CONOCOPHILLIPS
Form 10-Q
May 02, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from _____ to _____

Commission file number: 001-32395

ConocoPhillips

(Exact name of registrant as specified in its charter)

Delaware	**01-0562944**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

925 N. Eldridge Parkway Houston, TX 77079

(Address of principal executive offices) (Zip Code)

281-293-1000

(Registrant s telephone number, including area code)

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

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

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

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

Emerging growth company

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

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

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

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

The registrant had 1,130,175,935 shares of common stock, $.01 par value, outstanding at March 31, 2019.

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CONOCOPHILLIPS

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COMMONLY USED ABBREVIATIONS

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

Currencies	
$	U.S. dollar
CAD	Canadian dollar
GBP	British pound
Units of Measurement	
BOE	barrels of oil equivalent
MBD	thousands of barrels per day
MCF	thousand cubic feet
MMBOE	million barrels of oil equivalent
MBOED	thousands of barrels of oil equivalent per day
MMBTU	million British thermal units
MMCFD	million cubic feet per day
Industry	
CBM	coalbed methane
E&P	exploration and production
FEED	front-end engineering and design
FPS	floating production system
FPSO	floating production, storage and offloading
JOA	joint operating agreement
LNG	liquefied natural gas
NGL or NGLs	natural gas liquids
OPEC	Organization of Petroleum Exporting Countries
PSC	production sharing contract
PUD or PUDs	proved undeveloped reserves
SAGD	steam-assisted gravity drainage
WCS	Western Canada Select
WTI	West Texas Intermediate
Accounting	
ARO	asset retirement obligation
ASC	accounting standards codification
ASU	accounting standards update
DD&A	depreciation, depletion and amortization
FASB	Financial Accounting Standards Board
FIFO	first-in, first-out
G&A	general and administrative
GAAP	generally accepted accounting principles
LIFO	last-in, first-out
NPNS	normal purchase normal sale
PP&E	properties, plants and equipment
SAB	staff accounting bulletin
VIE or VIEs	variable interest entity
Miscellaneous	
EPA	Environmental Protection Agency
EU	European Union
FERC	Federal Energy Regulatory Commission
GHG	greenhouse gas
HSE	health, safety and environment
ICC	International Chamber of Commerce

ICSID	World Bank s International Centre for Settlement of Investment Disputes
IRS	Internal Revenue Service
OTC	over-the-counter
SEC	U.S. Securities and Exchange Commission
TSR	total shareholder return
U.K.	United Kingdom
U.S.	United States of America

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Consolidated Income Statement — **ConocoPhillips**

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Revenues and Other Income		
Sales and other operating revenues	**$ 9,150**	8,798
Equity in earnings of affiliates	**188**	208
Gain on dispositions	**17**	7
Other income (loss)	**702**	(52)
Total Revenues and Other Income	**10,057**	8,961
Costs and Expenses		
Purchased commodities	**3,675**	3,714
Production and operating expenses	**1,271**	1,171
Selling, general and administrative expenses	**153**	99
Exploration expenses	**110**	95
Depreciation, depletion and amortization	**1,546**	1,412
Impairments	**1**	12
Taxes other than income taxes	**275**	183
Accretion on discounted liabilities	**86**	88
Interest and debt expense	**233**	184
Foreign currency transaction losses	**12**	30
Other expenses	**8**	197
Total Costs and Expenses	**7,370**	7,185
Income before income taxes	**2,687**	1,776
Income tax provision	**841**	876
Net income	**1,846**	900
Less: net income attributable to noncontrolling interests	**(13)**	(12)
Net Income Attributable to ConocoPhillips	**$ 1,833**	888
Net Income Attributable to ConocoPhillips Per Share of Common Stock *(dollars)*		
Basic	**$ 1.61**	0.75
Diluted	**1.60**	0.75

Average Common Shares Outstanding *(in thousands)*		
Basic	**1,139,463**	1,179,792
Diluted	**1,146,515**	1,186,454

See Notes to Consolidated Financial Statements.

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Consolidated Statement of Comprehensive Income **ConocoPhillips**

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Net Income	**$ 1,846**	900
Other comprehensive income		
Defined benefit plans		
Reclassification adjustment for amortization of prior service credit included in net income	**(8)**	(10)
Reclassification adjustment for amortization of net actuarial losses included in net income	**26**	24
Income taxes on defined benefit plans	**(5)**	(3)
Defined benefit plans, net of tax	**13**	11
Foreign currency translation adjustments	**175**	78
Income taxes on foreign currency translation adjustments	**1**	
Foreign currency translation adjustments, net of tax	**176**	78
Other Comprehensive Income, Net of Tax	**189**	89
Comprehensive Income	**2,035**	989
Less: comprehensive income attributable to noncontrolling interests	**(13)**	(12)
Comprehensive Income Attributable to ConocoPhillips	**$ 2,022**	977

See Notes to Consolidated Financial Statements.

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Consolidated Balance Sheet **ConocoPhillips**

	Millions of Dollars	
	March 31 2019	December 31 2018
Assets		
Cash and cash equivalents	**$ 6,218**	5,915
Short-term investments	**249**	248
Accounts and notes receivable (net of allowance of $11 million in 2019 and $25 million in 2018)	**3,701**	3,920
Accounts and notes receivable related parties	**168**	147
Investment in Cenovus Energy	**1,805**	1,462
Inventories	**1,014**	1,007
Prepaid expenses and other current assets	**528**	575
Total Current Assets	**13,683**	13,274
Investments and long-term receivables	**9,302**	9,329
Loans and advances related parties	**268**	335
Net properties, plants and equipment (net of accumulated depreciation, depletion and amortization of $66,969 million in 2019 and $64,899 million in 2018)	**45,942**	45,698
Other assets	**2,303**	1,344
Total Assets	**$ 71,498**	69,980
Liabilities		
Accounts payable	**$ 3,815**	3,863
Accounts payable related parties	**31**	32
Short-term debt	**113**	112
Accrued income and other taxes	**1,539**	1,320
Employee benefit obligations	**470**	809
Other accruals	**1,402**	1,259
Total Current Liabilities	**7,370**	7,395
Long-term debt	**14,832**	14,856
Asset retirement obligations and accrued environmental costs	**7,730**	7,688
Deferred income taxes	**5,043**	5,021
Employee benefit obligations	**1,704**	1,764
Other liabilities and deferred credits	**1,838**	1,192
Total Liabilities	**38,517**	37,916
Equity		
Common stock (2,500,000,000 shares authorized at $.01 par value)		
Issued (2019 1,794,681,042 shares; 2018 1,791,637,434 shares)		
Par value	**18**	18
Capital in excess of par	**46,877**	46,879
Treasury stock (at cost: 2019 664,505,107 shares; 2018 653,288,213 shares)	**(43,656)**	(42,905)
Accumulated other comprehensive loss	**(5,914)**	(6,063)
Retained earnings	**35,534**	34,010
Total Common Stockholders Equity	**32,859**	31,939
Noncontrolling interests	**122**	125

Total Equity	**32,981**	32,064
Total Liabilities and Equity	**$ 71,498**	69,980

See Notes to Consolidated Financial Statements.

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Consolidated Statement of Cash Flows **ConocoPhillips**

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Cash Flows From Operating Activities		
Net Income	**$ 1,846**	900
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	**1,546**	1,412
Impairments	**1**	12
Dry hole costs and leasehold impairments	**27**	20
Accretion on discounted liabilities	**86**	88
Deferred taxes	**(1)**	65
Undistributed equity earnings	**24**	(34)
Gain on dispositions	**(17)**	(7)
Other	**(564)**	29
Working capital adjustments		
Decrease in accounts and notes receivable	**179**	139
Decrease (increase) in inventories	**(4)**	12
Decrease (increase) in prepaid expenses and other current assets	**62**	(22)
Decrease in accounts payable	**(142)**	(181)
Decrease in taxes and other accruals	**(149)**	(34)
Net Cash Provided by Operating Activities	**2,894**	2,399
Cash Flows From Investing Activities		
Capital expenditures and investments	**(1,637)**	(1,535)
Working capital changes associated with investing activities	**107**	28
Proceeds from asset dispositions	**142**	169
Net sales (purchases) of short-term investments	**(1)**	1,593
Collection of advances/loans related parties	**62**	59
Other	**(150)**	(392)
Net Cash Used in Investing Activities	**(1,477)**	(78)
Cash Flows From Financing Activities		
Repayment of debt	**(19)**	(2,888)
Issuance of company common stock	**(38)**	(18)
Repurchase of company common stock	**(752)**	(500)
Dividends paid	**(350)**	(338)
Other	**(14)**	(32)
Net Cash Used in Financing Activities	**(1,173)**	(3,776)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	**75**	125
Net Change in Cash, Cash Equivalents and Restricted Cash	**319**	(1,330)

Cash, cash equivalents and restricted cash at beginning of period		**6,151**	6,536
Cash, Cash Equivalents and Restricted Cash at End of Period	**$**	**6,470**	5,206

Restricted cash of $89 million and $163 million are included in the Prepaid expenses and other current assets and Other assets lines, respectively, of our Consolidated Balance Sheet as of March 31, 2019.

Restricted cash totaling $236 million is included in the Other assets line of our Consolidated Balance Sheet as of December 31, 2018.

See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements **ConocoPhillips**

Note 1 Basis of Presentation

The interim-period financial information presented in the financial statements included in this report is unaudited and, in the opinion of management, includes all known accruals and adjustments necessary for a fair presentation of the consolidated financial position of ConocoPhillips and its results of operations and cash flows for such periods. All such adjustments are of a normal and recurring nature unless otherwise disclosed. Certain notes and other information have been condensed or omitted from the interim financial statements included in this report. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes included in our 2018 Annual Report on Form 10-K.

Note 2 Changes in Accounting Principles

We adopted the provisions of FASB ASU No. 2016-02, Leases, and its amendments set forth by the provisions of ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, ASU No. 2018-11, Targeted Improvements, ASU No. 2018-20, Narrow-Scope Improvements for Lessors, and ASU No. 2019-01, Codification Improvements, collectively FASB ASC Topic 842, Leases (ASC Topic 842), beginning January 1, 2019.

ASC Topic 842 establishes comprehensive accounting and financial reporting requirements for leasing arrangements, supersedes the existing requirements in FASB ASC Topic 840, Leases (ASC Topic 840), and requires lessees to recognize substantially all lease assets and lease liabilities on the balance sheet. The provisions of ASC Topic 842 also modify the definition of a lease and outline requirements for recognition, measurement, presentation and disclosure of leasing arrangements by both lessees and lessors.

We adopted ASC Topic 842 using the modified retrospective approach and elected to utilize the Optional Transition Method, which permits us to apply the provisions of ASC Topic 842 to leasing arrangements existing at or entered into after January 1, 2019, and present in our financial statements comparative periods prior to January 1, 2019 under the historical requirements of ASC Topic 840. In addition, we elected to adopt the package of optional transition-related practical expedients, which among other things, allows us to carry forward certain historical conclusions reached under ASC Topic 840 regarding lease identification, classification, and the accounting treatment of initial direct costs. Furthermore, we elected not to record assets and liabilities on our consolidated balance sheet for new or existing lease arrangements with terms of 12 months or less.

The primary impact of applying ASC Topic 842 is the initial recognition of $998 million of lease liabilities and corresponding right-of-use assets on our consolidated balance sheet as of January 1, 2019, for leases classified as operating leases under ASC Topic 840, as well as enhanced disclosure of our leasing arrangements. Our accounting treatment for finance leases remains unchanged. In addition, there is no cumulative effect to retained earnings or other components of equity recognized as of January 1, 2019, and the adoption of ASC Topic 842 did not impact the presentation of our consolidated income statement or statement of cash flows. See Note 15 Non-Mineral Leases for additional information related to the adoption of ASC Topic 842.

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We adopted the provisions of FASB ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, beginning January 1, 2019. The ASU allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act, eliminating the stranded tax effects. The cumulative effect to our consolidated balance sheet at January 1, 2019 for the adoption of ASU No. 2018-02 was as follows:

	Millions of Dollars ASU No. 2018-02		
	December 31 2018	Adjustments	**January 1 2019**
Equity			
Accumulated other comprehensive loss	$ (6,063)	(40)	**(6,103)**
Retained earnings	34,010	40	**34,050**

For additional information regarding the impact of the adoption of ASU No. 2018-02, see Note 16 Accumulated Other Comprehensive Loss.

Note 3 Variable Interest Entities

We hold variable interests in VIEs that have not been consolidated because we are not considered the primary beneficiary. Information on our significant VIEs follows:

Australia Pacific LNG Pty Ltd (APLNG)

APLNG is considered a VIE, as it has entered into certain contractual arrangements that provide it with additional forms of subordinated financial support. We are not the primary beneficiary of APLNG because we share with Origin Energy and China Petrochemical Corporation (Sinopec) the power to direct the key activities of APLNG that most significantly impact its economic performance, which involve activities related to the production and commercialization of CBM, as well as LNG processing and export marketing. As a result, we do not consolidate APLNG, and it is accounted for as an equity method investment.

As of March 31, 2019, we have not provided any financial support to APLNG other than amounts previously contractually required. Unless we elect otherwise, we have no requirement to provide liquidity or purchase the assets of APLNG. See Note 6 Investments, Loans and Long-Term Receivables, and Note 11 Guarantees, for additional information.

Marine Well Containment Company, LLC (MWCC)

MWCC provides well containment equipment and technology and related services in the deepwater U.S. Gulf of Mexico. Its principal activities involve the development and maintenance of rapid-response hydrocarbon well containment systems that are deployable in the Gulf of Mexico on a call-out basis. We have a 10 percent ownership interest in MWCC, and it is accounted for as an equity method investment because MWCC is a limited liability company in which we are a Founding Member and exercise significant influence through our permanent seat on the ten-member Executive Committee responsible for overseeing the affairs of MWCC. In 2016, MWCC executed a $154 million term loan financing arrangement with an external financial institution whose terms required the financing be secured by letters of credit provided by certain owners of MWCC, including ConocoPhillips. In connection with the financing transaction, we issued a letter of credit of $22 million which can be drawn upon in the event of a default by MWCC on its obligation to repay the proceeds of the term loan. The fair value of this letter of credit is immaterial and not recognized on our consolidated balance sheet. MWCC is considered a VIE, as it has entered into arrangements that provide it with additional forms of subordinated financial support. We are not the primary beneficiary and do not consolidate MWCC because we share the power to govern the business and operation of the company and to undertake certain obligations that most significantly impact its economic performance with nine other unaffiliated owners of MWCC.

At March 31, 2019, the carrying value of our equity method investment in MWCC was $126 million. We have not provided any financial support to MWCC other than amounts previously contractually required. Unless we elect otherwise, we have no requirement to provide liquidity or purchase the assets of MWCC.

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Note 4 Inventories

Inventories consisted of the following:

	Millions of Dollars	
	March 31 2019	December 31 2018
Crude oil and natural gas	**$ 419**	432
Materials and supplies	**595**	575
	$ 1,014	1,007

Inventories valued on the LIFO basis totaled $248 million and $292 million at March 31, 2019 and December 31, 2018, respectively. The estimated excess of current replacement cost over LIFO cost of inventories was approximately $166 million and $75 million at March 31, 2019 and December 31, 2018, respectively.

Note 5 Assets Sold and Planned Dispositions

Assets Sold

On April 15, 2019, we completed the sale of our 30 percent interest in Greater Sunrise Fields to the government of Timor-Leste for $350 million before customary adjustments and will recognize an after-tax gain of approximately $50 million in the second quarter. The Greater Sunrise Fields are included in our Asia Pacific and Middle East segment.

Planned Dispositions

In January 2019, we entered into agreements to sell our 12.4 percent ownership interests in the Golden Pass LNG Terminal and Golden Pass Pipeline. We have also entered into agreements to amend our contractual obligations for retaining use of the facilities. As a result of entering into these agreements, we recorded a before-tax impairment of $60 million in the first quarter of 2019 which is included in the Equity in earnings of affiliates line on our consolidated income statement. The transaction is subject to regulatory approval. Both ownership interests are accounted for as equity affiliates in our Lower 48 segment. See Note 14 Fair Value Measurement for additional information.

In April 2019, we entered into an agreement to sell two ConocoPhillips U.K. subsidiaries to Chrysaor E&P Limited for $2.675 billion plus interest and customary adjustments. Together the subsidiaries indirectly hold the company s exploration and production assets in the U.K. As of March 31, 2019, the net carrying value was approximately $0.8 billion, with $1.6 billion of PP&E, $0.5 billion of working capital, $0.4 billion of cumulative foreign currency translation adjustments, and deferred tax assets of $0.3 billion, offset by $2.0 billion of ARO. As part of the transaction, we expect to recognize a U.S. tax benefit of $0.2 billion in the second quarter of 2019 related to a previously unrecognizable U.S. tax basis in the subsidiaries to be sold. Depending on the timing of regulatory approval and other specific conditions precedent, we anticipate recognizing a gain of approximately $2 billion before- and after-tax on completion of the sale in the second half of 2019, subject to customary adjustments and foreign exchange impacts. The subsidiaries met held for sale criteria in April 2019. Results of operations for the U.K. are reported within our Europe and North Africa segment.

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Note 6 Investments, Loans and Long-Term Receivables

APLNG

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

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

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

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

At March 31, 2019, a balance of $7.0 billion was outstanding on the facilities. See Note 11 Guarantees, for additional information.

APLNG is considered a VIE, as it has entered into certain contractual arrangements that provide it with additional forms of subordinated financial support. See Note 3 Variable Interest Entities, for additional information.

At March 31, 2019, the carrying value of our equity method investment in APLNG was $7,589 million. The balance is included in the Investments and long-term receivables line on our consolidated balance sheet.

Loans and Long-Term Receivables

As part of our normal ongoing business operations, and consistent with industry practice, we enter into numerous agreements with other parties to pursue business opportunities. Included in such activity are loans made to certain affiliated and non-affiliated companies. At March 31, 2019, significant loans to affiliated companies included $399 million in project financing to Qatar Liquefied Gas Company Limited (3) (QG3).

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

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Note 7 Investment in Cenovus Energy

On May 17, 2017, we completed the sale of our 50 percent nonoperated interest in the Foster Creek Christina Lake (FCCL) Partnership, as well as the majority of our western Canada gas assets to Cenovus Energy. Consideration for the transaction included 208 million Cenovus Energy common shares, which, at closing, approximated 16.9 percent of issued and outstanding Cenovus common stock. The fair value and cost basis of our investment in 208 million Cenovus Energy common shares at closing was $1.96 billion based on a price of $9.41 per share on the New York Stock Exchange.

Our investment on our consolidated balance sheet as of March 31, 2019, is carried at fair value of $1.81 billion, reflecting the closing price of Cenovus Energy shares on the New York Stock Exchange of $8.68 per share on the last trading day of the quarter, an increase of $343 million from $1.46 billion at year-end 2018. The increase in fair value represents the net unrealized gain recorded within the Other income line of our consolidated income statement in the first quarter of 2019 relating to the shares held at the reporting date. See Note 14 Fair Value Measurement, for additional information. Subject to market conditions, we intend to decrease our investment over time through market transactions, private agreements or otherwise.

Note 8 Suspended Wells

The capitalized cost of suspended wells at March 31, 2019, was $869 million, an increase of $13 million from $856 million at year-end 2018. No suspended wells were charged to dry hole expense during the first three months of 2019 relating to exploratory well costs capitalized for a period greater than one year as of December 31, 2018.

Note 9 Debt

Our revolving credit facility provides a total commitment of $6.0 billion and expires in May 2023. Our revolving credit facility may be used for direct bank borrowings, the issuance of letters of credit totaling up to $500 million, or as support for our commercial paper program. Our commercial paper program consists of the ConocoPhillips Company $6.0 billion program, primarily a funding source for short-term working capital needs. Commercial paper maturities are generally limited to 90 days.

We had no commercial paper outstanding at March 31, 2019 or December 31, 2018. We had no direct outstanding borrowings or letters of credit under the revolving credit facility at March 31, 2019 or December 31, 2018. Since we had no commercial paper outstanding and had issued no letters of credit, we had access to $6.0 billion in borrowing capacity under our revolving credit facility at March 31, 2019.

At March 31, 2019, we had $283 million of certain variable rate demand bonds (VRDBs) outstanding with maturities ranging through 2035. The VRDBs are redeemable at the option of the bondholders on any business day. If they are ever redeemed, we intend to refinance on a long-term basis, therefore, the VRDBs are included in the Long-term debt line on our consolidated balance sheet.

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Note 10 Changes in Equity

The following tables reflect the changes in stockholders equity:

	Millions of Dollars							
	Attributable to ConocoPhillips							
	Common Stock							
	Par Value	Capital in Excess of Par	Treasury Stock	Accum. Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interests	Total
For the three months ended March 31, 2019							
Balances at December 31, 2018	$ 18	46,879	(42,905)	(6,063)	34,010	125	32,064
Net income					1,833	13	1,846
Other comprehensive income				189			189
Dividends paid ($0.31 per common share)					(350)		(350)
Repurchase of company common stock			(752)				(752)
Distributions to noncontrolling interests and other						(17)	(17)
Distributed under benefit plans		(2)					(2)
Changes in Accounting Principles*				(40)	40		
Other			1		1	1	3
Balances at March 31, 2019	**$ 18**	**46,877**	**(43,656)**	**(5,914)**	**35,534**	**122**	**32,981**

**See Note 2 Changes in Accounting Principles for additional information.*

For the three months ended March 31, 2018							
Balances at December 31, 2017	$ 18	46,622	(39,906)	(5,518)	29,391	194	30,801
Net income					888	12	900
Other comprehensive income				89			89
Dividends paid ($0.29 per common share)					(338)		(338)
Repurchase of company common stock			(500)				(500)
Distributions to noncontrolling interests and other						(34)	(34)
Distributed under benefit plans		20					20
Changes in Accounting Principles**				58	(278)		(220)
Balances at March 31, 2018	**$ 18**	**46,642**	**(40,406)**	**(5,371)**	**29,663**	**172**	**30,718**

***Cumulative effect of the adoption of ASC Topic 606, Revenue from Contracts with Customers , and ASU No. 2016-01, Recognition and Measurement of Financial Assets and Liabilities , at January 1, 2018.*

Note 11 Guarantees

At March 31, 2019, we were liable for certain contingent obligations under various contractual arrangements as described below. We recognize a liability, at inception, for the fair value of our obligation as a guarantor for newly issued or modified guarantees. Unless the carrying amount of the liability is noted below, we have not recognized a liability because the fair value of the obligation is immaterial. In addition, unless otherwise stated, we are not currently performing with any significance under the guarantee and expect future performance to be either immaterial or have only a remote chance of occurrence.

APLNG Guarantees

At March 31, 2019, we had outstanding multiple guarantees in connection with our 37.5 percent ownership interest in APLNG. The following is a description of the guarantees with values calculated utilizing March 2019 exchange rates:

During the third quarter of 2016, we issued a guarantee to facilitate the withdrawal of our pro-rata portion of the funds in a project finance reserve account. We estimate the remaining term of this guarantee is 12 years. Our maximum exposure under this guarantee is approximately $170 million and may become payable if an enforcement action is commenced by the project finance lenders against APLNG. At March 31, 2019, the carrying value of this guarantee is approximately $14 million.

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In conjunction with our original purchase of an ownership interest in APLNG from Origin Energy in October 2008, we agreed to reimburse Origin Energy for our share of the existing contingent liability arising under guarantees of an existing obligation of APLNG to deliver natural gas under several sales agreements with remaining terms of up to 23 years. Our maximum potential liability for future payments, or cost of volume delivery, under these guarantees is estimated to be $800 million ($1.4 billion in the event of intentional or reckless breach) and would become payable if APLNG fails to meet its obligations under these agreements and the obligations cannot otherwise be mitigated. Future payments are considered unlikely, as the payments, or cost of volume delivery, would only be triggered if APLNG does not have enough natural gas to meet these sales commitments and if the co-venturers do not make necessary equity contributions into APLNG.

We have guaranteed the performance of APLNG with regard to certain other contracts executed in connection with the project s continued development. The guarantees have remaining terms of up to 27 years or the life of the venture. Our maximum potential amount of future payments related to these guarantees is approximately $140 million and would become payable if APLNG does not perform.

Other Guarantees

We have other guarantees with maximum future potential payment amounts totaling approximately $780 million, which consist primarily of guarantees of the residual value of leased office buildings, guarantees of the residual value of corporate aircraft, and a guarantee for our portion of a joint venture s project finance reserve accounts. These guarantees have remaining terms of up to four years and would become payable if, upon sale, certain asset values are lower than guaranteed amounts, business conditions decline at guaranteed entities, or as a result of nonperformance of contractual terms by guaranteed parties.

Indemnifications

Over the years, we have entered into agreements to sell ownership interests in certain corporations, joint ventures and assets that gave rise to qualifying indemnifications. These agreements include indemnifications for taxes, environmental liabilities, employee claims 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 March 31, 2019, was approximately $90 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 recorded carrying amount at March 31, 2019, were approximately $30 million of environmental accruals for known contamination that are included in the Asset retirement obligations and accrued environmental costs line on our consolidated balance sheet. For additional information about environmental liabilities, see Note 12 Contingencies and Commitments.

Note 12 Contingencies and Commitments

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

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respect to income tax-related contingencies, we use a cumulative probability-weighted loss accrual in cases where sustaining a tax position is less than certain.

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

Environmental

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

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

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

At March 31, 2019, our consolidated balance sheet included a total environmental accrual of $176 million, compared with $178 million at December 31, 2018, for remediation activities in the United States and Canada. We expect to incur a substantial amount of these expenditures within the next 30 years. In the future, we may be involved in additional environmental assessments, cleanups and proceedings.

Legal Proceedings

We are subject to various lawsuits and claims including but not limited to matters involving oil and gas royalty and severance tax payments, gas measurement and valuation methods, contract disputes, environmental damages, personal injury, and property damage. Our primary exposures for such matters relate to alleged royalty and tax underpayments on certain federal, state and privately owned properties and claims of alleged

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environmental contamination from historic operations. We will continue to defend ourselves vigorously in these matters.

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

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 March 31, 2019, we had performance obligations secured by letters of credit of $274 million (issued as direct bank letters of credit) related to various purchase commitments for materials, supplies, commercial activities and services incident to the ordinary conduct of business.

In 2007, ConocoPhillips was unable to reach agreement with respect to the empresa mixta structure mandated by the Venezuelan government s Nationalization Decree. As a result, Venezuela s national oil company, Petróleos de Venezuela, S.A. (PDVSA), or its affiliates, directly assumed control over ConocoPhillips interests in the Petrozuata and Hamaca heavy oil ventures and the offshore Corocoro development project. In response to this expropriation, ConocoPhillips initiated international arbitration on November 2, 2007, with the ICSID. On September 3, 2013, an ICSID arbitration tribunal held that Venezuela unlawfully expropriated ConocoPhillips significant oil investments in June 2007. On January 17, 2017, the Tribunal reconfirmed the decision that the expropriation was unlawful. In March 2019, the Tribunal unanimously ordered the government of Venezuela to pay ConocoPhillips $8.7 billion in compensation for the government s unlawful expropriation of the company s investments in Venezuela in 2007. ConocoPhillips has filed a request for recognition of the Award in several jurisdictions. An Application for Rectification of the Award requesting correction of certain calculations was filed on behalf of the government of Venezuela, which the ICSID Tribunal is now reviewing. Once resolved, the government of Venezuela may then seek annulment of the Award.

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

In 2016, ConocoPhillips filed a separate and independent arbitration under the rules of the ICC against PDVSA under the contracts that had established the Corocoro project. This ICC arbitration is currently in progress.

In February 2017, the ICSID Tribunal unanimously awarded Burlington Resources, Inc., a wholly owned subsidiary of ConocoPhillips, $380 million for Ecuador s unlawful expropriation of Burlington s investment in Blocks 7 and 21, in breach of the U.S.-Ecuador Bilateral Investment Treaty. The tribunal also issued a

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separate decision finding Ecuador to be entitled to $42 million for environmental and infrastructure counterclaims. In December 2017, Burlington and Ecuador entered into a settlement agreement by which Ecuador paid Burlington $337 million in two installments. The first installment of $75 million was paid in December 2017, and the second installment of $262 million was paid in April 2018. The settlement included an offset for the counterclaims decision, of which Burlington is entitled to a $24 million contribution from Perenco Ecuador Limited, its co-venturer and consortium operator, pursuant to a joint and several liability provision in the JOA. Ecuador s environmental and infrastructure counterclaims against Perenco remain pending in a separate ICSID arbitration between Perenco and Ecuador, and Burlington may owe Perenco a contribution under the JOA for damages found by this tribunal.

In June 2017, FAR Ltd. initiated arbitration before the ICC against ConocoPhillips Senegal B.V., now Woodside Senegal B.V., in connection with the sale of ConocoPhillips Senegal B.V. to Woodside Energy Holdings (Senegal) Limited in 2016. This arbitration is ongoing.

In late 2017, ConocoPhillips (U.K.) Limited (CPUKL) initiated United Nations Commission on International Trade and Law (UNCITRAL) arbitration against Vietnam in accordance with the U.K.-Vietnam Bilateral Investment Treaty relating to a tax dispute arising from the 2012 sale of ConocoPhillips (U.K.) Cuu Long Limited and ConocoPhillips (U.K.) Gama Limited. The tribunal was constituted in February 2018. The arbitration is ongoing.

In 2017 and 2018, cities, counties, and a state government in California, New York, Washington, Rhode Island and Maryland, as well as the Pacific Coast Federation of Fishermen s Association, Inc., have filed lawsuits against oil and gas companies, including ConocoPhillips, seeking compensatory damages and equitable relief to abate alleged climate change impacts. ConocoPhillips is vigorously defending against these lawsuits. The lawsuits brought by the Cities of San Francisco, Oakland and New York have been dismissed by the district courts and appeals are pending.

Several Louisiana parishes and individual landowners have filed lawsuits against oil and gas companies, including ConocoPhillips, seeking compensatory damages in connection with historical oil and gas operations in Louisiana. ConocoPhillips will vigorously defend against these lawsuits.

Note 13 Derivative and Financial Instruments

Derivative Instruments

We use futures, forwards, swaps and options in various markets to meet our customer needs and capture market opportunities. Our commodity business primarily consists of natural gas, crude oil, bitumen, LNG and natural gas liquids.

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

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

	Millions of Dollars	
	March 31 2019	December 31 2018
Assets		
Prepaid expenses and other current assets	**$ 250**	410
Other assets	**30**	40
Liabilities		
Other accruals	**258**	370
Other liabilities and deferred credits	**23**	30

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

	Millions of Dollars	
	Three Months Ended March 31	
	2019	2018
Sales and other operating revenues	**$ 19**	43
Other income (loss)	**(1)**	4
Purchased commodities	**(20)**	(27)

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

	Open Position Long/(Short)	
	March 31 2019	December 31 2018
Commodity		
Natural gas and power (billions of cubic feet equivalent)		
Fixed price	**(10)**	(17)
Basis	**(11)**	(1)

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Foreign Currency Exchange Derivatives

We have foreign currency exchange rate risk resulting from international operations. Our foreign currency exchange derivative activity primarily relates to managing our cash-related foreign currency exchange rate exposures, such as firm commitments for capital programs or local currency tax payments, dividends and cash returns from net investments in foreign affiliates, and investments in equity securities. We do not elect hedge accounting on our foreign currency exchange derivatives.

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

	Millions of Dollars	
	March 31 2019	December 31 2018
Assets		
Prepaid expenses and other current assets	**$ 6**	7
Liabilities		
Other accruals	**1**	6

The gains from foreign currency exchange derivatives incurred and the line item where they appear on our consolidated income statement were:

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Foreign currency transaction losses (gains)	**$ (2)**	(5)

We had the following net notional position of outstanding foreign currency exchange derivatives:

		In Millions Notional Currency	
		March 31	
		2019	December 31 2018
Foreign Currency Exchange Derivatives			
Sell U.S. dollar, buy other currencies*	USD	**199**	805
Sell British pound, buy other currencies**	GBP		21
Buy British pound, sell euro	GBP	**19**	
Sell Canadian dollar, buy U.S. dollar	CAD	**1,250**	1,242

**Primarily British pound and Norwegian krone.*

***Primarily euro and Norwegian krone.*

In December 2017, we entered into foreign exchange zero cost collars buying the right to sell $1.25 billion CAD at $0.707 CAD and selling the right to buy $1.25 billion CAD at $0.842 CAD against the U.S. dollar.

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Financial Instruments

We invest excess cash in financial instruments with maturities based on our cash forecasts for the various currency pools we manage. The maturities of these investments may from time to time extend beyond 90 days. The types of financial instruments that we currently invest include:

Time deposits: Interest bearing deposits placed with approved financial institutions.
Commercial paper: Unsecured promissory notes issued by a corporation, commercial bank or government agency purchased at a discount to mature at par.
Government or government agency obligations: Short-term securities issued by the U.S. government or U.S. government agencies.

These financial instruments appear in the Cash and cash equivalents line of our consolidated balance sheet if the maturities at the time we made the investments were 90 days or less; otherwise, these financial instruments are included in the Short-term investments line on our consolidated balance sheet.

	Millions of Dollars			
	Carrying Amount			
	Cash and Cash Equivalents		Short-Term Investments	
	March 31 2019	December 31 2018	**March 31 2019**	December 31 2018
Cash	**$ 897**	876		
Time deposits				
Remaining maturities from 1 to 90 days	**4,180**	3,509	**200**	
Commercial paper				
Remaining maturities from 1 to 90 days	**376**	229	**49**	248
Government obligations				
Remaining maturities from 1 to 90 days	**765**	1,301		
	$ 6,218	5,915	**249**	248

Credit Risk

Financial instruments potentially exposed to concentrations of credit risk consist primarily of cash equivalents, short-term investments, OTC derivative contracts and trade receivables. Our cash equivalents and short-term investments are placed in high-quality commercial paper, government money market funds, government debt securities and time deposits with major international banks and financial institutions.

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

Our trade receivables result primarily from our petroleum operations and reflect a broad national and international customer base, which limits our exposure to concentrations of credit risk. The majority of these receivables have payment terms of 30 days or less, and we continually monitor this exposure and the creditworthiness of the counterparties. We do not generally require collateral to limit the exposure to loss; however, we will sometimes use letters of credit, prepayments and master netting arrangements to mitigate credit risk with counterparties that both buy from and sell to us, as these agreements permit the amounts owed by us or owed to others to be offset against amounts due to us.

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

The aggregate fair value of all derivative instruments with such credit risk-related contingent features that were in a liability position on March 31, 2019 and December 31, 2018, was $50 million and $62 million, respectively. For these instruments, no collateral was posted as of March 31, or December 31, 2018. If our credit rating had been downgraded below investment grade on March 31, 2019, we would be required to post $50 million of additional collateral, either with cash or letters of credit.

Note 14 Fair Value Measurement

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

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

The classification of an asset or liability is based on the lowest level of input significant to its fair value. Those that are initially classified as Level 3 are subsequently reported as Level 2 when the fair value derived from unobservable inputs is inconsequential to the overall fair value, or if corroborated market data becomes available. Assets and liabilities initially reported as Level 2 are subsequently reported as Level 3 if corroborated market data is no longer available. Transfers occur at the end of the reporting period. There were no material transfers between levels during 2019 or 2018.

Recurring Fair Value Measurement

Financial assets and liabilities reported at fair value on a recurring basis primarily include our investment in Cenovus Energy shares and commodity derivatives. Level 1 derivative assets and liabilities primarily represent exchange-traded futures and options that are valued using unadjusted prices available from the underlying exchange. Level 1 also includes our investment in common shares of Cenovus Energy, which is valued using quotes for shares on the New York Stock Exchange. Level 2 derivative assets and liabilities primarily represent OTC swaps, options and forward purchase and sale contracts that are valued using adjusted exchange prices, prices provided by brokers or pricing service companies that are all corroborated by market data. Level 3 derivative assets and liabilities consist of OTC swaps, options and forward purchase and sale contracts where a significant portion of fair value is calculated from underlying market data that is not readily available. The derived value uses industry standard methodologies that may consider the historical relationships among various commodities, modeled market prices, time value, volatility factors and other relevant economic measures. The use of these inputs results in management s best estimate of fair value. Level 3 activity was not material for all periods presented.

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

	Millions of Dollars							
	March 31, 2019				December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets								
Investment in Cenovus Energy	**$ 1,805**			**1,805**	1,462			1,462
Commodity derivatives	**166**	**91**	**23**	**280**	236	181	33	450
Total assets	**$ 1,971**	**91**	**23**	**2,085**	1,698	181	33	1,912
Liabilities								
Commodity derivatives	**$ 167**	**101**	**13**	**281**	225	145	30	400
Total liabilities	**$ 167**	**101**	**13**	**281**	225	145	30	400

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

	Millions of Dollars						
		Gross Amounts Not Subject to Right of Setoff		Amounts Subject to Right of Setoff			
	Gross Amounts Recognized		Gross Amounts	Gross Amounts Offset	Net Amounts Presented	Cash Collateral	Net Amounts
March 31, 2019							
Assets	**$ 280**	**9**	**271**	**197**	**74**		**74**
Liabilities	**281**	**6**	**275**	**197**	**78**	**8**	**70**
December 31, 2018							
Assets	$ 450	9	441	280	161		161
Liabilities	400	4	396	280	116	10	106

At March 31, 2019 and December 31, 2018, we did not present any amounts gross on our consolidated balance sheet where we had the right of setoff.

Non-Recurring Fair Value Measurement

The following table summarizes the fair value hierarchy by major category and date of remeasurement for assets accounted for at fair value on a non-recurring basis:

	Millions of Dollars		
		Fair Value Measurements Using	
	Fair Value	Level 1 Inputs	Before-Tax Loss
Equity method investments			
March 31, 2019	**$ 171**	**171**	**60**

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During the first quarter of 2019, the carrying values of our equity method investments in the Golden Pass LNG Terminal and Golden Pass Pipeline were written down to fair value. The fair values were determined by negotiated selling prices. For additional information, see Note 5 Assets Sold and Planned Dispositions.

Reported Fair Values of Financial Instruments

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

Cash and cash equivalents and short-term investments: The carrying amount reported on our consolidated balance sheet approximates fair value.

Accounts and notes receivable (including long-term and related parties): The carrying amount reported on our consolidated balance sheet approximates fair value. The valuation technique and methods used to estimate the fair value of the current portion of fixed-rate related party loans is consistent with Loans and advances related parties.

Investment in Cenovus Energy shares: See Note 7 Investment in Cenovus Energy for a discussion of the carrying value and fair value of our investment in Cenovus Energy shares.

Loans and advances related parties: The carrying amount of floating-rate loans approximates fair value. The fair value of fixed-rate loan activity is measured using market observable data and is categorized as Level 2 in the fair value hierarchy. See Note 6 Investments, Loans and Long-Term Receivables for additional information.

Accounts payable (including related parties) and floating-rate debt: The carrying amount of accounts payable and floating-rate debt reported on our consolidated balance sheet approximates fair value.

Fixed-rate debt: The estimated fair value of fixed-rate debt is measured using prices available from a pricing service that is corroborated by market data; therefore, these liabilities are categorized as Level 2 in the fair value hierarchy.

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

	Millions of Dollars			
	Carrying Amount		Fair Value	
	March 31 2019	December 31 2018	**March 31 2019**	December 31 2018
Financial assets				
Investment in Cenovus Energy	**$ 1,805**	1,462	**1,805**	1,462
Commodity derivatives	**83**	170	**83**	170
Total loans and advances related parties	**402**	468	**402**	468
Financial liabilities				
Total debt, excluding capital leases	**14,187**	14,191	**17,167**	16,147
Commodity derivatives	**76**	110	**76**	110

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Note 15 Non-Mineral Leases

The company primarily leases office buildings and drilling equipment, as well as ocean transport vessels, tugboats, corporate aircraft, and other facilities and equipment. Certain leases include escalation clauses for adjusting rental payments to reflect changes in price indices and other leases include payment provisions that vary based on the nature of usage of the leased asset. Additionally, the company has executed certain leases that provide it with the option to extend or renew the term of the lease, terminate the lease prior to the end of the lease term, or purchase the leased asset as of the end of the lease term. In other cases, the company has executed lease agreements that require it to guarantee the residual value of certain leased office buildings. For additional information about guarantees, see Note 11 Guarantees. There are no significant restrictions imposed on us by the lease agreements with regard to dividends, asset dispositions or borrowing ability.

Certain arrangements may contain both lease and non-lease components and we determine if an arrangement is or contains a lease at contract inception. Only the lease components of these contractual arrangements are subject to the provisions of ASC Topic 842, and any non-lease components are subject to other applicable accounting guidance; however, we have elected to adopt the optional practical expedient not to separate lease components apart from non-lease components for accounting purposes. This policy election has been adopted for each of the company s leased asset classes existing as of the effective date and subject to the transition provisions of ASC Topic 842 and will be applied to all new or modified leases executed on or after January 1, 2019. For contractual arrangements executed in subsequent periods involving a new leased asset class, the company will determine at contract inception whether it will apply the optional practical expedient to the new leased asset class.

Leases are evaluated for classification as operating or finance leases at the commencement date of the lease and right-of-use assets and corresponding liabilities are recognized on our consolidated balance sheet based on the present value of future lease payments relating to the use of the underlying asset during the lease term. Future lease payments include variable lease payments that depend upon an index or rate using the index or rate at the commencement date and probable amounts owed under residual value guarantees. The amount of future lease payments may be increased to include additional payments related to lease extension, termination, and/or purchase options when the company has determined, at or subsequent to lease commencement, generally due to limited asset availability or operating commitments, it is reasonably certain of exercising such options. We use our incremental borrowing rate as the discount rate in determining the present value of future lease payments, unless the interest rate implicit in the lease arrangement is readily determinable. Lease payments that vary subsequent to the commencement date based on future usage levels, the nature of leased asset activities, or certain other contingencies are not included in the measurement of lease right-of-use assets and corresponding liabilities. We have elected not to record assets and liabilities on our consolidated balance sheet for lease arrangements with terms of 12 months or less.

We often enter into leasing arrangements acting in the capacity as operator for and/or on behalf of certain oil and gas joint ventures of undivided interests. If the lease arrangement can be legally enforced only against us as operator and there is no separate arrangement to sublease the underlying leased asset to our coventurers, we recognize at lease commencement a right-of-use asset and corresponding lease liability on our consolidated balance sheet on a gross basis. While we record lease costs on a gross basis in our consolidated income statement and statement of cash flows, such costs are offset by the reimbursement we receive from our coventurers for their share of the lease cost as the underlying leased asset is utilized in joint venture activities. As a result, lease cost is presented in our consolidated income statement and statement of cash flows on a proportional basis. If we are a nonoperating coventurer, we recognize a right-of-use asset and corresponding lease liability only if we were a specified contractual party to the lease arrangement and the arrangement could be legally enforced against us. In this circumstance, we would recognize both the right-of-use asset and corresponding lease liability on our consolidated balance sheet on a proportional basis consistent with our undivided interest ownership in the related joint venture.

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The company has historically recorded certain finance leases executed by investee companies accounted for under the proportionate consolidation method of accounting on its consolidated balance sheet on a proportional basis consistent with its ownership interest in the investee company. In addition, the company has historically recorded finance lease assets and liabilities associated with certain oil and gas joint ventures on a proportional basis pursuant to accounting guidance applicable prior to January 1, 2019. As of December 31, 2018, $420 million of finance lease assets (net of accumulated depreciation, depletion and amortization) and $688 million of finance lease liabilities were recorded on our consolidated balance sheet associated with these leases. In accordance with the transition provisions of ASC Topic 842, and since we have elected to adopt the package of optional transition-related practical expedients, the historical accounting treatment for these leases has been carried forward and is subject to reconsideration upon the modification or other required reassessment of the arrangements prior to lease term expiration.

In connection with our adoption of ASC Topic 842, we have recorded on our consolidated balance sheet $57 million of operating leases executed by investee companies accounted for under the proportionate consolidation method of accounting on a proportional basis consistent with our ownership interest in the investee company.

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The following tables summarize the finance leases amounts that were reflected on our consolidated balance sheet as of December 31, 2018, the operating leases impact of adopting ASC Topic 842, and the right-of-use asset and lease liability balances reflected for both operating and finance leases on our consolidated balance sheet as of March 31, 2019:

	Millions of Dollars Carrying Amount	
	Operating Leases	Finance Leases
Amounts recognized in line items in our Consolidated Balance Sheet upon adoption of ASC Topic 842		
Right-of-Use Assets		
Properties, plants and equipment		
Gross		$ 1,044
Accumulated depreciation, depletion and amortization		(550)
Net properties, plants and equipment as of December 31, 2018		$ 494
Adoption of ASC Topic 842 as of January 1, 2019	$ 998	
Lease Liabilities		
Short-term debt		$ 79
Long-term debt		698
Total finance leases debt as of December 31, 2018		$ 777
Adoption of ASC Topic 842 as of January 1, 2019	$ 998	
Amounts recognized in line items in our Consolidated Balance Sheet at March 31, 2019		
Right-of-Use Assets		
Properties, plants and equipment		
Gross		$ 1,044
Accumulated depreciation, depletion and amortization		(579)
Net properties, plants and equipment*		$ 465
Other assets	$ 981	

**Includes proportionately consolidated finance lease assets (net of accumulated depreciation, depletion and amortization) of $398 million.*

Lease Liabilities		
Short-term debt*		$ 80
Other accruals	$ 282	
Long-term debt*		679

Other liabilities and deferred credits		685	
Total lease liabilities	$	967	759

[*]Short-term debt and long-term debt include proportionately consolidated finance lease liabilities of $54 million and $622 million, respectively.

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The following table summarizes the lease cost for the three-month period ended March 31, 2019:

		Millions of Dollars
Lease Cost*		
Operating lease cost	$	75
Finance lease cost		
Amortization of right-of-use assets		29
Interest on lease liabilities		10
Short-term lease cost**		14
Total lease cost***	$	128

**The amounts presented in the table above have not been adjusted to reflect amounts recovered or reimbursed from oil and gas coventurers.*

***Short-term leases are not recorded on our consolidated balance sheet. Our future short-term lease commitments amount to $71 million, of which $54 million is related to leases whose terms have not yet commenced as of March 31, 2019.*

****Variable lease cost and sublease income are immaterial for the three-month period ended March 31, 2019, and not presented in the table above.*

The following table summarizes the lease term and discount rate at March 31, 2019:

	March 31, 2019
Lease Term and Discount Rate	
Weighted-average term (years)	
Operating leases	6.49
Finance leases	9.42
Weighted-average discount rate (percent)	
Operating leases	3.50
Finance leases	5.84

The following table summarizes other information for the three-month period ended March 31, 2019:

		Millions of Dollars
Other Information*		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	80
Operating cash flows from finance leases		10
Financing cash flows from finance leases		19
Right-of-use assets obtained in exchange for operating lease liabilities	$	41
Right-of-use assets obtained in exchange for finance lease liabilities		-

**The amounts presented in the table above have not been adjusted to reflect amounts recovered or reimbursed from oil and gas coventurers. In addition, pursuant to other applicable accounting guidance, lease payments made in connection with preparing another asset for its intended use are reported in the Cash Flows*

From Investing Activities section of our consolidated statement of cash flows.

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The following table summarizes future lease payments for operating and finance leases at March 31, 2019:

	Millions of Dollars	
	Operating Leases	Finance Leases
Maturity of Lease Liabilities		
2019	$ 244	86
2020	243	115
2021	178	100
2022	115	98
2023	67	84
Remaining years	235	461
Total*	1,082	944
Less: portion representing imputed interest	(115)	(185)
Total lease liabilities	$ 967	759

**Future lease payments for operating and finance leases commencing on or after January 1, 2019, also include payments related to non-lease components in accordance with our election to adopt the optional practical expedient not to separate lease components apart from non-lease components for accounting purposes. In addition, future payments related to operating and finance leases proportionately consolidated by the company have been included in the table on a proportionate basis consistent with our respective ownership interest in the underlying investee company or oil and gas venture.*

At December 31, 2018, future undiscounted minimum rental payments due under noncancelable operating leases pursuant to ASC Topic 840 were:

	Millions of Dollars
2019	$ 248
2020	425
2021	136
2022	319
2023	54
Remaining years	212
Total	1,394
Less: income from subleases	(7)
Net minimum operating lease payments	$ 1,387

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At December 31, 2018, future minimum payments due under finance (capital) leases pursuant to ASC Topic 840 were:

	Millions of Dollars
2019	$ 118
2020	116
2021	100
2022	98
2023	87
Remaining years	453
Total	972
Less: portion representing imputed interest	(195)
Capital lease obligations	$ 777

Note 16 Accumulated Other Comprehensive Loss

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

	Millions of Dollars		
	Defined Benefit Plans	Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss)
December 31, 2018	$ (361)	(5,702)	(6,063)
Cumulative effect of adopting ASU No. 2018-02*	**(40)**	**-**	**(40)**
Other comprehensive income	**13**	**176**	**189**
March 31, 2019	**$ (388)**	**(5,526)**	**(5,914)**

**See Note 2 Changes in Accounting Principles for additional information.*

There were no items within accumulated other comprehensive loss related to noncontrolling interests.

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

Millions of Dollars

	Three Months Ended March 31	
	2019	2018
Defined benefit plans	**$ 13**	11

The above amounts are included in the computation of net periodic benefit cost and are presented net of tax expense of $5 million and $3 million for the three-month periods ended March 31, 2019 and 2018, respectively. See Note 18 Employee Benefit Plans, for additional information.

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Note 17 Cash Flow Information

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Cash Payments		
Interest	**$ 199**	220
Income taxes	**700**	521
Net Sales (Purchases) of Short-Term Investments		
Short-term investments purchased	**$ (250)**	(206)
Short-term investments sold	**249**	1,799
	$ (1)	1,593

Note 18 Employee Benefit Plans

Pension and Postretirement Plans

	Millions of Dollars					
	Pension Benefits				Other Benefits	
	2019		2018		**2019**	2018
	U.S.	Int l.	U.S.	Int l.		
Components of Net Periodic Benefit Cost						
Three Months Ended March 31						
Service cost	**$ 20**	**19**	21	21	**-**	-
Interest cost	**21**	**26**	27	27	**2**	2
Expected return on plan assets	**(18)**	**(35)**	(34)	(40)	**-**	-
Amortization of prior service cost (credit)	**-**	**-**	-	(1)	**(8)**	(9)
Recognized net actuarial loss (gain)	**13**	**8**	15	9	**(1)**	-
Settlements	**6**	**-**	-	-	**-**	-
Net periodic benefit cost	**$ 42**	**18**	29	16	**(7)**	(7)

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

During the first three months of 2019, we contributed $45 million to our domestic benefit plans and $56 million to our international benefit plans. In 2019, we expect to contribute a total of approximately $195 million to our domestic qualified and nonqualified pension and postretirement benefit plans and $190 million to our international qualified and nonqualified pension and postretirement benefit plans. In the event we complete our transaction to sell two ConocoPhillips subsidiaries in the U.K., we expect to make an additional contribution to an international qualified pension plan of approximately $290 million. For additional information, see Note 5 Assets Sold and Planned Dispositions.

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Severance Accrual

The following table summarizes our severance accrual activity for the three-month period ended March 31, 2019:

	Millions of Dollars
Balance at December 31, 2018	$ 48
Accruals	**1**
Benefit payments	**(15)**
Foreign currency translation adjustments	**1**
Balance at March 31, 2019	**$ 35**

Of the remaining balance at March 31, 2019, $12 million is classified as short-term.

Note 19 Related Party Transactions

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

Significant transactions with our equity affiliates were:

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Operating revenues and other income	**$ 21**	23
Purchases	**21**	24
Operating expenses and selling, general and administrative expenses	**14**	15
Net interest (income) expense*	**(4)**	(3)

**We paid interest to, or received interest from, various affiliates. See Note 6 Investments, Loans and Long-Term Receivables, for additional information on loans to affiliated companies.*

Note 20 Sales and Other Operating Revenues

Revenue from Contracts with Customers

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

	Millions of Dollars Three Months Ended March 31	
	2019	2018

Revenue from contracts with customers	**$**	**7,059**	6,545
Revenue from contracts outside the scope of ASC Topic 606			
Physical contracts meeting the definition of a derivative		**2,081**	2,261
Financial derivative contracts		**10**	(8)
Consolidated sales and other operating revenues	**$**	**9,150**	8,798

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Revenues from contracts outside the scope of ASC Topic 606 relate primarily to physical gas contracts at market prices which qualify as derivatives accounted for under ASC Topic 815, Derivatives and Hedging, and for which we have not elected NPNS. There is no significant difference in contractual terms or the policy for recognition of revenue from these contracts and those within the scope of ASC Topic 606. The following disaggregation of revenues is provided in conjunction with Note 21 Segment Disclosures and Related Information:

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Revenue from Contracts Outside the Scope of ASC Topic 606 by Segment		
Lower 48	**$ 1,613**	1,713
Canada	**241**	191
Europe and North Africa	**227**	357
Physical contracts meeting the definition of a derivative	**$ 2,081**	2,261

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Revenue from Contracts Outside the Scope of ASC Topic 606 by Product		
Crude oil	**$ 188**	286
Natural gas	**1,768**	1,890
Other	**125**	85
Physical contracts meeting the definition of a derivative	**$ 2,081**	2,261

Practical Expedients

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

Receivables and Contract Liabilities

Receivables from Contracts with Customers

At March 31, 2019, the Accounts and notes receivable line on our consolidated balance sheet, includes trade receivables of $2,638 million compared with $2,889 million at December 31, 2018, and includes both contracts with customers within the scope of ASC Topic 606 and those that are outside the scope of ASC Topic 606. We typically receive payment within 30 days or less (depending on the terms of the invoice) once delivery is made. Revenues that are outside the scope of ASC Topic 606 relate primarily to physical gas sales contracts at market prices for which we do not elect NPNS and are therefore accounted for as a derivative under ASC Topic 815. There is little distinction in the nature of the customer or credit quality of trade receivables associated with gas sold under contracts for which NPNS has not been elected compared to trade receivables where NPNS has been elected.

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Contract Liabilities from Contracts with Customers

We have entered into contractual arrangements where we license proprietary technology to customers related to the optimization process for operating LNG plants. The agreements typically provide for negotiated payments to be made at stated milestones. The payments are not directly related to our performance under the contract and are recorded as deferred revenue to be recognized as revenue when the customer can utilize and benefit from their right to use the license. Payments are received in installments over the construction period.

	Millions of Dollars
Contract Liabilities	
At December 31, 2018	$ 206
Contractual payments received	14
Revenue recognized	(133)
At March 31, 2019	**$ 87**
Amounts Recognized in the Consolidated Balance Sheet at March 31, 2019	
Current liabilities	**$ 49**
Noncurrent liabilities	**38**
	$ 87

We expect to recognize the contract liabilities as of March 31, 2019, as revenue between the remainder of 2019 and 2022.

Note 21 Segment Disclosures and Related Information

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

Corporate and Other represents costs not directly associated with an operating segment, such as most interest expense, corporate overhead and certain technology activities, including licensing revenues. Corporate assets include all cash and cash equivalents and short-term investments.

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

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Analysis of Results by Operating Segment

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Sales and Other Operating Revenues		
Alaska	**$ 1,407**	1,385
Lower 48	**4,153**	3,952
Intersegment eliminations	**(12)**	(3)
Lower 48	**4,141**	3,949
Canada	**823**	891
Intersegment eliminations	**(250)**	(255)
Canada	**573**	636
Europe and North Africa	**1,546**	1,608
Asia Pacific and Middle East	**1,343**	1,216
Corporate and Other	**140**	4
Consolidated sales and other operating revenues	**$ 9,150**	8,798
Sales and Other Operating Revenues by Geographic Location		
United States	**$ 5,686**	5,336
Australia	**559**	440
Canada	**573**	636
China	**243**	218
Indonesia	**205**	215
Libya	**254**	276
Malaysia	**336**	344
Norway	**588**	663
United Kingdom	**704**	669
Other foreign countries	**2**	1
Worldwide consolidated	**$ 9,150**	8,798
Sales and Other Operating Revenues by Product		
Crude oil	**$ 4,581**	4,450
Natural gas	**3,003**	2,796
Natural gas liquids	**238**	231
Other*	**1,328**	1,321
Consolidated sales and other operating revenues by product	**$ 9,150**	8,798

**Includes LNG and bitumen.*

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	Millions of Dollars Three Months Ended March 31	
	2019	2018
Net Income Attributable to ConocoPhillips		
Alaska	**$ 384**	524
Lower 48	**193**	308
Canada	**122**	(65)
Europe and North Africa	**207**	245
Asia Pacific and Middle East	**525**	461
Other International	**131**	(44)
Corporate and Other	**271**	(541)
Consolidated net income attributable to ConocoPhillips	**$ 1,833**	888

	Millions of Dollars	
	March 31 2019	December 31 2018
Total Assets		
Alaska	**$ 15,066**	14,648
Lower 48	**14,720**	14,888
Canada	**6,191**	5,748
Europe and North Africa	**10,186**	9,883
Asia Pacific and Middle East	**16,025**	16,151
Other International	**87**	89
Corporate and Other	**9,223**	8,573
Consolidated total assets	**$ 71,498**	69,980

Note 22 Income Taxes

Our effective tax rate for the first quarter of 2019 was 31 percent compared with 49 percent for the first quarter of 2018. The effective tax rate for first quarter 2019 is lower than the effective tax rate for 2018 primarily due to higher before-tax income in lower tax jurisdictions for 2019 as well as a reduction of our U.S. valuation allowance for the first quarter of 2019.

During the first quarter of 2019, our U.S. valuation allowance decreased by $103 million compared to an increase of $57 million for the first quarter of 2018. The change to our U.S. valuation allowance for both periods relates primarily to the fair value measurement of our Cenovus Energy common shares.

Note 23 New Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (ASU No. 2016-13), which sets forth the current expected credit loss model, a new forward-looking impairment model for certain financial instruments based on expected losses rather than incurred losses. The ASU is effective for interim and annual periods beginning after December 15, 2019. Entities are required to adopt ASU No. 2016-13 using a modified retrospective approach, subject to certain limited exceptions. We are currently evaluating the impact of the adoption of this ASU.

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Supplementary Information Condensed Consolidating Financial Information

We have various cross guarantees among ConocoPhillips, ConocoPhillips Company and Burlington Resources LLC, with respect to publicly held debt securities. ConocoPhillips Company is 100 percent owned by ConocoPhillips. Burlington Resources LLC is an indirect, 100 percent owned subsidiary of ConocoPhillips Company. ConocoPhillips and/or ConocoPhillips Company have fully and unconditionally guaranteed the payment obligations of Burlington Resources LLC, with respect to its publicly held debt securities. Similarly, ConocoPhillips has fully and unconditionally guaranteed the payment obligations of ConocoPhillips Company with respect to its publicly held debt securities. In addition, ConocoPhillips Company has fully and unconditionally guaranteed the payment obligations of ConocoPhillips with respect to its publicly held debt securities. All guarantees are joint and several. The following condensed consolidating financial information presents the results of operations, financial position and cash flows for:

ConocoPhillips, ConocoPhillips Company and Burlington Resources LLC (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.

In December 2018, ConocoPhillips Canada Funding Company I s guaranteed, publicly held debt securities were assumed by Burlington Resources LLC. The assumption did not significantly change the nature of the outstanding debt or the terms of the parental guarantees, which remain full and unconditional, as well as joint and several. The assumption did not impact our consolidated financial position, results of operations or cash flows. Financial information for ConocoPhillips Canada Funding Company I is presented in the All Other Subsidiaries column of our condensed consolidating financial information. The prior year comparative periods have been restated to reflect the current period condensed consolidating financial information presentation.

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

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	Millions of Dollars					
	Three Months Ended March 31, 2019					
Income Statement	ConocoPhillips	ConocoPhillips Company	Burlington Resources LLC	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Revenues and Other Income						
Sales and other operating revenues	$	3,981		5,169		9,150
Equity in earnings of affiliates	1,890	1,622	473	186	(3,983)	188
Gain on dispositions		(5)		22		17
Other income	1	508		193		702
Intercompany revenues		26	13	1,161	(1,200)	
Total Revenues and Other Income	1,891	6,132	486	6,731	(5,183)	10,057
Costs and Expenses						
Purchased commodities		3,497		1,304	(1,126)	3,675
Production and operating expenses		180	1	1,091	(1)	1,271
Selling, general and administrative expenses	4	129		25	(5)	153
Exploration expenses		47		63		110
Depreciation, depletion and amortization		136		1,410		1,546
Impairments				1		1
Taxes other than income taxes		46		229		275
Accretion on discounted liabilities		4		82		86
Interest and debt expense	69	149	33	50	(68)	233
Foreign currency transaction losses		6		6		12
Other expenses		12		(4)		8
Total Costs and Expenses	73	4,206	34	4,257	(1,200)	7,370
Income before income taxes	1,818	1,926	452	2,474	(3,983)	2,687
Income tax provision (benefit)	(15)	36	(5)	825		841
Net income	1,833	1,890	457	1,649	(3,983)	1,846
Less: net income attributable to noncontrolling interests				(13)		(13)
Net Income Attributable to ConocoPhillips	$ 1,833	1,890	457	1,636	(3,983)	1,833
Comprehensive Income Attributable to ConocoPhillips	$ 2,022	2,079	581	1,816	(4,476)	2,022

Income Statement	Three Months Ended March 31, 2018					
Revenues and Other Income						
Sales and other operating revenues	$	3,764		5,034		8,798
Equity in earnings of affiliates	954	1,499	334	208	(2,787)	208
Gain on dispositions		3		4		7
Other income (loss)		(103)		51		(52)
Intercompany revenues	9	56	2	1,199	(1,266)	
Total Revenues and Other Income	963	5,219	336	6,496	(4,053)	8,961
Costs and Expenses						
Purchased commodities		3,410		1,433	(1,129)	3,714
Production and operating expenses		172	4	1,033	(38)	1,171
Selling, general and administrative expenses	4	74		26	(5)	99
Exploration expenses		53		42		95

Depreciation, depletion and amortization			132		1,280		1,412
Impairments			(9)		21		12
Taxes other than income taxes			50		133		183
Accretion on discounted liabilities			4		84		88
Interest and debt expense		71	159	11	37	(94)	184
Foreign currency transaction (gains) losses		18	(9)	22	(1)		30
Other expenses			194	6	(3)		197
Total Costs and Expenses		93	4,230	43	4,085	(1,266)	7,185
Income before income taxes		870	989	293	2,411	(2,787)	1,776
Income tax provision (benefit)		(18)	35	(10)	869		876
Net income		888	954	303	1,542	(2,787)	900
Less: net income attributable to noncontrolling interests					(12)		(12)
Net Income Attributable to ConocoPhillips	$	888	954	303	1,530	(2,787)	888
Comprehensive Income Attributable to ConocoPhillips	$	977	1,043	235	1,613	(2,891)	977

See Notes to Consolidated Financial Statements.

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Balance Sheet	ConocoPhillips	ConocoPhillips Company	Burlington Resources LLC	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
	Millions of Dollars March 31, 2019					
Assets						
Cash and cash equivalents	$	1,348		4,870		6,218
Short-term investments				249		249
Accounts and notes receivable	4	3,280	2	4,472	(3,889)	3,869
Investment in Cenovus Energy		1,805				1,805
Inventories		143		871		1,014
Prepaid expenses and other current assets	1	143		384		528
Total Current Assets	5	6,719	2	10,846	(3,889)	13,683
Investments, loans and long-term receivables*	32,021	49,556	15,778	18,190	(105,975)	9,570
Net properties, plants and equipment		3,915		42,027		45,942
Other assets	6	667	227	2,128	(725)	2,303
Total Assets	$ 32,032	60,857	16,007	73,191	(110,589)	71,498
Liabilities and Stockholders Equity						
Accounts payable	$	2,506		5,229	(3,889)	3,846
Short-term debt	(3)	3	13	100		113
Accrued income and other taxes		67		1,472		1,539
Employee benefit obligations		376		94		470
Other accruals	57	328	39	978		1,402
Total Current Liabilities	54	3,280	52	7,873	(3,889)	7,370
Long-term debt	3,792	6,673	2,139	2,228		14,832
Asset retirement obligations and accrued environmental costs		415		7,315		7,730
Deferred income taxes				5,768	(725)	5,043
Employee benefit obligations		1,279		425		1,704
Other liabilities and deferred credits*	1,889	10,654	837	8,663	(20,205)	1,838
Total Liabilities	5,735	22,301	3,028	32,272	(24,819)	38,517
Retained earnings	29,036	20,463	1,570	11,004	(26,539)	35,534
Other common stockholders equity	(2,739)	18,093	11,409	29,793	(59,231)	(2,675)
Noncontrolling interests				122		122
Total Liabilities and Stockholders Equity	$ 32,032	60,857	16,007	73,191	(110,589)	71,498

**Includes intercompany loans.*

Balance Sheet						
		December 31, 2018				
Assets						
Cash and cash equivalents	$	1,428		4,487		5,915
Short-term investments				248		248
Accounts and notes receivable	28	5,646	78	6,707	(8,392)	4,067
Investment in Cenovus Energy		1,462				1,462
Inventories		184		823		1,007
Prepaid expenses and other current assets	1	267		307		575
Total Current Assets	29	8,987	78	12,572	(8,392)	13,274
Investments, loans and long-term receivables*	29,942	47,062	15,199	16,926	(99,465)	9,664
Net properties, plants and equipment		4,367		41,796	(465)	45,698
Other assets	4	642	227	1,269	(798)	1,344

Total Assets	$ 29,975	61,058	15,504	72,563	(109,120)	69,980
Liabilities and Stockholders Equity						
Accounts payable	$	5,098	76	7,113	(8,392)	3,895
Short-term debt	(3)	12	13	99	(9)	112
Accrued income and other taxes		85		1,235		1,320
Employee benefit obligations		638		171		809
Other accruals	85	587	35	552		1,259
Total Current Liabilities	82	6,420	124	9,170	(8,401)	7,395
Long-term debt	3,791	7,151	2,143	2,249	(478)	14,856
Asset retirement obligations and accrued environmental costs		415		7,273		7,688
Deferred income taxes				5,819	(798)	5,021
Employee benefit obligations		1,340		424		1,764
Other liabilities and deferred credits*	725	9,277	839	8,126	(17,775)	1,192
Total Liabilities	4,598	24,603	3,106	33,061	(27,452)	37,916
Retained earnings	27,512	18,511	1,113	9,764	(22,890)	34,010
Other common stockholders equity	(2,135)	17,944	11,285	29,613	(58,778)	(2,071)
Noncontrolling interests				125		125
Total Liabilities and Stockholders Equity	$ 29,975	61,058	15,504	72,563	(109,120)	69,980

**Includes intercompany loans.*

See Notes to Consolidated Financial Statements.

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Millions of Dollars
Three Months Ended March 31, 2019

Statement of Cash Flows	ConocoPhillips	ConocoPhillips Company	Burlington Resources LLC	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
Cash Flows From Operating Activities						
Net Cash Provided by (Used in) Operating Activities	$ (62)	(117)	(16)	3,448	(359)	2,894
Cash Flows From Investing Activities						
Capital expenditures and investments		(208)		(1,429)		(1,637)
Working capital changes associated with investing activities		18		89		107
Proceeds from asset dispositions		142				142
Purchases of short-term investments				(1)		(1)
Long-term advances/loans related parties		(19)			19	
Collection of advances/loans related parties		69		82	(89)	62
Intercompany cash management	1,163	205	16	(1,384)		
Other		(150)				(150)
Net Cash Provided by (Used in) Investing Activities	1,163	57	16	(2,643)	(70)	(1,477)
Cash Flows From Financing Activities						
Issuance of debt				19	(19)	
Repayment of debt		(20)		(88)	89	(19)
Issuance of company common stock	(1)				(37)	(38)
Repurchase of company common stock	(752)					(752)
Dividends paid	(350)			(396)	396	(350)
Other	2			(16)		(14)
Net Cash Used in Financing Activities	(1,101)	(20)		(481)	429	(1,173)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash				75		75
Net Change in Cash, Cash Equivalents and Restricted Cash		(80)		399		319
Cash, cash equivalents and restricted cash at beginning of period		1,428		4,723		6,151
Cash, Cash Equivalents and Restricted Cash at End of Period	$	1,348		5,122		6,470

Three Months Ended March 31, 2018

Statement of Cash Flows						
Cash Flows From Operating Activities						
Net Cash Provided by (Used in) Operating Activities	$ (69)	(123)	1,204	2,550	(1,163)	2,399
Cash Flows From Investing Activities						
Capital expenditures and investments		(233)		(1,308)	6	(1,535)
Working capital changes associated with investing activities		(93)		121		28
Proceeds from asset dispositions		141		39	(11)	169
Purchases of short-term investments				1,593		1,593
Long-term advances/loans related parties		(4)	(29)		33	
Collection of advances/loans related parties		1,306		59	(1,306)	59
Intercompany cash management	887	1,638	(1,125)	(1,400)		
Other				(392)		(392)
Net Cash Provided by (Used in) Investing Activities	887	2,755	(1,154)	(1,288)	(1,278)	(78)

Cash Flows From Financing Activities						
Issuance of debt				33	(33)	
Repayment of debt		(2,807)	(53)	(1,334)	1,306	(2,888)
Issuance of company common stock	19				(37)	(18)
Repurchase of company common stock	(500)					(500)
Dividends paid	(338)					(338)
Other	1			(1,238)	1,205	(32)
Net Cash Used in Financing Activities	(818)	(2,807)	(53)	(2,539)	2,441	(3,776)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash		9		116		125
Net Change in Cash, Cash Equivalents and Restricted Cash		(166)	(3)	(1,161)		(1,330)
Cash, cash equivalents and restricted cash at beginning of period		234	3	6,299		6,536
Cash, Cash Equivalents and Restricted Cash at End of Period	$	68		5,138		5,206

See Notes to Consolidated Financial Statements.

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

Management s Discussion and Analysis is the company s analysis of its financial performance and of significant trends that may affect future performance. It should be read in conjunction with the financial statements and notes. It contains forward-looking statements including, without limitation, statements relating to the company s plans, strategies, objectives, expectations and intentions that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words anticipate, estimate, believe, budget, continue, could, intend, may, plan, potential, predict, seek, should, will, would, expect, objective, projection, forecast, goal, guidance, outlook, effort, target and similar expressions identify forward-looking statements. The company does not undertake to update, revise or correct any of the forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the company s disclosures under the heading: CAUTIONARY STATEMENT FOR THE PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, beginning on page 57.

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

BUSINESS ENVIRONMENT AND EXECUTIVE OVERVIEW

ConocoPhillips is the world s largest independent E&P company, based on proved reserves and production of liquids and natural gas. Headquartered in Houston, Texas, we have operations and activities in 17 countries. Our diverse, low cost of supply portfolio includes resource-rich unconventional plays in North America; conventional assets in North America, Europe, Asia and Australia; LNG developments; oil sands assets in Canada; and an inventory of global conventional and unconventional exploration prospects. At March 31, 2019, we employed approximately 10,800 people worldwide and had total assets of $71 billion.

Overview

Global oil prices rebounded by the end of the first quarter 2019 after a precipitous drop in the last few months of 2018. Concerns about a worldwide economic slowdown and an oversupply of crude oil in the fourth quarter of 2018 eased as we entered the new year. Our business strategy anticipates prices will remain cyclical and is designed to be resilient in lower price environments, with significant upside during periods of higher prices. Portfolio diversification and optimization, debt reduction and disciplined capital investment have positioned our company to navigate through periods of volatile energy prices.

Our value proposition principles, namely, to focus on returns, maintain financial strength, grow our dividend and pursue disciplined growth, are being executed in accordance with our priorities for allocating cash flows from the business. These priorities are: invest capital at a level that maintains flat production volumes and pays our existing dividend; grow our existing dividend; maintain debt at a level we believe is sufficient to maintain a strong investment grade credit rating through price cycles; repurchase shares to provide value to our shareholders; and invest capital to grow our cash from operations. We believe our commitment to our value proposition, as evidenced by the results discussed below, position us for success in an environment of price uncertainty and ongoing volatility.

In the first quarter of 2019, we continued to deliver on our priorities. We achieved production growth of 7 percent on a total BOE basis compared with the first quarter of 2018, with higher value oil volumes growing 13 percent. Cash provided by operating activities was $2.9 billion, which exceeded capital expenditures and investments of $1.6 billion, dividends of $0.3 billion, and share repurchases of $0.8 billion.

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Operationally, we remain focused on safely executing our operating plan and remaining attentive to our costs. Production excluding Libya was 1,318 MBOED in the first quarter of 2019, an increase of 94 MBOED compared with the same period of 2018. Our underlying production, which excludes Libya and the additional volumes from closed 2018 acquisitions and dispositions of approximately 30 MBOED, increased 5 percent compared with the first quarter of 2018. Production on a per debt-adjusted share basis grew by 13 percent compared with the first quarter of 2018. Production per debt-adjusted share is calculated on an underlying production basis using ending period debt divided by ending share price plus ending shares outstanding. We believe production per debt-adjusted share is useful to investors as it provides a consistent view of production on a total equity basis by converting debt to equity and allows for comparison across peer companies.

In the second quarter of 2019, we completed the sale of our 30 percent interest in the Greater Sunrise Fields to the government of Timor-Leste for $350 million, before customary adjustments. We will recognize an after-tax gain of approximately $50 million in the second quarter. No production or reserve impacts are associated with the sale. Proceeds from this transaction will be used for general corporate purposes. The Greater Sunrise Fields are included in our Asia Pacific and Middle East segment.

In April 2019, we entered into an agreement to sell two ConocoPhillips U.K. subsidiaries to Chrysaor E&P Limited for $2.675 billion plus interest and customary adjustments. Together the subsidiaries indirectly hold the company s exploration and production assets in the U.K. As part of the transaction, we expect to recognize a U.S. tax benefit of $0.2 billion in the second quarter of 2019 related to a previously unrecognizable U.S. tax basis in the subsidiaries to be sold. Depending on the timing of regulatory approval and other specific conditions precedent, we anticipate recognizing a gain of approximately $2 billion before- and after-tax on completion of the sale in the second half of 2019, subject to customary adjustments and foreign exchange impacts. Full-year 2018 production and year-end 2018 proved reserves associated with the U.K. assets being sold were approximately 72 MBOED and approximately 99 MMBOE, respectively. Results of operations for the U.K. are reported within our Europe and North Africa segment. See Note 5 Assets Sold and Planned Dispositions in the Notes to Consolidated Financial Statements, for additional information.

Business Environment

Dated Brent crude oil prices exited the first quarter of 2019 approaching $70 per barrel after reaching a low of $50 per barrel at the end of December 2018. Global oil prices improved due to ongoing growth in global demand concurrent with a moderating pace of growth in supplies.

The energy industry has periodically experienced volatility due to fluctuating supply-and-demand conditions. Commodity prices are the most significant factor impacting our profitability and related reinvestment of operating cash flows into our business. Among other dynamics that could influence world energy markets and commodity prices are global economic health, supply disruptions or fears thereof caused by civil unrest or military conflicts, actions taken by OPEC, environmental laws, tax regulations, governmental policies and weather-related disruptions. Our strategy is to create value through price cycles by delivering on the financial and operational priorities that underpin our value proposition.

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

Brent crude oil prices averaged $63.20 per barrel in the first quarter of 2019, a decrease of 5 percent compared with $66.76 per barrel in the first quarter of 2018, and a decrease of 7 percent compared with $67.76 per barrel in the fourth quarter of 2018. Industry crude prices for WTI averaged $54.87 per barrel in the first quarter of 2019, a decrease of 13 percent compared with $62.88 per barrel in the first quarter of 2018, and a decrease of 7 percent compared with $59.09 per barrel in the fourth quarter of 2018.

Henry Hub natural gas prices averaged $3.15 per MMBTU in the first quarter of 2019, an increase of 5 percent compared with $3.01 per MMBTU in the first quarter of 2018, and a decrease of 14 percent compared with $3.65 per MMBTU in the fourth quarter of 2018. Weather driven demand was the primary factor influencing relative prices in early 2019 compared to the first and fourth quarter of 2018.

Our realized bitumen price increased from $14.06 per barrel in the first quarter of 2018 and $11.65 per barrel in the fourth quarter of 2018, to $33.15 per barrel in the first quarter of 2019. Curtailment orders imposed by the Alberta Government, which limited production from the province starting January 2019, provided strength to the WCS differential to WTI at Hardisty during the first quarter. We continue to optimize bitumen price realizations through the utilization of downstream transportation solutions and implementation of alternate blend capability which results in lower diluent costs.

Our total average realized price was $50.59 per BOE in the first quarter of 2019, compared with $50.49 per BOE in the first quarter of 2018, as higher LNG and bitumen prices were largely offset by lower crude, natural gas liquids and natural gas prices.

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Key Operating and Financial Summary

Significant items during the first quarter of 2019 included the following:

- Cash provided by operating activities was $2.9 billion and exceeded capital expenditures and investments of $1.6 billion, share repurchases of $0.8 billion and dividends of $0.3 billion.
- The $1.1 billion of share repurchases and dividends represents 37 percent of cash provided by operating activities.
- First-quarter production excluding Libya of 1,318 MBOED; year-over-year underlying production grew 5 percent overall and 13 percent on a production per debt-adjusted share basis.
- Grew production from the Lower 48 Big 3 unconventionals Eagle Ford, Bakken and Delaware by 30 percent year-over-year.
- Ended the quarter with cash, cash equivalents and restricted cash totaling $6.5 billion and short-term investments of $0.2 billion.
- Received a ruling from the ICSID ordering Venezuela to pay $8.7 billion for unlawful expropriation.
- Closed the sale of the Greater Sunrise Fields in April for $350 million before customary adjustments.
- Announced $2.7 billion U.K. divestiture agreement in April, plus interest and customary adjustments, subject to regulatory and other approvals.

Outlook

Production and Capital Guidance

Second-quarter 2019 production is expected to be 1,240 to 1,280 MBOED, reflecting the impact from seasonal turnarounds planned in Alaska, Canada and Europe. Production is expected to ramp up in the second half of the year, with full-year 2019 production expected to be 1,300 to 1,350 MBOED, unchanged from prior guidance. This guidance excludes Libya and does not include impacts from the recently announced U.K. divestiture agreement.

Capital expenditures guidance of $6.1 billion remains unchanged and does not include impacts from the U.K. divestiture agreement.

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RESULTS OF OPERATIONS

Unless otherwise indicated, discussion of results for the three-month period ended March 31, 2019, is based on a comparison with the corresponding period of 2018.

Consolidated Results

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

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Alaska	**$ 384**	524
Lower 48	**193**	308
Canada	**122**	(65)
Europe and North Africa	**207**	245
Asia Pacific and Middle East	**525**	461
Other International	**131**	(44)
Corporate and Other	**271**	(541)
Net income attributable to ConocoPhillips	**$ 1,833**	888

Net income attributable to ConocoPhillips increased $945 million in the first quarter of 2019, mainly due to:

- An unrealized gain of $343 million on our Cenovus Energy (CVE) common shares in the first quarter of 2019, and the absence of a $123 million unrealized loss on those shares in the first quarter of 2018.
- Higher crude oil sales volumes due to growth in the Lower 48 unconventionals and the acquisition of incremental interests from operated assets in Alaska during the second and fourth quarters of 2018.
- Higher realized LNG prices in our Asia Pacific and Middle East segment.
- The absence of premiums on debt retirements totaling $193 million after-tax in the first quarter of 2018.
- A settlement agreement with Petróleos de Venezuela, S.A. (PDVSA) resulting in other income of $147 million before- and after-tax.

The increases in net income were partly offset by:

- Lower realized crude oil prices in all segments.
- Lower volumes from Qatar Liquefied Gas Company Limited (3) (QG3) due to turnaround activity, impacting equity in earnings of affiliates.
- Higher DD&A and production and operating expenses associated with increased production volumes, primarily in the Lower 48 and Alaska.

See the Segment Results section for additional information.

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Income Statement Analysis

Sales and other operating revenues increased 4 percent in the first quarter of 2019 mainly due to higher sales volumes of crude oil in the Lower 48 and Alaska and higher bitumen realizations in Canada, partly offset by lower realized crude oil prices.

Other income (loss) increased $754 million in the first quarter of 2019. The increase was largely due to a $343 million unrealized gain on our CVE common shares in the first quarter of 2019 and the absence of a $123 million unrealized loss on those shares in the first quarter of 2018. Additionally, other income increased due to recognition of $147 million related to a settlement agreement with PDVSA. See Note 12 Contingencies and Commitments, for additional information regarding the settlement agreement with PDVSA.

Production and operating expenses increased 9 percent in the first quarter of 2019 primarily due to higher production volumes in Alaska and the Lower 48.

DD&A increased 9 percent in the first quarter of 2019, mainly due to higher production volumes in the Lower 48 and Alaska.

Other expenses decreased $189 million in the first quarter of 2019 primarily due to the absence of a $206 million before-tax expense for premiums on early debt retirements in the first quarter of 2018.

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Summary Operating Statistics

	Three Months Ended March 31	
	2019	2018
Average Net Production		
Crude oil (MBD)	**715**	636
Natural gas liquids (MBD)	**110**	96
Bitumen (MBD)	**63**	66
Natural gas (MMCFD)*	**2,840**	2,828
Total Production (MBOED)	**1,361**	1,269

	Dollars Per Unit	
Average Sales Prices		
Crude oil (per barrel)	**$ 59.45**	65.49
Natural gas liquids (per barrel)	**23.85**	28.37
Bitumen (per barrel)	**33.15**	14.06
Natural gas (per thousand cubic feet)	**6.00**	5.13

	Millions of Dollars	
Exploration Expenses		
General administrative, geological and geophysical, and lease rental, and other	**$ 83**	75
Leasehold impairment	**17**	5
Dry holes	**10**	15
	$ 110	95

**Represents quantities available for sale and excludes gas equivalent of natural gas liquids included above.*

We explore for, produce, transport and market crude oil, bitumen, natural gas, LNG and natural gas liquids on a worldwide basis. At March 31, 2019, our operations were producing in the U.S., Norway, the U.K., Canada, Australia, Timor-Leste, Indonesia, China, Malaysia, Qatar and Libya.

Total production, including Libya, increased 92 MBOED or 7 percent in the first quarter of 2019, primarily due to:

- New wells online in the Lower 48.
- An increased interest in the Western North Slope (WNS) and Greater Kuparuk Area (GKA) of Alaska following acquisitions closed in 2018.
- Higher production in Norway due to drilling activity and the startup of Aasta Hansteen in December 2018.

The increase in first quarter 2019 production was partly offset by:

Normal field decline.
Disposition impacts from non-core asset sales in the Lower 48 and the sale of a ConocoPhillips subsidiary holding 16.5 percent of our 24 percent interest in the BP-operated Clair Field in the U.K. during 2018.
Planned turnaround activity at QG3.
A curtailment imposed by the Alberta government in Canada, which temporarily limits production from the province, beginning January 2019.

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Production excluding Libya was 1,318 MBOED in the first quarter of 2019, an increase of 94 MBOED or 8 percent compared with the same period of 2018. Our underlying production, which excludes Libya and the additional volumes from closed 2018 acquisitions and dispositions of 30 MBOED, increased 5 percent compared with the first quarter of 2018.

Segment Results

Alaska

	Three Months Ended March 31	
	2019	2018
Net Income Attributable to ConocoPhillips (millions of dollars)	**$ 384**	524
Average Net Production		
Crude oil (MBD)	**210**	174
Natural gas liquids (MBD)	**17**	16
Natural gas (MMCFD)	**8**	7
Total Production (MBOED)	**228**	191
Average Sales Prices		
Crude oil (dollars per barrel)	**$ 62.81**	68.31
Natural gas (dollars per thousand cubic feet)	**3.42**	2.51

The Alaska segment primarily explores for, produces, transports and markets crude oil, natural gas liquids and natural gas. As of March 31, 2019, Alaska contributed 26 percent of our worldwide liquids production and less than 1 percent of our worldwide natural gas production.

Earnings from Alaska decreased $140 million in the first quarter of 2019, compared with the same period of 2018. The decrease in earnings was mainly due to lower realized crude oil prices and the absence of a $79 million after-tax benefit resulting from an accrual reduction related to a transportation cost ruling by the FERC, recorded in the first quarter of 2018. Partly offsetting the decrease in earnings was higher sales volumes due to increased interests in the WNS and GKA following acquisitions completed in the second and fourth quarters of 2018, respectively.

Average production increased 37 MBOED or 19 percent in the first quarter of 2019 compared with the same period of 2018, primarily due to acquiring incremental interests in the WNS and GKA in 2018, which contributed 48 MBOED of volumes to our Alaska segment in the first quarter of 2019. Production also increased due to the rampup of Greater Mooses Tooth #1 following first oil in the fourth quarter of 2018. Partly offsetting the increase in production was normal field decline.

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Lower 48

	Three Months Ended March 31	
	2019	2018
Net Income Attributable to ConocoPhillips (millions of dollars)	**$ 193**	308
Average Net Production		
Crude oil (MBD)	**245**	197
Natural gas liquids (MBD)	**74**	60
Natural gas (MMCFD)	**568**	568
Total Production (MBOED)	**414**	352
Average Sales Prices		
Crude oil (dollars per barrel)	**$ 53.15**	61.99
Natural gas liquids (dollars per barrel)	**20.66**	24.57
Natural gas (dollars per thousand cubic feet)	**2.74**	2.76

The Lower 48 segment consists of operations located in the contiguous U.S. and the Gulf of Mexico. As of March 31, 2019, the Lower 48 contributed 36 percent of our worldwide liquids production and 20 percent of our worldwide natural gas production.

Earnings from the Lower 48 decreased $115 million in the first quarter of 2019, compared with the same period of 2018, primarily due to lower realized crude oil and NGL prices; higher DD&A and production and operating expenses associated with increased production volumes; and a $47 million after-tax impairment associated with the sale of our interests in the Golden Pass LNG Terminal and Golden Pass Pipeline. Partly offsetting the decrease in earnings was increased crude oil and NGL volumes in the Eagle Ford, Bakken and Delaware in the Permian Basin.

Total average production increased 62 MBOED or 18 percent in the first quarter of 2019, compared with the same period of 2018, primarily due to new production from unconventional assets in Eagle Ford, Bakken and Delaware in the Permian Basin, partly offset by normal field decline and the absence of 12 MBOED from non-core dispositions in 2018.

Asset Disposition Update

In January 2019, we entered into agreements to sell our 12.4 percent ownership interests in the Golden Pass LNG Terminal and Golden Pass Pipeline. We have also entered into agreements to amend our contractual obligations for retaining use of the facilities. As a result of entering into these agreements, we recognized a before-tax impairment of $60 million in the first quarter of 2019 which is included in the Equity in earnings of affiliates line on our consolidated income statement. The transaction is subject to regulatory approval. Both ownership interests are accounted for as equity affiliates in our Lower 48 segment. See Note 5 Assets Sold and Planned Dispositions and Note 14 Fair Value Measurement in the Notes to Consolidated Financial Statements, for additional information.

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Canada

	Three Months Ended March 31	
	2019	2018
Net Income (Loss) Attributable to ConocoPhillips (millions of dollars)	**$ 122**	(65)
Average Net Production		
Crude oil (MBD)	**1**	2
Bitumen (MBD)	**63**	66
Natural gas (MMCFD)	**7**	13
Total Production (MBOED)	**65**	70
Average Sales Prices		
Bitumen (dollars per barrel)*	**$ 33.15**	14.06

**Average prices for sales of bitumen excludes additional value realized from the purchase and sale of third-party volumes for optimization of our pipeline capacity between Canada and the U.S. Gulf Coast.*

Our Canadian operations mainly consist of an oil sands development in the Athabasca Region of northeastern Alberta and a liquids-rich unconventional play in western Canada. As of March 31, 2019, Canada contributed 7 percent of our worldwide liquids production and less than 1 percent of our worldwide natural gas production.

Earnings from Canada increased $187 million in the first quarter of 2019, compared with the same period of 2018, primarily due to higher realized bitumen prices and a $68 million tax benefit primarily comprised of a previously unrecognizable tax basis related to a tax settlement.

Total average production decreased 5 MBOED in the first quarter of 2019, compared with the same period of 2018. The production decrease was primarily due to a mandated production curtailment imposed by the Alberta Government in January 2019, which limited our first quarter production by 7 MBOED. This measure is intended to strengthen the WCS differential to WTI at Hardisty and is anticipated to be temporary.

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Europe and North Africa

	Three Months Ended March 31	
	2019	2018
Net Income Attributable to ConocoPhillips (millions of dollars)	**$ 207**	245
Average Net Production		
Crude oil (MBD)	**152**	158
Natural gas liquids (MBD)	**8**	8
Natural gas (MMCFD)	**604**	548
Total Production (MBOED)	**260**	258
Average Sales Prices		
Crude oil (dollars per barrel)	**$ 62.83**	65.57
Natural gas liquids (dollars per barrel)	**31.15**	32.98
Natural gas (dollars per thousand cubic feet)	**6.55**	7.38

The Europe and North Africa segment consists of operations principally located in the Norwegian and U.K. sectors of the North Sea, the Norwegian Sea, and Libya. As of March 31, 2019, our Europe and North Africa operations contributed 18 percent of our worldwide liquids production and 21 percent of our worldwide natural gas production.

Earnings for Europe and North Africa operations decreased by $38 million in the first quarter of 2019, compared with the same period of 2018, primarily due to lower crude oil sales volumes in the U.K., mainly due to lift timing, and lower realized natural gas and crude oil prices.

Average production increased 1 percent in the first quarter of 2019 compared with the same period of 2018. The production increase was primarily due to new wells online in Norway and the U.K., including the rampup of production at Aasta Hansteen in Norway. Partly offsetting this production increase were normal field decline and the sale of a ConocoPhillips subsidiary holding 16.5 percent of our 24 percent interest in the BP-operated Clair Field in the U.K. during the fourth quarter of 2018.

Asset Disposition Update

In April 2019, we entered into an agreement to sell two ConocoPhillips U.K. subsidiaries to Chrysaor E&P Limited for $2.675 billion plus interest and customary adjustments. Together the subsidiaries indirectly hold the company s exploration and production assets in the U.K. As part of the transaction, we expect to recognize a U.S. tax benefit of $0.2 billion in the second quarter of 2019 related to a previously unrecognizable U.S. tax basis in the subsidiaries to be sold. Depending on the timing of regulatory approval and other specific conditions precedent, we anticipate recognizing a gain of approximately $2 billion before- and after-tax on completion of the sale in the second half of 2019, subject to customary adjustments and foreign exchange impacts. Full-year 2018 production and year-end 2018 proved reserves associated with the U.K. assets being sold were approximately 72 MBOED and approximately 99 MMBOE, respectively. See Note 5 Assets Sold and Planned Dispositions in the Notes to Consolidated Financial Statements, for additional information.

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Asia Pacific and Middle East

	Three Months Ended March 31	
	2019	2018
Net Income Attributable to ConocoPhillips (millions of dollars)	**$ 525**	461
Average Net Production		
Crude oil (MBD)		
Consolidated operations	**95**	90
Equity affiliates	**12**	15
Total crude oil	**107**	105
Natural gas liquids (MBD)		
Consolidated operations	**4**	4
Equity affiliates	**7**	8
Total natural gas liquids	**11**	12
Natural gas (MMCFD)		
Consolidated operations	**665**	639
Equity affiliates	**988**	1,053
Total natural gas	**1,653**	1,692
Total Production (MBOED)	**394**	398
Average Sales Prices		
Crude oil (dollars per barrel)		
Consolidated operations	**$ 62.94**	67.07
Equity affiliates	**59.53**	66.50
Total crude oil	**62.58**	66.99
Natural gas liquids (dollars per barrel)		
Consolidated operations	**40.13**	44.36
Equity affiliates	**38.19**	43.99
Total natural gas liquids	**38.96**	44.13
Natural gas (dollars per thousand cubic feet)		
Consolidated operations	**6.36**	5.57
Equity affiliates	**7.31**	5.04
Total natural gas	**6.93**	5.23

The Asia Pacific and Middle East segment has operations in China, Indonesia, Malaysia, Australia, Timor-Leste and Qatar. As of March 31, 2019, Asia Pacific and Middle East contributed 13 percent of our worldwide liquids production and 58 percent of our worldwide natural gas production.

Earnings increased $64 million in the first quarter of 2019, compared with the same period of 2018, primarily due to higher realized LNG prices. Partly offsetting the increase in earnings was lower sales volumes at QG3, which negatively impacted equity in earnings of affiliates.

Average production decreased 4 MBOED or 1 percent in the first quarter of 2019, compared with the same period of 2018, primarily due to planned downtime at QG3 and Indonesia, and normal field decline. Partly offsetting these impacts, were new production from China and Bayu Undan, and less unplanned downtime at the Kebabangan gas field in Malaysia.

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Asset Disposition Update

In the second quarter of 2019, we completed the sale of our 30 percent interest in the Greater Sunrise Fields to the government of Timor-Leste for $350 million, before customary adjustments. We will recognize an after-tax gain of approximately $50 million in the second quarter. No production or reserve impacts are associated with the sale.

Other International

	Three Months Ended March 31	
	2019	2018
Net Income (Loss) Attributable to ConocoPhillips (millions of dollars)	**$ 131**	(44)

The Other International segment consists of exploration activities in Colombia, Chile and Argentina.

Earnings from our Other International operations increased $175 million in the first quarter of 2019, compared with the same period of 2018, mainly due to recognizing $147 million in other income related to a settlement award with PDVSA associated with prior operations in Venezuela, in the first quarter of 2019. Earnings were further improved due to the absence of a $34 million tax settlement in Nigeria associated with prior operations, recorded in the first quarter of 2018. See Note 12 Contingencies and Commitments in the Notes to Consolidated Financial Statements, for additional information.

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Corporate and Other

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Net Income (Loss) Attributable to ConocoPhillips		
Net interest	**$ (196)**	(160)
Corporate general and administrative expenses	**(65)**	(50)
Technology	**96**	(10)
Other	**436**	(321)
	$ 271	(541)

Net interest consists of interest and financing expense, net of interest income and capitalized interest. Net interest increased by $36 million in the first quarter of 2019, primarily due to the absence of an accrual reduction related to a transportation cost ruling by the FERC in the first quarter of 2018, partly offset by lower interest on debt expense in the first quarter of 2019.

Corporate general and administrative expenses include compensation programs and staff costs. These expenses increased by $15 million mainly due to higher costs associated with certain compensation programs in the first quarter of 2019.

Technology includes our investment in new technologies or businesses, as well as licensing revenues. Activities are focused on both conventional and tight oil reservoirs, shale gas, heavy oil, oil sands, enhanced oil recovery, as well as LNG. Earnings from Technology increased $106 million in the first quarter of 2019 primarily due to higher licensing revenues.

The category Other includes certain foreign currency transaction gains and losses, environmental costs associated with sites no longer in operation, other costs not directly associated with an operating segment, premiums incurred on the early retirement of debt, unrealized holding gains or losses on equity securities, and pension settlement expense. Other increased by $757 million in the first quarter of 2019, compared with the same period of 2018, primarily due to an unrealized gain of $343 million in the first quarter of 2019 on our CVE common shares, compared with an unrealized loss of $123 million on those shares in the first quarter of 2018 and the absence of $193 million after-tax in premiums on early retirement of debt in the first quarter of 2018.

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CAPITAL RESOURCES AND LIQUIDITY

Financial Indicators

	Millions of Dollars	
	March 31 2019	December 31 2018
Short-term debt	**$ 113**	112
Total debt	**14,945**	14,968
Total equity	**32,981**	32,064
Percent of total debt to capital*	**31%**	32
Percent of floating-rate debt to total debt	**5%**	5

**Capital includes total debt and total equity.*

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources, including cash generated from operating activities, our commercial paper and credit facility programs, and our ability to sell securities using our shelf registration statement. During the first quarter of 2019, the primary uses of our available cash were $1,637 million to support our ongoing capital expenditures and investments program, $752 million to repurchase common stock, and $350 million to pay dividends. During the first quarter of 2019, our cash, cash equivalents and restricted cash increased by $319 million to $6,470 million.

We believe current cash balances and cash generated by operations, together with access to external sources of funds as described below in the Significant Sources of Capital section, will be sufficient to meet our funding requirements in the near and long-term, including our capital spending program, dividend payments and required debt payments.

Significant Sources of Capital

Operating Activities

Cash provided by operating activities was $2,894 million for the first quarter of 2019, compared with $2,399 million for the corresponding period of 2018. The increase was primarily due to higher sales volumes as well as a payment received for a settlement agreement with PDVSA.

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

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

To maintain or grow our production volumes, we must continue to add to our proved reserve base. As we undertake cash prioritization efforts, our reserve replacement efforts could be delayed thus limiting our ability to replace depleted reserves.

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Investing Activities

In April 2019, we entered into an agreement to sell two ConocoPhillips U.K. subsidiaries to Chrysaor for $2.675 billion plus interest and customary adjustments. The effective date of the transaction will be January 1, 2018. The transaction is subject to regulatory approval and other specific conditions precedent and is expected to be completed in the second half of 2019. For additional information on our dispositions, see Note 5 Assets Sold and Planned Dispositions, in the Notes to Consolidated Financial Statements.

Commercial Paper and Credit Facilities

We have a revolving credit facility totaling $6.0 billion, expiring in May 2023. Our revolving credit facility may be used for direct bank borrowings, the issuance of letters of credit totaling up to $500 million, or as support for our commercial paper program. The revolving credit facility is broadly syndicated among financial institutions and does not contain any material adverse change provisions or any covenants requiring maintenance of specified financial ratios or credit ratings. The facility agreement contains a cross-default provision relating to the failure to pay principal or interest on other debt obligations of $200 million or more by ConocoPhillips, or any of its consolidated subsidiaries.

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

The revolving credit facility supports the ConocoPhillips Company $6.0 billion commercial paper program, which is primarily a funding source for short-term working capital needs. Commercial paper maturities are generally limited to 90 days.

We had no commercial paper outstanding at March 31, 2019 or December 31, 2018. We had no direct outstanding borrowings or letters of credit under the revolving credit facility at March 31, 2019 or December 31, 2018. Since we had no commercial paper outstanding and had issued no letters of credit, we had access to $6.0 billion in borrowing capacity under our revolving credit facility at March 31, 2019.

Certain of our project-related contracts, commercial contracts and derivative instruments contain provisions requiring us to post collateral. Many of these contracts and instruments permit us to post either cash or letters of credit as collateral. At March 31, 2019 and December 31, 2018, we had direct bank letters of credit of $274 million and $323 million, respectively, which secured performance obligations related to various purchase commitments incident to the ordinary conduct of business. In the event of credit ratings downgrades, we may be required to post additional letters of credit.

Shelf Registration

We have a universal shelf registration statement on file with the U.S. 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.

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.

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

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Capital Requirements

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

Our debt balance at March 31, 2019, was $15 billion, unchanged from December 31, 2018.

On January 30, 2019, we announced a quarterly dividend of $0.305 per share. The dividend was paid on March 1, 2019, to stockholders of record at the close of business on February 11, 2019. On May 1, 2019, we announced a quarterly dividend of $0.305 per share, payable June 3, 2019, to stockholders of record at the close of business on May 13, 2019.

In late 2016, we initiated our current share repurchase program. As of July 12, 2018, we had announced a total authorization to repurchase $15 billion of our common stock. We repurchased $3 billion in 2017 and $3 billion in 2018. We expect to execute $3 billion of the remaining $9 billion of our share repurchase program in 2019. Whether we undertake these additional repurchases is ultimately subject to numerous considerations, market conditions and other factors. See the Our ability to declare and pay dividends and repurchase shares is subject to certain considerations section in Risk Factors on pages 20-21 of our 2018 Annual Report on Form 10-K for additional information. Since our share repurchase program began in November 2016, we have repurchased 122 million shares at a cost of $6.9 billion through March 31, 2019.

Capital Expenditures

	Millions of Dollars Three Months Ended March 31	
	2019	2018
Alaska	**$ 410**	263
Lower 48	**834**	751
Canada	**123**	173
Europe and North Africa	**157**	216
Asia Pacific and Middle East	**96**	99
Other International	**1**	1
Corporate and Other	**16**	32
Capital expenditures and investments	**$ 1,637**	1,535

During the first quarter of 2019, capital expenditures and investments supported key exploration and development programs, primarily:

- Development, appraisal and exploration activities in the Lower 48, including Eagle Ford, Bakken and Delaware in the Permian Basin.
- Appraisal and development activities in Alaska related to the Western North Slope; development activities in the Greater Kuparuk Area and the Greater Prudhoe Area.
- Development activities across assets in Norway and the U.K.
- Optimization of oil sands development and appraisal activities in liquids-rich plays in Canada.
- Continued development in China, Australia, Malaysia and Indonesia.

Our current 2019 outlook for capital expenditures remains unchanged from our budget of $6.1 billion.

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Contingencies

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

Based on currently available information, we believe it is remote that future costs related to known contingent liability exposures will exceed current accruals by an amount that would have a material adverse impact on our consolidated financial statements. As we learn new facts concerning contingencies, we reassess our position both with respect to accrued liabilities and other potential exposures. Estimates particularly sensitive to future changes include contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the uncertain magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of our liability in proportion to that of other responsible parties. Estimated future costs related to tax and legal matters are subject to change as events evolve and as additional information becomes available during the administrative and litigation processes. For information on other contingencies, see Note 12 Contingencies and Commitments, in the Notes to Consolidated Financial Statements.

Legal and Tax Matters

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

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

Environmental

We are subject to the same numerous international, federal, state and local environmental laws and regulations as other companies in our industry. For a discussion of the most significant of these environmental laws and regulations, including those with associated remediation obligations, see the Environmental section in Management s Discussion and Analysis of Financial Condition and Results of Operations on pages 65 67 of our 2018 Annual Report on Form 10-K.

We occasionally receive requests for information or notices of potential liability from the EPA and state environmental agencies alleging that we are a potentially responsible party under the Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or an equivalent state statute. On occasion, we also have been made a party to cost recovery litigation by those agencies or by private parties. These requests, notices and lawsuits assert potential liability for remediation costs at various sites that typically

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are not owned by us, but allegedly contain waste attributable to our past operations. As of March 31, 2019, there were 15 sites around the U.S. in which we were identified as a potentially responsible party under CERCLA and comparable state laws.

At March 31, 2019, our balance sheet included a total environmental accrual of $176 million, compared with $178 million at December 31, 2018, for remediation activities in the U.S. and Canada. We expect to incur a substantial amount of these expenditures within the next 30 years.

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

Climate Change

Continuing political and social attention to the issue of global climate change has resulted in a broad range of proposed or promulgated state, national and international laws focusing on GHG reduction. These proposed or promulgated laws apply or could apply in countries where we have interests or may have interests in the future. Laws in this field continue to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, such laws, if enacted, could have a material impact on our results of operations and financial condition. Examples of legislation and precursors for possible regulation that do or could affect our operations include the EPA s announcement on March 29, 2010 (published as Interpretation of Regulations that Determine Pollutants Covered by Clean Air Act Permitting Programs, 75 Fed. Reg. 17004 (April 2, 2010)) and the EPA s and U.S. Department of Transportation s joint promulgation of a Final Rule on April 1, 2010, that trigger regulation of GHGs under the Clean Air Act, may trigger more climate-based claims for damages, and may result in longer agency review time for development projects.

For other examples of legislation or precursors for possible regulation and factors on which the ultimate impact on our financial performance will depend, see the Climate Change section in Management s Discussion and Analysis of Financial Condition and Results of Operations on pages 67 69 of our 2018 Annual Report on Form 10-K.

In December 2018, we became a Founding Member of the Climate Leadership Council (CLC), an international policy institute founded in collaboration with business and environmental interests to develop a carbon dividend plan. Participation in the CLC provides another opportunity for ongoing dialogue about carbon pricing and framing the issues in alignment with our public policy principles. We also belong to and fund Americans For Carbon Dividends, the education and advocacy branch of the CLC.

In 2017 and 2018, cities, counties, and a state government in California, New York, Washington, Rhode Island and Maryland, as well as the Pacific Coast Federation of Fishermen s Association, Inc., have filed lawsuits against oil and gas companies, including ConocoPhillips, seeking compensatory damages and equitable relief to abate alleged climate change impacts. ConocoPhillips is vigorously defending against these lawsuits. The lawsuits brought by the Cities of San Francisco, Oakland and New York have been dismissed by the district courts and appeals are pending.

Several Louisiana parishes and individual landowners have filed lawsuits against oil and gas companies, including ConocoPhillips, seeking compensatory damages in connection with historical oil and gas operations in Louisiana. ConocoPhillips will vigorously defend against these lawsuits.

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CAUTIONARY STATEMENT FOR THE PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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

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

- Fluctuations in crude oil, bitumen, natural gas, LNG and natural gas liquids prices, including a prolonged decline in these prices relative to historical or future expected levels.
- The impact of significant declines in prices for crude oil, bitumen, natural gas, LNG and natural gas liquids, which may result in recognition of impairment costs on our long-lived assets, leaseholds and nonconsolidated equity investments.
- Potential failures or delays in achieving expected reserve or production levels from existing and future oil and gas developments, including due to operating hazards, drilling risks and the inherent uncertainties in predicting reserves and reservoir performance.
- Reductions in reserves replacement rates, whether as a result of the significant declines in commodity prices or otherwise.
- Unsuccessful exploratory drilling activities or the inability to obtain access to exploratory acreage.
- Unexpected changes in costs or technical requirements for constructing, modifying or operating exploration and production facilities.
- Legislative and regulatory initiatives addressing environmental concerns, including initiatives addressing the impact of global climate change or further regulating hydraulic fracturing, methane emissions, flaring or water disposal.
- Lack of, or disruptions in, adequate and reliable transportation for our crude oil, bitumen, natural gas, LNG and natural gas liquids.
- Inability to timely obtain or maintain permits, including those necessary for construction, drilling and/or development, or inability to make capital expenditures required to maintain compliance with any necessary permits or applicable laws or regulations.
- Failure to complete definitive agreements and feasibility studies for, and to complete construction of, announced and future exploration and production and LNG development in a timely manner (if at all) or on budget.
- Potential disruption or interruption of our operations due to accidents, extraordinary weather events, civil unrest, political events, war, terrorism, cyber attacks, and information technology failures, constraints or disruptions.
- Changes in international monetary conditions and foreign currency exchange rate fluctuations.
- Changes in international trade relationships, including the imposition of trade restrictions or tariffs

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relating to crude oil, bitumen, natural gas, LNG, natural gas liquids and any materials or products (such as aluminum and steel) used in the operation of our business.
Substantial investment in and development use of, competing or alternative energy sources, including as a result of existing or future environmental rules and regulations.
Liability for remedial actions, including removal and reclamation obligations, under environmental regulations.
Liability resulting from litigation or our failure to comply with applicable laws and regulations.
General domestic and international economic and political developments, including armed hostilities; expropriation of assets; changes in governmental policies relating to crude oil, bitumen, natural gas, LNG and natural gas liquids pricing, regulation or taxation; the impact of and uncertainty surrounding the U.K. s decision to withdraw from the EU; and other political, economic or diplomatic developments.
Volatility in the commodity futures markets.
Changes in tax and other laws, regulations (including alternative energy mandates), or royalty rules applicable to our business, including changes resulting from the implementation and interpretation of the Tax Cuts and Jobs Act.
Competition and consolidation in the oil and gas exploration and production industry.
Any limitations on our access to capital or increase in our cost of capital, including as a result of illiquidity or uncertainty in domestic or international financial markets.
Our inability to execute, or delays in the completion, of any asset dispositions or acquisitions we elect to pursue.
Potential failure to obtain, or delays in obtaining, any necessary regulatory approvals for asset dispositions or acquisitions or that such approvals may require modification to the terms of the transactions or the operation of our remaining business.
Potential disruption of our operations as a result of asset dispositions or acquisitions, including the diversion of management time and attention.
Our inability to deploy the net proceeds from any asset dispositions we undertake in the manner and timeframe we currently anticipate, if at all.
Our inability to liquidate the common stock issued to us by Cenovus Energy as part of our sale of certain assets in western Canada at prices we deem acceptable, or at all.
The operation and financing of our joint ventures.
The ability of our customers and other contractual counterparties to satisfy their obligations to us, including our ability to collect payments when due from the government of Venezuela or PDVSA.
Our inability to realize anticipated cost savings and expenditure reductions.
The factors generally described in Item 1A Risk Factors in our 2018 Annual Report on Form 10-K and any additional risks described in our other filings with the SEC.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about market risks for the three months ended March 31, 2019, does not differ materially from that discussed under Item 7A in our 2018 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934, as amended (the Act), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. As of March 31, 2019, with the participation of our management, our Chairman and Chief Executive Officer (principal executive officer) and our Executive Vice President and Chief Financial Officer (principal financial officer) carried out an evaluation, pursuant to Rule 13a-15(b) of the Act, of ConocoPhillips disclosure controls and procedures (as defined in Rule 13a-15(e) of the Act). Based upon that evaluation, our Chairman and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded our disclosure controls and procedures were operating effectively as of March 31, 2019.

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

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There are no new material legal proceedings or material developments with respect to matters previously disclosed in Item 3 of our 2018 Annual Report on Form 10-K.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A of our 2018 Annual Report on Form 10-K.

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

Period	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Millions of Dollars Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
January 1-31, 2019	4,063,794	$ 65.04	4,063,794	$ 8,611
February 1-28, 2019	3,371,300	68.65	3,371,300	8,379
March 1-31, 2019	3,781,800	67.64	3,781,800	8,123
	11,216,894	$ 67.00	11,216,894	

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

On November 10, 2016, we announced plans to purchase up to $3 billion of our common stock through 2019. On March 29, 2017, we announced plans to repurchase an additional $3 billion of common stock through 2019. On July 12, 2018, we announced an authorization of an additional $9 billion for share repurchases at any time or from time to time (whether before, on or after December 31, 2019) bringing the total program authorization to $15 billion. As of March 31, 2019, approximately $8.1 billion remained available for purchase under the program. Acquisitions for the share repurchase program 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 plan are held as treasury shares. See the Our ability to declare and pay dividends and repurchase shares is subject to certain considerations section in Risk Factors on pages 20 21 of our 2018 Annual Report on Form 10-K.

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Item 6. EXHIBITS

31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32*	Certifications pursuant to 18 U.S.C. Section 1350.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Schema Document.
101.CAL*	XBRL Calculation Linkbase Document.
101.LAB*	XBRL Labels Linkbase Document.
101.PRE*	XBRL Presentation Linkbase Document.
101.DEF*	XBRL Definition Linkbase Document.

** Filed herewith.*

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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/ Catherine A. Brooks
Catherine A. Brooks

Vice President and Controller

(Chief Accounting and Duly Authorized Officer)

May 2, 2019