (loss) attributable to ConocoPhillips	\$ 982	(1,739)

Net income (loss) attributable to ConocoPhillips increased \$2,721 million in the first quarter of 2021.

Earnings were positively impacted by:

- An unrealized gain of \$308 million after-tax on our Cenovus Energy (CVE) common shares, compared with an unrealized loss of \$1,691 million after-tax in the first quarter of 2020.
- Higher sales volumes, primarily in the Lower 48 due to our Concho acquisition. For additional information related to our Concho acquisition, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.
- Higher realized commodity prices.
- Lower impairments, mainly in the Lower 48 due to the absence of impairments to noncore gas assets.
- A \$194 million after-tax gain recognized for a contingent payment associated with our Australia-West divestiture completed in the second quarter of 2020. For additional information related to this gain, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.
- The absence of a commodity inventory lower of cost or market adjustment of \$170 million after-tax.

Earnings were negatively impacted by:

- Higher selling, general and administrative expenses due to restructuring and transaction expenses of approximately \$243 million after-tax related to our 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 acquired in our Concho acquisition. See Note 10—Derivative and Financial Instruments in the Notes to Consolidated Financial Statements, for additional information.
- Higher DD&A expenses, production and operating expenses and taxes other than income taxes, primarily due to production from our Concho acquisition.

See the “Segment Results” section for additional information.

## Income Statement Analysis

Sales and other operating revenues increased 60 percent, mainly due to higher sales volumes and higher commodity price realizations in the Lower 48, primarily related to our Concho acquisition.

Equity in earnings of affiliates decreased \$112 million due to lower earnings from QG3 and APLNG because of lower LNG prices and a higher effective tax rate related to the equity method investments in our Europe, Middle East and North Africa segment.

Gain (loss) on dispositions increased \$275 million due to recognizing a \$200 million before-tax contingent payment associated with our Australia-West divestiture completed in the second quarter of 2020 and the absence of a \$38 million before-tax loss on disposition related to the completion of our Niobrara disposition in the first quarter of 2020. For additional information related to the Australia-West related gain on disposition, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.

Other income (loss) increased \$1,917 million primarily due to an unrealized gain of \$308 million before-tax on our CVE common shares, compared with an unrealized loss of \$1,691 million before-tax in the first quarter of 2020. See Note 5—Investment in Cenovus Energy in the Notes to Consolidated Financial Statements, for additional information related to our unrealized gain (loss) on CVE common shares.

Purchased commodities increased \$1,822 million, primarily due to higher natural gas prices, partly offset by lower crude oil volumes purchased.

Production and operating expenses increased \$210 million, primarily due to costs associated with additional volumes in the Lower 48, mainly related to our Concho acquisition.

Selling, general and administrative expenses increased \$314 million, primarily due to higher costs associated with compensation and benefits, including mark-to-market impacts of certain key employee compensation programs, and restructuring expenses associated with our Concho acquisition, including severance expenses.

Exploration expenses decreased \$104 million, primarily due to the absence of an unproved property impairment and dry hole expenses related to the Kamunsu East Field in Malaysia that is no longer in our development plans and the absence of charges associated with the early termination of our 2020 winter exploration program in Alaska.

Depreciation, depletion and amortization increased \$475 million, primarily due to higher volumes in the Lower 48 associated with our Concho acquisition; higher volumes in Canada due to Montney ramp up and our Kelt acquisition in the third quarter of 2020; and higher expenses in Alaska due to higher DD&A rates from price-related reserve revisions.

Impairments decreased \$524 million, primarily due to the absence of a \$511 million before-tax impairment of certain noncore gas assets in the Lower 48 due to a significant decrease in the outlook for natural gas prices in the first quarter of 2020.

Taxes other than income taxes increased \$120 million, primarily due to higher volumes in the Lower 48 associated with our Concho acquisition.

Foreign currency transactions (gain) loss increased \$109 million due to the absence of gains incurred from foreign currency derivatives.

See Note 18—Income Taxes, in the Notes to Consolidated Financial Statements, for information regarding our income tax provision and effective tax rate.

## Summary Operating Statistics

	Three Months Ended March 31	
	2021	2020
<b>Average Net Production</b>		
Crude oil (MBD)		
Consolidated operations	804	642
Equity affiliates	14	12
<b>Total crude oil</b>	<b>818</b>	<b>654</b>
Natural gas liquids (MBD)		
Consolidated operations	105	116
Equity affiliates	8	7
<b>Total natural gas liquids</b>	<b>113</b>	<b>123</b>
Bitumen (MBD)	70	66
Natural gas (MMCFD)		
Consolidated operations	2,074	1,638
Equity affiliates	1,081	1,036
<b>Total natural gas</b>	<b>3,155</b>	<b>2,674</b>
<b>Total Production (MBOED)</b>	<b>1,527</b>	<b>1,289</b>
	Dollars Per Unit	
<b>Average Sales Prices</b>		
Crude oil (per bbl)		
Consolidated operations*	\$ 57.18	48.77
Equity affiliates	59.73	53.14
<b>Total crude oil</b>	<b>57.22</b>	<b>48.86</b>
Natural gas liquids (per bbl)		
Consolidated operations	24.36	12.81
Equity affiliates	48.89	42.41
<b>Total natural gas liquids</b>	<b>26.44</b>	<b>14.82</b>
Bitumen (per bbl)	30.78	5.90
Natural gas (per mcf)		
Consolidated operations*	4.89	3.60
Equity affiliates	3.54	5.41
<b>Total natural gas</b>	<b>4.42</b>	<b>4.30</b>
	Millions of Dollars	
<b>Exploration Expenses</b>		
General administrative, geological and geophysical, and lease rental, and other	\$ 78	121
Leasehold impairment	-	31
Dry holes	6	36
	<b>\$ 84</b>	<b>188</b>

\*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 \$55.03 per barrel for crude oil and \$4.76 per mcf for natural gas. As of March 31, 2021, we had settled all oil and gas hedging positions acquired from Concho. See Note 10—Derivative and Financial Instruments, in the Notes to Consolidated Financial Statements.



We explore for, produce, transport and market crude oil, bitumen, natural gas, LNG and NGLs on a worldwide basis. At March 31, 2021, our operations were producing in the U.S., Norway, Canada, Australia, Indonesia, China, Malaysia, Qatar and Libya.

Total production, including Libya, of 1,527 MBOED increased 238 MBOED or 18 percent in the first quarter 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, China and Malaysia.
- 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.

The increase in first quarter 2021 production was partly offset by:

- Normal field decline.
- Disposition activity, including our Australia-West divestiture completed in the second quarter of 2020 and noncore Lower 48 assets disposed in the first quarter of 2020. For additional information related to our Australia-West divestiture, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.
- 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.

Total production, excluding Libya, of 1,488 MBOED increased 210 MBOED or 16 percent in the first quarter of 2021. Adjusted for acquisitions and dispositions and excluding Libya, production decreased by 59 MBOED or 4 percent.

## Segment Results

### Alaska

	Three Months Ended	
	March 31	
	2021	2020
<b>Net Income Attributable to ConocoPhillips</b> (millions of dollars)	\$ 159	81
<b>Average Net Production</b>		
Crude oil (MBD)	190	198
Natural gas liquids (MBD)	17	19
Natural gas (MMCFD)	8	8
<b>Total Production</b> (MBOED)	208	218
<b>Average Sales Prices</b>		
Crude oil (\$ per bbl)	\$ 59.56	54.78
Natural gas (\$ per mcf)	2.23	3.07

The Alaska segment primarily explores for, produces, transports and markets crude oil, NGLs and natural gas. As of March 31, 2021, Alaska contributed 21 percent of our consolidated liquids production and less than 1 percent of our consolidated natural gas production.

#### Net Income Attributable to ConocoPhillips

Earnings for Alaska increased by \$78 million in the first quarter of 2021, compared with the same period of 2020. Earnings were positively impacted by:

- The absence of a \$96 million after-tax lower of cost or market commodity inventory adjustment.
- Higher realized crude oil prices.
- Lower exploration expenses due to the absence of charges associated with the early cancellation of our 2020 winter exploration program.

Earnings were negatively impacted by:

- Higher DD&A expenses, primarily due to higher DD&A rates from price-related reserve revisions.
- Lower crude oil sales volumes.

#### Production

Average production decreased 10 MBOED or 5 percent in the first quarter of 2021 compared with the same period of 2020. The production decrease was primarily due to:

- Normal field decline.

These production decreases were partly offset by:

- Improved well performance at the Greater Prudhoe Area.

## Lower 48

	Three Months Ended	
	March 31	
	2021	2020
<b>Net Income (Loss) Attributable to ConocoPhillips</b> (millions of dollars)	<b>\$ 468</b>	(437)
<b>Average Net Production</b>		
Crude oil (MBD)	416	270
Natural gas liquids (MBD)	79	89
Natural gas (MMCFD)	1,319	679
<b>Total Production (MBOED)</b>	<b>715</b>	472
<b>Average Sales Prices</b>		
Crude oil (\$ per bbl)*	\$ 55.68	40.97
Natural gas liquids (\$ per bbl)	23.99	11.85
Natural gas (\$ per mcf)*	4.56	1.48

\*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 \$51.58 per barrel for crude oil and \$4.35 per mcf for natural gas. As of March 31, 2021, we had settled all oil and gas hedging positions acquired from Concho. See Note 10—Derivative and Financial Instruments in the Notes to Consolidated Financial Statements.

The Lower 48 segment consists of operations located in the contiguous U.S. and the Gulf of Mexico. As of March 31, 2021, the Lower 48 contributed 51 percent of our consolidated liquids production and 64 percent of our consolidated natural gas production.

### Concho Acquisition

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. The addition of complementary acreage in the Delaware and Midland Basins creates a sizeable Permian presence to augment our leading unconventional positions in the Eagle Ford and Bakken in the Lower 48. For additional information related to this transaction, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.

### Net Income (Loss) Attributable to ConocoPhillips

Earnings for the Lower 48 increased by \$905 million in the first quarter of 2021, compared with the same period of 2020. Earnings were positively impacted by:

- Higher sales volumes of crude oil and natural gas due to our Concho acquisition.
- Higher realized crude oil, natural gas and NGL prices.
- The absence of \$399 million in after-tax impairments related to certain noncore gas assets in the Wind River Basin operations area.

Earnings were negatively impacted by:

- Higher DD&A expenses, production and operating expenses and taxes other than income taxes, primarily due to higher production from our Concho acquisition.
- Realized losses on hedges of \$233 million after-tax related to derivative positions acquired in our Concho acquisition. See Note 10—Derivative and Financial Instruments in the Notes to Consolidated Financial Statements, for additional information.
- Higher selling, general and administrative expenses, primarily due to transaction and restructuring charges related to our Concho acquisition.

### Production

Average production increased 243 MBOED in the first quarter of 2021, compared with the same period of 2020. The production increase was primarily due to:

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

These production increases were partly offset by:

- Normal field decline.
- Higher unplanned downtime, primarily due to Winter Storm Uri which impacted production by approximately 50 MBOED in the first quarter of 2021.

### **Canada**

	Three Months Ended March 31	
	2021*	2020
<b>Net Income (Loss) Attributable to ConocoPhillips</b> (millions of dollars)	<b>\$ 10</b>	(109)
<b>Average Net Production</b>		
Crude oil (MBD)	11	2
Natural gas liquids (MBD)	4	1
Bitumen (MBD)	70	66
Natural gas (MMCFD)	91	20
<b>Total Production (MBOED)</b>	<b>100</b>	72
<b>Average Sales Prices</b>		
Crude oil (per bbl)	\$ 47.41	-
Natural gas liquids (per bbl)	25.32	-
Bitumen (per bbl)	30.78	5.90
Natural gas (per mcf)	2.37	-

\* 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 March 31, 2021, Canada contributed 9 percent of our consolidated liquids production and 4 percent of our consolidated natural gas production.

### Net Income (Loss) Attributable to ConocoPhillips

Earnings for Canada increased by \$119 million in the first quarter of 2021, compared with the same period of 2020. Earnings were positively impacted by:

- Higher realized commodity prices.
- The absence of a \$31 million after-tax lower of cost or market adjustment to commodity inventory.
- Increased liquids and natural gas volumes in the Montney.
- A \$20 million after-tax gain on disposition related to a contingent payment associated with the sale of certain assets to Cenovus Energy in 2017. For additional information, see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.

Earnings were negatively impacted by:

- Higher DD&A expenses, primarily due to increased Montney production.
- Higher production and operating expenses, primarily due to increased Montney production.

### Production

Total average production increased 28 MBOED in the first quarter of 2021, compared with the same period of 2020, due to new wells online from Pad 2 and 3 in the Montney, as well as production from our Kelt acquisition in the third quarter of 2020.

### **Europe, Middle East and North Africa**

	Three Months Ended	
	March 31	
	2021	2020*
<b>Net Income Attributable to ConocoPhillips</b> (millions of dollars)	\$ 153	201
<i>Consolidated Operations</i>		
<b>Average Net Production</b>		
Crude oil (MBD)	116	93
Natural gas liquids (MBD)	5	5
Natural gas (MMCFD)	309	310
<b>Total Production (MBOED)</b>	173	150
<b>Average Sales Prices</b>		
Crude oil (per bbl)	\$ 57.75	55.53
Natural gas liquids (per bbl)	34.70	21.54
Natural gas (per mcf)	5.99	3.68

\*The prior period has been updated to reflect the Middle East Business Unit moving from Asia Pacific to the Europe, Middle East and North Africa segment. See Note 17—Segment Disclosures and Related Information in the Notes to Consolidated Financial Statements for additional information.

The Europe, Middle East and North Africa segment consists of operations principally located in the Norwegian sector of the North Sea; the Norwegian Sea; Qatar; Libya; and commercial and terminalling operations in the U.K. As of March 31, 2021, our Europe, Middle East and North Africa operations contributed 12 percent of our consolidated liquids production and 15 percent of our consolidated natural gas production.

### Net Income Attributable to ConocoPhillips

Earnings for Europe, Middle East and North Africa decreased by \$48 million in the first quarter of 2021, compared with the same period of 2020. Earnings were negatively impacted by:

- Lower LNG sales prices, reflected in equity in earnings of affiliates.
- Higher taxes from our equity method investments.
- The absence of foreign currency gains.

Earnings were positively impacted by:

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

### Consolidated Production

Average consolidated production increased 23 MBOED in the first quarter of 2021 compared with the same period of 2020. The production increase was primarily due to:

- Higher oil production from Libya due to the absence of a cessation of production following a period of civil unrest.
- New production from Norway drilling activities including first production from Tor II redevelopment achieved in December 2020.

These production increases were partly offset by normal field decline.

## Asia Pacific

	Three Months Ended	
	March 31	
	2021	2020*
<b>Net Income Attributable to ConocoPhillips</b> (millions of dollars)	\$ 317	272
<i>Consolidated Operations</i>		
<b>Average Net Production</b>		
Crude oil (MBD)	71	79
Natural gas liquids (MBD)	-	2
Natural gas (MMCFD)	347	621
<b>Total Production (MBOED)</b>	<b>129</b>	<b>185</b>
<b>Average Sales Prices</b>		
Crude oil (per bbl)	\$ 60.36	54.71
Natural gas liquids (per bbl)	-	39.34
Natural gas (per mcf)	5.88	5.94

\*The prior period has been updated to reflect the Middle East Business Unit moving from Asia Pacific to the Europe, Middle East and North Africa segment. See Note 17—Segment Disclosures and Related Information in the Notes to Consolidated Financial Statements for additional information.

The Asia Pacific segment has operations in China, Indonesia, Malaysia and Australia. As of March 31, 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 for Asia Pacific increased \$45 million in the first quarter of 2021, compared with the same period of 2020. The earnings increase was primarily due to:

- A \$200 million gain on disposition related to a contingent payment from our Australia-West divestiture completed in the second quarter of 2020. For additional information related to this gain, please see Note 3—Acquisitions and Dispositions in the Notes to Consolidated Financial Statements.
- Lower exploration expenses, due to the absence of an unproved property impairment and dry hole expenses related to the Kamunsu East Field in Malaysia.

Earnings were negatively impacted by:

- Lower earnings due to our Australia-West divestiture completed in the second quarter of 2020.
- Lower equity in earnings of affiliates, primarily due to lower realized LNG prices.

### Consolidated Production

Average consolidated production decreased 56 MBOED or 30 percent in the first quarter of 2021, compared with the same period of 2020. The decrease was primarily due to:

- The divestiture of our Australia-West assets that contributed 46 MBOED in first quarter of 2020.
- Normal field decline.

These production decreases were partly offset by:

- Bohai Bay development activity in China, including first production from Phase 4A Project at the Penglai 25-6 Field and first production from Malikai Phase 2 in Malaysia.

*Bohai Bay Well Control Incident*

On April 5, 2021, a shallow gas kick occurred during drilling operations, resulting in a fire on the V platform in Bohai Bay, China. On April 6, 2021, the fire was extinguished. We are working with the operator to fully understand the impacts.

**Other International**

	Three Months Ended	
	March 31	
	2021	2020
<b>Net Income (Loss) Attributable to ConocoPhillips</b> (millions of dollars)	\$ (4)	28

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

Earnings for Other International decreased \$32 million in the first quarter of 2021, compared with the same period of 2020. Earnings were lower primarily due to the absence of a \$29 million after-tax benefit to earnings from the dismissal of arbitration related to prior operations in Senegal.

## Corporate and Other

	Millions of Dollars	
	Three Months Ended	
	March 31	
	2021	2020
<b>Net Loss Attributable to ConocoPhillips</b>		
Net interest expense	\$ (270)	(155)
Corporate general and administrative expenses	(129)	50
Technology	41	1
Other income (expense)	237	(1,671)
	<b>\$ (121)</b>	<b>(1,775)</b>

Net interest expense consists of interest and financing expense, net of interest income and capitalized interest. Net interest expense increased by \$115 million in the first quarter of 2021, primarily due to higher debt balances. See Note 6—Debt in the Notes to Consolidated Financial Statements for more information related to debt acquired in our Concho transaction. Net interest expense also increased due to lower interest income from lower cash and cash equivalent balances and yield.

Corporate G&A expenses include compensation programs and staff costs. These expenses increased by \$179 million mainly due to mark-to-market adjustments associated with certain key employee compensation programs and restructuring expenses associated with our Concho acquisition. For additional information about restructuring expenses, see Note 14—Employee Benefit Plans in the Notes to Consolidated Financial Statements.

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 and LNG. Earnings from Technology increased \$40 million in the first quarter of 2021 primarily due to higher licensing revenues.

Other income (expense) or “Other” includes certain 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, unrealized holding gains or losses on equity securities, and pension settlement expense. Earnings in “Other” increased by \$1,908 million in the first quarter of 2021, compared with the same period of 2020, primarily due to an unrealized gain of \$308 million after-tax in the first quarter of 2021 on our CVE common shares, compared with an unrealized loss of \$1,691 million after-tax on those shares in the first quarter of 2020.



## CAPITAL RESOURCES AND LIQUIDITY

### Financial Indicators

	Millions of Dollars	
	March 31 2021	December 31 2020
Cash and cash equivalents	\$ 2,831	2,991
Short-term investments	4,104	3,609
Total debt	20,027	15,369
Total equity	43,155	29,849
Percent of total debt to capital*	% 32	34
Percent of floating-rate debt to total debt	5	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 quarter of 2021, the primary uses of our available cash were \$1,200 million to support our ongoing capital expenditures and investments program; approximately \$1.0 billion of hedging, transaction and restructuring costs; \$588 million to pay dividends; \$499 million of net purchases of investments; and \$375 million to repurchase common stock. During the first quarter of 2021, our cash and cash equivalents decreased by \$160 million to \$2,831 million.

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. See Note 6—Debt and Note 3—Acquisitions and Dispositions, in the Notes to Consolidated Financial Statements for additional information.

At March 31, 2021, we had cash and cash equivalents of \$2.8 billion, short-term investments of \$4.1 billion, and available borrowing capacity under our credit facility of \$5.7 billion, totaling over \$12 billion of liquidity. We believe current cash balances and cash generated by operations, 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, dividend payments and required debt payments.

### Significant Changes in Capital

#### Operating Activities

Cash provided by operating activities was \$2,080 million for the first quarter of 2021, compared with \$2,105 million for the first quarter of 2020. The decrease in cash provided by operating activities is primarily due to the settlement of all oil and gas hedging positions acquired from Concho, normal field decline, transaction and restructuring costs, and the divestiture of our Australia-West assets. The decrease in cash provided by operating activities was partly offset by higher sales volumes and higher realized commodity prices in the Lower 48, primarily due to our acquisition of Concho.

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 absolute 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; 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 following the acquisition of Concho. At March 31, 2021, all oil and natural gas derivative financial instruments acquired from Concho were contractually settled. In connection with the settlement, we paid \$692 million in the first quarter of 2021 and will pay the remaining \$69 million in the second quarter of 2021. For additional information, see Note 10—Derivative and Financial Instruments in the Notes to Consolidated Financial Statements.

#### Investing Activities

In the first quarter of 2021, we invested \$1.2 billion in capital expenditures. Our 2021 operating plan capital expenditures is \$5.5 billion compared with \$4.7 billion in 2020. See the “Capital Expenditures and Investments” section, for information about our capital expenditures and investments.

We completed our acquisition of Concho on January 15, 2021. The assets acquired in the transaction included \$382 million of cash which is reflected in the “Net Cash Used in Investing Activities” section of our consolidated statement of cash flows. See Note 3—Acquisitions and Dispositions, in the Notes to Consolidated Financial Statements for additional information.

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 quarter of 2021 included net purchases of \$499 million of investments, of which \$466 million was invested in short-term instruments and \$33 million was invested in long-term instruments. See Note 10—Derivative and Financial Instruments, in the Notes to Consolidated Financial Statements for additional information.

### 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. 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 the 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 agreement calls for commitment fees on available, but unused, amounts. The 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 the ConocoPhillips Company's ability to issue up to \$6.0 billion of commercial paper, which is primarily a funding source for short-term working capital needs. Commercial paper maturities are generally limited to 90 days. With \$300 million of commercial paper outstanding and no direct borrowings or letters of credit, we had \$5.7 billion in available borrowing capacity under the revolving credit facility at March 31, 2021. We may consider issuing additional commercial paper in the future to supplement our cash position.

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. See Note 3—Acquisitions and Dispositions and Note 6—Debt, in the Notes to Consolidated Financial Statements for additional information. In May 2021, we reaffirmed our commitment to preserving a top-tier balance sheet with an intent to reduce the company's gross debt by \$5 billion over the next five years, driving a more resilient and efficient capital structure.

In October 2020, Moody's affirmed its rating of our senior long-term debt of "A3" with a "stable" outlook, and affirmed its rating of our short-term debt as "Prime-2." In January 2021, Fitch affirmed its rating of our long-term debt as "A" with a "stable" outlook and affirmed its rating of our short-term debt as "F1+." On January 25, 2021, S&P revised the industry risk assessment for the E&P industry to "Moderately High" from "Intermediate" based on a view of increasing risks from the energy transition, price volatility, and weaker profitability. On February 11, 2021, S&P downgraded its rating of our long-term debt from "A" to "A-" with a "stable" outlook and downgraded its rating of our short-term debt from "A-1" to "A-2." 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.

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 March 31, 2021 and December 31, 2020, we had direct bank letters of credit of \$309 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 amount of various types of debt and equity securities.

## Guarantor Summarized Financial Information

We have various cross guarantees among 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—Acquisitions and Dispositions and Note 6—Debt, in the Notes to Consolidated Financial Statements for additional information.

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

## Summarized Income Statement Data

	<u>Millions of Dollars</u>	
	<u>Three Months Ended</u>	
	<u>March 31, 2021</u>	
Revenues and Other Income	\$	6,607
Income (loss) before income taxes		1,092
Net income (loss)		982
<u>Net Income (Loss) Attributable to ConocoPhillips</u>		<u>982</u>

## Summarized Balance Sheet Data

	Millions of Dollars	
	March 31	December 31
	2021	2020
Current assets	\$ 9,067	8,535
<i>Amounts due from Non-Obligated Subsidiaries, current</i>	673	440
Noncurrent assets	56,845	37,180
<i>Amounts due from Non-Obligated Subsidiaries, noncurrent</i>	8,528	7,730
Current liabilities	4,564	3,797
<i>Amounts due to Non-Obligated Subsidiaries, current</i>	1,889	1,365
Noncurrent liabilities	24,750	18,627
<i>Amounts due to Non-Obligated Subsidiaries, noncurrent</i>	5,756	3,972

## Capital Requirements

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

Our debt balance as of March 31, 2021, was \$20.0 billion compared with \$15.4 billion at December 31, 2020. The increase of \$4.6 billion is due to debt assumed in the Concho acquisition. The current portion of debt, including payments for finance leases, is \$0.7 billion. Payments will be made using current cash balances and cash generated by operations. See Note 6—Debt, in the Notes to Consolidated Financial Statements for additional information on debt.

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. On February 2, 2021, we announced a quarterly dividend of \$0.43 per share. The dividend was paid on March 1, 2021, to stockholders of record at the close of business on February 12, 2021. On May 4, 2021, we announced a quarterly dividend of \$0.43 per share, payable June 1, 2021, to stockholders of record at the close of business on May 14, 2021.

In late 2016, we initiated our current share repurchase program, which has a total program authorization to repurchase \$25 billion of our common stock. In February 2021, we resumed the program at an annualized level of \$1.5 billion. In May 2021, we announced our plan to dispose of our 208 million shares of Cenovus Energy by year-end 2022. The sales pace will be guided by market conditions, with ConocoPhillips retaining discretion to adjust accordingly. The proceeds from this disposition will be deployed towards incremental share repurchases. In the first quarter of 2021, we repurchased 7 million shares at a cost of \$375 million. Since the inception of the program we have repurchased 196 million shares at a cost of \$10.9 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	
	Three Months Ended	
	March 31	
	<b>2021</b>	2020
Alaska	\$ 235	509
Lower 48	718	776
Canada	33	74
Europe, Middle East and North Africa	121	121
Asia Pacific	76	103
Other International	6	53
Corporate and Other	11	13
<b>Capital expenditures and investments</b>	<b>\$ 1,200</b>	<b>1,649</b>

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

- Development and appraisal 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. The plan includes \$5.1 billion to sustain current production and \$0.4 billion for investment in major projects, primarily in Alaska, in addition to ongoing exploration appraisal activity.

### 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. For information on other contingencies, see Note 9—Contingencies and Commitments, in the Notes to Consolidated Financial Statements.

### 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, and claims of alleged environmental contamination from historic operations. 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 March 31, 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 March 31, 2021, our balance sheet included a total environmental accrual of \$188 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.

### 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.

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 any potential financial impact on the company.

### 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. We have set a target to reduce our gross operated (scope 1 and 2) emissions intensity by 35 to 45 percent from 2016 levels by 2030, 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 gas by 2030.
- 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, the anticipated impact of the transaction on the combined company’s business and future financial and operating results, the expected amount and the timing of synergies from the transaction 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 the potential for 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.
- 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**

Other information about market risks for the three months ended March 31, 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. As of March 31, 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 as of March 31, 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**

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**

There have been no material changes from the risk factors disclosed in Item 1A of our 2020 Annual Report on Form 10-K.

## 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
January 1-31, 2021	-	\$ -	-	\$ 14,483
February 1-28, 2021	1,767,507	48.49	1,767,507	14,397
March 1-31, 2021	5,219,017	55.43	5,219,017	14,108
	6,986,524		6,986,524	

*\*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 current total program authorization of \$25 billion of our common stock. In February 2021, we resumed our share repurchase program at an annualized level of \$1.5 billion. In May 2021, we announced a plan to dispose of our 208 million shares of Cenovus Energy by year-end 2022. The sales pace will be guided by market conditions, with ConocoPhillips retaining discretion to adjust accordingly. The proceeds from this disposition will be deployed towards incremental share repurchases.

As of March 31, 2021, we had repurchased \$10.9 billion of shares, with \$14.1 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\* Form of Retention Award Terms and Conditions, as part of the Restricted Stock Unit Award, granted under the 2014 Omnibus Stock and Performance Incentive Plan of ConocoPhillips, dated January 1, 2021.
- 10.2\* Amendment and Restatement of ConocoPhillips Executive Severance Plan, dated January 15, 2021.
- 10.3\* Form of Inducement Grant Award Agreement under the 2014 Omnibus Stock and Performance Incentive Plan of ConocoPhillips, dated January 15, 2021.
- 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*

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Kontessa S. Haynes-Welsh  
Chief Accounting Officer

May 6, 2021