ConocoPhillips (NYSE: COP) today announced it has entered into a definitive agreement to sell its interests in the San Juan Basin to an affiliate of Hilcorp Energy Company for up to $3.0 billion of total proceeds, comprised of $2.7 billion in cash and a contingent payment of up to $300 million. The cash portion of the proceeds is subject to customary closing adjustments. The contingent payment is effective beginning Jan. 1, 2018 and has a term of six years. Proceeds from this transaction will be used for general corporate purposes.

“This transaction significantly accelerates value from our San Juan Basin assets,” said Ryan Lance, chairman and chief executive officer. “Including our recently announced Canadian asset sales, we have line of sight to more than $16 billion of total considerations in 2017. These transactions will materially reduce our exposure to North American gas and achieve an immediate step change improvement in our balance sheet and cash margins, while accelerating our return of cash to shareholders. Our company will be more focused, far stronger financially, and well positioned to execute our disciplined, returns-focused value proposition.”

Full-year 2016 production associated with the San Juan Basin assets was 124 thousand barrels of oil equivalent per day, of which approximately 80 percent was natural gas. Cash provided by operating activities for 2016 was approximately $0.2 billion. Year-end 2016 proved reserves were 0.6 billion barrels of oil equivalent.

As of Dec. 31, 2016, the net book value of the assets was approximately $5.9 billion, which includes approximately $2.8 billion of step-up basis associated with the Burlington acquisition in 2006. The company expects to record a non-cash impairment on the assets in the second quarter of 2017. The transaction is subject to specific conditions precedent being satisfied, including regulatory approval, and is expected to close in the third quarter of 2017.

The company has posted an investor presentation that summarizes the combined impact of this San Juan Basin transaction and the recently announced Canadian transaction. The presentation can be accessed at www.conocophillips.com/investor. The company also intends to update its cash flow sensitivities to reflect these two transactions when it reports first-quarter 2017 results on May 2, 2017.

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About ConocoPhillips

ConocoPhillips is the world’s largest independent E&P company based on production and proved reserves. Headquartered in Houston, Texas, ConocoPhillips had operations and activities in 17 countries, $90 billion of total assets, and approximately 13,300 employees as of Dec. 31, 2016. Production excluding Libya averaged 1,567 MBOED in 2016, and proved reserves were 6.4 billion BOE as of Dec. 31, 2016. For more information, go to www.conocophillips.com.

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

This news release contains forward-looking statements. Forward-looking statements relate to future events and anticipated results of operations, business strategies, and other aspects of our operations or operating results. In many cases you can identify forward-looking statements by terminology such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and other similar words. However, the absence of these words does not mean that the statements are not forward-looking. Where, in any forward-looking statement, the company expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that such expectation or belief will result or be achieved. The actual results of operations can and will be affected by a variety of risks and other matters including, but not limited to our ability to complete the sale of our San Juan Basin Assets and certain of our assets in western Canada (together, the Sale Transactions) on the timeline currently anticipated, if at all; the possibility that regulatory approvals for either of the Sale Transactions will not be received on a timely basis, if at all, or that such approvals may require modification to the terms of either of the Sale Transactions or our remaining business; business disruptions during or following the Sale Transactions, including the diversion of management time and attention; our ability to liquidate the common stock issued to us by Cenovus Energy Inc. as part of our sale of assets in western Canada at prices we deem acceptable, or at all; the ability to deploy net proceeds from the Sale Transactions in the manner and timeframe we currently anticipate, if at all; changes in commodity prices; changes in expected levels of oil and gas reserves or production; operating hazards, drilling risks, unsuccessful exploratory activities; difficulties in developing new products and manufacturing processes; unexpected cost increases; international monetary conditions; potential liability for remedial actions under existing or future environmental regulations; potential liability resulting from pending or future litigation; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; general domestic and international economic and political conditions; and changes in tax, environmental and other laws applicable to our business. Other factors that could cause actual results to differ materially from those described in the forward-looking statements include other economic, business, competitive and/or regulatory factors affecting our business generally as set forth in our filings with the Securities and Exchange Commission. Unless legally required, ConocoPhillips undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Information – To supplement the presentation of the Company’s financial results prepared in accordance with U.S. generally accepted accounting principles (GAAP), this news release contains the financial measure cash margins that is not prepared in accordance with GAAP. Cash margins are calculated as cash provided by operating activities divided by production. The Company believes that the non-GAAP measure cash margins is useful to investors as it provides a measure to compare cash provided by operating activities on a per unit of production.

The non-GAAP measure included in this news release has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of the Company’s results calculated in accordance with GAAP. In addition, because not all companies use identical calculations, the Company’s presentation of non-GAAP measures in this news release may not be comparable to similarly titled measures disclosed by other companies, including companies in our industry. The Company may also change the calculation of any of the non-GAAP measures included in this news release from time to time in light of its then existing operations to include other adjustments that may impact its operations.

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