

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 June 30, 2008

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.)

600 North Dairy Ashford, Houston, TX 77079

(Address of principal executive offices) (Zip Code)

281-293-1000

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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 1,519,804,610 shares of common stock, \$.01 par value, outstanding at June 30, 2008.

CONOCOPHILLIPS
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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Consolidated Income Statement		ConocoPhillips			
		Millions of Dollars			
		Three Months Ended June 30		Six Months Ended June 30	
		2008	2007	2008	2007
Revenues and Other Income					
Sales and other operating revenues*	\$	71,411	47,370	126,294	88,690
Equity in earnings of affiliates		1,812	1,506	3,171	2,435
Other income		130	521	440	1,139
Total Revenues and Other Income		73,353	49,397	129,905	92,264
Costs and Expenses					
Purchased crude oil, natural gas and products		51,214	30,820	89,034	57,535
Production and operating expenses		3,111	2,557	5,802	5,049
Selling, general and administrative expenses		629	604	1,155	1,131
Exploration expenses		288	259	597	521
Depreciation, depletion and amortization		2,178	2,016	4,387	4,040
Impairment—expropriated assets		—	4,588	—	4,588
Impairments		19	98	25	97
Taxes other than income taxes*		5,796	4,697	10,951	9,071
Accretion on discounted liabilities		96	81	200	160
Interest and debt expense		210	319	417	626
Foreign currency transaction gains		—	(179)	(43)	(178)
Minority interests		17	19	36	40
Total Costs and Expenses		63,558	45,879	112,561	82,680
Income before income taxes		9,795	3,518	17,344	9,584
Provision for income taxes		4,356	3,217	7,766	5,737
Net Income	\$	5,439	301	9,578	3,847
Net Income Per Share of Common Stock (dollars)					
Basic	\$	3.54	.18	6.18	2.34
Diluted		3.50	.18	6.11	2.31
Dividends Paid Per Share of Common Stock (dollars)					
	\$.47	.41	.94	.82
Average Common Shares Outstanding (in thousands)					
Basic		1,534,975	1,635,848	1,548,587	1,641,569
Diluted		1,555,447	1,657,999	1,568,867	1,663,618
* Includes excise taxes on petroleum products sales:	\$	4,091	4,069	7,948	7,910

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet**ConocoPhillips**

	Millions of Dollars	
	June 30 2008	December 31 2007
Assets		
Cash and cash equivalents	\$ 787	1,456
Accounts and notes receivable (net of allowance of \$62 million in 2008 and \$58 million in 2007)	17,474	14,687
Accounts and notes receivable—related parties	2,987	1,667
Inventories	6,757	4,223
Prepaid expenses and other current assets	5,510	2,702
Total Current Assets	33,515	24,735
Investments and long-term receivables	33,814	31,457
Loans and advances—related parties	1,981	1,871
Net properties, plants and equipment	89,990	89,003
Goodwill	29,227	29,336
Intangibles	873	896
Other assets	755	459
Total Assets	\$ 190,155	177,757
Liabilities		
Accounts payable	\$ 21,319	16,591
Accounts payable—related parties	2,042	1,270
Short-term debt	385	1,398
Accrued income and other taxes	6,699	4,814
Employee benefit obligations	681	920
Other accruals	3,721	1,889
Total Current Liabilities	34,847	26,882
Long-term debt	21,539	20,289
Asset retirement obligations and accrued environmental costs	7,330	7,261
Joint venture acquisition obligation—related party	5,985	6,294
Deferred income taxes	21,044	21,018
Employee benefit obligations	3,043	3,191
Other liabilities and deferred credits	2,825	2,666
Total Liabilities	96,613	87,601
Minority Interests	1,144	1,173
Common Stockholders' Equity		
Common stock (2,500,000,000 shares authorized at \$.01 par value)		
Issued (2008—1,727,212,141 shares; 2007—1,718,448,829 shares)		
Par value	17	17
Capital in excess of par	43,261	42,724
Grantor trusts (at cost: 2008—42,397,731 shares; 2007—42,411,331 shares)	(716)	(731)
Treasury stock (at cost: 2008—165,009,800 shares; 2007—104,607,149 shares)	(12,978)	(7,969)
Accumulated other comprehensive income	4,304	4,560
Unearned employee compensation	(115)	(128)
Retained earnings	58,625	50,510
Total Common Stockholders' Equity	92,398	88,983
Total	\$ 190,155	177,757

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows**ConocoPhillips**

	Millions of Dollars	
	Six Months Ended June 30	
	2008	2007
Cash Flows From Operating Activities		
Net income	\$ 9,578	3,847
Adjustments to reconcile net income to net cash provided by operating activities		
Nonworking capital adjustments		
Depreciation, depletion and amortization	4,387	4,040
Impairment—expropriated assets	—	4,588
Impairments	25	97
Dry hole costs and leasehold impairments	281	281
Accretion on discounted liabilities	200	160
Deferred taxes	11	180
Undistributed equity earnings	(1,988)	(1,235)
Gain on asset dispositions	(213)	(927)
Other	(81)	88
Working capital adjustments*		
Decrease (increase) in accounts and notes receivable	(3,625)	210
Increase in inventories	(2,537)	(271)
Decrease (increase) in prepaid expenses and other current assets	(2,349)	285
Increase in accounts payable	5,481	1,097
Increase (decrease) in taxes and other accruals	2,851	(801)
Net Cash Provided by Operating Activities	12,021	11,639
Cash Flows From Investing Activities		
Capital expenditures and investments	(6,720)	(5,347)
Proceeds from asset dispositions	441	2,215
Long-term advances/loans—related parties	(154)	(326)
Collection of advances/loans—related parties	4	66
Other	7	19
Net Cash Used in Investing Activities	(6,422)	(3,373)
Cash Flows From Financing Activities		
Issuance of debt	2,065	765
Repayment of debt	(1,841)	(5,121)
Issuance of company common stock	185	181
Repurchase of company common stock	(5,008)	(2,000)
Dividends paid on company common stock	(1,449)	(1,342)
Other	(240)	(153)
Net Cash Used in Financing Activities	(6,288)	(7,670)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	20	(2)
Net Change in Cash and Cash Equivalents	(669)	594
Cash and cash equivalents at beginning of period	1,456	817
Cash and Cash Equivalents at End of Period	\$ 787	1,411

*Net of acquisition and disposition of businesses.

See Notes to Consolidated Financial Statements.

Note 1—Interim Financial Information

The interim-period financial information presented in the financial statements included in this report is unaudited and includes all known accruals and adjustments, in the opinion of management, 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. To enhance your understanding of these interim financial statements, see the consolidated financial statements and notes included in our 2007 Annual Report on Form 10-K.

Note 2—Changes in Accounting Principles**SFAS No. 157**

Effective January 1, 2008, we implemented Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. We elected to implement this Statement with the one-year deferral permitted by FASB Staff Position (FSP) 157-2 for nonfinancial assets and nonfinancial liabilities measured at fair value, except those that are recognized or disclosed on a recurring basis (at least annually). The deferral applies to nonfinancial assets and liabilities measured at fair value in a business combination; impaired properties, plants and equipment; intangible assets and goodwill; and initial recognition of asset retirement obligations and restructuring costs for which we use fair value. We do not expect any significant impact to our consolidated financial statements when we implement SFAS No. 157 for these assets and liabilities.

Due to our election under FSP 157-2, for 2008, SFAS No. 157 applies to commodity and foreign currency derivative contracts and certain nonqualified deferred compensation and retirement plan assets that are measured at fair value on a recurring basis in periods subsequent to initial recognition. The implementation of SFAS No. 157 did not cause a change in the method of calculating fair value of assets or liabilities, with the exception of incorporating the impact of our nonperformance risk on derivative liabilities—which was not material. The primary impact from adoption was additional disclosures.

SFAS No. 157 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

We value our exchange-cleared derivatives using unadjusted closing prices provided by the exchange as of the balance sheet date, and these are classified as Level 1 in the fair value hierarchy. Over the counter (OTC) financial swaps and physical commodity purchase and sale contracts are generally valued using quotations provided by brokers and price index developers such as Platts and Oil Price Information Service. These are classified as Level 2. In certain less liquid markets or for longer-term contracts, forward prices are not as readily available. In these circumstances, OTC swaps and physical commodity purchase and sale contracts are valued using internally developed methodologies that consider historical relationships among various commodities that result in management's best estimate of fair value. These contracts are classified as Level 3.

Exchange-cleared financial options are valued using exchange closing prices and are classified as Level 1. Financial OTC and physical commodity options are valued using industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and

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contractual prices for the underlying instruments, as well as other relevant economic measures. The degree to which these inputs are observable in the forward markets determines whether the option is classified as Level 2 or 3.

As permitted under SFAS No. 157, we use a mid-market pricing convention (the mid-point price between bid and ask prices). When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

The fair value hierarchy for our financial assets and liabilities accounted for at fair value on a recurring basis at June 30, 2008, was:

	Millions of Dollars			Total
	Level 1	Level 2	Level 3	
Assets				
Commodity derivatives	\$ 7,990	4,310	40	12,340
Foreign exchange derivatives	—	50	—	50
Nonqualified benefit plans	412	—	—	412
Total assets	8,402	4,360	40	12,802
Liabilities				
Commodity derivatives	(7,887)	(4,565)	(96)	(12,548)
Foreign exchange derivatives	—	(43)	—	(43)
Total liabilities	(7,887)	(4,608)	(96)	(12,591)
Net assets (liabilities)	\$ 515	(248)	(56)	211

The derivative values above are based on analysis of each contract as the fundamental unit of account as required by SFAS No. 157. Derivative assets and liabilities with the same counterparty are not netted where the legal right of offset exists, which is different than the net presentation basis in Note 13—Financial Instruments and Derivative Contracts. Gains or losses from contracts in one level may be offset by gains or losses on contracts in another level or by changes in values of physical contracts or positions that are not reflected in the table above.

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Changes in the fair value of net commodity derivatives classified as Level 3 in the fair value hierarchy during the three- and six-month periods ended June 30, 2008, were:

	Millions of Dollars	
	Three Months Ended June 30	Six Months Ended June 30
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
Beginning balance	\$ (53)	(34)
Total gains (losses), realized and unrealized		
Included in earnings	(11)	(53)
Included in other comprehensive income	—	—
Purchases, issuances and settlements	—	24
Transfers in and/or out of Level 3	8	7
Balance at June 30, 2008	\$ (56)	(56)

The amount of total gains (losses) for the three- and six-month periods included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities held at June 30, 2008, were:

	Millions of Dollars	
	Three Months Ended June 30	Six Months Ended June 30
Related to assets	\$ 14	17
Related to liabilities	(25)	(61)

Gains and losses, realized and unrealized, included in earnings for the three- and six-month periods ending June 30, 2008, were:

	Millions of Dollars					
	Three Months Ended June 30			Six Months Ended June 30		
	Other Operating Revenues	Purchased Crude Oil, Natural Gas and Products	Total	Other Operating Revenues	Purchased Crude Oil, Natural Gas and Products	Total
Total gains (losses) included in earnings	\$ (14)	3	(11)	(57)	4	(53)
Change in unrealized gains (losses) relating to assets held at June 30, 2008	\$ 10	4	14	13	4	17
Change in unrealized gains (losses) relating to liabilities held at June 30, 2008	\$ (25)	—	(25)	(61)	—	(61)

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115." This Statement permits the election to carry financial instruments and certain other items similar to financial instruments at fair value on the balance sheet, with all changes in fair value reported in earnings. By electing the fair value option in conjunction with a derivative, an entity can achieve an accounting result similar to a fair value hedge without having to comply with complex hedge accounting rules. We adopted this Statement effective January 1, 2008, but did not make a fair value election at that time or during the first six months of 2008 for any financial instruments not already carried at fair value in accordance with other accounting standards. Accordingly, the adoption of SFAS No. 159 did not impact our consolidated financial statements.

Note 3—Variable Interest Entities (VIEs)

We have a 24 percent interest in West2East Pipeline LLC (West2East), a company holding a 100 percent interest in Rockies Express Pipeline LLC (Rockies Express). West2East is a VIE, but we are not the primary beneficiary. We use the equity method of accounting for our investment. In 2007, we issued a guarantee for 24 percent of the \$2 billion in credit facilities of Rockies Express. In addition, we have a guarantee for 24 percent of \$600 million of Floating Rate Notes due 2009 issued by Rockies Express. At June 30, 2008, the book value of our investment in West2East was \$249 million. See Note 11—Guarantees, for additional information.

We have a 30 percent ownership interest with a 50 percent governance interest in the OOO Naryanmarneftegaz (NMNG) joint venture to develop resources in the Timan-Pechora province of Russia. The NMNG joint venture is a VIE because we and our related party, OAO LUKOIL, have disproportionate interests. We are not the primary beneficiary of the VIE and we use the equity method of accounting for this investment. At June 30, 2008, the book value of our investment in the venture was \$2,063 million.

Note 4—Inventories

Inventories consisted of the following:

	Millions of Dollars	
	June 30 2008	December 31 2007
Crude oil and petroleum products	\$ 5,854	3,373
Materials, supplies and other	903	850
	\$ 6,757	4,223

Inventories valued on the last-in, first-out (LIFO) basis totaled \$5,513 million and \$2,974 million at June 30, 2008, and December 31, 2007, respectively. The remaining inventories were valued under various methods, including first-in, first-out and weighted average. The excess of current replacement cost over LIFO cost of inventories amounted to \$12,234 million and \$6,668 million at June 30, 2008, and December 31, 2007, respectively.

Note 5—Assets Held for Sale

Noncurrent assets and noncurrent liabilities classified as current assets and current liabilities under the “held for sale” provisions of SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” totaled \$1,092 million and \$159 million, respectively, at December 31, 2007. During the first six months of 2008, a portion of these held-for-sale assets were sold, and additional assets met the held-for-sale criteria. As a result, at June 30, 2008, we classified \$1,179 million of noncurrent assets as “Prepaid expenses and other current assets” on our consolidated balance sheet and we classified \$303 million of noncurrent liabilities as current liabilities, consisting of \$164 million in “Accrued income and other taxes” and \$139 million in “Other accruals.” Contingent upon necessary regulatory approvals, we expect the disposal of these assets to be substantially completed by the end of 2008.

The major classes of noncurrent assets and noncurrent liabilities held for sale and classified as current were:

	Millions of Dollars	
	June 30 2008	December 31 2007
Assets		
Investments and long-term receivables	\$ 7	48
Net properties, plants and equipment	973	946
Goodwill	188	89
Intangibles	2	2
Other assets	9	7
Total assets	\$ 1,179	1,092
Exploration and Production	\$ 432	189
Refining and Marketing	747	903
	\$ 1,179	1,092
Liabilities		
Asset retirement obligations and accrued environmental costs	\$ 108	23
Deferred income taxes	164	133
Other liabilities and deferred credits	31	3
Total liabilities	\$ 303	159
Exploration and Production	\$ 191	35
Refining and Marketing	112	124
	\$ 303	159

Note 6—Investments, Loans and Long-Term Receivables

LUKOIL

Our ownership interest in LUKOIL was 20 percent at June 30, 2008, based on 851 million shares authorized and issued. For financial reporting under U.S. generally accepted accounting principles, treasury shares held by LUKOIL are not considered outstanding for determining our equity-method ownership interest in LUKOIL. Our ownership interest, based on estimated shares outstanding, was also 20 percent at June 30, 2008, compared with 20.6 percent at December 31, 2007.

At June 30, 2008, the book value of our ordinary share investment in LUKOIL was \$12,393 million. Our share of the net assets of LUKOIL was estimated to be \$9,900 million. This basis difference of \$2,493 million is primarily being amortized on a unit-of-production basis. On June 30, 2008, the closing price of LUKOIL shares on the London Stock Exchange was \$98.60 per share, making the total market value of our LUKOIL investment \$16,773 million.

Loans to Related Parties

As part of our normal ongoing business operations and consistent with industry practice, we invest and enter into numerous agreements with other parties to pursue business opportunities, which share costs and apportion risks among the parties as governed by the agreements. Included in such activity are loans made to certain affiliated companies. The long-term portion of these loans are included in the “Loans and advances—related parties” balance sheet line item, while the short-term portion is included in “Accounts and notes receivable—related parties.” Significant loans to affiliated companies at June 30, 2008, included the following:

- \$644 million in loan financing and an additional \$116 million of accrued interest to Freeport LNG Development, L.P. for the construction of a liquefied natural gas (LNG) facility. We expect to provide loan financing of approximately \$678 million, excluding accrued interest, for the construction of the facility. The terminal became operational late in the second quarter of 2008.
- \$359 million in loan financing and an additional \$46 million of accrued interest to Varandey Terminal Company associated with the costs of a terminal expansion. We expect our total financing obligation for the terminal expansion to be approximately \$390 million at current exchange rates, excluding interest to be accrued during construction.
- \$787 million of project financing and an additional \$60 million of accrued interest to Qatargas 3, an integrated project to produce and liquefy natural gas from Qatar’s North field. Our maximum exposure to this financing structure is \$1.2 billion, excluding accrued interest.

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Note 7—Properties, Plants and Equipment

The company's investment in properties, plants and equipment (PP&E), with accumulated depreciation, depletion and amortization (Accum. DD&A), was:

	Millions of Dollars					
	June 30, 2008			December 31, 2007		
	Gross PP&E	Accum. DD&A	Net PP&E	Gross PP&E	Accum. DD&A	Net PP&E
E&P	\$ 107,053	34,675	72,378	102,550	30,701	71,849
Midstream	114	66	48	267	103	164
R&M	20,764	5,112	15,652	19,926	4,733	15,193
LUKOIL Investment	—	—	—	—	—	—
Chemicals	—	—	—	—	—	—
Emerging Businesses	1,308	181	1,127	1,204	138	1,066
Corporate and Other	1,499	714	785	1,414	683	731
	\$ 130,738	40,748	89,990	125,361	36,358	89,003

Suspended Wells

The company's capitalized cost of suspended wells at June 30, 2008, was \$694 million, an increase of \$105 million from \$589 million at year-end 2007. For the category of exploratory well costs capitalized for a period greater than one year as of December 31, 2007, \$12 million was charged to dry hole expense during the first six months of 2008.

Note 8—Impairments

Expropriated Assets

In the second quarter of 2007, we recorded a noncash impairment, including allocable goodwill, of \$4,588 million before-tax (\$4,512 million after-tax) related to our investments in the Petrozuata and Hamaca heavy-oil ventures and the offshore Corocoro oil development project in Venezuela. See Note 13—Impairments, in our 2007 Annual Report on Form 10-K, for additional information.

Other Impairments

During the first six months of 2008 and 2007, we recognized the following net impairments:

	Millions of Dollars			
	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
E&P				
United States	\$ —	1	—	1
International	1	81	3	175
R&M				
United States	18	16	22	49
Increase in fair value of previously impaired assets	—	—	—	(128)
	\$ 19	98	25	97

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During the second quarter and six-month period of 2008, property impairments were primarily associated with planned asset dispositions.

During the second quarter and six-month period of 2007, we recorded property impairments for:

- The write-down of held-for-sale assets to fair value, less cost to sell.
- Changes in asset retirement obligations for properties at the end of their economic life.
- The write-down of abandoned properties or projects.

In addition and in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the six-month period of 2007 included a \$128 million gain for the subsequent increase in the fair value of certain assets impaired in the prior year to reflect finalized sales agreements. This gain was netted with write-downs into the "Impairments" line of the consolidated income statement.

Note 9—Debt

In January 2008, we reduced our Floating Rate Five-Year Term Note due 2011 from \$3 billion to \$2 billion, with a subsequent reduction in June 2008 to \$1.5 billion. In March 2008, we redeemed our \$300 million 7.125% Debentures due 2028 at a premium of \$8 million, plus accrued interest.

In May 2008, we issued notes consisting of \$400 million of 4.40% Notes due 2013, \$500 million of 5.20% Notes due 2018 and \$600 million of 5.90% Notes due 2038. The proceeds from the offering were used to reduce commercial paper and for general corporate purposes.

At June 30, 2008, we had a \$7.5 billion revolving credit facility, which expires in September 2012. The facility may be used as direct bank borrowings, as support for the ConocoPhillips \$7.5 billion commercial paper program, as support for the ConocoPhillips Qatar Funding Ltd. \$1.5 billion commercial paper program, or as support for issuances of letters of credit totaling up to \$750 million. At June 30, 2008, and December 31, 2007, we had no outstanding borrowings under the credit facility, but \$40 million and \$41 million, respectively, in letters of credit had been issued. Under both commercial paper programs, \$1,314 million of commercial paper was outstanding at June 30, 2008, compared with \$725 million at December 31, 2007.

Also at June 30, 2008, we classified \$2,264 million of short-term debt as long-term debt, based on our ability and intent to refinance the obligations on a long-term basis under our revolving credit facilities.

Note 10—Joint Venture Acquisition Obligation

On January 3, 2007, we closed on a business venture with EnCana Corporation. As part of this transaction, we are obligated to contribute \$7.5 billion, plus interest, over a ten-year period, which began in 2007, to the upstream business venture, FCCL Oil Sands Partnership, which was formed as a result of the transaction.

Quarterly principal and interest payments of \$237 million began in the second quarter of 2007, and will continue until the balance is paid. Of the principal obligation amount, approximately \$609 million is short-term and is included in the "Accounts payable—related parties" line on our June 30, 2008, consolidated balance sheet. The principal portion of these payments, which totaled \$293 million in the first six months of 2008, is presented on our consolidated statement of cash flows as an other financing activity. Interest accrues at a fixed annual rate of 5.3 percent on the unpaid principal balance. Fifty percent of the quarterly interest payment is reflected as a capital contribution and is included in the "Capital expenditures and investments" line on our consolidated statement of cash flows.

Note 11—Guarantees

At June 30, 2008, 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 either because the guarantees were issued prior to December 31, 2002, or because the fair value of the obligation is immaterial.

Construction Completion Guarantees

- In December 2005, we issued a construction completion guarantee for 30 percent of the \$4.0 billion in loan facilities of Qatargas 3, which will be used to construct an LNG train in Qatar. Of the \$4.0 billion in loan facilities, ConocoPhillips has committed to provide \$1.2 billion. The maximum potential amount of future payments to third-party lenders under the guarantee is estimated to be \$850 million, which could become payable if the full debt financing is utilized and completion of the Qatargas 3 project is not achieved. The project financing will be nonrecourse to ConocoPhillips upon certified completion, currently expected in 2010. At June 30, 2008, the carrying value of the guarantee to the third-party lenders was \$11 million. For additional information, see Note 6—Investments, Loans and Long-Term Receivables.

Guarantees of Joint-Venture Debt

- In June 2006, we issued a guarantee for 24 percent of the \$2 billion in credit facilities of Rockies Express Pipeline LLC (Rockies Express), which will be used to construct a natural gas pipeline across a portion of the United States. At June 30, 2008, Rockies Express had \$740 million outstanding under the credit facilities, with our 24 percent guarantee equaling \$178 million. The maximum potential amount of future payments to third-party lenders under the guarantee is estimated to be \$480 million, which could become payable if the credit facility is fully utilized and Rockies Express fails to meet its obligations under the credit agreement. In addition, we also have a guarantee for 24 percent of \$600 million of Floating Rate Notes due 2009 issued by Rockies Express in September 2007. It is anticipated final construction completion will be achieved in 2009, and refinancing will take place at that time, making the debt nonrecourse to ConocoPhillips. At June 30, 2008, the total carrying value of these guarantees to third-party lenders was \$12 million. See Note 3—Variable Interest Entities (VIEs), for additional information.
- At June 30, 2008, we had other guarantees outstanding for our portion of joint-venture debt obligations, which have terms of up to 17 years. The maximum potential amount of future payments under the guarantees is approximately \$90 million. Payment would be required if a joint venture defaults on its debt obligations.

Other Guarantees

- The Mery Sweeny, L.P. (MSLP) joint-venture project agreement requires the partners in the venture to pay cash calls to cover operating expenses in the event the venture does not have enough cash to cover operating expenses after setting aside the amount required for debt service over the next 16 years. Although there is no maximum limit stated in the agreement, the intent is to cover short-term cash deficiencies should they occur. Our maximum potential future payments under the agreement are currently estimated to be \$100 million, assuming such a shortfall exists at some point in the future due to an extended operational disruption.
- In February 2003, we entered into two agreements establishing separate guarantee facilities of \$50 million each for two LNG ships. Subject to the terms of each such facility, we will be required to make payments should the charter revenue generated by the respective ship fall below certain specified minimum thresholds, and we will receive payments to the extent that such revenues exceed those thresholds. The net maximum future payments that we may have to make over the 20-year terms of the two agreements could be up to \$100 million in total. To the extent we receive any such payments, our

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actual gross payments over the 20 years could exceed that amount. In the event either ship is sold or a total loss occurs, we also may have recourse to the sales or insurance proceeds to recoup payments made under the guarantee facilities.

- We have guarantees of the residual value of leased corporate aircraft. The maximum potential payment under these guarantees at June 30, 2008, was \$150 million.
- In December 2007, we acquired a 50 percent equity interest in the Keystone Oil Pipeline (Keystone) to form a 50/50 joint venture with TransCanada Corporation. Keystone plans to construct a crude oil pipeline originating in Hardisty, Alberta, with delivery points at Wood River and Patoka, Illinois, and Cushing, Oklahoma. In connection with certain planning and construction activities, agreements were put in place with third parties to guarantee the payments due. Our maximum potential amount of future payments under those agreements are estimated to be \$400 million, which could become payable if Keystone fails to meet its obligations under the agreements noted above and the obligation cannot otherwise be mitigated. Payments under the guarantees are contingent upon the partners not making necessary equity contributions into Keystone; therefore, it is considered unlikely that payments would be required. All but \$15 million of the guarantees will terminate after construction is completed, currently estimated to be in 2010.
- We have other guarantees with maximum future potential payment amounts totaling \$200 million, which consist primarily of dealer and jobber loan guarantees to support our marketing business, guarantees to fund the short-term cash liquidity deficits of certain joint ventures, one small construction completion guarantee, guarantees relating to the startup of a refining joint venture, and guarantees of the lease payment obligations of a joint venture. These guarantees generally extend up to 10 years or life of the venture and payment would be required only if the dealer, jobber or lessee goes into default, if the joint ventures have cash liquidity issues, if a construction project is not completed, or if a guaranteed party defaults on lease payments.

Indemnifications

Over the years, we have entered into various agreements to sell ownership interests in certain corporations and joint ventures and have sold several assets, including downstream and midstream assets, certain exploration and production assets, and downstream retail and wholesale sites that gave rise to qualifying indemnifications. Agreements associated with these sales include indemnifications for taxes, environmental liabilities, permits and licenses, employee claims, real estate indemnity against tenant defaults, and litigation. The terms of these indemnifications vary greatly. The majority of these indemnifications are related to environmental issues, the term is generally indefinite and the maximum amount of future payments is generally unlimited. The carrying amount recorded for these indemnifications at June 30, 2008, was \$454 million. We amortize the indemnification liability over the relevant time period, 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. Included in the carrying amount recorded were \$256 million of environmental accruals for known contamination that is included in asset retirement obligations and accrued environmental costs at June 30, 2008. For additional information about environmental liabilities, see Note 12—Contingencies and Commitments.

Note 12—Contingencies and Commitments

In the case of all known non-income-tax-related contingencies, 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 minimum of the range is accrued. We do not reduce these liabilities for potential insurance or third-party recoveries. If applicable, we accrue

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receivables for probable insurance or other third-party recoveries. In the case of income-tax-related contingencies, we adopted FIN 48, effective January 1, 2007. FIN 48 requires 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 that are 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 federal, state and local environmental laws and regulations. These may result in obligations 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 sites. 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. Environmental Protection Agency (EPA) or other organizations. We consider unasserted claims in our determination of environmental liabilities and we accrue them in the period that 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 state 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 of the cleanup costs related to any site at which we have been designated as a potentially responsible party. If we were solely responsible, the costs, in some cases, could be material to our, or one of our segments', results of operations, capital resources or liquidity. However, settlements and costs incurred in matters that previously have been resolved have not been material to our results of operations or financial condition. 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 state agencies 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 have not recorded accruals for any potential contingent liabilities that we expect to be funded by the prior owners under these indemnifications.

We are currently participating in environmental assessments and cleanups at numerous federal Superfund and comparable state sites. After an assessment of environmental exposures for cleanup and other costs, we make accruals on an undiscounted basis (except for 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 that future costs will be incurred and these costs can be reasonably estimated. At June 30, 2008, our balance

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sheet included a total environmental accrual of \$1,046 million, compared with \$1,089 million at December 31, 2007. We expect to incur the majority of these expenditures within the next 30 years. We have not reduced these accruals for possible insurance recoveries. In the future, we may be involved in additional environmental assessments, cleanups and proceedings.

Legal Proceedings

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 which have been scheduled for trial, as well as the pace of settlement discussions in individual matters. 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 believes there is a remote likelihood 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.

Other Contingencies

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 June 30, 2008, we had performance obligations secured by letters of credit of \$1,967 million (of which \$40 million was issued under the provisions of our revolving credit facility, and the remainder was issued as direct bank letters of credit) and various purchase commitments for materials, supplies, services and items of permanent investment incident to the ordinary conduct of business.

Note 13—Financial Instruments and Derivative Contracts

Derivative assets and liabilities were:

	Millions of Dollars	
	June 30 2008	December 31 2007
Derivative Assets		
Current	\$ 1,641	453
Long-term	322	89
	\$ 1,963	542
Derivative Liabilities		
Current	\$ 1,913	493
Long-term	251	67
	\$ 2,164	560

These derivative assets and liabilities appear as prepaid expenses and other current assets, other assets, other accruals, or other liabilities and deferred credits on the balance sheet.

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Note 14—Comprehensive Income

ConocoPhillips' comprehensive income was as follows:

	Millions of Dollars			
	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net income	\$ 5,439	301	9,578	3,847
After-tax changes in:				
Defined benefit pension plans				
Net prior service cost	(14)	5	(10)	10
Net actuarial loss	(2)	14	7	30
Nonsponsored plans	2	—	4	(3)
Foreign currency translation adjustments	178	1,145	(257)	1,276
Hedging activities	2	(2)	—	(3)
Comprehensive income	\$ 5,605	1,463	9,322	5,157

Accumulated other comprehensive income in the equity section of the balance sheet included:

	Millions of Dollars	
	June 30 2008	December 31 2007
Defined benefit pension plans	\$ (464)	(465)
Foreign currency translation adjustments	4,776	5,033
Deferred net hedging loss	(8)	(8)
Accumulated other comprehensive income	\$ 4,304	4,560

Note 15—Cash Flow Information

	Millions of Dollars	
	Six Months Ended June 30	
	2008	2007
Noncash Investing and Financing Activities		
Investment in an upstream business venture through issuance of an acquisition obligation	\$ —	7,313
Investment in a downstream business venture through contribution of noncash assets and liabilities	—	2,415
Cash Payments		
Interest	\$ 398	532
Income taxes	6,405	5,525

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Note 16—Employee Benefit Plans

Pension and Postretirement Plans

Components of Net Periodic Benefit Cost	Millions of Dollars					
	Pension Benefits				Other Benefits	
	June 30				June 30	
	2008		2007		2008	2007
U.S.	Int'l.	U.S.	Int'l.			
Three Months Ended						
Service cost	\$ 47	24	44	24	4	4
Interest cost	62	46	57	41	16	11
Expected return on plan assets	(56)	(45)	(51)	(37)	—	—
Amortization of prior service cost	2	—	2	2	2	4
Recognized net actuarial loss (gain)	17	3	16	12	(6)	(6)
Net periodic benefit costs	\$ 72	28	68	42	16	13

Six Months Ended

Service cost	\$ 94	47	88	48	7	7
Interest cost	124	90	114	79	28	22
Expected return on plan assets	(112)	(89)	(102)	(72)	—	—
Amortization of prior service cost	4	—	5	4	5	7
Recognized net actuarial loss (gain)	33	6	31	23	(10)	(10)
Net periodic benefit costs	\$ 143	54	136	82	30	26

During the first six months of 2008, we contributed \$222 million to our domestic qualified and nonqualified plans and \$92 million to our international benefit plans. We currently expect to contribute a total of \$460 million to our domestic plans and \$180 million to our international plans in 2008.

Note 17—Related Party Transactions

Significant transactions with related parties were:

	Millions of Dollars			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2008	2007	2008	2007
Operating revenues (a)	\$ 4,001	2,884	7,172	5,502
Purchases (b)	5,693	4,089	10,092	7,299
Operating expenses and selling, general and administrative expenses (c)	127	98	243	206
Net interest income (d)	19	26	40	56

(a) We sold natural gas to DCP Midstream and crude oil to the Malaysian Refining Company Sdn. Bhd. (MRC), among others, for processing and marketing. Natural gas liquids, solvents and petrochemical feedstocks were sold to Chevron Phillips Chemical Company LLC (CPChem), gas oil and hydrogen feedstocks were sold to Excel Paralubes and refined products were sold primarily to CFJ Properties and LUKOIL. Natural gas, crude oil, blendstock and other intermediate products were sold to WRB Refining LLC. In addition, we charged several of our affiliates including CPChem, Meroy Sweeny L.P. (MSLP)

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and Hamaca Holding LLC (until expropriation on June 26, 2007) for the use of common facilities, such as steam generators, waste and water treaters, and warehouse facilities.

- (b) We purchased refined products from WRB Refining. We purchased natural gas and natural gas liquids from DCP Midstream and CPChem for use in our refinery processes and other feedstocks from various affiliates. We purchased crude oil from LUKOIL, upgraded crude oil from Petrozuata C.A. (as a related party until expropriation on June 26, 2007) and refined products from MRC. We also paid fees to various pipeline equity companies for transporting finished refined products and natural gas, and a price upgrade to MSLP for heavy crude oil processing. We purchased base oils and fuel products from Excel Paralubes for use in our refinery and specialty businesses.
- (c) We paid processing fees to various affiliates. Additionally, we paid crude oil transportation fees to pipeline equity companies.
- (d) We paid and/or received interest to/from various affiliates, including FCCL Oil Sands Partnership. See Note 6—Investments, Loans and Long-Term Receivables, for additional information on loans to affiliated companies.

Note 18—Segment Disclosures and Related Information

We have organized our reporting structure based on the grouping of similar products and services, resulting in six operating segments:

- 1) E&P—This segment primarily explores for, produces, transports and markets crude oil, natural gas and natural gas liquids on a worldwide basis.
- 2) Midstream—This segment gathers, processes and markets natural gas produced by ConocoPhillips and others, and fractionates and markets natural gas liquids, primarily in the United States and Trinidad. The Midstream segment primarily consists of our 50 percent equity investment in DCP Midstream.
- 3) R&M—This segment purchases, refines, markets and transports crude oil and petroleum products, mainly in the United States, Europe and Asia Pacific.
- 4) LUKOIL Investment—This segment represents our investment in the ordinary shares of LUKOIL, an international, integrated oil and gas company headquartered in Russia. At June 30, 2008, our ownership interest was 20 percent based on both issued shares and estimated shares outstanding.
- 5) Chemicals—This segment manufactures and markets petrochemicals and plastics on a worldwide basis. The Chemicals segment consists of our 50 percent equity investment in CPChem.
- 6) Emerging Businesses—This segment represents our investment in new technologies or businesses outside our normal scope of operations.

Corporate and Other includes general corporate overhead, most interest income and expense, restructuring charges, and various other corporate activities. Corporate assets include all cash and cash equivalents. We evaluate performance and allocate resources based on net income. Intersegment sales are at prices that approximate market.

Analysis of Results by Operating Segment

	Millions of Dollars			
	Three Months Ended		Six Months Ended	
	June 30	2007	June 30	2007
	2008		2008	
Sales and Other Operating Revenues				
E&P				
United States	\$ 15,964	9,465	27,511	17,737
International	8,471	5,480	16,912	11,493
Intersegment eliminations—U.S.	(2,525)	(1,496)	(4,637)	(2,652)
Intersegment eliminations—international	(3,550)	(1,476)	(5,847)	(2,917)
E&P	18,360	11,973	33,939	23,661
Midstream				
Total sales	2,100	1,109	3,742	2,214
Intersegment eliminations	(30)	(45)	(119)	(104)
Midstream	2,070	1,064	3,623	2,110
R&M				
United States	37,250	24,614	64,211	44,653
International	13,969	9,793	24,895	18,428
Intersegment eliminations—U.S.	(285)	(119)	(504)	(263)
Intersegment eliminations—international	(13)	(3)	(20)	(5)
R&M	50,921	34,285	88,582	62,813
LUKOIL Investment	—	—	—	—
Chemicals	3	3	6	6
Emerging Businesses				
Total sales	230	131	488	300
Intersegment eliminations	(179)	(91)	(356)	(205)
Emerging Businesses	51	40	132	95
Corporate and Other	6	5	12	5
Consolidated sales and other operating revenues	\$ 71,411	47,370	126,294	88,690
Net Income (Loss)				
E&P				
United States	\$ 1,852	1,055	3,201	1,971
International	2,147	(3,459)	3,685	(2,046)
Total E&P	3,999	(2,404)	6,886	(75)
Midstream	162	102	299	187
R&M				
United States	587	1,879	1,022	2,775
International	77	479	162	719
Total R&M	664	2,358	1,184	3,494
LUKOIL Investment	774	526	1,484	782
Chemicals	18	68	70	150
Emerging Businesses	8	(12)	20	(13)
Corporate and Other	(186)	(337)	(365)	(678)
Consolidated net income	\$ 5,439	301	9,578	3,847

	Millions of Dollars	
	June 30 2008	December 31 2007
Total Assets		
E&P		
United States	\$ 38,338	35,160
International	60,102	59,412
Goodwill	25,460	25,569
Total E&P	123,900	120,141
Midstream	2,070	2,016
R&M		
United States	29,207	24,336
International	12,464	9,766
Goodwill	3,767	3,767
Total R&M	45,438	37,869
LUKOIL Investment	12,697	11,164
Chemicals	2,265	2,225
Emerging Businesses	1,308	1,230
Corporate and Other	2,477	3,112
Consolidated total assets	\$ 190,155	177,757

Note 19—Income Taxes

Our effective tax rate for the second quarter and first six months of 2008 was 44 percent and 45 percent, respectively, compared with 91 percent and 60 percent for the same two periods of 2007. The change in the effective tax rate for the second quarter and six months of 2008, versus the same periods of 2007, was primarily due to the impact of the expropriation of our oil interests in Venezuela on 2007 results (see the “Expropriated Assets” section of Note 13—Impairments, in our 2007 Annual Report on Form 10-K, for additional information), partially offset by the impact of a higher proportion of income in higher tax-rate jurisdictions in 2008. The effective tax rate in excess of the domestic federal statutory rate of 35 percent was primarily due to the impact of foreign taxes.

Note 20—New Accounting Standards

In December 2007, the FASB issued SFAS No. 141 (Revised), “Business Combinations” (SFAS No. 141(R)). This Statement will apply to all transactions in which an entity obtains control of one or more other businesses. In general, SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date as the fair value measurement point; and modifies the disclosure requirements. This Statement applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. However, starting January 1, 2009, accounting for changes in valuation allowances for acquired deferred tax assets and the resolution of uncertain tax positions for prior business combinations will impact tax expense instead of impacting goodwill. We are currently evaluating the changes provided for in this Statement.

Also in December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51,” which changes the classification of noncontrolling interests, sometimes called a minority interest, in the consolidated financial statements. Additionally, this Statement establishes a single method of accounting for changes in a parent company’s ownership interest that do not result in deconsolidation and requires a parent company to recognize a gain or loss when a subsidiary is deconsolidated. This Statement is effective January 1, 2009, and will be applied prospectively with the

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exception of the presentation and disclosure requirements which must be applied retrospectively for all periods presented. We are currently evaluating the impact of this Statement on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB No. 133.” This Statement expands the annual and interim disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” for derivative instruments within the scope of that Statement. We must adopt SFAS No. 161 no later than January 1, 2009, but it will not have any impact on our consolidated financial statements, other than the additional disclosures.

Supplementary Information—Condensed Consolidating Financial Information

We have various cross guarantees among ConocoPhillips, ConocoPhillips Company, ConocoPhillips Australia Funding Company, ConocoPhillips Canada Funding Company I, and ConocoPhillips Canada Funding Company II, with respect to publicly held debt securities. ConocoPhillips Company is wholly owned by ConocoPhillips. ConocoPhillips Australia Funding Company is an indirect, wholly owned subsidiary of ConocoPhillips Company. ConocoPhillips Canada Funding Company I and ConocoPhillips Canada Funding Company II are indirect, wholly owned subsidiaries of ConocoPhillips. ConocoPhillips and ConocoPhillips Company have fully and unconditionally guaranteed the payment obligations of ConocoPhillips Australia Funding Company, ConocoPhillips Canada Funding Company I, and ConocoPhillips Canada Funding Company II, with respect to their 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 condensed consolidating financial information presents the results of operations, financial position and cash flows for:

- ConocoPhillips, ConocoPhillips Company, ConocoPhillips Australia Funding Company, ConocoPhillips Canada Funding Company I, and ConocoPhillips Canada Funding Company II (in each case, reflecting investments in subsidiaries utilizing the equity method of accounting).
- All other nonguarantor subsidiaries of ConocoPhillips.
- The consolidating adjustments necessary to present ConocoPhillips' results on a consolidated basis.

This condensed consolidating financial information should be read in conjunction with the accompanying consolidated financial statements and notes.

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Income Statement	Millions of Dollars							
	Three Months Ended June 30, 2008							
	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Revenues and Other Income								
Sales and other operating revenues	\$ —	47,793	—	—	—	23,618	—	71,411
Equity in earnings of affiliates	5,466	3,796	—	—	—	1,446	(8,896)	1,812
Other income	(1)	182	—	—	—	(51)	—	130
Intercompany revenues	15	915	19	22	13	9,693	(10,677)	—
Total Revenues and Other Income	5,480	52,686	19	22	13	34,706	(19,573)	73,353
Costs and Expenses								
Purchased crude oil, natural gas and products	—	44,038	—	—	—	17,540	(10,364)	51,214
Production and operating expenses	—	1,337	—	—	—	1,807	(33)	3,111
Selling, general and administrative expenses	5	466	—	—	—	171	(13)	629
Exploration expenses	—	45	—	—	—	243	—	288
Depreciation, depletion and amortization	—	379	—	—	—	1,799	—	2,178
Impairments	—	17	—	—	—	2	—	19
Taxes other than income taxes	—	1,285	—	—	—	4,569	(58)	5,796
Accretion on discounted liabilities	—	14	—	—	—	82	—	96
Interest and debt expense	51	104	18	20	13	213	(209)	210
Foreign currency transaction (gains) losses	—	2	—	58	66	(126)	—	—
Minority interests	—	—	—	—	—	17	—	17
Total Costs and Expenses	56	47,687	18	78	79	26,317	(10,677)	63,558
Income (loss) before income taxes	5,424	4,999	1	(56)	(66)	8,389	(8,896)	9,795
Provision for income taxes	(15)	550	—	(17)	(21)	3,859	—	4,356
Net Income (Loss)	\$ 5,439	4,449	1	(39)	(45)	4,530	(8,896)	5,439

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	Millions of Dollars							
	Three Months Ended June 30, 2007							
Income Statement	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Revenues and Other Income								
Sales and other operating revenues	\$ —	30,915	—	—	—	16,455	—	47,370
Equity in earnings of affiliates	329	632	—	—	—	780	(235)	1,506
Other income	4	(70)	—	—	—	587	—	521
Intercompany revenues	58	791	30	20	12	4,754	(5,665)	—
Total Revenues and Other Income	391	32,268	30	20	12	22,576	(5,900)	49,397
Costs and Expenses								
Purchased crude oil, natural gas and products	—	25,780	—	—	—	9,989	(4,949)	30,820
Production and operating expenses	—	1,109	—	—	—	1,469	(21)	2,557
Selling, general and administrative expenses	6	375	—	—	—	235	(12)	604
Exploration expenses	—	24	—	—	—	235	—	259
Depreciation, depletion and amortization	—	361	—	—	—	1,655	—	2,016
Impairment—expropriated assets	—	1,925	—	—	—	2,663	—	4,588
Impairments	—	—	—	—	—	98	—	98
Taxes other than income taxes	—	1,295	—	—	—	3,472	(70)	4,697
Accretion on discounted liabilities	—	14	—	—	—	67	—	81
Interest and debt expense	99	291	28	19	13	482	(613)	319
Foreign currency transaction (gains) losses	—	10	—	91	67	(347)	—	(179)
Minority interests	—	—	—	—	—	19	—	19
Total Costs and Expenses	105	31,184	28	110	80	20,037	(5,665)	45,879
Income (loss) before income taxes	286	1,084	2	(90)	(68)	2,539	(235)	3,518
Provision for income taxes	(15)	1,090	1	5	6	2,130	—	3,217
Net Income (Loss)	\$ 301	(6)	1	(95)	(74)	409	(235)	301

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Income Statement	Millions of Dollars							
	Six Months Ended June 30, 2008							
	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Revenues and Other Income								
Sales and other operating revenues	\$ —	82,596	—	—	—	43,698	—	126,294
Equity in earnings of affiliates	9,651	6,857	—	—	—	2,754	(16,091)	3,171
Other income	(1)	487	—	—	—	(46)	—	440
Intercompany revenues	24	1,632	43	45	27	15,743	(17,514)	—
Total Revenues and Other Income	9,674	91,572	43	45	27	62,149	(33,605)	129,905
Costs and Expenses								
Purchased crude oil, natural gas and products	—	75,530	—	—	—	30,183	(16,679)	89,034
Production and operating expenses	—	2,447	—	—	—	3,425	(70)	5,802
Selling, general and administrative expenses	7	785	—	—	—	396	(33)	1,155
Exploration expenses	—	100	—	—	—	497	—	597
Depreciation, depletion and amortization	—	751	—	—	—	3,636	—	4,387
Impairments	—	21	—	—	—	4	—	25
Taxes other than income taxes	—	2,539	—	—	—	8,531	(119)	10,951
Accretion on discounted liabilities	—	29	—	—	—	171	—	200
Interest and debt expense	128	325	40	39	26	472	(613)	417
Foreign currency transaction (gains) losses	—	(2)	—	(14)	(7)	(20)	—	(43)
Minority interests	—	—	—	—	—	36	—	36
Total Costs and Expenses	135	82,525	40	25	19	47,331	(17,514)	112,561
Income before income taxes	9,539	9,047	3	20	8	14,818	(16,091)	17,344
Provision for income taxes	(39)	987	1	(13)	(13)	6,843	—	7,766
Net Income	\$ 9,578	8,060	2	33	21	7,975	(16,091)	9,578

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Income Statement	Millions of Dollars							
	Six Months Ended June 30, 2007							
	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Revenues and Other Income								
Sales and other operating revenues	\$ —	56,892	—	—	—	31,798	—	88,690
Equity in earnings of affiliates	3,892	3,654	—	—	—	1,325	(6,436)	2,435
Other income	4	(180)	—	—	—	1,315	—	1,139
Intercompany revenues	147	1,489	60	39	24	8,567	(10,326)	—
Total Revenues and Other Income	4,043	61,855	60	39	24	43,005	(16,762)	92,264
Costs and Expenses								
Purchased crude oil, natural gas and products	—	47,802	—	—	—	18,620	(8,887)	57,535
Production and operating expenses	—	2,195	—	—	—	2,896	(42)	5,049
Selling, general and administrative expenses	9	688	—	—	—	464	(30)	1,131
Exploration expenses	—	46	—	—	—	475	—	521
Depreciation, depletion and amortization	—	723	—	—	—	3,317	—	4,040
Impairment—expropriated assets	—	1,925	—	—	—	2,663	—	4,588
Impairments	—	(24)	—	—	—	121	—	97
Taxes other than income taxes	—	2,798	—	—	—	6,410	(137)	9,071
Accretion on discounted liabilities	—	28	—	—	—	132	—	160
Interest and debt expense	211	646	56	38	26	879	(1,230)	626
Foreign currency transaction (gains) losses	—	10	—	98	77	(363)	—	(178)
Minority interests	—	—	—	—	—	40	—	40
Total Costs and Expenses	220	56,837	56	136	103	35,654	(10,326)	82,680
Income (loss) before income taxes	3,823	5,018	4	(97)	(79)	7,351	(6,436)	9,584
Provision for income taxes	(24)	1,674	2	(2)	(2)	4,089	—	5,737
Net Income (Loss)	\$ 3,847	3,344	2	(95)	(77)	3,262	(6,436)	3,847

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	Millions of Dollars							
	At June 30, 2008							
Balance Sheet	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Assets								
Cash and cash equivalents	\$ —	366	—	12	1	408	—	787
Accounts and notes receivable	18	13,189	8	—	—	23,323	(16,077)	20,461
Inventories	—	4,102	—	—	—	2,764	(109)	6,757
Prepaid expenses and other current assets	5	2,342	—	2	1	3,160	—	5,510
Total Current Assets	23	19,999	8	14	2	29,655	(16,186)	33,515
Investments, loans and long-term receivables*	93,749	66,090	1,700	1,421	964	37,876	(166,005)	35,795
Net properties, plants and equipment	—	18,852	—	—	—	71,136	2	89,990
Goodwill	—	12,730	—	—	—	16,497	—	29,227
Intangibles	—	792	—	—	—	81	—	873
Other assets	14	288	3	4	4	660	(218)	755
Total Assets	\$ 93,786	118,751	1,711	1,439	970	155,905	(182,407)	190,155
Liabilities and Stockholders' Equity								
Accounts payable	\$ 1	21,851	—	6	3	17,577	(16,077)	23,361
Short-term debt	—	298	950	—	—	87	(950)	385
Accrued income and other taxes	—	198	—	—	(1)	6,502	—	6,699
Employee benefit obligations	—	412	—	—	—	268	1	681
Other accruals	27	1,494	15	15	10	2,163	(3)	3,721
Total Current Liabilities	28	24,253	965	21	12	26,597	(17,029)	34,847
Long-term debt	4,878	5,390	749	1,250	848	7,474	950	21,539
Asset retirement obligations and accrued environmental costs	—	1,127	—	—	—	6,203	—	7,330
Joint venture acquisition obligation	—	—	—	—	—	5,985	—	5,985
Deferred income taxes	(3)	3,524	—	8	2	17,529	(16)	21,044
Employee benefit obligations	—	2,206	—	—	—	837	—	3,043
Other liabilities and deferred credits*	3,155	19,458	—	121	97	18,550	(38,556)	2,825
Total Liabilities	8,058	55,958	1,714	1,400	959	83,175	(54,651)	96,613
Minority interests	—	(15)	—	—	—	1,159	—	1,144
Retained earnings (deficit)	52,112	32,012	(3)	(114)	(86)	27,512	(52,808)	58,625
Other stockholders' equity	33,616	30,796	—	153	97	44,059	(74,948)	33,773
Total	\$ 93,786	118,751	1,711	1,439	970	155,905	(182,407)	190,155

*Includes intercompany loans.

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	Millions of Dollars							
	At December 31, 2007							
Balance Sheet	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Assets								
Cash and cash equivalents	\$ —	195	—	7	1	1,626	(373)	1,456
Accounts and notes receivable	40	12,421	15	12	4	19,548	(15,686)	16,354
Inventories	—	2,043	—	—	—	2,190	(10)	4,223
Prepaid expenses and other current assets	9	578	—	1	—	2,114	—	2,702
Total Current Assets	49	15,237	15	20	5	25,478	(16,069)	24,735
Investments, loans and long-term receivables*	86,942	57,936	1,700	1,470	997	18,972	(134,689)	33,328
Net properties, plants and equipment	—	17,677	—	—	—	71,317	9	89,003
Goodwill	—	12,746	—	—	—	16,590	—	29,336
Intangibles	—	808	—	—	—	88	—	896
Other assets	8	153	3	5	4	520	(234)	459
Total Assets	\$ 86,999	104,557	1,718	1,495	1,006	132,965	(150,983)	177,757
Liabilities and Stockholders' Equity								
Accounts payable	\$ 6	18,792	—	10	4	15,108	(16,059)	17,861
Short-term debt	1,000	309	—	—	—	89	—	1,398
Accrued income and other taxes	—	601	—	—	(1)	4,117	97	4,814
Employee benefit obligations	—	509	—	—	—	411	—	920
Other accruals	21	594	20	16	11	1,230	(3)	1,889
Total Current Liabilities	1,027	20,805	20	26	14	20,955	(15,965)	26,882
Long-term debt	3,402	5,694	1,699	1,250	848	7,396	—	20,289
Asset retirement obligations and accrued environmental costs	—	1,167	—	—	—	6,094	—	7,261
Joint venture acquisition obligation	—	—	—	—	—	6,294	—	6,294
Deferred income taxes	(3)	3,050	—	32	18	17,907	14	21,018
Employee benefit obligations	—	2,292	—	—	—	899	—	3,191
Other liabilities and deferred credits*	42	16,447	—	132	102	15,489	(29,546)	2,666
Total Liabilities	4,468	49,455	1,719	1,440	982	75,034	(45,497)	87,601
Minority interests	—	(19)	—	—	—	1,194	(2)	1,173
Retained earnings (deficit)	43,988	23,952	(1)	(147)	(107)	20,738	(37,913)	50,510
Other stockholders' equity	38,543	31,169	—	202	131	35,999	(67,571)	38,473
Total	\$ 86,999	104,557	1,718	1,495	1,006	132,965	(150,983)	177,757

*Includes intercompany loans.

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Statement of Cash Flows	Millions of Dollars							
	Six Months Ended June 30, 2008							
	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Net Cash Provided by Operating Activities	\$ 5,815	189	4	5	—	6,830	(822)	12,021
Cash Flows From Investing Activities								
Capital expenditures and investments	—	(2,462)	—	—	—	(4,611)	353	(6,720)
Proceeds from asset dispositions	—	73	—	—	—	372	(4)	441
Long-term advances/loans—related parties	—	(53)	—	—	—	(2,523)	2,422	(154)
Collection of advances/loans—related parties	—	212	—	—	—	9	(217)	4
Other	—	10	—	—	—	(3)	—	7
Net Cash Used in Investing Activities	—	(2,220)	—	—	—	(6,756)	2,554	(6,422)
Cash Flows From Financing Activities								
Issuance of debt	1,967	2,412	—	—	—	108	(2,422)	2,065
Repayment of debt	(1,500)	(338)	—	—	—	(220)	217	(1,841)
Issuance of company common stock	185	—	—	—	—	—	—	185
Repurchase of company common stock	(5,008)	—	—	—	—	—	—	(5,008)
Dividends paid on common stock	(1,449)	—	(4)	—	—	(1,191)	1,195	(1,449)
Other	(10)	128	—	—	—	(9)	(349)	(240)
Net Cash Provided by (Used in) Financing Activities	(5,815)	2,202	(4)	—	—	(1,312)	(1,359)	(6,288)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	—	—	—	—	20	—	20
Net Change in Cash and Cash Equivalents	—	171	—	5	—	(1,218)	373	(669)
Cash and cash equivalents at beginning of year	—	195	—	7	1	1,626	(373)	1,456
Cash and Cash Equivalents at End of Period	\$ —	366	—	12	1	408	—	787

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Statement of Cash Flows	Millions of Dollars							
	Six Months Ended June 30, 2007							
	ConocoPhillips	ConocoPhillips Company	ConocoPhillips Australia Funding Company	ConocoPhillips Canada Funding Company I	ConocoPhillips Canada Funding Company II	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Net Cash Provided by (Used in) Operating Activities	\$ 7,762	(777)	5	—	—	4,755	(106)	11,639
Cash Flows From Investing Activities								
Capital expenditures and investments	—	(1,148)	—	—	—	(4,301)	102	(5,347)
Proceeds from asset dispositions	—	951	—	—	—	1,679	(415)	2,215
Long-term advances/loans—related parties	—	(118)	—	—	—	(1,137)	929	(326)
Collection of advances/loans—related parties	—	811	—	—	—	—	(745)	66
Other	1	18	—	—	—	—	—	19
Net Cash Provided by (Used in) Investing Activities	1	514	—	—	—	(3,759)	(129)	(3,373)
Cash Flows From Financing Activities								
Issuance of debt	(36)	929	—	—	—	801	(929)	765
Repayment of debt	(4,564)	(547)	—	—	—	(755)	745	(5,121)
Issuance of company common stock	181	—	—	—	—	—	—	181
Repurchase of company common stock	(2,000)	—	—	—	—	—	—	(2,000)
Dividends paid on common stock	(1,342)	—	(5)	—	—	(316)	321	(1,342)
Other	(2)	50	—	—	—	(513)	312	(153)
Net Cash Provided by (Used in) Financing Activities	(7,763)	432	(5)	—	—	(783)	449	(7,670)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	—	—	—	—	(2)	—	(2)
Net Change in Cash and Cash Equivalents	—	169	—	—	—	211	214	594
Cash and cash equivalents at beginning of year	—	116	—	—	1	1,042	(342)	817
Cash and Cash Equivalents at End of Period	\$ —	285	—	—	1	1,253	(128)	1,411

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis contains forward-looking statements including, without limitation, statements relating to our 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 “intends,” “believes,” “expects,” “plans,” “scheduled,” “should,” “anticipates,” “estimates,” and similar expressions identify forward-looking statements. We do not undertake to update, revise or correct any of the forward-looking information. Readers are cautioned that such forward-looking statements should be read in conjunction with the 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 51.

BUSINESS ENVIRONMENT AND EXECUTIVE OVERVIEW

Our Exploration and Production (E&P) segment had net income of \$3,999 million in the second quarter of 2008, which accounted for 74 percent of our total net income in the quarter. This compares with E&P net income of \$2,887 million in the first quarter of 2008, and a loss of \$2,404 million in the second quarter of 2007. In the second quarter of 2007, we recorded a noncash impairment of \$4,588 million before-tax (\$4,512 million after-tax) related to the expropriation of our oil interests in Venezuela. For additional information, see the “Expropriated Assets” section of Note 13—Impairments, in our 2007 Annual Report on Form 10-K.

E&P net income in the second quarter of 2008 benefited from an increase in commodity prices. Industry crude oil prices for West Texas Intermediate averaged \$123.98 per barrel in the second quarter of 2008, or \$26.04 per barrel higher than the first quarter of 2008, and \$59.09 per barrel higher than in the same period a year earlier. Crude oil prices were influenced by higher demand in developing economies; geopolitical supply risks; and a financial sector rotation into commodities due to fears about the falling value of the U.S. dollar, inflation and risk in credit markets.

Industry natural gas prices for Henry Hub increased during the second quarter of 2008 to \$10.94 per million British thermal units (MMBTU), up \$2.91 per MMBTU from the first quarter of 2008. Natural gas prices trended higher during the second quarter due to the outage of a natural gas hub in the Gulf of Mexico for a significant portion of the quarter, low storage levels, and a low level of liquefied natural gas (LNG) imports into the United States. Along with these supply issues, demand in the United States for natural gas remained in line with year-ago levels despite the increased prices.

Our Refining and Marketing (R&M) segment had net income of \$664 million in the second quarter of 2008, compared with \$520 million in the first quarter of 2008, and \$2,358 million in the second quarter of 2007. The increase in net income from the previous quarter was primarily due to higher worldwide realized refining margins and improved refining operations in the U.S. Gulf Coast and United Kingdom. This improvement in realized margins was partially offset by a lower net benefit from asset rationalization efforts, as well as higher turnaround and utility costs. The decrease in net income from the second quarter of 2007 was primarily due to significantly lower U.S. refining and marketing margins, a lower net benefit from the company’s asset rationalization efforts and higher turnaround and utility costs.

RESULTS OF OPERATIONS

Unless otherwise indicated, discussion of results for the three- and six-month periods ending June 30, 2008, is based on a comparison with the corresponding periods of 2007.

Consolidated Results

A summary of net income (loss) by business segment follows:

	Millions of Dollars			
	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Exploration and Production (E&P)	\$ 3,999	(2,404)	6,886	(75)
Midstream	162	102	299	187
Refining and Marketing (R&M)	664	2,358	1,184	3,494
LUKOIL Investment	774	526	1,484	782
Chemicals	18	68	70	150
Emerging Businesses	8	(12)	20	(13)
Corporate and Other	(186)	(337)	(365)	(678)
Net income	\$ 5,439	301	9,578	3,847

Net income was \$5,439 million in the second quarter of 2008, compared with \$301 million in the second quarter of 2007. For the six-month periods ended June 30, 2008 and 2007, net income was \$9,578 million and \$3,847 million, respectively. The higher results in both 2008 periods were primarily the result of a complete impairment in 2007 (\$4,512 million after-tax) of our oil interests in Venezuela, resulting from their expropriation on June 26, 2007.

In addition, the results in both 2008 periods benefited from:

- Significantly higher crude oil, natural gas and natural gas liquids prices in our E&P segment.
- Increased earnings from our LUKOIL investment, primarily due to higher estimated realized prices, partially offset by higher estimated taxes.

These items were partially offset by a decrease in net income from our R&M segment, primarily due to lower domestic realized refining and marketing margins, and a reduced net benefit from asset rationalization efforts. In addition, net income decreased due to higher taxes in our E&P segment.

See the "Segment Results" section for additional information on our segment results.

Income Statement Analysis

Sales and other operating revenues increased 51 percent in the second quarter of 2008 and 42 percent in the six-month period, while purchased crude oil, natural gas and products increased 66 percent and 55 percent, respectively. These increases were mainly the result of higher petroleum product prices, and higher prices for crude oil, natural gas and natural gas liquids.

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Equity in earnings of affiliates increased 20 percent in the second quarter of 2008 and 30 percent in the six-month period, reflecting improved results from:

- LUKOIL, primarily reflecting higher estimated realized prices, partially offset by higher estimated taxes.
- DCP Midstream, our midstream joint venture, primarily due to higher realized natural gas liquids prices and volumes.

These increases were partially offset by lower earnings from WRB Refining LLC, primarily due to lower refining margins.

Other income decreased 75 percent and 61 percent during the second quarter and first six months of 2008, respectively. The decrease was primarily due to higher 2007 net gains on asset dispositions associated with asset rationalization efforts.

Production and operating costs increased 22 percent and 15 percent during the second quarter and first six months of 2008, respectively. Contributing to the increase were higher maintenance, well workover and repair costs in E&P and higher turnaround and utility costs in R&M.

Impairment—expropriated assets reflects a second-quarter 2007 noncash impairment of \$4,588 million before-tax related to the expropriation of our oil interests in Venezuela. For additional information, see the “Expropriated Assets” section of Note 13—Impairments, in our 2007 Annual Report on Form 10-K.

Taxes other than income taxes increased 23 percent and 21 percent during the second quarter and first six months of 2008, respectively, primarily due to increased production taxes in Alaska.

Interest and debt expense decreased 34 percent and 33 percent during both periods of 2008, respectively, primarily due to lower average debt levels.

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Segment Results

E&P

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Millions of Dollars				
Net Income (Loss)				
Alaska	\$ 700	535	1,303	1,042
Lower 48	1,152	520	1,898	929
United States	1,852	1,055	3,201	1,971
International	2,147	(3,459)	3,685	(2,046)
	\$ 3,999	(2,404)	6,886	(75)

	Dollars Per Unit			
Average Sales Prices				
Crude oil (per barrel)				
United States	\$ 118.66	61.91	106.51	57.86
International	119.75	67.16	107.94	61.16
Total consolidated	119.24	64.55	107.27	59.61
Equity affiliates*	93.20	47.74	76.86	44.24
Worldwide E&P	118.01	61.97	105.68	57.53
Natural gas (per thousand cubic feet)				
United States	9.69	6.49	8.67	6.34
International	10.02	6.42	9.15	6.46
Total consolidated	9.87	6.45	8.94	6.41
Equity affiliates*	—	.30	—	.30
Worldwide E&P	9.87	6.44	8.94	6.40
Natural gas liquids (per barrel)				
United States	65.96	44.17	62.31	41.04
International	71.40	45.64	66.86	42.30
Total consolidated	68.42	44.80	64.40	41.60
Equity affiliates*	—	—	—	—
Worldwide E&P	68.42	44.80	64.40	41.60

	Millions of Dollars			
Worldwide Exploration Expenses				
General administrative; geological and geophysical; and lease rentals	\$ 161	126	316	240
Leasehold impairment	59	59	119	145
Dry holes	68	74	162	136
	\$ 288	259	597	521

*Excludes our equity share of LUKOIL, which is reported in the LUKOIL Investment segment.

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	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Thousands of Barrels Daily				
Operating Statistics				
Crude oil produced				
Alaska	244	267	249	272
Lower 48	95	105	96	104
United States	339	372	345	376
Europe	194	193	198	214
Asia Pacific	86	93	88	95
Canada	24	19	23	20
Middle East and Africa	78	73	80	84
Other areas	10	10	10	10
Total consolidated	731	760	744	799
Equity affiliates*				
Canada	25	28	27	26
Russia and Caspian	16	15	16	15
Venezuela	—	85	—	83
	772	888	787	923
Natural gas liquids produced				
Alaska	17	18	18	20
Lower 48	76	71	73	70
United States	93	89	91	90
Europe	19	11	21	12
Asia Pacific	17	15	15	13
Canada	25	28	26	30
Middle East and Africa	2	2	2	2
	156	145	155	147
Millions of Cubic Feet Daily				
Natural gas produced**				
Alaska	98	100	99	111
Lower 48	2,034	2,219	1,998	2,205
United States	2,132	2,319	2,097	2,316
Europe	880	921	952	1,003
Asia Pacific	616	603	602	601
Canada	1,055	1,133	1,078	1,142
Middle East and Africa	116	127	110	134
Other areas	19	21	20	22
Total consolidated	4,818	5,124	4,859	5,218
Equity affiliates*				
Venezuela	—	9	—	9
	4,818	5,133	4,859	5,227
Thousands of Barrels Daily				
Mining operations				
Syn crude produced	19	21	20	22

*Excludes our equity share of LUKOIL, which is reported in the LUKOIL Investment segment.

**Represents quantities available for sale. Excludes gas equivalent of natural gas liquids shown above.

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The E&P segment explores for, produces, transports and markets crude oil, natural gas and natural gas liquids on a worldwide basis. It also mines deposits of oil sands in Canada to extract the bitumen and upgrade it into a synthetic crude oil. At June 30, 2008, our E&P operations were producing in the United States, Norway, the United Kingdom, the Netherlands, Canada, Nigeria, Ecuador, Argentina, offshore Timor-Leste in the Timor Sea, Australia, China, Indonesia, Algeria, Libya, Vietnam, and Russia.

The E&P segment reported net income of \$3,999 million in the second quarter of 2008, compared with a net loss of \$2,404 million in the second quarter of 2007. In the second quarter of 2007, we recorded a noncash impairment of \$4,588 million before-tax (\$4,512 million after-tax) related to the expropriation of our oil interests in Venezuela. For additional information, see the “Expropriated Assets” section of Note 13—Impairments, in our 2007 Annual Report on Form 10-K. In addition to the impact of the impairment, results for the second quarter of 2008 reflect higher crude oil, natural gas and natural gas liquids prices, partially offset by higher production taxes, lower volumes and higher operating costs.

Net income for the E&P segment for the first six months of 2008 was \$6,886 million, compared with a net loss of \$75 million for the corresponding period of 2007. In addition to the impact of the impairment noted above, the 2008 period benefited from higher crude oil, natural gas and natural gas liquids prices, partially offset by higher production taxes, lower volumes, higher operating costs, and a reduced net benefit from asset rationalization efforts. See the “Business Environment and Executive Overview” section for additional information on industry crude oil and natural gas prices.

U.S. E&P

Net income from our U.S. E&P operations increased 76 percent and 62 percent in the second quarter and six months of 2008, respectively, primarily due to higher crude oil, natural gas and natural gas liquids prices. The increases were partially offset by higher production taxes in Alaska, lower crude oil and natural gas volumes and higher operating costs.

U.S. E&P production on a barrel-of-oil-equivalent (BOE) basis averaged 787,000 BOE per day in the second quarter of 2008, a decrease of 7 percent from 848,000 BOE per day in the second quarter of 2007. The production decrease was primarily due to normal field decline, as well as unplanned downtime.

We have a long-term terminal use agreement with Freeport LNG Development, L.P. (Freeport) for 0.9 billion cubic feet per day of capacity at Freeport’s 1.5-billion-cubic-feet-per-day liquefied natural gas (LNG) receiving terminal in Quintana, Texas. The terminal became operational late in the second quarter of 2008. Due to present market conditions, which favor the flow of LNG to European and Asian markets, our near-to-mid-term utilization of the terminal is expected to be limited. Due to the process-or-pay nature of the terminal use agreement, we are responsible for monthly payments to Freeport irrespective of whether we are utilizing the terminal for regasification. However, the financial impact of this capacity underutilization is not expected to be material to our future earnings or cash flows.

International E&P

Net income from our international E&P operations was \$2,147 million and \$3,685 million in the second quarter and first six months of 2008, respectively, compared with a net loss of \$3,459 million and \$2,046 million in the corresponding periods of 2007. In addition to the impact of the impairment of our oil interests in Venezuela, the 2008 periods benefited from higher crude oil, natural gas and natural gas liquids prices, partially offset by lower crude oil and natural gas volumes, lower foreign currency gains, and higher operating costs and taxes. The first six months of 2008 were also negatively impacted by a lower net benefit from asset rationalization efforts.

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International E&P production averaged 944,000 BOE per day in the second quarter of 2008, a decrease of 9 percent from 1,041,000 BOE per day in the second quarter of 2007. Production decreased primarily due to the expropriation of our Venezuelan oil projects and normal field decline. These decreases were partially offset by production from new developments in Indonesia, Norway, the United Kingdom, and Canada.

Our Syncrude mining operations produced 19,000 barrels per day in the second quarter of 2008, compared with 21,000 barrels per day in the second quarter of 2007.

Midstream

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
	Millions of Dollars			
Net Income*	\$ 162	102	299	187
<i>*Includes DCP Midstream-related net income:</i>	<i>\$ 137</i>	76	255	126
	Dollars Per Barrel			
Average Sales Prices				
U.S. natural gas liquids*				
Consolidated	\$ 68.21	45.19	64.15	41.46
Equity	62.53	44.30	59.51	40.43

**Prices are based on index prices from the Mont Belvieu and Conway market hubs that are weighted by natural gas liquids component and location mix.*

	Thousands of Barrels Daily			
	2008	2007	2008	2007
Operating Statistics				
Natural gas liquids extracted*	196	211	197	204
Natural gas liquids fractionated**	162	176	158	175

**Includes our share of equity affiliates, except LUKOIL, which is included in the LUKOIL Investment segment.*

***Excludes DCP Midstream.*

The Midstream segment purchases raw natural gas from producers and gathers natural gas through an extensive network of pipeline gathering systems. The natural gas is then processed to extract natural gas liquids from the raw gas stream. The remaining “residue” gas is marketed to electrical utilities, industrial users, and gas marketing companies. Most of the natural gas liquids are fractionated—separated into individual components like ethane, butane and propane—and marketed as chemical feedstock, fuel, or blendstock. The Midstream segment consists of our 50 percent equity investment in DCP Midstream, LLC, as well as our other natural gas gathering and processing operations, and natural gas liquids fractionation and marketing businesses, primarily in the United States and Trinidad.

Net income from the Midstream segment increased 59 percent and 60 percent in the second quarter and first six months of 2008. The increase in both periods was primarily due to higher realized natural gas liquids prices, slightly offset by lower natural gas liquids extraction volumes in our consolidated operations.

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R&M

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Millions of Dollars				
Net Income				
United States	\$ 587	1,879	1,022	2,775
International	77	479	162	719
	\$ 664	2,358	1,184	3,494

	Dollars Per Gallon			
	U.S. Average Sales Prices*			
Gasoline				
Wholesale	\$ 3.23	2.50	2.89	2.19
Retail	3.36	2.68	3.01	2.36
Distillates—wholesale	3.73	2.24	3.33	2.09

*Excludes excise taxes.

	Thousands of Barrels Daily			
	Operating Statistics			
Refining operations*				
United States				
Crude oil capacity	2,008	2,033	2,008	2,033
Crude oil runs	1,891	1,896	1,848	1,917
Capacity utilization (percent)	94%	93	92	94
Refinery production	2,095	2,087	2,043	2,119
International				
Crude oil capacity	670	696	670	696
Crude oil runs	589	650	583	637
Capacity utilization (percent)	88%	93	87	92
Refinery production	592	664	583	654
Worldwide				
Crude oil capacity	2,678	2,729	2,678	2,729
Crude oil runs	2,480	2,546	2,431	2,554
Capacity utilization (percent)	93%	93	91	94
Refinery production	2,687	2,751	2,626	2,773

*Includes our share of equity affiliates, except for our share of LUKOIL, which is reported in the LUKOIL Investment segment.

Petroleum products sales volumes				
United States				
Gasoline	1,127	1,300	1,098	1,279
Distillates	912	827	890	845
Other products	404	503	394	491
	2,443	2,630	2,382	2,615
International	683	739	650	726
	3,126	3,369	3,032	3,341

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The R&M segment's operations encompass refining crude oil and other feedstocks into petroleum products (such as gasoline, distillates and aviation fuels); buying, selling and transporting crude oil; and buying, selling, transporting, distributing and marketing petroleum products. R&M has operations mainly in the United States, Europe and Asia Pacific.

Net income from the R&M segment decreased 72 percent during the second quarter of 2008 and 66 percent in the first six months of 2008. The decrease in both periods was primarily due to significantly lower domestic realized refining and marketing margins. Contributing to the lower refinery margins in the second quarter of 2008 were decreases in margins for secondary products, such as fuel oil, natural gas liquids and petroleum coke. Both periods were also impacted by higher turnaround and utility costs. The results for the six-month period of 2008 also included a lower net benefit from asset rationalization efforts.

U.S. R&M

Net income from our U.S. R&M operations decreased 69 percent in the second quarter of 2008 and 63 percent in the first six months of 2008. The decrease was primarily the result of lower refining and marketing margins and higher turnaround and utility costs.

Our U.S. refining capacity utilization rate was 94 percent in the second quarter of 2008, compared with 93 percent in the second quarter of 2007. The current year rate benefited from lower unplanned downtime.

International R&M

Net income from our international R&M operations decreased 84 percent in the second quarter of 2008 and 77 percent for the first six months of 2008. Contributing to the decrease in both periods were lower realized refining margins and a reduced net benefit from our asset rationalization efforts.

Our international refining capacity utilization rate was 88 percent in the second quarter of 2008, compared with 93 percent in the same quarter of 2007. The utilization rate was primarily impacted by reduced crude throughput at our Wilhelmshaven, Germany, refinery due to economic conditions, and planned maintenance at the Humber refinery in the United Kingdom.

LUKOIL Investment

	Millions of Dollars			
	Three Months Ended		Six Months Ended	
	June 30	2007	June 30	2007
Net Income	\$ 774	526	1,484	782

Operating Statistics*

Net crude oil production (thousands of barrels daily)	387	427	390	411
Net natural gas production (millions of cubic feet daily)	363	278	383	293
Net refinery crude oil processed (thousands of barrels daily)	215	184	218	202

*Represents our net share of our estimate of LUKOIL's production and processing.

This segment represents our investment in the ordinary shares of LUKOIL, an international, integrated oil and gas company headquartered in Russia, which we account for under the equity method. As of June 30, 2008, our ownership interest in LUKOIL was 20 percent based on issued shares. Our ownership interest based on estimated shares outstanding, used for equity-method accounting, was also 20 percent at June 30, 2008. During the second quarter of 2008, our equity-method accounting ownership percentage was reduced from 20.6 to 20 percent as a result of LUKOIL's issuance of treasury shares in connection with an acquisition.

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Since LUKOIL's accounting cycle close and preparation of U.S. generally accepted accounting principles financial statements occur subsequent to our reporting deadline, our equity earnings and statistics for our LUKOIL investment are estimated, based on current market indicators, publicly available LUKOIL operating results, and other objective data. Once the difference between actual and estimated results is known, an adjustment is recorded. This estimate-to-actual adjustment will be a recurring component of future period results. The adjustment to first-quarter 2008 estimates, recorded in the second quarter of 2008, decreased net income \$120 million. This compares with a decrease to net income of \$44 million in the second quarter of 2007.

In addition to our estimate of our equity share of LUKOIL's earnings, this segment reflects the amortization of the basis difference between our equity interest in the net assets of LUKOIL and the historical cost of our investment in LUKOIL, and also includes the costs associated with our employees seconded to LUKOIL.

Net income from the LUKOIL Investment segment increased 47 percent in the second quarter of 2008 and 90 percent in the first six months of 2008. The increase in net income from the second quarter of 2007 was primarily due to higher estimated realized prices, partially offset by higher estimated taxes and operating costs, as well as the net impact from the alignment of estimated net income to LUKOIL's reported results. The increase in the first six months of 2008 was primarily due to higher estimated realized prices, partially offset by higher estimated taxes and operating costs.

Chemicals

	Millions of Dollars			
	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net Income	\$ 18	68	70	150

The Chemicals segment consists of our 50 percent interest in Chevron Phillips Chemical Company LLC (CPChem), which we account for under the equity method. CPChem uses natural gas liquids and other feedstocks to produce petrochemicals. These products are then marketed and sold, or used as feedstocks to produce plastics and commodity chemicals.

Net income from the Chemicals segment decreased 74 percent and 53 percent in the second quarter of 2008 and first six months of 2008, respectively. The decrease in both periods was due to lower benzene and polyethylene margins as the result of significant increases in feedstock costs, as well as higher utility and turnaround costs. This decrease was partially offset by an asset retirement in 2007. Business conditions in the chemicals and plastics industry are expected to remain challenging in the near term.

Emerging Businesses

	Millions of Dollars			
	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net Income (Loss)				
Power	\$ 26	(1)	53	12
Other	(18)	(11)	(33)	(25)
	\$ 8	(12)	20	(13)

The Emerging Businesses segment represents our investment in new technologies or businesses outside our normal scope of operations. Activities within this segment are currently focused on power generation and other items, such as carbon-to-liquids, technology solutions, and alternative energy and programs, such as advanced hydrocarbon processes, energy conversion technologies, new petroleum-based products, and renewable fuels.

The Emerging Businesses segment reported net income of \$8 million in the second quarter of 2008, compared with a net loss of \$12 million in the same quarter of 2007. Net income for the first six months of 2008 was \$20 million, compared with a net loss of \$13 million for the same period a year ago. The improvement for both periods primarily reflects improved international power generation results. The improvements were partially offset by lower domestic power results and increased technology spending.

Corporate and Other

	Millions of Dollars			
	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net Income (Loss)				
Net interest	\$ (119)	(224)	(227)	(468)
Corporate general and administrative expenses	(68)	(54)	(112)	(77)
Acquisition/merger-related costs	—	(16)	—	(29)
Other	1	(43)	(26)	(104)
	\$ (186)	(337)	(365)	(678)

Net interest consists of interest and financing expense, net of interest income and capitalized interest, as well as premiums incurred on the early retirement of debt. Net interest decreased 47 percent in the second quarter of 2008 and 51 percent in the first six months of 2008. The decrease in both periods was primarily due to lower average debt levels, as well as higher amounts of interest being capitalized. The first six months of 2008 also benefited from higher interest income.

Corporate general and administrative expenses increased 26 percent and 45 percent in the second quarter and first six months of 2008, respectively. The increase in both periods was primarily due to higher corporate staff costs and benefit-related expenses.

Acquisition-related costs in 2007 included transition costs associated with the Burlington Resources acquisition.

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The category “Other” includes certain foreign currency transaction gains and losses, and environmental costs associated with sites no longer in operation. Included in the improved results from Other in the second quarter and first six months of 2008 were foreign currency gains in 2008, compared with losses in 2007, as well as lower environmental costs.

CAPITAL RESOURCES AND LIQUIDITY**Financial Indicators**

	Millions of Dollars	
	At June 30 2008	At December 31 2007
Short-term debt	\$ 385	1,398
Total debt*	\$ 21,924	21,687
Minority interests	\$ 1,144	1,173
Common stockholders' equity	\$ 92,398	88,983
Percent of total debt to capital**	19%	19
Percent of floating-rate debt to total debt	20%	25

*Total debt includes short-term and long-term debt, as shown on our consolidated balance sheet.

**Capital includes total debt, minority interests and common stockholders' equity.

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources. Cash generated from operating activities is the primary source of funding. In addition, during the first six months of 2008, we raised \$441 million in proceeds from asset dispositions. During the first six months, available cash was used to support our ongoing capital expenditures and investments program, repurchase shares of our common stock, provide loan financing to certain equity affiliates, pay dividends, and meet the funding requirements to FCCL Oil Sands Partnership (FCCL). Total dividends paid on our common stock during the first six months were \$1,449 million. During the first half of 2008, cash and cash equivalents decreased \$669 million to \$787 million.

In addition to cash flows from operating activities and proceeds from asset sales, we rely on our cash balance, commercial paper and credit facility programs, and our shelf registration statements, to support our short- and long-term liquidity requirements. We anticipate these sources of liquidity will be adequate to meet our funding requirements in the near- and long-term, including our capital spending program, our share repurchase programs, dividend payments, required debt payments and the funding requirements to FCCL.

Significant Sources of CapitalOperating Activities

During the first six months of 2008, cash of \$12,021 million was provided by operating activities, a 3 percent increase from cash from operations of \$11,639 million in the corresponding period of 2007. Contributing to the increase were higher commodity prices in our E&P segment, partially offset by lower U.S. refining and marketing margins, as well as higher volumetric inventory builds in our R&M segment.

While the stability of our cash flows from operating activities benefits from geographic diversity and the effects of upstream and downstream integration, our short- and long-term operating cash flows are highly dependent upon prices for crude oil, natural gas and natural gas liquids, as well as refining and marketing margins. During the first six months of 2008 and 2007, we benefited from favorable crude oil and natural gas prices. Prices and margins 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.

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The level of our production volumes of crude oil, natural gas and natural gas liquids also impacts our cash flows. These production levels are impacted by such factors as acquisitions and dispositions of fields, field production decline rates, new technologies, operating efficiency, weather conditions, the addition of proved reserves through exploratory success, and the timely and cost-effective development of those proved reserves. While we actively manage these factors, production levels can cause variability in cash flows, although historically this variability has not been as significant as that experienced with commodity prices.

In addition, the level and quality of output from our refineries impacts our cash flows. The output at our refineries is impacted by such factors as operating efficiency, maintenance turnarounds, feedstock availability and weather conditions. We actively manage the operations of our refineries and, typically, any variability in their operations has not been as significant to cash flows as that experienced with refining margins.

Asset Sales

Proceeds from asset sales during the first half of 2008 were \$441 million, compared with \$2,215 million in the same period of 2007. Proceeds for both periods primarily reflect our ongoing efforts to dispose of assets that no longer fit into our strategic plans or those that could bring more value by being monetized in the near term.

Commercial Paper and Credit Facilities

At June 30, 2008, we had a \$7.5 billion revolving credit facility, which expires in September 2012. This facility may be used as direct bank borrowings, as support for the ConocoPhillips \$7.5 billion commercial paper program, as support for the ConocoPhillips Qatar Funding Ltd. \$1.5 billion commercial paper program, or as support for issuances of letters of credit totaling up to \$750 million. The 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 ratings. The credit 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 by any of its consolidated subsidiaries. At June 30, 2008 and December 31, 2007, we had no outstanding borrowings under the credit facility, but \$40 million and \$41 million, respectively, in letters of credit had been issued. Under both commercial paper programs, \$1,314 million of commercial paper was outstanding at June 30, 2008, compared with \$725 million at December 31, 2007.

At June 30, 2008, our primary funding source for short-term working capital needs was the ConocoPhillips \$7.5 billion commercial paper program. Commercial paper maturities are generally limited to 90 days. The ConocoPhillips Qatar Funding Ltd. \$1.5 billion commercial paper program is used to fund commitments relating to the Qatargas 3 project. Since we had \$1,314 million of commercial paper outstanding and had issued \$40 million of letters of credit, we had access to \$6.1 billion in borrowing capacity under our revolving credit facility at June 30, 2008.

Shelf Registrations

We have a universal shelf registration statement on file with the U.S. Securities and Exchange Commission (SEC) under which we, as a well-known seasoned issuer, have the ability to issue and sell an indeterminate amount of various types of debt and equity securities. Under this shelf, in May 2008, we issued notes consisting of \$400 million of 4.40% Notes due 2013, \$500 million of 5.20% Notes due 2018 and \$600 million of 5.90% Notes due 2038. The proceeds from the offering were used to reduce commercial paper and for general corporate purposes.

We also have on file with the SEC a shelf registration statement under which ConocoPhillips Canada Funding Company I and ConocoPhillips Canada Funding Company II, both wholly owned subsidiaries, could issue an indeterminate amount of senior debt securities, fully and unconditionally guaranteed by ConocoPhillips and ConocoPhillips Company.

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Minority Interests

At June 30, 2008, we had outstanding \$1,144 million of equity in less than wholly owned consolidated subsidiaries held by minority interest owners, including a minority interest of \$505 million in Ashford Energy Capital S.A. The remaining minority interest amounts are primarily related to operating joint ventures we control. The largest of these, \$620 million, was related to the Darwin LNG project located in northern Australia.

Off-Balance Sheet Arrangements

As part of our normal ongoing business operations and consistent with normal industry practice, we enter into numerous agreements with other parties to pursue business opportunities, which share costs and apportion risks among the parties as governed by the agreements. At June 30, 2008, we were liable for certain contingent obligations under the following contractual arrangements:

- Qatargas 3: We own a 30 percent interest in Qatargas 3, an integrated project to produce and liquefy natural gas from Qatar's North field. Our interest is held through a jointly owned company, Qatar Liquefied Gas Company Limited (3), for which we use the equity method of accounting. Qatargas 3 secured project financing of \$4 billion in December 2005, consisting of \$1.3 billion of loans from export credit agencies (ECA), \$1.5 billion from commercial banks, and \$1.2 billion from ConocoPhillips. The ConocoPhillips loan facilities have substantially the same terms as the ECA and commercial bank facilities. Prior to project completion certification, all loans, including the ConocoPhillips loan facilities, are guaranteed by the participants, based on their respective ownership interests. Accordingly, our maximum exposure to this financing structure is \$1.2 billion, excluding accrued interest. Upon completion certification, currently expected in 2010, all project loan facilities, including the ConocoPhillips loan facilities, will become nonrecourse to the project participants. At June 30, 2008, Qatargas 3 had \$2.6 billion outstanding under all the loan facilities, of which ConocoPhillips provided \$787 million, and an additional \$60 million of accrued interest.
- Rockies Express Pipeline LLC: In June 2006, we issued a guarantee for 24 percent of \$2.0 billion in credit facilities issued to Rockies Express Pipeline LLC (Rockies Express). Rockies Express intends to construct a natural gas pipeline across a portion of the United States. The maximum potential amount of future payments to third-party lenders under the guarantee is estimated to be \$480 million, which could become payable if the credit facility is fully utilized and Rockies Express fails to meet its obligations under the credit agreement. At June 30, 2008, Rockies Express had \$740 million outstanding under the credit facilities, with our 24 percent guarantee equaling \$178 million. In addition, we have a 24 percent guarantee on \$600 million of Floating Rate Notes due 2009. It is anticipated that construction completion will be achieved in 2009, and refinancing will take place at that time, making the debt nonrecourse.
- Keystone Oil Pipeline: We own a 50 percent equity interest in the Keystone Oil Pipeline (Keystone), a joint venture with TransCanada Corporation. Keystone plans to construct a crude oil pipeline originating in Alberta, with delivery points in Illinois and Oklahoma. In connection with certain planning and construction activities, agreements were put in place with third parties to guarantee the payments due under those agreements. Our maximum potential amount of future payments under those agreements are estimated to be \$400 million, which could become payable if Keystone fails to meet its obligations under the agreements noted above and the obligation cannot otherwise be mitigated. Payments under the guarantees are contingent upon the partners not making necessary equity contributions into Keystone; therefore, it is considered unlikely that payments would be required. All but \$15 million of the guarantees will terminate after construction is completed, currently estimated to be in 2010.

For additional information about guarantees, see Note 11—Guarantees, in the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

Capital Requirements

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

Our debt balance at June 30, 2008, was \$21.9 billion, a slight increase from the balance at December 31, 2007.

In January 2008, we reduced our Floating Rate Five-Year Term Note due 2011 from \$3 billion to \$2 billion, with a subsequent reduction in June 2008 to \$1.5 billion. In March 2008, we redeemed our \$300 million 7.125% Debentures due 2028 at a premium of \$8 million, plus accrued interest.

On January 3, 2007, we closed on a business venture with EnCana. As part of this transaction, we are obligated to contribute \$7.5 billion, plus interest, over a ten-year period, which began in 2007, to the upstream business venture, FCCL, formed as a result of the transaction. Quarterly principal and interest payments of \$237 million began in the second quarter of 2007, and will continue until the balance is paid. Of the principal obligation amount, approximately \$609 million is short-term and is included in the “Accounts payable—related parties” line on our June 30, 2008, consolidated balance sheet. The principal portion of these payments, which totaled \$293 million in the first six months of 2008, is presented on our consolidated statement of cash flows as an other financing activity. Interest accrues at a fixed annual rate of 5.3 percent on the unpaid principal balance. Fifty percent of the quarterly interest payment is reflected as a capital contribution and is included in the “Capital expenditures and investments” line on our consolidated statement of cash flows.

At year-end 2007, approximately \$10.1 billion remained authorized for share repurchases in 2008 for our share repurchase programs announced in 2007. During the first six months of 2008, we repurchased 60.4 million shares of our common stock at a cost of \$5.0 billion. We anticipate third-quarter 2008 share repurchases to be \$2 billion to \$3 billion.

In December 2005, we entered into a credit agreement with Qatargas 3, whereby we will provide loan financing of approximately \$1.2 billion for the construction of an LNG train in Qatar. This financing will represent 30 percent of the project’s total debt financing. Through June 30, 2008, we had provided \$787 million in loan financing, and an additional \$60 million of accrued interest. See the “Off-Balance Sheet Arrangements” section for additional information on Qatargas 3.

In 2004, we finalized our transaction with Freeport to participate in a proposed LNG receiving terminal in Quintana, Texas. We entered into a credit agreement with Freeport to provide loan financing of approximately \$678 million, excluding accrued interest, for the construction of the facility. The terminal became operational late in the second quarter of 2008. Through June 30, 2008, we had provided \$644 million in loan financing, and an additional \$116 million of accrued interest.

In the fall of 2004, ConocoPhillips and LUKOIL agreed to the expansion of the Varandey terminal as part of our investment in the OOO Naryanmarneftegaz (NMNG) joint venture. We have an obligation to provide loan financing to Varandey Terminal Company for 30 percent of the costs of the terminal expansion, but we will have no governance or ownership interest in the terminal. We estimate our total loan obligation for the terminal expansion to be approximately \$390 million at current exchange rates, excluding interest to be accrued during construction. This amount will be adjusted as the project’s cost estimate and schedule are updated and the ruble exchange rate fluctuates. Through June 30, 2008, we had provided \$359 million in loan financing, and an additional \$46 million of accrued interest.

The long-term portion of our loans to Qatargas 3, Freeport and Varandey Terminal Company are included in the “Loans and advances—related parties” line on the balance sheet, while the short-term portion is in “Accounts and notes receivable—related parties.”

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Contractual Obligations

Our contractual purchase obligations at June 30, 2008, were estimated to be \$166 billion, an increase of \$40 billion from the amount reported at December 31, 2007, of \$126 billion. The increase primarily results from higher crude oil, natural gas and natural gas liquids prices.

Capital Spending

Capital Expenditures and Investments

	Millions of Dollars	
	Six Months Ended	
	June 30	
	2008	2007
E&P		
United States—Alaska	\$ 890	324
United States—Lower 48	1,735	1,392
International	2,999	3,002
	5,624	4,718
Midstream	—	2
R&M		
United States	677	388
International	196	88
	873	476
LUKOIL Investment	—	—
Chemicals	—	—
Emerging Businesses	112	65
Corporate and Other	111	86
	\$ 6,720	5,347
United States	\$ 3,413	2,191
International	3,307	3,156
	\$ 6,720	5,347

E&P

Capital expenditures and investments for E&P during the first six months of 2008 totaled \$5.6 billion. The expenditures supported key exploration and development projects including:

- Significant U.S. lease acquisitions in the Chukchi Sea federal waters, offshore Alaska, as well as acquisitions in the deepwater Gulf of Mexico.
- Other Alaska activities related to development drilling in the Greater Kuparuk Area, including West Sak; the Greater Prudhoe Bay Area; the Alpine field, including satellite field prospects; the Cook Inlet Area; as well as exploration activities.
- Oil and natural gas developments in the Lower 48 states, including New Mexico, Texas, Louisiana, Oklahoma, Montana, North Dakota, Colorado, Wyoming, and offshore in the Gulf of Mexico.
- Investment in the West2East Pipeline LLC (West2East), a company holding a 100 percent interest in Rockies Express Pipeline LLC (Rockies Express).
- The development of the Surmont heavy-oil project, investments related to FCCL, and development of conventional oil and gas reserves, all in Canada.
- Development drilling and facilities projects in the Greater Ekofisk Area and Alvheim project in the Norwegian North Sea.

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- The Britannia satellite developments in the U.K. North Sea.
- An integrated project to produce and liquefy natural gas from Qatar's North field.
- The Kashagan field in the Caspian Sea, offshore Kazakhstan.
- Development of the Yuzhno Khylychuyu (YK) field in the northern part of Russia's Timan-Pechora province through the NMNG joint venture with LUKOIL.
- The Peng Lai 19-3 development in China's Bohai Bay.
- The Gumusut-Kakap development offshore Sabah, Malaysia.
- Projects offshore Block B and onshore South Sumatra in Indonesia.

During the second quarter of 2008, affiliates of ConocoPhillips and BP Plc formed a limited liability company to progress the pipeline project named Denali —The Alaska Gas Pipeline. The project, which would move approximately four billion cubic feet per day of Alaska natural gas to North American markets, consists of a gas treatment plant on Alaska's North Slope and a large-diameter pipeline through Alaska to Alberta, Canada. Should it be required to transport gas from Alberta, the project also could include a large-diameter pipeline from Alberta to the Lower 48 states. Summer fieldwork related to the project began in late May, primarily in eastern Alaska, and involves route reconnaissance and environmental studies. In late June 2008, the Federal Regulatory Commission (FERC) approved the Denali project to use the FERC's pre-filing process.

In July 2008, we announced the signing of an interim agreement with the Abu Dhabi National Oil Company (ADNOC) to develop the Shah gas field in Abu Dhabi. Final project agreements are expected to be completed by year-end 2008. ADNOC will have a 60 percent interest and we will have a 40 percent interest in the project.

R&M

Capital spending for R&M during the first six months of 2008 totaled \$873 million and included projects to meet environmental standards and improve the operating integrity, safety and energy efficiency of processing units. Capital also was spent on pipeline development and refinery upgrade projects to increase crude oil capacity, expand conversion capability and increase clean product yield.

Major project activities in progress include:

- Expansion of a hydrocracker at the Rodeo facility of our San Francisco refinery.
- Investment in the Keystone Oil Pipeline.
- U.S. programs aimed at air emission reductions.

Through our joint ventures with TransCanada, we plan to expand the Keystone crude oil pipeline system and provide additional capacity of 500,000 barrels per day from western Canada to the U.S. Gulf Coast. Targeted for completion in 2012, this expansion would increase the capacity of the Keystone pipeline system to approximately 1.1 million barrels per day.

In May 2008, we and the Saudi Arabian Oil Company announced the two companies had approved continued funding for the development of the Yanbu Export Refinery project. Each company would be responsible for marketing one-half of the refinery's production. The refinery is targeted to start up in 2013.

Contingencies

Legal and Tax Matters

We accrue for non-income-tax-related contingencies when a loss is probable and the amounts can be reasonably estimated. 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 minimum of the range is accrued. In the case of income-tax-related contingencies, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48), effective January 1, 2007. FIN 48 requires 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.

Environmental

We are subject to the same numerous international, federal, state, and local environmental laws and regulations, as are other companies in the petroleum exploration and production, refining and crude oil and refined product marketing and transportation businesses. 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 81 through 84 of our 2007 Annual Report on Form 10-K.

We, from time to time, receive requests for information or notices of potential liability from the Environmental Protection Agency 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 wastes attributable to our past operations. As of December 31, 2007, we reported we had been notified of potential liability under CERCLA and comparable state laws at 68 sites around the United States. At June 30, 2008, we reopened and closed one site, resolved and closed four sites, and received two new notices of potential liability, leaving 66 unresolved sites where we have been notified of potential liability.

At June 30, 2008, our balance sheet included a total environmental accrual of \$1,046 million, compared with \$1,089 million at December 31, 2007. We expect to incur a substantial majority 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 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 on our results of operations or financial position as a result of compliance with environmental laws and regulations.

NEW ACCOUNTING STANDARDS

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141 (Revised), “Business Combinations” (SFAS No. 141(R)). This Statement will apply to all transactions in which an entity obtains control of one or more other businesses. In general, SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date as the fair value measurement point; and modifies the disclosure requirements. This Statement applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. However, starting January 1, 2009, accounting for changes in valuation allowances for acquired deferred tax assets and the resolution of uncertain tax positions for prior business combinations will impact tax expense instead of impacting goodwill. We are currently evaluating the changes provided for in this Statement.

Also in December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51,” which changes the classification of noncontrolling interests, sometimes called a minority interest, in the consolidated financial statements. Additionally, this Statement establishes a single method of accounting for changes in a parent company’s ownership interest that do not result in deconsolidation and requires a parent company to recognize a gain or loss when a subsidiary is deconsolidated. This Statement is effective January 1, 2009, and will be applied prospectively with the exception of the presentation and disclosure requirements which must be applied retrospectively for all periods presented. We are currently evaluating the impact of this Statement on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB No. 133.” This Statement expands the annual and interim disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” for derivative instruments within the scope of that Statement. We must adopt SFAS No. 161 no later than January 1, 2009, but it will not have any impact on our consolidated financial statements, other than the additional disclosures.

OUTLOOK

In E&P, we expect our third-quarter 2008 production to be similar to the level in the second quarter of 2008. We expect full-year 2008 production will be consistent with our operating plan.

In R&M, we expect our U.S. crude oil capacity utilization in the third quarter of 2008 to be similar to the second quarter. In international refining, utilization at our Wilhelmshaven refinery will continue to be impacted by hydro-skimming margins.

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. You can identify our forward-looking statements by the words “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar expressions.

We based the forward-looking statements relating to our operations on our current expectations, estimates and projections about ourselves and the industries in which we operate in general. We caution you that these statements are not guarantees of future performance and involve risks, uncertainties and assumptions 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, including the following:

- Fluctuations in crude oil, natural gas and natural gas liquids prices, refining and marketing margins and margins for our chemicals business.
- Potential failure or delays in achieving expected reserve or production levels from existing and future oil and gas development projects due to operating hazards, drilling risks and the inherent uncertainties in predicting oil and gas reserves and oil and gas reservoir performance.
- Unsuccessful exploratory drilling activities or the inability to obtain access to exploratory acreage.
- Failure of new products and services to achieve market acceptance.
- Unexpected changes in costs or technical requirements for constructing, modifying or operating facilities for exploration and production, manufacturing, refining or transportation projects.
- Unexpected technological or commercial difficulties in manufacturing, refining, or transporting our products, including synthetic crude oil and chemicals products.
- Lack of, or disruptions in, adequate and reliable transportation for our crude oil, natural gas, natural gas liquids, LNG and refined products.
- Inability to timely obtain or maintain permits, including those necessary for construction of LNG terminals or regasification facilities, or refinery projects; comply with government regulations; or make capital expenditures required to maintain compliance.
- Failure to complete definitive agreements and feasibility studies for, and to timely complete construction of, announced and future LNG, refinery and transportation projects.
- Potential disruption or interruption of our operations due to accidents, extraordinary weather events, civil unrest, political events or terrorism.
- International monetary conditions and exchange controls.
- Substantial investment or reduced demand for products as a result of existing or future environmental rules and regulations.
- Liability for remedial actions, including removal and reclamation obligations, under environmental regulations.
- Liability resulting from litigation.
- General domestic and international economic and political developments, including: armed hostilities; expropriation of assets; changes in governmental policies relating to crude oil, natural gas, natural gas liquids or refined product pricing, regulation, or taxation; other political, economic or diplomatic developments; and international monetary fluctuations.
- Changes in tax and other laws, regulations (including alternative energy mandates), or royalty rules applicable to our business.
- Inability to obtain economical financing for projects, construction or modification of facilities and general corporate purposes.
- The operation and financing of our midstream and chemicals joint ventures.

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- The factors set forth under the heading “Risk Factors” on pages 34 through 39 of our 2007 Annual Report on Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about market risks for the six months ended June 30, 2008, does not differ materially from that discussed under Item 7A of ConocoPhillips’ Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. CONTROLS AND PROCEDURES

As of June 30, 2008, with the participation of our management, our Chairman, President and Chief Executive Officer (principal executive officer) and our Executive Vice President, Finance, and Chief Financial Officer (principal financial officer) carried out an evaluation, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Act), of the effectiveness of the design and operation of ConocoPhillips’ disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President, Finance, and Chief Financial Officer concluded that our disclosure controls and procedures were operating effectively as of June 30, 2008.

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

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The following is a description of reportable legal proceedings including those involving governmental authorities under federal, state and local laws regulating the discharge of materials into the environment for this reporting period. The following proceedings include those matters that arose during the second quarter of 2008 and any material developments with respect to matters previously reported in ConocoPhillips' 2007 Annual Report on Form 10-K or first-quarter 2008 10-Q. While it is not possible to accurately predict the final outcome of these pending proceedings, if any one or more of such proceedings were decided adversely to ConocoPhillips, we expect there would be no material effect on our consolidated financial position. Nevertheless, such proceedings are reported pursuant to the U.S. Securities and Exchange Commission's regulations.

Our U.S. refineries are implementing two separate consent decrees, regarding alleged violations of the Federal Clean Air Act, with the U.S. Environmental Protection Agency (EPA), six states and one local air pollution agency. Some of the requirements and limitations contained in the decrees provide for stipulated penalties for violations. Stipulated penalties under the decrees are not automatic, but must be requested by one of the agency signatories. As part of periodic reports under the decrees and/or other reports required by permits or regulations, we occasionally report matters which could be subject to a request for stipulated penalties. If a specific request for stipulated penalties meeting the reporting threshold set forth in U.S. Securities and Exchange Commission rules is made pursuant to these decrees based on a given reported exceedance, we will separately report that matter and the amount of the proposed penalty.

New Matters

On July 16, 2008, ConocoPhillips received a demand from the Bay Area Air Quality Management District (BAAQMD) to settle 24 Notices of Violation (NOVs) issued in late 2006 and 2007 for alleged violations of air pollution control regulations at the San Francisco refinery. The amount of the settlement demand is \$304,500. We intend to work with BAAQMD to resolve these NOVs.

On June 19, 2008, the Trainer refinery received a demand for stipulated penalties under the Refinery Enforcement Initiative Consent Decree in the amount of \$110,000 for alleged violations associated with its leak detection and repair program. We intend to work with U.S. EPA and the Pennsylvania Department of Environmental Protection (PADEP) to resolve this matter.

On June 2, 2008, the Billings refinery received a Violation Letter from the Montana Department of Environmental Quality (MDEQ) for opacity and nickel emissions, which occurred during startup of the cat cracker in April 2007. The letter also alleged certain monitoring quality assurance/quality control violations. The letter requests a penalty of \$604,000. We intend to work with the MDEQ to resolve this matter.

Matters Previously Reported

The South Coast Air Quality Management District (SCAQMD) conducted an audit of the Los Angeles refinery to assess compliance with applicable local, state, and federal regulations related to fugitive emissions. As a result of the audit, SCAQMD issued three NOVs alleging multiple counts of noncompliance. We reached an agreement with SCAQMD to settle two of the three NOVs for \$42,500 and are working with SCAQMD to resolve the third NOV.

On September 25, 2007, the Sweeny refinery received a draft order to resolve a July 6, 2007, Notice of Enforcement (NOE) relating to alleged violations of the Texas Clean Air Act. The allegations relate to compliance with limitations contained in the refinery's Title V operating permit and one emission event. In November 2007, we paid \$114,450 as a penalty and agreed to fund a Supplemental Environmental Project (SEP) in the same amount. The settlement was approved by the Texas Commission on Environmental Quality (TCEQ) on May 22, 2008.

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In June 2007, the U.S. EPA informed the Ferndale refinery it will seek penalties for Ferndale's alleged failure to comply with certain portions of the Benzene Waste Operations rule. The government alleges the facility has not complied with certain equipment maintenance and inspection rules since 1993. The parties have reached an agreement, which resolves the matter. The agreement specifies a penalty of \$60,000, an SEP valued at \$200,000 and injunctive actions. The agreement has been incorporated into an amendment to an existing consent decree, which was lodged on June 24, 2008.

The U.S. EPA and the PADEP informed the Trainer refinery they intend to seek penalties for acid gas flaring which allegedly occurred between April 2, 2007, and May 19, 2007. The parties have reached an agreement, which resolves the matter. The agreement has been incorporated into an amendment to an existing consent decree, which was lodged on June 24, 2008.

On April 30, 2007, the Borger refinery received an offer to settle a range of violations alleged in a March 16, 2007, NOE issued by the TCEQ. The alleged violations relate to air quality permit limits, emission events, testing requirements, and reporting or recordkeeping requirements. In November 2007, we submitted payment of a penalty of \$84,900 and agreed to fund an SEP valued at \$84,900. The settlement was approved by the TCEQ on May 13, 2008.

In March 2005, ConocoPhillips Pipe Line Company (CPPL) received a Notice of Probable Violation and Proposed Civil Penalty from the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (DOT) alleging violation of DOT operation and safety regulations at certain facilities in Kansas, Missouri, Illinois, Indiana, Wyoming and Nebraska. DOT is proposing penalties in the amount of \$184,500. An information hearing was held on September 24, 2007. CPPL has provided additional information in support of its position. A DOT ruling is not anticipated until the fourth quarter of 2008.

In August of 2003, EPA Region 6 issued a Show Cause Order alleging violations of the Federal Clean Water Act at the Borger refinery. The alleged violations relate primarily to discharges of selenium and reported exceedances of permit limits for whole effluent toxicity. On April 7, 2008, a Consent Decree (CD) was lodged in the federal court for the Northern District of Texas, Amarillo Division. The CD requires a penalty of \$1.2 million and an SEP valued at \$600,000. After public notice and comment, the judge approved the consent decree and the penalty has been paid.

[Table of Contents](#)**Item 1A. RISK FACTORS**

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

<u>Period</u>	<u>Total Number of Shares Purchased*</u>	<u>Average Price Paid per Total Shares Purchased</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**</u>	<u>Millions of Dollars Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**</u>
April 1-30, 2008	10,761,518	\$ 80.26	10,755,700	\$ 6,737
May 1-31, 2008	9,236,776	89.03	9,217,080	5,916
June 1-30, 2008	8,894,997	93.43	8,864,300	5,088
Total	28,893,291	\$ 87.12	28,837,080	

*Includes the repurchase of common shares from company employees in connection with the company's broad-based employee incentive plans.

**On January 12, 2007, we announced a stock repurchase program that provided for the repurchase of up to \$1 billion of the company's common stock. On February 9, 2007, we announced plans to repurchase \$4 billion of our common stock in 2007, including the \$1 billion announced on January 12, 2007. On July 9, 2007, we announced plans to repurchase up to \$15 billion of the company's common stock through the end of 2008, which included the \$2 billion remaining under the previously announced \$4 billion program. Acquisitions for the share repurchase programs are made at management's discretion, at prevailing prices, subject to market conditions and other factors. Repurchases may be increased, decreased or discontinued at any time without prior notice. Shares of stock repurchased under the plans are held as treasury shares.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our annual stockholders meeting on May 14, 2008. A brief description of each proposal and the voting results follow:

A company proposal to elect three directors.

	Number of Shares		
	Voted For	Voted Against	Abstain
Harold W. McGraw III	1,350,374,854	29,576,891	16,553,718
James J. Mulva	1,352,429,492	29,441,436	14,634,207
Bobby S. Shackouls	1,352,499,577	27,226,764	16,779,121

Those directors whose term of office continued were as follows: Richard L. Armitage, Richard H. Auchinleck, James E. Copeland, Jr., Kenneth M. Duberstein, Ruth R. Harkin, Harald J. Norvik, William K. Reilly, Victoria J. Tschinkel, Kathryn C. Turner and William E. Wade, Jr.

Results of other matters submitted to a vote were:

	Number of Shares			
	Voted For	Voted Against	Abstain	Broker Nonvotes
Proposal to Amend By-Laws and Certificate of Incorporation for Annual Election of Directors	1,363,589,104	18,979,597	13,936,563	—
Ratification to Appoint Ernst & Young as ConocoPhillips' Independent Registered Public Accounting Firm	1,375,375,305	7,831,658	13,298,300	—
Stockholder Proposal to Report on Recognition of Indigenous Rights	89,602,302	910,866,101	195,582,036	200,455,024
Stockholder Proposal for Advisory Vote on Executive Compensation	469,972,284	664,403,359	61,672,997	200,456,823
Stockholder Proposal on Political Contributions	287,338,404	730,470,975	178,241,060	200,455,024
Stockholder Proposal on Greenhouse Gas Reduction	293,016,777	704,412,443	198,621,220	200,455,023
Stockholder Proposal on Community Accountability	85,871,110	914,130,286	196,049,043	200,455,024
Stockholder Proposal on Drilling in Sensitive/Protected Areas	267,528,860	737,075,568	191,444,012	200,457,023
Stockholder Proposal on Environment Impact	276,223,532	728,791,844	191,035,065	200,455,022
Stockholder Proposal on Global Warming	36,783,213	967,166,684	192,100,693	200,454,873

All three nominated directors were elected, the appointment of the independent auditors was ratified, and a management proposal providing for the annual election of directors was approved. The eight stockholder proposals presented were not approved.

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Item 6. EXHIBITS

Exhibits

- 3.1 Amended and Restated Certificate of Incorporation
- 3.3 Amended and Restated By-Laws
- 10 First and Second Amendments to the ConocoPhillips Directors' Charitable Gift Program.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 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.

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/ Rand C. Berney

Rand C. Berney
Vice President and Controller
(Chief Accounting and Duly Authorized Officer)

July 29, 2008

EXHIBIT INDEX

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32	Certifications pursuant to 18 U.S.C. Section 1350.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

of

CONOCOPHILLIPS

FIRST: The name of the Corporation is ConocoPhillips (hereinafter the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "DGCL").

FOURTH: A. AUTHORIZED SHARES. The total number of shares of stock that the Corporation shall have authority to issue is 3,000,000,000 (three billion) of which (i) 2,500,000,000 (two billion, five hundred million) shares shall be shares of Common Stock, par value \$.01 per share (the "Common Stock"), and (ii) 500,000,000 (five hundred million) shares shall be shares of Preferred Stock, par value \$.01 per share (the "Preferred Stock"). The number of authorized shares of any of the Preferred Stock or the Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Preferred Stock or the Common Stock voting separately as a class shall be required therefor.

B. PREFERRED STOCK. The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, and the voting powers, preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The voting powers, preferences and relative, participating, optional and other special rights, if any, of each series of Preferred Stock, and any qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

C. COMMON STOCK.

(1) Subject to the rights of the holders of Preferred Stock, and subject to any other provisions of this Restated Certificate of Incorporation ("Certificate of Incorporation"), holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock of any corporation or property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in all such dividends and other distributions.

(2) (a) At every meeting of the stockholders of the Corporation every holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Common Stock standing in his or her name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) or pursuant to the DGCL.

(b) The affirmative vote of shares representing not less than 80% of the votes entitled to be cast by the Voting Stock shall be required to alter, amend or adopt any provision inconsistent with or repeal Article FIFTH, Article SEVENTH or Article NINTH or any provision of this paragraph (C)(2)(b), and the affirmative vote of shares representing not less than 80% of the votes entitled to be cast by the Voting Stock, acting on the unanimous recommendation of the entire Board of Directors, shall be required to alter, amend or adopt any provision inconsistent with or repeal Article FIRST. "Voting Stock" shall mean the then outstanding shares of capital stock entitled to vote generally on the election of directors and shall exclude any class or series of capital stock only entitled to vote in the event of dividend arrearages thereon, whether or not at the time of determination there are any such dividend arrearages.

(c) Every reference in this Certificate of Incorporation to a majority or other proportion of shares, or a majority or other proportion of the votes of shares, of Voting Stock shall refer to such majority or other proportion of the votes to which such shares of Voting Stock are entitled.

(d) At any meeting of stockholders, the presence in person or by proxy of the holders of shares of capital stock entitled to cast a majority of all the votes which could be cast at such meeting by the holders of all of the outstanding shares of capital stock of the Corporation entitled to vote at such meeting shall constitute a quorum.

(3) In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment in full of the amounts required to be paid to the holders of Preferred Stock, the remaining assets and funds of the Corporation shall be distributed pro rata to the holders of Common Stock. For purposes of this paragraph (C)(3), the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation or a consolidation or merger of the Corporation with one or more other corporations or other entities (whether or not the Corporation is the corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

(4) (a) All rights to vote and all voting power (including, without limitation thereto, the right to elect directors) shall be vested exclusively in the holders of Common Stock, except as otherwise expressly provided in this Certificate of Incorporation, in a Certificate of Designation with respect to any Preferred Stock or as otherwise expressly required by applicable law.

(b) No stockholder shall be entitled to exercise any right of cumulative voting.

FIFTH: A. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The total number of directors constituting the entire Board shall be not less than six nor more than twenty as determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. Effective at the annual meeting of stockholders scheduled to be held in 2009 and at each annual meeting of stockholders thereafter, all director nominees shall stand for election to terms expiring at the next succeeding annual meeting, with each director to hold office until his or her successor shall have been duly elected and qualified, subject, however, to prior death, resignation, removal or departure from the Board of Directors for other cause. The term of each director serving as of and immediately following the date of the 2008 annual meeting of stockholders shall expire at the next annual meeting of stockholders after such date, notwithstanding that such director may have been elected for a term that extended beyond the date of such annual meeting of stockholders. Unless otherwise required by law, any vacancy on the Board of Directors or newly created directorship may be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next election and until their successors are duly elected and qualified, or until their earlier death, resignation, removal or departure from the Board of Directors for other cause.

Notwithstanding the foregoing, whenever the holders of outstanding shares of one or more series of Preferred Stock are entitled to elect a director or directors of the Corporation separately as a series or together with one or more other series pursuant to a resolution of the Board of Directors providing for the establishment of such series, such director or directors shall not be subject to the foregoing provisions of this Article FIFTH, and the election, term of office, removal and filling of vacancies in respect of such director or directors shall be governed by the resolution of the Board of Directors so providing for the establishment of such series and by applicable law.

B. Subject to applicable law, any director or the entire Board of Directors may be removed with or without cause, such removal to be by the affirmative vote of the shares representing at least a majority of the votes entitled to be cast by the Voting Stock.

Notwithstanding the foregoing, whenever holders of outstanding shares of one or more series of Preferred Stock are entitled to elect directors of the Corporation pursuant to the provisions applicable in the case of arrearages in the payment of dividends or other defaults contained in the resolution or resolutions of the Board of Directors providing for the establishment of any such series, any such director of the Corporation so elected may be removed in accordance with the provisions of such resolution or resolutions.

C. There shall be no limitation on the qualification of any person to be a director or on the ability of any director to vote on any matter brought before the Board or any Board committee, except (i) as required by applicable law, (ii) as set forth in this Certificate of Incorporation or (iii) any By-Law adopted by the Board of Directors with respect to the eligibility for election as a director or the qualification for continuing service as a director upon reaching a specified age or, in the case of employee directors, with respect to the qualification for continuing service of directors upon ceasing employment from the Corporation.

D. Except as (i) required by applicable law or (ii) set forth in this Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors.

E. The following provisions are inserted for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(1) The By-Laws of the Corporation may be adopted, altered, amended or repealed (i) by the affirmative vote of the shares representing a majority of the votes entitled to be cast by the Voting Stock; PROVIDED, HOWEVER, that any proposed alteration, amendment or repeal of, or the adoption of any By-Law inconsistent with, Section 3, 7, 10 or 11 of Article II of the By-Laws or Section 1, 2 or 11 of Article III of the By-Laws or Section 4, 5 or 12 of Article IV of the By-Laws (in each case, as in effect on the date hereof), or the alteration, amendment or the repeal of, or the adoption of any provision inconsistent with this sentence, by the stockholders shall require the affirmative vote of shares representing not less than 80% of the votes entitled to be cast by the Voting Stock; and PROVIDED, FURTHER, HOWEVER, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, amendment, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such special meeting, or (ii) by action of the Board of Directors of the Corporation except as otherwise specified in Section 12 of Article IV of the By-Laws.

(2) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Certificate of Incorporation, and any By-Laws adopted by the stockholders; PROVIDED, HOWEVER, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the DGCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

SEVENTH: Any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of such holders and may not be effected by a consent in writing by such holders in lieu of such a meeting. Except as otherwise required by law, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board of Directors pursuant to a resolution stating the purpose or purposes thereof or by the Chairman of the Board of Directors of the Corporation and any power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice of such meeting shall be transacted at any special meeting.

EIGHTH: A. Subject to Section 253 of the DGCL, in addition to any affirmative vote that may be required by law, this Certificate of Incorporation or the By-Laws of the Corporation, and except as otherwise expressly provided in paragraph (B) of this Article EIGHTH:

(i) any merger or consolidation of the Corporation or any subsidiary of the Corporation with or into (A) any Related Person or (B) any Person that is an Affiliate of a Related Person; or

(ii) any sale, lease, exchange, transfer or other disposition by the Corporation to any Related Person or any Affiliate of any Related Person of all or substantially all of the assets of the Corporation; or

(iii) any reclassification of securities (including any reverse stock split) or recapitalization of the Corporation for which the approval of shareholders of the Corporation is otherwise required, or any merger, consolidation or share exchange of the Corporation with any of its subsidiaries for which the approval of shareholders of the Corporation is otherwise required, which has the effect, either directly or indirectly, of increasing by more than 1% the proportionate share of the Common Stock or Voting Stock Beneficially Owned by any Related Person or any Affiliate of any Related Person; or

(iv) any dissolution of the Corporation voluntarily caused or proposed by or on behalf of a Related Person or any Affiliate of any Related Person, shall require the affirmative vote of shares representing (x) not less than 80% of the votes entitled to be cast by the Voting Stock and (y) not less than 66-2/3% of the votes entitled to be cast by the Voting Stock not Beneficially Owned, directly or indirectly, by any Related Person, with respect to such Business Combination. Such affirmative vote shall be required, notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law, elsewhere in this Certificate of Incorporation, in the By-Laws of the Corporation or in any agreement with any national securities exchange or otherwise.

B. The provisions of paragraph (A) shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law, the By-Laws of the Corporation and any other provision of the Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs (B)(i) and (B)(ii) are met:

(i) the cash, property, securities or other consideration to be received per share by each holder of any outstanding class or series of Voting Stock in the Business Combination is, with respect to each such class or series, either (A) the same in form and amount per share as the highest consideration paid by the Related Person in a tender or exchange offer in which such Related Person acquired at least 50% of the outstanding stock of such class or series of Voting Stock and which was consummated not more than one year prior to the date of such Business Combination, or if earlier, the entering into of a definitive agreement providing therefor or (B) not less in amount (as to cash) or Fair Market Value (as to consideration other than cash) as of the date of the determination of the Highest Per Share Price (as to property, securities or other consideration) than the Highest Per Share Price applicable to such class or series of shares of Voting Stock; PROVIDED THAT, in the event of any Business Combination in which the Corporation survives, any shares retained by the holders thereof shall constitute consideration other than cash for purposes of this paragraph (B)(i); or

(ii) a majority of the Continuing Directors shall have expressly approved such Business Combination either in advance of or subsequent to such Related Person's having become a Related Person.

In the case of any Business Combination with a Related Person to which paragraph (B)(ii) above does not apply, a majority of the Continuing Directors, promptly following the request of a Related Person, shall determine the Highest Per Share Price for each class or series of stock of the Corporation. Such determination shall be announced not less than five days prior to the meeting at which holders of shares vote on the Business Combination. Such determination shall be final,

unless the Related Person becomes the Beneficial Owner of additional shares of Common Stock after the date of the earlier determination, in which case the Continuing Directors shall make a new determination as to the Highest Per Share Price for each class or series of shares prior to the consummation of the Business Combination.

A Related Person shall be deemed to have acquired a share at the time that such Related Person became the Beneficial Owner thereof. With respect to shares owned by Affiliates, Associates and other Persons whose ownership is attributable to a Related Person, if the price paid by such Related Person for such shares is not determinable by a majority of the Continuing Directors, the price so paid shall be deemed to be the higher of (i) the price paid upon the acquisition thereof by the Affiliate, Associate or other Person or (ii) the Share Price of the shares in question at the time when the Related Person became the Beneficial Owner thereof.

C. For purposes of this Article EIGHTH and notwithstanding anything to the contrary set forth in this Certificate of Incorporation:

(i) The term "Affiliate," used to indicate a relationship to a specified Person, shall mean a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

(ii) The term "Associate," used to indicate a relationship with a specified Person, shall mean (A) any corporation, partnership, limited liability company, association, joint venture or other organization (other than the Corporation or any wholly owned subsidiary of the Corporation) of which such specified Person is an officer or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities; (B) any trust or other estate in which such specified Person has a beneficial interest of 10% or more or as to which such specified Person serves as trustee or in a similar fiduciary capacity; (C) any Person who is a director or officer of such specified Person or any of its parents or subsidiaries (other than the Corporation or any wholly owned subsidiary of the Corporation); and (D) any relative or spouse of such specified Person or of any of its Associates, or any relative of any such spouse, who has the same home as such specified Person or such Associate.

(iii) A Person shall be a "Beneficial Owner" of any stock (A) which such Person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or (B) which such Person or any of its Affiliates or Associates has, directly or indirectly, (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or (C) which is beneficially owned, directly or indirectly, by any other Person, with which such Person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of such stock; or (D) of which such Person would be the Beneficial Owner pursuant to the terms of Rule 13d-3 of the Exchange Act, as in effect on September 30, 1998. Stock shall be deemed "Beneficially Owned" by the Beneficial Owner or Owners thereof.

(iv) The term "Business Combination" shall mean any transaction which is referred to in any one or more of clauses (i) through (iv) of paragraph (A) of this Article EIGHTH.

(v) The term "Continuing Director" shall mean, with respect to a Business Combination with a Related Person, any director of the Corporation who is unaffiliated with the Related Person and was a director prior to the time that the Related Person became a Related

Person, and any successor of a Continuing Director who is unaffiliated with the Related Person and is recommended or nominated to succeed a Continuing Director by a majority of the Continuing Directors. Without limiting the generality of the foregoing, a director shall be deemed to be affiliated with a Related Person if such director (A) is an officer, director, employee or general partner of such Related Person; (B) is an Affiliate or Associate of such Related Person; (C) is a relative or spouse of such Related Person or of any such officer, director, general partner, Affiliate or Associate; (D) performs services, or is a member, employee, greater than 5% stockholder or other equity owner of any organization (other than the Corporation and its subsidiaries) which performs services for such Related Person or any Affiliate of such Related Person, or is a relative or spouse of any such Person; or (E) was nominated for election as a director by such Related Person.

(vi) The term "Fair Market Value" shall mean, in the case of securities, the average of the closing sales prices during the 30-day period immediately preceding the date in question of such security on the principal United States securities exchange registered under the Exchange Act on which such security is listed (or the composite tape therefor) or, if such securities are not listed on any such exchange, the average of the last reported sales price (if so reported) or the closing bid quotations with respect to such security during the 30-day period preceding the date in question on the New York Stock Exchange or, if no such quotations are available, the fair market value on the date in question of such security as determined in good faith by a majority of the Continuing Directors; and in the case of property other than cash or securities, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

(vii) The term "Highest Per Share Price" shall mean, with respect to a Related Person, the highest price that can be determined to have been paid or agreed to be paid for any share or shares of any class or series of Voting Stock by such Related Person in a transaction that either (1) resulted in such Related Person's Beneficially Owning 15% or more of such class or series of Voting Stock outstanding or (2) was effected at a time when such Related Person Beneficially Owned 15% or more of such class or series of Voting Stock outstanding, in either case occurring not more than one year prior to the date of the Business Combination. In determining the Highest Per Share Price, appropriate adjustment will be made to take into account (w) distributions paid or payable in stock, (x) subdivisions of outstanding stock, (y) combinations of shares of stock into a smaller number of shares and (z) similar events.

(viii) The term "Person" shall mean any individual, corporation, limited liability company, association, partnership, joint venture, trust, estate or other entity or organization.

(ix) The term "Related Person" shall mean any Person (other than the Corporation or any subsidiary of the Corporation and other than any profit sharing, employee ownership or other employee benefit plan of the Corporation or any subsidiary of the corporation or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which (A) is the Beneficial Owner of 15% or more of any class or series of Voting Stock outstanding; or (B) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner of 15% or more of any class or series of Voting Stock outstanding. For the purposes of determining whether a Person is a Related Person, the number of shares of any class or series deemed to be outstanding shall include shares of such class or series of which the Person is deemed the Beneficial Owner, but shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, otherwise.

D. Nothing contained in this Article EIGHTH shall be construed to relieve any Related Person from any fiduciary obligation imposed by law.

E. Notwithstanding any other provision of this Certificate of Incorporation (and notwithstanding that a lesser percentage may be specified by law), the affirmative vote of shares representing (x) not less than 80% of the votes entitled to be cast by the Voting Stock voting together as a single class and (y) not less than 66-2/3% of the votes entitled to be cast by the Voting Stock not Beneficially Owned, directly or indirectly, by any Related Person shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article EIGHTH.

NINTH: To the fullest extent that the DGCL or any other law of the State of Delaware as it exists or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. No amendment to or repeal of this Article NINTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

AMENDED AND RESTATED
BY-LAWS
OF
CONOCOPHILLIPS
(hereinafter called the "Corporation")

ARTICLE I

Offices

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware or at such place within the State of Delaware as the Board of Directors may from time to time determine.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

Meetings of Stockholders

Section 1. Place and Time of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors. Subject to applicable law, the Board of Directors may elect to postpone any previously scheduled meeting of stockholders.

Section 2. Annual Meetings. The annual meetings of stockholders for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors. Any other proper business may be transacted at the annual meeting of stockholders.

Section 3. Special Meetings. Unless otherwise required by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (including any certificates of designation with respect to any Preferred Stock, the "Certificate of Incorporation"), special meetings of stockholders, for any purpose or purposes, may only be called by the Board of Directors pursuant to a resolution stating the purpose or purposes thereof or by the Chairman, if there be one, and any power of stockholders to call a special meeting is specifically denied. Notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Only such business shall be conducted at a special meeting as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Adjournments. Any meeting of the stockholders may be adjourned by the chairman of the meeting or by the stockholders or their proxies in attendance, from time to time, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Quorum. Unless otherwise required by law or the Certificate of Incorporation, the presence in person or by proxy of the holders of shares of capital stock entitled to cast a majority of the votes which could be cast at such meeting by the holders of all the outstanding shares of capital stock entitled to vote at such meeting shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the chairman of the meeting or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 4, until a quorum shall be present or represented.

Section 6 Voting. Unless otherwise provided by law, the Certificate of Incorporation or these By-Laws or any rule or regulation of any stock exchange or regulatory body applicable to the Corporation, any question brought before any meeting of stockholders, other than the election of directors, shall be decided by the affirmative vote of the holders of a majority of the votes of shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the question, voting as a single class. Every reference in these By-Laws to a majority or other proportion of shares, or a majority or other proportion of the votes of shares, of capital stock shall refer to such majority or other proportion of the votes to which such shares of capital stock are entitled as provided in the Certificate of Incorporation. Votes of stockholders entitled to vote at a meeting of stockholders may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 7. No Action by Consent of Stockholders in Lieu of Meeting. Any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of such holders and may not be effected by a consent in writing by such holders in lieu of such a meeting.

Section 8. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting, as required by applicable law. Subject to applicable law, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 9. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 8 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 10. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation of the Corporation with respect to the right of holders of Preferred Stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 10 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 10.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of (i) ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders and (ii) the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination (s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 10. If the chairman of the annual meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 11. Business at Annual Meetings. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 11.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of (i) ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders and (ii) the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 11; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 11 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 12. Nominations of Directors at Special Meetings. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting, except as may be otherwise provided in the Certificate of Incorporation of the Corporation with respect to the right of holders of Preferred Stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors

(or any duly authorized committee thereof) or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 12 and at the time of the special meeting and (ii) who complies with the notice procedures set forth in this Section 12. In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not earlier than the close of business on the 60th day prior to such special meeting and not later than the close of business on the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination (s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the special meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election at a special meeting as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 12. If the chairman of the special meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 13. Required Vote for Directors.

(A) Majority Vote. Except in cases where, as of the meeting date, the number of nominees exceeds the number of directors to be elected, each director to be elected by stockholders shall be elected by the vote of the majority of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of this By-Law, a majority of votes cast shall mean that the number of shares voted "for" a director's election exceeds 50% of the number of votes cast with respect to that director's election. Votes cast shall include votes to withhold authority in each case and exclude abstentions with respect to that director's election.

(B) Resignation. If a nominee for director who is an incumbent director is not elected and no successor has been elected at such meeting, the director shall promptly tender his or her resignation to the Board of Directors pursuant to the agreement required by Section 14 of these By-Laws. The Committee on Directors' Affairs shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors shall act on the tendered resignation taking into account the recommendation of the Committee on Directors' Affairs and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Committee on Directors' Affairs, in making its recommendation, and the Board of Directors, in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the Committee on Directors' Affairs or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board of Directors, such director shall continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the Board of Directors pursuant to this By-Law, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill any resulting vacancy or unfilled, newly created directorship pursuant to the provisions of Article III, Section 2 of these By-Laws or may decrease the size of the Board of Directors pursuant to the provisions of Article III, Section 1 of these By-Laws.

Section 14. Additional Required Information. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 10 or Section 12, as applicable, of this Article II) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which form of questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (A) will abide by the requirements of Section 13 of this Article II, (B) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (C) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (D) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

Section 15. Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meetings of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the

meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; (vi) limitations on the time allotted to questions or comments by participants; and (vii) policies and procedures with respect to the adjournment of such meeting.

ARTICLE III

Directors

Section 1. Number, Classification and Qualification of Directors. (a) The size of the Board of Directors shall be not less than six and not more than twenty directors, with the exact number to be determined from time to time by the Board of Directors. Effective at the annual meeting of stockholders scheduled to be held in 2009 and at each annual meeting of stockholders thereafter, all director nominees shall stand for election to terms expiring at the next succeeding annual meeting, with each director to hold office until his or her successor shall have been duly elected and qualified, subject, however, to prior death, resignation, removal or departure from the Board of Directors for other cause. The term of each director serving as of and immediately following the date of the 2008 annual meeting of stockholders shall expire at the next annual meeting of stockholders after such date, notwithstanding that such director may have been elected for a term that extended beyond the date of such annual meeting of stockholders. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders. Subject to applicable law and to the provisions of Article II of these By-Laws, any person shall be eligible for election as a director; provided that (i) in the case of a director who is also an employee of the Corporation any person (A) who shall have attained the age of 65 shall be ineligible for election or appointment as a director and (B) who ceases to be an employee of the Corporation shall be disqualified from continued service as a director and such person's term of office as a director shall automatically terminate and (ii) in the case of any director, (A) any person who shall have attained the age of 72 shall be ineligible for election or appointment as a director and (B) a director's term of office shall automatically terminate as of the Company's next annual shareholder meeting following such director attaining the age of 72.

(b) There shall be no limitation on the qualification of any person to be a director or on the ability of any director to vote on any matter brought before the Board or any Board committee, except (i) as required by applicable law, (ii) as set forth in the Certificate of Incorporation or (iii) as set forth in the foregoing Section 1(a) of this Article III or (iv) in any By-Law adopted by the Board of Directors with respect to the eligibility for election as a director upon reaching a specified age or, in the case of employee directors, with respect to the qualification for continuing service of directors upon cessation of employment with the Corporation.

Section 2. Vacancies. Unless otherwise required by law or the Certificate of Incorporation, vacancies arising through death, resignation, removal, an increase in the number of directors or otherwise may be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next election and until their successors are duly elected and qualified, or until their earlier death, resignation, removal or departure from the Board of Directors for other cause.

Section 3. Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, if there be one, the President, or such number of directors constituting more than one-third of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the time of the meeting, by telephone, telegram, facsimile transmission or other electronic transmission not less than twenty-four (24) hours before the time of the meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Quorum. Except as otherwise required by law or the Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 6. Actions by Written Consent of the Board. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided in the Certificate of Incorporation, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 8. Standing Committees. (a) The Board of Directors, by resolution adopted by a majority of the entire Board, shall appoint from among its members (i) an Executive Committee, (ii) an Audit and Finance Committee, (iii) a Compensation Committee, (iv) a Committee on Directors' Affairs and (v) a Public Policy Committee (together, the "Standing Committees") each consisting of three (3) (or such greater number as the Board of Directors may designate) directors, to perform the functions assigned to such committees by committee charters adopted by the Board of Directors.

(b) The Executive Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it, in each case, to the fullest extent permitted by applicable law.

Section 9. Committees. The Board of Directors may designate one or more other committees (in addition to the Standing Committees), each such other committee to consist of one or more of the directors of the Corporation. With respect to all Board committees, the Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. With respect to all Board committees, in the absence or disqualification of a member of a committee, and in the absence of a designation by the

Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any Board committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each Board committee shall keep regular minutes and report to the Board of Directors when required.

Section 10. Compensation. The directors shall be paid their expenses, if any, of attendance at each meeting of the Board of Directors or any committee thereof and shall receive such compensation for their services as directors and as members of Board committees as shall be determined by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 11. Removal. Subject to applicable law, a director may be removed, with or without cause, such removal to be by the affirmative vote of the shares representing a majority of the votes entitled to be cast by the Voting Stock. For purposes of these By-Laws, Voting Stock shall mean the then outstanding shares of capital stock entitled to vote generally in the election of directors and shall exclude any class or series of capital stock only entitled to vote in the event of dividend arrearages thereon, whether or not at the time of determination there are any dividend arrearages. Notwithstanding the foregoing, whenever holders of outstanding shares of one or more series of Preferred Stock are entitled to elect directors of the Corporation pursuant to the provisions applicable in the case of arrearages in the payment of dividends or other defaults contained in the resolution or resolutions of the Board of Directors providing for the establishment of any such series, any such director of the Corporation so elected may be removed in accordance with the provisions of such resolution or resolutions.

Section 12. Ratification. Any transaction questioned in any stockholders' derivative proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or stockholder, non-disclosure, miscomputation, or the application of improper principles or practices of accounting may be ratified before or after judgment by the Board of Directors or, if less than a quorum of directors is qualified, by a committee of qualified directors or by the stockholders; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE IV

Officers

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall include a Chief Executive Officer; President, a Secretary and a Treasurer. The Board of Directors, in its discretion, also may choose a Chairman of the Board (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law or the Certificate of Incorporation. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors, at its first meeting held after each annual meeting of stockholders, shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to

time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President or any other officer authorized to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at meetings of the Board and of the Corporation's stockholders. The Chairman shall have all the customary duties and responsibilities of such office.

Section 5. Chief Executive Officer; President. The Chief Executive Officer shall have general responsibility for the management of the Corporation as provided in these By-laws, reporting directly to the Board of Directors. The Chief Executive Officer shall have all the customary duties and responsibilities of such office, and all of the Corporation's executive officers shall report directly to him or indirectly to him through another such executive officer who reports to him. The Chief Executive Officer shall also be the President.

Section 6. Vice Presidents. At the request of the Chief Executive Officer or in the Chief Executive Officer's absence or in the event of the Chief Executive Officer's inability or refusal to act (and if there be no Chairman of the Board), the Vice President, or the Vice Presidents if there is more than one, to the extent expressly authorized at such time by the Board of Directors, shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the Chief Executive Officer or in the event of the inability or refusal of the Chief Executive Officer to act, shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board or the Chief Executive Officer, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other

officer to affix the seal of the Corporation and to attest to the affixing by such officer's signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of the Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 9. Assistant Secretaries. Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of the Secretary's disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under the Assistant Treasurer's control belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

Stock

Section 1. Uncertificated and Certificated Shares; Form of Certificates. Effective at such time as the President or any Vice President or the Treasurer of the Corporation, if so authorized by resolution of the Board of Directors, designates in writing to the Corporate Secretary and any transfer agents of the Corporation with respect to any class of stock of the Corporation, the shares of such class shall be uncertificated shares, provided that the foregoing shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. Any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, such officer may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or the owner's legal representative, to advertise the same in such manner as such officer shall require and/or to give the Corporation a bond in such sum as such officer may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named as the holder thereof on the stock records of the Corporation by such person's attorney lawfully constituted in writing, and in the case of shares represented by a certificate upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred. To the extent designated by the President or any Vice President or the Treasurer of the Corporation, the Corporation may recognize the transfer of fractional uncertificated shares, but shall not otherwise be required to recognize the transfer of fractional shares.

Section 5. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VI

Notices

Section 1. Notices. Whenever notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Except as otherwise required by law, notice may also be given personally, or by courier, telephone, electronic mail, facsimile transmission, cable, internet or other electronic transmission. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Telephone notice shall be deemed to be given when such person or his or her agent is personally given such notice in a telephone call to which such person or his or her agent is a party. Electronic mail notice shall be deemed to be given when directed to an electronic mail address at which such person has consented to receive notice. Facsimile transmission notice shall be deemed to be given when directed to a number at which such person has consented to receive notice.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, or a waiver by electronic transmission by the person entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting (including, in the case of a stockholder, by proxy) shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VII

General Provisions

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the requirements of the Delaware General Corporation Law and the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting of the Board of Directors (or any action by written consent in lieu thereof in accordance with Section 6 of Article III hereof), and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

Indemnification

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise (any director or officer of the Corporation or director, officer or employee of the Corporation so serving at the request of the Corporation being referred to hereinafter as an "Indemnified Person"), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnified Person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or

Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to a person who is not a director or officer of the Corporation at the time of such determination, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on good faith reliance on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any Indemnified Person may apply to the Court of Chancery in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the Indemnified Person is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that Indemnified Person seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the Indemnified Person seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by an Indemnified Person in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the Delaware General Corporation Law, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any Indemnified Person against any liability asserted against such person and incurred by such person by reason of the fact that such person is or was a director or officer of the Corporation or is or was a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the

advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX

Amendments

Section 1. Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, and new By-Laws may be adopted (i) by the affirmative vote of the shares representing a majority of the votes entitled to be cast by the Voting Stock; provided, however, that any proposed alteration, amendment or repeal of, or the adoption of any By-Law inconsistent with, Section 3, 7, 10 or 11 of Article II of these By-Laws or Section 1, 2 or 11 of Article III of these By-Laws or Section 4 or 5 of Article IV of these By-Laws or this sentence, by the stockholders shall require the affirmative vote of shares representing not less than 80% of the votes entitled to be cast by the Voting Stock; and provided further, however, that in the case of any such stockholder action at a meeting of stockholders, notice of the proposed alteration, amendment, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such meeting, or (ii) by action of the Board of Directors of the Corporation. The provisions of this Section 1 are subject to any contrary provisions and any provisions requiring a greater vote that are set forth in the Certificate of Incorporation and in Section 12 of Article IV of these By-Laws.

Section 2. Entire Board of Directors. As used in these By-Laws generally, the term "entire Board of Directors" means the total number of directors the Corporation would have if there were no vacancies.

First adopted August 27, 2002, last amended on May 30, 2008

**FIRST AMENDMENT TO THE
CONOCOPHILLIPS
DIRECTORS' CHARITABLE GIFT PROGRAM**

The ConocoPhillips Directors' Charitable Gift Program (the "Program") is hereby amended, effective as of March 31, 2006, as follows:

1. Section 1 of the Program is amended to add the following paragraph between the third and fourth paragraphs of that section, to read as follows:

With regard to members of the Board or other persons who previously served as members of the Board of Directors of Burlington Resources Inc. ("BRI"), their continued participation in and coverage under the Burlington Resources Inc. 1991 Director Charitable Award Plan would make participation in and coverage under the Program redundant, and so such individuals are excluded from participation in and coverage under the Program.

2. Section 2 of the Program is amended to add the following proviso at the end of the first sentence of that section, to read as follows:

; provided, however, that a member of the Board of Directors who is a participant under the Burlington Resources Inc. 1991 Director Charitable Award Plan shall not be eligible to participate in the Program.

Pursuant to Board Resolution
December 7, 2006

**SECOND AMENDMENT TO THE
CONOCOPHILLIPS
DIRECTORS' CHARITABLE GIFT PROGRAM**

The ConocoPhillips Directors' Charitable Gift Program (the "Program") is hereby amended, effective as of April 1, 2008, as follows:

Section 5 of the Program is amended to add the following paragraph at the end of that section, to read as follows:

In the alternative, rather than making the donation by payment of annual installments, the Company may choose to provide an Organization with an actuarial equivalent lump sum donation at any time after one year from the retirement of the Director from the Board. The Administrator shall make the determination whether to use this alternative, unless directed by the Board either to use the alternative or not to use the alternative, in which case the Administrator will follow the directions of the Board. In making the determination whether to use this alternative, the Administrator may take into account any recommendation from the Director or former Director, who may make such recommendation at any time after one year from the date of retirement from the Board. In calculating the lump sum donation, the Administrator may use any reasonable actuarial assumptions, including those used in determining benefits and payments under the ConocoPhillips Retirement Plan, which are deemed to be reasonable for these purposes. The Administrator may notify an Organization of the possibility of a lump sum payment under this alternative. The Administrator may require an Organization to acknowledge that any payment made under this alternative is in full payment of any amount arising under this Program and to waive any rights the Organization may have, or may claim to have, under this Program.

Pursuant to Board Resolution
April 1, 2008

**CONOCOPHILLIPS AND CONSOLIDATED SUBSIDIARIES
TOTAL ENTERPRISE**

Computation of Ratio of Earnings to Fixed Charges

	Millions of Dollars	
	Six Months Ended	
	June 30	
	2008	2007
Earnings Available for Fixed Charges		
Income from continuing operations before income taxes and minority interest	\$ 17,358	9,602
Distributions less than equity in earnings of fifty-percent-or-less-owned companies	(1,991)	(1,246)
Fixed charges, excluding capitalized interest*	551	743
	\$ 15,918	9,099
Fixed Charges		
Interest and debt expense, excluding capitalized interest	\$ 417	626
Capitalized interest	315	274
Interest portion of rental expense	85	70
Interest expense relating to guaranteed debt of fifty-percent-or-less-owned companies	—	5
	\$ 817	975
Ratio of Earnings to Fixed Charges	19.5	9.3

*Includes amortization of capitalized interest totaling approximately \$48 million in 2008 and \$42 million in 2007.

Earnings available for fixed charges include, if any, our equity in losses of companies owned less than fifty percent and having debt for which the company is contingently liable. Fixed charges include our proportionate share, if any, of interest relating to the contingent debt.

Earnings available for fixed charges include, if any, 100 percent of the losses of companies owned greater than fifty percent that have debt for which we are contingently liable. Fixed charges include 100 percent of interest and capitalized interest, if any, relating to the contingent debt.

CERTIFICATION

I, James J. Mulva, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ConocoPhillips;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2008

/s/ James J. Mulva

James J. Mulva

Chairman, President and Chief Executive Officer

CERTIFICATION

I, John A. Carrig, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ConocoPhillips;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2008

/s/ John A. Carrig

John A. Carrig

Executive Vice President, Finance, and
Chief Financial Officer

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of ConocoPhillips (the company) on Form 10-Q for the period ended June 30, 2008, as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: July 29, 2008

/s/ James J. Mulva

James J. Mulva

Chairman, President and Chief Executive Officer

/s/ John A. Carrig

John A. Carrig

Executive Vice President, Finance, and
Chief Financial Officer