

# 3Q15 Conference Call

Oct. 29, 2015

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# Jeff Sheets

EVP, Finance and CFO

# 3Q15 Highlights

## Operational

- 4% year-over-year production growth<sup>1</sup>
- Achieved first oil at Surmont 2; first oil at Drill Site 2S and CD5 in October
- APLNG preparing for first cargo by year end

## Financial

- \$466MM adjusted loss; (\$0.38) adjusted EPS
- \$1.3B CFO<sup>2</sup>; \$2.4B ending cash
- 18% year-over-year lower operating costs<sup>3</sup>

## Strategic

- Increased quarterly dividend to \$0.74 per share in July
- Initiated phased exit of deepwater exploration
- Progressing non-core asset dispositions

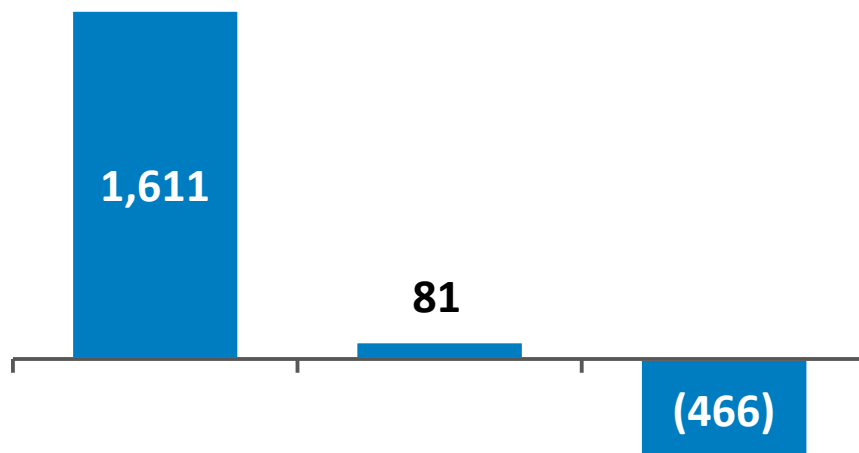
<sup>1</sup> Production from continuing operations, adjusted for Libya, downtime and dispositions.

<sup>2</sup> Cash from continuing operations (CFO), excluding working capital decrease of \$0.6B, is \$1.3B and cash provided by continuing operations is \$1.9B.

<sup>3</sup> 3Q15 operating costs of \$2.66B, a 9 percent year-over-year increase compared with 3Q14 operating costs of \$2.44B. 18 percent operating cost reduction includes a \$654MM pre-tax adjustment for rig termination, restructuring charges and pension settlement.

# 3Q15 Performance – Adjusted Earnings

**Adjusted Earnings (\$MM)**



## Highlights

- Strong operational performance; year-over-year production growth of 4%
- 18% year-over-year lower operating costs, adjusted for rig termination, restructuring and pension settlement costs
- 2015 earnings negatively impacted by decrease in realized prices of 16% sequentially and 49% year over year

## 3Q15 Adjusted Earnings (\$MM)

Lower 48	(\$463)
Canada	(\$118)
Alaska	\$63
Europe	\$3
Asia Pacific & Middle East	\$302
Other International	(\$42)
Corporate & Other	(\$211)
<b>Total</b>	<b>(\$466)</b>

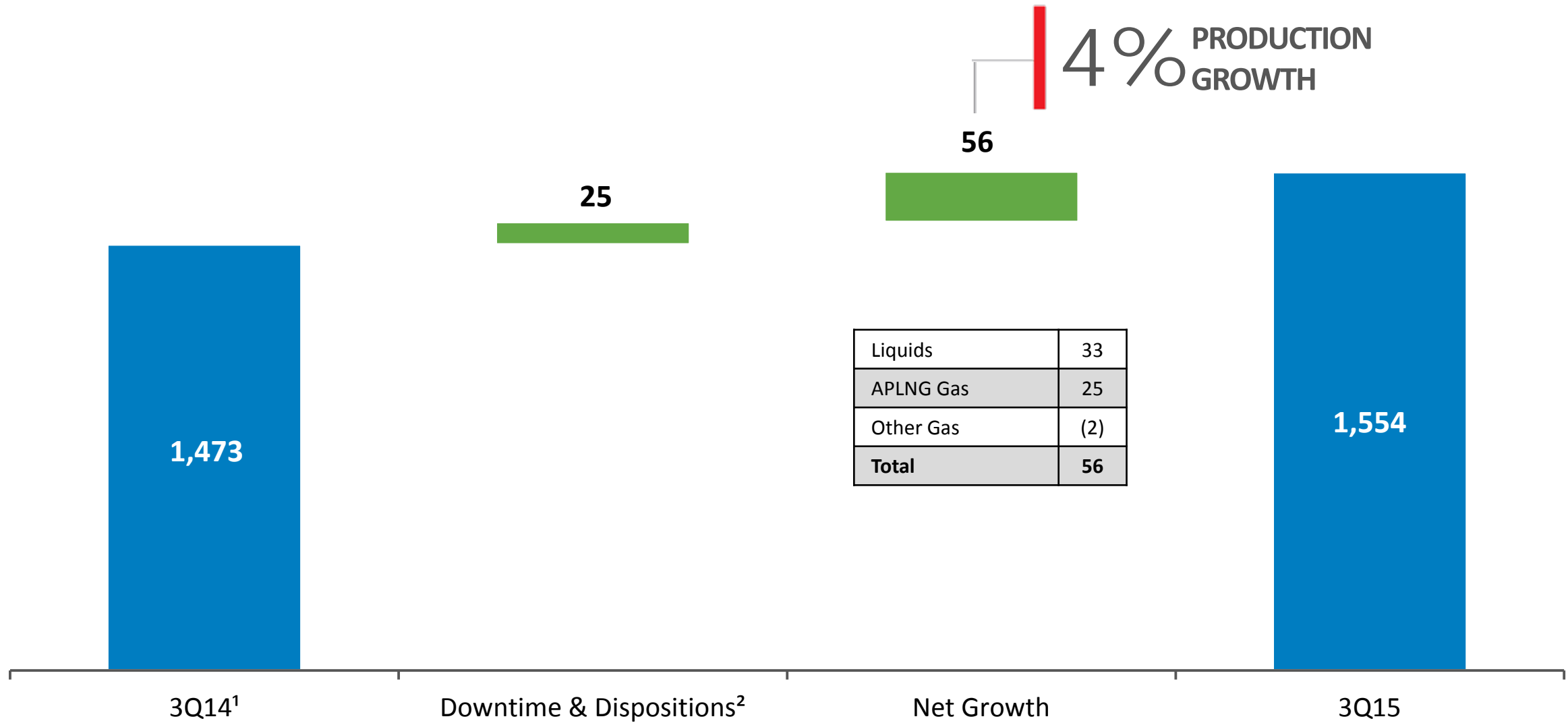
	3Q14	2Q15	3Q15
<b>Adjusted EPS (\$)</b>	<b>\$1.29</b>	<b>\$0.07</b>	<b>(\$0.38)</b>

	3Q14	2Q15	3Q15
<b>Average Realized Price (\$/BOE)</b>	<b>\$64.78</b>	<b>\$39.09</b>	<b>\$32.91</b>

Production from continuing operations, adjusted for Libya, downtime and dispositions.

3Q15 operating costs of \$2.66B, a 9 percent year-over-year increase compared with 3Q14 operating costs of \$2.44B. 18 percent operating cost reduction includes a \$654MM pre-tax adjustment for rig termination, restructuring charges and pension settlement.

# 3Q15 Production From Continuing Operations

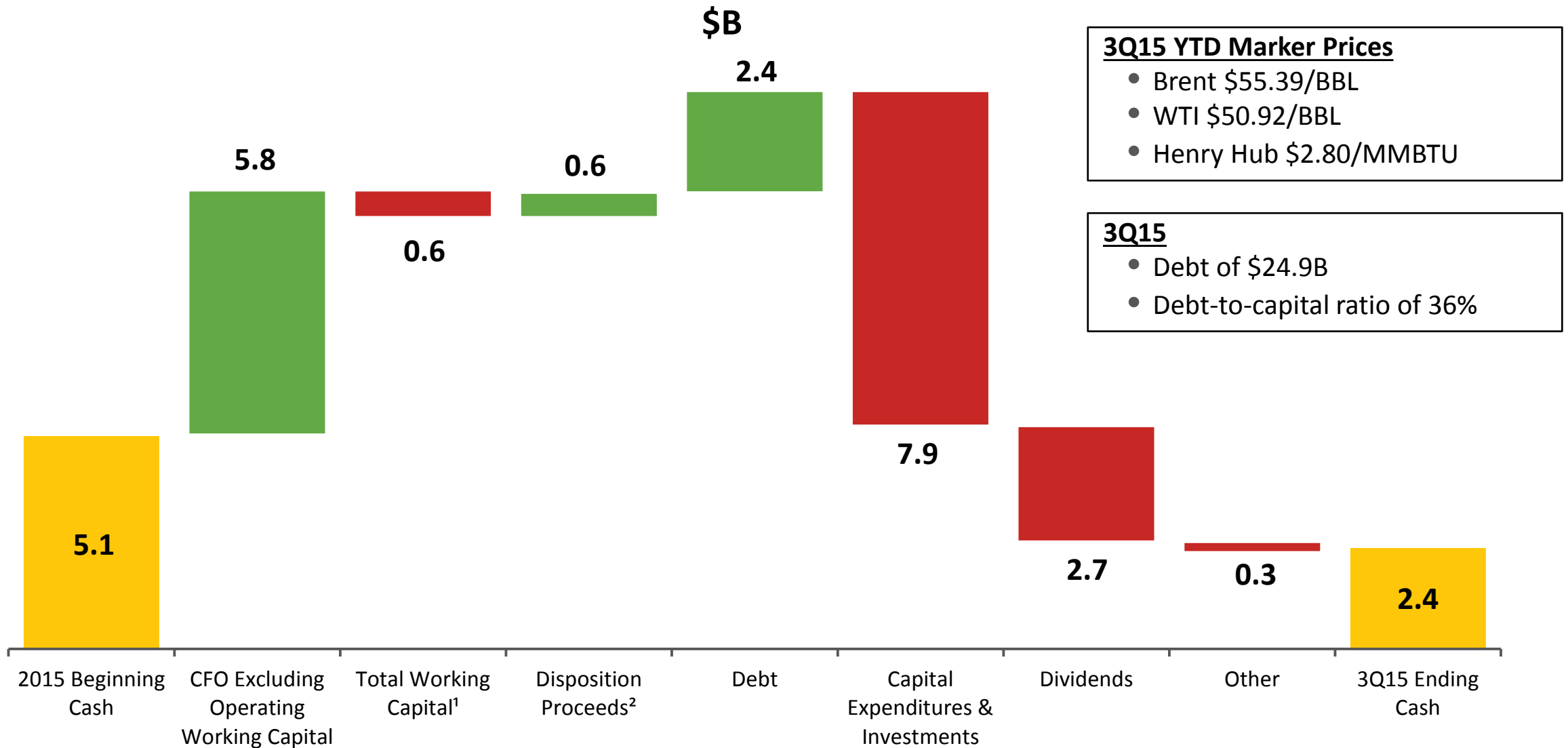


All volumes in MBOED.

<sup>1</sup> Excludes Libya volumes of 8 MBOED in 3Q14.

<sup>2</sup> Dispositions reflect 2014 Canada asset sales.

# 3Q15 YTD Performance – Company Cash Flow



<sup>1</sup>Total working capital includes (\$0.8B) and \$0.2B of working capital changes associated with investing activities and operating activities, respectively.

<sup>2</sup>Includes ~\$0.3B from liquidation of certain deferred compensation investments accounted for as cash from investing activities and ~\$0.1B from QG3 return of capital.

# Matt Fox

EVP, Exploration & Production



# Lower 48 and Canada

## Lower 48

- 3Q15 production of 551 MBOED; crude oil increased 12% vs. 3Q14
- Running 13 rig program
- Achieving 20% to 30% drilling and completion efficiency improvement vs. 3Q14
- Currently drilling Vernaccia and Gibson exploration wells in the Gulf of Mexico; Melmar well expected to spud in 4Q15
- Progressing sale of non-core gas assets

## Canada

- 3Q15 production of 315 MBOED; increased 14% vs. 3Q14
- Surmont 2 achieved first oil; production expected to ramp up through 2017
- Cheshire exploration well spud offshore Nova Scotia in October
- Progressing sale of non-core gas assets

## Surmont



**FIRST OIL  
ACHIEVED AT  
SURMONT 2**

# Alaska and Europe

Drill Site 2S



## Alaska

- 3Q15 production of 160 MBOED
- Completed successful turnarounds at Kuparuk and Prudhoe
- Achieved first oil at CD5 and Drill Site 2S in October
- Exported 3 LNG cargos from Kenai

## Europe

- 3Q15 production of 192 MBOED
- Successfully completed all turnaround activity
- Development drilling continues at Greater Ekofisk Area

**2**  
**MAJOR  
PROJECT  
STARTUPS**



# Asia Pacific & Middle East and Other International



**APLNG**  
**FIRST CARGO**  
**EXPECTED BY**  
**YEAR END**

## Asia Pacific & Middle East

- 3Q15 production of 332 MBOED; increased 10% vs. 3Q14
- Gumusut turnaround successfully completed ahead of schedule
- APLNG first cargo expected by year end
  - Downstream mechanical runs successfully completed
  - 14 of 15 upstream gas processing facilities running

## Other International

- Athena rig mobilized to Senegal; first well expected to spud in 4Q15
- Libya production continues to be shut-in

# Lower Capital, Lower Costs, Strong Performance

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MAJOR PROJECT  
STARTUPS EXPECTED  
IN 2015

## LOWERING

2015 CAPITAL  
GUIDANCE

## ACCELERATING

OPERATING COST  
REDUCTIONS

2016

OPERATING PLAN  
ANNOUNCEMENT IN  
DECEMBER

- 4Q15 production range of 1,585 – 1,625 MBOED
- Full-year 2015 production range of 1,585 – 1,595 MBOED

	2014 Actuals	Initial 2015 Guidance	July 2015 Guidance	Current 2015 Guidance
Production Growth	4%	2 to 3%	Higher end of 2 to 3%	<b>3 to 4%</b>
Capital Expenditures	\$17.1B	\$11.5B	\$11.0B	<b>\$10.2B</b>
Operating Costs	\$9.7B	\$9.2B	\$8.9B	<b>\$8.2B</b>
Corporate Segment Net Expense	\$1.0B	\$1.0B	\$0.9B	<b>\$0.8B</b>

- Expect to announce 2016 capital and operating plan on Dec. 10

Production represents continuing operations, excluding Libya.  
Operating cost and Corporate segment net expense provided on an adjusted for special items basis.

# Appendix

# Impacts of Special Items

\$MM	3Q15	3Q15 YTD
Gain on dispositions	-	39
Production and operating expenses	120	186
Selling, general and administrative expenses	185	285
Exploration expenses	742	958
Depreciation, depletion and amortization	(75)	(75)
Impairments	-	66
Income tax benefit	(367)	(1,010)
<b>Net Loss from Special Items</b>	<b>(605)</b>	<b>(371)</b>
<b>Cost Details:</b>		
Dry holes	48	48
Leasehold impairment	345	554
Exploration other	349	356
<b>Total Special Item Exploration Expenses</b>	<b>742</b>	<b>958</b>
<b>Operating Costs:</b>		
Production and operating expenses	120	186
Selling, general and administrative expenses	185	285
Exploration other	349	356
<b>Total Special Item Operating Costs</b>	<b>654</b>	<b>827</b>