

=====

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

COMMISSION FILE NUMBER 000-49987

CONOCOPHILLIPS
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

01-0562944
(I.R.S. Employer
Identification No.)

600 NORTH DAIRY ASHFORD
HOUSTON, TX 77079
(Address of principal executive offices)

Registrant's telephone number, including area code: 281-293-1000

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
-----	-----
Common Stock, \$.01 Par Value	New York Stock Exchange
Preferred Share Purchase Rights Expiring June 30, 2012	New York Stock Exchange
6 3/8% Notes due 2009	New York Stock Exchange
6.65% Notes due March 1, 2003	New York Stock Exchange
6.65% Debentures due July 15, 2018	New York Stock Exchange
7% Debentures due 2029	New York Stock Exchange
7.125% Debentures due March 15, 2028	New York Stock Exchange
7.20% Notes due November 1, 2023	New York Stock Exchange
7.92% Notes due April 15, 2023	New York Stock Exchange
8.5% Notes due 2005	New York Stock Exchange
8.75% Notes due 2010	New York Stock Exchange
9 3/8% Notes due 2011	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Excluding shares held by affiliates, the registrant had 672,131,287 shares of Common Stock, \$.01 Par Value, outstanding at February 28, 2003. The aggregate market value of common stock held by non-affiliates of the registrant was \$34,077,056,251 as of February 28, 2003. The registrant, solely for the purpose of this required presentation, has deemed its Board of Directors and the Compensation and Benefits Trust to be affiliates, and deducted their stockholdings of 6,156,952 and 26,785,094 shares, respectively, in determining the aggregate market value.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the Annual Meeting of Stockholders to
be held on May 6, 2003 (Part III)

=====

TABLE OF CONTENTS

Item	PART I	Page
----		----
1 and 2.	Business and Properties	1
	Corporate Structure and Current Developments	1
	Segment and Geographic Information	2
	Exploration and Production (E.....)	2
	Midstream	17
	Refining and Marketing (R.....)	18
	Chemicals	25
	Emerging Businesses	27
	Competition	28
	General	29
3.	Legal Proceedings	29
4.	Submission of Matters to a Vote of Security Holders	32
	Executive Officers of the Registrant	32
PART II		
5.	Market for Registrant's Common Equity and Related Stockholder Matters	34
6.	Selected Financial Data	35
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	36
7a.	Quantitative and Qualitative Disclosures About Market Risk	78
8.	Financial Statements and Supplementary Data	82
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	174
PART III		
10.	Directors and Executive Officers of the Registrant	175
11.	Executive Compensation	175
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	175
13.	Certain Relationships and Related Transactions	175
14.	Controls and Procedures	176
PART IV		
15.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	176

PART I

Unless otherwise indicated, "the company" and "ConocoPhillips" are used in this report to refer to the businesses of ConocoPhillips and its consolidated subsidiaries. "Conoco" and "Phillips" are used in this report to refer to the individual companies prior to the merger date of August 30, 2002. Items 1 and 2, Business and Properties, contain forward-looking statements including, without limitation, statements relating to the company's plans, strategies, objectives, expectations, intentions, and resources, that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The words "forecasts," "intends," "believes," "expects," "plans," "scheduled," "anticipates," "estimates," and similar expressions identify forward-looking statements. The company does not undertake to update, revise or correct any of the forward-looking information. Readers are cautioned that such forward-looking statements should be read in conjunction with the 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 76.

ConocoPhillips files annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). These filings are available free of charge through the company's internet website at www.conocophillips.com as soon as reasonably practicable after the company electronically files such material with, or furnishes it to, the SEC.

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

CORPORATE STRUCTURE AND CURRENT DEVELOPMENTS

ConocoPhillips is a major, integrated, global energy company. ConocoPhillips was incorporated in the state of Delaware on November 16, 2001, in connection with, and in anticipation of, the merger between Conoco Inc. (Conoco) and Phillips Petroleum Company (Phillips). The merger between Conoco and Phillips (the merger) was consummated on August 30, 2002, at which time Conoco and Phillips combined their businesses by merging with separate acquisition subsidiaries of ConocoPhillips. As a result of the merger, Conoco and Phillips each became wholly owned subsidiaries of ConocoPhillips. For accounting purposes, Phillips was designated as the acquirer of Conoco and ConocoPhillips was treated as the successor of Phillips. Accordingly, Phillips' operations and results are presented in this Form 10-K for all periods prior to the close of the merger. From the merger date forward, the operations and results of ConocoPhillips reflect the combined operations of the two companies. Subsequent to the merger, Conoco was renamed ConocoPhillips Holding Company, and Phillips was renamed ConocoPhillips Company, but for ease of reference, those companies will be referred to respectively in this document as Conoco and Phillips.

ConocoPhillips' business is organized into five operating segments:

- 1) Exploration and Production (E&P)--This segment explores for and produces crude oil, natural gas, and natural gas liquids worldwide, and mines oil sands to extract bitumen and upgrade it into synthetic crude oil.
- 2) Midstream--This segment gathers and processes natural gas produced by ConocoPhillips and others, and fractionates and markets natural gas liquids, primarily in the United States, Canada and Trinidad. The Midstream segment includes ConocoPhillips' 30.3 percent equity investment in Duke Energy Field Services, LLC, a joint venture with Duke Energy.

- 3) Refining and Marketing (R&M)--This segment refines, markets and transports crude oil and petroleum products, primarily in the United States, Europe and Asia.
- 4) Chemicals--This segment manufactures and markets petrochemicals and plastics on a worldwide basis. The Chemicals segment consists primarily of ConocoPhillips' 50 percent equity investment in Chevron Phillips Chemical Company LLC, a joint venture with ChevronTexaco Corporation.
- 5) Emerging Businesses--This segment encompasses the development of new businesses beyond the company's traditional operations. Emerging Businesses includes new technologies related to carbon fibers, natural gas conversion into clean fuels and related products (gas-to-liquids), fuels technology, and power generation.

At December 31, 2002, ConocoPhillips employed approximately 57,000 people in over 40 countries.

SEGMENT AND GEOGRAPHIC INFORMATION

For operating segment information and geographic information, see Note 26--Segment Disclosures and Related Information in the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

EXPLORATION AND PRODUCTION (E&P)

This segment explores for and produces crude oil, natural gas, and natural gas liquids on a worldwide basis. It also mines deposits of oil sands in Canada to extract the bitumen and upgrade it into a synthetic crude oil. At December 31, 2002, ConocoPhillips' E&P operations were producing in the United States; the Norwegian and U.K. sectors of the North Sea; Canada; Nigeria; Venezuela; the Timor Sea; offshore Australia and China; Indonesia; the United Arab Emirates; Vietnam; Russia; and Ecuador.

The information listed below appears in the supplemental oil and gas operations disclosures on pages 146 through 163 and is incorporated herein by reference.

- o Proved worldwide crude oil, natural gas and natural gas liquids reserves;
- o Net production of crude oil, natural gas and natural gas liquids;
- o Average sales prices of crude oil, natural gas and natural gas liquids;
- o Average production costs per barrel of oil equivalent;
- o Net wells completed, wells in progress and productive wells; and
- o Developed and undeveloped acreage.

In 2002, ConocoPhillips' worldwide crude oil production, including its share of equity affiliates' production, averaged 682,000 barrels per day, a 21 percent increase from 563,000 barrels per day in 2001.

During the year, 371,000 barrels per day of crude oil was produced in the United States, down slightly from 373,000 barrels per day in 2001. The decrease in U.S. production was due to lower production in Alaska, reflecting normal field declines, as well as operating interruptions during the year, partially offset by increased production volumes following the merger. Foreign crude oil production volumes increased 64 percent in 2002, primarily as a result of the merger.

E&P's worldwide production of natural gas liquids averaged 46,000 barrels per day in 2002, compared with 35,000 barrels per day in 2001. U.S. production accounted for 32,000 barrels per day in 2002, compared with 26,000 barrels per day in 2001. The increases were primarily the result of the merger.

The company's worldwide production of natural gas averaged 2,047 million cubic feet per day in 2002, compared with 1,335 million cubic feet per day in 2001. U.S. natural gas production increased 20 percent in 2002, while foreign natural gas production increased 126 percent. The increases were primarily due to the merger.

ConocoPhillips' worldwide annual average crude oil sales price increased 1 percent in 2002, to \$24.07 per barrel. E&P's annual average worldwide natural gas sales price decreased 14 percent from 2001, to \$2.77 per thousand cubic feet.

The company's finding and development costs in 2002 were \$5.57 per barrel of oil equivalent, compared with \$5.97 in 2001. Over the last five years, ConocoPhillips' finding and development costs averaged \$4.31 per barrel of oil equivalent. Finding and development costs per barrel of oil equivalent is calculated by dividing the net reserve change for the period (excluding production and sales) into the costs incurred for the period, as reported in the "Costs Incurred" disclosure required by Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities."

At December 31, 2002, ConocoPhillips, including its share of equity affiliates, held a combined 101.9 million net developed and undeveloped acres, compared with 25.8 million net acres at year-end 2001. The increase in acreage was primarily the result of the merger. At year-end 2002, the company held acreage in 29 countries (counting the Timor Gap Zone of Cooperation between Australia and East Timor as a single country for this purpose).

E&P--U.S. OPERATIONS

In 2002, U.S. E&P operations contributed 55 percent of ConocoPhillips' worldwide liquids production and 54 percent of its worldwide natural gas production. The company's U.S. operations are managed in two divisions: Alaska and the Lower 48 States.

ALASKA

ConocoPhillips is a major producer of crude oil on Alaska's North Slope, and produces natural gas in the Cook Inlet. A brief summary of the major Alaskan producing fields, transportation infrastructure, and exploration activities follows.

Greater Prudhoe Area

The Greater Prudhoe Area is comprised of the Prudhoe Bay field and satellites, as well as the Greater Point McIntyre Area fields. In 2002, an agreement was reached among all owners to align ownership across all fields within the Greater Prudhoe Area. ConocoPhillips now holds a 36.1 percent interest in all fields within the Greater Prudhoe Area, all of which are operated by BP p.l.c. (BP).

The Prudhoe Bay field is the largest oil field on Alaska's North Slope. It is the site of a large waterflood and enhanced oil recovery project, as well as a gas processing plant that processes and re-injects more than 8 billion cubic feet of natural gas daily. ConocoPhillips' net crude oil production from the Prudhoe Bay field averaged 130,800 barrels per day in 2002, compared with 144,900 barrels per day in 2001, while natural gas liquids production averaged 24,100 barrels per day in 2002, compared with 25,000 barrels per day in 2001.

Prudhoe Bay satellite fields Aurora, Borealis, Polaris, and Midnight Sun produced 12,700 net barrels per day of crude oil in 2002 compared with 3,400 net barrels per day in 2001. The newly developed Borealis satellite field contributed the biggest share in 2002, producing 7,200 net barrels per day compared with 1,100 net barrels per day in 2001. All Prudhoe Bay satellite fields are produced through Prudhoe Bay production facilities.

The Greater Point McIntyre Area (GPMA) is made up of the Point McIntyre, Niakuk, Lisburne, West Beach, and North Prudhoe Bay State fields. All fields within the GPMA are produced through the Lisburne Production Center. Net crude oil production for GPMA averaged 19,800 barrels per day in 2002, compared with 26,000 barrels per day in 2001. The bulk of this production came from the Point McIntyre field where an enhanced oil recovery project began in 2000.

Greater Kuparuk Area

ConocoPhillips operates the Greater Kuparuk Area, which is comprised of the Kuparuk field and four satellite fields: Tarn, Tabasco, Meltwater and West Sak. ConocoPhillips holds a 55.2 percent interest in the Kuparuk field, located about 40 miles west of Prudhoe Bay. Field installations include three central production facilities that separate oil, gas and water. The gas is either used for fuel or compressed for reinjection. ConocoPhillips' net crude oil production from Kuparuk averaged 79,000 barrels per day in 2002, compared with 91,400 barrels per day in 2001. The decrease was due to normal field declines.

The Greater Kuparuk Area's satellite fields of Tarn, Tabasco and Meltwater produced 21,300 net barrels per day of crude oil in 2002, compared with 12,600 net barrels per day in 2001. The increase was due to a full year's production from Meltwater, which came online in late 2001. ConocoPhillips holds a 55.4 percent interest in these satellite fields.

In late 2002, ConocoPhillips announced the startup of Kuparuk field Drill Site 3S (Palm). This drill site will develop the oil accumulation discovered by the Palm exploration wells drilled during the winter 2001 season. The Palm oil accumulation effectively extends the Kuparuk field on Alaska's North Slope approximately three miles to the northwest. The drill site produced crude oil at a 6,000 net-barrel-per-day rate following startup and is expected to reach peak production in 2004 following additional development drilling. Production from Palm is processed through existing Kuparuk field facilities.

The Greater Kuparuk Area also includes the West Sak heavy-oil field. ConocoPhillips is studying and applying new ways to develop this heavy-oil field. In 2002, West Sak produced 3,300 net barrels of heavy oil per day, compared with 2,700 net barrels per day in 2001. ConocoPhillips holds a 55.4 percent interest in this field.

Alpine Field

The Alpine field, located west of the Kuparuk field, began production in November 2000. In 2002, the field produced at a net rate of 63,400 barrels of oil per day, compared with 57,800 barrels per day in 2001. ConocoPhillips is the operator and holds a 78 percent interest in Alpine.

In January 2003, ConocoPhillips and the U.S. Department of Interior Bureau of Land Management signed a Memorandum of Understanding that provides for completion of an Environmental Impact Statement (EIS) for five prospective satellites, Fiord, Nanuq, Lookout, Spark, and Alpine West, as well as future potential developments in the northeast corner of the National Petroleum Reserve-Alaska (NPR-A) and near the Alpine oil field. A final decision to move forward on these projects will be made after the EIS is completed and the appropriate permits have been granted.

Cook Inlet

ConocoPhillips' assets in Alaska include the North Cook Inlet field, the Beluga natural gas field, and the Kenai liquefied natural gas facility.

ConocoPhillips has a 100 percent interest in the North Cook Inlet field. Net production in 2002 averaged 125 million cubic feet per day. All of the production from the North Cook Inlet field is used to supply ConocoPhillips' share of gas to the Kenai liquefied natural gas plant.

ConocoPhillips' interest in the Beluga River field is 33 percent. Net production averaged 41 million cubic feet per day in 2002. Gas from the Beluga River field is sold to local utilities and industrial consumers.

ConocoPhillips owns a 70 percent interest in the Kenai liquefied natural gas plant, which supplies liquefied natural gas to two utility companies in Japan. Utilizing two leased tankers, the company transports the liquefied natural gas to Japan, where it is reconverted to dry gas at the receiving terminal. ConocoPhillips sold 44.4 billion cubic feet of liquefied natural gas to Japan in 2002, compared with 46.1 billion cubic feet in 2001.

Exploration

ConocoPhillips holds more than one million net exploration acres in Alaska. ConocoPhillips drilled or participated in eight exploratory wells during 2002, on locations near Kuparuk, Prudhoe Bay and Alpine, as well as in the NPR-A and the Cook Inlet. Of the eight wells, two are moving forward with development plans and one is pending further appraisal. In May 2001, ConocoPhillips announced the first discoveries in the NPR-A since the area was reopened to exploration in 1999. ConocoPhillips plans to drill or participate in four exploration wells in Alaska during 2003.

Transportation

ConocoPhillips transports the petroleum liquids it produces on the North Slope to market through the Trans-Alaska Pipeline System (TAPS), an 800-mile pipeline, marine terminal and spill response and escort vessel system that ties the North Slope of Alaska to the port of Valdez in south-central Alaska. While ownership interest in TAPS was 26.7 percent in 2002, regulatory approval was received in early 2003 to purchase an additional 1.5 percent interest from Amerada Hess, thereby increasing ConocoPhillips ownership in TAPS to 28.2 percent. The purchase was effective January 24, 2003.

In the second quarter of 2001, ConocoPhillips and the five other owners of TAPS completed and filed state and federal applications for renewal of the pipeline's right-of-way permit through 2034. The State of Alaska approved the 30-year right-of-way renewal in November 2002 and U.S. federal approval was received in January 2003.

TAPS was shut down in early November 2002 following a major earthquake in Alaska. There were no associated oil leaks, spills or pipeline ruptures. TAPS remained shut down for approximately three days and was restarted after all necessary inspections, leak testing and temporary repairs were made.

ConocoPhillips' ownership of stock in the Alyeska Pipeline Service Company increased from 26.7 percent in 2002 to 28.2 percent as a result of the January 2003 purchase of an additional interest from Amerada Hess. Alyeska constructed and operates the pipeline system on behalf of the TAPS owners. ConocoPhillips also has ownership interests in the Alpine, Kuparuk and Oliktok pipelines on the North Slope. In 2002, ConocoPhillips sold its 20 percent ownership interest in the Cook Inlet Pipeline Company.

ConocoPhillips, BP and ExxonMobil agreed in late 2000 to jointly evaluate a gas pipeline project to deliver natural gas from Alaska's North Slope to the Lower 48. The three co-owners shared equally in the costs and governance of the program. ConocoPhillips does not believe the project provides the desired return on investment in the current economic environment, given the significant size and risk associated with the project. However, ConocoPhillips continues to search for a solution that will allow this energy resource to be produced.

ConocoPhillips' wholly owned subsidiary, Polar Tankers Inc., manages the marine transportation of the company's Alaska North Slope production. Polar Tankers is based in Long Beach, California, and operates five ships in the Alaskan trade, chartering additional third party operated vessels as necessary. In 2001, Polar Tankers brought the Polar Endeavour into service, and the Polar Resolution was brought into service in 2002. After the Polar Endeavour was placed in service, ConocoPhillips entered into a transaction to sell and subsequently lease back the vessel for 10 years. These 125,000-deadweight-ton, double-hulled crude oil tankers are the first two of five Endeavour Class tankers that ConocoPhillips plans to add to its Alaskan-trade fleet over a five-year period. The third tanker, the Polar Discovery, is scheduled to enter the fleet in 2003.

LOWER 48 STATES

ConocoPhillips' operations in the Lower 48 States are principally located in the following areas:

- o Offshore: Gulf of Mexico;
- o Onshore: Various trends in Texas, New Mexico, Oklahoma, Louisiana, Utah, Colorado, and Wyoming

Gulf of Mexico

ConocoPhillips' current portfolio of producing properties in the Gulf of Mexico includes three fields operated by ConocoPhillips and 24 operated by other companies. At December 31, 2002, ConocoPhillips had 14 leases in production or under development in the deepwater Gulf of Mexico.

ConocoPhillips held interests in 391 lease blocks in the deepwater Gulf of Mexico as of December 31, 2002. In 2003, ConocoPhillips expects to participate in four exploration wells in the deepwater Gulf of Mexico.

ConocoPhillips' deepwater Gulf of Mexico drilling program utilizes the Deepwater Pathfinder, a drillship that is owned by a joint venture between Transocean Sedco Forex Inc. and ConocoPhillips. The vessel, which went into service in January 1999, is capable of drilling in water depths of up to 10,000 feet.

ConocoPhillips holds a 16 percent interest in the Ursa field, which is operated by Shell. The Ursa tension-leg platform was installed in late 1998 in approximately 3,900 feet of water, with first production occurring in March 1999. As Ursa was owned by Conoco before the merger, only the production from August 30 through December 31, 2002, is included in ConocoPhillips' 2002 statistics and financial results. Production during this period averaged a net 12,500 barrels per day of liquids and 16 million cubic feet per day of gas.

The Princess field, which is adjacent to the Ursa field, was discovered in 2000. Because of Princess' proximity to Ursa, petroleum liquids and natural gas produced from Princess can be processed and transported via the Ursa infrastructure already in place. ConocoPhillips owns a 16 percent interest in Princess. First production from Princess began in late 2002 with the completion of a well on the Ursa platform.

ConocoPhillips operates and holds a 75 percent interest in the Garden Banks 783 and 784 leases which contain the Magnolia field. First production from Magnolia is scheduled for late 2004.

ConocoPhillips owns a non-operated interest of 18.2 percent in the K2 discovery. K2 was discovered in 1999 and appraisal continued in 2002. Further appraisal and preliminary development operations are scheduled for 2003.

Onshore

ConocoPhillips is a large natural gas producer in three major gas producing trends: the Lobo trend in south Texas, the San Juan Basin of New Mexico, and the Guymon-Hugoton trend in the panhandles of Texas and Oklahoma. At December 31, 2002, the company held over 2.2 million net acres of oil and gas leases in these trends. Combined production from the date of the merger through year-end from these three areas averaged a net 948 million cubic feet per day of natural gas.

E&P--THE NORTH SEA

In 2002, E&P operations in the North Sea contributed 28 percent of ConocoPhillips' worldwide liquids production and 29 percent of its worldwide natural gas production. The company's North Sea assets are principally located in the Norwegian and U.K. sectors.

NORWAY

The Ekofisk Area is located approximately 200 miles offshore Norway in the center of the North Sea. The Ekofisk Area is comprised of four producing fields: Ekofisk, Eldfisk, Embla and Tor. Ekofisk serves as a hub for petroleum operations in the area, with surrounding developments utilizing the infrastructure. Net production in 2002 from the Ekofisk Area was 127,000 barrels of liquids per day and 133 million cubic feet of natural gas per day. ConocoPhillips is the operator and has a 35.1 percent interest in Ekofisk. The production license for the Ekofisk Area runs until 2028.

ConocoPhillips also has ownership interests in several other producing fields in the Norwegian North Sea, the more significant of which include a 24.3 percent interest in the Heidrun field, a 10.3 percent interest in the Statfjord field, and a 1.6 percent interest in the Troll field.

Production from these, and other fields in the Norwegian sector of the North Sea acquired in the merger, averaged a net 105,000 barrels of liquids per day and 112 million cubic feet of natural gas per day for the last four months of 2002.

UNITED KINGDOM

ConocoPhillips is the largest equity owner in and the joint operator of the Britannia natural gas/condensate field. ConocoPhillips holds a 58.7 percent interest in Britannia. First production from Britannia occurred in August 1998. ConocoPhillips' proved reserves in Britannia included approximately 1.1 trillion cubic feet of natural gas and 34 million barrels of petroleum liquids at December 31, 2002. For the last four months of 2002, production from Britannia averaged a net 13,000 barrels per day of liquids and 336 million cubic feet per day of natural gas.

ConocoPhillips operates and holds a 36.5 percent interest in the Judy/Joanne fields which together comprise J-Block. Additionally, the Jade field began production in the first quarter of 2002 from a wellhead platform and pipeline tied to the J-Block facilities. ConocoPhillips is the operator and holds a 32.5 percent interest in Jade. Together, these fields produced a net 14,000 barrels of liquids per day and 96 million cubic feet of natural gas per day in 2002.

ConocoPhillips continues to supply gas from J-Block to Enron Capital and Trade Resources Limited (Enron Capital), which was placed in Administration in the United Kingdom on November 29, 2001. ConocoPhillips has been paid all amounts currently due and payable by Enron Capital, including outstanding amounts due for the period prior to the appointment of the Administrator. The company believes that Enron Capital will continue to pay the amounts due for gas supplied by ConocoPhillips in accordance with the terms of the gas sales agreement. ConocoPhillips does not currently expect that it will have to curtail sales of gas under the gas sales agreement or shut in production as a result of the Administration of Enron Capital. However, in the event Enron Capital is no longer under Administration, there may be additional risk of production constraints.

ConocoPhillips has various ownership interests in 15 producing gas fields in the southern North Sea that were acquired in the merger. These fields mostly feed into the ConocoPhillips-operated Theddlethorpe gas processing facility through three ConocoPhillips-operated pipeline systems. Production for the last four months of 2002 averaged a net 357 million cubic feet per day of natural gas. The investment in the Viscount development was charged to impairment expense in the fourth quarter of 2002 due to disappointing development drilling results.

In September 2002, ConocoPhillips began production from the Hawksley field in the southern sector of the U.K. North Sea. The Hawksley discovery well, 44/17 a-6y, was completed in July 2002 in one of five natural gas reservoirs currently being developed by ConocoPhillips as a single, unitized project. The other reservoirs are McAdam, Murdoch K., Boulton, and Watt. Collectively, they are known as CMS3 due to their utilization of the production and transportation facilities of the ConocoPhillips-operated Caister Murdoch System (CMS). ConocoPhillips is the operator of CMS3 and holds a 59.5 percent interest.

ConocoPhillips has a 24 percent interest in the Clair field development. Net proved reserves are 24 million barrels of petroleum liquids. The Clair development is comprised of a conventional steel jacket structure with minimum manned facilities topside. First production from Clair is targeted for 2004.

ConocoPhillips is also assessing the development of the Callanish and Brodgar fields. These new satellite development projects would be tied back to the Britannia facility. Appraisal wells for both discoveries were drilled in 2000. ConocoPhillips has a 75 percent interest in the Brodgar field and an 83.5 percent interest in the Callanish field.

ConocoPhillips also has ownership interests in several other producing fields in the U.K. North Sea, including a 23.4 percent interest in the Alba field, a 40 percent interest in the MacCulloch field, and an 11.5 percent interest in the Armada field. Production from these and other fields in the U.K. sector of the North Sea averaged a net 50,000 barrels of liquids per day and 85 million cubic feet of natural gas per day for the last four months of 2002.

The Interconnector pipeline, which connects the United Kingdom and Belgium, facilitates the marketing throughout Europe of the natural gas ConocoPhillips produces in the United Kingdom. ConocoPhillips' 10 percent equity share of the Interconnector pipeline allows the company to ship approximately 200 million cubic feet of natural gas per day to markets in continental Europe. ConocoPhillips has multi-year contracts to supply natural gas to Gasunie in the Netherlands and Wingas in Germany. Because the Interconnector pipeline provides the flexibility to flow in either direction, ConocoPhillips is able to take

advantage of the long-term and short-term market conditions in both the United Kingdom and continental Europe.

OTHER AREAS

ConocoPhillips sold its interests in the Netherlands in the fourth quarter of 2002. Financial results for the Netherlands from the date of the merger through the date of sale are included in Corporate and Other as discontinued operations. Accordingly, the Netherlands production statistics are not included in E&P.

EXPLORATION

ConocoPhillips plans six exploration wells and two appraisal wells in the North Sea in 2003. In the Norwegian sector, three exploration wells and an appraisal well are planned for 2003. In the U.K. sector, two exploratory wells that were spudded in late 2002 will continue drilling operations into 2003. ConocoPhillips plans to participate in an additional exploration well and an appraisal well in the U.K. sector in 2003.

E&P--CANADA

In 2002, E&P operations in Canada contributed 2 percent of ConocoPhillips' worldwide liquids production and 8 percent of its worldwide natural gas production, excluding Syncrude production.

CONVENTIONAL OIL AND GAS OPERATIONS

Operations in western Canada encompass properties in Alberta, northeastern British Columbia and southwestern Saskatchewan. The reserve base in central and northwestern Alberta and northeastern British Columbia is dominated by liquids-rich natural gas and light-oil fields, as well as large enhanced oil recovery projects. The reserve base in southern Alberta and southwestern Saskatchewan is a mix of medium-gravity crude oil and natural gas.

ConocoPhillips is working with three other energy companies, as members of the Mackenzie Delta Producers' Group (Group), on the possibility of transporting onshore gas production from the Mackenzie Delta in northern Canada to existing markets. In October 2001, the Group signed a Memorandum of Understanding (MOU) with the Aboriginal peoples of the Northwest Territories, as represented by the Mackenzie Valley Aboriginal Pipeline Corporation (MVAPC). The MOU provides a framework for the parties to move forward on the development of a Mackenzie Valley pipeline, running some 800 miles to serve the North American gas market. In January 2002, the Group and the MVAPC announced that they would begin preparing the regulatory applications needed to develop onshore natural gas resources in the Mackenzie Delta, including the Mackenzie Valley pipeline. Conceptual engineering commenced in April 2002, and in September 2002, after receiving expressions of interest from other potential shippers, the consortium decided to increase the initial design capacity for the Mackenzie Valley pipeline from 830 to 1,200 million cubic feet per day. The pipeline capacity would be expandable with additional compression. ConocoPhillips would hold a 16 percent interest in the pipeline and a 75 percent interest in the development of the Parsons Lake gas field. The Parsons Lake gas field would be one of the three primary fields in the Mackenzie Delta that would anchor the pipeline development. Submission of regulatory applications for the project is anticipated in late 2003 and first gas production is currently targeted by 2008.

ConocoPhillips owns approximately 47 percent of Petrovera, a joint venture that combines a substantial portion of ConocoPhillips' Canadian heavy-oil assets and certain associated natural gas assets. Net production was approximately 15,100 barrels of petroleum liquids per day from the date of the merger through year-end 2002, and is reported separately in equity affiliate production.

OTHER CANADIAN OPERATIONS

ConocoPhillips has two oil sands projects in Canada: Syncrude Canada Ltd. and Surmont.

Syncrude Canada Ltd.

ConocoPhillips owns a 9.03 percent undivided interest in Syncrude Canada Ltd., a joint venture created by a number of energy companies for the purpose of mining shallow deposits of oil sands, extracting the bitumen and upgrading it into a light sweet crude oil called Syncrude Sweet Blend (Syncrude). The primary plant and facilities are located at Mildred Lake, about 25 miles north of Fort McMurray, Alberta, together with an auxiliary mining and extraction facility approximately 20 miles from the Mildred Lake plant. Syncrude Canada Ltd. holds eight oil sands leases, of which ConocoPhillips' share is approximately 23,000 net acres. The necessary surface rights are also held and the sites are readily accessible. In December 1999, the Alberta Energy and Utilities Board extended the project license term to the year 2035.

The U.S. Securities and Exchange Commission's regulations define this project as mining-related and not part of conventional oil and gas operations. As such, Syncrude reserves are not included in the company's proved oil and gas reserves as reported in its supplemental oil and gas reserves information.

Surmont

The Surmont lease is located about 35 miles south of Fort McMurray, Alberta. ConocoPhillips owns a 43.5 percent interest and is the operator. Currently, a pilot project is being conducted to evaluate the potential of the Steam Assisted Gravity Drainage technology at Surmont to economically develop oil sands that are too deep to mine. In 2001, the company submitted a regulatory application to develop 100,000 barrels per day of heavy-oil production. This application is in the final stages of review and a regulatory decision is expected in 2003.

E&P--SOUTH AMERICA

In 2002, E&P operations in South America were comprised of interests in Venezuela, Ecuador and Brazil. South American operations contributed 4 percent of ConocoPhillips' worldwide liquids production.

VENEZUELA

ConocoPhillips has two major heavy-oil projects in Venezuela: Petrozuata and Hamaca. In addition, ConocoPhillips owns blocks in the Gulf of Paria, which contains the Corocoro conventional oil and gas discovery and other exploration opportunities.

Petrozuata

Petrozuata is a joint venture between ConocoPhillips, which holds a 50.1 percent non-controlling equity interest that was acquired in the merger, and a subsidiary of Petroleos de Venezuela S.A. (PDVSA), the national oil company of Venezuela, which holds the remaining interest.

The project is an integrated operation that produces extra-heavy crude oil from reserves in the Zuata region of the Orinoco Oil Belt, transports it to the Jose industrial complex on the north coast of Venezuela, and upgrades it into medium-grade crude oil, with associated by-products of liquefied petroleum gas, sulfur, petroleum coke and heavy gas oil. The joint-venture agreement has a 35-year term.

Petrozuata began early production of extra-heavy crude oil in August 1998, and, after completion of the upgrader at Jose, made the first commercial sales of upgraded, medium-grade crude oil in April 2001. ConocoPhillips' net production was approximately 52,200 barrels of medium-grade crude oil per day for the last four months of 2002, and is reported separately as equity affiliate production. The medium-grade

crude oil produced by Petrozuata is used as a feedstock for ConocoPhillips' Lake Charles, Louisiana, refinery and the Cardon refinery operated by PDVSA.

ConocoPhillips has entered into an agreement to purchase up to 104,000 barrels per day of the Petrozuata upgraded crude oil for a market-based formula price over the term of the joint venture in the event that Petrozuata is unable to sell the production for higher prices. All upgraded crude oil sales are denominated in U.S. dollars. By-products produced by the upgrading facility, principally coke and sulfur, are sold to a variety of domestic and foreign purchasers. The loading facilities at Jose transfer crude oil and some of the by-products to ocean vessels for export.

Hamaca

The Hamaca project also involves the development of heavy-oil reserves from the Orinoco Oil Belt. ConocoPhillips' share in the Hamaca project is 40 percent. ConocoPhillips holds its interest in Hamaca through a jointly held limited liability company, which ConocoPhillips accounts for using the equity method. The other participants in Hamaca are PDVSA and ChevronTexaco Corporation.

Drilling of development wells started in January 2001, with early production of extra-heavy oil starting in the fourth quarter of 2001. Production averaged 8,500 net barrels per day of heavy oil in 2002, and is reported separately as equity affiliate production.

Construction of the heavy-oil upgrader, pipelines and associated production facilities at the Jose industrial complex began in 2000. The upgrader is expected to begin producing commercial quantities of medium-grade crude oil in 2004, at which time ConocoPhillips' net production from the Hamaca field is expected to increase to over 60,000 barrels per day from proved reserves.

Gulf of Paria

In 1999, Conoco drilled the Corocoro discovery that, during drill stem tests, flowed hydrocarbons from multiple zones. In 2001, Conoco and its partners commenced a four-well appraisal program to evaluate the Corocoro discovery. Three of the four wells were drilled in 2001 and the fourth well was completed in the first quarter of 2002. All four wells were successful. ConocoPhillips currently holds a 50 percent working interest in the Gulf of Paria West Block and is the operator. In November 2002, ConocoPhillips began progressing development discussions with the Venezuelan government and the company expects development approval in the first half of 2003. Upon approval of the development plan, an affiliate of PDVSA has the option to increase its participation in the development, which could reduce ConocoPhillips' current 50 percent interest down to as low as 32.5 percent. In addition, Venezuelan legislation enacted in 2001 introduced a new 30 percent flat royalty regime and reduced the income tax rate on light oil projects from 67.7 percent to 50 percent. The Corocoro Project's Royalty Agreement, which provides for a sliding scale royalty with a 16.55 percent maximum rate, was in effect prior to the 2001 legislation and is expected to continue to apply to the project.

In addition to the Corocoro discovery, ConocoPhillips is pursuing additional prospects in the Gulf of Paria, with two exploration wells planned for 2003.

In December of 2002, political unrest in Venezuela caused economic and other disruptions that shut down most oil and gas operations in Venezuela, including the company's Petrozuata, Hamaca and Gulf of Paria operations. Limited production began from these operations in February 2003. For more information about the impact of the disruptions on the company's operations in Venezuela, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Outlook" on page 74.

BRAZIL

ConocoPhillips announced in August 2001 that the Brazilian government had signed concession agreements finalizing the award of two exploration blocks. ConocoPhillips, bidding alone, previously placed winning bids on BM-ES-11 and BM-PAMA-3 in Brazil's third bid round held in June 2001. Both blocks are located in deepwater offshore Brazil. ConocoPhillips entered into partnerships on both blocks in late 2002, reducing its interest to 70 percent in BM-ES-11 and 65 percent in BM-PAMA-3. In 2002 a significant seismic program was initiated over the acreage position. The evaluation of that seismic is ongoing and will continue in 2003. ConocoPhillips will operate both blocks.

ECUADOR

ConocoPhillips has a 14 percent non-operating interest in producing fields in the Oriente basin in Ecuador in the area collectively referred to as "Block 16," that was acquired in the merger. Repsol YPF, s.a. is the operator of the Block 16 area. ConocoPhillips' net production was 3,200 barrels of crude oil per day for the last four months of 2002. Net production for 2003 is expected to increase to over 8,000 barrels of crude oil per day with the completion of a trans-Andean heavy-oil pipeline. The pipeline completion is anticipated in the second half of 2003.

E&P--ASIA PACIFIC

In 2002, E&P operations in the Asia Pacific area contributed 3 percent of ConocoPhillips' worldwide liquids production and 7 percent of its worldwide natural gas production.

CHINA

In the South China Sea, ConocoPhillips' combined net production of crude oil from its Xijiang facilities averaged 11,600 barrels per day in 2002.

Production from Phase I development of the Peng Lai 19-3 field in Bohai Bay Block 11-05 began in late December 2002. By the end of January 2003, the field was producing at a net rate of 8,200 barrels per day. ConocoPhillips holds a 49 percent interest, with the remainder held by the China National Offshore Oil Corporation. The Phase I development utilizes one wellhead platform and a floating production, storage and offloading facility.

ConocoPhillips continues to move forward with feasibility planning and design for Phase II of the Peng Lai 19-3 development. Phase II would include multiple wellhead platforms, central processing facilities, and a floating storage and offloading facility. The Peng Lai 25-6 field, discovered in 2000 and located three miles east of Peng Lai 19-3, will be developed in conjunction with Phase II of the Peng Lai 19-3 development project.

Several other exploration prospects have been identified in Block 11-05, with two exploration wells planned for 2003.

INDONESIA

ConocoPhillips operates 14 Production Sharing Contracts (PSCs) in Indonesia and has a non-operating interest in three others, all of which were acquired in the merger. ConocoPhillips' assets are concentrated in two core areas: the West Natuna Sea and South Sumatra; with a potentially emerging area offshore East Java. ConocoPhillips is party to five long-term U.S. dollar pipeline gas contracts that have been signed in Indonesia.

Offshore Assets

ConocoPhillips operates six offshore PSCs: 1) South Natuna Sea Block B, 2) Nila, 3) Tobong, 4) Kakap, 5) Sakala Timur, and 6) Ketapang. The company holds a non-operator interest in the Pangkah PSC offshore East Java, and is a co-venturer in the West Natuna Gas Supply Group (WNG). ConocoPhillips participates in various gas marketing arrangements in connection with these assets. The Block B PSC is comprised of two mature oil fields and 15 gas fields in various phases of development. The largest current development in the Block B PSC is the Belanak field, which is scheduled for first production in late 2004. Two additional developments are scheduled for startup dates in 2006 and 2008, and would produce into the Belanak infrastructure. The company also has an active exploration program in both the Natuna Sea and East Java.

Onshore Assets

ConocoPhillips operates eight onshore PSCs: 1) Corridor TAC, 2) Corridor PSC, 3) South Jambi 'B', 4) Sakakemang JOB (jointly operated with a co-venturer), 5) Banyumas, 6) Tungkai, 7) Block A PSC in Aceh, and 8) Warim, and holds non-operator interests in the Bentu and Korinci-Baru PSCs. As with its offshore properties, the company participates in various gas marketing arrangements in connection with these fields. Exploration efforts focus on locating additional natural gas reserves.

Gas sales are transported to Duri through a pipeline system formerly owned and operated by the state-owned pipeline company, PGN. This system has recently been transferred to a new company, Transgasindo (TGI), in which ConocoPhillips received a 14 percent equity share.

Production of natural gas from Indonesia averaged a net 217 million cubic feet per day for the last four months of 2002, while production of crude oil over the same period averaged a net 14,700 barrels per day. The company plans to drill five exploratory and four appraisal wells in Indonesia in 2003.

VIETNAM

ConocoPhillips has a 23.25 percent interest in Block 15-1 in the Cuu Long Basin. In 2001, the partners in Block 15-1 declared the southwest portion of the Su Tu Den (Black Lion) field commercial after a successful appraisal program. In addition, an appraisal well in the northeast portion of Su Tu Den was successfully drilled in 2002. The Su Tu Den Phase I development project was approved in December 2001. A floating production, storage and offloading vessel and a wellhead platform will be utilized. The field is scheduled to begin production in the second quarter of 2004. An exploration discovery was also made on the nearby Su Tu Vang (Golden Lion) prospect in the third quarter of 2001. The potential commerciality of Su Tu Vang and the Northeast portion of Su Tu Den are currently being evaluated.

ConocoPhillips has a 36 percent interest in the Rang Dong field in Block 15-2 in the Cuu Long Basin. In the third quarter of 2002, production began from two new wellhead platforms in the Rang Dong field. These additional platforms increased net production from the field from under 6,800 to over 12,400 barrels per day at year-end 2002. A successful appraisal step-out well, Rang Dong-12X, was drilled in the central part of the field in late 2001 and tested at a rate of 9,300 barrels of petroleum liquids per day. A development plan for this area of the field is being evaluated.

ConocoPhillips also owns interests in offshore Blocks 16-2, 5-3, 133 and 134, as well as a 16.33 percent interest in the Nam Con Son gas pipeline.

TIMOR SEA AND AUSTRALIA

Bayu-Undan

ConocoPhillips' direct interest in the unitized Bayu-Undan field, located in the Timor Sea, was 55.9 percent at year-end 2002. A further 8.25 percent interest was held through Petroz N.L., in which the company had an 89.7 percent stock ownership at year-end. The field is being developed in two phases. Phase I is a gas-recycle project, where condensate and natural gas liquids will be separated and removed and the dry gas reinjected into the reservoir. This phase is expected to begin production in 2004, with the goal of attaining a net rate of 50,000 barrels of liquids per day from proved reserves. Phase II would involve the export and sale of the natural gas from the field.

In March 2002, ConocoPhillips announced that it had signed a Heads of Agreement (LNG HOA) with The Tokyo Electric Power Company, Incorporated (TEPCO) and Tokyo Gas Co., Ltd. (Tokyo Gas) that would enable Phase II to proceed upon resolution of certain legal, regulatory, and fiscal issues. The Timor Sea Treaty (Treaty) was ratified by Timor-Leste (formerly East Timor) in December 2002 and by Australia in March 2003 and is subject to certain procedural events before it is fully effective. The Treaty will allow the issuance of new production sharing contracts to the existing contractors in the Bayu-Undan unit, which when combined with the expected approval of the Development Plan and the expected enactment of certain Timor-Leste legislation will provide the legal, regulatory and fiscal basis necessary to proceed with the project.

Under the LNG HOA, TEPCO and Tokyo Gas will purchase 3 million tons per year in total of liquefied natural gas (LNG) for a period of 17 years, utilizing natural gas from the Bayu-Undan field. Shipments would begin in 2006 from an LNG facility near Darwin, Australia, utilizing ConocoPhillips' Optimized Cascade liquefied natural gas process. Under a separate agreement, the company plans to sell a 22.5 percent interest in one of the production sharing contracts via an indirect sale of an affiliate to TEPCO and Tokyo Gas. Following the sale to TEPCO and Tokyo Gas and a rebalancing of interests, ConocoPhillips' interest in the unitized Bayu-Undan field, including Petroz N.L., would be 56.72 percent.

Greater Sunrise

During 2002, the Sunrise joint venture conducted a thorough review of a proposal based on piping gas 330 miles to shore for sale in Darwin and elsewhere in Australia and an alternative proposal to supply LNG to North America from a floating LNG facility. The review found neither proposal to be commercially viable at that time. However, the review did acknowledge the level of demand and interest within the Australian domestic gas market, and highlighted the potential for a floating LNG facility at Greater Sunrise to become a cost competitive supplier of LNG into regional markets.

Consequently, in 2003, the Greater Sunrise joint venture participants plan to continue evaluating commercial development options and markets. The Sunrise joint venture participants are: Woodside 33.44 percent (Operator), ConocoPhillips 30 percent, Shell 26.56 percent and Osaka Gas 10 percent.

E&P--AFRICA AND THE MIDDLE EAST

NIGERIA

ConocoPhillips' crude oil production from five leases in Nigeria averaged a net 29,100 barrels per day in 2002. These five leases include four onshore Oil Mining Leases (OML) and a shallow-water offshore OML. Continued development and exploratory drilling is planned for 2003 on the leases.

ConocoPhillips entered into a production sharing contract on Oil Prospecting Lease (OPL) 318, deepwater Nigeria, on June 14, 2002, where ConocoPhillips is operator with 50 percent interest. The acquisition of 3D seismic data on OPL 318 is planned to begin in 2003, with the first exploratory well expected to be drilled in the fourth quarter of 2004.

The company is participating in a 450-megawatt gas-fired power plant to supply electricity to Nigeria's national electricity supplier. The plant will consume 75 million cubic feet per day of natural gas sourced from within ConocoPhillips' Nigerian proved natural gas reserves. The plant is expected to be operational in 2005.

ANGOLA

ConocoPhillips has a 20 percent interest in exploratory activity in deepwater Block 34, offshore Angola. The first exploration well, completed in 2002, did not encounter commercial quantities of hydrocarbons, which led to a substantial financial impairment of the investment in the block. Further drilling is planned on the block in 2003.

CAMEROON

On December 18, 2002, ConocoPhillips announced a successful drill stem test on an exploratory well offshore Cameroon. The well, located in exploration permit PH 77, offshore in the Douala Basin, obtained a maximum flow rate of 3,000 barrels of oil per day and 1.8 million cubic feet of natural gas per day during the test.

Contractor interests in the 2,830 square mile permit are held 50 percent by ConocoPhillips and 50 percent by a subsidiary of Petronas Carigali (Petronas). ConocoPhillips serves as the operator of the consortium. ConocoPhillips and Petronas are currently analyzing well results, and will be working with the National Hydrocarbon Corporation of Cameroon on developing forward plans to evaluate the discovery and other identified exploration prospects in the permit.

DUBAI

In Dubai, United Arab Emirates, ConocoPhillips is using horizontal drilling techniques and advanced reservoir drainage technology to enhance the efficiency of the offshore production operations and improve recovery rates from four fields.

SAUDI ARABIA

ConocoPhillips has a 15 percent interest in Core Venture 1 and a 30 percent interest in Core Venture 3 of the Kingdom of Saudi Arabia's natural gas initiative. ConocoPhillips and its co-venturers continue to define the project components in more detail, and to negotiate the implementation agreement, which would set out all major financial, operational and legal terms for the initiative, as well as a timeline for the project execution.

E&P--RUSSIA AND CASPIAN SEA REGION

RUSSIA

ConocoPhillips holds a 50 percent ownership interest in Polar Lights Company, a Russian limited liability company established in January 1992 to develop the Ardalín field in the Timan-Pechora basin in Northern Russia. Polar Lights, which was acquired in the merger, started producing oil in August 1994 from the Ardalín field. In June 2002, production commenced from the Oshkotyn field, the first of three satellite fields under development. Net production averaged 13,500 barrels of petroleum liquids per day for the last four months of 2002. ConocoPhillips accounts for its interest in Polar Lights using the equity method of accounting.

CASPIAN SEA

ConocoPhillips has an 8.33 percent interest in an exploration project in the Kazakhstan sector of the Caspian Sea. The exploration area consists of 10.5 blocks, totaling nearly 2,000 square miles about 50 miles west-northwest of the Tengiz oil field, onshore Kazakhstan. The blocks are covered by a production sharing agreement with the Kazakhstan government. The initial production phase of the contract is for 20 years, with options to extend the agreement an additional 20 years. In June 2002, ConocoPhillips and the other contracting companies in conjunction with KazMunayGas, which represents the Government of the Republic of Kazakhstan, declared the Kashagan discovery commercial. The declaration of commerciality enables the preparation of a development plan for the Kashagan field. The contracting companies plan to continue to explore other structures within the North Caspian Sea license. In October 2002, ConocoPhillips and its co-venturers announced a new hydrocarbon discovery in the Kazakhstan sector of the Caspian Sea. An initial test well, the Kalamkas-1, located adjacent to the Kashagan field, flowed oil.

E&P--OTHER

ConocoPhillips is continuing with plans to develop a project to build a liquefied natural gas import terminal in northern Baja California to provide access to gas markets in that region. The company is working with federal, state, and local officials in Mexico to secure permits for the project, and a decision whether or not to proceed with the terminal project is expected during 2003, pending resolution of local permitting issues.

E&P--RESERVES

The company has not filed any information with any other federal authority or agency with respect to its estimated total proved reserves at December 31, 2002. No difference exists between the company's estimated total proved reserves for year-end 2001 and year-end 2000, which are shown in this filing, and estimates of these reserves shown in a filing with another federal agency in 2002.

DELIVERY COMMITMENTS

ConocoPhillips has future commitments to deliver fixed and determinable quantities of crude oil to U.S. customers under various supply agreements over the next three years. During the period, the company is obligated to supply a total of 127 million barrels of crude oil under long-term contracts. To fulfill these obligations, ConocoPhillips plans to use production from domestic proved reserves, which are greater than these obligations and which have estimated production levels sufficient to meet the required delivery amounts.

ConocoPhillips has a commitment to deliver a fixed and determinable quantity of liquefied natural gas in the future to two utility customers in Japan. The company is obligated over the next three years to supply a total of 108 billion cubic feet of liquefied natural gas. Production from one field in Alaska, with estimated proved reserves greater than the company's obligation and estimated production levels sufficient to meet the required delivery amount, will be used to fulfill the obligation.

ConocoPhillips' Midstream business is conducted through owned and operated assets as well as through its 30.3 percent equity investment in Duke Energy Field Services, LLC (DEFS). The Midstream businesses purchase raw natural gas from producers and gather natural gas through extensive pipeline gathering systems. The gathered natural gas is then processed to extract natural gas liquids from the raw gas stream. The remaining "residue" gas is marketed by both ConocoPhillips and DEFS to electrical utilities, industrial users, and gas marketing companies. Most of the natural gas liquids are fractionated--separated into individual components like ethane, butane and propane--and marketed as chemical feedstock, fuel, or blendstock. Total natural gas liquids extracted in 2002, including ConocoPhillips' share of DEFS, was 156,000 barrels per day, with 133,000 barrels per day of natural gas liquids fractionated.

DEFS supplies a substantial portion of its natural gas liquids to ConocoPhillips and Chevron Phillips Chemical Company LLC (a joint venture between ConocoPhillips and ChevronTexaco) under a supply agreement that continues until December 31, 2014. This purchase commitment is on an "if-produced, will-purchase" basis and so it has no fixed production schedule, but has been, and is expected to be, a relatively stable purchase pattern over the term of the contract. Under this agreement, natural gas liquids are purchased at various published market index prices, less transportation and fractionation fees. DEFS also purchases raw natural gas from ConocoPhillips' E&P operations.

DEFS is headquartered in Denver, Colorado. At December 31, 2002, DEFS owned and operated 60 natural gas liquids extraction plants, and owned an equity interest in another 11. Also at year end, DEFS' gathering and transmission systems included 60,000 miles of pipeline. In 2002, DEFS' raw natural gas throughput averaged 7.4 billion cubic feet per day, and natural gas liquids extraction averaged 392,000 barrels per day. DEFS' assets are primarily located in the Gulf Coast area, west Texas, Oklahoma, the Texas Panhandle, the Rocky Mountain area, and western Canada.

Outside of DEFS, ConocoPhillips' U.S. Midstream assets at December 31, 2002, included nine owned and operated natural gas liquids extraction plants in New Mexico, Texas and Louisiana with a combined net plant inlet capacity of 757 million cubic feet per day and an equity interest in another two plants. One of the company owned plants in Louisiana also includes a 10,500 barrel-per-day liquids fractionator. In addition, ConocoPhillips owns an underground natural gas liquids storage facility in each of Texas and Louisiana.

ConocoPhillips owns a 25,000 barrel-per-day capacity liquids fractionation plant in Gallup, New Mexico; owns a 22.5 percent equity interest in Gulf Coast Fractionators, which owns a natural gas liquids fractionating plant in Mt. Belvieu, Texas (with ConocoPhillips' net share of capacity at 25,000 barrels per day); and owns a 40 percent interest in a fractionation plant in Conway, Kansas (with ConocoPhillips' share of capacity at 42,000 barrels per day). ConocoPhillips owns a 700-mile intrastate natural gas and liquids pipeline system in Louisiana and gas gathering and natural gas liquids pipelines in several states.

ConocoPhillips' Canadian natural gas liquids business includes the following assets:

- o A 92 percent operating interest in the 2.4 billion-cubic-feet-per-day Empress natural gas processing straddle plant near Medicine Hat, Alberta, with natural gas liquids production capacity of 46,000 barrels per day;
- o A 580-mile Petroleum Transmission Company pipeline from Empress to Winnipeg and six related pipeline terminals;

- o An underground natural gas liquids storage facility with 1 million barrels of capacity;
- o A 10 percent interest in the 1,902-mile Cochin liquefied petroleum gas pipeline, originating in Edmonton, Alberta, and ending in Sarnia, Ontario, and a terminal storage system that transports propane, ethane and ethylene; and
- o An 18 percent interest in a 30,000 barrel-per-day propane-plus fractionator and a 5 percent interest in a 65-mile natural gas liquids pipeline with storage near Edmonton, Alberta.

Canadian natural gas liquids extracted averaged 15,000 barrels per day in 2002.

ConocoPhillips also owns a 39 percent equity interest in Phoenix Park Gas Processors Limited, a joint venture with the National Gas Company of Trinidad and Tobago Limited, which processes gas in Trinidad and markets natural gas liquids throughout the Caribbean and into the U.S. Gulf Coast. Phoenix Park's facilities include a gas processing plant and a natural gas liquids fractionator. ConocoPhillips' share of natural gas liquids extracted averaged 3,000 barrels per day in 2002.

REFINING AND MARKETING (R&M)

R&M operations encompass refining crude oil and other feedstocks into petroleum products (such as gasoline, distillates and aviation fuels), buying and selling crude oil and refined products, and transporting, distributing and marketing petroleum products. R&M operations are organized regionally with operations in the United States, Europe and the Asia Pacific region.

As a condition to the merger, the U.S. Federal Trade Commission (FTC) required that the company divest specified Conoco and Phillips assets, the most significant of which were Phillips' Woods Cross, Utah, refinery and associated motor fuel marketing operations; Conoco's Commerce City, Colorado, refinery and related crude oil pipelines; and Phillips' Colorado motor fuel marketing operations. In addition, in December 2002, the company committed to and initiated a plan to sell a substantial portion of its company-owned retail sites. Both the FTC-required dispositions and the retail site dispositions have been classified as discontinued operations for financial reporting purposes, and are included in Corporate and Other. Accordingly, they are excluded from the descriptions of R&M's continuing operations contained in this section. See Note 4--Discontinued Operations, in the Notes to Consolidated Financial Statements, for additional information.

UNITED STATES

REFINING

At December 31, 2002, ConocoPhillips owned and operated 12 crude oil refineries in the United States (excluding two refineries that are held for sale and reported in discontinued operations in Corporate and Other) having an aggregate rated crude oil refining capacity at year-end 2002 of 2,166,000 barrels per day. The average purchase cost of a barrel of crude delivered to the company's U.S. refineries in 2002 was \$24.92, compared to \$20.77 in 2001.

East Coast Region

BAYWAY REFINERY

Located on the New York Harbor in Linden, New Jersey, Bayway has a crude oil processing capacity of 250,000 barrels per day and processes mainly light low-sulfur crudes. Crude oil is supplied to the refinery by tanker, primarily from the North Sea and West Africa. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel along with home heating oil. Other products include petrochemical feedstocks (propylene) and residual fuel oil. The facility distributes its refined products to East Coast customers through pipelines, barges, railcars and trucks. Product production changes to meet seasonal demand. Gasoline is in higher demand during the summer, while in winter, the refinery optimizes operations to increase heating oil production. A 775 million-pound-per-year polypropylene plant became operational in March 2003.

TRAINER REFINERY

The Trainer refinery is located in Trainer, Pennsylvania, about 10 miles southwest of the Philadelphia airport on the Delaware River. The refinery has a crude oil processing capacity of 180,000 barrels per day and processes mainly light low-sulfur crudes. The Bayway and Trainer refineries are operated in coordination with each other by sharing crude oil cargoes, moving feedstocks between the facilities, and sharing certain personnel. Trainer also receives crude oil from the North Sea and West Africa. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel along with home heating oil. Other products include petrochemical feedstocks (propylene) and residual fuel oil. Refined products are distributed to customers in Pennsylvania, New York and New Jersey via pipeline, barge, railcar and truck.

Gulf Coast Region

ALLIANCE REFINERY

The Alliance refinery, located in Belle Chasse, Louisiana, on the Mississippi River, is about 25 miles south of New Orleans and 63 miles north of the Gulf of Mexico. The refinery has a crude oil processing capacity of 250,000 barrels per day and processes mainly light low-sulfur crudes. Alliance receives domestic crude oil via pipeline, and crude oil from the North Sea and West Africa via pipeline connected to the Louisiana Offshore Oil Port. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel along with home heating oil. Other products include petrochemical feedstocks (benzene) and petroleum (fuel) coke. The majority of the refined products are distributed to customers through the Colonial and Plantation pipeline systems.

LAKE CHARLES REFINERY

The Lake Charles refinery is located in Westlake, Louisiana. The refinery has a crude oil processing capacity of 252,000 barrels per day. The refinery receives domestic and international crude oil and processes heavy, high-sulfur, low-sulfur and acidic crude oil. While the sources of international crude oil can vary, the majority is Venezuelan and Mexican heavy crudes delivered via tanker. The refinery produces a high percentage of transportation fuels such as gasoline, off-road diesel, and jet fuel along with heating oil. The majority of the refined products are distributed to customers by truck, rail or major common-carrier pipelines. In addition, refinery products can be sold into export markets through the refinery's marine terminal.

The Lake Charles facilities also include a specialty coker and calciner that manufactures graphite and anode petroleum cokes supplied to the steel and aluminum industries, and provides a substantial increase in light oils production by breaking down the heaviest part of the crude barrel to allow additional production of diesel fuel and gasoline.

The Lake Charles refinery supplies feedstocks to Excel Paralubes, Penreco and Venture Coke Company (Venco), all joint ventures that are part of the company's Specialty Businesses function within R&M.

SWEENEY REFINERY

The Sweeney refinery is located in Old Ocean, Texas, about 65 miles southwest of Houston. Effective March 1, 2003, the refinery's crude oil processing capacity increased to 215,000 barrels per day as a result of incremental debottlenecking. The refinery primarily receives crude oil through ConocoPhillips' and jointly owned terminals on the Gulf Coast, including a deepwater terminal at Freeport, Texas. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel along with home heating oil. Other products include petrochemical feedstocks (benzene) and petroleum (fuel) coke. Refined products are distributed throughout the Midwest and southeastern United States through pipeline, barge and railcar.

ConocoPhillips and PDVSA have a limited partnership that operates a 58,000 barrel-per-day delayed coker and related facilities at the Sweeney refinery. Under the terms of the agreements, PDVSA supplies the refinery up to 165,000 barrels per day of Venezuelan Merey, or equivalent, crude oil. ConocoPhillips is the operator of, and holds a 50 percent interest in, the coker through its interest in Merey Sweeney, L.P.

Central Region

WOOD RIVER REFINERY

The Wood River refinery is located in Roxana, Illinois, about 15 miles north of St. Louis, Missouri, on the east side of the Mississippi River. It is the company's largest refinery, with a crude oil processing capacity of 286,000 barrels per day and can process a mix of both light low-sulfur and heavy high-sulfur crudes. The facility receives domestic and foreign crude oil by pipeline. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel along with home heating oil. Other products include petrochemical feedstocks (benzene) and asphalt. Through an off-take agreement, a significant portion of its gasoline, diesel and jet fuel is sold to a third party at the refinery for delivery via pipelines into the upper Midwest, including the Chicago, Illinois, and Milwaukee, Wisconsin, metropolitan areas. Remaining refined products are distributed to customers in the Midwest by pipeline, truck, barge and railcar.

PONCA CITY REFINERY

ConocoPhillips' refinery located in Ponca City, Oklahoma, has a crude oil processing capacity of 194,000 barrels per day. Both foreign and domestic crudes are delivered by pipeline from the Gulf of Mexico, Oklahoma, Kansas, Texas and Canada. The refinery's facilities include fluid catalytic cracking, delayed coking and hydrodesulfurization units, which enable it to produce high ratios of gasoline and diesel fuel from crude oil. Finished petroleum products are shipped by truck, rail and company-owned and common-carrier pipelines to markets throughout the mid-continent region.

BORGER REFINERY

The Borger refinery is located in Borger, Texas, in the Texas Panhandle about 50 miles north of Amarillo. It includes a natural gas liquids fractionation facility. The crude oil processing capacity is 148,000 barrels per day, and the natural gas liquids fractionation capacity is 95,000 barrels per day. The refinery processes mainly heavy high-sulfur crudes. The refinery receives crude oil and natural gas liquids feedstocks through ConocoPhillips' pipelines from west Texas, the Texas Panhandle and Wyoming. The Borger refinery can also receive water-borne crude oil via ConocoPhillips' pipeline systems. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel along with a variety of natural gas liquids and solvents. Pipelines move refined products from the refinery to west Texas, New Mexico, Arizona, Colorado, Kansas, Nebraska and the Chicago area.

BILLINGS REFINERY

ConocoPhillips' Billings, Montana, refinery has a crude oil processing capacity of 60,000 barrels per day, processing a mixture of about 95 percent Canadian heavy high-sulfur crude plus domestic high-sulfur and low-sulfur crudes, all delivered by pipeline. A delayed coker converts heavy high-sulfur residue into higher value light oils. The refinery produces a high percentage of transportation fuels such as gasoline, jet fuel, diesel and fuel grade petroleum coke. Finished petroleum products from the refinery are delivered via company-owned pipelines, rail, and trucks.

West Coast Region

LOS ANGELES REFINERY

The Los Angeles refinery is composed of two linked facilities located about five miles apart in Carson and Wilmington, California, about 15 miles southeast of Los Angeles International airport. Carson serves as the front-end of the refinery by processing crude oil, and Wilmington serves as the back-end by upgrading products. The refinery has a crude oil processing capacity of 132,000 barrels per day and processes mainly heavy high-sulfur crudes. The refinery receives domestic crude oil via pipeline from California and foreign and domestic crude oil by tanker through company-owned and third-party terminals in the Port of Los Angeles. The refinery produces a high percentage of transportation fuels such as gasoline, diesel, and jet fuel. Other products include fuel grade petroleum coke. The refinery produces California Air Resources Board gasoline, and also produces gasoline without methyl tertiary-butyl ether (MTBE) by using ethanol to meet federally mandated oxygenate requirements. Refined products are distributed to customers in southern California, Nevada and Arizona by pipeline and truck.

SAN FRANCISCO AREA REFINERY

The San Francisco Area refinery is composed of two linked facilities located about 200 miles apart. The Santa Maria facility is located in Arroyo Grande, California, about 200 miles south of San Francisco, while the Rodeo facility is in the San Francisco Bay area. The refinery's crude oil processing capacity is 109,000 barrels per day of mainly heavy high-sulfur crudes. Both the Santa Maria and Rodeo facilities have calciners to upgrade the value of the coke that is produced. The refinery receives crude oil from central California, including the Elk Hills oil field, and foreign crude oil by tanker. Semi-refined liquid products from the Santa Maria facility are sent by pipeline to the Rodeo facility for upgrading to finished petroleum products. The refinery produces transportation fuels such as gasoline, diesel, and jet fuel. Other products include fuel grade petroleum coke. The refinery produces California Air Resources Board gasoline, and also produces gasoline without MTBE by using ethanol to meet federally mandated oxygenate requirements. Refined products are distributed by pipeline, railcar, truck and barge.

FERNDALE REFINERY

The Ferndale refinery in Ferndale, Washington, is about 20 miles south of the United States-Canada border on Puget Sound. The refinery has a crude oil processing capacity of 92,000 barrels per day. The refinery receives crude oil primarily from the Alaskan North Slope, with secondary sources supplied by Canada or the Far East. Ferndale operates a deepwater dock that is capable of taking in full tankers bringing North Slope crude oil from Valdez, Alaska. The refinery is also connected to the Transmountain crude oil pipeline that originates in Canada. The refinery produces transportation fuels such as gasoline, diesel, and jet fuel. Other products include residual fuel oil supplying the northwest marine transportation market. Construction of a new fluidized catalytic cracking unit that will increase the yield of transportation fuel is expected to become fully operational in the second quarter of 2003. Most refined products are distributed by pipeline and barge to major markets in the northwest United States.

MARKETING

At December 31, 2002, ConocoPhillips marketed gasoline through approximately 13,700 outlets in 48 states (excluding operations reported in discontinued operations in Corporate and Other). About 31 percent of these utilize the Conoco brand, about 47 percent are branded Phillips 66 outlets, while the remaining outlets feature the Circle K, 76, Exxon and Mobil brands. ConocoPhillips has the right to use the Exxon and Mobil brands in certain areas until 2010. ConocoPhillips also has the use of the Coastal brand in 10 states until 2011.

Wholesale

In its wholesale operations, the company utilizes a network of marketers and dealers operating approximately 12,600 outlets. ConocoPhillips also buys and sells petroleum products in spot markets. ConocoPhillips' refined products are marketed on both a branded and unbranded basis.

In addition to automotive gasoline and diesel fuel, ConocoPhillips produces and markets aviation gasoline, which is used by smaller, piston-engine aircraft. Aviation gasoline and jet fuel are sold through independent marketers at approximately 600 branded locations in the United States.

At December 31, 2002, CFJ Properties, a 50/50 joint venture between ConocoPhillips and Flying J, owned and operated 96 truck travel plazas that carry the Conoco and/or Flying J brands.

Retail

At December 31, 2002, ConocoPhillips owned and operated approximately 400 convenience stores under the Circle K, Phillips 66, Conoco and 76 brands in 12 states. The company-operated retail operations are focused in the mid-continent and West Coast regions. All the Phillips 66 branded outlets market merchandise through the Kicks 66 brand convenience stores.

TRANSPORTATION

Pipelines and Terminals

At December 31, 2002, ConocoPhillips' R&M segment had approximately 31,500 miles of common-carrier crude oil, raw natural gas liquids and products pipeline systems in the United States, including those partially owned and/or operated by affiliates. The company also owned and/or operated 82 finished product terminals, six liquefied petroleum gas terminals, seven crude oil terminals and one coke exporting facility.

Tankers

At December 31, 2002, ConocoPhillips chartered 15 double-hulled crude oil tankers, with capacities ranging in size from 650,000 to 1,100,000 barrels. These tankers are utilized to transport feedstocks to certain of the company's U.S. refineries. The company also has an ocean-going barge under charter, as well as a domestic fleet of both owned and chartered boats and barges providing inland waterway transportation. The information above excludes the operations of the company's subsidiary, Polar Tankers Inc., which is discussed in the E&P section, as well as an owned tanker on lease to a third party for use in the North Sea.

ConocoPhillips has agreements for the long-term chartering of five double-hulled crude oil tankers that are currently under construction. Delivery is expected in the third and fourth quarters of 2003. Two of these vessels are 825,000-barrel tankers, and three are 1,115,000-barrel tankers. The term of the agreement is 12 years from date of delivery. ConocoPhillips plans to utilize the new tankers to replace older vessels in supplying its East Coast refining operations.

SPECIALTY BUSINESSES

ConocoPhillips manufactures and sells a variety of high-value lubricants and specialty products including petroleum cokes, lubes, such as automotive and industrial lubricants, solvents and pipeline flow improvers, to commercial, industrial and wholesale accounts worldwide. Lubricants are marketed under the Conoco, Hydroclear, Phillips 66, 76 and Kendall brands. These lubricants are sold by marketers, mass merchandise stores, fast lubes, tire stores, automotive dealers, and convenience stores. Lubricants are also sold to industrial customers in many markets.

Excel Paralubes is a joint-venture hydrocracked lubricating base oil manufacturing facility located adjacent to the Lake Charles refinery, and is 50 percent owned by ConocoPhillips. Excel Paralubes' lube oil facility produces approximately 20,000 barrels per day of high-quality, clear hydrocracked base oils. Hydrocracked base oils are second in quality only to synthetic base oils, but are produced at a much lower cost. The Lake Charles refinery supplies Excel Paralubes with gas-oil feedstocks.

ConocoPhillips has a 50 percent interest in Penreco, a fully integrated specialties company, which manufactures and markets highly refined specialty petroleum products, including solvents, waxes, petrolatums and white oils, for global markets.

The company manufactures high-quality graphite and anode-grade cokes in the United States and Europe, for use in the global steel and aluminum industries. Venco is a coke calcining joint venture in which ConocoPhillips has a 50 percent interest. Green petroleum coke is supplied to Venco's Lake Charles calcining facility from the Lake Charles refinery.

INTERNATIONAL

REFINING

At December 31, 2002, ConocoPhillips owned or had an interest in six refineries outside the United States with an aggregate rated crude oil capacity of 440,000 net barrels per day. The average purchase cost of crude oil delivered to the company's international refineries in 2002 was \$24.55 per barrel, compared with a \$21.10 per barrel in 2001.

Humber Refinery

ConocoPhillips' wholly owned Humber refinery is located in North Lincolnshire, United Kingdom. Effective January 1, 2003, Humber's capacity was increased by 2,000 barrels per day to 234,000 barrels per day as a result of incremental debottlenecking. Crude oil processed at the refinery is supplied primarily from the North Sea and includes lower-cost, acidic crudes. The refinery also processes other intermediate feedstocks, mostly vacuum gas oils and residual fuel oil. The refinery's location on the east coast of England provides for cost-effective North Sea crude imports and product exports to European and world markets.

The Humber refinery is a fully integrated refinery that produces a full slate of light products and minimal fuel oil. The refinery also has two coking units with associated calcining plants, which upgrade the heavy "bottoms" and imported feedstocks into light-oil products and high-value graphite and anode petroleum cokes. Approximately 58 percent of the light oils produced in the refinery are marketed in the United Kingdom, while the other products are exported to the rest of Europe and the United States. This gives the refinery the flexibility to take full advantage of inland and global export market opportunities.

Whitegate Refinery

The Whitegate refinery is located in Cork, Ireland. Whitegate is Ireland's only refinery, and has a processing capacity of 72,000 barrels per day. Crude oil processed by the refinery is light sweet crude sourced mostly from the North Sea. The refinery primarily produces transportation fuels and fuel oil, which are distributed to the inland market via truck and sea, as well as being exported to the European market. ConocoPhillips also operates a deepwater crude oil and products storage complex in Bantry Bay, Ireland.

MiRO Refinery

The MiRO refinery in Karlsruhe, Germany, is a joint-venture refinery with a crude oil processing capacity of 283,000 barrels per day. ConocoPhillips has an 18.75 percent interest in MiRO, giving the company a net capacity share of 53,000 barrels per day. The other owners of MiRO are Shell & DEA Oil GmbH (formerly DEA Mineraloel AG), Esso AG and Ruhr Oel GmbH, a 50/50 joint venture between Veba and PDVSA. Approximately 60 percent of the refinery's crude oil feedstock is low-cost, high-sulfur crude. The MiRO complex is a fully integrated refinery producing gasoline, middle distillates, and specialty products along with a small amount of residual fuel oil. The refinery has a high capacity to convert lower-cost feedstocks into higher value products, primarily with a fluid catalytic cracker and delayed coker. The refinery produces both fuel grade and specialty calcined cokes. The refinery processes crude and other feedstocks supplied by each of the partners in proportion to their respective ownership interests.

Czech Republic Refineries

ConocoPhillips, through its participation in Ceska rafinerska, a.s. (CRC), has an interest in two refineries in the Czech Republic: one in Kralupy and the other in Litvinov. The other owners of CRC are Unipetrol A.S., Agip Petroli, and Shell Overseas Investment B.V. The refinery at Litvinov has a crude oil processing capacity of 103,000 barrels per day, and the Kralupy refinery has a crude oil processing capacity of 63,000 barrels per day. ConocoPhillips' 16.33 percent ownership share of the combined capacity is 27,000 barrels per day. Both refineries process mostly high-sulfur crude oil, with a large portion being Russian export blend delivered by pipeline. The refineries have an alternative crude supply via a pipeline from the Mediterranean. The two refineries are operated as a single entity, with certain intermediate streams moving between the two facilities. CRC markets finished products both inland and abroad.

Melaka Refinery

The refinery in Melaka, Malaysia, is a joint venture with Petronas, the Malaysian state oil company. ConocoPhillips owns a 47 percent interest in the joint venture. The refinery has a rated crude oil processing capacity of 120,000 barrels per day, of which ConocoPhillips' share is 56,000 barrels per day. Crude oil processed by the refinery is sourced mostly from the Middle East. The refinery produces a full range of refined petroleum products. The refinery capitalizes on ConocoPhillips' proprietary coking technology to upgrade low-cost feedstocks to higher-margin products. ConocoPhillips' share of refined products is distributed by truck to the company's ProJET retail sites in Malaysia, or transported by sea primarily to Asian markets.

MARKETING

ConocoPhillips had marketing operations in 15 European countries at December 31, 2002. The company's European marketing strategy is to sell primarily through owned, leased or joint-venture retail sites using a low-cost, high-volume, low-price strategy. ConocoPhillips also markets aviation fuels, liquid petroleum gases, heating oils, transportation fuels and marine bunkers to commercial customers and into the bulk or spot market.

ConocoPhillips uses the "JET" brand name to market its retail products in its wholly owned operations in Austria, the Czech Republic, Denmark, Finland, Belgium, Luxembourg, Germany, Hungary, Norway, Poland, Slovakia, Sweden and the United Kingdom. In addition, various joint ventures in which ConocoPhillips has an equity interest market products in Switzerland and Turkey under the "Coop" and "Tabas" or "Turkpetrol" brand names, respectively.

As of December 31, 2002, ConocoPhillips had approximately 2,100 marketing outlets in its wholly owned European operations, of which about 1,200 were company-owned. Through ConocoPhillips' joint venture operations in Turkey and Switzerland, the company also has an interest in an additional 770 sites.

The company's largest branded site networks are in Germany and the United Kingdom, which account for 60 percent of total European branded units.

As of December 31, 2002, ConocoPhillips had 137 marketing outlets in its wholly owned Thailand operations in Asia. In addition, through a joint venture in Malaysia with Sime Darby Bhd., a company that has a major presence in the Malaysian business sector, ConocoPhillips also has an interest in another 25 retail sites. In Thailand and Malaysia, retail products are marketed under the "JET" and "ProJET" brands, respectively.

CHEMICALS

On July 1, 2000, ConocoPhillips and ChevronTexaco combined their worldwide chemicals businesses, excluding ChevronTexaco's Oronite business, into a new company, Chevron Phillips Chemical Company LLC (CPChem). In addition to contributing the assets and operations included in the company's Chemicals segment, ConocoPhillips also contributed the natural gas liquids business associated with its Sweeny, Texas, complex. ConocoPhillips and ChevronTexaco each own 50 percent of CPChem. ConocoPhillips uses the equity method of accounting for its investment in CPChem.

CPChem, headquartered in The Woodlands, Texas, has 32 production facilities and six research and technology centers. CPChem uses natural gas liquids and other feedstocks to produce petrochemicals such as ethylene, propylene, styrene, benzene and paraxylene. These products are then marketed and sold, or used as feedstocks to produce plastics and specialty chemicals, such as polyethylene, cumene, and cyclohexane.

CPChem's domestic facilities are located at Baytown, Borger, Conroe, La Porte, Orange, Pasadena, Port Arthur and Old Ocean, Texas; St. James, Louisiana; Pascagoula, Mississippi; Marietta, Ohio; and Guayama, Puerto Rico. CPChem also has nine plastic pipe plants and one pipe fittings plant in eight states.

Major international facilities are located or under construction in Belgium, China, Saudi Arabia, Singapore, South Korea and Qatar. There is one plastic pipe plant in Mexico.

Construction continued in Qatar on a major olefins and polyolefins complex, named Q-Chem I. The facility is designed to have an annual capacity of 1.1 billion pounds of ethylene, 1 billion pounds of polyethylene and 100 million pounds of 1-hexene. Construction of the complex, located in Mesaieed, Qatar, is nearing completion and the complex is undergoing commissioning. CPChem has a 49 percent interest, with a Qatar state-firm owning the remaining 51 percent interest. CPChem also signed an agreement for the development of a complex to be built in Ras Laffan, Qatar, named Q-Chem II. The facility will be an integrated ethylene and polyethylene complex. Final approval of Q-Chem II is anticipated in mid-2004, with startup expected in 2007.

CPChem announced plans in 2002 for a 50 percent-owned joint venture project in Al Jubail, Saudi Arabia. The project, expected to cost approximately \$1 billion, is planned to produce styrene and propylene. Final approval of the project is anticipated in the fourth quarter of 2003, with operational start-up expected in 2006.

A brief description of CPChem's major product lines follows.

OLEFINS AND POLYOLEFINS

Ethylene: Ethylene is a simple olefin used primarily to produce plastics, such as polyethylene. Ethylene is produced at Old Ocean, Port Arthur and Baytown, Texas. CPChem's net annual capacity at December 31, 2002, was approximately 7.6 billion pounds.

Polyethylene: Polyethylene is used to make a wide variety of plastic products, including trash bags, milk jugs, bottles and plastic films. Polyethylene is produced at Pasadena, Baytown, and Orange, Texas, as well as in China and Singapore. CPChem's net annual capacity at December 31, 2002, was approximately 5.1 billion pounds.

Plastic Pipe: Polyethylene is used to manufacture plastic pipe and pipe fittings. Plastic pipe is produced at nine plants in the United States and one plant in Mexico. Pipe fittings are produced at one plant in the United States. CPChem's net annual capacity at December 31, 2002, was approximately 544 million pounds.

Normal Alpha Olefins: Normal alpha olefins can be custom blended for special applications and are used extensively as polyethylene comonomers and in plasticizers, synthetic motor oils and lubricants. Normal alpha olefins are produced at Baytown, Texas. CPChem's net annual capacity at December 31, 2002, was approximately 1.3 billion pounds.

AROMATICS AND STYRENICS

Styrene: Styrene, produced from benzene and ethylene, is used as a feedstock for polystyrene and other applications. Styrene is produced at St. James, Louisiana. CPChem's net annual capacity at December 31, 2002, was approximately 2.1 billion pounds.

Polystyrene: Polystyrene is a thermoplastic polymer used in cups, disposable cameras, disposable signs, and other applications. It is produced at Marietta, Ohio, and in China. CPChem's net annual capacity at December 31, 2002, was approximately 990 million pounds.

Benzene: Benzene is used to make cumene, cyclohexane, styrene and other products. Benzene is produced at Pascagoula, Mississippi; Port Arthur, Texas; and in Saudi Arabia. CPChem's net annual capacity at December 31, 2002, was approximately 2.7 billion pounds.

Cyclohexane: Cyclohexane is a derivative of benzene that is used as a feedstock for nylon. It is produced at Port Arthur, Texas, and in Saudi Arabia. CPChem markets all of its own cyclohexane production, as well as that of its affiliates. CPChem's net annual capacity at December 31, 2002, was approximately 575 million pounds. In addition, CPChem markets cyclohexane production from ConocoPhillips' Sweeny and Borger complexes.

K-Resin(R): K-Resin(R) is a styrene-butadiene (SBC) copolymer used to produce a clear, shatter-resistant resin. It is produced at the Houston Chemical Complex (HCC) in Pasadena, Texas, and in South Korea. Production of K-Resin SBC at HCC was idled in March 2000 as a result of an accident and fire at the plant. The plant began a phased-in start-up in the fourth quarter of 2001 and the force majeure status of the plant was lifted in May 2002. CPChem's annual capacity at HCC at December 31, 2002, was

approximately 270 million pounds. CPChem also has a net annual capacity of 69 million pounds at an equity affiliate's plant in Yochon, South Korea.

Paraxylene: Paraxylene is an aromatic used as a feedstock for polyester. It is produced at Pascagoula, Mississippi. CPChem's net annual capacity at December 31, 2002, was approximately 1.0 billion pounds.

SPECIALTY PRODUCTS

Specialty Chemicals: CPChem manufactures, markets and distributes organosulfur, paraffinic, olefinic and aromatic specialty chemicals as well as a complete line of natural gas odorants, specialty catalysts, specialty fuels, mining chemicals and oilfield drilling additives, enhancers and cements. These products are manufactured and processed in Borger and Conroe, Texas and Tessenderlo, Belgium.

Ryton(TM) Polyphenylene Sulfide: CPChem produces high-performance polyphenylene sulfide polymers sold under the trademark Ryton(TM), which is produced at Borger, Texas. CPChem's annual capacity of Ryton polymer at December 31, 2002, was 22 million pounds. Ryton compounds are produced in Belgium and Singapore. These facilities have a net annual capacity of approximately 29 million pounds of Ryton compounds in the aggregate.

CPChem has research facilities in Oklahoma, Ohio, and Texas, as well as in Singapore and Brussels, Belgium.

EMERGING BUSINESSES

Emerging businesses encompass the development of new businesses beyond the company's traditional operations.

CARBON FIBERS

In 2002, ConocoPhillips completed the construction of its first carbon fibers manufacturing plant located in Ponca City, Oklahoma. ConocoPhillips confronted technology issues during construction, which resulted in a delay in the development of carbon fibers applications. As a result of market, operating and technological uncertainties, the company announced in February 2003 that it would shut down this project.

GAS-TO-LIQUIDS (GTL)

The GTL process refines natural gas into a wide range of transportable products. ConocoPhillips' GTL research facility is located in Ponca City, Oklahoma. The research facility includes laboratories and pilot plants to facilitate technology advancements. A 400 barrel-per-day pilot plant, designed to produce clean fuels from natural gas, is under construction in Ponca City and scheduled for completion in 2003.

FUELS TECHNOLOGY

ConocoPhillips' fuels technology businesses provide technologies and services that can be used in the company's operations or licensed to third parties. Downstream, major product lines include sulfur removal technologies (S Zorb), alkylation technologies (ReVAP), and delayed coking technologies. For upstream and downstream, fuels technology offers analytical services, pilot plant, and industrial hygiene services.

POWER GENERATION

The focus of the power business is on developing integrated projects in support of the company's E&P and R&M strategies and business objectives. The projects that enable these strategies are included within the respective E&P and R&M segments. The projects and assets that have a significant merchant component are included in the Emerging Business segment.

The power business is developing a 730-megawatt gas-fired combined heat and power plant in North Lincolnshire, United Kingdom. The facility will provide steam and electricity to the Humber refinery and steam to a neighboring refinery, as well as market power into the U.K. market. Construction began in 2002, with commercial operation anticipated in 2004.

ConocoPhillips also owns or has an interest in gas-fired cogeneration plants in Orange and Corpus Christi, Texas.

EMERGING TECHNOLOGY

Emerging Technology focuses on developing new business opportunities designed to provide growth options for ConocoPhillips well into the future. Example areas of interest include renewable energy, advanced hydrocarbon processes, energy conversion technologies and new petroleum-based products.

COMPETITION

ConocoPhillips competes with private, public and state-owned companies in all facets of the petroleum and chemicals businesses. Some of the company's competitors are larger and have greater resources. Each of the segments in which ConocoPhillips operates is highly competitive. No single competitor, or small group of competitors, dominates any of ConocoPhillips' business lines.

Upstream, the company's E&P segment competes with numerous other companies in the industry to locate and obtain new sources of supply, and to produce oil and natural gas in an efficient, cost-effective manner. Based on reserves statistics published in the September 9, 2002, issue of the Oil and Gas Journal, ConocoPhillips had the sixth-largest total of worldwide reserves of non-state-owned companies. The company delivers its oil and natural gas production into the worldwide oil and natural gas commodity markets. The principal methods of competing include geological, geophysical and engineering research and technology; experience and expertise; and economic analysis in connection with property acquisitions.

The company's Midstream segment, through its equity investment in DEFS and its consolidated operations, competes with numerous other integrated petroleum companies, as well as natural gas transmission and distribution companies, to deliver the components of natural gas to end users in the commodity natural gas markets. DEFS is one of the largest producers of natural gas liquids in the United States, based on the November 18, 2002, Gas Processors Report. DEFS' principle methods of competing include economically securing the right to purchase raw natural gas into its gathering systems, managing the pressure of those systems, operating efficient natural gas liquids processing plants, and securing markets for the products produced.

Downstream, the company's R&M segment competes primarily in the United States, Europe and the Asia Pacific region. Based on the statistics published in the December 23, 2002, issue of the Oil and Gas Journal, ConocoPhillips had the largest U.S. refining capacity of about 20 large refiners of petroleum products. In the Chemicals' segment, through its equity investment in CPChem, the company generally ranks in the middle of approximately 10 major competitors, based on ethylene, polyethylene, benzene and

styrene production capacity at year-end 2002, as published by Chemical Market Associates Inc. Petroleum products are primarily delivered into U.S. commodity markets, while petrochemicals and plastics are delivered into the worldwide commodity markets. Elements of downstream competition include product improvement, new product development, low-cost structures, and manufacturing and distribution systems. In the marketing portion of the business, competitive factors include product properties and processibility, reliability of supply, customer service, price and credit terms, advertising and sales promotion, and development of customer loyalty to ConocoPhillips' or CPChem's branded products.

GENERAL

At the end of 2002, ConocoPhillips held a total of 2,043 active patents in 72 countries worldwide, including 737 active U.S. patents. During 2002, the company received 61 patents in the United States and 134 foreign patents. The company's products and processes generated licensing revenues of \$28 million in 2002. The overall profitability of any business segment is not dependent on any single patent, trademark, license, franchise or concession.

Company-sponsored research and development activities charged against earnings were \$355 million, \$44 million and \$43 million in 2002, 2001 and 2000, respectively.

The environmental information contained in Management's Discussion and Analysis on pages 66 through 70 under the caption, "Environmental" is incorporated herein by reference. It includes information on expensed and capitalized environmental costs for 2002 and those expected for 2003 and 2004.

Like all major, international oil companies, the company has for many years operated in countries that are subject to U.S. Government restrictions or prohibitions on business activities by U.S. companies. In some cases, business is permitted if the company has received a license from the Office of Foreign Assets Control (OFAC). In some cases where the company is prohibited from doing business, non-U.S. subsidiaries of the company are not restricted. The regulations implementing the restrictions are complicated and subject to interpretation by OFAC. The company has programs designed to ensure compliance with the restrictions and believes that its present operations do not violate the restrictions.

In view of recent political, diplomatic and military developments in the Middle East, and throughout the world, the company is reexamining its policies and procedures in order to prevent any actions that would violate the letter, or even the spirit of the restrictions. These developments may affect prices, production levels, allocation and distribution of raw materials and products, including their import, export and ownership; the amount of tax and timing of payment; and the cost of compliance with environmental regulations. In recent weeks, a number of institutional investors and state governmental agencies have questioned the appropriateness of U.S. companies transacting business in or with any country that has reportedly been linked to terrorism, even if the country is not subject to legal restrictions. The company is also reexamining its policies to seek to ensure that its activities in or with certain countries is consistent with the U.S. government's policy, interests and objectives in such countries. Political or military developments, enactment by the U.S. of new legal restrictions, more stringent interpretation of existing legal restrictions, or decisions by the company to voluntarily cease operations in certain areas in order to protect its reputation could materially adversely affect the company.

ITEM 3. LEGAL PROCEEDINGS

The following is a description of legal proceedings involving governmental authorities under federal, state and local laws regulating the discharge of materials into the environment for this reporting period. The

following proceedings include those matters previously reported in Conoco's and Phillips' respective 2001 Forms 10-K, first- and second- quarter 2002 Forms 10-Q and ConocoPhillips' third-quarter 2002 Form 10-Q that have not been resolved. While it is not possible to predict the outcome of such proceedings, if any of such proceeding were decided adversely to ConocoPhillips, there would be no material effect on the company's consolidated financial position. Nevertheless, such proceedings are reported pursuant to the United States Securities and Exchange Commission's regulations.

ConocoPhillips has responded to information requests from the United States Environmental Protection Agency (EPA) regarding New Source Review compliance at its Alliance, Bayway, Borger, Ferndale, Los Angeles, Rodeo, Santa Maria, Sweeny, Trainer and Wood River refineries. Although ConocoPhillips has not been notified of any formal findings or violations arising from these information requests, ConocoPhillips has been informed that the EPA is contemplating the filing of a civil proceeding against ConocoPhillips for alleged violations of the Clean Air Act. ConocoPhillips currently seeks a negotiated resolution of these matters which will likely result in increased environmental capital expenditures and governmental monetary sanctions.

On December 31, 2002, the company received a Revised Proposed Agreed Order, which amended the June 24, 2002, Proposed Agreed Order, from the Texas Commission on Environmental Quality (TCEQ), proposing a penalty of \$458,163 in connection with alleged air emission violations at the company's Borger, Texas, refinery as a result of an inspection conducted by the TCEQ in October 2000. On March 19, 2003, the TCEQ issued a recalculation of the proposed penalty in the amount of \$467,834.

On December 17, 2002, the United States Department of Justice (DOJ) notified ConocoPhillips of various alleged violations of the National Pollution Discharge Elimination System (NPDES) Permit for the Sweeny Refinery. DOJ asserts that these alleged violations occurred at various times during the period beginning January 1997 through July 2002. DOJ seeks a civil penalty in the amount of \$1.6 million.

On November 14, 2002, the TCEQ issued a proposed agreed Findings Order to resolve alleged water discharge violations of the Texas Water Code and Commission Rules at the Sweeny Refinery for the period beginning March 2000 through July 2002. The proposed order assesses a penalty in the amount of \$488,125.

On September 27, 2002, the Montana Department of Environmental Quality (MDEQ) issued a Notice of Violation (NOV) to ConocoPhillips. The NOV alleges that on December 13, 2000, the company discharged 52,374 gallons of gasoline from Tank 32 at its Helena, Montana product storage terminal. The NOV seeks a penalty in the amount of \$114,000. The company anticipates that this matter will be settled early in the second quarter of 2003.

On September 26, 2002, the EPA Region 5 filed an Administrative Complaint against the company alleging federal clean air act compliance violations associated with a product tank roof seal during the period December 15, 1997 through October 1, 2001. On November 25, 2002, the company and the EPA entered into a Consent Agreement and Final Order requiring the company to pay a \$46,381 cash penalty and perform a supplemental environmental project (SEP). The SEP is estimated to cost approximately \$180,000.

On July 15, 2002, the United States filed a Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) cost recovery action against the company alleging that the United States has incurred unreimbursed oversight costs at the Lowry Superfund Site located in Arapahoe County, Colorado. The United States seeks recovery of approximately \$12.3 million in past oversight costs and a declaratory judgment for future CERCLA response cost liability. Pursuant to the terms of a prior settlement agreement between the company, Waste Management, Inc. and others, Waste Management has assumed the

company's defense for this matter and it is the company's position that Waste Management should indemnify it for any liability arising from this action.

On June 28, 2002, the company received an administrative civil complaint from the EPA, alleging violation of Emergency Planning and Community Right to Know Act found during an audit of the Los Angeles refinery in March 2000. This matter was settled in the first quarter of 2003.

The company conducted negotiations with the EPA and the states of Colorado, Louisiana, Montana, and Oklahoma throughout 2001 as part of the EPA's nationwide initiative to enforce federal air regulations at petroleum refineries. In December 2001, the company entered into a Consent Decree with the United States, Colorado, Louisiana, Montana, and Oklahoma to reduce emissions from the company's Billings, Denver, Lake Charles and Ponca City refineries by a total of 7,500 tons per year over the subsequent seven years. The company expects to spend an estimated \$95 million to \$110 million over that time period to install control technology and equipment to reduce emissions from stacks, vents, valves, heaters, boilers and flares. The Consent Decree required and the company has paid a civil penalty of \$1.5 million, in addition to requiring \$5.1 million to be spent on supplemental environmental projects in Colorado, Louisiana, Montana and Oklahoma. This Consent Decree also resolves certain refinery air compliance issues previously self-disclosed to the state environmental agencies for Colorado, Montana and Oklahoma. Other self-disclosed air compliance issues that were outside the scope of the Consent Decree have been or will be resolved by consent orders entered directly with the appropriate state agency.

During August 2001, the EPA and the DOJ notified the company of their intent to seek sanctions for alleged violations of the Clean Air Act arising from a 1998 Maximum Achievable Control Technology (MACT) compliance test of a flare at the company's Denver refinery. The matter was settled in the fourth quarter of 2002.

In June of 1997, the company experienced pipeline spills on its Seminoe pipeline at Banner, Wyoming, and Lodge Grass, Montana. In response to these spills, the DOJ advised the company in August 2000 that the United States is contemplating a legal proceeding under the Clean Water Act against the company. The company and DOJ are currently in negotiations to resolve these matters.

In addition to the above environmental matters, on March 27, 2000, an explosion and fire occurred at the K-Resin SBC plant due to the overpressurization of an out-of-service butadiene storage tank. One employee was killed and several individuals, including employees of both ConocoPhillips and its contractors, were injured. Additionally, individuals who were allegedly in the area of the Houston Chemical Complex at the time of the incident have claimed they suffered various personal injuries due to exposure to the event. The wrongful death claim and the claims of the most seriously injured workers have been resolved. Currently, there are eight lawsuits pending on behalf of approximately 100 primarily plaintiffs. Under the indemnification provisions of subcontracting agreements with Zachry Construction Corporation and Brock Maintenance, Inc., ConocoPhillips sought indemnification from these subcontractors with respect to claims made by their employees. Although that plant was contributed to CPChem under the Contribution Agreement, ConocoPhillips retains liability for damages arising out of the incident.

Additionally, the company is subject to various lawsuits and claims including, but not limited to: actions challenging oil and gas royalty and severance tax payments; actions related to gas measurement and valuation methods; actions related to joint interest billings to operating agreement partners; claims for damages resulting from leaking underground storage tanks; and toxic tort claims. As a result of Conoco's separation agreement with DuPont, ConocoPhillips also has assumed responsibility for current and future claims related to certain discontinued chemicals and agricultural chemicals businesses operated by Conoco in the past. In general, the effect on future financial results is not subject to reasonable estimation because

considerable uncertainty exists. The ultimate liabilities resulting from such lawsuits and claims may be material to results of operations in the period in which they are recognized.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name ----	Position Held -----	Age* ----
Rand C. Berney	Vice President and Controller	47
William B. Berry	Executive Vice President, Exploration and Production	50
John A. Carrig	Executive Vice President, Finance, and Chief Financial Officer	51
Archie W. Dunham	Chairman of the Board of Directors	64
Philip L. Frederickson	Executive Vice President, Commercial	46
Rick A. Harrington	Senior Vice President, Legal, and General Counsel	58
John E. Lowe	Executive Vice President, Planning and Strategic Transactions	44
Robert E. McKee III	Executive Vice President	56
J. J. Mulva	President and Chief Executive Officer	56
J. W. Nokes	Executive Vice President, Refining, Marketing, Supply and Transportation	56

*On March 1, 2003.

There is no family relationship among the officers named above. Each officer of the company is elected by the Board of Directors at its first meeting after the Annual Meeting of Stockholders and thereafter as appropriate. Each officer of the company holds office from date of election until the first meeting of the directors held after the next Annual Meeting of Stockholders or until a successor is elected. The date of the next annual meeting is May 6, 2003. Set forth below is information concerning the executive officers.

RAND C. BERNEY was appointed Vice President and Controller of ConocoPhillips upon completion of the merger. Prior to the merger, he was Phillips' Vice President and Controller since 1997.

WILLIAM B. BERRY was appointed Executive Vice President, Exploration and Production of ConocoPhillips on January 1, 2003, having previously served as President of ConocoPhillips' Asia Pacific operations since completion of the merger. Prior to the merger, he was Phillips' Senior Vice President E&P Eurasia-Middle East operations since 2001; and Phillips' Vice President E&P Eurasia operations since 1998.

JOHN A. CARRIG was appointed Executive Vice President, Finance, and Chief Financial Officer of ConocoPhillips upon completion of the merger. Prior to the merger, he was Phillips' Senior Vice President and Chief Financial Officer since 2001; Phillips' Senior Vice President, Treasurer and Chief Financial Officer since 2000; and Phillips' Vice President and Treasurer since 1996.

ARCHIE W. DUNHAM was appointed Chairman of the Board of Directors of ConocoPhillips upon completion of the merger. Prior to the merger, he was Conoco's Chairman of the Board, President and Chief Executive Officer since 1999; and Conoco's President and Chief Executive Officer since 1996.

PHILIP L. FREDERICKSON was appointed Executive Vice President, Commercial of ConocoPhillips upon completion of the merger. Prior to the merger, he was Conoco's Senior Vice President of Corporate Strategy and Business Development since 2001; and Conoco's Vice President of Business Development since 1998.

RICK A. HARRINGTON was appointed Senior Vice President, Legal, and General Counsel of ConocoPhillips upon completion of the merger. Prior to the merger, he was Conoco's Senior Vice President, Legal and General Counsel since 1998.

JOHN E. LOWE was appointed Executive Vice President, Planning and Strategic Transactions of ConocoPhillips upon completion of the merger. Prior to the merger, he was Phillips' Senior Vice President, Corporate Strategy and Development since 2001; Phillips' Senior Vice President of Planning and Strategic Transactions since 2000; Phillips' Vice President of Planning and Strategic Transactions since 1999; Phillips' Manager of Strategic Growth Projects since earlier in 1999; and Phillips' Supply Chain Manager in refining, marketing and transportation since 1997.

ROBERT E. MCKEE III was appointed Executive Vice President of ConocoPhillips on January 1, 2003, having previously served as Executive Vice President, Exploration and Production since the completion of the merger. Prior to the merger, he was Conoco's Executive Vice President, Exploration Production since 1996.

J. J. MULVA was appointed President and Chief Executive Officer of ConocoPhillips upon completion of the merger. Prior to the merger, he was Phillips' Chairman of the Board of Directors and Chief Executive Officer since 1999; Phillips' Vice Chairman of the Board of Directors, President, and Chief Executive Officer since earlier in 1999; and Phillips' President and Chief Operating Officer since 1994.

J. W. NOKES was appointed Executive Vice President, Refining, Marketing, Supply and Transportation of ConocoPhillips upon completion of the merger. Prior to the merger, he was Conoco's Executive Vice President, Worldwide Refining, Marketing, Supply and Transportation since 1999; and Conoco's President of North American Refining and Marketing since 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

QUARTERLY COMMON STOCK PRICES AND CASH DIVIDENDS PER SHARE

Phillips Petroleum Company's (predecessor to ConocoPhillips) stock was traded primarily on the New York, Pacific and Toronto stock exchanges. On August 30, 2002, it ceased trading.

Phillips Petroleum Company (predecessor to ConocoPhillips)	Stock Price		Dividends
	High	Low	
2002			
First	\$ 63.80	55.30	.36
Second	64.10	54.53	.36
Third (through August 30)	59.21	44.75	N/A
2001			
First	\$ 59.00	51.70	.34
Second	68.00	52.78	.34
Third	59.86	50.00	.36
Fourth	60.95	50.66	.36

ConocoPhillips' common stock began trading on September 3, 2002, the first trading day after the effective date of the merger.

	Stock Price		Dividends
	High	Low	
2002			
Third (from September 3)	\$ 53.20	45.87	.36
Fourth	50.75	44.03	.40
Closing Stock Price at December 31, 2002			\$ 48.39
Number of Stockholders of Record at February 28, 2003			60,666

ConocoPhillips' common stock is traded on the New York Stock Exchange.

ITEM 6. SELECTED FINANCIAL DATA

	Millions of Dollars Except Per Share Amounts				
	2002	2001	2000	1999	1998
Sales and other operating revenues*	\$ 56,748	24,892	22,155	14,988	12,853
Income from continuing operations*	714	1,611	1,848	604	228
Per common share					
Basic	1.48	5.50	7.26	2.39	.88
Diluted	1.47	5.46	7.21	2.37	.88
Net income (loss)	(295)	1,661	1,862	609	237
Per common share					
Basic	(.61)	5.67	7.32	2.41	.92
Diluted	(.61)	5.63	7.26	2.39	.91
Total assets	76,836	35,217	20,509	15,201	14,216
Long-term debt*	18,917	8,610	6,622	4,271	4,106
Mandatorily redeemable other minority interests and preferred securities	491	650	650	650	650
Cash dividends declared per common share	1.48	1.40	1.36	1.36	1.36

*Restated to exclude discontinued operations.

See Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of factors that will enhance an understanding of this data. The following transactions affect the comparability of the amounts included in the table above:

- o the merger of Conoco and Phillips in 2002;
- o the acquisition of Tosco Corporation in 2001;
- o the acquisition of Atlantic Richfield Company's Alaskan operations in 2000; and
- o the contribution of a significant portion of the company's midstream and chemicals businesses into joint ventures accounted for using equity-method accounting in 2000.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS

March 24, 2003

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, and supplemental oil and gas disclosures. It contains forward-looking statements including, without limitation, statements relating to the company's plans, strategies, objectives, expectations, intentions, and resources that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The words "intends," "believes," "expects," "plans," "scheduled," "anticipates," "estimates," and similar expressions identify forward-looking statements. The company does not undertake to update, revise or correct any of the forward-looking information. Readers are cautioned that such forward-looking statements should be read in conjunction with the 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 76.

RESULTS OF OPERATIONS

CONOCO AND PHILLIPS MERGER

On August 30, 2002, Conoco Inc. (Conoco) and Phillips Petroleum Company (Phillips) combined their businesses by merging with wholly owned subsidiaries of a new company named ConocoPhillips (the merger). The merger was accounted for using the purchase method of accounting. Although the business combination of Conoco and Phillips was a merger of equals, generally accepted accounting principles required that one of the two companies in the transaction be designated as the acquirer for accounting purposes. Phillips was designated as the acquirer based on the fact that its former common stockholders initially held more than 50 percent of the ConocoPhillips common stock after the merger. Because Phillips was designated as the acquirer, its operations and results are presented in this annual report for all periods prior to the close of the merger. From the merger date forward, the operations and results of ConocoPhillips reflect the combined operations of the two companies.

As a condition of the merger, the U.S. Federal Trade Commission (FTC) required that the company divest specified Conoco and Phillips assets, the most significant of which were Phillips' Woods Cross, Utah, refinery and associated motor fuel marketing operations; Conoco's Commerce City, Colorado, refinery and related crude oil pipelines and Phillips' Colorado motor fuel marketing operations. All assets and operations that are required by the FTC to be divested are included in Corporate and Other as discontinued operations. Included in the results of discontinued operations in 2002 was a \$69 million after-tax charge for the write-down to fair value of the Phillips operations to be disposed. Because the Conoco assets to be disposed of were recorded at fair value in the purchase price allocation, no further write-downs were required. Discontinued operations also include other, non-FTC mandated assets held for sale. See Note 4--Discontinued Operations in the Notes to Consolidated Financial Statements for additional information, including a complete list of assets required by the FTC to be divested.

As a result of the merger, the company implemented a restructuring program in September 2002 to capture the synergies of combining Phillips and Conoco by eliminating redundancies, consolidating assets, and sharing common services and functions across regions. The restructuring program that was implemented in September 2002 is expected to be completed by the end of February 2004 and, through December 31,

2002, approximately 2,900 positions worldwide, most of which are in the United States, had been identified for elimination. Of this total, 775 employees were terminated by December 31, 2002. Associated with implementation of the restructuring program, ConocoPhillips accrued \$770 million for merger-related restructuring and work force reduction liabilities in 2002. These liabilities primarily represent estimated termination payments and related employee benefits associated with the reduction in positions. These liabilities include \$337 million related to Conoco operations, which was reflected in the purchase price allocation as an assumed liability, and \$422 million (\$253 million after-tax) related to Phillips operations that was charged to selling, general and administrative, and production and operating expenses; and \$11 million before-tax included in discontinued operations. Of the above accruals, \$598 million related primarily to severance benefits. Payments will be made to former Conoco and Phillips employees under each company's respective severance plans. During 2002, payments of \$223 million were made, resulting in a year-end 2002 severance accrual balance of \$375 million.

Also related to the merger and recorded in 2002 was a \$246 million write-off of acquired in-process research and development costs related to Conoco's natural gas-to-liquids and other technologies. In accordance with Financial Accounting Standards Board (FASB) Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method," value assigned to research and development activities in the purchase price allocation that have no alternative future use should be charged to expense at the date of the consummation of the combination. The \$246 million charge was recorded in the Emerging Businesses segment and was the same on both a before-tax and after-tax basis.

ConocoPhillips also accrued \$22 million, after-tax, in 2002 for change-in-control costs associated with seismic contracts as a result of the merger. The expense was recorded in Corporate and Other and did not impact exploration expenses. In addition, the 2002 net loss also included transition costs of \$36 million, bringing total after-tax merger-related costs to \$557 million. See Note 3--Merger of Conoco and Phillips in the Notes to Consolidated Financial Statements for additional information on the merger.

CONSOLIDATED RESULTS

Years Ended December 31	Millions of Dollars		
	2002	2001	2000
Income from continuing operations	\$ 714	1,611	1,848
Income (loss) from discontinued operations	(993)	32	14
Extraordinary items	(16)	(10)	--
Cumulative effect of accounting changes	--	28	--
Net income (loss)	\$ (295)	1,661	1,862

A summary of the company's net income (loss) by business segment follows:

Years Ended December 31	Millions of Dollars		
	2002	2001	2000
Exploration and Production (E)	\$ 1,749	1,699	1,945
Midstream	55	120	162
Refining and Marketing (R)	143	397	238
Chemicals	(14)	(128)	(46)
Emerging Businesses	(310)	(12)	--
Corporate and Other*	(1,918)	(415)	(437)
Net income (loss)	\$ (295)	1,661	1,862
*Includes income (loss) from discontinued operations of:	\$ (993)	32	14

2002 vs. 2001

ConocoPhillips incurred a net loss of \$295 million in 2002, compared with net income of \$1,661 million in 2001. The decrease was primarily attributable to recognizing impairments and loss accruals totaling \$1,077 million after-tax associated with the company's retail and wholesale marketing operations that were classified as discontinued operations in late 2002, as well as merger-related costs totaling \$557 million after-tax. Also negatively impacting results for 2002 were asset impairments totaling \$192 million after-tax, lower refining margins, lower natural gas sales prices, decreased equity earnings from Duke Energy Field Services, LLC (DEFS), and higher interest expenses. These factors were partially offset by improved results from Chemicals and higher production volumes in E&P after the merger.

2001 vs. 2000

ConocoPhillips' net income was \$1,661 million in 2001, an 11 percent decline from net income of \$1,862 million in 2000. The decrease was primarily attributable to lower crude oil and natural gas liquids prices and lower results from the Chemicals business, partially offset by improved petroleum products margins, as well as the acquisition of Tosco Corporation (Tosco) in September 2001. See Note 6--Acquisition of Tosco Corporation in the Notes to Consolidated Financial Statements for additional information on the acquisition. Also contributing to the lower results in 2001 was a decrease in the amount of gains on asset sales, compared with 2000, partially offset by lower property impairments in 2001.

INCOME STATEMENT ANALYSIS

2002 vs. 2001

In addition to the merger discussed previously, ConocoPhillips closed on the \$7 billion acquisition of Tosco on September 14, 2001. Together, these transactions significantly increased operating revenues, purchase costs, operating expenses and other income statement line items. See Note 3--Merger of Conoco and Phillips and Note 6--Acquisition of Tosco Corporation in the Notes to Consolidated Financial Statements for additional information.

Sales and other operating revenues increased 128 percent in 2002. The increase was primarily attributable to increased product sales volumes due to the impact of the Tosco acquisition and the merger. These items were partially offset by lower natural gas sales prices in 2002 compared with 2001.

Equity in earnings of affiliates increased 537 percent in 2002. In addition to equity earnings from affiliates acquired in the merger for the last four months of 2002, equity earnings from Chevron Phillips Chemical Company LLC (CPChem) improved in 2002 as a result of improved margins. Partially offsetting these items were lower earnings in 2002 from DEFS and Meroy Sweeny, L.P. (MSLP). DEFS' decline was primarily attributable to higher operating expenses, gas imbalance adjustments, and lower natural gas liquids prices, while MSLP's decline was mainly due to lower crude oil light-heavy differentials.

Other income increased 94 percent in 2002, mainly the result of a favorable revaluation and settlement of long-term incentive performance units held by former senior Tosco executives, as well as additional interest income following the merger. During 2002, the company recorded gains totaling \$59 million before-tax, as the incentive performance units were marked-to-market each reporting period and eventually settled. See Note 6--Acquisition of Tosco Corporation in the Notes to Consolidated Financial Statements for more information.

Purchased crude oil and products increased 176 percent in 2002. The increase reflects higher purchase volumes of crude oil and petroleum products resulting from the Tosco acquisition and the merger.

Production and operating expenses increased 89 percent in 2002, while selling, general and administrative (SG&A) expenses increased 171 percent. Both increases were primarily attributable to the Tosco acquisition and the merger. In conjunction with the merger, ConocoPhillips wrote off \$246 million of acquired in-process research and development costs related to Conoco's natural gas-to-liquids and other technologies to production and operating expenses in 2002. ConocoPhillips also expensed \$135 million in merger-related costs to production and operating expenses and \$379 million to SG&A expenses in 2002.

Exploration expenses increased 93 percent in 2002. The increase reflects the merger, a \$77 million leasehold impairment of deepwater Block 34, offshore Angola, and dry hole costs of \$161 million in 2002, compared with \$48 million in 2001.

Depreciation, depletion and amortization increased 65 percent in 2002, compared with 2001. The increase was primarily the result of an increased depreciable base of properties, plants and equipment following the merger and the Tosco acquisition.

During 2002, ConocoPhillips recorded property impairments totaling \$49 million in connection with the sale of its Point Arguello assets, offshore California; two fields in the U.K. North Sea; and its interest in a non-producing field in Alaska. Impairment of tradenames (\$102 million) was also recognized in the statement of operations in 2002. Property impairments recorded in 2001 consisted primarily of a \$23 million impairment of the Siri field, offshore Denmark. See Note 10--Impairments in the Notes to Consolidated Financial Statements for additional information.

Taxes other than income taxes increased 153 percent in 2002, compared with 2001. The increase reflects higher excise taxes due to higher petroleum products sales and increased property and payroll taxes following the merger and the Tosco acquisition.

Environmental liabilities assumed in acquisitions and mergers are recorded as liabilities at discounted amounts--i.e. the total future estimated cost is determined, then discounted back to current dollars using a time-value-of-money concept. Over time the liability is increased by accretion to reflect the time value of

money. Accretion on discounted liabilities increased 214 percent in 2002, reflecting the impact of the environmental liabilities assumed in the Tosco acquisition and the merger.

Interest expense increased 67 percent in 2002, mainly due to higher debt levels following the Tosco acquisition and the merger. Foreign currency losses of \$24 million were recorded in 2002, compared with losses of \$11 million in 2001. Preferred dividend requirements decreased in 2002, reflecting the redemption of \$300 million of preferred securities in May 2002.

The company's effective tax rate from continuing operations in 2002 was 67 percent, compared with 51 percent in 2001. The increase in the effective tax rate in 2002 was primarily the result of the write-off of in-process research and development costs without a corresponding tax benefit and a higher proportion of income in higher-tax-rate jurisdictions.

Losses from discontinued operations were \$993 million in 2002, compared with income of \$32 million in 2001. The 2002 amount includes after-tax impairments and loss accruals. See Note 4--Discontinued Operations in the Notes to Consolidated Financial Statements for additional information.

2001 vs. 2000

On March 31, 2000, ConocoPhillips and Duke Energy Corporation contributed their midstream gas gathering, processing and marketing businesses to DEFS. Effective July 1, 2000, ConocoPhillips and ChevronTexaco Corporation contributed their chemicals businesses, excluding ChevronTexaco's Oronite business, to CPChem. Both of these joint ventures are being accounted for using the equity method of accounting, which significantly affects how these operations are reflected in ConocoPhillips' consolidated statement of operations. Under the equity method of accounting, ConocoPhillips' share of a joint venture's net income is recorded in a single line item on the statement of operations: "Equity in earnings of affiliates." Correspondingly, the other income statement line items (for example, operating revenues, operating costs, etc.) include activity related to these operations only up to the effective dates of the joint ventures.

Sales and other operating revenues increased 12 percent in 2001, primarily due to the Tosco acquisition and increased crude oil production. These items were partially offset by the use of equity-method accounting for the DEFS and CPChem joint ventures, as well as a reduction in revenues attributable to certain non-core assets sold at year-end 2000.

Equity in earnings of affiliated companies decreased 64 percent in 2001. In the 2001 period, ConocoPhillips incurred a before-tax equity loss from its investment in CPChem of \$240 million. ConocoPhillips' equity earnings related to DEFS were higher in 2001, as a result of a full year's activity in 2001, compared with only nine months in 2000. Equity earnings in 2001 benefited from a full year's operations at MSLP, a 50-percent-owned equity company that owns and operates the coker unit at the Sweeny, Texas, refinery. Other income decreased 59 percent in 2001, primarily attributable to lower net gains on asset sales in 2001 compared with 2000.

Total costs and expenses increased 16 percent in 2001, compared with 2000. The increase was mainly the result of the Tosco acquisition, as well as a full year's ownership of the company's Alaskan E&P operations that were acquired in April 2000. These items were partially offset by the use of equity-method accounting for the DEFS and CPChem joint ventures, and lower crude oil acquisition costs at the company's refineries.

SEGMENT RESULTS

E&P

	2002	2001	2000
----- Millions of Dollars -----			
NET INCOME			
Alaska	\$ 870	866	829
Lower 48	286	476	559

United States	1,156	1,342	1,388
International	593	357	557

	\$1,749	1,699	1,945
=====			

	Dollars Per Unit		

AVERAGE SALES PRICES			
Crude oil (per barrel)			
United States	\$23.83	23.57	28.83
International	25.14	24.16	28.42
Total consolidated	24.38	23.77	28.65
Equity affiliates	18.41	12.36	--
Worldwide	24.07	23.74	28.65
Natural gas--lease (per thousand cubic feet)			
United States	2.75	3.56	3.47
International	2.79	2.60	2.56
Total consolidated	2.77	3.23	3.13
Equity affiliates	2.71	--	--
Worldwide	2.77	3.23	3.13

AVERAGE PRODUCTION COSTS PER BARREL OF OIL EQUIVALENT			
United States	\$ 5.66	5.52	5.27
International	3.99	2.70	2.85
Total consolidated	4.94	4.60	4.29
Equity affiliates	4.38	2.74	--
Worldwide	4.92	4.60	4.29

FINDING AND DEVELOPMENT COSTS PER BARREL OF OIL EQUIVALENT			
United States	\$ 7.46	5.15	2.78
International*	5.09	6.80	1.17
Worldwide*	5.57	5.97	2.41

*Includes ConocoPhillips' share of equity affiliates

	Millions of Dollars		

WORLDWIDE EXPLORATION EXPENSES			
General administrative; geological and geophysical; and lease rentals	\$ 285	207	168
Leasehold impairment	146	51	39
Dry holes	161	48	91

	\$ 592	306	298
=====			

	2002	2001	2000
----- Thousands of Barrels Daily -----			
OPERATING STATISTICS			
Crude oil produced			
Alaska	331	339	207
Lower 48	40	34	34

United States	371	373	241
Norway	157	117	114
United Kingdom	39	19	25
Canada	13	1	6
Other areas	67	51	51

Total consolidated	647	561	437
Equity affiliates	35	2	--

	682	563	437
=====			
Natural gas liquids produced			
Alaska	24	25	19
Lower 48	8	1	1

United States	32	26	20
Norway	6	5	5
United Kingdom	2	2	2
Canada	4	--	1
Other areas	2	2	1

	46	35	29
=====			

	Millions of Cubic Feet Daily		

Natural gas produced*			
Alaska	175	177	158
Lower 48	928	740	770

United States	1,103	917	928
Norway	171	130	136
United Kingdom	424	178	214
Canada	165	18	83
Other areas	180	92	33

Total consolidated	2,043	1,335	1,394
Equity affiliates	4	--	--

	2,047	1,335	1,394
=====			

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

	Thousands of Barrels Daily		

Mining operations			
Syncrude produced	8	--	--

2002 vs. 2001

Net income from ConocoPhillips' E&P segment increased 3 percent in 2002. Although E&P benefited from four months of increased production volumes in 2002 following the merger, this was mostly offset by lower natural gas sales prices, higher exploration expenses, and the unfavorable \$24 million impact of a tax law change in the United Kingdom. ConocoPhillips' average worldwide crude oil sales price was

\$24.07 per barrel in 2002, a 1 percent increase over \$23.74 in 2001. The company's average worldwide natural gas price in 2002 was \$2.77 per thousand cubic feet, a 14 percent decrease from \$3.23 in 2001. However, natural gas prices trended upward during 2002, with the company's December 2002 worldwide price averaging \$3.51 per thousand cubic feet.

ConocoPhillips' proved reserves at year-end 2002 were 7.81 billion barrels of oil equivalent, a 52 percent increase over 5.13 billion barrels at year-end 2001. The increase was attributable to the merger.

2001 vs. 2000

Net income from ConocoPhillips' E&P segment decreased 13 percent in 2001, as the positive impact of increased crude oil production was more than offset by lower crude oil prices, and, to a lesser extent, lower natural gas production due mainly to asset dispositions in Canada. Benefiting 2000 net income was higher net gains on asset sales than in 2001. ConocoPhillips' average worldwide crude oil sales price was \$23.74 per barrel in 2001, a 17 percent decrease from \$28.65 in 2000. Natural gas prices began 2001 at historically high levels, but trended lower during the remainder of the year, with the company's December 2001 average price at \$2.34 per thousand cubic feet.

ConocoPhillips' proved reserves at year-end 2001 were 5.13 billion barrels of oil equivalent, a 2 percent increase over 5.02 billion barrels at year-end 2000.

U.S. E&P

2002 vs. 2001

Net income from the company's U.S. E&P operations decreased 14 percent in 2002. Although net income for 2002 benefited from four months of increased production volumes following the merger, this was more than offset by lower natural gas prices, lower production volumes in Alaska, and higher dry hole costs. The company's U.S. average natural gas price in 2002 was 23 percent lower than 2001. However, natural gas prices trended upward during 2002, with the company's December 2002 average U.S. price at \$3.66 per thousand cubic feet.

The company's U.S. crude oil production decreased slightly in 2002, while natural gas production increased 20 percent. The increase in natural gas production was mainly due to four months of production from fields acquired in the merger. The merger impact on total crude oil production was offset by lower production in Alaska, which experienced normal field declines, along with operating interruptions at the Prudhoe Bay field during the year. With a full year's combined production from both Conoco and Phillips operations, the company expects that its total U.S. oil and gas production volumes will increase in 2003 over those of 2002. ConocoPhillips' fourth quarter production volumes, which included a full period of combined operations, averaged 426,000 barrels per day of liquids and 1,548 million cubic feet per day of natural gas.

2001 vs. 2000

Net income from the company's U.S. E&P operations decreased 3 percent in 2001, compared with 2000. The 2001 results reflect a 55 percent increase in crude oil production, due to a full year's production from the Alaska operations acquired in April 2000, as well as increased production due to the startup of the Alpine field in Alaska in December 2000. The benefit of increased crude oil production was offset by

lower U.S. crude oil prices, which declined 18 percent in 2001. U.S. natural gas production declined slightly in 2001, reflecting field declines and asset dispositions. Benefiting 2000 net income was a net gain on asset sales of \$44 million--most of which was related to the disposition of the company's coal and lignite operations.

International E&P

2002 vs. 2001

Net income from the company's international E&P operations increased 66 percent in 2002. The improvement reflects four months of increased production volumes following the merger. However, 2002 net income included a \$24 million deferred tax charge related to tax law changes in the United Kingdom. In April 2002, the U.K. government announced proposed changes to corporate tax laws specifically impacting the oil and gas industry and production from the U.K. sector of the North Sea. The proposed changes became law in July 2002. A 10 percent supplementary charge to corporation taxes is now assessed on profits, which is expected to be partially offset by the elimination of royalties and an increase in first-year deduction allowances for capital investments. Net income in 2002 also included a \$77 million leasehold impairment of deepwater Block 34, offshore Angola, due to an unsuccessful exploratory well in the block, along with higher dry hole charges.

The company's international crude oil production increased 64 percent in 2002, while natural gas production increased 126 percent. The increases were mainly due to the addition of four months of production from fields acquired in the merger. With a full year's combined production from both Conoco and Phillips operations, the company expects that its total international oil and gas production volumes will increase in 2003 over those of 2002. ConocoPhillips' fourth quarter production volumes, which included a full period of combined operations, averaged 585,000 barrels per day of liquids and 1,994 million cubic feet per day of natural gas.

2001 vs. 2000

Net income from ConocoPhillips' international E&P operations decreased 36 percent in 2001. The decrease was primarily the result of lower crude oil and natural gas production volumes, as well as lower crude oil prices. Additionally, after-tax foreign currency gains of \$2 million were included in international E&P's net income in 2001, compared with losses of \$10 million in 2000. Net income in 2000 included a net gain on property dispositions of \$118 million related to the disposition of the Zama area fields in Canada, partially offset by an \$86 million impairment of the Ambrosio field in Venezuela.

International crude oil production declined 3 percent in 2001, mainly due to lower production in the U.K. North Sea, Venezuela and Canada, partly offset by increased production from Norway and Nigeria. Canadian and Venezuelan crude oil production declined relative to 2000 due to asset dispositions. Production in the U.K. North Sea decreased on normal field declines. Production from Norway improved in 2001 due to improved processing reliability and well workovers, while Nigerian production increased on development activities and higher quotas. International natural gas production declined 10 percent in 2001, primarily the result of the Canadian asset dispositions and lower U.K. North Sea output noted above, partially offset by higher production in Nigeria and new natural gas production from offshore western Australia.

MIDSTREAM

	2002	2001	2000

Millions of Dollars			

NET INCOME	\$ 55	120	162

Dollars Per Barrel			

AVERAGE SALES PRICES			
U.S. natural gas liquids*			
Consolidated	\$19.07	--	--
Equity	15.92	18.77	21.83**

Thousands of Barrels Daily			

OPERATING STATISTICS			
Natural gas liquids extracted	156	120	131***
Natural gas liquids fractionated	133	108	158

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

**Estimate based on ConocoPhillips' first quarter realized price and DEFS' index price for the remainder of the year.

***Based on a weighted average of ConocoPhillips' volumes in the first quarter of 2000, and ConocoPhillips' share of DEFS volumes for the remainder of 2000.

2002 vs. 2001

ConocoPhillips' Midstream segment consists of the company's 30.3 percent interest in Duke Energy Field Services, LLC (DEFS), as well as company-owned natural gas gathering and processing operations and natural gas liquids fractionation and marketing businesses. Net income from the Midstream segment decreased 54 percent in 2002. The decrease was primarily due to lower results from DEFS, which experienced a decline in natural gas liquids prices, increased costs for gas imbalance accruals and other adjustments, and higher operating expenses. These items were partially offset by the benefit of four month's results from operations acquired in the merger.

Included in the Midstream segment's net income in 2002 was a benefit of \$35 million, representing the amortization of the basis difference between the book value of ConocoPhillips' contribution to DEFS and its 30.3 percent equity interest in DEFS. The corresponding amount for 2001 was \$36 million. See Note 8--Investments and Long-Term Receivables, in the Notes to Consolidated Financial Statements for additional information on the basis difference.

2001 vs. 2000

Net income from the Midstream segment decreased 26 percent in 2001, primarily the result of a 14 percent decline in natural gas liquids prices. In addition, the Midstream segment's results were affected by the lack of interest charges in the first quarter of 2000 prior to the formation of DEFS. DEFS incurs interest expense in connection with financing incurred upon formation to fund cash distributions to the parent entities. Prior to the formation of DEFS, the Midstream segment did not have interest expense. Included in the Midstream segment's net income in 2001 was a benefit of \$36 million, representing the amortization of the basis difference between the book value of ConocoPhillips' contribution to DEFS and its 30.3 percent equity interest in DEFS. The corresponding amount for 2000 was \$27 million.

	2002	2001	2000

Millions of Dollars			

NET INCOME			
United States	\$ 138	395	209
International	5	2	29
	-----	-----	-----
	\$ 143	397	238
=====			

	Dollars Per Gallon		

U.S. AVERAGE SALES PRICES*			
Automotive gasoline			
Wholesale	\$.96	.83	.92
Retail	1.03	1.01	1.07
Distillates--wholesale	.77	.78	.88

*Excludes excise taxes

	Thousands of Barrels Daily		

OPERATING STATISTICS			
Refining operations*			
United States			
Rated crude oil capacity**	1,829	732	335
Crude oil runs	1,661	686	303
Capacity utilization (percent)	91%	94	90
Refinery production	1,847	795	365
International			
Rated crude oil capacity**	195	22	--
Crude oil runs	152	20	--
Capacity utilization (percent)	78%	91	--
Refinery production	164	19	--
Worldwide			
Rated crude oil capacity**	2,024	754	335
Crude oil runs	1,813	706	303
Capacity utilization (percent)	90%	94	90
Refinery production	2,011	814	365

Petroleum products sales volumes***			
United States			
Automotive gasoline	1,147	465	267
Distillates	392	170	107
Aviation fuels	185	78	41
Other products	372	220	50
	-----	-----	-----
	2,096	933	465
International	162	10	43
	-----	-----	-----
	2,258	943	508
=====			

*2002 includes ConocoPhillips' share of equity affiliates.

**Weighted-average crude oil capacity for the period, including the refineries acquired in the Tosco acquisition in September 2001 and the refineries acquired as a result of the merger. Actual capacity at year-end 2002 and 2001 was 2,166 thousand and 1,656 thousand barrels per day, respectively, in the United States and 440 thousand and 72 thousand barrels per day, respectively, internationally.

***Excludes spot market sales.

2002 vs. 2001

Net income from the R&M segment declined 64 percent in 2002, reflecting lower refining margins, along with an \$84 million after-tax impairment of a tradename and leasehold improvements of certain retail sites. See Note 10--Impairments in the Notes to Consolidated Financial Statements for additional information on these impairments. The R&M earnings for 2002 included four months' results from operations acquired in the merger, as well as the impact of a full year's results from Tosco operations, while the 2001 results included Tosco operations for only the last three and one-half months of 2001.

Worldwide crude oil refining capacity utilization was 90 percent in 2002, compared with 94 percent in 2001. The company's refineries produced 2,011,000 barrels per day of petroleum products in 2002, compared with 814,000 barrels per day in 2001. The increase reflects a full year of operations for refineries acquired in the Tosco acquisition and four months of operations for the refineries acquired in the merger.

2001 vs. 2000

Net income from the R&M segment increased 67 percent in 2001. On September 14, 2001, ConocoPhillips closed on the acquisition of Tosco. This transaction significantly increased the size of ConocoPhillips' R&M segment and benefited 2001 results. In addition to the Tosco acquisition, R&M's net income benefited from higher gasoline and distillates margins, particularly during the second quarter of 2001. Negatively affecting R&M results for the year were higher utility costs at the company's refineries, resulting from higher natural gas prices experienced in the first half of 2001.

Worldwide crude oil refining capacity utilization was 94 percent in 2001, compared with 90 percent in 2000. The company's refineries produced 814,000 barrels per day of petroleum products in 2001, compared with 365,000 barrels per day in 2000. The increase reflects the Tosco acquisition.

U.S. R&M

2002 vs. 2001

Net income from U.S. R&M operations declined 65 percent in 2002. The decrease was primarily due to lower refining margins, particularly in the Midcontinent and Gulf Coast regions, along with an \$84 million after-tax impairment of a tradename and leasehold improvements of certain retail sites. See Note 10--Impairments in the Notes to Consolidated Financial Statements for additional information on these impairments. These items were partially offset by increased production and sales volumes as a result of the Tosco acquisition and the merger. Net income for 2002 included four months from operations acquired in the merger, and a full year of Tosco operations, while the 2001 results included Tosco operations for only three and one-half months. Results for 2001 included a cumulative effect of a change in accounting principle that increased R&M net income by \$26 million. Effective January 1, 2001, ConocoPhillips changed its method of accounting for the costs of major maintenance turnarounds from the accrue-in-advance method to the expense-as-incurred method. Also included in 2001 was a \$27 million write-down of inventories to market value.

The crude oil capacity utilization rate for ConocoPhillips' U.S. refineries was 91 percent in 2002, compared with 94 percent in 2001. The lower utilization rate in 2002 reflects increased maintenance turnaround activity in 2002, the impact of tropical storms on the company's Gulf Coast refineries in the third quarter of 2002, and the impact of the loss of Venezuelan crude oil supply in the fourth quarter.

2001 vs. 2000

Net income from the R&M segment's U.S. operations increased 89 percent in 2001, compared with 2000. On September 14, 2001, ConocoPhillips closed on the acquisition of Tosco. This transaction significantly increased the size of ConocoPhillips' U.S. R&M operations and benefited 2001 net income.

In addition to the Tosco acquisition, R&M's earnings benefited from higher gasoline and distillates margins, particularly during the second quarter of 2001, and the accounting change discussed above. Negatively affecting R&M results for the year were higher utility costs at the company's refineries, resulting from higher natural gas prices experienced in the first half of 2001, as well as a \$27 million write-down of inventories to market value. The Sweeny refinery's 2001 net income benefited from the coker unit that was started up in late 2000. The coker unit allows for the processing of heavier, lower-cost crude oil, which reduced crude oil purchase costs and contributed to the improved gasoline and distillates margins experienced during 2001.

ConocoPhillips' U.S. refineries (including those acquired in the Tosco acquisition since the acquisition date) processed an average of 686,000 barrels per day of crude oil in 2001, yielding a 94 percent capacity utilization rate. This compares with 303,000 barrels per day and a utilization rate of 90 percent in 2000. The Tosco acquisition accounted for 378,000 barrels per day in 2001.

International R&M

2002 vs. 2001

Net income from international R&M operations increased \$3 million in 2002, reflecting the impact of the merger, which added one wholly owned and five joint-venture international refineries. A substantial part of ConocoPhillips' international R&M results are related to its Humber refinery in the United Kingdom, which had a 232,000 barrel per day crude oil processing capacity at December 31, 2002. This refinery was shut down for an extended period of time during the fourth quarter due to a power outage and subsequent downtime, which negatively impacted international R&M's 2002 results.

The crude oil capacity utilization rate for ConocoPhillips' international refineries was 78 percent in 2002, compared with 91 percent in 2001. The lower utilization rate in 2002 reflects the extended shutdown at the Humber refinery noted above.

2001 vs. 2000

Net income from the R&M segment's international operations decreased 93 percent in 2001, compared with 2000, reflecting the late-2000 disposition of the company's 50 percent interest in a refinery in Teesside, England. This was partially offset by the addition of the Whitegate refinery in Ireland as part of the Tosco acquisition in September 2001.

CHEMICALS

	2002	2001	2000
----- Millions of Dollars -----			
NET LOSS	\$ (14)	(128)	(46)

	----- Millions of Pounds -----		
OPERATING STATISTICS			
Production*			
Ethylene	3,217	3,291	3,574
Polyethylene	2,004	1,956	2,230
Styrene	887	456	404
Normal alpha olefins	592	563	293

*Production volumes for periods after July 1, 2000, include ConocoPhillips' 50 percent share of Chevron Phillips Chemical Company LLC.

2002 vs. 2001

ConocoPhillips' Chemicals segment consists of its 50 percent equity investment in CPChem, which was formed when the company and ChevronTexaco combined their worldwide chemicals businesses in July 2000.

The Chemicals segment incurred a net loss of \$14 million in 2002, compared with a net loss of \$128 million in 2001. The worldwide chemicals industry experienced an economic downturn beginning in the second half of 2000, and these difficult conditions remained present through 2001 and 2002. The downturn has been marked by decreased product demand and low product margins across key product lines. The smaller net loss in 2002 was primarily the result of higher margins due to lower operating expenses, feedstock costs and energy prices, partially offset by decreased sales prices.

A fire caused the shutdown of styrene production at CPChem's St. James, Louisiana, facility in February 2001. Production was restored in October 2001. Production volumes for other major product lines were comparable between 2002 and 2001.

The net loss in 2001 included several asset retirements and impairments totaling \$84 million after-tax because of depressed economic conditions. A developmental reactor at the Houston Chemical Complex in Pasadena, Texas, was retired; property impairments were recorded on two polyethylene reactors at the Orange chemical plant in Orange, Texas; an ethylene unit was retired at the Sweeny complex in Old Ocean, Texas; an equity affiliate of CPChem recorded a property impairment related to a polypropylene facility; property impairments were taken on the manufacturing facility in Puerto Rico; and the benzene and cyclohexane units at the Puerto Rico facility were retired. In addition, the valuation allowance on the Puerto Rico facility's deferred tax asset related to its net operating losses was increased in 2001 so that the deferred tax assets were fully offset by valuation allowances. Partially offsetting these impairments was a business interruption insurance settlement recorded by CPChem and a favorable deferred tax adjustment, related to the tax basis of its investment, recorded by ConocoPhillips that resulted from an impairment related to the Puerto Rico facility, together totaling \$57 million after-tax.

2001 vs. 2000

The Chemicals segment incurred a net loss of \$128 million in 2001, compared with a net loss of \$46 million in 2000. Global conditions for the chemicals and plastics industry were extremely difficult in 2001. Worldwide economic slowdowns, including a recessionary economy in the United States, led to decreased product demand and low product margins across many key product lines. CPChem's results were negatively affected by low ethylene, polyethylene and aromatics margins, as well as lower ethylene and polyethylene production. In addition to low margins and production volumes, 2001 contained interest charges incurred by CPChem that were not present in the first six months of 2000 prior to the formation of CPChem.

The difficult marketing environment led to several asset retirements and impairments being recorded by CPChem in 2001. Partially offsetting these impairments was a business interruption insurance settlement recorded by CPChem and a favorable deferred tax adjustment recorded by ConocoPhillips that resulted from the Puerto Rico facility impairment, together totaling \$57 million after-tax.

The net loss in 2000 included ConocoPhillips' share of a property impairment that CPChem recorded in the fourth quarter related to its Puerto Rico facility. The impairment was required due to the deteriorating outlook for future paraxylene market conditions and a shift in strategic direction at the facility. In addition, a valuation allowance was recorded against a related deferred tax asset. Combined, these two items resulted in a non-cash \$180 million after-tax charge to CPChem's earnings. ConocoPhillips' share was \$90 million.

EMERGING BUSINESSES

Millions of Dollars

	2002	2001	2000
NET LOSS			
Carbon fibers	\$ (15)	--	--
Fuels technology	(16)	(12)	--
Gas-to-liquids	(273)	--	--
Power generation and other	(6)	--	--
	\$ (310)	(12)	--

2002 vs. 2001

The Emerging Businesses segment includes the development of new businesses beyond the company's traditional operations. Emerging Businesses include carbon fibers, natural gas-to-liquids technology, fuels technology and power generation. Prior to the merger, this segment only included Phillips' fuels technology business.

The Emerging Businesses segment posted a net loss of \$310 million in 2002, compared with a net loss of \$12 million in 2001. Results for 2002 included a \$246 million write-off of acquired in-process research and development costs related to Conoco's natural gas-to-liquids and other technologies. In accordance with FASB Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method," value assigned to research and development activities in the purchase price allocation that have no alternative future use should be charged to expense at the date of the consummation of the combination. The \$246 million charge was the same on both a before-tax and after-

tax basis, as there was no tax basis to the assigned value prior to its write-off. The increased number of developing businesses after the merger also contributed to the larger losses in 2002.

ConocoPhillips announced in February 2003 that it will shut down its carbon fibers project, as a result of market, operating and technology uncertainties. At the time of the merger, the company identified these uncertainties facing the carbon fibers project and initiated a strategic update for the new management of the company. In early 2003, the strategic update was completed and management made the decision to shut down the project. In the preliminary purchase price allocation, the company valued the carbon fibers technology at an amount equal to the plant construction costs. In the first quarter of 2003, the company will reduce the preliminary purchase price allocation associated with this project and accrue for shutdown, severance and other related costs that will result in a corresponding net increase in goodwill of \$125 million.

2001 vs. 2000

In 2001, the Emerging Businesses segment included the company's development of new fuels technologies. Prior to 2001, these activities were not separately identifiable, and were included in the R&M segment.

CORPORATE AND OTHER

	Millions of Dollars		
	2002	2001	2000
NET LOSS			
Net interest	\$ (396)	(262)	(278)
Corporate general and administrative expenses	(173)	(114)	(87)
Discontinued operations	(993)	32	14
Merger-related costs	(307)	--	--
Other	(49)	(71)	(86)
	\$ (1,918)	(415)	(437)

2002 vs. 2001

Net interest represents interest expense, net of interest income and capitalized interest. Net interest increased 51 percent in 2002, mainly due to higher debt levels following the Tosco acquisition and the merger of Conoco and Phillips.

Corporate general and administrative expenses increased 52 percent in 2002, primarily due to the impact of the merger. In addition, 2002 also included higher benefit-related costs, primarily from the accelerated vesting of awards under certain long-term compensation plans that occurred at the time of stockholder approval of the merger.

Losses from discontinued operations were \$993 million in 2002, compared with income of \$32 million in 2001. The 2002 amount included after-tax impairments and loss accruals of \$1,077 million associated with the assets held for sale. See Note 4--Discontinued Operations in the Notes to Consolidated Financial Statements for additional information on the impairments and loss accruals, as well as a description of the assets included in discontinued operations.

Merger-related costs in 2002 included restructuring accruals of \$252 million, primarily related to work force reduction charges; change-in-control costs associated with seismic contracts totaling \$22 million; and other transition costs of \$33 million. Other merger-related costs of \$250 million were recorded by the operating segments, bringing total merger-related costs to \$557 million after-tax.

The category "Other" consists primarily of items not directly associated with the operating segments on a stand-alone basis, including captive insurance operations, certain foreign currency gains and losses, the tax impact of consolidations, and dividends on the preferred securities of the Phillips 66 Capital Trusts I and II. Results from Other were improved in 2002 primarily due to more favorable foreign currency transactions, and a favorable revaluation and settlement of certain long-term incentive units that were converted into Phillips performance units held by former senior Tosco executives, none of whom are employees of ConocoPhillips. Included in 2002 and 2001 were extraordinary losses on the early retirement of debt totaling \$16 million and \$10 million, respectively.

2001 vs. 2000

Corporate and Other net loss decreased 5 percent in 2001, compared with 2000, primarily due to lower net interest expense and improved results from discontinued operations partially offset by higher staff costs, contributions, corporate advertising and corporate transportation costs.

CAPITAL RESOURCES AND LIQUIDITY

FINANCIAL INDICATORS

	Millions of Dollars Except as Indicated		
	2002	2001	2000
Current ratio	.9	1.3	.8
Total debt repayment obligations due within one year	\$ 849	44	262
Total debt	\$19,766	8,654	6,884
Mandatorily redeemable preferred securities of trust subsidiaries	\$ 350	650	650
Other minority interests	\$ 651	5	1
Common stockholders' equity	\$29,517	14,340	6,093
Percent of total debt to capital*	39%	37	51
Percent of floating-rate debt to total debt	12%	20	17

*Capital includes total debt, mandatorily redeemable preferred securities, other minority interests and common stockholders' equity. Expected new accounting rules in 2003 likely will cause mandatorily redeemable preferred securities to be presented as a liability. The increase in ConocoPhillips' debt-to-capital ratio from December 31, 2001, to December 31, 2002, resulted primarily from the merger. In addition to \$12 billion of Conoco debt assumed, purchase accounting required the debt to be recorded at fair value at the time of the merger, increasing total debt by an additional \$565 million.

SIGNIFICANT SOURCES OF CAPITAL

During 2002, cash of \$4,969 million was provided by operating activities, an increase of \$1,407 million from 2001. Cash provided by operating activities before changes in working capital increased \$54 million compared with 2001, primarily due to higher dividends from equity affiliates, higher crude oil prices and higher crude oil and natural gas volumes, offset by lower natural gas prices, lower refining margins, higher interest expenses and merger-related costs. Positive working capital changes of \$1,184 million were primarily due to an increase in accounts payable, an increase in taxes and other accruals and a decrease in inventories, partially offset by increased receivables. Discontinued operations provided \$202 million of operating cash flows in 2002, an increase of \$169 million compared to 2001. The increase in 2002 was primarily due to 2002 including a full year of cash flow from a portion of assets acquired in the Tosco acquisition that are now included in discontinued operations.

During 2002, cash and cash equivalents increased \$165 million. In addition to the cash provided by operating activities, \$815 million was received from the sale of various ConocoPhillips assets; including the sale of exploration and production assets in the Netherlands, assets in Canada and propane terminal assets at Jefferson City, Missouri, and East St. Louis, Illinois. Funds were used to support the company's ongoing capital expenditures program, repay debt and pay dividends. In October 2002, ConocoPhillips' Board of Directors declared a dividend of \$.40 per share, payable December 2, 2002, which represented an 11 percent increase in the quarterly dividend.

To meet its liquidity requirements, including funding its capital program, paying dividends and repaying debt, the company looks to a variety of funding sources, primarily cash generated from operating activities. By the end of 2004, however, the company anticipates raising funds of \$3 billion to \$4 billion, of which approximately \$600 million had been raised as of December 31, 2002, from the sale of assets, including those assets required by the FTC to be sold. In December 2002, ConocoPhillips entered into an agreement to sell its Woods Cross refinery and associated marketing assets, subject to state and federal regulatory approvals. Also in December 2002, the company committed to and initiated a plan to sell a substantial portion of its U.S. company-owned retail sites.

While the stability of the company's cash flows from operating activities benefits from geographic diversity and the effects of upstream and downstream integration, the company's operating cash flows remain exposed to the volatility of commodity crude oil and natural gas prices and downstream margins, as well as periodic cash needs to finance tax payments and crude oil, natural gas and petroleum product purchases. The company's primary funding source for short-term working capital needs is a \$4 billion commercial paper program, a portion of which may be denominated in euros (limited to euro 3 billion), supported by \$4 billion in revolving credit facilities. Commercial paper maturities are generally kept within 90 days. At December 31, 2002, ConocoPhillips had \$1,517 million of commercial paper outstanding, of which \$206 million was denominated in foreign currencies.

Effective October 15, 2002, ConocoPhillips entered into two new revolving credit facilities to replace the previously existing \$2.5 billion Conoco credit facilities, and also amended and restated a prior Phillips revolving credit facility to include ConocoPhillips as a borrower. The company now has a \$2 billion 364-day revolving credit facility expiring on October 14, 2003, and two revolving credit facilities totaling \$2 billion expiring in October 2006. There were no outstanding borrowings under any of these facilities at December 31, 2002. These credit facilities support the company's \$4 billion commercial paper program. ConocoPhillips' Norwegian subsidiary has two \$300 million revolving credit facilities that expire in June 2004, under which no borrowings were outstanding as of December 31, 2002.

In addition to the bank credit facilities, ConocoPhillips sells certain credit card and trade receivables to two Qualifying Special Purpose Entities (QSPEs) in revolving-period securitization arrangements. These arrangements provide for ConocoPhillips to sell, and the QSPEs to purchase, certain receivables and for the QSPEs to then issue beneficial interests of up to \$1.5 billion to five bank-sponsored entities. At December 31, 2002 and 2001, the company had sold accounts receivable of \$1.3 billion and \$940 million, respectively. The receivables sold have been sufficiently isolated from ConocoPhillips to qualify for sales treatment. All five bank-sponsored entities are multi-seller conduits with access to the commercial paper market and purchase interests in similar receivables from numerous other companies unrelated to ConocoPhillips. ConocoPhillips has no ownership in any of the bank-sponsored entities and has no voting influence over any bank-sponsored entity's operating and financial decisions. As a result, ConocoPhillips does not consolidate any of these entities. Beneficial interests retained by ConocoPhillips in the pool of receivables held by the QSPEs are subordinate to the beneficial interests issued to the bank-sponsored entities and were measured and recorded at fair value based on the present value of future expected cash flows estimated using management's best estimates concerning the receivables performance, including credit losses and dilution discounted at a rate commensurate with the risks involved to arrive at present value. These assumptions are updated periodically based on actual credit loss experience and market interest rates. ConocoPhillips also retains servicing responsibility related to the sold receivables. The fair value of the servicing responsibility approximates adequate compensation for the servicing costs incurred. ConocoPhillips' retained interest in the sold receivables at December 31, 2002 and 2001, was \$1.3 billion and \$450 million, respectively. Under accounting principles generally accepted in the United States, the QSPEs are not consolidated by ConocoPhillips. ConocoPhillips retained interest in sold receivables is reported on the balance sheet in accounts and notes receivable. See Note 13--Sales of Receivables in the Notes to Consolidated Financial Statements for additional information.

On October 9, 2002, ConocoPhillips issued \$2 billion of senior unsecured debt securities, consisting of \$400 million 3.625% notes due 2007, \$1 billion 4.75% notes due 2012, and \$600 million 5.90% notes due 2032. The \$1,980 million net proceeds of the offering were used to reduce commercial paper, to retire Conoco's \$500 million floating rate notes due October 15, 2002, and for general corporate purposes.

Moody's Investor Service has assigned a rating of A3 on ConocoPhillips' senior long-term debt; and Standard and Poors and Fitch have assigned a rating of A-. ConocoPhillips does not have any ratings triggers on any of its corporate debt that would cause an automatic event of default in the event of a downgrade of ConocoPhillips' debt rating and thereby impacting ConocoPhillips' access to liquidity. In the event that ConocoPhillips' credit were to deteriorate to a level that would prohibit ConocoPhillips from accessing the commercial paper market, ConocoPhillips would still be able to access funds under its \$4.6 billion revolving credit facilities. Based on ConocoPhillips' year-end commercial paper balance of \$1.5 billion, ConocoPhillips had access to \$3.1 billion in borrowing capacity as of December 31, 2002, after repaying all outstanding commercial paper, which provides ample liquidity to cover any needs that its businesses may require to cover daily operations.

OTHER FINANCING AND OFF-BALANCE SHEET ARRANGEMENTS

During 1996 and 1997, ConocoPhillips formed two statutory business trusts, Phillips 66 Capital I and Phillips 66 Capital II. The company owns all of the common securities of the trusts and the trusts are consolidated by the company. The trusts exist for the sole purpose of issuing preferred securities to outside investors, and investing the proceeds thereof in an equivalent amount of subordinated debt securities of ConocoPhillips. The two trusts were established to raise funds for general corporate purposes. The subordinated debt securities of ConocoPhillips held by the trusts are eliminated in consolidation. The \$300 million of 8.24% Trust Originated Preferred Securities issued by Phillips 66 Capital Trust I became callable, at par, \$25 per share, during May 2001. On May 31, 2002, ConocoPhillips redeemed all of its outstanding subordinated debt securities held by the Trust, which triggered the redemption of the \$300 million of trust preferred securities at par value, \$25 per share. The redemption was funded by the issuance of commercial paper. The remaining \$350 million of mandatorily redeemable preferred trust securities issued by Phillips 66 Capital Trust II are mandatorily redeemable in 2037, when the subordinated debt securities of ConocoPhillips held by the trust are required to be repaid. The mandatorily redeemable preferred securities are presented in the mezzanine section of the balance sheet. See Note 17--Preferred Stock and Other Minority Interests in the Notes to Consolidated Financial Statements.

ConocoPhillips also had outstanding, at December 31, 2002, \$645 million of equity held by minority interest owners, which provide a preferred return to those minority interest holders. In 1999, Conoco formed Conoco Corporate Holdings L.P. by contributing an office building and four aircraft. The limited partner interest was sold to Highlander Investors L.L.C. for \$141 million, which represented an initial net 47 percent interest. Highlander is entitled to a cumulative annual priority return on its investment of 7.86 percent. The net minority interest in Conoco Corporate Holdings was \$141 million at December 31, 2002, and is mandatorily redeemable in 2019 or callable without penalty beginning in the fourth quarter of 2004. In 2001, Conoco and Cold Spring Finance S.a.r.l. formed Ashford Energy Capital S.A. through the contribution of cash and a Conoco subsidiary promissory note. Cold Spring Finance S.a.r.l. held a \$504 million net minority interest in Ashford Energy at December 31, 2002, and is entitled to a cumulative annual preferred return on its investment, based on three-month LIBOR rates plus 1.27 percent. The preferred return at December 31, 2002, was 2.70 percent. These minority interests are presented in the mezzanine section of the balance sheet. See Note 17--Preferred Stock and Other Minority Interests in the Notes to Consolidated Financial Statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," and later in 2003, the FASB is expected to issue Statement of Financial Accounting Standards (SFAS) No. 149, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity." The company is evaluating these new pronouncements to determine whether the amounts currently presented in the mezzanine section of the balance sheet will be required to be presented as debt or as equity

on the balance sheet. See Note 27--New Accounting Standards and Note 28--Variable Interest Entities in the Notes to Consolidated Financial Statements for more information.

The company leases ocean transport vessels, drillships, tank railcars, corporate aircraft, service stations, computers, office buildings, certain refining equipment, and other facilities and equipment. Prior to the acquisition of Tosco and the merger, the company had in place leasing arrangements for tankers, corporate aircraft and the construction of various retail marketing outlets. At December 31, 2002, approximately \$730 million had been utilized under those arrangements, which is the total capacity available. At the time the company acquired Tosco, Tosco had in place previously arranged leasing arrangements for various retail stations and two office buildings in Tempe, Arizona. At December 31, 2002, approximately \$1.3 billion had been utilized under those arrangements, which is the total capacity available. In addition, at the time of the merger, Conoco had in place leasing arrangements for certain refining equipment, two drillships, and various retail marketing outlets. At December 31, 2002, approximately \$370 million had been utilized under those arrangements.

Several of the above leasing arrangements are with special purpose entities (SPEs) that are third-party trusts established by a trustee and funded by financial institutions. Other than those leasing arrangements, ConocoPhillips has no other direct or indirect relationship with the trusts or their investors. Each SPE from which ConocoPhillips leases assets is funded by at least 3 percent substantive, unaffiliated third-party, residual equity capital investment, which is at risk during the entire term of the lease. Changes in market interest rates do have an impact on the periodic amount of lease payments. ConocoPhillips has various purchase options to acquire the leased assets from the SPEs at the end of the lease term, but those purchase options are not required to be exercised by ConocoPhillips under any circumstances. If ConocoPhillips does not exercise its purchase option on a leased asset, the company does have guaranteed residual values, which are due at the end of the lease terms, but those guaranteed amounts would be reduced by the fair market value of the leased assets returned. These various leasing arrangements meet all requirements under generally accepted accounting principles to be treated as operating leases. However, in January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which will require consolidation in July 2003 of certain SPEs that were created prior to January 31, 2003, and which are still in existence at June 15, 2003. The company is evaluating the new Interpretation to determine whether the assets and debt of the leasing arrangements would be consolidated. See Note 28--Variable Interest Entities in the Notes to Consolidated Financial Statements for more information. If the company is required to consolidate all of these entities, the assets of the entities and debt of approximately \$2.4 billion would be required to be included in the consolidated financial statements. The company's maximum exposure to loss as a result of its involvement with the entities would be the debt of the entity less the fair value of the assets at the end of the lease terms. Of the \$2.4 billion debt that would be consolidated, approximately \$1.5 billion is associated with a major portion of the company's owned retail stores that the company has announced it plans to sell. As a result of the planned divestiture, the company plans to exercise purchase option provisions during 2003 and terminate various operating leases involving approximately 900 store sites and two office buildings. In addition, see Note 4--Discontinued Operations in the Notes to Consolidated Financial Statements for details regarding the provisions for losses and penalties recorded in the fourth quarter, 2002 for the planned divestiture. Depending upon the timing of the company's exercise of these purchase options, and the determination of whether or not the lessor entities in these operating leases are variable interest entities requiring consolidation in 2003, some or all of these lessor entities could become consolidated subsidiaries of the company prior to the exercise of the purchase options and termination of the leases. See Note 14--Guarantees and Note 19--Non-Mineral Leases in the Notes to Consolidated Financial Statements.

During 2000, ConocoPhillips contributed its midstream gas gathering, processing and marketing business and its worldwide chemicals business to joint ventures with Duke Energy Corporation and ChevronTexaco Corporation, as successor to Chevron Corporation (ChevronTexaco), respectively, forming DEFS and CPChem, respectively. ConocoPhillips owns 30.3 percent of DEFS and 50 percent of CPChem, accounting for its interests in both companies using the equity method of accounting. The capital and financing programs of both of these joint-venture companies are intended to be self-funding.

DEFS supplies a substantial portion of its natural gas liquids to ConocoPhillips and CPChem under a supply agreement that continues until December 31, 2014. This purchase commitment is on an "if-produced, will-purchase" basis so it has no fixed production schedule, but has been, and is expected to be, a relatively stable purchase pattern over the term of the contract. Natural gas liquids are purchased under this agreement at various published market index prices, less transportation and fractionation fees. DEFS also purchases raw natural gas from ConocoPhillips' E&P operations.

ConocoPhillips and CPChem have multiple supply and purchase agreements in place, ranging in initial terms from four to 15 years, with extension options. These agreements cover sales and purchases of refined products, solvents, and petrochemical and natural gas liquids feedstocks, as well as fuel oils and gases. Delivery quantities vary by product, ranging from zero to 100 percent of production capacity at a particular refinery, most at the buyer's option. All products are purchased and sold under specified pricing formulas based on various published pricing indexes, consistent with terms extended to third-party customers.

In the second quarter of 2001, ConocoPhillips and its co-venturers in the Hamaca project secured approximately \$1.1 billion in a joint debt financing for their heavy-crude oil project in Venezuela. The Export-Import Bank of the United States provided a guarantee supporting a 17-year-term \$628 million bank facility. The joint venture also arranged a \$470 million 14-year-term commercial bank facility for the project. Total debt of \$947 million was outstanding under these credit facilities at December 31, 2002. ConocoPhillips, through the joint venture, holds a 40 percent interest in the Hamaca project, which is operated on behalf of the co-venturers by Petrolera Ameriven. The proceeds of these joint financings are being used to partially fund the development of the heavy-oil field and the construction of pipelines and a heavy-oil upgrader. The remaining necessary funding will be provided by capital contributions from the co-venturers on a pro rata basis to the extent necessary to successfully complete construction. Once completion certification is achieved, the joint project financings will become non-recourse with respect to the co-venturers and the lenders under those facilities can then look only to the Hamaca project's cash flows for payment.

MSLP is a limited partnership in which ConocoPhillips and PDVSA each own an indirect 50 percent interest. During 1999, MSLP issued \$350 million of 8.85 percent bonds due 2019 that ConocoPhillips and PDVSA are joint-and-severally liable for under a construction completion guarantee. The bond proceeds were used to fund construction of a coker, vacuum unit and related facilities at the ConocoPhillips Sweeny refinery plus certain improvements to existing facilities at the same location. MSLP owns and operates the coker and vacuum unit and, in the third quarter of 2000, began processing long residue produced from the Venezuelan Merey crude oil delivered under a supply agreement that ConocoPhillips has with PDVSA. MSLP charges ConocoPhillips a fee to process the long residue through the vacuum unit and coker. This is the partnership's primary source of revenue. If completion certification is not attained by 2004, the full debt is due. Upon completion certification, the 8.85 percent bonds become non-recourse to the two MSLP partners and the bondholders can then look only to MSLP cash flows for payment.

ConocoPhillips purchased the improvements to existing facilities from MSLP for a price equal to the cost of construction and MSLP provided seller financing. Terms of financing provide for 240 monthly payments of principal and interest commencing September 2000 with interest accruing at a 7 percent annual rate. The principal balance due on the seller financing was \$131 million at December 31, 2002, and is included as long-term debt in ConocoPhillips' balance sheet. MSLP pays a monthly access fee to ConocoPhillips for the use of the improvements to the refinery. The access fee equals the monthly principal and interest paid by ConocoPhillips to purchase the improvements from MSLP. To the extent the access fee is not paid by MSLP, ConocoPhillips is not obligated to make payments for the improvements.

During the first quarter of 2002, MSLP issued \$25 million of tax-exempt bonds due 2021. This issuance, combined with similar bonds MSLP issued in 1998, 2000, and 2001, bring the total outstanding to \$100 million. As a result of the company's support as a primary obligor of a 50 percent share of these MSLP financings, \$50 million and \$38 million of long-term debt is included in ConocoPhillips' balance sheet at December 31, 2002, and December 31, 2001, respectively.

ConocoPhillips has transactions with many unconsolidated affiliates. Equity affiliate sales and services to ConocoPhillips amounted to \$1,545 million in 2002, \$1,110 million in 2001 and \$1,347 million in 2000. Equity affiliate purchases from ConocoPhillips totaled \$1,554 million in 2002, \$935 million in 2001 and \$1,573 million in 2000. These agreements were not the result of arms-length negotiations. However, ConocoPhillips believes that these contracts are generally at values that are similar to those that could be negotiated with independent third parties.

CAPITAL REQUIREMENTS

For information about ConocoPhillips' capital expenditures and investments, see "Capital Spending" below.

During 2002 and January 2003, ConocoPhillips redeemed the following notes and funded the redemptions with commercial paper:

- o its \$250 million 8.86% notes due May 15, 2022, at 104.43 percent;
- o its \$171 million 7.443% senior unsecured notes due 2004;
- o its \$250 million 8.49% notes due January 1, 2023, at 104.245 percent; and
- o its \$181 million SRW Cogeneration Limited Partnership note.

In addition, in April 2003, ConocoPhillips plans to redeem its \$250 million 7.92% notes due in 2023 at 103.96 percent.

The following table summarizes the maturities of the drawn balances of the company's various debt instruments, as well as other non-cancelable, fixed or minimum, contractual commitments, as of December 31, 2002:

Debt and other non-cancelable cash commitments	Millions of Dollars				
	Payments Due by Period				
	Total	Up to 1 Year	2-3 Years	4-5 Years	After 5 Years
Total debt*	\$ 19,766	849	2,667	3,827	12,423
Mandatorily redeemable other minority interests and preferred securities	491	--	--	--	491
Operating leases					
Minimum rental payments**	4,101	649	1,025	792	1,635
Sublease offsets	(641)	(129)	(165)	(83)	(264)
Unconditional throughput and processing fee and purchase commitments***	3,785	438	760	598	1,989

*Includes net unamortized premiums and discounts.

**Excludes \$383 million in lease commitments that begin upon delivery of five crude oil tankers currently under construction. Delivery is expected in the third and fourth quarters of 2003.

***Represents non-market purchase commitments and obligations to transfer funds in the future for fixed or minimum amounts at fixed or minimum prices under various throughput or tolling agreements.

In addition to the above contractual commitments, the company has various guarantees that have the potential for requiring cash outflows resulting from a contingent event that could require company performance pursuant to a funding commitment to a third or related party. See Note 14--Guarantees in the Notes to Consolidated Financial Statements for additional details. The following table summarizes the potential amounts and remaining time frames of these direct and indirect guarantees, as of December 31, 2002.

Direct and indirect guarantees	Millions of Dollars				
	Amount of Expected Guarantee Expiration Per Period				
	Total	Up to 1 Year	2-3 Years	4-5 Years	After 5 Years
Construction completion guarantees*	\$ 859	418	441	--	--
Guaranteed residual values on leases**	1,821	196	1,046	145	434
Guarantees of joint-venture debt***	355	54	74	8	219
Other guarantees and indemnifications****	662	121	141	37	363

*Amounts represent ConocoPhillips' maximum future potential payments under construction completion guarantees for debt and bond financing arrangements secured by the Hamaca and Mery Sweeny joint-venture projects in Venezuela and Texas, respectively. The debt is non-recourse to ConocoPhillips upon completion certification of the projects. Figures in the table represent maximum amount due under the guarantee in the event completion certification is not achieved. The Mery Sweeny debt is joint-and-several and included at its gross amount.

**Represents maximum additional amounts that would be due at the end of the term of certain operating leases if the fair value of the leased property was less than the guaranteed amount. See Note 19--Non-Mineral Leases in the Notes to Consolidated Financial Statements.

***Represents amount of obligations directly guaranteed by the company in the event a guaranteed joint venture does not perform.

****Represents Mery Sweeny, L.P. agreement requirement to pay cash calls as required to meet minimum operating requirements of the venture, in the event revenues do not cover expenses over the next 18 years. Also includes certain potential payments related to two drillships, two LNG vessels, dealer and jobber loan guarantees to support the company's marketing business, a guarantee supporting a lease assignment on a corporate aircraft and guarantees of lease payment obligations for a joint venture. The maximum amount of future payments under tax and general indemnifications from normal ongoing operations is indeterminable.

CAPITAL SPENDING

CAPITAL EXPENDITURES AND INVESTMENTS

Millions of Dollars				
	2003 Budget	2002	2001	2000**
EP				
United States-Alaska	\$ 704	706	965	538
United States-Lower 48	780	499	389	413
International	3,433	2,071	1,162	726
	4,917	3,276	2,516	1,677

Midstream	23	5	--	17

RM				
United States	881	676	423	217
International	250	164	5	--
	1,131	840	428	217

Chemicals	--	60	6	67
Emerging Businesses	248	122	--	--
Corporate and Other*	173	85	66	39
	\$6,492	4,388	3,016	2,017
=====				
United States	\$2,630	2,043	1,849	1,264
International	3,862	2,345	1,167	753
	\$6,492	4,388	3,016	2,017
=====				
Discontinued operations	\$ 60	97	69	5

*Excludes discontinued operations.

**Excludes the Alaskan acquisition.

ConocoPhillips' capital spending for continuing operations for the three-year period ending December 31, 2002, totaled \$9.4 billion, excluding the purchase of ARCO's Alaskan businesses in 2000. The company's spending was primarily focused on the growth of its E&P business, with more than 79 percent of total spending for continuing operations in this segment. On March 31, 2000, ConocoPhillips contributed the gas gathering, processing and marketing portion of its then Midstream business to DEFS. On July 1, 2000, ConocoPhillips contributed its Chemicals business to CPChem. The capital programs of these joint-venture companies are intended to be self-funding.

Including approximately \$400 million in capitalized interest and \$200 million that will be funded by minority interests in the Bayu-Undan gas export project, ConocoPhillips' Board of Directors (Board) has approved \$6.5 billion for capital projects and investments for continuing operations in 2003, a 48 percent increase over 2002 capital spending of \$4.4 billion. The company plans to direct approximately 75 percent of its 2003 capital budget to E&P and about 17 percent to R&M. The remaining budget will be allocated toward emerging businesses, mainly power generation, and general corporate purposes, with a significant majority related to global integration of systems. Forty-one percent of the budget is targeted for projects in the United States. In addition to the above budget, ConocoPhillips expects to spend about \$300 million to exercise purchase options for retail stores and office buildings, which are currently within various lease arrangements.

Capital spending for continuing operations for E&P during the three-year period ending December 31, 2002, totaled \$7.5 billion. The expenditures over the three-year period supported several key exploration and development projects including:

- o National Petroleum Reserve--Alaska (NPR-A) and satellite field prospects on Alaska's North Slope;
- o the Hamaca heavy-oil project in Venezuela's Orinoco Oil Belt;
- o the Peng Lai 19-3 discovery in China's Bohai Bay and additional Bohai Bay appraisal and satellite field prospects;
- o the Kashagan field in the north Caspian Sea, offshore Kazakhstan;
- o the Jade, Clair and CMS3 developments in the United Kingdom;
- o the Bayu-Undan gas recycle project in the Timor Sea;
- o acquisition of deepwater exploratory interests in Angola, Nigeria, Brazil, and the U.S. Gulf of Mexico;
- o fields in Vietnam;
- o Canadian conventional oil and gas projects, as well as expansion of the Syncrude project; and
- o fields in Indonesia.

Capital expenditures for construction of the Endeavour Class tankers and an additional interest in the Trans-Alaska Pipeline System were also included in the E&P segment.

ConocoPhillips has contracted to build, for approximately \$200 million each, five double-hulled Endeavour Class tankers for use in transporting Alaskan crude oil to the U.S. West Coast. During 2001, the Polar Endeavour, the first Endeavour Class tanker, entered service. The second tanker, the Polar Resolution, entered service in May 2002. The third tanker, the Polar Discovery, was christened on April 13, 2002, and is expected to enter service in 2003. ConocoPhillips expects to add a new Endeavour Class tanker to its fleet each year through 2005, allowing the company to retire older ships and cancel non-operated charters.

In 2002, the company and its co-venturers drilled or participated in 69 development wells at the Alaska Prudhoe Bay field. Also, new equipment was added to increase the efficiency of the field's existing water flood. At the Kuparuk field, 14 new development wells were added, and the Drill Site 3S (Palm) was installed earlier in the year. Production at Palm began in the fourth quarter. At Alpine, nine new development wells were added. Other capital spending at Alpine included facility improvements.

During the fourth quarter of 2001, heavy-crude-oil production began from the Hamaca project in Venezuela's Orinoco Oil Belt. Construction of an upgrader to convert heavy crude into a 26-degree API synthetic crude continues. Completion of the upgrader is expected in 2004. ConocoPhillips owns a

40 percent equity interest in the Hamaca project. ConocoPhillips' other heavy-oil project, Petrozuata, incurred no significant capital expenditures in 2002. In addition to the Hamaca development and Petrozuata, ConocoPhillips submitted a Declaration of Commerciality to the Venezuelan government on the Corocoro oil discovery in the fourth quarter of 2002. Development approval is expected in the first half of 2003, with expenditures to follow later in the year.

In 2002, development activities continued on the company's Peng Lai 19-3 discovery in Block 11/05 in China's Bohai Bay with production beginning late in the fourth quarter of 2002. Technical design activities for the second phase of development continued during 2002.

In 2002, ConocoPhillips and its co-venturers, in conjunction with the government of the Republic of Kazakhstan, declared the Kashagan field on the Kazakhstan shelf in the north Caspian Sea to be commercial. This declaration of commerciality enabled preparation of a development plan for the field. Drilling of the first of five planned appraisal wells was successfully completed in early 2002. Evaluation of test results continues on the second and third wells, drilling operations continue on the fourth, and testing continues on the fifth of these appraisal wells. In May 2002, ConocoPhillips, along with the other remaining co-venturers, completed the acquisition of proportionate interests of other co-venturers rights, which increased ConocoPhillips' ownership interest from 7.14 percent to 8.33 percent. In October 2002, ConocoPhillips and its co-venturers announced a new hydrocarbon discovery in the Kazakhstan sector of the Caspian Sea. An initial test well, the Kalamkas-1, flowed oil. This well is located adjacent to the Kashagan field.

In 2002, development of ConocoPhillips' Jade field, in the U.K. sector of the North Sea, continued with first production occurring in February 2002. A second production well was successfully drilled and began producing during the second quarter of 2002. In the second half of the year, two more production wells were completed and began producing. ConocoPhillips is the operator and holds a 32.5 percent interest in Jade. An exploration well was spudded late in 2002 and drilling operations are continuing into 2003.

In September 2002, ConocoPhillips began production from the Hawksley field in the southern sector of the U.K. North Sea. The Hawksley discovery well, 44/17a-6y, was completed in July 2002 in one of five natural gas reservoirs currently being developed by ConocoPhillips as a single, unitized project. The other reservoirs are McAdam, Murdoch K, Boulton, and Watt. Collectively, they are known as CMS3 due to their utilization of the production and transportation facilities of the ConocoPhillips-operated Caister Murdoch system (CMS). ConocoPhillips is the operator of CMS3 and holds a 59.5 percent interest.

ConocoPhillips' \$1.9 billion gross Bayu-Undan gas-recycle project activities continued in the Timor Sea during 2002. This involved the drilling of future production wells from the wellhead platform and the installation of the platform jackets and all in-field flowlines. Fabrication and assembly of two large platform decks continues in Korea, as does work on the multi-product floating, storage and offtake vessel (FSO). At year-end, the project was approximately 69 percent complete. During mid-2003, the decks and FSO will be installed with first gas and commissioning commencing in the third quarter of 2003. Liquid sales will commence in early 2004 with production ramp-up occurring during the first six months of 2004. Activity associated with the Bayu-Undan gas export project, including a pipeline to Darwin and a liquefied natural gas plant, currently is focused on preparation of approval documentation and project design. Construction is expected to start in early 2003, following the Timor Sea Treaty ratification by Australia. ConocoPhillips' direct interest in the unitized Bayu-Undan field was 55.9 percent at year-end 2002. A further 8.25 percent interest was held through Petroz N.L., in which the company had an 89.7 percent stock ownership at year-end. ConocoPhillips has effective voting control over the pipeline and liquefied natural gas plant component of the gas export project and thus plans to consolidate that part of the Bayu-Undan project and present the other venturers as minority interests.

In 2002, ConocoPhillips continued pursuing the goal of increasing its presence in high-potential deepwater areas. ConocoPhillips was the high bidder in the central Gulf of Mexico sale for the Lorien prospect located in Green Canyon Block 199 and was officially awarded the block in 2002. In Brazil, ConocoPhillips acquired joint-venture partners for its two deepwater blocks and purchased additional seismic data. Plans for 2003 include the purchase of additional seismic data and the further evaluation of the two blocks' prospects. In May 2002, initial results showed that the first exploratory well drilled in Block 34, offshore Angola, was a dry hole. In view of this information, ConocoPhillips reassessed the fair value of the remainder of the block and determined that its investment in the block was impaired by \$77 million, both before- and after-tax. Further technical analysis of the results of this first well continues. The second of three commitment wells in this block is scheduled for drilling in 2003.

ConocoPhillips entered into a production sharing contract on Oil Prospecting Lease (OPL) 318, deepwater Nigeria, on June 14, 2002, where ConocoPhillips is operator with 50 percent interest. The acquisition of 3-D seismic data on OPL 318 is planned to begin in 2003, with the first exploratory well expected to be drilled in the fourth quarter of 2004.

In the third quarter of 2002, production began from two new wellhead platforms in the Block 15-2 Rang Dong field in Vietnam. These additional platforms increased production from the field from under 6,800 to over 12,400 net barrels per day at year-end 2002.

In Canada, total capital expended in 2002 was \$136 million. Capital spending for conventional oil and gas properties was \$75 million and Syncrude expansion continued with \$54 million expended. In addition, the Mackenzie Delta/Parson's Lake project efforts focused on gaining pipeline regulatory approval and acquiring seismic data.

ConocoPhillips continued with the development of key gas fields in the Natuna Sea in Indonesia. Total spending on Block B gas development in the last four months of 2002 was \$101 million, including investment in the Belanak floating, production, storage and offtake vessel and wellhead platform, plus wells and pipeline infrastructure required for the newly commenced gas sales to Petronas Malaysia.

ConocoPhillips acquired a 14 percent interest in PT Transportasi Gas Indonesia (TGI) in 2002. The primary assets of TGI are the Grissik-Duri pipeline, which has been in operation since 1998, and the Grissik-Singapore pipeline that is currently under construction with a completion date expected in late 2003. Total funding in 2002 was \$54 million, which includes acquisition cost and capital expenditures.

Other capital spending for E&P during the three year-period ended December 31, 2002, supported:

- o the Eldfisk waterflood development in Norway;
- o the acquisition and development of coalbed-methane and conventional gas prospects and producing properties in the U.S. Lower 48; and
- o North Sea prospects in the U.K. and Norwegian sectors, plus other Atlantic Margin wells in the United Kingdom, Greenland and the Faroe Islands.

2003 Capital Budget

E&P's 2003 capital budget for continuing operations is \$4.9 billion, 50 percent higher than actual expenditures in 2002. Thirty percent of E&P's 2003 capital budget is planned for the United States. Of that, 47 percent is slated for Alaska.

ConocoPhillips has budgeted \$461 million for worldwide exploration capital activities in 2003, with 28 percent of that amount, \$131 million allocated for the United States. More than \$41 million of the U.S. total will be directed toward the exploration program in Alaska, where wells are planned in the NPR-A and other locations on the North Slope. Outside the United States, significant exploration expenditures are planned in Kazakhstan, Venezuela, the United Kingdom and Norway.

The company plans to spend about \$700 million in 2003 for its Alaskan operations. Large capital projects include the ongoing construction of three Endeavour Class tankers; development of the Meltwater, Palm and West Sak fields in the Greater Kuparuk area; development of the Borealis field in the Greater Prudhoe Bay area; as well as the exploratory activity discussed above.

In the Lower 48, capital expenditures will be focused on exploration and continued development of the company's acreage positions in the deepwater Gulf of Mexico, South Texas, the San Juan Basin, the Permian Basin, and the Texas Panhandle. Major deepwater developments include Magnolia, K2, and the Princess fields, while exploration continues using the drillship Pathfinder.

E&P is directing \$3.4 billion of its 2003 capital budget to international projects. The majority of these funds will be directed to developing major long-term projects, including the Bayu-Undan liquids development and gas-recycling project in the Timor Sea, the Hamaca heavy-oil project and Corocoro development in Venezuela, additional development of oil and gas reserves in offshore Block B and onshore South Sumatra blocks in Indonesia, Blocks 15-1 and 15-2 in Vietnam, and Bohai Bay in China. In addition, funds will be used to expand the company's positions in the U.K. and Norwegian sectors of the North Sea, Syncrude operations in western Canada and to develop the Surmont heavy-oil project in Canada, and the Kashagan field in the Caspian Sea.

Costs incurred for the years ended December 31, 2002, 2001, and 2000, relating to the development of proved undeveloped oil and gas reserves were \$1,631 million, \$1,423 million, and \$857 million, respectively. As of December 31, 2002, estimated future development costs relating to the development of proved undeveloped oil and gas reserves for the years 2003 through 2005 were projected to be \$1,815 million, \$939 million, and \$539 million, respectively.

R&M

Capital spending for continuing operations for R&M during the three-year period ending December 31, 2002, was primarily for refinery-upgrade projects to improve product yields, to meet new environmental standards, to improve the operating integrity of key processing units, and to install advanced process control technology, as well as for safety projects.

Key significant projects during the three-year period included:

- o construction of a polypropylene plant at the Bayway refinery in New Jersey;
- o construction on a fluid catalytic cracking (FCC) unit at the Ferndale, Washington, refinery;

- o expansion of the alkylation unit at the Los Angeles refinery;
- o completion of a coker and continuous catalytic reformer at the company's Sweeny, Texas, refinery;
- o capacity expansion and debottlenecking projects at the Borger, Texas, refinery;
- o completion of a commercial S Zorb Sulfur Removal Technology (S Zorb) unit at the Borger refinery;
- o an expansion of capacity in the Seaway crude-oil pipeline; and
- o installation of advanced central control buildings and technologies at the Sweeny and Borger facilities.

Total capital spending for continuing operations for R&M for the three-year period was \$1.5 billion, representing approximately 16 percent of ConocoPhillips' total capital spending for continuing operations.

During 2002, construction continued on two major projects: a polypropylene plant at the Bayway refinery in Linden, New Jersey, and an FCC unit at the Ferndale, Washington, refinery. The Bayway polypropylene plant will utilize propylene feedstock from the Bayway refinery to make up to 775 million pounds per year of polypropylene. The plant became operational in March 2003. The FCC unit at Ferndale is expected to be fully operational in the second quarter of 2003 and will enable the refinery to significantly improve gasoline production per barrel of crude input.

In 2002, ConocoPhillips made investments to improve its ability to meet regulatory "clean fuels" requirements throughout its refining system. The company plans to spend approximately \$400 million per year for the next two years on clean fuels projects in the United States and already is well ahead of regulatory mandates for producing clean fuel in Europe. In 2002, ConocoPhillips completed a large continuous pilot plant demonstrating S Zorb for diesel, began construction of an S Zorb gasoline unit at its Ferndale, Washington, refinery, and announced its sixth licensing agreement for the use of S Zorb for gasoline and second licensing agreement for the use of S Zorb for diesel. The S Zorb process significantly reduces sulfur content in gasoline or diesel fuel for meeting new government regulations.

In 2002, a major expansion of the alkylation unit at the Los Angeles refinery was completed and as a result, production of non-MTBE (methyl tertiary-butyl ether) gasoline has increased.

2003 Capital Budget

R&M's 2003 capital budget for continuing operations is \$1.1 billion, a 35 percent increase over spending of \$840 million in 2002. Domestic spending is expected to consume about 80 percent of the R&M budget.

The company plans to direct about \$750 million of the R&M capital budget to domestic refining, of which about 45 percent of the expenditures are related to clean fuels, safety and environmental projects. Domestic marketing, transportation and specialty businesses expect to spend about \$130 million, with the remaining budget to fund projects in the company's international refining and marketing businesses in Europe and the Asia-Pacific region.

EMERGING BUSINESSES

Capital spending for Emerging Businesses during 2002 was primarily for construction of the Immingham combined heat and power cogeneration plant near the company's Humber refinery in the United Kingdom. Additional investments were made at a domestic power plant in Orange, Texas, and at the company's carbon fibers plant in Ponca City, Oklahoma.

Emerging Businesses' 2003 capital budget of \$248 million is primarily dedicated to the continued construction of the Immingham combined heat and power cogeneration plant.

CONTINGENCIES

LEGAL AND TAX MATTERS

ConocoPhillips accrues for contingencies when a loss is probable and the amounts can be reasonably estimated. Based on currently available information, the company believes that 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 the company's financial statements.

All significant litigation arising from the June 23, 1999, flash fire that occurred in a reactor vessel at the K-Resin styrene-butadiene copolymer (SBC) plant at the Houston Chemical Complex has now been resolved.

On March 27, 2000, an explosion and fire occurred at the K-Resin SBC plant due to the overpressurization of an out-of-service butadiene storage tank. One employee was killed and several individuals, including employees of both ConocoPhillips and its contractors, were injured. Additionally, individuals who were allegedly in the area of the Houston Chemical Complex at the time of the incident have claimed they suffered various personal injuries due to exposure to the event. The wrongful death claim and the claims of the most seriously injured workers have been resolved. Currently, there are eight lawsuits pending on behalf of approximately 100 primary plaintiffs. Under the indemnification provisions of subcontracting agreements with Zachry and Brock Maintenance, Inc., ConocoPhillips sought indemnification from these subcontractors with respect to claims made by their employees. Although that plant was contributed to CPChem under the Contribution Agreement, ConocoPhillips retains liability for damages arising out of the incident.

ENVIRONMENTAL

ConocoPhillips and each of its various businesses are subject to the same numerous international, federal, state, and local environmental laws and regulations as are other companies in the petroleum exploration and production; and refining, marketing and transportation of crude oil and refined products businesses. The most significant of these environmental laws and regulations include, among others, the:

- o Federal Clean Air Act, which governs air emissions;
- o Federal Clean Water Act, which governs discharges to water bodies;
- o Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), which imposes liability on generators, transporters, and arrangers of hazardous substances at sites where hazardous substance releases have occurred or are threatened to occur;

- o Federal Resource Conservation and Recovery Act (RCRA), which governs the treatment, storage, and disposal of solid waste;
- o Federal Oil Pollution Act of 1990 (OPA90) under which owners and operators of onshore facilities and pipelines, lessees or permittees of an area in which an offshore facility is located, and owners and operators of vessels are liable for removal costs and damages that result from a discharge of oil into navigable waters of the United States;
- o Federal Emergency Planning and Community Right-to-Know Act (EPCRA) which requires facilities to report toxic chemical inventories with local emergency planning committees and responses departments;
- o Federal Safe Drinking Water Act which governs the disposal of wastewater in underground injections wells; and
- o U.S. Department of the Interior regulations, which relate to offshore oil and gas operations in U.S. waters and impose liability for the cost of pollution cleanup resulting from the lessee's operations and potential liability for pollution damages.

These laws and their implementing regulations set limits on emissions and, in the case of discharges to water, establish water quality limits. They also, in most cases, require permits in association with new or modified operations. These permits can require an applicant to collect substantial information in connection with the application process, which can be expensive and time-consuming. In addition, there can be delays associated with notice and comment periods and the agency's processing of the application. Many of the delays associated with the permitting process are beyond the control of the applicant.

Many states and foreign countries where ConocoPhillips operates also have, or are developing, similar environmental laws and regulations governing the same types of activities. While similar, in some cases these regulations may impose additional, or more stringent, requirements that can add to the cost and difficulty of marketing or transporting products across state and international borders.

The ultimate financial impact arising from environmental laws and regulations is neither clearly known nor easily determinable as new standards, such as air emission standards, water quality standards and stricter fuel regulations, continue to evolve. However, environmental laws and regulations are expected to continue to have an increasing impact on ConocoPhillips' operations in the United States and in most of the countries in which the company operates. Notable areas of potential impacts include air emission compliance and remediation obligations in the United States. Under the Clean Air Act, the EPA has promulgated a number of stringent limits on air emissions and established a federally mandated operating permit program. Violations of the Clean Air Act are enforceable with civil and criminal sanctions.

The EPA has also promulgated specific rules governing the sulfur content of gasoline, known generically as the "Tier II Sulfur Rules," which become applicable to ConocoPhillips' gasoline as early as 2004. The company is implementing a compliance strategy for meeting the requirements, including the use of ConocoPhillips' proprietary technology known as S Zorb. The company expects to use a combination of technologies to achieve compliance with these rules and has made preliminary estimates of its cost of compliance. These costs will be included in future budgeting for refinery compliance. The EPA has also promulgated sulfur content rules for highway diesel fuel that become applicable in 2006. ConocoPhillips is currently developing and testing an S Zorb system for removing sulfur from diesel fuel. It is anticipated that S Zorb will be used as part of ConocoPhillips' strategy for complying with these rules. Because the company is still evaluating and developing capital strategies for compliance with the rule, ConocoPhillips cannot provide precise cost estimates at this time, but will do so and report these compliance costs as required by law.

Additional areas of potential air-related impacts to ConocoPhillips are the proposed revisions to the National Ambient Air Quality Standards (NAAQS) and the Kyoto Protocol. In July 1997, the EPA promulgated more stringent revisions to the NAAQS for ozone and particulate matter. Since that time, final adoption of these revisions has been the subject of litigation (American Trucking Association, Inc. et al. v. United States Environmental Protection Agency) that eventually reached the U.S. Supreme Court during fall 2000. In February 2001, the U.S. Supreme Court remanded this matter, in part, to the EPA to address the implementation provisions relating to the revised ozone NAAQS. If adopted, the revised NAAQS could result in substantial future environmental expenditures for ConocoPhillips.

In 1997, an international conference on global warming concluded an agreement, known as the Kyoto Protocol, which called for reductions of certain emissions that contribute to increases in atmospheric greenhouse gas concentrations. The United States has not ratified the treaty codifying the Kyoto Protocol but may in the future. In addition, other countries where ConocoPhillips has interests, or may have interests in the future, have made commitments to the Kyoto Protocol and are in various stages of formulating applicable regulations. It is not, however, possible to accurately estimate the costs that could be incurred by ConocoPhillips to comply with such regulations, but such expenditures could be substantial.

ConocoPhillips also is subject to certain laws and regulations relating to environmental remediation obligations associated with current and past operations. Such laws and regulations include CERCLA and RCRA and their state equivalents. Remediation obligations include cleanup responsibility arising from petroleum releases from underground storage tanks located at numerous past and present ConocoPhillips owned and/or operated petroleum-marketing outlets throughout the United States. Federal and state laws require that contamination caused by such underground storage tank releases be assessed and remediated to meet applicable standards. In addition to other cleanup standards, many states have adopted cleanup criteria for MTBE for both soil and groundwater. MTBE standards continue to evolve, and future environmental expenditures associated with the remediation of MTBE-contaminated underground storage tank sites could be substantial.

RCRA requires permitted facilities to undertake an assessment of environmental conditions at the facility. If conditions warrant, ConocoPhillips may be required to remediate contamination caused by prior operations. In contrast to CERCLA, which is often referred to as "Superfund," the cost of corrective action activities under the RCRA corrective action program typically is borne solely by ConocoPhillips. Over the next decade, ConocoPhillips anticipates that significant ongoing expenditures for RCRA remediation activities may be required, but such annual expenditures for the near term are not expected to vary significantly from the range of such expenditures the company has experienced over the past few years. Longer term, expenditures are subject to considerable uncertainty and may fluctuate significantly.

ConocoPhillips from time to time receives requests for information or notices of potential liability from the EPA and state environmental agencies alleging that we are a potentially responsible party under CERCLA or an equivalent state statute. On occasion, ConocoPhillips also has been made a party to cost recovery litigation by those agencies or by private parties. These requests, notices and lawsuits assert potential liability for remediation costs at various sites that typically are not owned by ConocoPhillips but allegedly contain wastes attributable to the company's past operations. As of December 31, 2001, the company reported it had been notified of potential liability under CERCLA at 29 sites around the United States. The company also had been notified of potential liability under comparable state laws at 11 sites around the United States. At August 30, 2002, the date of the merger, Conoco had been notified of potential liability under CERCLA and comparable state laws at 24 sites around the United States. At seven of these sites, both Conoco and the company had been notified of potential liability. The resulting total for ConocoPhillips was 57 sites. At December 31, 2002, ConocoPhillips had resolved three of these

sites and received four new notices of potential liability, leaving approximately 58 sites where ConocoPhillips has been notified of potential liability.

For most Superfund sites, ConocoPhillips' potential liability will be significantly less than the total site remediation costs because the percentage of waste attributable to ConocoPhillips versus that attributable to all other potentially responsible parties is relatively low. Although liability of those potentially responsible is generally joint and several for federal sites and frequently so for state sites, other potentially responsible parties at sites where ConocoPhillips is a party typically have had the financial strength to meet their obligations, and where they have not, or where potentially responsible parties could not be located, ConocoPhillips' share of liability has not increased materially. Many of the sites at which the company is potentially responsible are still under investigation by the EPA or the state agencies concerned. Prior to actual cleanup, those potentially responsible normally assess site conditions, apportion responsibility and determine the appropriate remediation. In some instances, ConocoPhillips may have no liability or attain a settlement of liability. Actual cleanup costs generally occur after the parties obtain EPA or equivalent state agency approval. There are relatively few sites where ConocoPhillips is a major participant, and neither the cost to ConocoPhillips of remediation at those sites nor such cost at all CERCLA sites in the aggregate is expected to have a material adverse effect on the competitive or financial condition of ConocoPhillips.

Expensed environmental costs were \$546 million in 2002 and are expected to be approximately \$687 million in 2003 and \$717 million in 2004. Capitalized environmental costs were \$325 million in 2002 and are expected to be approximately \$638 million and \$718 million in 2003 and 2004, respectively.

Remediation Accruals

ConocoPhillips accrues for remediation activities when it is probable that a liability has been incurred and reasonable estimates of the liability can be made. These accrued liabilities are not reduced for potential recoveries from insurers or other third parties and are not discounted (except, if assumed in a purchase business combination, such costs are recorded on a discounted basis). Many of these liabilities result from CERCLA, RCRA and similar state laws that require the company to undertake certain investigative and remedial activities at sites where it conducts, or once conducted, operations or at sites where ConocoPhillips-generated waste was disposed. The accrual also includes a number of sites identified by ConocoPhillips that may require environmental remediation, but which are not currently the subject of CERCLA, RCRA or state enforcement activities. If applicable, undiscounted receivables are accrued for probable insurance or other third-party recoveries. In the future, ConocoPhillips may incur significant costs under both CERCLA and RCRA. Considerable uncertainty exists with respect to these costs, and under adverse changes in circumstances, potential liability may exceed amounts accrued as of December 31, 2002.

Remediation activities vary substantially in duration and cost from site to site, depending on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, and the presence or absence of potentially liable third parties. Therefore, it is difficult to develop reasonable estimates of future site remediation costs.

At December 31, 2002, ConocoPhillips' balance sheet included a total environmental accrual of \$743 million, compared with \$439 million at December 31, 2001, an increase of \$304 million, primarily resulting from the merger. The majority of these expenditures are expected to be incurred within the next 30 years.

Notwithstanding any of the foregoing and as with other companies engaged in similar businesses, environmental costs and liabilities are inherent in ConocoPhillips' operations and products, and there can be no assurance that material costs and liabilities will not be incurred. However, ConocoPhillips currently

does not expect any material adverse effect upon its results of operations or financial position as a result of compliance with environmental laws and regulations.

OTHER

ConocoPhillips has deferred tax assets related to certain accrued liabilities, alternative minimum tax credits, and loss carryforwards. Valuation allowances have been established for certain foreign and state net operating loss carryforwards that reduce deferred tax assets to an amount that will, more likely than not, be realized. Uncertainties that may affect the realization of these assets include tax law changes and the future level of product prices and costs. Based on the company's historical taxable income, its expectations for the future, and available tax-planning strategies, management expects that the net deferred tax assets will be realized as offsets to reversing deferred tax liabilities and as reductions in future taxable income. The alternative minimum tax credit can be carried forward indefinitely to reduce the company's regular tax liability.

NEW ACCOUNTING STANDARDS

There are a number of new FASB Statements of Financial Accounting Standards (SFAS) and Interpretations that ConocoPhillips implemented either in December 2002 or January 2003, as required: SFAS No. 143, "Accounting for Asset Retirement Obligations;" SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections;" SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities;" SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure;" Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others;" and Interpretation No. 46, "Consolidation of Variable Interest Entities." In addition, in 2003, the FASB is expected to issue SFAS No. 149, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity." For additional information about these, see Note 27--New Accounting Standards in the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. See Note 1--Accounting Policies in the Notes to Consolidated Financial Statements for descriptions of the company's major accounting policies. Certain of these accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used.

OIL AND GAS ACCOUNTING

Accounting for oil and gas exploratory activity is subject to special accounting rules that are unique to the oil and gas industry. The acquisition of geological and geophysical seismic information, prior to the discovery of proved reserves, is expensed as incurred, similar to accounting for research and development costs. However, leasehold acquisition costs and exploratory well costs are capitalized on the balance sheet, pending determination of whether proved oil and gas reserves have been discovered on the prospect.

Property Acquisition Costs

For individually significant leaseholds, management periodically assesses for impairment based on exploration and drilling efforts to date. For leasehold acquisition costs that individually are relatively small, management exercises judgment and determines a percentage probability that the prospect ultimately will fail to find proved oil and gas reserves and pools that leasehold information with others in the geographic area. For prospects in areas that have had limited, or no, previous exploratory drilling, the percentage probability of ultimate failure is normally judged to be quite high. This judgmental percentage is multiplied by the leasehold acquisition cost, and that product is divided by the contractual period of the leasehold to determine a periodic leasehold impairment charge that is reported in exploration expense. This judgmental probability percentage is reassessed and adjusted throughout the contractual period of the leasehold based on favorable or unfavorable exploratory activity on the leasehold or on adjacent leaseholds, and leasehold impairment amortization expense is adjusted prospectively. By the end of the contractual period of the leasehold, the impairment probability percentage will have been adjusted to 100 percent if the leasehold is expected to be abandoned, or will have been adjusted to zero percent if there is an oil or gas discovery that is under development. See the supplemental Oil and Gas Operations disclosures about Costs Incurred and Capitalized Costs for more information about the amounts and geographic locations of costs incurred in acquisition activity, and the amounts on the balance sheet related to unproved properties.

Exploratory Costs

For exploratory wells, drilling costs are temporarily capitalized, or "suspended," on the balance sheet, pending a judgmental determination of whether potentially economic oil and gas reserves have been discovered by the drilling effort. This judgment usually is made within two months of the completion of the drilling effort, but can take longer, depending on the complexity of the geologic structure. Accounting rules require that this judgment be made at least within one year of well completion. If a judgment is made that the well did not encounter potentially economic oil and gas quantities, the well costs are expensed as a dry hole and are reported in exploration expense. Exploratory wells that are judged to have discovered potentially economic quantities of oil and gas and that are in areas where a major capital expenditure (e.g., a pipeline or offshore platform) would be required before production could begin, and where the economic viability of that major capital expenditure depends upon the successful completion of further exploratory work in the area, remain capitalized on the balance sheet as long as additional exploratory appraisal work is under way or firmly planned. For complicated offshore exploratory discoveries, it is not unusual to have exploratory wells remain suspended on the balance sheet for several years while the company performs additional appraisal drilling and seismic work on the potential oil and gas field. Unlike leasehold acquisition costs, there is no periodic impairment assessment of suspended exploratory well costs. Management continuously monitors the results of the additional appraisal drilling and seismic work and expenses the suspended well costs as dry holes when it judges that the potential field does not warrant further exploratory efforts in the near term. See the supplemental Oil and Gas Operations disclosures about Costs Incurred and Capitalized Costs for more information about the amounts and geographic locations of costs incurred in exploration activity and the amounts on the balance sheet related to unproved properties, as well as the Wells In Progress disclosure for the number and geographic location of wells not yet declared productive or dry.

Proved Oil and Gas Reserves

Engineering estimates of the quantities of recoverable oil and gas reserves in oil and gas fields are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. Despite the inherent imprecision in these engineering estimates, accounting rules require supplemental disclosure of "proved" oil and gas reserve estimates due to the importance of these estimates to better understanding the perceived value and future cash flows of a company's oil and gas operations. The judgmental estimation of proved oil and gas reserves is also important to the income statement because the proved oil and gas reserve estimate for a field serves as the

denominator in the unit-of-production calculation of depreciation, depletion and amortization of the capitalized costs for that field. There are several authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved." The company's reservoir engineering department has policies and procedures in place that are consistent with these authoritative guidelines. The company has qualified and experienced internal engineering personnel who make these estimates. Proved reserve estimates are updated annually and take into account recent production and seismic information about each field. Also, as required by authoritative guidelines, the estimated future date when a field will be permanently shut-in for economic reasons is based on an extrapolation of oil and gas prices and operating costs prevalent at the balance sheet date. This estimated date when production will end affects the amount of estimated recoverable reserves. Therefore, as prices and cost levels change from year to year, the estimate of proved reserves also changes.

Canadian Syncrude Reserves

Canadian Syncrude proven reserves cannot be measured precisely. Reserve estimates of Canadian Syncrude are based on subjective judgments involving geological and engineering assessments of in-place crude bitumen volume, the mining plan, historical extraction recovery and upgrading yield factors, installed plant operating capacity and operating approval limits. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting the bitumen and upgrading it into a light sweet crude oil. Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense.

IMPAIRMENT OF ASSETS

Long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the future cash flows expected to be generated by an asset group. If, upon review, the sum of the undiscounted pretax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. Individual assets are grouped for impairment purposes based on a judgmental assessment of the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets--generally on a field-by-field basis for exploration and production assets, at an entire complex level for downstream assets, or at a site level for retail stores. Because there usually is a lack of quoted market prices for long-lived assets, the fair value usually is based on the present values of expected future cash flows using discount rates commensurate with the risks involved in the asset group. The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of future production volumes, prices and costs, considering all available information at the date of review. See Note 10--Impairments in the Notes to Consolidated Financial Statements.

DISMANTLEMENT, REMOVAL AND ENVIRONMENTAL COSTS

Under various contracts, permits and regulations, the company has material legal obligations to remove tangible equipment and restore the land or seabed at the end of operations at production sites. The largest asset removal obligations facing ConocoPhillips involve removal and disposal of offshore oil and gas platforms around the world, and oil and gas production facilities and pipelines in Alaska. The estimated undiscounted costs, net of salvage values, of dismantling and removing these facilities are accrued, using primarily the unit-of-production method, over the productive life of the asset. Estimating the future asset removal costs necessary for this accounting calculation is difficult. Most of these removal obligations are many years in the future and the contracts and regulations often have vague descriptions of what removal practices and criteria will have to be met when the removal event actually occurs. Asset removal technologies and costs are constantly changing, as well as political, environmental, safety and public relations considerations. See Note 11--Accrued Dismantlement, Removal and Environmental Costs in the Notes to Consolidated Financial Statements.

BUSINESS ACQUISITIONS

Purchase Price Allocation

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. The most difficult estimations of individual fair values are those involving properties, plants and equipment and identifiable intangible assets. The company uses all available information to make these fair value determinations and, for major business acquisitions, typically engages an outside appraisal firm to assist in the fair value determination of the acquired long-lived assets. The company has, if necessary, up to one year after the acquisition closing date to finish these fair value determinations and finalize the purchase price allocation.

Intangible Assets and Goodwill

In connection with the acquisition of Tosco Corporation on September 14, 2001, and the merger on August 30, 2002, the company recorded material intangible assets for tradenames, air emission permit credits, and permits to operate refineries. These intangible assets were determined to have indefinite useful lives and so are not amortized. This judgmental assessment of an indefinite useful life has to be continuously evaluated in the future. If, due to changes in facts and circumstances, management determines that these intangible assets then have definite useful lives, amortization will have to commence at that time on a prospective basis. As long as these intangible assets are judged to have indefinite lives, they will be subject to periodic lower-of-cost-or-market tests, which requires management's judgment of the estimated fair value of these intangible assets. See Note 6--Acquisition of Tosco Corporation, Note 3--Merger of Conoco and Phillips, and Note 10--Impairments in the Notes to Consolidated Financial Statements.

Also in connection with the acquisition of Tosco and the merger, the company recorded a material amount of goodwill. Under the accounting rules for goodwill, this intangible asset is not amortized. Instead, goodwill is subject to annual reviews for impairment based on a two-step accounting test. The first step is to compare the estimated fair value of any reporting units within the company that have recorded goodwill with the recorded net book value (including the goodwill) of the reporting unit. If the estimated fair value of the reporting unit is higher than the recorded net book value, no impairment is deemed to exist and no further testing is required that year. If, however, the estimated fair value of the reporting unit is below the recorded net book value, then a second step must be performed to determine the amount of the goodwill impairment to record, if any. In this second step, the estimated fair value from the first step is used as the purchase price in a hypothetical new acquisition of the reporting unit. The various purchase business combination rules are followed to determine a hypothetical purchase price allocation for the reporting unit's assets and liabilities. The residual amount of goodwill that results from this hypothetical purchase price allocation is compared with the recorded amount of goodwill for the reporting unit, and the recorded amount is written down to the hypothetical amount if lower. Because quoted market prices for the company's reporting units are not available, management has to apply judgment in determining the estimated fair value of its reporting units for purposes of performing the first step of this periodic goodwill impairment test. Management uses all available information to make these fair value determinations and may engage an outside appraisal firm for assistance. In addition, if the first test step is not met, further judgment has to be applied in determining the fair values of individual assets and liabilities for purposes of the hypothetical purchase price allocation. Again, management has to use all available information to make these fair value determinations and may engage an outside appraisal firm for assistance. At year-end 2002, the estimated fair values of the company's domestic refining and marketing reporting units, excluding those acquired in the merger and those included in discontinued operations, were more than 10 percent higher than the recorded net book values (including the Tosco goodwill) of the reporting units. However, a lower fair value estimate in the future could result in impairment of the remaining \$2.4 billion

of Tosco goodwill. The allocation of goodwill attributable to the ConocoPhillips merger to reporting units, and its sensitivity to future impairment, will occur after the final allocation of the purchase price in 2003.

INVENTORY VALUATION

Prior to the acquisition of Tosco in September 2001 and the merger in August 2002, the company's inventories on the last-in, first-out (LIFO) cost basis were predominantly reflected on the balance sheet at historical cost layers established many years ago, when price levels were much lower. Therefore, prior to 2001, the company's LIFO inventories were relatively insensitive to current price level changes. However, the acquisition of Tosco and the merger added LIFO cost layers that were recorded at replacement cost levels prevalent in late September 2001 and August 2002, respectively. As a result, the company's LIFO cost inventories are now much more sensitive to lower-of-cost-or-market impairment write-downs, whenever price levels fall. ConocoPhillips recorded a LIFO inventory lower-of-cost-or-market impairment in the fourth quarter of 2001 due to a crude oil price deterioration. While crude oil is not the only product in the company's LIFO pools, its market value is a major factor in lower-of-cost-or-market calculations. The company estimates that additional impairments could occur if a 60 percent/40 percent blended average of West Texas Intermediate/Brent crude oil prices falls below \$21.75 per barrel at a reporting date. The determination of replacement cost values for the lower-of-cost-or-market test uses objective evidence, but does involve judgment in determining the most appropriate objective evidence to use in the calculations.

PROJECTED BENEFIT OBLIGATIONS

Determination of the projected benefit obligations for the company's defined benefit pension and postretirement plans are important to the recorded amounts for such obligations on the balance sheet and to the amount of benefit expense in the income statement. This also impacts the required company contributions into the plans. The actuarial determination of projected benefit obligations and company contribution requirements involves judgment about uncertain future events, including estimated retirement dates, salary levels at retirement, mortality rates, lump-sum election rates, rates of return on plan assets, future health care cost-trend rates, and rates of utilization of health care services by retirees. Due to the specialized nature of these calculations, the company engages outside actuarial firms to assist in the determination of these projected benefit obligations. For Employee Retirement Income Security Act-qualified pension plans, the actuary exercises fiduciary care on behalf of plan participants in the determination of the judgmental assumptions used in determining required company contributions into plan assets. Due to differing objectives and requirements between financial accounting rules and the pension plan funding regulations promulgated by governmental agencies, the actuarial methods and assumptions for the two purposes differ in certain important respects. Ultimately, the company will be required to fund all promised benefits under pension and postretirement benefit plans not funded by plan assets or investment returns, but the judgmental assumptions used in the actuarial calculations significantly affect periodic financial statements and funding patterns over time. Benefit expense is particularly sensitive to the discount rate and return on plan assets assumptions. A 1 percent decrease in the discount rate would increase annual benefit expense by \$79 million, while a 1 percent decrease in the return on plan assets assumption would increase annual benefit expense by \$21 million.

OUTLOOK

As a condition to the merger, the U.S. Federal Trade Commission (FTC) required that both Conoco and Phillips divest certain assets. In the fourth quarter of 2002, the propane terminal assets at Jefferson City, Missouri, and East St. Louis, Illinois, were sold and ConocoPhillips agreed to sell its Woods Cross business unit in Salt Lake City, Utah, plus associated assets. See Note 4--Discontinued Operations in the Notes to Consolidated Financial Statements for a list of the remaining assets held for sale.

In December 2002, ConocoPhillips committed to and initiated a plan to sell a substantial portion of its company-owned retail sites. In connection with the anticipated sale, the company, in the fourth quarter, recorded charges totaling \$1,412 million before-tax, \$1,008 million after-tax, primarily related to the impairment of properties, plants and equipment; goodwill; intangible assets and provision for losses and penalties to unwind various lease arrangements. The company expects to complete the sale of the sites in 2003.

In December of 2002, political unrest in Venezuela caused economic and other disruptions which shut down most oil production in Venezuela, including the company's Petrozuata, Hamaca and Gulf of Paria operations. At ConocoPhillips' Petrozuata joint venture, operations were closed down on December 15, 2002, due to shortages of hydrogen and natural gas (required for processing and fuel). Prior to the disruptions, Petrozuata was producing and processing approximately 120,000 gross (60,000 net) barrels of extra-heavy crude oil per day. Similarly, the disruptions have impacted development production and construction progress at the Hamaca joint-venture project. Construction of the Hamaca upgrader continues, although at a reduced rate. Difficulty in obtaining supplies has been the primary impediment. Production was shut in on December 6, 2002. Prior to the disruptions, Hamaca was producing approximately 55,000 gross (18,000 net) barrels of extra-heavy crude per day. In addition, the crude oil produced by Petrozuata is used as feedstock for ConocoPhillips' Lake Charles, Louisiana, refinery and a Venezuelan refinery operated by PDVSA. In December 2002, ConocoPhillips substituted about 1.2 million crude barrels for its Lake Charles refinery. At the company's Sweeny refinery, crude throughputs were reduced slightly due to short supply of Mery Venezuelan crude oil. Overall, there was minimum impact to net income; however, it could reduce net income \$30 million to \$50 million per month in 2003 as long as production at Petrozuata and Hamaca is shut in. Limited production began from Hamaca and Petrozuata in February 2003.

On March 12, 2002, ConocoPhillips announced that it had signed a Heads of Agreement (LNG HOA) with The Tokyo Electric Power Company, Incorporated (TEPCO) and Tokyo Gas Co., Ltd. (Tokyo Gas) that would enable Phase II, which involves the export and sale of natural gas, of the Bayu-Undan field development to proceed upon resolution of certain legal, regulatory and fiscal issues. The Timor Sea Treaty (Treaty) was ratified by Timor-Leste (formerly East Timor) in December 2002 and by Australia in March 2003 and is subject to certain procedural events before it is fully effective. The Treaty will allow the issuance of new production sharing contracts to the existing contractors in the Bayu-Undan unit, which when combined with the expected approval of the Development Plan and the expected enactment of certain Timor-Leste legislation will provide the legal, regulatory and fiscal basis necessary to proceed with the gas project. Under the terms of the LNG HOA with TEPCO and Tokyo Gas, TEPCO and Tokyo Gas will purchase 3 million tons per year of liquefied natural gas (LNG) for a period of 17 years, utilizing natural gas from the Bayu-Undan field. Shipments would begin in 2006, from an LNG facility near Darwin, Australia, utilizing ConocoPhillips' Optimized Cascade liquefied natural gas process.

In 2003, ConocoPhillips expects worldwide production of approximately 1.55 million barrels of oil equivalent per day from currently proved reserves. Improvements for the year are expected to come from the United Kingdom, Norway and China. These improvements will be offset by decreases in the U.S. Lower 48 and Canada as a result of the disposition of assets, as well as the impact of the disruptions in Venezuela. In R&M, crude oil throughputs in 2003 are expected to average approximately 2.5 million barrels per day.

Crude oil and natural gas prices are subject to external factors over which the company has no control, such as global economic conditions, political events, demand growth, inventory levels, weather, competing fuels prices and availability of supply. Crude oil prices increased significantly during 2002 due to production restraint by major exporting countries serving to rebalance inventories, supply concerns resulting from Middle East tensions, tropical storms in the U.S. Gulf of Mexico temporarily shutting in oil

production and shipping, and the disruptions in Venezuela. Global oil demand is starting to recover on a year-over-year basis, compared with the declines that resulted from the U.S. recession and the events of September 11, 2001. However, the pace of improvement will depend on a continuation of the economic recovery in the United States and globally. Conflicts in oil-producing countries and uncertainties surrounding the global economic recovery could keep prices volatile in 2003. U.S. natural gas prices strengthened considerably at the end of the third quarter and remained strong in the fourth quarter stemming from growing natural gas supply concerns, rising oil prices and an increased demand due to the weather. Supply concerns arose from the decline in domestic gas production and Canadian imports versus 2001, and tropical storms temporarily shutting in production in the Gulf of Mexico.

Refining margins are subject to movements in the price of crude oil and other feedstocks, and the prices of petroleum products, which are subject to market factors over which the company has no control, such as the U.S. and global economies; government regulations; seasonal factors that affect demand, such as the summer driving months; and the levels of refining output and product inventories. Global refining margins remained depressed during much of 2002 due to weak oil demand, relatively high levels of gasoline and distillate inventories and strengthening crude prices, which increased feedstock costs. As a result of tropical storms in the Gulf of Mexico, industry refining crude oil runs were temporarily reduced, which caused product inventory draws in the United States and improved refining margins modestly. Refining and marketing margins can be expected to improve when the U.S. and global economies recover.

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

This annual 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. Forward-looking statements can be identified by the words "expects," "anticipates," "intends," "plans," "projects," "believes," "estimates" and similar expressions.

ConocoPhillips has based the forward-looking statements relating to its operations on its current expectations, estimates and projections about ConocoPhillips and the industries in which it operates in general. ConocoPhillips cautions you that these statements are not guarantees of future performance and involve risks, uncertainties and assumptions that the company cannot predict. In addition, ConocoPhillips has based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, ConocoPhillips' actual outcomes and results may differ materially from what the company has expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- o fluctuations in crude oil, natural gas and natural gas liquids prices, refining and marketing margins and margins for ConocoPhillips' chemicals business;
- o changes in the business, operations, results and prospects of ConocoPhillips;
- o the operation and financing of ConocoPhillips' midstream and chemicals joint ventures;
- o potential failure to realize fully or within the expected time frame the expected cost savings and synergies from the combination of Conoco and Phillips;
- o costs or difficulties related to the integration of the businesses of Conoco and Phillips, as well as the continued integration of businesses recently acquired by each of them;

- o potential failure or delays in achieving expected reserve or production levels from existing and future oil and gas development projects due to operating hazards, drilling risks and the inherent uncertainties in predicting oil and gas reserves and oil and gas reservoir performance;
- o unsuccessful exploratory drilling activities;
- o failure of new products and services to achieve market acceptance;
- o unexpected cost increases or technical difficulties in constructing or modifying facilities for exploration and production projects, manufacturing or refining;
- o unexpected difficulties in manufacturing or refining ConocoPhillips' refined products, including synthetic crude oil, and chemicals products;
- o lack of, or disruptions in, adequate and reliable transportation for ConocoPhillips' crude oil, natural gas and refined products;
- o inability to timely obtain or maintain permits, comply with government regulations or make capital expenditures required to maintain compliance;
- o potential disruption or interruption of ConocoPhillips' facilities due to accidents, political events or terrorism;
- o international monetary conditions and exchange controls;
- o liability for remedial actions, including removal and reclamation obligations, under environmental regulations;
- o liability resulting from litigation;
- o general domestic and international economic and political conditions, including armed hostilities and governmental disputes over territorial boundaries;
- o changes in tax and other laws or regulations applicable to ConocoPhillips' business; and
- o inability to obtain economical financing for exploration and development projects, construction or modification of facilities and general corporate purposes.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FINANCIAL INSTRUMENT MARKET RISK

ConocoPhillips and certain of its subsidiaries hold and issue derivative contracts and financial instruments that expose cash flows or earnings to changes in commodity prices, foreign exchange rates or interest rates. The company may use financial and commodity-based derivative contracts to manage the risks produced by changes in the prices of electric power, natural gas, and crude oil and related products, fluctuations in interest rates and foreign currency exchange rates, or to exploit market opportunities.

With the completion of the merger on August 30, 2002, the derivatives policy adopted during the third quarter of 2001 is no longer in effect; however, the ConocoPhillips Board of Directors has approved an "Authority Limitations" document that prohibits the use of highly leveraged derivatives or derivative instruments without sufficient liquidity for comparable valuations without approval from the Chief Executive Officer. The Authority Limitations document also authorizes the Chief Executive Officer to establish the maximum Value at Risk (VaR) limits for the company. Compliance with these limits is monitored daily. The function of the Risk Management Steering Committee, monitoring the use and effectiveness of derivatives, was assumed by the Chief Financial Officer for risks resulting from foreign currency exchange rates and interest rates, and by the Executive Vice President of Commercial, a new position that reports to the Chief Executive Officer, for commodity price risk. ConocoPhillips' Commercial Group manages commercial marketing, optimizes the commodity flows and positions of the company, monitors related risks of the company's upstream and downstream businesses, and selectively takes price risk to add value.

Commodity Price Risk

ConocoPhillips operates in the worldwide crude oil, refined product, natural gas, natural gas liquids, and electric power markets and is exposed to fluctuations in the prices for these commodities. These fluctuations can affect the company's revenues as well as the cost of operating, investing, and financing activities. Generally, the company's policy is to remain exposed to market prices of commodities; however, executive management may elect to use derivative instruments to hedge the price risk of the company's equity crude oil and natural gas production, as well as refinery margins.

The ConocoPhillips' Commercial Group uses futures, forwards, swaps, and options in various markets to optimize the value of the company's supply chain, which may move the company's risk profile away from market average prices to accomplish the following objectives:

- o Balance physical systems. In addition to cash settlement prior to contract expiration, exchange traded futures contracts may also be settled by physical delivery of the commodity, providing another source of supply to meet the company's refinery requirements or marketing demand;
- o Meet customer needs. Consistent with the company's policy to generally remain exposed to market prices, the company uses swap contracts to convert fixed-price sales contracts, which are often requested by natural gas and refined product consumers, to a floating market price;
- o Manage the risk to the company's cash flows from price exposures on specific crude oil, natural gas, refined product and electric power transactions; and

- o Enable the company to use the market knowledge gained from these activities to do a limited amount of trading not directly related to the company's physical business. For the 12 months ended December 31, 2002 and 2001, the gains or losses from this activity were not material to the company's cash flows or income from continuing operations.

ConocoPhillips uses a VaR model to estimate the loss in fair value that could potentially result on a single day from the effect of adverse changes in market conditions on the derivative financial instruments and derivative commodity instruments held or issued, including commodity purchase and sales contracts recorded on the balance sheet at December 31, 2002, as derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Using Monte Carlo simulation, a 95 percent confidence level and a one-day holding period, the VaR for those instruments issued or held for trading purposes at December 31, 2002 and 2001, was \$0.7 million at each year-end. The VaR for instruments held for purposes other than trading at December 31, 2002 and 2001, was \$2 million and \$1.7 million, respectively.

Interest Rate Risk

The following tables provide information about the company's financial instruments that are sensitive to changes in interest rates. The debt tables present principal cash flows and related weighted-average interest rates by expected maturity dates; the derivative table shows the notional quantities on which the cash flows will be calculated by swap termination date. Weighted-average variable rates are based on implied forward rates in the yield curve at the reporting date. The carrying amount of the company's floating-rate debt approximates its fair value. The fair value of the fixed-rate financial instruments is estimated based on quoted market prices.

Millions of Dollars Except as Indicated

Expected Maturity Date	Debt				Mandatorily Redeemable Other Minority Interests and Preferred Securities	
	Fixed Rate Maturity	Average Interest Rate	Floating Rate Maturity	Average Interest Rate	Fixed Rate Maturity	Average Interest Rate
YEAR-END 2002						
2003	\$ 762	7.99%	\$ 706	2.60%	\$ --	--%
2004	1,362	5.91	--	--	--	--
2005	1,169	8.49	--	--	--	--
2006	1,507	5.82	1,517	4.54	--	--
2007	613	4.88	--	--	--	--
Remaining years	10,740	6.95	691	6.02	491	7.96
Total	\$16,153		\$ 2,914		\$ 491	
Fair value	\$17,930		\$ 2,914		\$ 516	
Year-End 2001						
2002	\$ 43	9.31%	\$ --	--%	\$ --	--%
2003	255	7.60	--	--	--	--
2004	6	7.02	--	--	--	--
2005	1,155	8.49	--	--	--	--
2006	246	7.61	1,081	7.06	--	--
Remaining years	5,134	7.99	625	6.86	650	8.11
Total	\$ 6,839		\$ 1,706		\$ 650	
Fair value	\$ 7,469		\$ 1,706		\$ 662	

Interest Rate Derivatives at December 31, 2002

Expected Maturity Date	Floating-to-Fixed		
	Notional	Average Pay Rate	Average Receive Rate
2003	\$ 500	3.41%	2.56%
2004	--	--	--
2005	--	--	--
2006	166	5.85	4.76
2007	--	--	--
Remaining years	--	--	--
Total	\$ 666		
Fair value loss position	\$ 22		

Foreign Currency Risk

ConocoPhillips has foreign currency exchange rate risk resulting from operations in over 40 countries around the world. ConocoPhillips does not comprehensively hedge the exposure to currency rate changes, although the company may choose to selectively hedge exposures to foreign currency rate risk. Examples include firm commitments for capital projects, certain local currency tax payments and dividends, and cash returns from net investments in foreign affiliates to be remitted within the coming year.

At December 31, 2002, ConocoPhillips had the following significant foreign currency derivative contracts:

- o approximately \$194 million in foreign currency swaps hedging the company's European commercial paper program, with a fair value of \$7.1 million;
- o approximately \$536 million in foreign currency swaps hedging short-term intercompany loans between U.K. subsidiaries and a U.S. subsidiary, with a fair value of \$9 million; and
- o approximately \$24 million in foreign currency swaps hedging the company's firm purchase and sales commitments for gasoline in Germany, with a negative fair value of \$4 million.

Although these swaps hedge exposures to fluctuations in exchange rates, the company elected not to utilize hedge accounting as allowed by SFAS No. 133. As a result, the change in the fair value of these foreign currency swaps is recorded directly in earnings. Assuming an adverse hypothetical 10 percent change in the December 31, 2002, exchange rates, the potential foreign currency remeasurement loss in non-cash pretax earnings from these swaps, intercompany loans, and commercial paper would be approximately \$3 million.

In addition to the intercompany loans discussed above, at December 31, 2002 and 2001, U.S. subsidiaries held long-term sterling-denominated intercompany receivables totaling \$152 million and \$191 million, respectively, due from a U.K. subsidiary. The U.K. subsidiary also held a dollar-denominated long-term receivable due from a U.S. subsidiary with no balance at December 31, 2002, and a \$75 million balance at December 31, 2001. A Norwegian subsidiary held \$198 million and \$79 million of intercompany U.S. dollar-denominated receivables due from its U.S. parent at December 31, 2002 and 2001, respectively. Also at year-end 2001, a foreign subsidiary with the U.S. dollar as its functional currency owed a \$9 million Norwegian kroner-denominated payable to a Norwegian subsidiary. The potential foreign currency remeasurement gains or losses in non-cash pretax earnings from a hypothetical 10 percent change in the year-end 2002 and 2001 exchange rates from these intercompany balances were \$35 million and \$21 million, respectively.

For additional information about the company's use of derivative instruments, see Note 16--Derivative Instruments in the Notes to Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONOCOPHILLIPS

INDEX TO FINANCIAL STATEMENTS

	Page

Report of Management.....	83
Report of Independent Auditors.....	84
Consolidated Statement of Operations for the years ended December 31, 2002, 2001 and 2000.....	85
Consolidated Balance Sheet at December 31, 2002 and 2001.....	86
Consolidated Statement of Cash Flows for the years ended December 31, 2002, 2001 and 2000.....	87
Consolidated Statement of Changes in Common Stockholders' Equity for the years ended December 31, 2002, 2001 and 2000.....	88
Notes to Consolidated Financial Statements.....	89
Supplementary Information	
Oil and Gas Operations.....	146
Selected Quarterly Financial Data.....	164
Condensed Consolidating Financial Information.....	165
INDEX TO FINANCIAL STATEMENT SCHEDULES	
Schedule II--Valuation and Qualifying Accounts.....	177

All other schedules are omitted because they are either not required, not significant, not applicable or the information is shown in another schedule, the financial statements or in the notes to consolidated financial statements.

REPORT OF MANAGEMENT

Management prepared, and is responsible for, the consolidated financial statements and the other information appearing in this annual report. The consolidated financial statements present fairly the company's financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States. In preparing its consolidated financial statements, the company includes amounts that are based on estimates and judgments that management believes are reasonable under the circumstances.

The company maintains internal controls designed to provide reasonable assurance that the company's assets are protected from unauthorized use and that all transactions are executed in accordance with established authorizations and recorded properly. The internal controls are supported by written policies and guidelines and are complemented by a staff of internal auditors. Management believes that the internal controls in place at December 31, 2002, provide reasonable assurance that the books and records reflect the transactions of the company and there has been compliance with its policies and procedures.

The company's financial statements have been audited by Ernst & Young LLP, independent auditors selected by the Audit and Compliance Committee of the Board of Directors. Management has made available to Ernst & Young LLP all of the company's financial records and related data, as well as the minutes of stockholders' and directors' meetings.

/s/ Archie W. Dunham

ARCHIE W. DUNHAM
Chairman of the Board

/s/ J. J. Mulva

J. J. MULVA
President and
Chief Executive Officer

/s/ John A. Carrig

JOHN A. CARRIG
Executive Vice President, Finance,
and Chief Financial Officer

March 24, 2003

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
ConocoPhillips

We have audited the accompanying consolidated balance sheets of ConocoPhillips as of December 31, 2002 and 2001, and the related consolidated statements of operations, changes in common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the condensed consolidating financial information and financial statement schedule listed in the Index in Item 8. These financial statements, condensed consolidating financial information and schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements, condensed consolidating financial information and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ConocoPhillips at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related condensed consolidating financial information and financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, in 2001 ConocoPhillips changed its method of accounting for the costs of major maintenance turnarounds.

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Houston, Texas
March 24, 2003

 CONSOLIDATED STATEMENT OF OPERATIONS

CONOCOPHILLIPS

Years Ended December 31

Millions of Dollars

	2002	2001**	2000**
REVENUES			
Sales and other operating revenues*	\$ 56,748	24,892	22,155
Equity in earnings of affiliates	261	41	114
Other income	215	111	270
Total Revenues	57,224	25,044	22,539
COSTS AND EXPENSES			
Purchased crude oil and products	37,823	13,708	11,794
Production and operating expenses	4,988	2,643	2,136
Selling, general and administrative expenses	1,660	613	571
Exploration expenses	592	306	298
Depreciation, depletion and amortization	2,223	1,344	1,169
Impairments	177	26	100
Taxes other than income taxes*	6,937	2,740	2,242
Accretion on discounted liabilities	22	7	--
Interest and debt expense	566	338	369
Foreign currency transaction losses	24	11	58
Preferred dividend requirements of capital trusts and minority interests	48	53	54
Total Costs and Expenses	55,060	21,789	18,791
Income from continuing operations before income taxes	2,164	3,255	3,748
Provision for income taxes	1,450	1,644	1,900
INCOME FROM CONTINUING OPERATIONS	714	1,611	1,848
Income (loss) from discontinued operations (net of income taxes (benefit) of \$(394), \$15 and \$7 for 2002, 2001 and 2000, respectively)	(993)	32	14
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(279)	1,643	1,862
Extraordinary items	(16)	(10)	--
Cumulative effect of change in accounting principle	--	28	--
NET INCOME (LOSS)	\$ (295)	1,661	1,862
NET INCOME (LOSS) PER SHARE OF COMMON STOCK			
Basic			
Continuing operations	\$ 1.48	5.50	7.26
Discontinued operations	(2.06)	.11	.06
Before extraordinary items and cumulative effect of change in accounting principle	(.58)	5.61	7.32
Extraordinary items	(.03)	(.04)	--
Cumulative effect of change in accounting principle	--	.10	--
Net Income (Loss)	\$ (.61)	5.67	7.32
Diluted			
Continuing operations	\$ 1.47	5.46	7.21
Discontinued operations	(2.05)	.11	.05
Before extraordinary items and cumulative effect of change in accounting principle	(.58)	5.57	7.26
Extraordinary items	(.03)	(.03)	--
Cumulative effect of change in accounting principle	--	.09	--
Net Income (Loss)	\$ (.61)	5.63	7.26
AVERAGE COMMON SHARES OUTSTANDING (in thousands)			
Basic	482,082	292,964	254,490
Diluted	485,505	295,016	256,326
*Includes excise taxes on petroleum products sales:	\$ 6,236	2,178	1,781
**Restated for discontinued operations.			

See Notes to Consolidated Financial Statements.

 CONSOLIDATED BALANCE SHEET

CONOCOPHILLIPS

At December 31

Millions of Dollars

	2002	2001*
ASSETS		
Cash and cash equivalents	\$ 307	142
Accounts and notes receivable (net of allowance of \$48 million in 2002 and \$33 million in 2001)	2,904	1,124
Accounts and notes receivable--related parties	1,476	105
Inventories	3,845	2,452
Prepaid expenses and other current assets	766	293
Assets of discontinued operations held for sale	1,605	2,382

Total Current Assets	10,903	6,498
Investments and long-term receivables	6,821	3,309
Net properties, plants and equipment	43,030	22,133
Goodwill	14,444	2,281
Intangibles	1,119	861
Other assets	519	135

Total	\$ 76,836	35,217
=====		
LIABILITIES		
Accounts payable	\$ 5,949	2,531
Accounts payable--related parties	303	91
Notes payable and long-term debt due within one year	849	44
Accrued income and other taxes	1,991	897
Other accruals	3,075	720
Liabilities of discontinued operations held for sale	649	538

Total Current Liabilities	12,816	4,821
Long-term debt	18,917	8,610
Accrued dismantlement, removal and environmental costs	1,666	1,059
Deferred income taxes	8,361	4,015
Employee benefit obligations	2,755	948
Other liabilities and deferred credits	1,803	769

Total Liabilities	46,318	20,222

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF PHILLIPS 66 CAPITAL TRUSTS I AND II	350	650

OTHER MINORITY INTERESTS	651	5

COMMON STOCKHOLDERS' EQUITY		
Common stock (2002--2,500,000,000 shares authorized at \$.01 par value; 2001--1,000,000,000 shares authorized at \$1.25 par value)		
Issued (2002--704,354,839 shares; 2001--430,439,743 shares)		
Par value	7	538
Capital in excess of par	25,178	9,069
Treasury stock (at cost: 2001--20,725,114 shares)	--	(1,038)
Compensation and Benefits Trust (CBT) (at cost: 2002--26,785,094 shares; 2001--27,556,573 shares)	(907)	(934)
Accumulated other comprehensive loss	(164)	(255)
Unearned employee compensation--Long-Term Stock Savings Plan (LTSSP)	(218)	(237)
Retained earnings	5,621	7,197

Total Common Stockholders' Equity	29,517	14,340

Total	\$ 76,836	35,217
=====		

*Restated for discontinued operations.

See Notes to Consolidated Financial Statements.

 CONSOLIDATED STATEMENT OF CASH FLOWS

CONOCOPHILLIPS

Years Ended December 31

Millions of Dollars

	2002	2001*	2000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income from continuing operations	\$ 714	1,611	1,848
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations			
Non-working capital adjustments			
Depreciation, depletion and amortization	2,223	1,344	1,169
Impairments	177	26	100
Dry hole costs and leasehold impairment	307	99	130
Accretion on discounted liabilities	22	7	--
Acquired in-process research and development	246	--	--
Deferred taxes	142	513	412
Other	(46)	131	(210)
Working capital adjustments**			
Increase (decrease) in aggregate balance of accounts receivable sold	(22)	(174)	317
Decrease (increase) in other accounts and notes receivable	(401)	1,357	(710)
Decrease (increase) in inventories	200	(289)	(12)
Decrease (increase) in prepaid expenses and other current assets	(37)	50	84
Increase (decrease) in accounts payable	788	(1,004)	417
Increase (decrease) in taxes and other accruals	454	(142)	439
Net cash provided by continuing operations	4,767	3,529	3,984
Net cash provided by discontinued operations	202	33	30
Net Cash Provided by Operating Activities	4,969	3,562	4,014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	1,180	80	(6,443)
Capital expenditures and investments, including dry hole costs	(4,388)	(3,016)	(2,017)
Proceeds from contributing assets to joint ventures	--	--	2,061
Proceeds from asset dispositions	815	262	850
Long-term advances to affiliates and other investments	(92)	(28)	(208)
Net cash used in continuing operations	(2,485)	(2,702)	(5,757)
Net cash used in discontinued operations	(99)	(68)	(5)
Net Cash Used in Investing Activities	(2,584)	(2,770)	(5,762)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt	3,502	566	2,552
Repayment of debt	(4,592)	(945)	(360)
Redemption of preferred stock of subsidiary	(300)	--	--
Issuance of company common stock	44	51	31
Dividends paid on common stock	(684)	(403)	(346)
Other	(190)	(68)	(118)
Net cash provided by (used in) continuing operations	(2,220)	(799)	1,759
Net Cash Provided by (Used in) Financing Activities	(2,220)	(799)	1,759
NET CHANGE IN CASH AND CASH EQUIVALENTS	165	(7)	11
Cash and cash equivalents at beginning of year	142	149	138
Cash and Cash Equivalents at End of Year	\$ 307	142	149

*Restated for discontinued operations.

**Net of acquisition and disposition of businesses.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES
IN COMMON STOCKHOLDERS' EQUITY

CONOCOPHILLIPS

	Shares of Common Stock		
	Issued	Held in Treasury	Held in CBT
December 31, 1999	306,380,511	24,409,545	28,358,258
Net income			
Other comprehensive income			
Foreign currency translation			
Unrealized loss on securities			
Equity affiliates:			
Foreign currency translation			
Comprehensive income			
Cash dividends paid on common stock			
Distributed under incentive compensation and other benefit plans		(1,267,540)	(508,828)
Recognition of LTSSP unearned compensation			
Tax benefit of dividends on unallocated LTSSP shares			
December 31, 2000	306,380,511	23,142,005	27,849,430
Net income			
Other comprehensive income			
Minimum pension liability adjustment			
Foreign currency translation			
Unrealized loss on securities			
Hedging activities			
Equity affiliates:			
Foreign currency translation			
Derivatives related			
Comprehensive income			
Cash dividends paid on common stock			
Tosco acquisition	124,059,232		
Distributed under incentive compensation and other benefit plans		(2,416,891)	(292,857)
Recognition of LTSSP unearned compensation			
Tax benefit of dividends on unallocated LTSSP shares			
December 31, 2001	430,439,743	20,725,114	27,556,573
Net loss			
Other comprehensive income			
Minimum pension liability adjustment			
Foreign currency translation			
Unrealized loss on securities			
Hedging activities			
Equity affiliates:			
Foreign currency translation			
Derivatives related			
Comprehensive loss			
Cash dividends paid on common stock			
ConocoPhillips merger	273,471,505	(19,852,674)	
Distributed under incentive compensation and other benefit plans	443,591	(872,440)	(771,479)
Recognition of LTSSP unearned compensation			
Tax benefit of dividends on unallocated LTSSP shares			
DECEMBER 31, 2002	704,354,839	--	26,785,094

	Millions of Dollars							
	Common Stock				Accumulated Other Comprehensive Loss	Unearned Employee Compensation --LTSSP	Retained Earnings	Total
	Par Value	Capital in Excess of Par	Treasury Stock	CBT				
December 31, 1999	\$ 383	2,098	(1,217)	(961)	(31)	(286)	4,563	4,549
Net income							1,862	1,862
Other comprehensive income								
Foreign currency translation					(53)			(53)
Unrealized loss on securities					(1)			(1)
Equity affiliates:								
Foreign currency translation					(15)			(15)
Comprehensive income								1,793
Cash dividends paid on common stock							(346)	(346)
Distributed under incentive compensation and other benefit plans		55	61	18			(65)	69

Recognition of LTSSP unearned compensation						23	23
Tax benefit of dividends on unallocated LTSSP shares						5	5

December 31, 2000	383	2,153	(1,156)	(943)	(100)	(263)	6,019
Net income							6,093
Other comprehensive income							-----
Minimum pension liability adjustment					(143)		(143)
Foreign currency translation					(14)		(14)
Unrealized loss on securities					(2)		(2)
Hedging activities					(4)		(4)
Equity affiliates:							
Foreign currency translation					(3)		(3)
Derivatives related					11		11
Comprehensive income							-----
							1,506
Cash dividends paid on common stock							-----
Tosco acquisition	155	6,883					(403)
Distributed under incentive compensation and other benefit plans		33	118	9			(84)
Recognition of LTSSP unearned compensation						26	26
Tax benefit of dividends on unallocated LTSSP shares							4
December 31, 2001	538	9,069	(1,038)	(934)	(255)	(237)	7,197
Net loss							-----
Other comprehensive income							(295)
Minimum pension liability adjustment					(93)		(93)
Foreign currency translation					182		182
Unrealized loss on securities					(3)		(3)
Hedging activities					(1)		(1)
Equity affiliates:							
Foreign currency translation					40		40
Derivatives related					(34)		(34)
Comprehensive loss							-----
							(204)
Cash dividends paid on common stock							-----
ConocoPhillips merger	(531)	16,056	999				(684)
Distributed under incentive compensation and other benefit plans		53	39	27			(39)
Recognition of LTSSP unearned compensation						19	19
Tax benefit of dividends on unallocated LTSSP shares							4
DECEMBER 31, 2002	\$ 7	25,178	--	(907)	(164)	(218)	5,621
							29,517
=====							

See Notes to Consolidated Financial Statements.

NOTE 1--ACCOUNTING POLICIES

- o CONSOLIDATION PRINCIPLES AND INVESTMENTS--Majority-owned, controlled subsidiaries are consolidated. The equity method is used to account for investments in affiliates in which the company exerts significant influence, generally having a 20 to 50 percent ownership interest. The company also uses the equity method for its 50.1 percent and 57.1 percent non-controlling interests in Petrozuata C.A. and Hamaca Holding LLC, respectively, located in Venezuela because the minority shareholders have substantive participating rights, under which all substantive operating decisions (e.g., annual budgets, major financings, selection of senior operating management, etc.) require joint approvals. Undivided interests in oil and gas joint ventures, pipelines, natural gas plants, certain transportation assets and Canadian Syncrude mining operations are consolidated on a proportionate basis. Other securities and investments, excluding marketable securities, are generally carried at cost.
- o REVENUE RECOGNITION--Revenues associated with sales of crude oil, natural gas, natural gas liquids, petroleum and chemical products, and all other items are recorded when title passes to the customer. Revenues include the sales portion of contracts involving purchases and sales necessary to reposition supply to address location or quality or grade requirements (e.g., when the company repositions crude by entering into a contract with a counterparty to sell crude in one location and purchase it in a different location) and sales related to purchase for resale activity. Revenues from the production of natural gas properties in which the company has an interest with other producers are recognized based on the actual volumes sold by the company during the period. Any differences between volumes sold and entitlement volumes, based on the company's net working interest, which are deemed non-recoverable through remaining production, are recognized as accounts receivable or accounts payable, as appropriate. Cumulative differences between volumes sold and entitlement volumes are not significant. Revenues associated with royalty fees from licensed technology are recorded based either upon volumes produced by the licensee or upon the successful completion of all substantive performance requirements related to the installation of licensed technology.
- o RECLASSIFICATION--Certain amounts in the 2001 and 2000 financial statements have been reclassified to conform with the 2002 presentation.
- o USE OF ESTIMATES--The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from the estimates and assumptions used.
- o CASH EQUIVALENTS--Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash and have original maturities within three months from their date of purchase. They are carried at cost plus accrued interest, which approximates fair value.
- o INVENTORIES--The company has several valuation methods for its various types of inventories and consistently uses the following methods for each type of inventory. Crude oil, petroleum products, and Canadian Syncrude inventories are valued at the lower of cost or market in the aggregate, primarily on the last-in, first-out (LIFO) basis. Any necessary lower-of-cost-or-market write-downs are recorded as permanent adjustments to the LIFO cost basis. LIFO is used to better match current inventory costs with current revenues and to meet tax-conformity requirements. Materials, supplies and other miscellaneous inventories are valued using the weighted-average-cost method, consistent

with general industry practice. Merchandise inventories at the company's retail marketing outlets are valued using the first-in, first-out (FIFO) retail method, consistent with general industry practice.

- o DERIVATIVE INSTRUMENTS--All derivative instruments are recorded on the balance sheet at fair value in either accounts and notes receivable, other assets, accounts payable, or other liabilities and deferred credits. Recognition of the gain or loss that results from recording and adjusting a derivative to fair value depends on the purpose for issuing or holding the derivative. Gains and losses from derivatives that are not used as hedges are recognized immediately in earnings. For derivative instruments that are designated and qualify as a fair value hedge, the gains or losses from adjusting the derivative to its fair value will be immediately recognized in earnings and, to the extent the hedge is effective, offset the concurrent recognition of changes in the fair value of the hedged item. Gains or losses from derivative instruments that are designated and qualify as a cash flow hedge will be recorded on the balance sheet in accumulated other comprehensive income/(loss) until the hedged transaction is recognized in earnings; however, to the extent the change in the value of the derivative exceeds the change in the anticipated cash flows of the hedged transaction, the excess gains or losses will be recognized immediately in earnings.

In the consolidated statement of operations, gains and losses from derivatives that are not directly related to the company's movement of its products are recorded in other income. Gains and losses from derivatives used for other purposes are recorded in either sales and other operating revenues, other income, or purchased crude oil and products, depending on the purpose for issuing or holding the derivative.

- o OIL AND GAS EXPLORATION AND DEVELOPMENT--Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting.

PROPERTY ACQUISITION COSTS--Oil and gas leasehold acquisition costs are capitalized. Leasehold impairment is recognized based on exploratory experience and management's judgment. Upon discovery of commercial reserves, leasehold costs are transferred to proved properties.

EXPLORATORY COSTS--Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are expensed as incurred. Exploratory well costs are capitalized pending further evaluation of whether economically recoverable reserves have been found. If economically recoverable reserves are not found, exploratory well costs are expensed as dry holes. All exploratory wells are evaluated for economic viability within one year of well completion. Exploratory wells that discover potentially economic reserves that are in areas where a major capital expenditure would be required before production could begin, and where the economic viability of that major capital expenditure depends upon the successful completion of further exploratory work in the area, remain capitalized as long as the additional exploratory work is under way or firmly planned.

DEVELOPMENT COSTS--Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized.

DEPLETION AND AMORTIZATION--Leasehold costs of producing properties are depleted using the unit-of-production method based on estimated proved oil and gas reserves. Amortization of intangible development costs is based on the unit-of-production method using estimated proved developed oil and gas reserves.

- SYNCRUDE MINING OPERATIONS--Capitalized costs, including support facilities, include the cost of the acquisition and other capital costs incurred. Capital costs are depreciated using the unit-of-production method based on the applicable portion of proven reserves associated with each mine location and its facilities.
- INTANGIBLE ASSETS OTHER THAN GOODWILL--Intangible assets that have finite useful lives are amortized by the straight-line method over their useful lives. Intangible assets that have indefinite useful lives are not amortized but are tested at least annually for impairment. The company evaluates the remaining useful lives of intangible assets not being amortized each reporting period to determine whether events and circumstances continue to support indefinite useful lives. Intangible assets are considered impaired if the fair value of the intangible asset is lower than cost. The fair value of intangible assets is determined based on quoted market prices in active markets, if available. If quoted market prices are not available, fair value of intangible assets is determined based upon the present values of expected future cash flows using discount rates commensurate with the risks involved in the asset, or upon estimated replacement cost, if expected future cash flows from the intangible asset are not determinable.
- GOODWILL--Goodwill is not amortized but is tested at least annually for impairment. If the fair value of a reporting unit is less than the recorded book value of the reporting unit's assets (including goodwill), less liabilities, then a hypothetical purchase price allocation is performed on the reporting unit's assets and liabilities using the fair value of the reporting unit as the purchase price in the calculation. If the amount of goodwill resulting from this hypothetical purchase price allocation is less than the recorded amount of goodwill, the recorded goodwill is written down to the new amount. Reporting units for purposes of goodwill impairment calculations are one level below or at the company's operating segment level. Because quoted market prices are not available for the company's reporting units, the fair value of the reporting units is determined based upon consideration of several factors, including observed market multiples of operating cash flows and net income, the depreciated replacement cost of tangible equipment, and/or the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets.
- DEPRECIATION AND AMORTIZATION--Depreciation and amortization of properties, plants and equipment on producing oil and gas properties, certain pipeline assets (those which are expected to have a declining utilization pattern), and on Syncrude mining operations are determined by the unit-of-production method. Depreciation and amortization of all other properties, plants and equipment are determined by either the individual-unit-straight-line method or the group-straight-line method (for those individual units that are highly integrated with other units).
- IMPAIRMENT OF PROPERTIES, PLANTS AND EQUIPMENT--Properties, plants and equipment used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the future cash flows expected to be generated by an asset group. If, upon review, the sum of the undiscounted pretax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value through additional amortization or depreciation provisions in the periods in which the determination of impairment is made. Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets--generally on a field-by-field basis for exploration and production assets, at an entire complex level for downstream assets or at a site level for retail stores. The fair value of impaired assets is determined based on quoted market prices in active markets, if available, or upon the present values of expected future cash flows using discount rates commensurate with the risks involved in the asset group. Long-lived assets committed by management for disposal within one year are accounted for at the lower of amortized cost or fair value, less cost to sell.

The expected future cash flows used for impairment reviews and related fair value calculations are based on estimated future production volumes, prices and costs, considering all available evidence at the date of review. If the future production price risk has been hedged, the hedged price is used in the calculations for the period and quantities hedged. The impairment review includes cash flows from proved developed and undeveloped reserves, including any development expenditures necessary to achieve that production. The price and cost outlook assumptions used in impairment reviews differ from the assumptions used in the Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserve Quantities. In that disclosure, Statement of Financial Accounting Standards (SFAS) No. 69, "Disclosures about Oil and Gas Producing Activities," requires the use of prices and costs at the balance sheet date, with no projection of future changes in those assumptions.

- o MAINTENANCE AND REPAIRS--The costs of maintenance and repairs, which are not significant improvements, are expensed when incurred. Effective January 1, 2001, turnaround costs of major producing units are expensed as incurred. Prior to 2001, the estimated turnaround costs of major producing units were accrued in other liabilities over the estimated interval between turnarounds. See Note 2--Extraordinary Items and Accounting Change for further discussion of this change in accounting method.
- o SHIPPING AND HANDLING COSTS--The company's Exploration and Production segment includes shipping and handling costs in production and operating expenses, while the Refining and Marketing segment records shipping and handling costs in purchased crude oil and products.
- o ADVERTISING COSTS--Production costs of media advertising are deferred until the first public showing of the advertisement. Advances to secure advertising slots at specific sports, racing or other events are deferred until the event occurs. All other advertising costs are expensed as incurred, unless the cost has benefits which clearly extend beyond the interim period in which the expenditure is made, in which case the advertising cost is deferred and amortized ratably over the interim periods which clearly benefit from the expenditure. By the end of the fiscal year, all such interim deferred advertising costs are fully amortized to expense.
- o PROPERTY DISPOSITIONS--When complete units of depreciable property are retired or sold, the asset cost and related accumulated depreciation are eliminated, with any gain or loss reflected in income. When less than complete units of depreciable property are disposed of or retired, the difference between asset cost and salvage value is charged or credited to accumulated depreciation.
- o DISMANTLEMENT, REMOVAL AND ENVIRONMENTAL COSTS--Through December 31, 2002, the estimated undiscounted costs, net of salvage values, of dismantling and removing major oil and gas production and transportation facilities, including necessary site restoration, were accrued using either the unit-of-production or the straight-line method, which was used for certain regional production transportation assets that are expected to have a straight-line utilization pattern. Effective January 1, 2003, the company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." See Note 27--New Accounting Standards.

Environmental expenditures are expensed or capitalized, depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations, and that do not have future economic benefit, are expensed. Liabilities for these expenditures are recorded on an undiscounted basis (unless acquired in a purchase business acquisition) when environmental assessments or cleanups are probable and the costs can be reasonably estimated. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is probable.

- o STOCK COMPENSATION--Through December 31, 2002, the company accounted for stock options using the intrinsic value method as prescribed by the Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Pro forma information regarding changes in net income and earnings per share data (as if the accounting prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied) is presented in Note 20--Employee Benefit Plans. Effective January 1, 2003, the company voluntarily adopted SFAS No. 123 prospectively. See Note 20--Employee Benefit Plans.
- o FOREIGN CURRENCY TRANSLATION--Adjustments resulting from the process of translating foreign functional currency financial statements into U.S. dollars are included in accumulated other comprehensive loss in common stockholders' equity. Foreign currency transaction gains and losses are included in current earnings. Most of the company's foreign operations use their local currency as the functional currency.
- o INCOME TAXES--Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial-reporting basis and the tax basis of the company's assets and liabilities, except for deferred taxes on income considered to be permanently reinvested in certain foreign subsidiaries and foreign corporate joint ventures. Allowable tax credits are applied currently as reductions of the provision for income taxes.
- o NET INCOME PER SHARE OF COMMON STOCK--Basic income per share of common stock is calculated based upon the daily weighted-average number of common shares outstanding during the year, including shares held by the Long-Term Stock Savings Plan (LTSSP). Diluted income per share of common stock includes the above, plus "in-the-money" stock options issued under company compensation plans. Treasury stock and shares held by the Compensation and Benefits Trust (CBT) are excluded from the daily weighted-average number of common shares outstanding in both calculations.
- o CAPITALIZED INTEREST--Interest from external borrowings is capitalized on major projects with an expected construction period of one year or longer. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets.

NOTE 2--EXTRAORDINARY ITEMS AND ACCOUNTING CHANGE

During 2002, the company incurred extraordinary losses totaling \$16 million after-tax (\$24 million before-tax) on the following items:

- o the call premium on the early retirement of the company's \$250 million 8.86% notes due May 15, 2022;
- o the redemption of the company's outstanding 8.24% Junior Subordinated Deferrable Interest Debentures due 2036, which triggered the redemption of the \$300 million of 8.24% Trust Originated Preferred Securities of Phillips 66 Capital Trust I; and
- o the call premium on the early retirement of the company's \$171 million 7.443% notes due 2004.

In 2001, ConocoPhillips incurred an extraordinary loss of \$10 million after-tax (\$14 million before-tax) attributable to the call premium on the early retirement of its \$300 million 9.18% notes due September 15, 2021.

Effective January 1, 2001, the company changed its method of accounting for the costs of major maintenance turnarounds from the accrue-in-advance method to the expense-as-incurred method to reflect the impact of a turnaround in the period that it occurs. The new method is preferable because it results in the recognition of costs at the time obligations are incurred. The cumulative effect of this accounting change increased net income in 2001 by \$28 million (after reduction for income taxes of \$15 million).

The pro forma effects of retroactive application of the change in accounting method are presented below:

	Millions of Dollars	
	Except Per Share Amounts	
	2001	2000
Income before extraordinary items	\$1,643	1,851
Earnings per share		
Basic	5.61	7.27
Diluted	5.57	7.22
Net income	\$1,633	1,851
Earnings per share		
Basic	5.57	7.27
Diluted	5.54	7.22

NOTE 3--MERGER OF CONOCO AND PHILLIPS

On August 30, 2002, Conoco and Phillips combined their businesses by merging with separate acquisition subsidiaries of ConocoPhillips (the merger). As a result, each company became a wholly owned subsidiary of ConocoPhillips. For accounting purposes, Phillips was treated as the acquirer of Conoco, and ConocoPhillips was treated as the successor of Phillips.

Immediately after the closing of the merger, former Phillips stockholders held approximately 56 percent of the outstanding shares of ConocoPhillips common stock, while former Conoco stockholders held approximately 44 percent. ConocoPhillips common stock, listed on the New York Stock Exchange under the symbol "COP," began trading on September 3, 2002.

The primary reasons for the merger and the principal factors that contributed to an accounting treatment that resulted in the recognition of goodwill were:

- o the combination of Conoco and Phillips would create a stronger, major, integrated oil company with the benefits of increased size and scale, improving the stability of the combined business' earnings in varying economic and market climates;
- o ConocoPhillips would emerge with a global presence in both upstream and downstream petroleum businesses, increasing its overall international presence to over 40 countries while maintaining a strong domestic base; and

- o combining the two companies' operations would provide significant synergies and related cost savings, and improve future access to capital.

The \$16 billion purchase price attributed to Conoco for accounting purposes was based on an exchange of Conoco shares for ConocoPhillips common shares. ConocoPhillips issued approximately 293 million shares of common stock and approximately 23.3 million of employee stock options in exchange for 627 million shares of Conoco common stock and 49.8 million Conoco stock options. The common stock was valued at \$53.15 per share, which was Phillips' average common stock price over the two-day trading period immediately before and after the November 18, 2001, public announcement of the transaction. The Conoco stock options, the fair value of which was determined using the Black-Scholes option-pricing model, were exchanged for ConocoPhillips stock options valued at \$384 million. Transaction-related costs, included in the purchase price, were \$82 million.

The preliminary allocation of the purchase price to specific assets and liabilities was based, in part, upon an outside appraisal of the fair value of Conoco's assets. Over the next few months ConocoPhillips expects to receive the final outside appraisal of the long-lived assets and conclude the fair value determination of all other Conoco assets and liabilities. Subsequent to completion of the final allocation of the purchase price and the determination of the ultimate asset and liability tax bases, the deferred tax liabilities will also be finalized. The following table summarizes, based on the year-end preliminary purchase price allocation, the fair values of the assets acquired and liabilities assumed as of August 30, 2002:

	Millions of Dollars -----
Cash and cash equivalents	\$ 1,250
Accounts and notes receivable	2,821
Inventories	1,603
Prepaid expenses and other current assets	324
Investments and long-term receivables	3,074
Properties, plants and equipment (including \$300 million of land)	19,269
Goodwill	12,079
Intangibles	661
In-process research and development	246
Other assets	312

Total assets	\$41,639
=====	
Accounts payable	\$ 2,879
Notes payable and long-term debt due within one year	3,101
Accrued income and other taxes	1,320
Other accruals	1,543
Long-term debt	8,930
Accrued dismantlement, removal and environmental costs	332
Deferred income taxes	4,073
Employee benefit obligations	1,648
Other liabilities and deferred credits	1,109
Minority interests	648
Common stockholders' equity	16,056

Total liabilities and equity	\$41,639
=====	

The allocation of the purchase price, as reflected above, has not been adjusted for the U.S. Federal Trade Commission (FTC)-mandated dispositions described in Note 4--Discontinued Operations. Goodwill, land and certain identifiable intangible assets recorded in the acquisition are not subject to amortization, but the goodwill and intangible assets will be tested periodically for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets."

Of the \$661 million allocated to intangible assets, \$545 million is assigned to marketing tradenames which are not subject to amortization. Of the remaining value assigned to intangible assets, \$66 million assigned to refining technology will be amortized over 11 years and \$50 million was allocated to other intangible assets with a weighted-average amortization period of 11 years.

ConocoPhillips has not yet determined the assignment of Conoco goodwill to specific reporting units. Currently, Conoco goodwill is being reported as part of the Corporate and Other reporting segment. Of the \$12,079 million of goodwill, \$4,302 million is attributable to the gross-up required under purchase accounting for deferred taxes. This and the remaining "true" goodwill, or \$7,777 million, will ultimately be assigned to reporting units based on the benefits received by the units from the synergies and strategic advantages of the merger. None of the goodwill is deductible for tax purposes.

The purchase price allocation included \$246 million of in-process research and development costs related to Conoco's natural gas-to-liquids and other technologies. In accordance with Financial Accounting Standards Board (FASB) Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method," the value assigned to the research and development activities was charged to production and operating expenses in the Emerging Businesses segment at the date of the consummation of the merger, as these research and development costs had no alternative future use.

Merger-related items that reduced ConocoPhillips' 2002 income from continuing operations were:

	Millions of Dollars	
	----- Before-Tax	After-Tax -----
Write-off of acquired in-process research and development costs	\$246	246
Restructuring charges (see Note 5)	422	253
Incremental seismic contract costs	35	22
Transition costs	55	36

Total	\$758	557
=====		

In total, these items reduced 2002 income from continuing operations by \$557 million (\$1.15 per share on a diluted basis).

The following pro forma summary presents information as if the merger had occurred at the beginning of each period presented, and includes the \$557 million effect of the merger-related items mentioned above.

	Millions of Dollars Except Per Share Amounts	
	2002	2001
Revenues	\$ 81,433	79,554
Income from continuing operations	918	3,635
Net income (loss)	(70)	4,072
Income from continuing operations per share of common stock		
Basic	1.36	5.39
Diluted	1.34	5.32
Net income (loss) per share of common stock		
Basic	(.10)	6.04
Diluted	(.10)	5.97

During 2001, both Phillips and Conoco entered into other significant transactions that are not reflected in the companies' historical income statements for the full year 2001. The pro forma results have been prepared as if the Phillips' September 14, 2001, acquisition of Tosco Corporation (Tosco) (see Note 6--Acquisition of Tosco Corporation) and Conoco's July 16, 2001, \$4.6 billion acquisition of Gulf Canada Resources Limited occurred on January 1, 2001. Gulf Canada Resources Limited was a Canadian-based independent exploration and production company with primary operations in Western Canada, Indonesia, the Netherlands and Ecuador.

The pro forma results reflect the following:

- o recognition of depreciation and amortization based on the preliminary allocated purchase price of the properties, plants and equipment acquired;
- o adjustment of interest for the amortization of the fair-value adjustment to debt;
- o cessation of the amortization of deferred gains not recognizable in the purchase price allocation;
- o accretion of discount on environmental accruals recorded at net present value; and
- o various other adjustments to conform Conoco's accounting policies to ConocoPhillips'.

The pro forma adjustments use estimates and assumptions based on currently available information. Management believes that the estimates and assumptions are reasonable, and that the significant effects of the transactions are properly reflected.

The pro forma information does not reflect any anticipated synergies that might be achieved from combining the operations. The pro forma information is not intended to reflect the actual results that would have occurred had the companies been combined during the periods presented. This pro forma information is not intended to be indicative of the results of operations that may be achieved by ConocoPhillips in the future.

NOTE 4--DISCONTINUED OPERATIONS

During 2002, the company disposed of, or had committed to a plan to dispose of, U.S. retail and wholesale marketing assets, U.S. refining and related assets, and exploration and production assets in the Netherlands. Certain of these planned dispositions were mandated by the FTC as a condition of the merger. For reporting purposes, these operations are classified as discontinued operations, and in Note 26--Segment Disclosures and Related Information, these operations are included in Corporate and Other.

Revenues and income (loss) from discontinued operations were as follows:

	Millions of Dollars		
	2002	2001	2000
Sales and other operating revenues from discontinued operations	\$ 7,406	2,670	786
Income (loss) from discontinued operations before-tax	\$(1,387)	47	21
Income tax expense (benefit)	(394)	15	7
Income (loss) from discontinued operations	\$ (993)	32	14

Major classes of assets and liabilities of discontinued operations held for sale were as follows:

ASSETS	Millions of Dollars	
	2002	2001
Inventories	\$ 211	166
Other current assets	136	81
Net properties, plants and equipment	1,178	1,663
Intangibles	23	452
Other assets	57	20
Assets of discontinued operations	\$1,605	2,382
LIABILITIES		
Accounts payable and other current liabilities	\$ 331	259
Long-term debt	34	35
Accrued dismantlement, removal and environmental costs	86	83
Other liabilities and deferred credits	198	161
Liabilities of discontinued operations	\$ 649	538

In the fourth quarter of 2002, ConocoPhillips concluded a strategic business review of its company-owned retail sites. The review included quantitative and qualitative measures and identified 3,200 retail sites throughout the United States that did not fit the company's long-range plans. The assets are being actively marketed by an investment banking firm. The retail sites are being grouped and marketed in packages, including the planned sale of the company's Circle K Corporation subsidiary. Discussions are under way with potential buyers, and the company expects to complete the sales in 2003.

In connection with the anticipated sale of these retail sites, ConocoPhillips recorded charges totaling \$1,412 million before-tax, \$1,008 million after-tax, primarily related to the impairment of properties, plants and equipment (\$249 million); goodwill (\$257 million); intangible asset (\$429 million); and provisions for losses and penalties associated with various operating lease commitments (\$477 million).

The intangible asset represents the Circle K tradename. Properties, plants and equipment include land, buildings and equipment of owned retail sites and leasehold improvements of leased sites. Fair value determinations were based on estimated sales prices for comparable sites.

The provisions for losses and penalties associated with various operating lease commitments include obligations for residual value guarantee deficiencies, and future minimum rental payments that existed prior to the commitment date that will continue after the exit plan is completed with no economic benefit. It also includes penalties incurred to cancel the contractual arrangements. An additional \$130 million of lease loss provisions (\$85 million after-tax) will be recognized in 2003 as the company continues to operate the sites until sold.

As a condition to the merger of Conoco and Phillips, the FTC required that the company divest the following assets:

- o Phillips' Woods Cross business unit, which includes the Woods Cross, Utah, refinery and associated motor fuel marketing operations (both retail and wholesale) in Utah, Idaho, Wyoming, and Montana, as well as Phillips' 50 percent interests in two refined products terminals in Boise and Burley, Idaho;
- o Conoco's Commerce City, Colorado, refinery and related crude oil pipelines;
- o Phillips' Colorado motor fuel marketing operations (both retail and wholesale);
- o Phillips' refined products terminal in Spokane, Washington;
- o Phillips' propane terminal assets at Jefferson City, Missouri, and East St. Louis, Illinois, which include the propane portions of these terminals and the customer relationships and contracts for the supply of propane therefrom;
- o certain of Conoco's midstream natural gas gathering and processing assets in southeast New Mexico; and
- o certain of Conoco's midstream natural gas gathering assets in West Texas.

Further, the FTC required that certain of these assets be held separately within ConocoPhillips, under the management of a trustee until sold. In connection with these anticipated sales, ConocoPhillips recorded an impairment of \$113 million before-tax, \$69 million after-tax, related to the Phillips assets in the third quarter of 2002.

In the fourth quarter of 2002, ConocoPhillips agreed to sell its Woods Cross business unit for \$25 million, subject to an adjustment for certain pension obligations and the value of crude oil, refined products and other inventories. Also in the fourth quarter, the company sold its propane terminal assets at Jefferson City, Missouri, and East St. Louis, Illinois. The sales amounts did not differ significantly from the fair-value estimates used in the third quarter impairment calculations. Sale of the Colorado assets and the midstream assets is expected to occur in 2003.

The company's Netherlands exploration and production assets were sold in the fourth quarter of 2002. No gain or loss was recognized on the sale, as these assets were recorded at fair value in the Conoco purchase price allocation.

NOTE 5--RESTRUCTURING

As a result of the merger, the company implemented a restructuring program in September 2002 to capture the synergies of combining the two companies. In connection with this program, the company recorded accruals totaling \$770 million for anticipated employee severance payments, incremental pension and medical plan benefit costs associated with the work force reductions, site closings, and Conoco employee relocations. Of the total accrual, \$337 million is reflected in the Conoco purchase price allocation as an assumed liability, and \$422 million (\$253 million after-tax) related to Phillips is reflected in selling, general and administrative expense and production and operating expense, and \$11 million before-tax is included in discontinued operations.

Included in the total accruals of \$770 million was \$172 million related to pension and other post-retirement benefits that will be paid in conjunction with other retirement benefits over a number of future years. The table below summarizes the balance of the accrual of \$598 million, which consists of severance related benefits to be provided to approximately 2,900 employees worldwide and other merger related expenses. By the end of 2002, approximately 775 employees had been terminated. Changes in the severance related accrual balance are summarized below.

Millions of Dollars			
	2002 Accruals	Benefit Payments	Reserve at December 31, 2002
Conoco	\$297*	(191)	106
Phillips	301	(32)	269
Total	\$598	(223)	375

*Purchase price adjustment.

The ending accrual balance is expected to be extinguished within one year, except for \$37 million, which is classified as long-term.

NOTE 6--ACQUISITION OF TOSCO CORPORATION

On September 14, 2001, Tosco was merged with a subsidiary of ConocoPhillips, as a result of which ConocoPhillips became the owner of 100 percent of the outstanding common stock of Tosco. Tosco's results of operations have been included in ConocoPhillips' consolidated financial statements since that date. Tosco's operations included seven U.S. refineries with a total crude oil capacity of 1.31 million barrels per day; one 75,000-barrel-per-day refinery located in Cork, Ireland; and various marketing, transportation, distribution and corporate assets.

The primary reasons for ConocoPhillips' acquisition of Tosco, and the primary factors that contributed to a purchase price that resulted in recognition of goodwill, are:

- o the Tosco operations would deliver earnings prospects, and potential strategic and other benefits;
- o combining the two companies' operations would provide significant cost savings;
- o adding Tosco to ConocoPhillips' Refining and Marketing (R&M) operations would give the segment the size, scale and resources to compete more effectively;

- o the merger would transform ConocoPhillips into a stronger, more integrated oil company with the benefits of increased size and scale, improving the stability of the combined business' earnings in varying economic and market climates;
- o the combined company would have a stronger balance sheet, improving its access to capital in the future; and
- o the increased cash flow and access to capital resulting from the Tosco acquisition would allow ConocoPhillips to pursue other opportunities in the future.

Based on an exchange ratio of 0.8 shares of ConocoPhillips common stock for each Tosco share, ConocoPhillips issued approximately 124.1 million common shares and 4.7 million vested employee stock options in the exchange, which increased common stockholders' equity by approximately \$7 billion. The common stock was valued at \$55.50 per share, which was ConocoPhillips' average common stock price over the two-day trading period before and after the February 4, 2001, public announcement of the transaction. The employee stock options were valued using the Black-Scholes option pricing model, based on assumptions prevalent at the February 2001 announcement date.

The allocation of the purchase price to specific assets and liabilities was based, in part, upon an outside appraisal of Tosco's long-lived assets. Goodwill and indefinite-lived intangible assets recorded in the acquisition are not subject to amortization, but the goodwill and intangible assets will be tested periodically for impairment as required by SFAS No. 142, "Goodwill and Other Intangible Assets."

During the third quarter of 2002, the company concluded:

- o the outside appraisal of the long-lived assets;
- o the determination of the fair value of all other Tosco assets and liabilities;
- o the tax basis calculation of Tosco's assets and liabilities and the related deferred tax liabilities; and
- o the allocation of Tosco goodwill to reporting units within the R&M operating segment.

The resulting adjustments to the purchase price allocation made in 2002 increased goodwill by \$341 million. The more significant adjustments to goodwill were a \$247 million reduction in the value of refinery air emission permits to reflect a more appropriate appraisal methodology, a \$70 million liability recorded for Tosco Long-Term Incentive Plan performance units, and a \$69 million increase in deferred tax liabilities, resulting primarily from an updated analysis of the tax bases of Tosco's assets and liabilities. All other adjustments in the aggregate reduced goodwill by \$45 million.

Tosco Long-Term Incentive Plan performance units were derivative financial instruments tied to ConocoPhillips' stock price and were marked-to-market each reporting period. The resulting gains or losses from these mark-to-market adjustments were reported in other income in the consolidated statement of operations. In October 2002, the company and former Tosco executives negotiated a complete cancellation of the performance units in exchange for a cash payment to the former executives. During 2002, the company recorded gains totaling \$38 million, after-tax, as this liability was marked-to-market each reporting period and eventually settled.

The following table summarizes, based on the final purchase price allocation described above, the fair values of the assets acquired and liabilities assumed as of September 14, 2001:

	Millions of Dollars -----
Cash and cash equivalents	\$ 103
Accounts and notes receivable	718
Inventories	1,965
Prepaid expenses and other current assets	154
Investments and long-term receivables	150
Properties, plants and equipment (including \$1,720 million of land)	7,681
Goodwill	2,644
Intangibles	1,003
Other assets	11

Total assets	\$14,429
=====	
Accounts payable	\$ 1,917
Accrued income and other taxes	350
Other accruals	206
Long-term debt	2,135
Accrued environmental costs	332
Deferred income taxes	1,824
Employee benefit obligations	177
Other liabilities and deferred credits	408
Common stockholders' equity	7,080

Total liabilities and equity	\$14,429
=====	

Of the \$1,003 million allocated to intangible assets, marketing tradenames comprised \$655 million, refinery air emission and operating permits totaled \$315 million and other miscellaneous intangible assets amounted to \$33 million. The \$1,003 million of intangible assets included \$992 million allocated to indefinite-lived intangible assets not subject to amortization and \$11 million allocated to intangible assets with a weighted-average amortization period of seven years. In late 2002, the Circle K tradename (\$429 million) was included with the retail marketing operations that are held for sale at December 31, 2002, and included in the loss on disposal. See Note 4--Discontinued Operations.

ConocoPhillips finalized the required assignment of Tosco goodwill to specific reporting units in 2002, with \$1,944 million assigned to the refining reporting unit and \$700 million assigned to the marketing reporting unit. The goodwill was assigned to the reporting units that were deemed to have benefited from the synergies and strategic advantages of the merger. In late 2002, \$257 million of goodwill assigned to the marketing reporting unit was allocated to the retail marketing operations held for sale at December 31, 2002, and included in the loss on disposal. See Note 4--Discontinued Operations.

NOTE 7--INVENTORIES

Inventories at December 31 were:

	Millions of Dollars	
	2002	2001
Crude oil and petroleum products	\$3,395	2,231
Canadian Syncrude (from mining operations)	4	--
Materials, supplies and other	446	221
	\$3,845	2,452

Inventories valued on a LIFO basis totaled \$3,349 million and \$2,211 million at December 31, 2002 and 2001, respectively. The remainder of the company's inventories are valued under various other methods, including FIFO and weighted average. The excess of current replacement cost over LIFO cost of inventories amounted to \$1,083 million and \$2 million at December 31, 2002 and 2001, respectively.

In the fourth quarter of 2001, the company recorded a \$42 million before-tax, \$27 million after-tax, lower-of-cost-or-market write-down of its petroleum products inventory. During 2000, certain inventory quantity reductions caused a liquidation of LIFO inventory values. This liquidation increased net income by \$63 million, of which \$60 million was attributable to ConocoPhillips' R&M segment.

NOTE 8--INVESTMENTS AND LONG-TERM RECEIVABLES

Components of investments and long-term receivables at December 31 were:

	Millions of Dollars	
	2002	2001
Investment in and advances to affiliated companies	\$5,900	2,788
Long-term receivables	526	241
Other investments	395	280
	\$6,821	3,309

At December 31, 2002, retained earnings included \$825 million related to the undistributed earnings of affiliated companies, and distributions received from affiliates were \$313 million, \$163 million and \$2,180 million in 2002, 2001 and 2000, respectively.

EQUITY INVESTMENTS

The company owns or owned investments in chemicals, heavy-oil projects, oil and gas transportation, coal mining and other industries. The affiliated companies for which ConocoPhillips uses the equity method of accounting include, among others, the following companies: Chevron Phillips Chemical Company LLC (CPChem) (50 percent), Duke Energy Field Services, LLC (DEFS) (30.3 percent), Petrozuata C.A. (50.1 percent non-controlling interest), Meroy Sweeny L.P. (MSLP) (50 percent), Petrovera Resources Limited (46.7 percent), and Hamaca Holding LLC (57.1 percent non-controlling interest). See Note 1--Accounting Policies for additional information.

Summarized 100 percent financial information for DEFS, CPChem and all other equity companies accounted for using the equity method follows:

2002	Millions of Dollars			
	DEFS	CPChem	Other Equity Companies	Total
Revenues	\$ 5,492	5,473	5,378	16,343
Income (loss) before income taxes	(37)	(24)	776	715
Net income (loss)	(47)	(30)	751	674
Current assets	1,123	1,561	5,783	8,467
Noncurrent assets	5,457	4,548	14,386	24,391
Current liabilities	1,426	1,051	4,696	7,173
Noncurrent liabilities	2,504	1,307	10,063	13,874

2001	Millions of Dollars			
	DEFS	CPChem	Other Equity Companies	Total
Revenues	\$ 8,025	6,010	1,555	15,590
Income (loss) before income taxes	367	(431)	607	543
Net income (loss)	364	(480)	414	298
Current assets	1,165	1,551	689	3,405
Noncurrent assets	5,465	4,309	3,949	13,723
Current liabilities	1,251	820	1,184	3,255
Noncurrent liabilities	2,426	1,606	1,960	5,992

2000	Millions of Dollars			
	DEFS*	CPChem**	Other Equity Companies	Total
Revenues	\$ 5,099	3,463	3,241	11,803
Income (loss) before income taxes	321	(213)	611	719
Net income (loss)	318	(241)	412	489

*For the period April 1, 2000, through December 31, 2000.

**For the period July 1, 2000, through December 31, 2000.

ConocoPhillips' share of income taxes incurred directly by the equity companies is reported in equity in earnings of affiliates, and as such is not included in income taxes in ConocoPhillips' consolidated financial statements.

DUKE ENERGY FIELD SERVICES, LLC

On March 31, 2000, ConocoPhillips combined its midstream gas gathering, processing and marketing business with the gas gathering, processing, marketing and natural gas liquids business of Duke Energy Corporation (Duke Energy) forming a new company, DEFS. Duke Energy owns 69.7 percent of the company, which it consolidates, while ConocoPhillips owns 30.3 percent, which it accounts for using the equity method.

Duke Energy estimated the fair value of the ConocoPhillips' midstream business at \$1.9 billion in its purchase method accounting for the acquisition. The book value of the midstream business contributed to DEFS was \$1.1 billion, but no gain was recognized in connection with the transaction because of ConocoPhillips' and CPChem's long-term commitment to purchase the natural gas liquids output from the former ConocoPhillips' natural gas processing plants until December 31, 2014. This purchase commitment is on an "if-produced, will-purchase" basis so it has no fixed production schedule, but has been, and is expected to be, a relatively stable purchase pattern over the term of the contract. Natural gas liquids are purchased under this agreement at various published market index prices, less transportation and fractionation fees. ConocoPhillips' consolidated results of operations include 100 percent of the activity of the gas gathering, processing and marketing business contributed to DEFS through March 31, 2000, and its 30.3 percent share of DEFS' earnings since that date.

At December 31, 2002, the book value of ConocoPhillips' common investment in DEFS was \$67 million. ConocoPhillips' 30.3 percent share of the net assets of DEFS was \$743 million. This basis difference of \$676 million, is being amortized on a straight-line basis over 15 years, consistent with the remaining estimated useful lives of the properties, plants and equipment contributed to DEFS. Included in operating results for 2002, 2001 and 2000 was after-tax income of \$35 million, \$36 million and \$27 million, respectively, representing the amortization of the basis difference.

On August 4, 2000, DEFS, Duke Energy and ConocoPhillips agreed to modify the Limited Liability Company Agreement governing DEFS to provide for the admission of a class of preferred members in DEFS. Subsidiaries of Duke Energy and ConocoPhillips purchased new preferred member interests for \$209 million and \$91 million, respectively. The preferred member interests have a 30-year term, will pay a distribution yielding 9.5 percent annually, and contain provisions that require their redemption with any proceeds from an initial public offering. On September 9, 2002, ConocoPhillips received \$30 million return of preferred member interest reducing its preferred interest to \$61 million.

CHEVRON PHILLIPS CHEMICAL COMPANY LLC

On July 1, 2000, ConocoPhillips and ChevronTexaco Corporation, as successor to Chevron Corporation (ChevronTexaco), combined their worldwide chemicals businesses, excluding ChevronTexaco's Oronite business, into a new company, CPChem. In addition to contributing the assets and operations included in the company's Chemicals segment, ConocoPhillips also contributed the natural gas liquids business associated with its Sweeny, Texas, complex. ConocoPhillips and ChevronTexaco each own 50 percent of the voting and economic interests in CPChem, and on July 1, 2000, ConocoPhillips began accounting for its investment in CPChem using the equity method. Accordingly, ConocoPhillips' results of operations include 100 percent of the activity of its chemicals business through June 30, 2000, and its 50 percent share of CPChem's earnings since that date. CPChem accounted for the combination using the historical bases of the assets and liabilities contributed by ConocoPhillips and ChevronTexaco.

At December 31, 2002, the book value of ConocoPhillips' investment in CPChem was \$1,919 million. ConocoPhillips' 50 percent share of the total net assets of CPChem was \$1,747 million. This basis difference of \$172 million is being amortized over 20 years, consistent with the remaining estimated useful lives of the properties, plants and equipment contributed to CPChem.

On July 1, 2002, ConocoPhillips purchased \$125 million of Members' Preferred Interests. Preferred distributions are cumulative at 9 percent per annum and will be payable quarterly, upon declaration by CPChem's Board of Directors, from CPChem's cash earnings. The securities have no stated maturity date and are redeemable quarterly, in increments of \$25 million, when CPChem's ratio of debt to total capitalization falls below a stated level. The Members' Preferred Interests are also redeemable at CPChem's sole option at any time.

NOTE 9--PROPERTIES, PLANTS AND EQUIPMENT, GOODWILL AND INTANGIBLES

The company's investment in properties, plants and equipment (PP&E), with accumulated depreciation, depletion and amortization (DD&A), at December 31 was:

	Millions of Dollars						
	2002			2001			
	Gross PPE	DDA	Net PPE	Gross PPE	DDA	PPE	Net
EP	\$36,884	8,600	28,284	20,995	7,870		13,125
Midstream	903	16	887	49	34		15
RM	15,605	2,765	12,840	11,553	2,804		8,749
Chemicals	--	--	--	--	--		--
Emerging Businesses	690	5	685	--	--		--
Corporate and Other	477	143	334	493	249		244
	\$54,559	11,529	43,030	33,090	10,957		22,133

Changes in the carrying amount of goodwill are as follows:

	Millions of Dollars			
	EP	RM	Corporate	Total
Balance at December 31, 2000	\$ --	--	--	--
Acquired (primarily Tosco acquisition)	15	2,266	--	2,281
Balance at December 31, 2001	15	2,266	--	2,281
Acquired (merger of Conoco and Phillips)*	--	--	12,079	12,079
Valuation and other adjustments	--	341	--	341
Allocated to discontinued operations	--	(257)	--	(257)
BALANCE AT DECEMBER 31, 2002	\$ 15	2,350	12,079	14,444

*Has not yet been allocated to reporting units.

Information on the carrying value of intangible assets at December 31 follows:

	Millions of Dollars	
	2002	2001
AMORTIZED INTANGIBLE ASSETS		
Refining technology related	\$ 78	--
Other	44	11
	\$122	11
UNAMORTIZED INTANGIBLE ASSETS		
Tradenames	\$669	226
Refinery air and operating permits	315	562
Other	13	62
	\$997	850

NOTE 10--IMPAIRMENTS

During 2002, 2001 and 2000, the company recognized the following before-tax impairment charges:

	Millions of Dollars		
	2002	2001	2000
EP			
United States	\$ 12	3	13
International	37	23	87
RM			
Tradenames	102	--	--
Retail site leasehold improvements	26	--	--
	\$177	26	100

After-tax, the above impairment charges were \$115 million in 2002, \$25 million in 2001, and \$95 million in 2000.

The company's E&P segment recognized impairments of \$49 million before-tax on four fields in 2002. Impairment of the Janice field in the U.K. North Sea was triggered by its sale, while the Viscount field in the U.K. North Sea was impaired following an evaluation of development drilling results. Sales of properties in Alaska and offshore California resulted in the remaining E&P impairments in 2002.

The company initiated a plan in late 2002 to sell a substantial portion of its R&M retail sites. The planned dispositions will result in a reduction of the amount of gasoline volumes marketed under the company's "76" tradename. As a result, the carrying value of the "76" tradename was impaired, with the \$102 million impairment determined by an analysis of the discounted cash flows based on the gasoline volumes projected to be sold under the brand name after the planned dispositions, compared with the volumes being sold prior to the dispositions. The company also impaired the carrying value of certain leasehold improvements associated with leased retail sites that are held for use. The impairment was triggered by a review of the leased-site guaranteed residual values and was determined by comparing the guaranteed residual values and leasehold improvements with current market values of the related assets.

See Note 4--Discontinued Operations for information regarding the impairments recognized in 2002 in connection with the anticipated sale of certain assets mandated by the FTC, and the planned sale of a substantial portion of the company's retail marketing operations.

In the second quarter of 2001, the company committed to a plan to sell its 12.5 percent interest in the Siri oil field, offshore Denmark, triggering a write-down of the field's assets to fair market value. The sale closed in early 2002. The company also recorded a property impairment on a crude oil tanker that was sold in the fourth quarter of 2001.

The company recorded an impairment of its Ambrosio field, located in Lake Maracaibo, Venezuela, in 2000. The Ambrosio field exploitation program did not achieve originally premised results. The \$87 million impairment charge was based on the difference between the net book value of the property and the discounted value of estimated future cash flows. The remaining property impairments in 2000 were related to fields in the United States, and were prompted by an evaluation of drilling results or negative oil and gas reserve revisions.

NOTE 11--ACCRUED DISMANTLEMENT, REMOVAL AND ENVIRONMENTAL COSTS

ACCRUED DISMANTLEMENT AND REMOVAL COSTS

At December 31, 2002 and 2001, the company had accrued \$1,065 million and \$776 million, respectively, of dismantlement and removal costs, primarily related to worldwide offshore production facilities and to production facilities in Alaska. The increase in 2002 was primarily due to the merger and increased cost estimates related to production facilities in Alaska. Estimated uninflated total future dismantlement and removal costs at December 31, 2002, were \$4,751 million, compared with \$2,827 million in 2001. The increase was partially due to the merger. The remaining increase was primarily attributable to changes in future dismantlement and removal cost estimates. These costs are accrued primarily on the unit-of-production method. Pursuant to SFAS No. 143, "Accounting for Asset Retirement Obligations," the accounting for these costs was changed effective January 1, 2003. See Note 27--New Accounting Standards for additional information.

ENVIRONMENTAL COSTS

Total environmental accruals at December 31, 2002 and 2001, were \$743 million and \$439 million, respectively. The 2002 increase in accrued environmental costs was primarily the result of the merger. A large portion of these accrued environmental costs were acquired in various business combinations and thus are discounted obligations. For the discounted accruals, expected inflated expenditures are: \$112 million in 2003, \$71 million in 2004, \$58 million in 2005, \$54 million in 2006, and \$53 million in 2007. Remaining expenditures in all future years after 2007 are expected to total \$399 million. These expected expenditures are discounted using a weighted-average 5 percent discount factor, resulting in an accrued balance of \$675 million at December 31, 2002.

ConocoPhillips had accrued environmental costs, primarily related to cleanup at domestic refineries and underground storage tanks at U.S. service stations, and remediation activities required by the state of Alaska at exploration and production sites formerly owned by Atlantic Richfield Company, of \$427 million and \$288 million at December 31, 2002 and 2001, respectively. ConocoPhillips had also accrued at Corporate \$236 million and \$136 million of environmental costs associated with non-operating sites at December 31, 2002 and 2001, respectively. In addition, \$70 million and \$12 million were included at December 31, 2002 and 2001, respectively, for sites where the company has been named a potentially responsible party under the Federal Comprehensive Environmental Response, Compensation and Liability Act, the Federal Resource Conservation and Recovery Act, or similar state laws. At December 31, 2002 and 2001, \$10 million and \$3 million, respectively, had been accrued for other environmental litigation. Accrued environmental liabilities will be paid over periods extending up to 30 years.

Of the total \$1,808 million and \$1,215 million of accrued dismantlement, removal and environmental costs at December 31, 2002 and 2001, \$142 million and \$156 million was classified as a current liability on the balance sheet, under the caption "Other accruals."

NOTE 12--DEBT

Long-term debt at December 31 was:

	Millions of Dollars	
	2002	2001
9 3/8% Notes due 2011	\$ 350	350
8.86% Notes due 2022	--	250
8.75% Notes due 2010	1,350	1,350
8.5% Notes due 2005	1,150	1,150
8.49% Notes due 2023	250	250
8.25% Mortgage Bonds due 2003	150	150
8.125% Notes due 2030	600	600
7.92% Notes due 2023	250	250
7.9% Notes due 2047	100	100
7.8% Notes due 2027	300	300
7.68% Notes due 2012	64	--
7.625% Notes due 2006	240	240
7.25% Notes due 2007	200	200
7.25% Notes due 2031	500	--
7.20% Notes due 2023	250	250
7.125% Debentures due 2028	300	300
7% Debentures due 2029	200	200
6.95% Notes due 2029	1,900	--
6.65% Notes due 2003	100	100
6.65% Debentures due 2018	300	300
6.375% Notes due 2009	300	300
6.35% Notes due 2011	1,750	--
6.35% Notes due 2009	750	--
5.90% Notes due 2004	1,350	--
5.90% Notes due 2032	600	--
5.45% Notes due 2006	1,250	--
4.75% Notes due 2012	1,000	--
3.625% Notes due 2007	400	--
Commercial paper and revolving debt due to banks and others through 2006 at 1.46% - 1.94% at year end 2002	1,517	1,081
SRW Cogeneration Limited Partnership	180	--
Floating Rate Notes due 2003	500	--
Industrial Development bonds	153	55
Guarantee of LTSSP bank loan payable at 1.69% at year-end 2002	299	322
Note payable to Meroy Sweeny, L.P. at 7%	131	133
Marine Terminal Revenue Refunding Bonds at 2.9% - 3.1% at year-end 2002	265	265
Other notes payable	68	49
Debt at face value	19,067	8,545
Capitalized leases	23	--
Net unamortized premiums and discounts	676	109
Total debt	19,766	8,654
Notes payable and long-term debt due within one year	(849)	(44)
Long-term debt	\$ 18,917	8,610

Maturities inclusive of net unamortized premiums and discounts in 2003 through 2007 are: \$849 million (included in current liabilities), \$1,438 million, \$1,229 million, \$3,173 million and \$654 million, respectively.

The company assumed \$12,031 million of debt in connection with the merger.

In October 2002, ConocoPhillips entered into two new revolving credit facilities and amended and restated a prior Phillips revolving credit facility to include ConocoPhillips as a borrower. These credit facilities support the company's \$4 billion commercial paper program, a portion of which may be denominated in euros (limited to euro 3 billion). The company now has a \$2 billion 364-day revolving credit facility expiring on October 14, 2003, and two revolving credit facilities totaling \$2 billion expiring in October 2006. Effective with the execution of the new facilities, the previously existing \$2.5 billion in Conoco facilities were terminated.

At December 31, 2002, ConocoPhillips had no debt outstanding under these credit facilities, but had \$1,517 million in commercial paper outstanding, which is supported 100 percent by the long-term credit facilities. This amount approximates fair value.

As of December 31, 2002, the company's wholly owned subsidiary, ConocoPhillips Norway, had no outstanding debt under its two \$300 million revolving credit facilities expiring in June 2004.

Depending on the credit facility, borrowings may bear interest at a margin above rates offered by certain designated banks in the London interbank market or at margins above certificate of deposit or prime rates offered by certain designated banks in the United States. The agreements call for commitment fees on available, but unused, amounts. The agreements also contain early termination rights if the company's current directors or their approved successors cease to be a majority of the Board of Directors.

In October 2002, ConocoPhillips privately placed \$2 billion of senior unsecured debt securities, consisting of \$400 million 3.625% notes due 2007, \$1 billion 4.75% notes due 2012, and \$600 million 5.90% notes due 2032, in each case fully and unconditionally guaranteed by Conoco and Phillips. The \$1,980 million proceeds from the offering were used to reduce commercial paper, retire Conoco's \$500 million floating rate notes due October 15, 2002, and for general corporate purposes.

ConocoPhillips redeemed the following notes during 2002 and early 2003 and funded the redemptions with commercial paper:

- o on May 15, 2002, its \$250 million 8.86% notes due May 15, 2022, at 104.43 percent, resulting in a second quarter extraordinary loss from the early retirement of debt of \$13 million before-tax, \$9 million after-tax;
- o on November 26, 2002, its \$171 million 7.443% senior unsecured notes due 2004 resulting in a fourth quarter extraordinary loss from the early retirement of debt of \$3 million before-tax, \$1 million after-tax;
- o on January 1, 2003, its \$250 million 8.49% notes due January 1, 2023, at 104.245 percent; and
- o on January 31, 2003, its \$181 million SRW Cogeneration Limited Partnership note which was assumed in September 2002 as a result of acquiring its partners' interest in the partnership.

At December 31, 2002, \$299 million was outstanding under the company's Long-Term Stock Savings Plan (LTSSP) term loan, which will require annual installments beginning in 2008 and continue through 2015. Under this bank loan, any participating bank in the syndicate of lenders may cease to participate on December 5, 2004, by giving not less than 180 days' prior notice to the LTSSP and the company. If participating lenders give the cessation notice, the company plans to resyndicate the loan.

Each bank participating in the LTSSP loan has the optional right, if the current company directors or their approved successors cease to be a majority of the Board, and upon not less than 90 days' notice, to cease to participate in the loan. Under the above conditions, such banks' rights and obligations under the loan agreement must be purchased by the company if not transferred to a bank of the company's choice. See Note 20--Employee Benefit Plans for additional discussion of the LTSSP.

NOTE 13--SALES OF RECEIVABLES

At December 31, 2002, ConocoPhillips sold certain credit card and trade receivables to two Qualifying Special Purpose Entities (QSPEs) in revolving-period securitization arrangements. These arrangements provide for ConocoPhillips to sell, and the QSPEs to purchase, certain receivables and for the QSPEs to then issue beneficial interests of up to \$1.5 billion to five bank-sponsored entities. The receivables sold have been sufficiently isolated from ConocoPhillips to qualify for sales treatment. All five bank-sponsored entities are multi-seller conduits with access to the commercial paper market and purchase interests in similar receivables from numerous other companies unrelated to ConocoPhillips. ConocoPhillips has no ownership in any of the bank-sponsored entities and has no voting influence over any bank-sponsored entity's operating and financial decisions. As a result, ConocoPhillips does not consolidate any of these entities. Beneficial interests retained by ConocoPhillips in the pool of receivables held by the QSPEs are subordinate to the beneficial interests issued to the bank-sponsored entities and were measured and recorded at fair value based on the present value of future expected cash flows estimated using management's best estimates concerning the receivables performance, including credit losses and dilution discounted at a rate commensurate with the risks involved to arrive at present value. These assumptions are updated periodically based on actual credit loss experience and market interest rates. ConocoPhillips also retains servicing responsibility related to the sold receivables. The fair value of the servicing responsibility approximates adequate compensation for the servicing costs incurred. ConocoPhillips' retained interest in the sold receivables at December 31, 2002 and 2001, was \$1.3 billion and \$450 million, respectively. Under accounting principles generally accepted in the United States, the QSPEs are not consolidated by ConocoPhillips. ConocoPhillips retained interest in sold receivables is reported on the balance sheet in accounts and notes receivable--related parties.

Total cash flows received from and paid under the securitization arrangements were as follows:

	Millions of Dollars	
	2002	2001
Receivables sold at beginning of year	\$ 940	500
Conoco receivables sold at August 30, 2002	400	--
Tosco receivables sold at September 14, 2001	--	614
New receivables sold	18,613	8,907
Cash collections remitted	(18,630)	(9,081)
Receivables sold at end of year	\$ 1,323	940
Discounts and other fees paid on revolving balances	\$ 21	24

At year-end, ConocoPhillips sold \$264 million of receivables under a factoring arrangement. ConocoPhillips also retains servicing responsibility related to the sold receivables. The fair value of the servicing responsibility approximates adequate compensation for the servicing costs incurred. At maturity of the receivables, ConocoPhillips has a recourse obligation to repurchase uncollected receivables. The fair value of this recourse obligation is not significant.

NOTE 14--GUARANTEES

At December 31, 2002, the company was liable for certain contingent obligations under various contractual arrangements as described below.

CONSTRUCTION COMPLETION GUARANTEES

- o The company has a construction completion guarantee related to debt and bond financing arrangements secured by the Mery Sweeny, L.P. (MSLP) joint-venture project in Texas. The maximum potential amount of future payment under the guarantee, including joint-and-several debt at its gross amount, is estimated to be \$418 million assuming that completion certification is not achieved. Of this amount, \$209 million is attributable to Petroleos de Venezuela, S.A. (PDVSA), because they are joint-and-severally liable for a portion of the debt. If completion certification is not attained by 2004, the full debt balance is due. The debt is non-recourse to ConocoPhillips upon completion certification.
- o The company has issued a construction completion guarantee related to debt financing arrangements for the Hamaca Holding LLC joint venture project in Venezuela. The maximum potential amount of future payments under the guarantee is estimated to be \$441 million, which could be payable if the full debt financing capacity is utilized and startup and completion of the Hamaca project is not achieved by October 1, 2005. The project financing debt is non-recourse to ConocoPhillips upon startup and completion certification.

GUARANTEED RESIDUAL VALUE ON LEASES

- o The company leases ocean transport vessels, drillships, tank railcars, corporate aircraft, service stations, computers, office buildings, certain refining equipment, and other facilities and equipment. Associated with these leases the company has guaranteed approximately \$1,821 million in residual values, which are due at the end of the lease terms. However, those guaranteed amounts would be reduced by the fair market value of the leased assets returned. See Note 19--Non-Mineral Leases.

GUARANTEES OF JOINT-VENTURE DEBT

- o At December 31, 2002, ConocoPhillips had guarantees of about \$355 million outstanding for its portion of joint-venture debt obligations. Of that amount, \$176 million is associated with the Polar Lights Company joint-venture project in Russia. Smaller amounts and in some cases debt service reserves are associated with Interconnector (UK) Ltd., Turcas Petrol, Malaysian Refining Company Sdn. Bhd (Melaka), Hydroserve, Excel Paralubes, and Ingleside Cogeneration Limited Partnership. The various debt obligations have terms of up to 24 years.

OTHER GUARANTEES

- In addition to the construction completion guarantee explained above, the MSLP agreement also requires the partners in the venture to pay cash calls as required to meet minimum operating requirements of the venture, in the event revenues do not cover expenses over the next 18 years. The maximum potential future payments under the agreement are estimated to be \$258 million assuming MSLP does not earn any revenue over the entire period. To the extent revenue was generated by the venture, future required payments would be reduced accordingly.
- The company has guaranteed certain potential payments related to its interest in two drillships, which are operated by joint ventures. Potential payments could be required for guaranteed residual value amounts and amounts due under interest rate hedging agreements. The maximum potential future payments under the agreements are estimated to be approximately \$193 million.
- During 2001, the company entered into a letter agreement authorizing the charter, by an unaffiliated third party, of up to four LNG vessels, which included an indemnity by the company in respect of claims for charter hire and other charter payments. The indemnity was subject to certain limitations and was to be applied net of sub-charter rental income and other receipts of the unaffiliated third party. In February 2003, the company entered into new agreements which cancelled the 2001 letter agreement and established separate guarantee facilities for \$50 million each for two of the LNG vessels. Under each such facility, the company may be required to make payments should the charter revenue generated by the relevant ship fall below certain specified minimum thresholds, and the company will receive payments to the extent that such revenues exceed those thresholds. The net maximum future payments over the 20 year terms of the agreements could be up to \$100 million. In the event the two ships are sold or a total loss occurs, the company also may have recourse to the sales or insurance proceeds to recoup payments made under the guarantee facilities.
- Other guarantees, consisting primarily of dealer and jobber loan guarantees to support the company's marketing business, a guarantee supporting a lease assignment on a corporate aircraft and guarantees of lease payment obligations for a joint venture totaled \$111 million. These guarantees generally extend up to 15 years and payment would only be required if the dealer, jobber or lessee was in default.

INDEMNIFICATIONS

- Over the years, the company has entered into various agreements to sell ownership interests in certain corporations and joint ventures. In addition, the company entered into a Tax Sharing Agreement in 1998 related to Conoco's separation from DuPont. These agreements typically include indemnifications for additional taxes determined to be due under the relevant tax law in connection with the company's operations for years prior to the sale or separation. Generally, the obligation extends until the related tax years are closed. The maximum potential amount of future payments under the indemnifications is the amount of additional tax determined to be due under relevant tax law and the various agreements. There are no material outstanding claims that have been asserted under these agreements.
- As part of its normal ongoing business operations and consistent with generally accepted and recognized industry practice, ConocoPhillips enters into various agreements with other parties (the Agreements). These Agreements apportion future risks between the parties for the transaction(s) or relationship(s) governed by such Agreements; one method of apportioning risk

between the company and the other contracting party is the inclusion of provisions requiring one party to indemnify the other party against losses that might otherwise be incurred by such other party in the future (the Indemnity or Indemnities). Many of the company's Agreements contain an Indemnity or Indemnities that require the company to perform certain obligations as a result of the occurrence of a triggering event or condition. In some instances the company indemnifies third parties against losses resulting from certain events or conditions that arise out of operations conducted by the company's equity affiliates.

The nature of these indemnity obligations are diverse and too numerous to list in this disclosure because of the thousands of different Agreements to which the company is a party, each of which may have a different term, business purpose, and triggering events or conditions for an indemnity obligation. Consistent with customary business practice, any particular indemnity obligation incurred by the company is the result of a negotiated transaction or contractual relationship for which the company has accepted a certain level of risk in return for a financial or other type of benefit to the company. In addition, the Indemnity or Indemnities in each Agreement vary widely in their definitions of both the triggering event and the resulting obligation, which is contingent on that triggering event.

The company's risk management philosophy is to limit risk in any transaction or relationship to the maximum extent reasonable in relation to commercial and other considerations. Before accepting any indemnity obligation, the company makes an informed risk management decision considering, among other things, the remoteness of the possibility that the triggering event will occur, the potential costs to perform any resulting indemnity obligation, possible actions to reduce the likelihood of a triggering event or to reduce the costs of performing an indemnity obligation, whether the company is in fact indemnified by an unrelated third party, insurance coverage that may be available to offset the cost of the indemnity obligation, and the benefits to the company from the transaction or relationship.

Because many or most of the company's indemnity obligations are not limited in duration or potential monetary exposure, the company cannot calculate the maximum potential amount of future payments that could be paid under the company's indemnity obligations stemming from all its existing Agreements. The company has disclosed contractual matters, including, but not limited to, indemnity obligations, which will or could have a material impact on the company's financial performance in quarterly, annual and other reports required by applicable securities laws and regulations. The company also accrues for contingent liabilities, including those arising out of indemnity obligations, when a loss is probable and the amounts can be reasonably estimated (see Note 15--Contingencies). The company is not aware of the occurrence of any triggering event or condition that would have a material adverse impact on the company's financial statements as a result of an indemnity obligation relating to such triggering event or condition.

NOTE 15--CONTINGENCIES

The company is subject to various lawsuits and claims including but not limited to: actions challenging oil and gas royalty and severance tax payments; actions related to gas measurement and valuation methods; actions related to joint interest billings to operating agreement partners; and claims for damages resulting from leaking underground storage tanks, with related toxic tort claims.

In the case of all known contingencies, the company accrues an undiscounted liability when the loss is probable and the amount is reasonably estimable. These liabilities are not reduced for potential insurance recoveries. If applicable, undiscounted receivables are accrued for probable insurance or other third-party

recoveries. Based on currently available information, the company believes that 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 the company's financial statements.

As facts concerning contingencies become known to the company, the company reassesses its position both with respect to accrued liabilities and other potential exposures. Estimates that are particularly sensitive to future changes include contingent liabilities recorded for environmental remediation, tax and legal matters. Estimated future environmental remediation costs are subject to change due to such factors as the unknown magnitude of cleanup costs, the unknown time and extent of such remedial actions that may be required, and the determination of the company's 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--The company is subject to federal, state and local environmental laws and regulations. These may result in obligations to remove or mitigate the effects on the environment of the placement, storage, disposal or release of certain chemical, mineral and petroleum substances at various sites. When the company prepares its financial statements, accruals for environmental liabilities are recorded based on management's best estimate using all information that is available at the time. Loss estimates are measured and liabilities are based on currently available facts, existing technology, and presently enacted laws and regulations, taking into consideration the likely effects of inflation and other societal and economic factors. Also considered when measuring environmental liabilities are the company's prior experience in remediation of contaminated sites, other companies' cleanup experience and data released by the U.S. Environmental Protection Agency (EPA) or other organizations. Unasserted claims are reflected in ConocoPhillips' determination of environmental liabilities and are accrued in the period that they are both probable and reasonably estimable.

Although liability of those potentially responsible for environmental remediation costs is generally joint and several for federal sites and frequently so for state sites, the company is usually only one of many companies cited at a particular site. Due to the joint and several liabilities, the company could be responsible for all of the cleanup costs related to any site at which it has been designated as a potentially responsible party. If ConocoPhillips were solely responsible, the costs, in some cases, could be material to its, or one of its segments', operations, capital resources or liquidity. However, settlements and costs incurred in matters that previously have been resolved have not been materially significant to the company's results of operations or financial condition. The company has been successful to date in sharing cleanup costs with other financially sound companies. Many of the sites at which the company is potentially responsible are still under investigation by the EPA or the state agencies concerned. Prior to actual cleanup, those potentially responsible normally assess the site conditions, apportion responsibility and determine the appropriate remediation. In some instances, ConocoPhillips may have no liability or attain a settlement of liability. Where it appears that other potentially responsible parties may be financially unable to bear their proportional share, this inability has been considered in estimating the company's potential liability and accruals have been adjusted accordingly.

Upon ConocoPhillips' acquisition of Tosco on September 14, 2001, the assumed environmental obligations of Tosco, some of which are mitigated by indemnification agreements, became contingencies reportable on a consolidated basis by ConocoPhillips. Beginning with the acquisition of the Bayway refinery in 1993, but excluding the Alliance refinery acquisition, Tosco negotiated, as part of its acquisitions, environmental indemnification from the former owners for remediating contamination that occurred prior to the respective acquisition dates. Some of the environmental indemnifications are subject to caps and time limits. No accruals have been recorded for any potential contingent liabilities that will be funded by the prior owners under these indemnifications.

As part of Tosco's acquisition of Unocal's West Coast petroleum refining, marketing, and related supply and transportation assets in March 1997, Tosco agreed to pay the first \$7 million per year of any environmental remediation liabilities at the acquired sites arising out of, or relating to, the period prior to the transaction's closing, plus 40 percent of any amount in excess of \$7 million per year, with Unocal paying the remaining 60 percent per year. The indemnification agreement with Unocal has a 25-year term from inception, and, at December 31, 2002, had a maximum cap of \$131 million for environmental remediation costs that ConocoPhillips would be required to fund during the remainder of the agreement period. This maximum has been adjusted for amounts paid through December 31, 2002.

The company is currently participating in environmental assessments and cleanups at federal Superfund and comparable state sites. After an assessment of environmental exposures for cleanup and other costs, the company makes accruals on an undiscounted basis (except, if assumed in a purchase business combination, such costs are recorded on a discounted basis) for planned investigation and remediation activities for sites where it is probable that future costs will be incurred and these costs can be reasonably estimated. See Note 11--Accrued Dismantlement, Removal and Environmental Costs, for a summary of the company's accrued environmental liabilities.

OTHER LEGAL PROCEEDINGS--ConocoPhillips is a party to a number of other legal proceedings pending in various courts or agencies for which, in some instances, no provision has been made.

OTHER CONTINGENCIES--ConocoPhillips has contingent liabilities resulting from throughput agreements with pipeline and processing companies. Under these agreements, ConocoPhillips may be required to provide any such company with additional funds through advances and penalties for fees related to throughput capacity not utilized by ConocoPhillips.

ConocoPhillips has various purchase commitments for materials, supplies, services and items of permanent investment incident to the ordinary conduct of business. Such commitments are not at prices in excess of current market. Additionally, the company has obligations under an international contract to purchase natural gas over a period of up to 17 years. These long-term purchase obligations are at prices in excess of December 31, 2002, quoted market prices. No material annual gain or loss is expected from these long-term commitments.

NOTE 16--FINANCIAL INSTRUMENTS AND DERIVATIVE CONTRACTS

DERIVATIVE INSTRUMENTS

The company and certain of its subsidiaries may use financial and commodity-based derivative contracts to manage exposures to fluctuations in foreign currency exchange rates, commodity prices, and interest rates, or to exploit market opportunities. With the completion of the merger of Phillips and Conoco on August 30, 2002, the derivatives policy adopted during the third quarter of 2001 is no longer in effect; however, the ConocoPhillips Board of Directors has approved an "Authority Limitations" document that prohibits the use of highly leveraged derivatives or derivative instruments without sufficient liquidity for comparable valuations without approval from the Chief Executive Officer. The Authority Limitations document also authorizes the Chief Executive Officer to establish the maximum Value at Risk (VaR) limits for the company. Compliance with these limits is monitored daily. The function of the Risk Management Steering Committee, monitoring the use and effectiveness of derivatives, was assumed by the Chief Financial Officer for risks resulting from foreign currency exchange rates and interest rates, and by the Executive Vice President of Commercial, a new position that reports to the Chief Executive Officer, for commodity price risk. ConocoPhillips' Commercial Group manages commercial marketing,

optimizes the commodity flows and positions of the company, monitors related risks of the company's upstream and downstream businesses and selectively takes price risk to add value.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (Statement No. 133 or SFAS No. 133), requires companies to recognize all derivative instruments as either assets or liabilities on the balance sheet at fair value. Assets and liabilities resulting from derivative contracts open at December 31, 2002, were \$197 million and \$206 million, respectively, and appear as accounts and notes receivables, other assets, accounts payable, or other liabilities and deferred credits on the balance sheet.

The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it meets the qualifications for, and has been designated as, a SFAS No. 133 hedge, and the type of hedge. At this time, ConocoPhillips is not using SFAS No. 133 hedge accounting for commodity derivative contracts, but the company is using hedge accounting for the interest-rate derivatives noted below. All gains and losses, realized or unrealized, from derivative contracts not designated as SFAS No. 133 hedges have been recognized in the statement of operations. Gains and losses from derivative contracts held for trading not directly related to the company's physical business, whether realized or unrealized, have been reported net in other income.

SFAS No. 133 also requires purchase and sales contracts for commodities that are readily convertible to cash (e.g., crude oil, natural gas, and gasoline) to be recorded on the balance sheet as derivatives unless the contracts are for quantities expected to be used or sold by the company over a reasonable period in the normal course of business (the normal purchases and normal sales exception), among other requirements, and the company has documented its intent to apply this exception. ConocoPhillips generally applies this exception to eligible purchase and sales contracts; however, the company may elect not to apply this exception (e.g., when another derivative instrument will be used to mitigate the risk of the purchase or sale contract but hedge accounting will not be applied). When this occurs, both the purchase or sales contract and the derivative contract mitigating the resulting risk will be recorded on the balance sheet at fair value in accordance with the preceding paragraphs.

INTEREST RATE DERIVATIVE CONTRACTS--On August 30, 2002, the company obtained a number of fixed-to-floating and floating-to-fixed interest rate swaps from the merger. ConocoPhillips designated these swaps as hedges, but by December 31, 2002, all of the fixed-to-floating rate swaps and a portion of the floating-to-fixed rate swaps had been terminated. The floating-to-fixed interest rate swaps still open at December 31, 2002, are as follows:

	Millions of Dollars	
	Notional Amount	Fair Value
CASH FLOW HEDGES		
Maturing 2006	\$ 166	(19)
Maturing in less than one year	500	(3)

ConocoPhillips generally reports gains, losses, and ineffectiveness from interest rate derivatives on the statement of operations in interest and debt expense; however, when interest rate derivatives are used to hedge the interest component of a lease, the resulting gains and losses are reported on the statement of operations in production and operating expense. No portion of the gain or loss from the swaps designated as interest rate hedges has been excluded from the assessment of hedge ineffectiveness, which was immaterial for the period from August 30 to December 31, 2002. In accordance with the hedge accounting provisions of Statement No. 133, any realized gains or losses from these derivative hedging

instruments will be recognized as income or expense in future periods concurrent with the forecasted transactions. The company expects the amount of net unrealized losses from interest rate hedges in accumulated other comprehensive loss at December 31, 2002, that will be reclassified to earnings during the next 12 months to be immaterial.

CURRENCY EXCHANGE RATE DERIVATIVE CONTRACTS--During the third quarter of 2001, ConocoPhillips used hedge accounting to record the results of using a forward exchange contract to hedge the exposure to fluctuations in the exchange rate between the U.S. dollar and Brazilian real, resulting from a firm commitment to pay reals to acquire an exploratory lease. The hedge was closed in August 2001, upon payment of the lease bonus. Results from the hedge appear in accumulated other comprehensive loss on the balance sheet and will be reclassified into earnings concurrent with the amortization or write-down of the lease bonus, but no portion of this amount is expected to be reclassified during 2003. No component of the hedge results was excluded from the assessment of hedge effectiveness, and no gain or loss was recorded in the statement of operations from hedge ineffectiveness.

After the merger, the company has foreign currency exchange rate risk resulting from operations in over 40 countries. ConocoPhillips does not comprehensively hedge the exposure to currency rate changes, although the company may choose to selectively hedge exposures to foreign currency rate risk. Examples include firm commitments for capital projects, certain local currency tax payments and dividends, and cash returns from net investments in foreign affiliates to be remitted within the coming year. Hedge accounting is not currently being used for any of the company's foreign currency derivatives.

COMMODITY DERIVATIVE CONTRACTS--ConocoPhillips operates in the worldwide crude oil, refined product, natural gas, natural gas liquids, and electric power markets and is exposed to fluctuations in the prices for these commodities. These fluctuations can affect the company's revenues as well as the cost of operating, investing, and financing activities. Generally, ConocoPhillips' policy is to remain exposed to market prices of commodity purchases and sales; however, executive management may elect to use derivative instruments to establish longer-term positions to hedge the price risk of the company's equity crude oil and natural gas production, as well as refinery margins.

The ConocoPhillips Commercial Group use futures, forwards, swaps, and options in various markets to optimize the value of the company's supply chain, which may move the company's risk profile away from market average prices to accomplish the following objectives:

- o Balance physical systems. In addition to cash settlement prior to contract expiration, exchange traded futures contracts may also be settled by physical delivery of the commodity, providing another source of supply to meet the company's refinery requirements or marketing demand;
- o Meet customer needs. Consistent with the company's policy to generally remain exposed to market prices, the company uses swap contracts to convert fixed-price sales contracts, which are often requested by natural gas and refined product consumers, to a floating market price;
- o Manage the risk to the company's cash flows from price exposures on specific crude oil, natural gas, refined product and electric power transactions; and
- o Enable the company to use the market knowledge gained from these activities to do a limited amount of trading not directly related to the company's physical business. For the 12 months ended December 31, 2002 and 2001, the gains or losses from this activity were not material to the company's cash flows or income from continuing operations.

At December 31, 2002, ConocoPhillips was not using hedge accounting for commodity derivative contracts; however, during the first half of 2002, the company did use hedge accounting for West Texas Intermediate (WTI) crude oil futures designated as fair-value hedges of firm commitments to sell WTI crude oil at Cushing, Oklahoma. The changes in the fair values of the futures and firm commitments have been recognized in income. No component of the futures gain or loss was excluded from the assessment of hedge effectiveness, and the amount recognized in earnings during the year from ineffectiveness was immaterial.

CREDIT RISK

The company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash equivalents, over-the-counter derivative contracts, and trade receivables. ConocoPhillips' cash equivalents, which are placed in high-quality money market funds and time deposits with major international banks and financial institutions, are generally not maintained at levels material to the company's financial position. The credit risk from the company's over-the-counter derivative contracts, such as forwards and swaps, derives from the counterparty to the transaction, typically a major bank or financial institution. ConocoPhillips closely monitors these credit exposures against predetermined credit limits, including the continual exposure adjustments that result from market movements. Individual counterparty exposure is managed within these limits, and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant non-performance. ConocoPhillips also uses futures contracts, but futures have a negligible credit risk because they are traded on the New York Mercantile Exchange or the International Petroleum Exchange of London Limited.

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

FAIR VALUES OF FINANCIAL INSTRUMENTS

The company used the following methods and assumptions to estimate the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported on the balance sheet approximates fair value.

Accounts and notes receivable: The carrying amount reported on the balance sheet approximates fair value.

Debt and mandatorily redeemable preferred securities: The carrying amount of the company's floating-rate debt approximates fair value. The fair value of the fixed-rate debt and mandatorily redeemable preferred securities is estimated based on quoted market prices.

Swaps: Fair value is estimated based on forward market prices and approximates the net gains and losses that would have been realized if the contracts had been closed out at year-end. When forward market prices are not available, they are estimated using the forward prices of a similar commodity with adjustments for differences in quality or location.

Futures: Fair values are based on quoted market prices obtained from the New York Mercantile Exchange or the International Petroleum Exchange of London Limited.

Forward-exchange contracts: Fair value is estimated by comparing the contract rate to the forward rate in effect on December 31 and approximates the net gains and losses that would have been realized if the contracts had been closed out at year-end.

Certain company financial instruments at December 31 were:

	Millions of Dollars			
	Carrying Amount		Fair Value	
	2002	2001	2002	2001
Financial assets				
Foreign currency derivatives	\$ 17	--	17	--
Commodity derivatives	180	5	180	5
Financial liabilities				
Total debt, excluding capital leases	\$19,743	8,654	20,844	9,175
Mandatorily redeemable other minority interests and preferred securities	491	650	516	662
Interest rate derivatives	22	--	22	--
Foreign currency derivatives	4	--	4	--
Commodity derivatives	180	7	180	7

NOTE 17--PREFERRED STOCK AND OTHER MINORITY INTERESTS

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF PHILLIPS 66 CAPITAL TRUSTS

During 1996 and 1997, the company formed two statutory business trusts, Phillips 66 Capital I (Trust I) and Phillips 66 Capital II (Trust II), in which the company owns all common stock. The Trusts were created for the sole purpose of issuing securities and investing the proceeds thereof in an equivalent amount of subordinated debt securities of ConocoPhillips. ConocoPhillips established the two trusts to raise funds for general corporate purposes.

On May 31, 2002, ConocoPhillips redeemed all of its outstanding 8.24% Junior Subordinated Deferrable Interest Debentures due 2036 held by Trust I. This triggered the redemption of \$300 million of Trust I's 8.24% Trust Originated Preferred Securities at par value, \$25 per share. An extraordinary loss of \$8 million before-tax, \$6 million after-tax, was incurred during the second quarter of 2002 as a result of the redemption.

Trust II has outstanding \$350 million of 8% Capital Securities (Capital Securities). The sole asset of Trust II is \$361 million of the company's 8% Junior Subordinated Deferrable Interest Debentures due 2037 (Subordinated Debt Securities II) purchased by Trust II on January 17, 1997. The Subordinated Debt Securities II are due January 15, 2037, and are redeemable in whole, or in part, at the option of ConocoPhillips, on or after January 15, 2007, at a redemption price of \$1,000 per share, plus accrued and unpaid interest.

Subordinated Debt Securities II are unsecured obligations of ConocoPhillips, equal in right of payment but subordinate and junior in right of payment to all present and future senior indebtedness of ConocoPhillips.

The subordinated debt securities and related income statement effects are eliminated in the company's consolidated financial statements. When the company redeems the Subordinated Debt Securities II, Trust II is required to apply all redemption proceeds to the immediate redemption of the Capital Securities. ConocoPhillips fully and unconditionally guarantees Trust II's obligations under the Capital Securities.

OTHER MANDATORILY REDEEMABLE MINORITY INTERESTS

The minority limited partner in Conoco Corporate Holdings L.P. is entitled to a cumulative annual 7.86 percent priority return on its investment. The net minority interest in Conoco Corporate Holdings held by the limited partner was \$141 million at December 31, 2002, and is mandatorily redeemable in 2019 or callable without penalty beginning in the fourth quarter of 2004.

OTHER MINORITY INTERESTS

The minority interest owner in Ashford Energy Capital S.A. is entitled to a cumulative annual preferred return on its investment, based on three-month LIBOR rates plus 1.27 percent. The preferred return at December 31, 2002, was 2.70 percent. At December 31, 2002, the minority interest was \$504 million.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," and later in 2003, the FASB is expected to issue SFAS No. 149, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity." The company is evaluating these new pronouncements to determine whether the above items currently presented in the mezzanine section of the balance sheet will be required to be presented as debt or equity on the balance sheet. See Note 27--New Accounting Standards and Note 28--Variable Interest Entities for more information.

PREFERRED STOCK

ConocoPhillips has 500 million shares of preferred stock authorized, par value \$.01 per share, none of which was issued or outstanding at December 31, 2002.

NOTE 18--PREFERRED SHARE PURCHASE RIGHTS

ConocoPhillips' Board of Directors authorized and declared a dividend of one preferred share purchase right for each common share outstanding, and authorized and directed the issuance of one right per common share for any newly issued shares. The rights, which expire June 30, 2012, will be exercisable only if a person or group acquires 15 percent or more of the company's common stock or commences a tender offer that would result in ownership of 15 percent or more of the common stock. Each right would entitle stockholders to buy one one-hundredth of a share of preferred stock at an exercise price of \$300. In addition, the rights enable holders to either acquire additional shares of ConocoPhillips common stock or purchase the stock of an acquiring company at a discount, depending on specific circumstances. The company may redeem the rights in whole, but not in part, for one cent per right.

NOTE 19--NON-MINERAL LEASES

The company leases ocean transport vessels, railroad tank cars, corporate aircraft, service stations, computers, office buildings and other facilities and equipment. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, as well as renewal options and/or options to purchase the leased property for the fair market value at the end of the lease term. There are no significant restrictions on ConocoPhillips imposed by the leasing agreements in regards to dividends, asset dispositions or borrowing ability. Leased assets under capital leases were not significant in any period presented.

ConocoPhillips has leasing arrangements with several special purpose entities (SPEs) that are third-party trusts established by a trustee and funded by financial institutions. Other than the leasing arrangement, ConocoPhillips has no other direct or indirect relationship with the trusts or their investors. Each SPE from which ConocoPhillips leases assets is funded by at least 3 percent substantive third-party residual equity capital investment, which is at-risk during the entire term of the lease. ConocoPhillips does have various purchase options to acquire the leased assets from the SPEs at the end of the lease term, but those purchase options are not required to be exercised by ConocoPhillips. See Note 28--Variable Interest Entities, for a discussion of how the accounting for certain leasing arrangements with SPEs may change in 2003.

In connection with the committed plan to sell a major portion of the company's owned retail stores, the company plans to exercise purchase option provisions of various operating leases during 2003 involving approximately 900 store sites and two office buildings. Depending upon the timing of when the company adopts FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," and the determination of whether or not the lessor entities in these leases are variable interest entities, some or all of these lessor entities could become consolidated subsidiaries of the company prior to the exercise of the purchase options. See Note 27--New Accounting Standards, and Note 28--Variable Interest Entities, for additional information on FASB Interpretation No. 46.

At December 31, 2002, future minimum rental payments due under non-cancelable leases, including those associated with discontinued operations, were:

	Millions of Dollars -----
2003	\$ 649
2004	546
2005	479
2006	425
2007	367
Remaining years	1,635

Total	4,101
Less income from subleases	641*

Net minimum operating lease payments	\$3,460
=====	

*Includes \$164 million related to railroad cars subleased to CPChem, a related party.

The above amounts exclude guaranteed residual value payments, including those associated with discontinued operations, totaling \$196 million in 2003, \$219 million in 2004, \$827 million in 2005, \$145 million in 2006, and \$434 million in the remaining years, due at the end of lease terms, which would be reduced by the fair market value of the leased assets returned. See Note 4--Discontinued Operations regarding the company's commitment to exit certain retail sites and the related accrual for probable deficiencies under the residual value guarantees.

The company also expects to recognize probable guaranteed residual value deficiencies associated with certain retail sites included in continuing operations. The company plans to exercise its purchase options under these leases in 2003, resulting in the recognition of a \$142 million, \$92 million after-tax, loss.

ConocoPhillips has agreements with a shipping company for the long-term charter of five crude oil tankers that are currently under construction. The charters will be accounted for as operating leases upon delivery, which is expected in the third and fourth quarters of 2003. If the completed tankers are not delivered to ConocoPhillips before specified dates in 2004, the chartering commitments are cancelable by ConocoPhillips. Upon delivery, the base term of the charter agreements is 12 years, with certain renewal options by ConocoPhillips. ConocoPhillips has options to cancel the charter agreements at any time, including during construction or after delivery. After delivery, if ConocoPhillips were to exercise its cancellation options, the company's maximum commitment for the five tankers together would be \$92 million. If ConocoPhillips does not exercise its cancellation options, the total operating lease commitment over the 12-year term for the five tankers would be \$383 million on an estimated bareboat basis.

Operating lease rental expense for the years ended December 31 was:

	Millions of Dollars		
	2002	2001	2000
Total rentals*	\$541	271	128
Less sublease rentals	21	22	2
	\$520	249	126

*Includes \$12 million of contingent rentals in 2002. Contingent rentals in 2001 and 2000 were not significant.

NOTE 20--EMPLOYEE BENEFIT PLANS

PENSION AND POSTRETIREMENT PLANS

An analysis of the projected benefit obligations for the company's pension plans and accumulated benefit obligations for its postretirement health and life insurance plans follows:

	Millions of Dollars					
	Pension Benefits				Other Benefits	
	2002		2001		2002	2001
	U.S.	INT'L.	U.S.	Int'l.		
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at January 1	\$ 1,432	417	991	386	239	140
Service cost	75	32	40	15	9	4
Interest cost	133	48	82	24	31	11
Plan participant contributions	--	2	--	1	15	11
Plan amendments	(12)	--	6	--	133	21
Actuarial (gain) loss	205	(21)	161	8	31	14
Acquisitions	1,349	908	277	--	509	68
Benefits paid	(159)	(23)	(131)	(12)	(47)	(31)
Curtailement	(36)	--	--	(2)	(4)	--
Recognition of termination benefits	92	3	6	5	3	1
Foreign currency exchange rate change	--	135	--	(8)	--	--
Benefit obligation at December 31	\$ 3,079	1,501	1,432	417	919	239
Accumulated benefit obligation portion of above at December 31	\$ 2,455	1,325	1,121	345		
CHANGE IN FAIR VALUE OF PLAN ASSETS						
Fair value of plan assets at January 1	\$ 732	381	696	401	21	20
Actual return on plan assets	(85)	(74)	(91)	(19)	(5)	2
Acquisitions	600	594	166	--	--	4
Company contributions	145	39	92	18	27	15
Plan participant contributions	--	2	--	1	15	11
Benefits paid	(159)	(21)	(131)	(12)	(47)	(31)
Foreign currency exchange rate change	--	106	--	(8)	--	--
Fair value of plan assets at December 31	\$ 1,233	1,027	732	381	11	21

Millions of Dollars

	Pension Benefits				Other Benefits	
	2002		2001		2002	2001
	U.S.	INT'L.	U.S.	Int'l.		
FUNDED STATUS						
Excess obligation	\$(1,846)	(474)	(700)	(36)	(908)	(218)
Unrecognized net actuarial loss	697	171	418	61	60	30
Unrecognized prior service cost	30	5	57	7	131	18
Total recognized amount in the consolidated balance sheet	\$(1,119)	(298)	(225)	32	(717)	(170)
Components of above amount:						
Prepaid benefit cost	\$ --	52	5	37	--	--
Accrued benefit liability	(1,484)	(400)	(501)	(15)	(717)	(170)
Intangible asset	43	3	57	4	--	--
Accumulated other comprehensive loss	322	47	214	6	--	--
Total recognized	\$(1,119)	(298)	(225)	32	(717)	(170)
WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31						
Discount rate	6.75%	5.85	7.25	6.30	6.75	7.25
Expected return on plan assets	7.05	7.45	8.70	7.60	5.50	5.20
Rate of compensation increase	4.00	3.80	4.00	3.75	4.00	4.00

Pension plan funds are invested in a diversified portfolio of assets. Approximately \$198 million held in a participating annuity contract is not available for meeting benefit obligations in the near term. At December 31, 2002, approximately 4,300 shares of company stock were included in plan assets. At December 31, 2001, no company stock was included in plan assets. The company's funding policy for U.S. plans is to contribute at least the minimum required by the Employee Retirement Income Security Act of 1974. Contributions to foreign plans are dependent upon local laws and tax regulations. In 2003, the company expects to contribute approximately \$340 million to its domestic qualified pension plans and \$50 million to its international qualified pension plans.

The funded status of the plans was impacted in 2002 by changes in assumptions used to calculate plan liabilities, the merger of Conoco and Phillips, and negative asset performance.

During 2002, the company recorded charges to other comprehensive loss totaling \$149 million (\$93 million net of tax), resulting in accumulated other comprehensive loss due to minimum pension liability adjustments at December 31, 2002, of \$369 million (\$236 million net of tax).

Millions of Dollars

	Pension Benefits						Other Benefits		
	2002		2001		2000		2002	2001	2000
	U.S.	INT'L.	U.S.	Int'l.	U.S.	Int'l.			
COMPONENTS OF NET PERIODIC BENEFIT COST									
Service cost	\$ 75	32	40	15	32	16	9	4	2
Interest cost	133	48	82	24	75	23	31	11	9
Expected return on plan assets	(73)	(49)	(74)	(30)	(80)	(29)	(1)	(1)	(1)
Amortization of prior service cost	5	2	6	1	5	1	8	(1)	(3)
Recognized net actuarial loss (gain)	48	7	16	--	(5)	--	3	2	1
Amortization of net asset	--	--	--	(1)	(7)	--	--	--	--
Net periodic benefit cost	\$ 188	40	70	9	20	11	50	15	8

The company recorded curtailment losses of \$23 million and \$1 million in 2002 and 2000, respectively, and a curtailment gain of \$2 million in 2001. The company recorded settlement losses of \$10 million in 2001.

In determining net pension and other postretirement benefit costs, ConocoPhillips has elected to amortize net gains and losses on a straight-line basis over 10 years. Prior service cost is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan.

For the company's tax-qualified pension plans with projected benefit obligations in excess of plan assets, the projected benefit obligation, the accumulated benefit obligation, and the fair value of plan assets were \$4,288 million, \$3,542 million, and \$2,259 million at December 31, 2002, respectively, and \$1,519 million, \$1,211 million, and \$886 million at December 31, 2001, respectively.

For the company's unfunded non-qualified supplemental key employee pension plans, the projected benefit obligation and the accumulated benefit obligation were \$260 million and \$206 million, respectively, at December 31, 2002, and were \$109 million and \$76 million, respectively, at December 31, 2001.

The company has multiple non-pension postretirement benefit plans for health and life insurance. The health care plans are contributory, with participant and company contributions adjusted annually; the life insurance plans are non-contributory. For most groups of retirees, any increase in the annual health care escalation rate above 4.5 percent is borne by the participant. The weighted-average health care cost trend rate for those participants not subject to the cap is assumed to decrease gradually from 10 percent in 2003 to 5 percent in 2009.

The assumed health care cost trend rate impacts the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects on the 2002 amounts:

	Millions of Dollars	
	One-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ --	--
Effect on the postretirement benefit obligation	3	3

DEFINED CONTRIBUTION PLANS

At December 31, 2002, most employees (excluding retail service station employees) were eligible to participate in either the company-sponsored Thrift Plan of Phillips Petroleum Company, the Tosco Corporation Capital Accumulation Plan, or the Thrift Plan for Employees of Conoco Inc. Employees could contribute a portion of their salaries to various investment funds, including a company stock fund, a percentage of which was matched by the company. In addition, eligible participants in the Tosco Corporation Capital Accumulation Plan could receive an additional company contribution in lieu of pension plan benefits. Company contributions charged to expense in total for all three plans were \$40 million in 2002, and \$14 million in 2001 and \$6 million in 2000.

The company's Long-Term Stock Savings Plan (LTSSP) was a leveraged employee stock ownership plan. Prior to January 1, 2003, employees eligible for the Thrift Plan of Phillips Petroleum Company could also elect to participate in the LTSSP by contributing 1 percent of their salaries and receiving an allocation of shares of common stock proportionate to their contributions. On January 1, 2003, the Thrift Plan of Phillips Petroleum Company and the Tosco Corporation Capital Accumulation Plan were merged into the LTSSP and the name was changed to the ConocoPhillips Savings Plan (and the LTSSP became known as the Stock Savings Feature within that plan). The ConocoPhillips Savings Plan replaced most features available under the Thrift Plan of Phillips Petroleum Company and the Tosco Corporation Capital Accumulation Plan. In addition to participating in the Thrift Plan for Employees of Conoco Inc., on January 1, 2003, heritage Conoco employees became eligible to participate in the Stock Savings Feature of the ConocoPhillips Savings Plan.

In 1990, the LTSSP borrowed funds that were used to purchase previously unissued shares of company common stock. Since the company guarantees the LTSSP's borrowings, the unpaid balance is reported as a liability of the company and unearned compensation is shown as a reduction of common stockholders' equity. Dividends on all shares are charged against retained earnings. The debt is serviced by the LTSSP from company contributions and dividends received on certain shares of common stock held by the plan, including all unallocated shares. The shares held by the LTSSP are released for allocation to participant accounts based on debt service payments on LTSSP borrowings. In addition, during the period from 2003 through 2007, when no debt principal payments are scheduled to occur, the company has committed to make direct contributions of stock to the LTSSP, or make prepayments on LTSSP borrowings, to ensure a certain minimum level of stock allocation to participant accounts.

The company recognizes interest expense as incurred and compensation expense based on the fair market value of the stock contributed or on the cost of the unallocated shares released, using the shares-allocated method. The company recognized total LTSSP expense of \$39 million, \$33 million and \$40 million in 2002, 2001 and 2000, respectively, all of which was compensation expense. In 2002, 2001 and 2000, respectively, the company made cash contributions to the LTSSP of \$2 million, \$17 million and

\$23 million. In 2002, 2001 and 2000, the company contributed 771,479 shares, 292,857 shares and 508,828 shares, respectively, of company common stock from the Compensation and Benefits Trust. The shares had a fair market value of \$41 million, \$17 million and \$24 million, respectively. Dividends used to service debt were \$28 million, \$28 million and \$32 million in 2002, 2001 and 2000, respectively.

These dividends reduced the amount of expense recognized each period. Interest incurred on the LTSSP debt in 2002, 2001 and 2000 was \$7 million, \$17 million and \$26 million, respectively.

The total LTSSP shares as of December 31 were:

	2002	2001
	-----	-----
Unallocated shares	7,717,710	8,379,924
Allocated shares	14,925,443	14,794,203
	-----	-----
Total LTSSP shares	22,643,153	23,174,127
	=====	=====

The fair value of unallocated shares at December 31, 2002, and 2001, was \$373 million and \$505 million, respectively.

STOCK-BASED COMPENSATION PLANS

Under the company's Omnibus Securities Plan approved by shareholders in 1993, stock options and stock awards for certain employees were authorized for up to eight-tenths of 1 percent (0.8 percent) of the total outstanding shares as of December 31 of the year preceding the awards. Any shares not issued in the current year were available for future grant. Upon the adoption of the 2002 Omnibus Securities Plan discussed below, the number of shares available for issuance under the Omnibus Securities Plan was limited to 700,000. The term of the Omnibus Securities Plan ended on December 31, 2002.

In 2001, shareholders approved the 2002 Omnibus Securities Plan, which has a term of five years, from January 1, 2002, through December 31, 2006, and which is authorized to issue approximately 18,000,000 shares of company common stock. The two plans also provided for non-stock-based awards.

Shares of company stock awarded under both plans were:

	2002	2001	2000
	-----	-----	-----
Shares	1,090,082	237,849	319,726
Weighted-average fair value	\$ 57.84	56.23	46.98
	-----	-----	-----

Stock options granted under provisions of the plans and earlier plans permit purchase of the company's common stock at exercise prices equivalent to the average market price of the stock on the date the options were granted. The options have terms of 10 years and normally become exercisable in increments of up to one-third on each anniversary date following the date of grant. Stock Appreciation Rights (SARs) may, from time to time, be affixed to the options. Options exercised in the form of SARs permit the holder to receive stock, or a combination of cash and stock, subject to a declining cap on the exercise price.

The merger was a change-in-control event that resulted in a lapsing of restrictions on, and payout of, stock and stock option awards under the plans. ConocoPhillips offered to exchange certain stock awards under the plans with new awards in the form of restricted stock units. These new restricted stock units were converted, at the time of the merger, into awards based on the same number of shares of ConocoPhillips common stock.

Conoco had several stock-based compensation plans that were assumed in the merger: the 1998 Stock and Performance Incentive Plan; the 1998 Key Employee Stock Performance Plan; the 1998 Global Performance Sharing Plan; and the 2001 Global Performance Sharing Plan. Upon the merger, outstanding stock options under these plans were converted to ConocoPhillips stock options at the merger exchange ratio of 0.4677.

The Conoco plans award stock options at exercise prices equivalent to the average market price of the stock on the date the option was granted. Awards have option terms of 10 years and become exercisable based on various formulas, including those that become exercisable one year from date of grant, and those that become exercisable in increments of one-third on each anniversary date following date of grant. In total, there were 16 million shares of company stock at December 31, 2002, available for issuance under the Conoco plans.

Stock-based compensation expense recognized by ConocoPhillips in connection with all the plans discussed above was \$60 million, \$21 million and \$23 million in 2002, 2001 and 2000, respectively.

Beginning in 2003, ConocoPhillips has elected to use the fair-value accounting method provided for under SFAS No. 123, "Accounting for Stock-Based Compensation." The company will use the prospective transition method provided under SFAS 123, applying the fair-value accounting method and recognizing compensation expense for all stock options granted, modified or settled after December 31, 2002.

Employee stock options granted prior to 2003 will continue to be accounted for under APB No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Because the exercise price of ConocoPhillips employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is generally recognized under APB No. 25. The following table displays pro forma information as if the provisions of SFAS No. 123 had been applied to employee stock options granted since January 1, 1996:

	2002	2001	2000

Pro forma net income (loss) in millions	\$ (358)	1,644	1,850
Pro forma basic income (loss) per share	(.74)	5.61	7.27
Pro forma diluted income (loss) per share	(.74)	5.57	7.21

Assumptions used			
Risk-free interest rate	4.1%	4.5	5.9
Dividend yield	3.0%	2.5	2.5
Volatility factor	26.2%	27.0	26.0
Average grant date fair value of options	\$ 11.67	23.19	16.00
Expected life (years)	6	5	5

In August 2002, ConocoPhillips issued 23.3 million vested stock options to replace unexercised Conoco stock options at the time of the merger. These options had a weighted-average exercise price of \$47.65 per option, and a Black-Scholes option-pricing model value of \$16.50 per option. In September 2001, ConocoPhillips issued 4.7 million vested stock options to replace unexercised Tosco stock options at the time of the acquisition. These options had a weighted-average exercise price of \$23.15 per option, and a Black-Scholes option-pricing model value of \$32.51 per option.

A summary of ConocoPhillips' stock option activity follows:

	Options	Weighted-Average Exercise Price
	-----	-----
Outstanding at December 31, 1999	9,844,524	\$39.84
Granted	1,299,500	61.85
Exercised	(1,223,779)	30.79
Forfeited	(57,278)	47.06
	-----	-----
Outstanding at December 31, 2000	9,862,967	\$43.82
Granted (including Tosco exchange)	9,038,571	38.81
Exercised	(2,373,062)	22.36
Forfeited	(96,126)	60.41
	-----	-----
Outstanding at December 31, 2001	16,432,350	\$44.06
Granted (including the merger)	28,830,903	48.11
Exercised	(2,032,232)	24.66
Forfeited	(124,416)	57.78
	-----	-----
OUTSTANDING AT DECEMBER 31, 2002	43,106,605	\$47.65
	=====	-----

OUTSTANDING AT DECEMBER 31, 2002

Exercise Prices	Options	Weighted-Average	
		Remaining Lives	Exercise Price
-----	-----	-----	-----
\$ 9.04 TO \$31.44	5,067,979	2.18 YEARS	\$25.06
\$31.52 TO \$44.91	6,384,431	4.29 YEARS	39.88
\$45.75 TO \$66.72	31,654,195	7.67 YEARS	52.83
	-----	-----	-----

EXERCISABLE AT DECEMBER 31

	Exercise Prices	Options	Weighted-Average
			Exercise Price
	-----	-----	-----
2002	\$ 9.04 TO \$31.44	5,067,979	\$25.06
	\$31.52 TO \$44.91	6,384,431	39.88
	\$45.75 TO \$66.72	21,614,181	52.17
	-----	-----	-----
2001	\$ 9.04 to \$31.44	3,056,009	\$22.67
	\$31.52 to \$44.91	3,075,354	38.06
	\$45.75 to \$64.43	3,525,616	48.32
	-----	-----	-----
2000	\$22.57 to \$31.44	1,754,047	\$29.42
	\$32.25 to \$44.91	1,674,129	37.49
	\$45.75 to \$62.57	2,029,352	46.46
	-----	-----	-----

COMPENSATION AND BENEFITS TRUST (CBT)

The CBT is an irrevocable grantor trust, administered by an independent trustee and designed to acquire, hold and distribute shares of the company's common stock to fund certain future compensation and benefit obligations of the company. The CBT does not increase or alter the amount of benefits or compensation that will be paid under existing plans, but offers the company enhanced financial flexibility in providing the funding requirements of those plans. ConocoPhillips also has flexibility in determining the timing of distributions of shares from the CBT to fund compensation and benefits, subject to a minimum distribution schedule. The trustee votes shares held by the CBT in accordance with voting directions from eligible employees, as specified in a trust agreement with the trustee.

The company sold 29.2 million shares of previously unissued company common stock to the CBT in 1995 for \$37 million of cash, previously contributed to the CBT by ConocoPhillips, and a promissory note from the CBT to ConocoPhillips of \$952 million. The CBT is consolidated by ConocoPhillips, therefore the cash contribution and promissory note are eliminated in consolidation. Shares held by the CBT are valued at cost and do not affect earnings per share or total common stockholders' equity until after they are transferred out of the CBT. In 2002 and 2001, shares transferred out of the CBT were 771,479 and 292,857, respectively. At December 31, 2002, 26.8 million shares remained in the CBT. All shares are required to be transferred out of the CBT by January 1, 2021.

NOTE 21--TAXES

Taxes charged to income from continuing operations were:

	Millions of Dollars		
	2002	2001	2000
TAXES OTHER THAN INCOME TAXES			
Excise	\$ 6,246	2,177	1,781
Property	244	148	108
Production	303	328	278
Payroll	99	54	50
Environmental	5	14	12
Other	40	19	13
	\$ 6,937	2,740	2,242
=====			
INCOME TAXES			
Federal			
Current	\$ 71	133	470
Deferred	56	426	224
Foreign			
Current	1,188	842	965
Deferred	114	126	127
State and local			
Current	57	97	100
Deferred	(36)	20	14
	\$ 1,450	1,644	1,900
=====			

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Major components of deferred tax liabilities and assets at December 31 were:

	Millions of Dollars	
	2002	2001
DEFERRED TAX LIABILITIES		
Properties, plants and equipment, and intangibles	\$10,147	4,750
Investment in joint ventures	1,013	522
Inventory	385	212
Other	144	74
Total deferred tax liabilities	11,689	5,558
DEFERRED TAX ASSETS		
Benefit plan accruals	1,304	450
Accrued dismantlement, removal and environmental costs	724	452
Deferred state income tax	201	164
Other financial accruals and deferrals	311	182
Alternative minimum tax carryforwards	421	180
Operating loss and credit carryforwards	650	310
Other	394	107
Total deferred tax assets	4,005	1,845
Less valuation allowance	608	263
Net deferred tax assets	3,397	1,582
Net deferred tax liabilities	\$ 8,292	3,976

Current assets, long-term assets, current liabilities and long-term liabilities included deferred taxes of \$68 million, \$41 million, \$40 million and \$8,361 million, respectively, at December 31, 2002, and \$47 million, \$9 million, \$17 million and \$4,015 million, respectively, at December 31, 2001.

The company has operating loss and credit carryovers in multiple taxing jurisdictions. These attributes generally expire between 2003 and 2009 with some carryovers, including the alternative minimum tax, having indefinite carryforward periods.

Valuation allowances have been established for certain operating loss and credit carryforwards that reduce deferred tax assets to an amount that will, more likely than not, be realized. Uncertainties that may affect the realization of these assets include tax law changes and the future level of product prices and costs. Based on the company's historical taxable income, its expectations for the future, and available tax-planning strategies, management expects that the net deferred tax assets will be realized as offsets to reversing deferred tax liabilities and as offsets to the tax consequences of future taxable income.

The Conoco purchase price allocation for the merger resulted in net deferred tax liabilities of \$4,073 million. Included in this amount is a valuation allowance for certain deferred tax assets of \$251 million, for which subsequently recognized tax benefits, if any, will be allocated to goodwill.

At December 31, 2002, and December 31, 2001, income considered to be permanently reinvested in certain foreign subsidiaries and foreign corporate joint ventures totaled approximately \$569 million and \$247 million, respectively. Deferred income taxes have not been provided on this income, as the company does not plan to initiate any action that would require the payment of income taxes. It is not practicable to estimate the amount of additional tax that might be payable on this foreign income if distributed.

The amounts of U.S. and foreign income from continuing operations before income taxes, with a reconciliation of tax at the federal statutory rate with the provision for income taxes, were:

	Millions of Dollars			Percent of Pretax Income		
	2002	2001	2000	2002	2001	2000
Income from continuing operations before income taxes						
United States	\$ 628	2,080	2,041	29.0%	63.9	54.4
Foreign	1,536	1,175	1,707	71.0	36.1	45.6
	\$ 2,164	3,255	3,748	100.0%	100.0	100.0
Federal statutory income tax	\$ 757	1,139	1,312	35.0%	35.0	35.0
Foreign taxes in excess of federal statutory rate	680	515	572	31.4	15.8	15.3
Domestic tax credits	(77)	(84)	(53)	(3.6)	(2.6)	(1.4)
Write-off of acquired in-process research and development costs	86	--	--	4.0	--	--
State income tax	14	76	74	.6	2.3	2.0
Other	(10)	(2)	(5)	(.4)	--	(.2)
	\$ 1,450	1,644	1,900	67.0%	50.5	50.7

NOTE 22--OTHER COMPREHENSIVE INCOME (LOSS)

The components and allocated tax effects of other comprehensive income (loss) follow:

	Millions of Dollars		
	Before-Tax	Tax Expense (Benefit)	After-Tax
2002			
Minimum pension liability adjustment	\$(149)	(56)	(93)
Unrealized loss on securities	(3)	--	(3)
Foreign currency translation adjustments	223	41	182
Hedging activities	(1)	--	(1)
Equity affiliates:			
Foreign currency translation	40	--	40
Derivatives related	(34)	--	(34)
Other comprehensive income	\$ 76	(15)	91
2001			
Minimum pension liability adjustment	\$(220)	(77)	(143)
Unrealized loss on securities	(3)	(1)	(2)
Foreign currency translation adjustments	(14)	--	(14)
Hedging activities	(4)	--	(4)
Equity affiliates:			
Foreign currency translation	(3)	--	(3)
Derivatives related	17	6	11
Other comprehensive loss	\$(227)	(72)	(155)
2000			
Unrealized loss on securities	\$ (2)	(1)	(1)
Foreign currency translation adjustments	(53)	--	(53)
Equity affiliates:			
Foreign currency translation	(15)	--	(15)
Other comprehensive loss	\$ (70)	(1)	(69)

See Note 20--Employee Benefit Plans for more information on the minimum pension liability adjustment.

Unrealized gains on securities relate to available-for-sale securities held by irrevocable grantor trusts that fund certain of the company's domestic, non-qualified supplemental key employee pension plans.

Deferred taxes have not been provided on temporary differences related to foreign currency translation adjustments for investments in certain foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration.

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

	Millions of Dollars	
	2002	2001
Minimum pension liability adjustment	\$(236)	(143)
Foreign currency translation adjustments	98	(84)
Unrealized gain on securities	1	4
Deferred net hedging loss	(5)	(4)
Equity affiliates:		
Foreign currency translation	1	(39)
Derivatives related	(23)	11
Accumulated other comprehensive loss	\$(164)	(255)

NOTE 23--CASH FLOW INFORMATION

	Millions of Dollars		
	2002	2001	2000
NON-CASH INVESTING AND FINANCING ACTIVITIES			
The merger by issuance of stock	\$15,974	--	--
Acquisition of Tosco by issuance of stock	--	7,049	--
Note payable to purchase properties, plants and equipment	--	25	111
Investment in properties, plants and equipment of businesses through the assumption of non-cash liabilities	181	125	472
Investment in equity affiliates through exchange of non-cash assets and liabilities*	--	(15)	4,272
CASH PAYMENTS			
Interest	\$ 441	324	323
Income taxes	1,363	1,504	1,066

*On March 31, 2000, ConocoPhillips combined its gas gathering, processing and marketing business with the gas gathering, processing, marketing and natural gas liquids business of Duke Energy into DEFS and on July 1, 2000, ConocoPhillips and ChevronTexaco combined the two companies' worldwide chemicals businesses into CPChem.

NOTE 24--OTHER FINANCIAL INFORMATION

	Millions of Dollars Except Per Share Amounts		
	2002	2001	2000
INTEREST			
Incurred			
Debt	\$ 740	524	511
Other	58	45	32
Capitalized	798	569	543
	(232)	(231)	(174)
Expensed	\$ 566	338	369
RESEARCH AND DEVELOPMENT EXPENDITURES--expensed	\$ 355*	44	43
*Includes \$246 million of in-process research and development expenses related to the merger			
ADVERTISING EXPENSES*	\$ 37	56	43
*Deferred amounts at December 31 were immaterial in all three years			
CASH DIVIDENDS paid per common share	\$ 1.48	1.40	1.36
FOREIGN CURRENCY TRANSACTION GAINS (LOSSES)--after-tax			
EP	\$ (34)	2	(10)
RM	9	3	(3)
Chemicals	--	--	(1)
Corporate and Other	21	(8)	(25)
	\$ (4)	(3)	(39)

NOTE 25--RELATED PARTY TRANSACTIONS

Significant transactions with related parties were:

	Millions of Dollars		
	2002	2001	2000
Operating revenues (a)	\$ 1,554	935	1,573
Purchases (b)	1,545	1,110	1,347
Operating expenses and selling, general and administrative expenses (c)	279	243	108
Net interest (income) expense (d)	(6)	8	(3)

- (a) ConocoPhillips' Exploration and Production (E&P) segment sells natural gas to Duke Energy Field Services, LLC (DEFS) and crude oil to the Malaysian Refining Company Sdn. Bhd (Melaka), among others, for processing and marketing. Natural gas liquids, solvents and petrochemical feedstocks are sold to Chevron Phillips Chemical Company LLC (CPChem) and refined products are sold to CFJ Properties and GKG Mineraloelhandel GmbH & Co. KG. Also, the company charges several of its affiliates including CPChem; Mery Sweeny, L.P. (MSLP); Hamaca Holding LLC; and Venture

Coke Company for the use of common facilities, such as steam generators, waste and water treaters, and warehouse facilities.

- (b) ConocoPhillips purchases natural gas and natural gas liquids from DEFS and CPChem for use in its refinery processes and other feedstocks from various affiliates. ConocoPhillips purchases crude oil from Petrozuata C.A. and refined products from Melaka and Ceska rafinerska, a.s. located in the Czech Republic. Also, ConocoPhillips pays fees to various pipeline equity companies for transporting finished refined products.
- (c) ConocoPhillips pays processing fees to various affiliates, the most significant being MSLP. Additionally, ConocoPhillips pays contract drilling fees to two deepwater drillship affiliates. Fees are paid to ConocoPhillips' pipeline equity companies for transporting crude oil. Commissions are paid to the receivable monetization companies (see Note 13--Sales of Receivables for more information).
- (d) ConocoPhillips pays and/or receives interest to/from various affiliates including the receivable monetization companies and MSLP.

Elimination of the company's equity percentage share of profit or loss on the above transactions was not material.

NOTE 26--SEGMENT DISCLOSURES AND RELATED INFORMATION

ConocoPhillips has organized its reporting structure based on the grouping of similar products and services, resulting in five operating segments:

- 1) E&P--This segment explores for and produces crude oil, natural gas, and natural gas liquids worldwide; and mines oil sands to extract bitumen and upgrade it into synthetic crude oil. At December 31, 2002, E&P was producing in the United States; the Norwegian and U.K. sectors of the North Sea; Canada; Nigeria; Venezuela; the Timor Sea; offshore Australia and China; Indonesia; the United Arab Emirates; Vietnam; Russia; and Ecuador. The E&P segment's U.S. and international operations are disclosed separately for reporting purposes.
- 2) Midstream--Through both consolidated and equity interests, this segment gathers and processes natural gas produced by ConocoPhillips and others, and fractionates and markets natural gas liquids, primarily in the United States, Canada and Trinidad. The Midstream segment includes ConocoPhillips' 30.3 percent equity investment in DEFS.
- 3) R&M--This segment refines, markets and transports crude oil and petroleum products, mostly in the United States, Europe and Asia. At December 31, 2002, ConocoPhillips owned 12 refineries in the United States (excluding two refineries treated as discontinued operations and reported in Corporate and Other); one in the United Kingdom; one in Ireland; and had equity interests in one refinery in Germany, two in the Czech Republic, and one in Malaysia. The R&M segment's U.S. and international operations are disclosed separately for reporting purposes.
- 4) Chemicals--This segment manufactures and markets petrochemicals and plastics on a worldwide basis. The Chemicals segment consists primarily of ConocoPhillips' 50 percent equity investment in CPChem.

- 5) Emerging Businesses--This segment encompasses the development of new businesses beyond the company's traditional operations. Emerging Businesses includes new technologies related to carbon fibers, natural gas conversion into clean fuels and related products (gas-to-liquids), fuels technology, and power generation.

Corporate and Other includes general corporate overhead; all interest income and expense; preferred dividend requirements of capital trusts; discontinued operations; restructuring charges; goodwill resulting from the merger of Conoco and Phillips that has not yet been allocated to the operating segments; certain eliminations; and various other corporate activities. Corporate assets include all cash and cash equivalents.

The company evaluates performance and allocates resources based on, among other items, net income. Segment accounting policies are the same as those in Note 1--Accounting Policies. Intersegment sales are at prices that approximate market.

ANALYSIS OF RESULTS BY OPERATING SEGMENT

	Millions of Dollars		
	2002	2001	2000
SALES AND OTHER OPERATING REVENUES			
EP			
United States	\$ 7,222	5,879	5,346
International	4,850	2,266	2,919
Intersegment eliminations-U.S	(1,304)	(534)	(433)
Intersegment eliminations-international	(484)	--	(221)
EP	10,284	7,611	7,611
Midstream			
Total sales	2,049	1,193	1,819
Intersegment eliminations	(510)	(416)	(665)
Midstream	1,539	777	1,154
RM			
United States	41,011	16,445	11,570
International	5,630	142	532
Intersegment eliminations-U.S	(1,773)	(92)	(361)
Intersegment eliminations-international	--	--	--
RM	44,868	16,495	11,741
Chemicals			
Total sales	13	--	1,794
Intersegment eliminations	--	--	(147)
Chemicals	13	--	1,647
Emerging Businesses	36	7	--
Corporate and Other	8	2	2
Consolidated sales and other operating revenues	\$ 56,748	24,892	22,155
DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS			
EP			
United States	\$ 999	817	552
International	735	324	487
Total EP	1,734	1,141	1,039
Midstream			
Midstream	19	1	24
RM			
United States	564	203	139
International	50	1	--
Total RM	614	204	139
Chemicals	--	--	54
Emerging Businesses	4	--	--
Corporate and Other	29	24	13
Consolidated depreciation, depletion, amortization and impairments	\$ 2,400	1,370	1,269

	Millions of Dollars		
	2002	2001	2000
EQUITY IN EARNINGS OF AFFILIATES			
EP			
United States	\$ 29	9	15
International	162	19	16
Total EP	191	28	31
Midstream	46	165	137
RM			
United States	43	88	28
International	--	--	8
Total RM	43	88	36
Chemicals	(16)	(240)	(90)
Emerging Businesses	(3)	--	--
Corporate and Other	--	--	--
Consolidated equity in earnings of affiliates	\$ 261	41	114
INCOME TAXES			
EP			
United States	\$ 473	670	744
International	1,337	913	1,050
Total EP	1,810	1,583	1,794
Midstream	42	73	91
RM			
United States	90	210	115
International	(11)	--	10
Total RM	79	210	125
Chemicals	(18)	(89)	21
Emerging Businesses	(38)	(7)	--
Corporate and Other	(425)	(126)	(131)
Consolidated income taxes	\$ 1,450	1,644	1,900
NET INCOME (LOSS)			
EP			
United States	\$ 1,156	1,342	1,388
International	593	357	557
Total EP	1,749	1,699	1,945
Midstream	55	120	162
RM			
United States	138	395	209
International	5	2	29
Total RM	143	397	238
Chemicals	(14)	(128)	(46)
Emerging Businesses	(310)*	(12)	--
Corporate and Other	(1,918)	(415)	(437)
Consolidated net income (loss)	\$ (295)	1,661	1,862

*Includes a non-cash \$246 million write-off of acquired in-process research and development costs.

	Millions of Dollars		
	2002	2001	2000
INVESTMENTS IN AND ADVANCES TO AFFILIATES			
EP			
United States	\$ 156	13	5
International	2,184	573	342
Total EP	2,340	586	347
Midstream	318	166	43
RM			
United States	762	166	147
International	416	--	--
Total RM	1,178	166	147
Chemicals	2,050	1,852	2,046
Emerging Businesses	--	--	--
Corporate and Other	14	18	29
Consolidated investments in and advances to affiliates	\$ 5,900	2,788	2,612
=====			
TOTAL ASSETS			
EP			
United States	\$ 14,196	9,501	9,296
International	19,541	5,295	4,538
Total EP	33,737	14,796	13,834
Midstream	1,931	196	145
RM			
United States	19,553	14,553	3,112
International	3,632	183	68
Total RM	23,185	14,736	3,180
Chemicals	2,095	1,934	2,170
Emerging Businesses	737	2	--
Corporate and Other	15,151	3,553	1,180
Consolidated total assets	\$ 76,836	35,217	20,509
=====			
CAPITAL EXPENDITURES AND INVESTMENTS*			
EP			
United States	\$ 1,205	1,354	951
International	2,071	1,162	726
Total EP	3,276	2,516	1,677
Midstream	5	--	17
RM			
United States	676	423	217
International	164	5	--
Total RM	840	428	217
Chemicals	60	6	67
Emerging Businesses	122	--	--
Corporate and Other	85	66	39
Consolidated capital expenditures and investments	\$ 4,388	3,016	2,017
=====			

*Including dry hole costs.

Additional information on items included in Corporate and Other (on a before-tax basis unless otherwise noted):

	Millions of Dollars		
	2002	2001	2000
Interest income	\$ 40	13	28
Interest expense	566	338	369
Extraordinary losses, after-tax	16	10	--
Significant non-cash items			
Impairments included in discontinued operations	1,048	--	--
Loss accruals related to retail site leases included in discontinued operations	477	--	--
Restructuring charges, net of benefits paid	269	--	--

GEOGRAPHIC INFORMATION

	Millions of Dollars					
	United States	Norway	United Kingdom	Canada	Other Foreign Countries	Worldwide Consolidated
2002						
Sales and Other Operating Revenues*	\$46,674	1,850	3,387	997	3,840	56,748
Long-Lived Assets**	\$28,492	3,767	4,969	3,460	8,242	48,930
2001						
Sales and Other Operating Revenues*	\$22,466	1,322	380	42	682	24,892
Long-Lived Assets**	\$19,955	1,484	654	29	2,799	24,921
2000						
Sales and Other Operating Revenues*	\$18,700	231	2,183	175	866	22,155
Long-Lived Assets**	\$13,198	1,487	709	30	1,831	17,255

*Sales and other operating revenues are attributable to countries based on the location of the operations generating the revenues.

**Defined as net properties, plants and equipment plus investments in and advances to affiliates.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 was adopted by the company on January 1, 2003, and requires major changes in the accounting for asset retirement obligations, such as required decommissioning of oil and gas production platforms, facilities and pipelines. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period when it is incurred (typically when the asset is installed at the production location). When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related property, plant and equipment. Over time, the liability is accreted for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset. Upon adoption of SFAS No. 143, the company adjusted its recorded asset retirement obligations to the new requirements using a cumulative-effect approach as required. All transition amounts were measured using the company's current information, assumptions, and credit-adjusted, risk-free interest rates. While the original discount rates used to establish an asset retirement obligation will not change in the future, changes in cost estimates or the timing of expenditures will result in immediate adjustments to the recorded liability, with an offsetting adjustment to properties, plants and equipment.

Application of the new rules, effective January 1, 2003, should result in an increase in net properties, plants and equipment of approximately \$1.2 billion, an asset retirement obligation liability increase of approximately \$1.1 billion, and a cumulative after-tax effect of adoption gain that is expected to increase net income and stockholders' equity by approximately \$137 million. The estimated after-tax impact on income before extraordinary items and cumulative effect of changes in accounting principle for the year 2003 is an improvement of \$33 million. The majority of the liability and asset increase is attributable to assets acquired in the merger and production facilities in Alaska. Following prevalent oil and gas industry practice for acquisitions completed prior to January 1, 2003, ConocoPhillips did not record an initial liability for the estimated cost of removing properties, plants and equipment at the end of their useful lives. Instead, estimated removal costs were accrued on a unit-of-production basis as an additional component of depreciation, building the removal cost liability over the remaining useful lives of the properties, plants and equipment. However, upon adoption of SFAS No. 143, these asset retirement obligations are required to be recorded, significantly increasing asset retirement liabilities on the balance sheet with an offsetting increase to properties, plants and equipment.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," (VIEs) in an effort to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation No. 46 requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns, or both. The interpretation also requires disclosures about VIEs that the company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements of Interpretation No. 46 applied immediately to variable interest entities created after January 31, 2003, and to older entities no later than the third quarter of 2003. The company is studying the impact of the interpretation on existing variable interest entities with which the company is involved. Certain of the disclosure requirements are required in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. These are included in Note 28--Variable Interest Entities.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities initiated after December 31, 2002, and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value at the date the liability is incurred, rather than at the commitment date. The company plans to apply the provisions of SFAS No. 146 prospectively for restructuring activities initiated in 2003 and future years. However, for restructuring activities initiated in 2002 the company will continue to apply EITF Issue Nos. 94-3 and 95-3 until those identified restructuring activities are completed. See Note 4--Discontinued Operations and Note 5--Restructuring for more information.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." For specified guarantees issued or modified after December 31, 2002, the interpretation requires a guarantor to recognize, at the inception of the guarantee, a liability for the fair value of all the obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready and make cash payments over the term of the guarantee in the event that specified triggering events or conditions occur. The measurement of the liability for the fair value of the guarantee obligation should be based on the premium that would be required to issue the same guarantee in a stand-alone arm's-length transaction with an unrelated party if that information is available, or estimated using expected present value measurement techniques. For specified guarantees existing as of December 31, 2002, the interpretation also requires a guarantor to disclose (a) the nature of the guarantee, including how the guarantee arose and the events or circumstances that would require the guarantor to perform under the guarantee; (b) the maximum potential amount of future payments under the guarantee; (c) the carrying amount of the liability; and (d) the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. The required disclosures are included in Note 14--Guarantees.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The rescission of SFAS No. 4 will require that gains and losses on extinguishments of debt no longer be presented as extraordinary items in the income statement, commencing in 2003. All prior periods will be restated to reflect this change in presentation. See Note 2--Extraordinary Items and Accounting Change.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," an amendment of SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. ConocoPhillips adopted the fair-value method recommended by SFAS No. 123 on January 1, 2003, and is using the prospective transition method. See Note 20--Employee Benefit Plans for more information on this accounting change.

In 2003, the FASB is expected to issue SFAS No. 149, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity," to address the balance sheet classification of certain financial instruments that have characteristics of both liabilities and equity. SFAS No. 149 is expected to provide that mandatorily redeemable instruments meet the conceptual definition of liabilities and must be presented as such on the balance sheet. The statement is expected to be effective upon issuance for all contracts created or modified after the issuance date and is otherwise effective on all previously existing contracts no later than the third quarter of 2003. ConocoPhillips is currently evaluating the impact of proposed SFAS No. 149, and it is likely that some or all of currently reported mandatorily redeemable preferred stock and minority interest securities will be reclassified as liabilities. See Note 17--Preferred Stock and Other Minority Interests for more information.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. See Note 27--New Accounting Standards for further explanation of this new accounting standard.

As required, the company will immediately apply this interpretation to variable interest entities created, or interests in variable interest entities obtained, after January 31, 2003. For variable interest entities created before February 1, 2003, the company will initially apply the guidance in this interpretation in the third quarter of 2003. At that time, if the company is determined to be the primary beneficiary of a variable interest entity created before February 1, 2003, the company will consolidate that entity. This interpretation excludes the QSPE's discussed in Note 13--Sales of Receivables.

The company is still evaluating the impact of this very recent, complex interpretation on existing potential variable interest entities in which the company is involved. Based on a preliminary review, when the company initially applies the guidance of this interpretation in July 2003, it is reasonably possible that the company will be required to begin consolidating entities in the following areas:

- o The company leases ocean transport vessels, drillships, corporate aircraft, service stations, office buildings, and certain refining equipment from special purpose entities (SPEs) that are third-party trusts established by a trustee and principally funded by financial institutions. If the company is required to consolidate all of these entities, the assets of the entities and debt of approximately \$2.4 billion would be required to be included in the consolidated financial statements. The company's maximum exposure to loss as a result of its involvement with the entities would be the debt of the entity, less the fair value of the assets at the end of the lease terms. Of the \$2.4 billion debt that would be consolidated, approximately \$1.5 billion is associated with a major portion of the company's owned retail stores that the company has announced it plans to sell. As a result of the planned divestiture, the company plans to exercise purchase option provisions during 2003 and terminate various operating leases involving approximately 900 store sites and two office buildings. In addition, see Note 4--Discontinued Operations for details regarding the provisions recorded for losses and penalties in the fourth quarter of 2002 for the planned divestiture. Depending upon the timing of the company's exercise of these purchase options, and the determination of whether or not the lessor entities in these operating leases are variable interest entities requiring consolidation in 2003, some or all of these lessor entities could become consolidated subsidiaries of the company prior to the exercise of the purchase options and termination of the leases. See Note 14--Guarantees and Note 19--Non-Mineral Leases.
- o In December 2001, in order to raise funds for general corporate purposes, Conoco and Cold Spring Finance S.a.r.l. formed Ashford Energy Capital S.A. through the contribution of cash and a Conoco subsidiary promissory note. Through its \$504 million investment, Cold Spring is entitled to a cumulative annual preferred return, based on three-month LIBOR rates plus 1.27 percent. The preferred return at December 31, 2002, was 2.70 percent. The company already consolidates Ashford and reports Cold Spring's investment as a minority interest. If it is determined that Cold Spring is a variable interest entity, the company may have to consolidate Cold Spring under Interpretation No. 46. If that were to occur, Cold Spring's financing of approximately \$500 million at December 31, 2002, could be reported as debt of ConocoPhillips.

In accordance with SFAS No. 69, "Disclosures about Oil and Gas Producing Activities," and regulations of the U.S. Securities and Exchange Commission, the company is making certain supplemental disclosures about its oil and gas exploration and production operations. While this information was developed with reasonable care and disclosed in good faith, it is emphasized that some of the data is necessarily imprecise and represents only approximate amounts because of the subjective judgments involved in developing such information. Accordingly, this information may not necessarily represent the current financial condition of the company or its expected future results.

ConocoPhillips' disclosures by geographic areas include the United States (U.S.), Norway, the United Kingdom (U.K.), Canada and Other Areas. Other Areas include Nigeria, China, Australia, the Timor Sea, Indonesia, Vietnam, United Arab Emirates, Ecuador and other countries. When the company uses equity accounting for operations that have proved reserves, these oil and gas operations are shown separately and designated as Equity Affiliates. In 2002, these consisted of two heavy-oil projects in Venezuela, an oil development project in northern Russia and a heavy-oil project in Canada. In 2001 and 2000 this consisted of a heavy-oil project in Venezuela.

Amounts in 2000 were impacted by ConocoPhillips' purchase of all of Atlantic Richfield Company's (ARCO) Alaska businesses in late April 2000. Amounts in 2002 were impacted by the merger of Conoco and Phillips (the merger) in late August 2002.

CONTENTS--OIL AND GAS OPERATIONS	PAGE
-----	-----
Proved Reserves Worldwide	147
Results of Operations	153
Statistics	155
Costs Incurred	159
Capitalized Costs	160
Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserve Quantities	161

o PROVED RESERVES WORLDWIDE

Years Ended December 31	CRUDE OIL									
	Millions of Barrels									
	Consolidated Operations									
	Alaska	Lower 48	Total U.S.	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
DEVELOPED AND UNDEVELOPED										
End of 1999	33	109	142	521	57	12	232	964	--	964
Revisions	9	12	21	73	3	(2)	1	96	--	96
Improved recovery	31	--	31	5	--	--	--	36	--	36
Purchases	1,594	1	1,595	--	--	--	--	1,595	--	1,595
Extensions and discoveries	12	3	15	--	--	6	34	55	613	668
Production	(75)	(12)	(87)	(41)	(9)	(2)	(19)	(158)	--	(158)
Sales	--	(1)	(1)	--	--	(12)	--	(13)	--	(13)
End of 2000	1,604	112	1,716	558	51	2	248	2,575	613	3,188
Revisions	77	(2)	75	51	(6)	--	4	124	48	172
Improved recovery	67	1	68	12	--	--	--	80	--	80
Purchases	--	--	--	--	--	--	17	17	--	17
Extensions and discoveries	9	6	15	--	2	--	12	29	--	29
Production	(126)	(12)	(138)	(43)	(6)	--	(19)	(206)	(1)	(207)
Sales	--	--	--	--	--	--	(3)	(3)	--	(3)
End of 2001	1,631	105	1,736	578	41	2	259*	2,616	660	3,276
Revisions	32	(8)	24	(26)	(5)	5	(32)	(34)	(27)	(61)
Improved recovery	46	1	47	5	2	--	--	54	--	54
Purchases	--	132	132	262	143	101	223	861	733	1,594
Extensions and discoveries	14	6	20	3	3	1	22	49	4	53
Production	(120)	(14)	(134)	(58)	(14)	(5)	(24)	(235)	(13)	(248)
Sales	--	(2)	(2)	(13)	(7)	(13)	(1)	(36)	--	(36)
END OF 2002	1,603	220	1,823	751	163	91	447**	3,275	1,357	4,632
=====										
DEVELOPED										
End of 1999	25	93	118	433	37	10	114	712	--	712
End of 2000	1,207	98	1,305	478	25	2	116	1,926	--	1,926
End of 2001	1,275	91	1,366	513	21	2	96	1,998	47	2,045
END OF 2002	1,335	169	1,504	611	102	81	223	2,521	378	2,899

*Includes proved reserves of 17 million barrels attributable to a consolidated subsidiary in which there is a 13 percent minority interest.

**Includes proved reserves of 14 million barrels attributable to a consolidated subsidiary in which there is a 10 percent minority interest.

- o Purchases in 2002 were primarily related to the merger. Other Areas in 2002 includes 1 million barrels related to an operation that was classified as discontinued following the merger, and was sold by year-end. The amount for this operation was not included in the schedule of sources of change in discounted future net cash flows, or as a part of the company's per-unit finding and development cost calculation.
- o At the end of 2000 and 1999, Other Areas included 2 million and 14 million barrels, respectively, of reserves in Venezuela in which the company had an economic interest through risk-service contracts. These properties were sold in June 2001. Net production to the company was approximately 400,000 barrels in 2001; 1,200,000 barrels in 2000; and 600,000 barrels in 1999.
- o In addition to conventional crude oil, natural gas and natural gas liquids (NGL) proved reserves, ConocoPhillips has proven oil sands reserves in Canada, associated with a Syncrude project totaling 272 million barrels at the end of 2002. For internal management purposes, ConocoPhillips views these reserves and their development as part of its total exploration and production operations. However, U.S. Securities and Exchange Commission regulations define these reserves as mining related. Therefore, they are not included in the company's tabular presentation of proved crude oil, natural gas and NGL reserves. These oil sand reserves are also not included in the standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities.

Years Ended
December 31

NATURAL GAS

Billions of Cubic Feet

Consolidated Operations

	Alaska	Lower 48	Total U.S.	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
DEVELOPED AND UNDEVELOPED										
End of 1999	798	2,554	3,352	1,176	681	521	634	6,364	--	6,364
Revisions	87	183	270	(162)	10	(200)	1	(81)	--	(81)
Improved recovery	--	--	--	52	--	--	--	52	--	52
Purchases	2,448	193	2,641	--	--	--	--	2,641	--	2,641
Extensions and discoveries	7	211	218	--	--	22	4	244	131	375
Production	(103)	(283)	(386)	(54)	(79)	(33)	(14)	(566)	--	(566)
Sales	--	(5)	(5)	--	--	(246)	--	(251)	--	(251)
End of 2000	3,237	2,853	6,090	1,012	612	64	625	8,403	131	8,534
Revisions	60	9	69	(65)	(59)	(2)	64	7	14	21
Improved recovery	--	--	--	13	--	--	--	13	--	13
Purchases	--	12	12	--	10	--	10	32	--	32
Extensions and discoveries	5	405	410	--	23	--	374	807	--	807
Production	(141)	(261)	(402)	(53)	(68)	(7)	(40)	(570)	--	(570)
Sales	--	--	--	--	(8)	--	--	(8)	--	(8)
End of 2001	3,161	3,018	6,179	907	510	55	1,033*	8,684	145	8,829
Revisions	(27)	(70)	(97)	4	(24)	16	(75)	(176)	--	(176)
Improved recovery	5	1	6	13	1	--	--	20	--	20
Purchases	--	1,862	1,862	1,003	1,580	1,241	2,062	7,748	17	7,765
Extensions and discoveries	2	225	227	--	43	21	420	711	1	712
Production	(147)	(340)	(487)	(68)	(158)	(59)	(68)	(840)	(2)	(842)
Sales	(5)	(1)	(6)	(1)	(3)	(97)	(161)	(268)	--	(268)
END OF 2002	2,989	4,695	7,684	1,858	1,949	1,177	3,211**	15,879	161	16,040
=====										
DEVELOPED										
End of 1999	630	2,317	2,947	856	413	131	349	4,696	--	4,696
End of 2000	2,969	2,564	5,533	738	321	54	336	6,982	--	6,982
End of 2001	2,969	2,684	5,653	788	265	45	736	7,487	3	7,490
END OF 2002	2,806	4,302	7,108	1,544	1,734	1,098	1,349	12,833	28	12,861

*Includes proved reserves of 10 billion cubic feet attributable to a consolidated subsidiary in which there is a 13 percent minority interest.

**Includes proved reserves of 10 billion cubic feet attributable to a consolidated subsidiary in which there is a 10 percent minority interest.

- o Natural gas production may differ from gas production (delivered for sale) in the company's statistics disclosure, primarily because the quantities above include gas consumed at the lease, but omit the gas equivalent of liquids extracted at any ConocoPhillips-owned, equity-affiliate, or third-party processing plant or facility.
- o Purchases in 2002 were related to the merger. Other Areas in 2002 includes 161 billion cubic feet related to an operation that was classified as discontinued following the merger, and was sold by year-end. The amount for this operation was not included in the schedule of sources of change in discounted future net cash flows, or as a part of the company's per-unit finding and development cost calculation.
- o Extensions and discoveries in Other Areas in 2002 were primarily in Nigeria.
- o Sales in Other Areas in 2002 were for a discontinued operation. See note on purchases above.
- o Natural gas reserves are computed at 14.65 pounds per square inch absolute and 60 degrees Fahrenheit.

Years Ended
December 31

NATURAL GAS LIQUIDS

Millions of Barrels

Consolidated Operations

	Alaska	Lower 48	Total U.S	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
DEVELOPED AND UNDEVELOPED										
End of 1999	1	91	92	29	4	4	78	207	--	207
Revisions	57	11	68	7	--	(2)	2	75	--	75
Purchases	147	--	147	--	--	--	--	147	--	147
Extensions and discoveries	--	2	2	--	--	--	--	2	--	2
Production	(7)	(8)	(15)	(2)	(1)	--	(1)	(19)	--	(19)
Sales	--	--	--	--	--	(2)	(1)	(3)	--	(3)
End of 2000	198	96	294	34	3	--	78	409	--	409
Revisions	(25)	2	(23)	--	--	--	4	(19)	--	(19)
Improved recovery	--	--	--	1	--	--	--	1	--	1
Purchases	--	--	--	--	--	--	10	10	--	10
Extensions and discoveries	--	2	2	--	--	--	--	2	--	2
Production	(9)	(7)	(16)	(2)	--	--	(1)	(19)	--	(19)
End of 2001	164	93	257	33	3	--	91*	384	--	384
Revisions	(4)	5	1	(3)	2	--	(11)	(11)	--	(11)
Improved recovery	--	1	1	--	--	--	--	1	--	1
Purchases	--	80	80	12	2	38	21	153	--	153
Extensions and discoveries	--	4	4	--	--	1	--	5	--	5
Production	(9)	(9)	(18)	(2)	(1)	(2)	(1)	(24)	--	(24)
Sales	--	--	--	--	--	(2)	(1)	(3)	--	(3)
END OF 2002	151	174	325	40	6	35	99**	505	--	505
DEVELOPED										
End of 1999	1	89	90	22	3	1	17	133	--	133
End of 2000	197	94	291	27	2	1	17	338	--	338
End of 2001	163	92	255	29	2	--	16	302	--	302
END OF 2002	151	166	317	34	6	30	15	402	--	402

*Includes proved reserves of 10 million barrels attributable to a consolidated subsidiary in which there is a 13 percent minority interest.

**Includes proved reserves of 9 million barrels attributable to a consolidated subsidiary in which there is a 10 percent minority interest.

- o Natural gas liquids reserves include estimates of natural gas liquids to be extracted from ConocoPhillips' leasehold gas at gas processing plants or facilities. Estimates are based at the wellhead and assume full extraction. Production above differs from natural gas liquids production per day delivered for sale primarily due to:
 - (1) Natural gas consumed at the lease.
 - (2) Natural gas liquids production delivered for sale includes only natural gas liquids extracted from ConocoPhillips' leasehold gas and sold by ConocoPhillips' Exploration and Production (E&P) segment, whereas the production above also includes natural gas liquids extracted from ConocoPhillips' leasehold gas at equity-affiliate or third-party facilities.
- o Purchases in 2002 were related to the merger.

O RESULTS OF OPERATIONS

Years Ended December 31	Millions of Dollars									
	Consolidated Operations									
	Alaska	Lower 48	Total U.S	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
2002										
Sales	\$ 2,997	927	3,924	400	794	125	747	5,990	180	6,170
Transfers	102	401	503	1,285	30	235	--	2,053	62	2,115
Other revenues	(2)	3	1	35	28	7	21	92	12	104
Total revenues	3,097	1,331	4,428	1,720	852	367	768	8,135	254	8,389
Production costs	769	444	1,213	209	134	118	190	1,864	57	1,921
Exploration expenses	101	108	209	33	34	32	276*	584	--	584
Depreciation, depletion and amortization	552	334	886	206	274	105	85	1,556	30	1,586
Property impairments	4	8	12	--	41	--	--	53	--	53
Transportation costs	681	87	768	75	50	--	15	908	8	916
Other related expenses	23	16	39	60	15	14	12	140	12	152
Provision for income taxes	967	334	1,301	1,137	304	98	190	3,030	147	3,177
	294	66	360	857	124	49	275	1,665	(18)	1,647
Results of operations for producing activities	673	268	941	280	180	49	(85)	1,365	165	1,530
Other earnings	197	18	215	20	(10)	24**	(6)	243	(24)	219
EPnet income (loss)	\$ 870	286	1,156	300	170	73	(91)	1,608	141	1,749
2001										
Sales	\$ 3,020	1,178	4,198	175	371	31	478	5,253	8	5,261
Transfers	119	119	238	1,039	--	--	--	1,277	--	1,277
Other revenues	34	26	60	13	10	5	(4)	84	1	85
Total revenues	3,173	1,323	4,496	1,227	381	36	474	6,614	9	6,623
Production costs	784	328	1,112	124	41	6	92	1,375	2	1,377
Exploration expenses	61	69	130	20	11	--	154	315	--	315
Depreciation, depletion and amortization	531	203	734	115	118	4	49	1,020	2	1,022
Property impairments	--	--	--	--	--	--	23	23	--	23
Transportation costs	726	77	803	27	33	3	6	872	--	872
Other related expenses	2	5	7	--	(8)	1	28	28	2	30
Provision for income taxes	1,069	641	1,710	941	186	22	122	2,981	3	2,984
	392	173	565	729	50	7	139	1,490	--	1,490
Results of operations for producing activities	677	468	1,145	212	136	15	(17)	1,491	3	1,494
Other earnings	189	8	197	17	--	--	(9)	205	--	205
EPnet income (loss)	\$ 866	476	1,342	229	136	15	(26)	1,696	3	1,699
2000										
Sales	\$ 2,252	1,102	3,354	139	481	169	556	4,699	--	4,699
Transfers	74	275	349	1,186	--	--	--	1,535	--	1,535
Other revenues	9	25	34	5	(1)	140	(2)	176	--	176
Total revenues	2,335	1,402	3,737	1,330	480	309	554	6,410	--	6,410
Production costs	494	308	802	118	42	35	100	1,097	--	1,097
Exploration expenses	38	73	111	14	36	5	138	304	--	304
Depreciation, depletion and amortization	305	190	495	106	138	68	65	872	--	872
Property impairments	--	13	13	--	--	--	87	100	--	100
Transportation costs	364	101	465	27	39	9	5	545	--	545
Other related expenses	(9)	4	(5)	21	(2)	4	32	50	--	50
Provision for income taxes	1,143	713	1,856	1,044	227	188	127	3,442	--	3,442
	443	207	650	817	69	13	153	1,702	--	1,702
Results of operations for producing activities	700	506	1,206	227	158	175	(26)	1,740	--	1,740
Other earnings	129	53	182	16	(1)	--	8	205	--	205
EPnet income (loss)	\$ 829	559	1,388	243	157	175	(18)	1,945	--	1,945

*Includes a \$77 million leasehold impairment charge for an investment in Angola.

**Includes \$27 million for a Syncrude oil project in Canada that is defined as a mining operation by U.S. Securities and Exchange Commission regulations.

- o Results of operations for producing activities consist of all the activities within the E&P organization, except for pipeline and marine operations, a liquefied natural gas operation, Syncrude operations, and crude oil and gas marketing activities, which are included in Other earnings. Also excluded are non-E&P activities, including ConocoPhillips' Midstream segment, downstream petroleum and chemical activities, as well as general corporate administrative expenses and interest.
- o Transfers are valued at prices that approximate market.
- o Other revenues include gains and losses from asset sales, certain amounts resulting from the purchase and sale of hydrocarbons, and other miscellaneous income.
- o Production costs consist of costs incurred to operate and maintain wells and related equipment and facilities used in the production of petroleum liquids and natural gas. These costs also include taxes other than income taxes, depreciation of support equipment and administrative expenses related to the production activity. Excluded are depreciation, depletion and amortization of capitalized acquisition, exploration and development costs.
- o Exploration expenses include dry hole, leasehold impairment, geological and geophysical expenses and the cost of retaining undeveloped leaseholds. Also included are taxes other than income taxes, depreciation of support equipment and administrative expenses related to the exploration activity.
- o Exploration expenses in 2002 included \$77 million for the impairment of a substantial portion of the company's investment in deepwater Block 34, offshore Angola. Initial results released in early May 2002 indicated that the first exploratory well drilled in Block 34 was a dry hole, resulting in ConocoPhillips' reassessment of the fair value of the remainder of the block.
- o Depreciation, depletion and amortization (DD&A) in Results of Operations differs from that shown for total E&P in Note 26--Segment Disclosures and Related Information in the Notes to Consolidated Financial Statements, mainly due to depreciation of support equipment being reclassified to production or exploration expenses, as applicable, in Results of Operations. In addition, Other earnings include certain E&P activities, including their related DD&A charges.
- o Transportation costs include costs to transport oil, natural gas or natural gas liquids to their points of sale. The profit element of transportation operations in which the company has an ownership interest are deemed to be outside the oil and gas producing activity. The net income of the transportation operations is included in Other earnings.
- o Other related expenses include foreign currency gains and losses, and other miscellaneous expenses.
- o The provision for income taxes is computed by adjusting each country's income before income taxes for permanent differences related to the oil and gas producing activities that are reflected in the company's consolidated income tax expense for the period, multiplying the result by the country's statutory tax rate and adjusting for applicable tax credits.
- o Other earnings consist of activities within the E&P segment that are not a part of the "Results of operations for producing activities." These non-producing activities include pipeline and marine operations, liquefied natural gas operations, Syncrude operations, and crude oil and gas marketing activities.

NET PRODUCTION	2002	2001	2000
	----- Thousands of Barrels Daily -----		
CRUDE OIL			
Alaska	331	339	207
Lower 48	40	34	34

United States	371	373	241
Norway	157	117	114
United Kingdom	39	19	25
Canada	13	1	6
Other areas	67	51	51

Total consolidated	647	561	437
Equity affiliates	35	2	--

	682	563	437
=====			
NATURAL GAS LIQUIDS*			
Alaska	24	25	19
Lower 48	8	1	1

United States	32	26	20
Norway	6	5	5
United Kingdom	2	2	2
Canada	4	--	1
Other areas	2	2	1

	46	35	29
=====			

*Represents amounts extracted attributable to E&P operations (see natural gas liquids reserves for further discussion). Includes for 2002, 2001 and 2000, 14,000, 15,000 and 12,000 barrels daily in Alaska, respectively, that were sold from the Prudhoe Bay lease to the Kuparuk lease for reinjection to enhance crude oil production.

	----- Millions of Cubic Feet Daily -----		
NATURAL GAS*			
Alaska	175	177	158
Lower 48	928	740	770

United States	1,103	917	928
Norway	171	130	136
United Kingdom	424	178	214
Canada	165	18	83
Other areas	180	92	33

Total consolidated	2,043	1,335	1,394
Equity affiliates	4	--	--

	2,047	1,335	1,394
=====			

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

	2002	2001	2000
AVERAGE SALES PRICES			
CRUDE OIL PER BARREL			
Alaska	\$ 23.75	23.60	28.87
Lower 48	24.48	23.27	28.57
United States	23.83	23.57	28.83
Norway	25.21	24.02	28.27
United Kingdom	25.33	24.52	28.19
Canada	22.87	26.96	28.21
Other areas	25.33	24.30	28.87
Total international	25.14	24.16	28.42
Total consolidated	24.38	23.77	28.65
Equity affiliates	18.41	12.36	--
Worldwide	24.07	23.74	28.65

NATURAL GAS LIQUIDS PER BARREL			
Alaska	\$ 23.48	23.61	28.97
Lower 48	15.66	22.47	22.97
United States	20.00	23.49	27.94
Norway	16.51	16.55	14.13
United Kingdom	20.61	18.49	20.57
Canada	20.39	18.77	25.49
Other areas	7.23	7.22	7.18
Total international	17.47	14.61	15.14
Worldwide	18.93	19.74	21.20

NATURAL GAS (LEASE) PER THOUSAND CUBIC FEET			
Alaska	\$ 1.85	1.75	1.40
Lower 48	2.79	3.68	3.56
United States	2.75	3.56	3.47
Norway	3.20	3.53	2.56
United Kingdom	2.92	2.88	2.61
Canada	3.03	3.80	3.26
Other areas	1.90	.50	.50
Total international	2.79	2.60	2.56
Total consolidated	2.77	3.23	3.13
Equity affiliates	2.71	--	--
Worldwide	2.77	3.23	3.13

AVERAGE PRODUCTION COSTS PER BARREL OF OIL EQUIVALENT			
Alaska	\$ 5.48	5.46	5.35
Lower 48	6.00	5.67	5.15
United States	5.66	5.52	5.27
Norway	2.99	2.36	2.28
United Kingdom	3.29	2.22	1.83
Canada	7.26	4.08	4.59
Other areas	5.26	3.69	4.75
Total international	3.99	2.70	2.85
Total consolidated	4.94	4.60	4.29
Equity affiliates	4.38	2.74	--
Worldwide	4.92	4.60	4.29

	2002	2001	2000
DEPRECIATION, DEPLETION AND AMORTIZATION PER BARREL OF OIL EQUIVALENT			
Alaska	\$ 3.94	3.70	3.30
Lower 48	4.52	3.51*	3.18
United States	4.14	3.58	3.25
Norway	2.95	2.19	2.04
United Kingdom	6.73	6.38	6.02
Canada	6.46	2.72	8.91
Other areas	2.35	1.96	3.09
Total international	4.11	2.94	3.64
Total consolidated	4.13	3.37	3.41
Equity affiliates	2.30	2.74	--
Worldwide	4.06	3.37	3.41

*Includes a \$12 million charge related to an asset transfer.

NET WELLS COMPLETED*	Productive			Dry		
	2002	2001	2000	2002	2001	2000
EXPLORATORY						
Alaska	--	1	--	4	1	1
Lower 48	29	63	45	6	3	4
United States	29	64	45	10	4	5
Norway	--	**	**	**	--	--
United Kingdom	**	**	1	2	1	1
Canada	19	--	3	2	--	1
Other areas	2	2	6	7	1	6
Total consolidated	50	66	55	21	6	13
Equity affiliates	3	--	--	1	--	--
	53	66	55	22	6	13
DEVELOPMENT						
Alaska	48	47	52	1	2	1
Lower 48	283	333	208	14	11	8
United States	331	380	260	15	13	9
Norway	4	3	1	--	--	--
United Kingdom	7	1	1	--	--	--
Canada	20	5	8	1	--	1
Other areas	13	2	6	**	--	--
Total consolidated	375	391	276	16	13	10
Equity affiliates	49	20	--	1	--	--
	424	411	276	17	13	10

*Includes wildcat and production step-out wells. Excludes farmout arrangements.

**ConocoPhillips' total proportionate interest was less than one.

WELLS AT YEAR-END 2002

Productive**

	In Progress*		Productive**			
	Gross	Net	Oil		Gas	
			Gross	Net	Gross	Net
Alaska	25	15	1,680	735	24	15
Lower 48	101	61	11,801	2,826	15,534	7,586
United States	126	76	13,481	3,561	15,558	7,601
Norway	13	2	519	85	60	7
United Kingdom	14	5	189	37	288	87
Canada	7	5	3,395	2,408	5,359	3,463
Other areas	33	16	943	321	76	31
Total consolidated	193	104	18,527	6,412	21,341	11,189
Equity affiliates	4	2	2,095	875	161	63
	197	106	20,622	7,287	21,502	11,252

*Includes wells that have been temporarily suspended.

**Includes 3,205 gross and 1,554 net multiple completion wells.

ACREAGE AT DECEMBER 31, 2002

	Thousands of Acres	
	Gross	Net
DEVELOPED		
Alaska	878	431
Lower 48	5,219	3,142
United States	6,097	3,573
Norway	430	47
United Kingdom	1,496	465
Canada	4,764	2,343
Other areas	5,147	2,128
Total consolidated	17,934	8,556
Equity affiliates	490	151
	18,424	8,707
UNDEVELOPED		
Alaska	2,467	1,422
Lower 48	3,494	2,115
United States	5,961	3,537
Norway	5,243	1,309
United Kingdom	3,298	1,379
Canada	13,631	7,716
Other areas*	118,115	78,324
Total consolidated	146,248	92,265
Equity affiliates	2,118	943
	148,366	93,208

*Includes two Somalia concessions where operations have been suspended by declarations of force majeure totaling 33,905 thousand gross and net acres.

o COSTS INCURRED

Millions of Dollars

	Consolidated Operations									
	Alaska	Lower 48	Total U.S	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
2002										
Acquisition	\$ 9	3,735	3,744	1,348	3,050	2,562	2,064	12,768	1,671	14,439
Exploration	94	112	206	33	28	58	309	634	1	635
Development	433	409	842	174	232	46	857	2,151	467	2,618
	\$ 536	4,256	4,792	1,555	3,310	2,666	3,230	15,553	2,139	17,692
2001										
Acquisition	\$ 17	37	54	--	--	--	228	282	--	282
Exploration	93	57	150	26	18	--	223	417	--	417
Development	610	312	922	94	75	3	401	1,495	420	1,915
	\$ 720	406	1,126	120	93	3	852	2,194	420	2,614
2000										
Acquisition	\$5,787	151	5,938	36	--	33	5	6,012	3	6,015
Exploration	32	66	98	17	36	6	213	370	--	370
Development	422	218	640	71	50	42	192	995	135	1,130
	\$6,241	435	6,676	124	86	81	410	7,377	138	7,515

o Costs incurred include capitalized and expensed items.

o Acquisition costs include the costs of acquiring proved and unproved oil and gas properties. The amounts in 2002 relate primarily to the merger. Acquisition costs included proved properties of \$3,420 million, \$13 million and \$87 million in the Lower 48 for 2002, 2001, and 2000, respectively. The 2002 amounts in Norway and the U.K. included \$1,255 million and \$2,464 million for proved properties, respectively. The 2002 and 2000 amounts in Canada included proved properties of \$2,003 million and \$33 million, respectively. The 2002 and 2001 amounts in Other Areas included \$1,493 million and \$63 million for proved properties. The 2002 amount for Equity Affiliates of \$1,671 million is for proved properties. The 2000 amount in Alaska included \$5,125 million for proved properties.

o Exploration costs include geological and geophysical expenses, the cost of retaining undeveloped leaseholds, and exploratory drilling costs.

o Development costs include the cost of drilling and equipping development wells and building related production facilities for extracting, treating, gathering and storing petroleum liquids and natural gas.

o CAPITALIZED COSTS

At December 31

Millions of Dollars

	Consolidated Operations									
	Alaska	Lower 48	Total U.S	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
2002										
Proved properties	\$7,037	7,737	14,774	5,422	4,178	2,023	3,832	30,229	2,847	33,076
Unproved properties	849	489	1,338	142	622	546	1,556	4,204	--	4,204
	7,886	8,226	16,112	5,564	4,800	2,569	5,388	34,433	2,847	37,280
Accumulated depreciation, depletion and amortization										
	1,636	2,891	4,527	2,224	1,033	182	661	8,627	37	8,664
	\$6,250	5,335	11,585	3,340	3,767	2,387	4,727	25,806	2,810	28,616
=====										
2001										
Proved properties	\$6,646	4,552	11,198	2,889	1,773	104	1,752	17,716	708	18,424
Unproved properties	772	181	953	40	41	3	768	1,805	--	1,805
	7,418	4,733	12,151	2,929	1,814	107	2,520	19,521	708	20,229
Accumulated depreciation, depletion and amortization										
	1,097	3,238	4,335	1,529	1,161	79	540	7,644	4	7,648
	\$6,321	1,495	7,816	1,400	653	28	1,980	11,877	704	12,581
=====										

- o Capitalized costs include the cost of equipment and facilities for oil and gas producing activities. These costs include the activities of ConocoPhillips' E&P organization, excluding pipeline and marine operations, the Kenai liquefied natural gas operation, Syncrude operations, and crude oil and natural gas marketing activities.
- o Proved properties include capitalized costs for oil and gas leaseholds holding proved reserves; development wells and related equipment and facilities (including uncompleted development well costs); and support equipment.
- o Unproved properties include capitalized costs for oil and gas leaseholds under exploration (including where petroleum liquids and natural gas were found but determination of the economic viability of the required infrastructure is dependent upon further exploratory work under way or firmly planned) and for uncompleted exploratory well costs, including exploratory wells under evaluation.

o STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO
PROVED OIL AND GAS RESERVE QUANTITIES

Amounts are computed using year-end prices and costs (adjusted only for existing contractual changes), appropriate statutory tax rates and a prescribed 10 percent discount factor. Continuation of year-end economic conditions also is assumed. The calculation is based on estimates of proved reserves, which are revised over time as new data become available. Probable or possible reserves, which may become proved in the future, are not considered. The calculation also requires assumptions as to the timing of future production of proved reserves, and the timing and amount of future development and production costs.

While due care was taken in its preparation, the company does not represent that this data is the fair value of the company's oil and gas properties, or a fair estimate of the present value of cash flows to be obtained from their development and production.

DISCOUNTED FUTURE NET CASH FLOWS

At December 31

Millions of Dollars

	Consolidated Operations									
	Alaska	Lower 48	Total U.S	Norway	U.K.	Canada	Other Areas	Total	Equity Affiliates	Combined Total
2002										
Future cash inflows	\$54,497	28,679	83,176	29,571	11,709	8,076	22,654	155,186	32,983	188,169
Less:										
Future production and transportation costs	26,035	7,763	33,798	4,598	3,376	1,885	5,403	49,060	4,992	54,052
Future development costs	2,927	1,168	4,095	1,762	1,227	617	2,249	9,950	1,698	11,648
Future income tax provisions	7,665	5,349	13,014	16,998	3,077	2,361	6,912	42,362	8,501	50,863
Future net cash flows	17,870	14,399	32,269	6,213	4,029	3,213	8,090	53,814	17,792	71,606
10 percent annual discount	9,097	7,405	16,502	2,515	1,483	1,422	3,730	25,652	11,585	37,237
Discounted future net cash flows	\$ 8,773	6,994	15,767	3,698	2,546	1,791	4,360*	28,162	6,207	34,369
2001										
Future cash inflows	\$33,138	9,441	42,579	14,278	2,143	174	6,712	65,886	11,581	77,467
Less:										
Future production and transportation costs	20,541	4,241	24,782	2,117	357	52	1,426	28,734	3,483	32,217
Future development costs	3,071	530	3,601	627	248	9	1,079	5,564	1,282	6,846
Future income tax provisions	1,797	1,253	3,050	8,762	389	8	2,596	14,805	2,133	16,938
Future net cash flows	7,729	3,417	11,146	2,772	1,149	105	1,611	16,783	4,683	21,466
10 percent annual discount	3,297	1,821	5,118	1,247	360	44	1,019	7,788	3,687	11,475
Discounted future net cash flows	\$ 4,432	1,596	6,028	1,525	789	61	592**	8,995	996	9,991
2000										
Future cash inflows	\$39,554	29,027	68,581	16,002	3,012	537	7,792	95,924	14,812	110,736
Less:										
Future production and transportation costs	20,338	3,996	24,334	2,060	426	105	1,379	28,304	2,519	30,823
Future development costs	2,916	479	3,395	679	372	1	1,024	5,471	1,684	7,155
Future income tax provisions	3,772	8,206	11,978	10,103	592	160	2,316	25,149	2,546	27,695
Future net cash flows	12,528	16,346	28,874	3,160	1,622	271	3,073	37,000	8,063	45,063
10 percent annual discount	5,660	8,684	14,344	1,429	571	113	1,761	18,218	6,428	24,646
Discounted future net cash flows	\$ 6,868	7,662	14,530	1,731	1,051	158	1,312	18,782	1,635	20,417

*Includes \$139 million attributable to a consolidated subsidiary in which there is a 10 percent minority interest.

**Includes \$17 million attributable to a consolidated subsidiary in which there is a 13 percent minority interest.

Excludes discounted future net cash flows from Canadian Syncrude of \$869 million.

SOURCES OF CHANGE IN DISCOUNTED FUTURE NET CASH FLOWS

	Millions of Dollars								
	Consolidated Operations			Equity Affiliates			Total		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Discounted future net cash flows at the beginning of the year	\$ 8,995	18,782	6,205	996	1,635	--	9,991	20,417	6,205
Changes during the year									
Revenues less production and transportation costs for the year	(5,271)	(4,283)	(4,592)	(177)	(6)	--	(5,448)	(4,289)	(4,592)
Net change in prices, and production and transportation costs	15,566	(14,668)	10,396	2,734	(1,552)	--	18,300	(16,220)	10,396
Extensions, discoveries and improved recovery, less estimated future costs	1,284	757	1,817	22	--	2,402	1,306	757	4,219
Development costs for the year	2,151	1,495	995	467	420	135	2,618	1,915	1,130
Changes in estimated future development costs	(1,790)	(1,011)	(775)	(108)	(17)	(135)	(1,898)	(1,028)	(910)
Purchases of reserves in place, less estimated future costs	22,161	130	8,168	4,781	--	--	26,942	130	8,168
Sales of reserves in place, less estimated future costs	(563)	(9)	(1,037)	(16)	--	--	(579)	(9)	(1,037)
Revisions of previous quantity estimates*	(185)	15	1,750	(712)	38	--	(897)	53	1,750
Accretion of discount	1,540	2,877	1,217	177	260	--	1,717	3,137	1,217
Net change in income taxes	(15,726)	4,909	(5,360)	(1,957)	218	(767)	(17,683)	5,127	(6,127)
Other	--	1	(2)	--	--	--	--	1	(2)
Total changes	19,167	(9,787)	12,577	5,211	(639)	1,635	24,378	(10,426)	14,212
Discounted future net cash flows at year-end	\$ 28,162	8,995	18,782	6,207	996	1,635	34,369	9,991	20,417

*Includes amounts resulting from changes in the timing of production.

- o The net change in prices, and production and transportation costs is the beginning-of-the-year reserve-production forecast multiplied by the net annual change in the per-unit sales price, and production and transportation cost, discounted at 10 percent.
- o Purchases and sales of reserves in place, along with extensions, discoveries and improved recovery, are calculated using production forecasts of the applicable reserve quantities for the year multiplied by the end-of-the-year sales prices, less future estimated costs, discounted at 10 percent.
- o The accretion of discount is 10 percent of the prior year's discounted future cash inflows, less future production, transportation and development costs.
- o The net change in income taxes is the annual change in the discounted future income tax provisions.

 SELECTED QUARTERLY FINANCIAL DATA

Millions of Dollars					Per Share of Common Stock			
Sales and Other Operating Revenues*	Income from Continuing Operations Before Income Taxes*	Income (Loss) Before Extraordinary Items and Cumulative Effect of Change in Accounting Principle	Net Income (Loss)	Income (loss) Before Extraordinary Items and Cumulative Effect of Change in Accounting Principle		Net Income (loss)		
				Basic	Diluted	Basic	Diluted	
2002								
First	\$ 8,431	51	(102)	(.27)	(.27)	(.27)	(.27)	
Second	10,414	678	366	.95	.95	.91	.91	
Third	14,557	312	(116)	(.24)	(.24)	(.24)	(.24)	
Fourth	23,346	1,123	(427)	(.63)	(.63)	(.63)	(.63)	
2001								
First	\$ 5,160	1,019	488	1.91	1.90	2.02	2.01	
Second	5,179	1,198	619	2.42	2.40	2.42	2.40	
Third	5,808	699	374	1.35	1.34	1.31	1.30	
Fourth	8,745	339	162	.42	.42	.42	.42	

*Restated to exclude discontinued operations. See Management's Discussion and Analysis and Note 4--Discontinued Operations in the Notes to Consolidated Financial Statements for additional information. Sales and other operating revenues include excise taxes on petroleum products sales.

CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the merger of ConocoPhillips Holding Company (formerly named Conoco Inc.) and ConocoPhillips Company (formerly named Phillips Petroleum Company) with wholly owned subsidiaries of ConocoPhillips, and to simplify the company's credit structure, the companies have established various cross guarantees. With the new organizational structure, ConocoPhillips Company is the direct or indirect parent of former Conoco and Phillips subsidiaries and is wholly owned by ConocoPhillips Holding Company, which is wholly owned by ConocoPhillips. ConocoPhillips and ConocoPhillips Holding Company have fully and unconditionally guaranteed the payment obligations of ConocoPhillips Company with respect to its publicly held debt securities. Similarly, ConocoPhillips and ConocoPhillips Company have fully and unconditionally guaranteed the payment obligations of ConocoPhillips Holding Company with respect to the publicly held debt securities of ConocoPhillips Holding Company. In addition, ConocoPhillips Company and ConocoPhillips Holding Company have 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 statements present the results of operations, financial position and cash flows for:

- o ConocoPhillips, ConocoPhillips Company, ConocoPhillips Holding Company (in each case, reflecting investments in subsidiaries utilizing the equity method of accounting);
- o All other non-guarantor subsidiaries of ConocoPhillips Holding Company and ConocoPhillips Company; and
- o The consolidating adjustments necessary to present ConocoPhillips' results on a consolidated basis.

These condensed consolidating financial statements should be read in conjunction with the company's accompanying consolidated financial statements.

Millions of Dollars

Year Ended December 31, 2002

STATEMENT OF OPERATIONS	Year Ended December 31, 2002					
	ConocoPhillips	ConocoPhillips Holding Company	ConocoPhillips Company	All Other Subsidiaries*	Consolidating Adjustments	Total Consolidated
REVENUES						
Sales and other operating revenues	\$ --	--	16,744	40,004	--	56,748
Equity in earnings (losses) of affiliates	(646)	(682)	352	255	982	261
Other income	--	--	(48)	263	--	215
Intercompany revenues	--	191	2,800	3,123	(6,114)	--
Total revenues	(646)	(491)	19,848	43,645	(5,132)	57,224
COSTS AND EXPENSES						
Purchased crude oil and products	--	--	15,595	27,854	(5,626)	37,823
Production and operating expenses	--	9	1,438	3,573	(32)	4,988
Selling, general and administrative expenses	3	--	980	681	(4)	1,660
Exploration expenses	--	--	165	427	--	592
Depreciation, depletion and amortization	--	--	584	1,639	--	2,223
Impairments	--	--	--	177	--	177
Taxes other than income taxes	--	--	785	6,152	--	6,937
Accretion on discounted liabilities	--	--	(1)	23	--	22
Interest and debt expense	29	120	745	124	(452)	566
Foreign currency transaction losses	--	--	8	16	--	24
Preferred dividend requirements of capital trusts and minority interests	--	--	--	48	--	48
Total Costs and Expenses	32	129	20,299	40,714	(6,114)	55,060
Income (loss) from continuing operations before income taxes	(678)	(620)	(451)	2,931	982	2,164
Provision for income taxes	(11)	26	(202)	1,637	--	1,450
Income (loss) from continuing operations	(667)	(646)	(249)	1,294	982	714
Income (loss) from discontinued operations	--	--	(70)	(923)	--	(993)
Income (loss) before extraordinary items	(667)	(646)	(319)	371	982	(279)
Extraordinary items	--	--	(14)	(2)	--	(16)
NET INCOME (LOSS)	\$ (667)	(646)	(333)	369	982	(295)

*At December 31, 2002, Tosco Corporation (Tosco) was a wholly owned subsidiary of ConocoPhillips Company and included in All Other Subsidiaries. On January 1, 2003, Tosco was merged into ConocoPhillips Company. As a result of this merger, Tosco ceased to exist as a legal entity and ConocoPhillips Company assumed all of Tosco's properties, rights and obligations.

Millions of Dollars

Year Ended December 31, 2001

STATEMENT OF OPERATIONS	ConocoPhillips Holding Company		ConocoPhillips Company	All Other Subsidiaries*	Consolidating Adjustments	Total Consolidated
	ConocoPhillips	ConocoPhillips	ConocoPhillips Company	All Other Subsidiaries*	Consolidating Adjustments	Total Consolidated
REVENUES						
Sales and other operating revenues	\$ -	-	12,457	12,435	-	24,892
Equity in earnings (losses) of affiliates	-	-	1,583	222	(1,764)	41
Other income	-	-	(1)	112	-	111
Intercompany revenues	-	-	1,308	1,985	(3,293)	-
Total revenues	-	-	15,347	14,754	(5,057)	25,044
COSTS AND EXPENSES						
Purchased crude oil and products	-	-	9,015	7,290	(2,597)	13,708
Production and operating expenses	-	-	1,166	1,746	(269)	2,643
Selling, general and administrative expenses	-	-	540	90	(17)	613
Exploration expenses	-	-	139	222	(55)	306
Depreciation, depletion and amortization	-	-	379	965	-	1,344
Impairments	-	-	-	26	-	26
Taxes other than income taxes	-	-	1,874	866	-	2,740
Accretion on discounted liabilities	-	-	2	5	-	7
Interest and debt expense	-	-	551	142	(355)	338
Foreign currency transaction losses (gains)	-	-	(1)	12	-	11
Preferred dividend requirements of capital trusts and minority interests	-	-	-	53	-	53
Total Costs and Expenses	-	-	13,665	11,417	(3,293)	21,789
Income (loss) from continuing operations before income taxes	-	-	1,682	3,337	(1,764)	3,255
Provision for income taxes	-	-	50	1,594	-	1,644
Income (loss) from continuing operations	-	-	1,632	1,743	(1,764)	1,611
Income from discontinued operations	-	-	11	21	-	32
Income (loss) before extraordinary items and cumulative effect of change in accounting principle	-	-	1,643	1,764	(1,764)	1,643
Extraordinary items	-	-	(10)	-	-	(10)
Cumulative effect of change in accounting principle	-	-	28	-	-	28
NET INCOME (LOSS)	\$ -	-	1,661	1,764	(1,764)	1,661

*At December 31, 2002, Tosco Corporation (Tosco) was a wholly owned subsidiary of ConocoPhillips Company and included in All Other Subsidiaries. On January 1, 2003, Tosco was merged into ConocoPhillips Company. As a result of this merger, Tosco ceased to exist as a legal entity and ConocoPhillips Company assumed all of Tosco's properties, rights and obligations.

Millions of Dollars

Year Ended December 31, 2000

STATEMENT OF OPERATIONS	Year Ended December 31, 2000					
	ConocoPhillips	ConocoPhillips Holding Company	ConocoPhillips Company	All Other Subsidiaries	Consolidating Adjustments	Total Consolidated
REVENUES						
Sales and other operating revenues	\$ -	-	15,252	6,903	-	22,155
Equity in earnings (losses) of affiliates	-	-	1,471	218	(1,575)	114
Other income	-	-	292	(22)	-	270
Intercompany revenues	-	-	1,663	2,319	(3,982)	-
Total revenues	-	-	18,678	9,418	(5,557)	22,539
COSTS AND EXPENSES						
Purchased crude oil and products	-	-	11,924	3,173	(3,303)	11,794
Production and operating expenses	-	-	1,244	1,160	(268)	2,136
Selling, general and administrative expenses	-	-	563	42	(34)	571
Exploration expenses	-	-	112	208	(22)	298
Depreciation, depletion and amortization	-	-	391	778	-	1,169
Impairments	-	-	13	87	-	100
Taxes other than income taxes	-	-	1,939	303	-	2,242
Interest and debt expense	-	-	575	149	(355)	369
Foreign currency transaction losses	-	-	-	58	-	58
Preferred dividend requirements of capital trusts and minority interests	-	-	-	54	-	54
Total Costs and Expenses	-	-	16,761	6,012	(3,982)	18,791
Income (loss) from continuing operations before income taxes	-	-	1,917	3,406	(1,575)	3,748
Provision for income taxes	-	-	70	1,830	-	1,900
Income (loss) from continuing operations	-	-	1,847	1,576	(1,575)	1,848
Income (loss) from discontinued operations	-	-	15	(1)	-	14
NET INCOME (LOSS)	\$ -	-	1,862	1,575	(1,575)	1,862

Millions of Dollars

At December 31, 2002

ConocoPhillips Holding	ConocoPhillips	All Other	Consoli- dating	Total
---------------------------	----------------	-----------	--------------------	-------

BALANCE SHEET	ConocoPhillips	Company	Company Subsidiaries*	Adjustments	Consolidated	
ASSETS						
Cash and cash equivalents	\$ --	--	113	194	--	307
Accounts and notes receivable	8	--	15,655	13,921	(25,204)	4,380
Inventories	--	--	1,321	2,524	--	3,845
Prepaid expenses and other current assets	5	--	153	543	65	766
Assets of discontinued operations held for sale	--	--	263	1,342	--	1,605
Total Current Assets	13	--	17,505	18,524	(25,139)	10,903
Investments and long-term receivables	32,301	35,538	44,011	23,124	(128,153)	6,821
Net properties, plants and equipment	--	--	8,893	34,137	--	43,030
Goodwill**	--	--	--	14,444	--	14,444
Intangibles	--	--	6	1,113	--	1,119
Other assets	14	19	110	376	--	519
Total	32,328	35,557	70,525	91,718	(153,292)	76,836
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	5,840	3,291	14,071	8,254	(25,204)	6,252
Notes payable and long-term debt due within one year	--	526	164	159	--	849
Accrued income and other taxes	(1)	53	255	1,684	--	1,991
Other accruals	21	58	1,242	1,754	--	3,075
Liabilities of discontinued operations held for sale	--	--	126	523	--	649
Total Current Liabilities	5,860	3,928	15,858	12,374	(25,204)	12,816
Long-term debt	3,509	4,054	5,553	5,801	--	18,917
Accrued dismantlement, removal and environmental costs	--	--	247	1,419	--	1,666
Deferred income taxes	--	(41)	766	7,644	(8)	8,361
Employee benefit obligations	--	--	1,213	1,542	--	2,755
Other liabilities and deferred credits	--	3,729	34,081	32,100	(68,107)	1,803
Total Liabilities	9,369	11,670	57,718	60,880	(93,319)	46,318
Trust Preferred Securities and other minority interests	--	(12)	--	1,013	--	1,001
Retained earnings	(937)	(1,349)	7,331	8,792	(8,216)	5,621
Other stockholders' equity	23,896	25,248	5,476	21,033	(51,757)	23,896
Total	\$ 32,328	35,557	70,525	91,718	(153,292)	76,836

*At December 31, 2002, Tosco Corporation (Tosco) was a wholly owned subsidiary of ConocoPhillips Company and included in All Other Subsidiaries. On January 1, 2003, Tosco was merged into ConocoPhillips Company. As a result of this merger, Tosco ceased to exist as a legal entity and ConocoPhillips Company assumed all of Tosco's properties, rights and obligations.

**ConocoPhillips has not yet determined the assignment of Conoco goodwill to specific reporting units and related subsidiaries. Currently, Conoco goodwill is reported as part of the Corporate and Other reporting segment in All Other Subsidiaries.

Millions of Dollars

At December 31, 2001

ConocoPhillips Holding	ConocoPhillips	All Other	Consoli- dating	Total
---------------------------	----------------	-----------	--------------------	-------

BALANCE SHEET	ConocoPhillips	Company	Company	Subsidiaries*	Adjustments	Consolidated
ASSETS						
Cash and cash equivalents	\$ --	--	19	123	--	142
Accounts and notes receivable	--	--	1,535	2,232	(2,538)	1,229
Inventories	--	--	307	2,145	--	2,452
Prepaid expenses and other current assets	--	--	93	200	--	293
Assets of discontinued operations held for sale	--	--	184	2,198	--	2,382
Total Current Assets	--	--	2,138	6,898	(2,538)	6,498
Investments and long-term receivables	--	--	25,381	10,148	(32,220)	3,309
Net properties, plants and equipment	--	--	3,879	18,254	--	22,133
Goodwill	--	--	--	2,281	--	2,281
Intangibles	--	--	59	802	--	861
Other assets	--	--	68	67	--	135
Total	--	--	31,525	38,450	(34,758)	35,217
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	--	--	1,939	3,190	(2,507)	2,622
Notes payable and long-term debt due within one year	--	--	4	40	--	44
Accrued income and other taxes	--	--	(31)	928	--	897
Other accruals	--	--	238	482	--	720
Liabilities of discontinued operations held for sale	--	--	34	504	--	538
Total Current Liabilities	--	--	2,184	5,144	(2,507)	4,821
Long-term debt	--	--	7,282	1,328	--	8,610
Accrued dismantlement, removal and environmental costs	--	--	356	703	--	1,059
Deferred income taxes	--	--	467	3,556	(8)	4,015
Employee benefit obligations	--	--	725	223	--	948
Other liabilities and deferred credits	--	--	6,175	3,072	(8,478)	769
Total Liabilities	--	--	17,189	14,026	(10,993)	20,222
Trust Preferred Securities and other minority interests	--	--	--	655	--	655
Retained earnings	--	--	7,197	23,889	(23,889)	7,197
Other stockholders' equity	--	--	7,139	(120)	124	7,143
Total	\$ --	--	31,525	38,450	(34,758)	35,217

*At December 31, 2002, Tosco Corporation (Tosco) was a wholly owned subsidiary of ConocoPhillips Company and included in All Other Subsidiaries. On January 1, 2003, Tosco was merged into ConocoPhillips Company. As a result of this merger, Tosco ceased to exist as a legal entity and ConocoPhillips Company assumed all of Tosco's properties, rights and obligations.

Millions of Dollars

Year Ended December 31, 2002

ConocoPhillips Holding	ConocoPhillips	All Other	Consoli- dating	Total
---------------------------	----------------	-----------	--------------------	-------

STATEMENT OF CASH FLOWS	ConocoPhillips	Company	Company	Subsidiaries*	Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash provided by (used in) continuing operations	\$ 1,120	2,859	1,060	1,887	(2,159)	4,767
Net cash provided by (used in) discontinued operations	--	--	(7)	209	--	202
Net Cash Provided by (Used in) Operating Activities	1,120	2,859	1,053	2,096	(2,159)	4,969
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions, net of cash acquired	--	--	(81)	1,261	--	1,180
Capital expenditures and investments, including dry holes	--	(346)	(618)	(3,897)	473	(4,388)
Proceeds from asset dispositions	--	--	(179)	794	200	815
Long-term advances to affiliates and other investments	(4,344)	(1,200)	(12,154)	(2,030)	19,636	(92)
Net cash used in continuing operations	(4,344)	(1,546)	(13,032)	(3,872)	20,309	(2,485)
Net cash used in discontinued operations	--	--	(6)	(93)	--	(99)
Net Cash Used in Investing Activities	(4,344)	(1,546)	(13,038)	(3,965)	20,309	(2,584)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of debt	3,502	3,012	15,350	1,274	(19,636)	3,502
Repayment of debt	--	(3,006)	(1,680)	(215)	309	(4,592)
Redemption of preferred stock of subsidiaries	--	--	--	(300)	--	(300)
Issuance of company common stock	7	--	37	--	--	44
Dividends paid on common stock	(271)	(1,200)	(1,621)	1,231	1,177	(684)
Other	(14)	(119)	(7)	(50)	--	(190)
Net Cash Provided by (Used in) Financing Activities	3,224	(1,313)	12,079	1,940	(18,150)	(2,220)
NET CHANGE IN CASH AND CASH EQUIVALENTS	--	--	94	71	--	165
Cash and cash equivalents at beginning of year	--	--	19	123	--	142
Cash and Cash Equivalents at End of Year	\$ --	--	113	194	--	307

*At December 31, 2002, Tosco Corporation (Tosco) was a wholly owned subsidiary of ConocoPhillips Company and included in All Other Subsidiaries. On January 1, 2003, Tosco was merged into ConocoPhillips Company. As a result of this merger, Tosco ceased to exist as a legal entity and ConocoPhillips Company assumed all of Tosco's properties, rights and obligations.

Millions of Dollars

Year Ended December 31, 2001

ConocoPhillips Holding	ConocoPhillips	All Other	Consoli- dating	Total
---------------------------	----------------	-----------	--------------------	-------

STATEMENT OF CASH FLOWS	ConocoPhillips	Company	Company	Subsidiaries*	Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash provided by (used in) continuing operations	\$ --	--	2,302	1,628	(401)	3,529
Net cash provided by discontinued operations	--	--	25	8	--	33
Net Cash Provided by (Used in) Operating Activities	--	--	2,327	1,636	(401)	3,562
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions, net of cash acquired	--	--	(23)	103	--	80
Capital expenditures and investments, including dry holes	--	--	(814)	(2,343)	141	(3,016)
Proceeds from asset dispositions	--	--	17	245	--	262
Long-term advances to affiliates and other investments	--	--	(670)	446	196	(28)
Net cash used in continuing operations	--	--	(1,490)	(1,549)	337	(2,702)
Net cash used in discontinued operations	--	--	(8)	(60)	--	(68)
Net Cash Used in Investing Activities	--	--	(1,498)	(1,609)	337	(2,770)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of debt	--	--	566	643	(643)	566
Repayment of debt	--	--	(1,050)	(342)	447	(945)
Issuance of company common stock	--	--	51	--	--	51
Dividends paid on common stock	--	--	(403)	(259)	259	(403)
Other	--	--	(13)	(56)	1	(68)
Net Cash Provided by (Used in) Financing Activities	--	--	(849)	(14)	64	(799)
NET CHANGE IN CASH AND CASH EQUIVALENTS	--	--	(20)	13	--	(7)
Cash and cash equivalents at beginning of year	--	--	39	110	--	149
Cash and Cash Equivalents at End of Year	\$ --	--	19	123	--	142

*At December 31, 2002, Tosco Corporation (Tosco) was a wholly owned subsidiary of ConocoPhillips Company and included in All Other Subsidiaries. On January 1, 2003, Tosco was merged into ConocoPhillips Company. As a result of this merger, Tosco ceased to exist as a legal entity and ConocoPhillips Company assumed all of Tosco's properties, rights and obligations.

Millions of Dollars

Year Ended December 31, 2000

ConocoPhillips Holding	ConocoPhillips	All Other	Consoli- dating	Total
---------------------------	----------------	-----------	--------------------	-------

STATEMENT OF CASH FLOWS	ConocoPhillips	Company	Company	Subsidiaries	Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash provided by (used in) continuing operations	\$ -	-	1,684	3,893	(1,593)	3,984
Net cash provided by discontinued operations	-	-	30	-	-	30
Net Cash Provided by (Used in) Operating Activities	-	-	1,714	3,893	(1,593)	4,014
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions, net of cash acquired	-	-	(6,443)	-	-	(6,443)
Capital expenditures and investments, including dry holes	-	-	(1,342)	(1,825)	1,150	(2,017)
Proceeds from contributing assets to joint ventures	-	-	841	1,220	-	2,061
Proceeds from asset dispositions	-	-	313	854	(317)	850
Long-term advances to affiliates and other investments	-	-	(349)	(3,251)	3,392	(208)
Net cash used in continuing operations	-	-	(6,980)	(3,002)	4,225	(5,757)
Net cash used in discontinued operations	-	-	(5)	-	-	(5)
Net Cash Used in Investing Activities	-	-	(6,985)	(3,002)	4,225	(5,762)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of debt	-	-	5,675	269	(3,392)	2,552
Repayment of debt	-	-	(39)	(321)	-	(360)
Issuance of company common stock	-	-	31	-	-	31
Dividends paid on common stock	-	-	(346)	(761)	761	(346)
Other	-	-	(53)	(64)	(1)	(118)
Net Cash Provided by (Used in) Financing Activities	-	-	5,268	(877)	(2,632)	1,759
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	(3)	14	-	11
Cash and cash equivalents at beginning of year	-	-	42	96	-	138
Cash and Cash Equivalents at End of Year	\$ -	-	39	110	-	149

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

174

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information presented under the headings "Election of Directors and Director Biographies" and "Stock Ownership--Section 16(a) Beneficial Ownership Reporting Compliance" in the company's definitive proxy statement for the Annual Meeting of Stockholders on May 6, 2003 (2003 Proxy Statement), is incorporated herein by reference.* Information regarding the executive officers appears in Part I of this report on pages 32 and 33.

ITEM 11. EXECUTIVE COMPENSATION

Information presented under the following headings in the 2003 Proxy Statement is incorporated herein by reference:

"Board of Directors Information--How are Directors Compensated?"
"Executive Compensation--Compensation Tables"
"Executive Compensation--Employment Agreements"
"Executive Compensation--Severance Arrangements"

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information presented under the headings "Stock Ownership--Holdings of Major Stockholders," "--Holdings of Officers and Directors" and "Executive Compensation--Compensation Tables--Equity Compensation Plan Information" in the 2003 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

*Except for information or data specifically incorporated herein by reference under Items 10 through 13, other information and data appearing in the 2003 Proxy Statement are not deemed to be a part of this Annual Report on Form 10-K or deemed to be filed with the Commission as a part of this report.

175

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this annual report, ConocoPhillips carried out an evaluation, under the supervision, and with the participation of, the company's Management, including the company's President and Chief Executive Officer, and its Executive Vice President Finance and Chief Financial Officer, of the effectiveness of ConocoPhillips' disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the company's President and Chief Executive Officer and its Executive Vice President Finance and Chief Financial Officer concluded that ConocoPhillips' disclosure controls and procedures are effective, in all material respects, with respect to the recording, processing, summarizing and reporting, within the time periods specified in the Securities and Exchange Commission's rules and forms, of information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act.

There were no significant changes in ConocoPhillips' internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation referred to above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements and Financial Statement Schedules

The financial statements and schedule listed in the Index to Financial Statements and Financial Statement Schedules, which appears on page 82 are filed as part of this annual report.

2. Exhibits

The exhibits listed in the Index to Exhibits, which appears on pages 178 through 181, are filed as a part of this annual report.

(b) Reports on Form 8-K

During the three months ended December 31, 2002, the company filed the following Current Reports on Form 8-K:

- o Amendment No. 1, filed October 1, 2002, to the Current Report on Form 8-K filed August 30, 2002, providing audited financial statements and pro forma financial information related to the merger of Conoco and Phillips.
- o Filed on October 8, 2002, to report in Item 5 the private placement of \$2 billion of various types of Notes and to report the company's third-quarter 2002 interim update of market and operating conditions.
- o Filed on December 20, 2002, to report in Item 5 that the company was restating its audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2001, to reflect discontinued operations and a segment realignment.

CONOCOPHILLIPS

(CONSOLIDATED)

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

Millions of Dollars

Description	Balance At January 1	Additions		Deductions	Balance At December 31
		Charged to Expense (a)	Other (b)		
2002					
Deducted from asset accounts:					
Allowance for doubtful accounts and notes receivable	\$ 33	21	13	19(c)	48
Deferred tax asset valuation allowance	263	102	251(f)	8	608
Included in other liabilities:					
Employee termination benefits	--	301	297(f)	223(g)	375
2001					
Deducted from asset accounts:					
Allowance for doubtful accounts and notes receivable	\$ 18	13	18	16(c)	33
Deferred tax asset valuation allowance	315	14	(47)	19	263
Included in other liabilities:					
Reserve for maintenance turnarounds	47	--	--	47(e)	--
2000					
Deducted from asset accounts:					
Allowance for doubtful accounts and notes receivable	\$ 19	8	--	9*(c)	18
Deferred tax asset valuation allowance	328	(11)	(2)	--	315
Included in other liabilities:					
Reserve for maintenance turnarounds	88	52	--	93(d)	47

*Includes \$2 million transferred to joint-venture companies.

- (a) Amounts charged to income less reversal of amounts previously charged to income.
- (b) Represents acquisitions/dispositions and the effect of translating foreign financial statements.
- (c) Amounts charged off less recoveries of amounts previously charged off.
- (d) Includes \$24 million transferred to an equity-affiliate company on July 1, 2000.
- (e) Effective January 1, 2001, ConocoPhillips changed its method of accounting for the costs of major maintenance turnarounds from the accrue-in-advance method to the expense-as-incurred method.
- (f) Included in the merger purchase price allocation.
- (g) Benefit payments.

CONOCOPHILLIPS

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
2	Agreement and Plan of Merger, dated as of November 18, 2001, by and among ConocoPhillips Company (formerly named Phillips Petroleum Company) ("CPCo"), ConocoPhillips (formerly named CorvettePorsche Corp.), P Merger Corp. (formerly named Porsche Merger Corp.), C Merger Corp. (formerly named Corvette Merger Corp.) and ConocoPhillips Holding Company (formerly named Conoco Inc.) ("Holding") (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus included in ConocoPhillips' Registration Statement on Form S-4; Registration No. 333-74798 (the "Form S-4")).
3.1	Restated Certificate of Incorporation of ConocoPhillips (incorporated by reference to Exhibit 3.1 to the Current Report of ConocoPhillips on Form 8-K filed on August 30, 2002; File No. 000-49987 (the "Form 8-K")).
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of ConocoPhillips (incorporated by reference to Exhibit 3.2 to the Form 8-K).
3.3	By-Laws of ConocoPhillips (incorporated by reference to Exhibit 3.3 to the Form 8-K).
4.1	Rights agreement, dated as of June 30, 2002, between ConocoPhillips and Mellon Investor Services LLC, as rights agent, which includes as Exhibit A the form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the form of Rights Certificate and as Exhibit C the Summary of Rights to Purchase Preferred Stock (incorporated by reference to Exhibit 4.1 to the Form 8-K).
	ConocoPhillips and its subsidiaries are parties to several debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of ConocoPhillips and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, ConocoPhillips agrees to furnish a copy of such instruments to the SEC upon request.

MATERIAL CONTRACTS

10.1	Trust Agreement dated June 23, 1995, between CPCo and WestStar Bank, as Trustee of the Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company Trust.
10.2	Trust Agreement dated December 12, 1995, between CPCo and Vanguard Fiduciary Trust Company, as Trustee of the Phillips Petroleum Company Compensation and Benefits Arrangements Stock Trust (incorporated by reference to Exhibit 10(c) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 1995; File No. 1-720).
10.3	Contribution Agreement, dated as of December 16, 1999, by and among CPCo, Duke Energy Corporation and Duke Energy Field Services, LLC (incorporated by reference to Exhibit 99.1 to the Current Report of CPCo on Form 8-K, filed December 22, 1999; File No. 1-720).

Exhibit Number -----	Description -----
10.4	Governance Agreement, dated as of December 16, 1999, by and among CPCo, Duke Energy Corporation and Duke Energy Field Services, LLC (incorporated by reference to Exhibit 99.2 to the Current Report of CPCo on Form 8-K, filed December 22, 1999; File No. 1-720).
10.5	Amended and Restated Limited Liability Company Agreement of Duke Energy Field Services, LLC, dated as of March 31, 2000, by and between Phillips Gas Company and Duke Energy Field Services Corporation (incorporated by reference to Exhibit 99.1 to the Current Report of CPCo on Form 8-K, filed April 13, 2000; File No. 1-720).
10.6	Parent Company Agreement, dated as of March 31, 2000, by and among CPCo, Duke Energy Corporation, Duke Energy Field Services, LLC, and Duke Energy Field Services Corporation (incorporated by reference to Exhibit 99.2 to the Current Report of CPCo on Form 8-K, filed April 13, 2000; File No. 1-720).
10.7	Contribution Agreement, dated as of May 23, 2000, by and among CPCo, Chevron Corporation and Chevron Phillips Chemical Company LLC (incorporated by reference to Exhibit 2.1 to the Current Report of CPCo on Form 8-K, filed June 1, 2000; File No. 1-720).
10.8	Amended and Restated Limited Liability Company Agreement of Chevron Phillips Chemical Company LLC, dated as of July 1, 2000, by and between CPCo, Chevron Corporation, Chevron U.S.A. Inc., Chevron Overseas Petroleum Inc., Chevron Pipe Line Company, Drilling Specialties Co., WestTex 66 Pipeline Co., and Phillips Petroleum International Corporation (incorporated by reference to Exhibit 99.1 to the Current Report of CPCo on Form 8-K filed July 14, 2000; File No. 1-720).
10.9	Master Purchase and Sale Agreement dated as of March 15, 2000, as amended as of April 6, 2000, among Atlantic Richfield Company, CH-Twenty, Inc., BP Amoco p.l.c. and CPCo (incorporated by reference to Exhibit 2 to the Current Report of CPCo on Form 8-K, filed April 18, 2000; File No. 1-720).
10.10	Trust Agreement dated June 1, 1998, between CPCo and Wachovia Bank, N.A., as Trustee of the Phillips Petroleum Company Grantor Trust.
MANAGEMENT CONTRACTS AND COMPENSATORY PLANS OR ARRANGEMENTS	
10.11	1986 Stock Plan of Phillips Petroleum Company.
10.12	1990 Stock Plan of Phillips Petroleum Company.
10.13	Annual Incentive Compensation Plan of Phillips Petroleum Company.
10.14	Incentive Compensation Plan of Phillips Petroleum Company (incorporated by reference to Exhibit 10(g) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 1999; File No. 1-720).

Exhibit Number -----	Description -----
10.15	Principal Corporate Officers Supplemental Retirement Plan of Phillips Petroleum Company (incorporated by reference to Exhibit 10(h) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 1995; File No. 1-720)
10.16	Phillips Petroleum Company Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10(n) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 2000; File No. 1-720).
10.17	Key Employee Deferred Compensation Plan of Phillips Petroleum Company.
10.18	Non-Employee Director Retirement Plan of Phillips Petroleum Company.
10.19	Omnibus Securities Plan of Phillips Petroleum Company.
10.20	Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company.
10.21	Key Employee Missed Credited Service Retirement Plan of Phillips Petroleum Company (incorporated by reference to Exhibit 10(s) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 2000; File No. 1-720).
10.22	Phillips Petroleum Company Stock Plan for Non-Employee Directors.
10.23	Key Employee Supplemental Retirement Plan of Phillips Petroleum Company.
10.24	Defined Contribution Makeup Plan of ConocoPhillips.
10.25	Phillips Petroleum Company Executive Severance Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report of CPCo on Form 10-Q for the quarter ended June 30, 1999; File No. 1-720).
10.26	2002 Omnibus Securities Plan of Phillips Petroleum Company.
10.27	1998 Stock and Performance Incentive Plan of ConocoPhillips.
10.28	1998 Key Employee Stock Performance Plan of ConocoPhillips.
10.29	Deferred Compensation Plan for Non-Employee Directors of ConocoPhillips.
10.30	Conoco Inc. Key Employee Severance Plan (incorporated by reference to Exhibit 10.6 to the Annual Report of Holding on Form 10-K for the year ended December 31, 2001; File No. 1-14521).
10.31	Conoco Inc. Salary Deferral and Savings Restoration Plan.
10.32	Conoco Inc. Directors' Charitable Gift Plan.
10.33	Phillips Petroleum Company Director Charitable Contribution Plan.

Exhibit Number -----	Description -----
10.34	ConocoPhillips Form Indemnity Agreement with Directors.
10.35	Employment Agreement, dated as of November 18, 2001, by and among ConocoPhillips, CCo and J. J. Mulva (incorporated by reference to Exhibit 10.1 to the Form S-4).
10.36	Employment Agreement, dated as of November 18, 2001, by and among ConocoPhillips, Holding and Archie W. Dunham (incorporated by reference to Exhibit 10.2 to the Form S-4).
10.36.1	Letter Agreement, dated as of July 22, 2002, by and among Holding and Archie W. Dunham.
10.37	Letter Agreement, dated as of April 12, 2002, between Holding and Robert E. McKee III (incorporated by reference to Exhibit 10.1 to the Quarterly Report of ConocoPhillips on Form 10-Q for the quarterly period ended September 30, 2002; File No. 000-49987 (the "Form 10-Q")).
10.38	Letter Agreement, dated as of April 12, 2002, between Holding and Jim W. Nokes (incorporated by reference to Exhibit 10.2 to the Form 10-Q).
10.39	Rabbi Trust Agreement dated December 17, 1999 (incorporated by reference to Exhibit 10.11 of Holding's Form 10-K for the year ended December 31, 1999, File No. 001-14521).
10.39.1	Amendment to Rabbi Trust Agreement dated February 25, 2002.
12	Computation of Ratio of Earnings to Fixed Charges.
21	List of Principal Subsidiaries of ConocoPhillips.
23	Consent of Independent Auditors.
99.1	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3	Unaudited Pro Forma Combined Statement of Operations for the Year Ended December 31, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

March 24, 2003

/s/ J. J. Mulva

J. J. Mulva
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on behalf of the registrant by the following officers in the capacity indicated and by a majority of directors in response to Instruction D to Form 10-K on March 24, 2003.

SIGNATURE

TITLE

/s/ Archie W. Dunham

Chairman of the Board of Directors

Archie W. Dunham

/s/ J. J. Mulva

President and Chief Executive Officer
(Principal executive officer)

J. J. Mulva

/s/ John A. Carrig

Executive Vice President, Finance,
and Chief Financial Officer
(Principal financial officer)

John A. Carrig

/s/ Rand C. Berney

Vice President and Controller
(Principal accounting officer)

Rand C. Berney

/s/ Kenneth M. Duberstein

Kenneth M. Duberstein

Director and Member of
Audit and Compliance Committee

/s/ Ruth R. Harkin

Ruth R. Harkin

Director and Member of
Audit and Compliance Committee

/s/ Larry D. Horner

Larry D. Horner

Director and Member of
Audit and Compliance Committee

/s/ Frank A. McPherson

Frank A. McPherson

Director and Chairperson of
Audit and Compliance Committee

/s/ J. Stapleton Roy

J. Stapleton Roy

Director and Member of
Audit and Compliance Committee

/s/ Victoria J. Tschinkel

Victoria J. Tschinkel

Director and Chairperson of
Public Policy Committee

/s/ Kathryn C. Turner

Kathryn C. Turner

Director and Member of
Audit and Compliance Committee

CERTIFICATIONS

I, J.J. Mulva, certify that:

1. I have reviewed this annual report on Form 10-K of ConocoPhillips;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ J. J. Mulva

J. J. Mulva
President and Chief Executive Officer

I, John A. Carrig, certify that:

1. I have reviewed this annual report on Form 10-K of ConocoPhillips;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ John A. Carrig

John A. Carrig
Executive Vice President, Finance, and Chief
Financial Officer

CONOCOPHILLIPS

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
2	Agreement and Plan of Merger, dated as of November 18, 2001, by and among ConocoPhillips Company (formerly named Phillips Petroleum Company) ("CPCo"), ConocoPhillips (formerly named CorvettePorsche Corp.), P Merger Corp. (formerly named Porsche Merger Corp.), C Merger Corp. (formerly named Corvette Merger Corp.) and ConocoPhillips Holding Company (formerly named Conoco Inc.) ("Holding") (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus included in ConocoPhillips' Registration Statement on Form S-4; Registration No. 333-74798 (the "Form S-4")).
3.1	Restated Certificate of Incorporation of ConocoPhillips (incorporated by reference to Exhibit 3.1 to the Current Report of ConocoPhillips on Form 8-K filed on August 30, 2002; File No. 000-49987 (the "Form 8-K")).
3.2	Certificate of Designations of Series A Junior Participating Preferred Stock of ConocoPhillips (incorporated by reference to Exhibit 3.2 to the Form 8-K).
3.3	By-Laws of ConocoPhillips (incorporated by reference to Exhibit 3.3 to the Form 8-K).
4.1	Rights agreement, dated as of June 30, 2002, between ConocoPhillips and Mellon Investor Services LLC, as rights agent, which includes as Exhibit A the form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the form of Rights Certificate and as Exhibit C the Summary of Rights to Purchase Preferred Stock (incorporated by reference to Exhibit 4.1 to the Form 8-K).
	ConocoPhillips and its subsidiaries are parties to several debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of ConocoPhillips and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, ConocoPhillips agrees to furnish a copy of such instruments to the SEC upon request.

MATERIAL CONTRACTS

10.1	Trust Agreement dated June 23, 1995, between CPCo and WestStar Bank, as Trustee of the Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company Trust.
10.2	Trust Agreement dated December 12, 1995, between CPCo and Vanguard Fiduciary Trust Company, as Trustee of the Phillips Petroleum Company Compensation and Benefits Arrangements Stock Trust (incorporated by reference to Exhibit 10(c) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 1995; File No. 1-720).
10.3	Contribution Agreement, dated as of December 16, 1999, by and among CPCo, Duke Energy Corporation and Duke Energy Field Services, LLC (incorporated by reference to Exhibit 99.1 to the Current Report of CPCo on Form 8-K, filed December 22, 1999; File No. 1-720).

Exhibit
Number

Description

- 10.4 Governance Agreement, dated as of December 16, 1999, by and among CPCo, Duke Energy Corporation and Duke Energy Field Services, LLC (incorporated by reference to Exhibit 99.2 to the Current Report of CPCo on Form 8-K, filed December 22, 1999; File No. 1-720).
- 10.5 Amended and Restated Limited Liability Company Agreement of Duke Energy Field Services, LLC, dated as of March 31, 2000, by and between Phillips Gas Company and Duke Energy Field Services Corporation (incorporated by reference to Exhibit 99.1 to the Current Report of CPCo on Form 8-K, filed April 13, 2000; File No. 1-720).
- 10.6 Parent Company Agreement, dated as of March 31, 2000, by and among CPCo, Duke Energy Corporation, Duke Energy Field Services, LLC, and Duke Energy Field Services Corporation (incorporated by reference to Exhibit 99.2 to the Current Report of CPCo on Form 8-K, filed April 13, 2000; File No. 1-720).
- 10.7 Contribution Agreement, dated as of May 23, 2000, by and among CPCo, Chevron Corporation and Chevron Phillips Chemical Company LLC (incorporated by reference to Exhibit 2.1 to the Current Report of CPCo on Form 8-K, filed June 1, 2000; File No. 1-720).
- 10.8 Amended and Restated Limited Liability Company Agreement of Chevron Phillips Chemical Company LLC, dated as of July 1, 2000, by and between CPCo, Chevron Corporation, Chevron U.S.A. Inc., Chevron Overseas Petroleum Inc., Chevron Pipe Line Company, Drilling Specialties Co., WestTex 66 Pipeline Co., and Phillips Petroleum International Corporation (incorporated by reference to Exhibit 99.1 to the Current Report of CPCo on Form 8-K filed July 14, 2000; File No. 1-720).
- 10.9 Master Purchase and Sale Agreement dated as of March 15, 2000, as amended as of April 6, 2000, among Atlantic Richfield Company, CH-Twenty, Inc., BP Amoco p.l.c. and CPCo (incorporated by reference to Exhibit 2 to the Current Report of CPCo on Form 8-K, filed April 18, 2000; File No. 1-720).
- 10.10 Trust Agreement dated June 1, 1998, between CPCo and Wachovia Bank, N.A., as Trustee of the Phillips Petroleum Company Grantor Trust.

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS OR ARRANGEMENTS

- 10.11 1986 Stock Plan of Phillips Petroleum Company.
- 10.12 1990 Stock Plan of Phillips Petroleum Company.
- 10.13 Annual Incentive Compensation Plan of Phillips Petroleum Company.
- 10.14 Incentive Compensation Plan of Phillips Petroleum Company (incorporated by reference to Exhibit 10(g) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 1999; File No. 1-720).

Exhibit Number -----	Description -----
10.15	Principal Corporate Officers Supplemental Retirement Plan of Phillips Petroleum Company (incorporated by reference to Exhibit 10(h) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 1995; File No. 1-720)
10.16	Phillips Petroleum Company Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10(n) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 2000; File No. 1-720).
10.17	Key Employee Deferred Compensation Plan of Phillips Petroleum Company.
10.18	Non-Employee Director Retirement Plan of Phillips Petroleum Company.
10.19	Omnibus Securities Plan of Phillips Petroleum Company.
10.20	Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company.
10.21	Key Employee Missed Credited Service Retirement Plan of Phillips Petroleum Company (incorporated by reference to Exhibit 10(s) to the Annual Report of CPCo on Form 10-K for the year ended December 31, 2000; File No. 1-720).
10.22	Phillips Petroleum Company Stock Plan for Non-Employee Directors.
10.23	Key Employee Supplemental Retirement Plan of Phillips Petroleum Company.
10.24	Defined Contribution Makeup Plan of ConocoPhillips.
10.25	Phillips Petroleum Company Executive Severance Plan (incorporated by reference to Exhibit 10(a) to the Quarterly Report of CPCo on Form 10-Q for the quarter ended June 30, 1999; File No. 1-720).
10.26	2002 Omnibus Securities Plan of Phillips Petroleum Company.
10.27	1998 Stock and Performance Incentive Plan of ConocoPhillips.
10.28	1998 Key Employee Stock Performance Plan of ConocoPhillips.
10.29	Deferred Compensation Plan for Non-Employee Directors of ConocoPhillips.
10.30	Conoco Inc. Key Employee Severance Plan (incorporated by reference to Exhibit 10.6 to the Annual Report of Holding on Form 10-K for the year ended December 31, 2001; File No. 1-14521).
10.31	Conoco Inc. Salary Deferral and Savings Restoration Plan.
10.32	Conoco Inc. Directors' Charitable Gift Plan.
10.33	Phillips Petroleum Company Director Charitable Contribution Plan.

Exhibit Number -----	Description -----
10.34	ConocoPhillips Form Indemnity Agreement with Directors.
10.35	Employment Agreement, dated as of November 18, 2001, by and among ConocoPhillips, CCo and J. J. Mulva (incorporated by reference to Exhibit 10.1 to the Form S-4).
10.36	Employment Agreement, dated as of November 18, 2001, by and among ConocoPhillips, Holding and Archie W. Dunham (incorporated by reference to Exhibit 10.2 to the Form S-4).
10.36.1	Letter Agreement, dated as of July 22, 2002, by and among Holding and Archie W. Dunham.
10.37	Letter Agreement, dated as of April 12, 2002, between Holding and Robert E. McKee III (incorporated by reference to Exhibit 10.1 to the Quarterly Report of ConocoPhillips on Form 10-Q for the quarterly period ended September 30, 2002; File No. 000-49987 (the "Form 10-Q")).
10.38	Letter Agreement, dated as of April 12, 2002, between Holding and Jim W. Nokes (incorporated by reference to Exhibit 10.2 to the Form 10-Q).
10.39	Rabbi Trust Agreement dated December 17, 1999 (incorporated by reference to Exhibit 10.11 of Holding's Form 10-K for the year ended December 31, 1999, File No. 001-14521).
10.39.1	Amendment to Rabbi Trust Agreement dated February 25, 2002.
12	Computation of Ratio of Earnings to Fixed Charges.
21	List of Principal Subsidiaries of ConocoPhillips.
23	Consent of Independent Auditors.
99.1	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3	Unaudited Pro Forma Combined Statement of Operations for the Year Ended December 31, 2002.

AMENDED AND RESTATED

TRUST AGREEMENT

Dated as of June 23, 1995

between

PHILLIPS PETROLEUM COMPANY

and

WESTSTAR BANK, as Trustee

TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT made and entered into as of this 23rd day of June, 1995, by and between PHILLIPS PETROLEUM COMPANY, a Delaware corporation with its executive offices at Phillips Building, Bartlesville, Oklahoma (the "Company") , and WESTSTAR BANK, a state banking corporation with its principal trust office at Weststar Bank Tower Building, 100 SE Frank Phillips Boulevard, Bartlesville, Oklahoma 74003 (the "Trustee").

WITNESSETH THAT:

WHEREAS, the Company heretofore established the Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company (the "Plan") for the purpose of providing a program whereby certain eligible members of the Board of Directors (the "Board") of the Company may defer the payment of all or a portion of their cash compensation or lump sum retirement benefits; and

WHEREAS, the Company has heretofore established a trust (the "Trust") under the terms of a Trust Agreement dated as of August 24, 1990 (the "Original Trust Agreement") to aid the Company in meeting its obligations under the Plan, so as, to the extent possible within the intent set forth below, to assure payment of the Benefits under the Plan; and

WHEREAS, the Company has made and may continue to make contributions to this Trust from time to time, which contributions (if made) will be applied in payment of the Company's obligations to pay such benefits; and

WHEREAS, the Plan provides for the Company to pay all benefits thereunder from its general assets, and the establishment and maintenance of this Trust shall not reduce or otherwise

affect the Company's continuing liability to pay benefits from such assets except that the Company's liability shall be offset by actual benefit payments made by this Trust; and

WHEREAS, the Trust established by this Trust Agreement is intended to be classified for income tax purposes as a "grantor trust" with the result that the income of the Trust be treated as income of the Company pursuant to Subpart E, Part I of Subchapter J of Chapter 1, of Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Company desires to amend the terms of the Trust to permit the Trustee to receive and act upon specific directions from the Company and others with respect to the investment and reinvestment of such particularly identified portions of the funds.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Company and the Trustee agree to amend and restate the Trust Agreement as follows:

SECTION 1. ESTABLISHMENT AND TITLE OF THE TRUST

1.1 The Company hereby reaffirms its establishment with the Trustee of the Trust, to accept such sums of money and other property, including without limitation one or more insurance or annuity contracts, acceptable to the Trustee as from time to time may be paid or delivered to the Trustee. All such money and other property, all investments and reinvestments made therewith or proceeds thereof and all earnings and profits thereon that are not paid to the Company as provided in Section 6.1 of this Trust Agreement, less all payments and charges as authorized herein, are hereinafter referred to as the "Trust Fund." The Trust Fund shall be held by the Trustee in trust and shall be dealt with in accordance with the provisions of this Trust Agreement. The Trust Fund shall be held for the exclusive purpose of providing payments to the participants of the Plan and their beneficiaries and defraying reasonable expenses of administration in accordance with the provisions of this Trust Agreement until all such payments

have been made; provided, however, that the Trust Fund shall at all times be subject to the claims of the creditors of the Company as set forth in Section 7 of this Trust Agreement.

SECTION 2. ACCEPTANCE BY THE TRUSTEE

2.1 The Trustee accepts the Trust established under this Trust Agreement on the terms and subject to the provisions set forth herein, and it agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement.

SECTION 3. LIMITATION ON USE OF FUNDS

3.1 No part of the corpus of the Trust Fund shall be recoverable by the Company or used for any purpose other than for the exclusive purpose of providing payments to participants of the Plan and their beneficiaries and defraying reasonable expenses of administration in accordance with the provisions of this Trust Agreement until all such payments required by this Trust Agreement have been made; provided, however, that nothing in this Section 3.1 shall be deemed to limit or otherwise prevent the payment from the Trust Fund of expenses and other charges as provided in Sections 9.1 and 9.2 of this Trust Agreement or the application of the Trust Fund as provided in Section 5.4 of this Trust Agreement if the Trust is finally determined not to constitute a grantor trust and (ii) the Trust Fund shall at all times be subject to the claims of creditors of the Company as set forth in Section 7 of this Trust Agreement.

SECTION 4. DUTIES AND POWERS OF THE TRUSTEE WITH RESPECT TO INVESTMENTS

4.1 The assets of the Trust Fund shall be invested by the Trustee in accordance with the written investment guidelines provided from time to time by the Company. In this regard, pursuant to instructions given by the Company, the Trustee shall allocate the assets of the Trust

Fund among one or more accounts ("Accounts"). The Company may further direct the Trustee to deposit the assets of an Account with an independent fund manager ("Custodian"), who may be a mutual fund manager, and to delegate the investment responsibility for the Account to such Custodian.

The Custodian of an Account shall invest and reinvest the Account as directed by or shall arrange that the Trustee shall receive confirmation of transactions within an Account managed by a Custodian, that no amounts invested with a Custodian may be disbursed to anyone other than by instruction from the Trustee, and that upon the Company's bankruptcy or insolvency the Custodian shall be advised of such event by the Board and the Chief Executive Officer of the Company, and such Custodians shall thereafter accept only the instructions of the Trustee.

In the event that assets are transferred to a Custodian pursuant to the instructions of the Company, the Trustee shall not be responsible for the selection of such Custodian or the acts of the Custodian including but not limited to the safekeeping of the assets of the Account, the investments of the assets, or disbursement of any amount from the Account by the Custodian.

4.2 Subject to the provisions of Section 4.1, the Trustee shall have the following additional powers and authority with respect to all property constituting a part of the Trust Fund:

- (a) To sell, exchange or transfer any such property at public or private sale for cash or on credit and grant options for the purchase or exchange thereof, including call options for property held in the Trust Fund and put options for the purchase of property.
- (b) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to any such property, and to consent to or

oppose any such plan or any action thereunder, or any contract, lease, mortgage, purchase, sale or other action by any corporation or other entity.

- (c) To use Trust Fund assets to purchase, and to pay all premiums and other charges upon, individual or group annuity or life insurance contracts, the rates of return and maturity dates of which may reasonably be expected to yield assets of the Trust Fund sufficient to assist the Company in paying benefits under the Plan, and to withdraw from or borrow against such policies and contracts.
- (d) To deposit any such property with any protective, reorganization or similar committee; to delegate discretionary power to any such committee; and to pay part of the expenses and compensation of any such committee and any assessments levied with respect to any property so deposited.
- (e) To exercise any conversion privilege or subscription right available in connection with any such property; to oppose or to consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, company or association, or to the sale, mortgage, pledge or lease of the property of any corporation, company or association any of the securities of which may at any time be held in the Trust Fund and to do any act with reference thereto, including the exercise of options, the making of agreements or subscriptions and the payment of expenses, assessments or subscriptions, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other property which it may so acquire.

- (f) To commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings; to settle, compromise or submit to arbitration, any claims, debts or damages, due or owing to or from the Trust.
- (g) To exercise, personally or by general or limited power of attorney, any right, including the right to vote, appurtenant to any securities or other such property.
- (h) To borrow money from any lender in such amounts and upon such terms and conditions as shall be deemed advisable or proper to carry out the purposes of the Trust and to pledge any securities or other property for the repayment of any such loan.
- (i) To engage any legal counsel, including counsel to the Company, any enrolled actuary, or any other suitable agents to consult with such counsel, enrolled actuary, or agents with respect to the construction of this Trust Agreement, the duties of the Trustee hereunder, the transactions contemplated by this Trust Agreement or any act which the Trustee proposes to take or omit, to rely upon the advice of such counsel, enrolled actuary or agents, and to pay its reasonable fees, expenses and compensation.
- (j) To register any securities held by it in its own name or in the name of any custodian of such property or of its nominee, including the nominee of any system for the central handling of securities, with or without the addition of words indicating that such securities are held in a fiduciary capacity, to deposit or arrange for the deposit of any such securities with such a system and to hold any securities in bearer form.

- (k) To make, execute and deliver, as Trustee, any and all deeds, leases, notes, bonds, guarantees, mortgages, conveyances, contracts, waivers, releases or other instruments in writing necessary or proper for the accomplishment of any of the foregoing powers.
- (l) To transfer assets of the Trust Fund to a successor trustee as provided in Section 1.4.
- (m) To exercise, generally, any of the powers which an individual owner might exercise in connection with property either real, personal or mixed held by the Trust Fund, and to do all other acts that the Trustee may deem necessary or proper to carry out any of the powers set forth in this Section 4 or otherwise in the best interests of the Trust Fund.

SECTION 5. PAYMENTS BY THE TRUSTEE

5.1 The establishment of the Trust and the payment or delivery to the Trustee of money or other property acceptable to the Trustee shall not vest in Plan participants or their beneficiaries any right, title or interest in and to any assets of the Trust, except as otherwise set forth in this Section 5.

5.2 The Trustee shall make payment of Plan benefits to participants and beneficiaries of the Plan from the assets held in the Trust Fund, if and to the extent such assets are available for distribution, in accordance with the terms and conditions set forth in the Plan and subject to the election, if any, of the participant or his beneficiary thereunder.

5.3 If the Trust Fund is not sufficient to make one or more payments of benefits due under the Plan to such participant or beneficiary in accordance with the terms of the Plan, the Company shall make the balance of each such payment as it falls due.

5.4 Notwithstanding anything contained in this Trust Agreement to the contrary, if at any time the Trust finally is determined by the Internal Revenue Service ("IRS") not to be a "grantor trust" with the result that the income of the Trust Fund is not treated as income of the Company pursuant to Subpart E, Part I of Subchapter J of the Code, or if a tax is finally determined by the IRS or is determined by counsel to the Trustee to be payable by any Plan participant or beneficiary in respect of any vested interest in the Trust Fund prior to payment of such interest to such participant or beneficiary, then the Trust shall immediately terminate and the full fair market value of the assets in the Trust Fund shall be returned to the Company. The Company shall fully reimburse each participant and their beneficiaries for any tax liability they may incur pursuant to the operation of this Section. For purposes of this Section, a final determination of the IRS shall be a decision rendered by the IRS which is no longer subject to administrative appeal within the IRS.

5.5 Notwithstanding anything in this Trust Agreement to the contrary, the Company shall remain primarily liable under the Plan to pay benefits. However, the Company's liability under the Plan shall be reduced or offset to the extent and by the value of any benefit payments under the Plan made from the Trust.

5.6 The Trustee shall deduct from each payment under this Trust Agreement any federal, state or local withholding or other taxes or charges which the Trustee may be required to

deduct under applicable laws, shall pay such amount to the appropriate governmental authorities, and shall inform the Company of all amounts so deducted and paid.

SECTION 6. FUNDING OF THE TRUST

6.1 Amounts held for the benefit of each participant and beneficiary in the Trust shall be held, administered and accounted for the benefit of participants and beneficiaries of the Plan. The Trust Fund shall consist of such sums of money and such other property acceptable to the Trustee as shall from time to time be paid or delivered to the Trustee by the Company, and any earnings or profits thereon. The Company shall make contributions to the Trust from time to time in accordance with such funding method and policy as will permit the Trust to make payment of benefits provided by the Plan. In the event that the total assets of the Trust Fund at any time exceed the arithmetic sum of all benefits accrued under the Plan for participants and beneficiaries, the Trustee shall follow the written instructions from the Company as to the disposition of such excess amount, which instructions may include payment of such amount to the Company. In determining the value of the Trust as of any date, Trust assets shall be valued on the basis of their then fair market value.

SECTION 7. TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO PARTICIPANTS AND BENEFICIARIES WHEN COMPANY IS INSOLVENT

7.1 It is the intent of the parties hereto that the Trust assets are and shall remain at all times subject to the claims of the general creditors of the Company. Accordingly, the Company shall not create a security interest in the Trust assets in favor of the Participants and beneficiaries of the Plan or any creditor.

- (a) If the Trustee receives the notice provided for in Section 7.2 hereof, or otherwise receives actual notice that the Company is insolvent or bankrupt as defined in Section 7.2 hereof, the Trustee will make no further distributions from the Trust to any of the participants or beneficiaries of the Plan but will deliver the entire amount of the Trust assets only as a court of competent jurisdiction, or duly appointed receiver or other person authorized to act by such a court, may direct to make the Trust assets available to satisfy the claims of the Company's general creditors. The Trustee shall resume distributions from the Trust to the participants and beneficiaries of the Plan under the terms hereof, upon no less than thirty (30) days, advance notice to the Company, if it determines that the Company was not, or is no longer bankrupt or insolvent. Unless the Trustee has actual knowledge of the Company's bankruptcy or insolvency, the Trustee shall have no duty to inquire whether the Company is bankrupt or insolvent.
- (b) If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become insolvent, the Trustee shall within thirty (30) days independently determine whether the Company is insolvent.

The Company shall cooperate with and assist the Trustee in making such determination. In making such a determination, the Trustee may retain outside experts competent to advise the Trustee as to whether the Company has, in fact, become insolvent. The expense of retaining such outside experts shall be deemed to be expenses within the scope of Section 9.2.

7.2 The Board and Chief Executive officer shall advise the Trustee promptly in writing of the Company's bankruptcy or insolvency. The Company shall be deemed to be bankrupt or insolvent upon the occurrence of any of the following:

- (a) The Company shall make an assignment for the benefit of creditors, file a petition in bankruptcy, petition or apply to any tribunal for the appointment of a custodian, receiver, liquidator, sequestrator, or any trustee for it or a substantial part of its assets, or shall commence any case under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction (federal or state), whether now or hereafter in effect; or if there shall have been filed any such petition or application, or any such case shall have been commenced against it, in which an order for relief is entered or which remains undismissed; or the Company by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or case or order for relief or to the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its property, or shall suffer any such custodianship, receivership, or trusteeship to continue undischarged; or
- (b) The Company shall generally not pay its debts as such debts become due or shall cease to pay its debts in the ordinary course of business.

7.3 If the Trustee discontinues payments of benefits under the Plan from the Trust pursuant to Section 7.1 of this Trust Agreement and subsequently resumes such payments, the first payment to a participant or beneficiary following such discontinuance shall include the aggregate amount of all payments which would have been made to the participant or beneficiary

in accordance with the Plan during the period of such discontinuance, less the aggregate amount of payments of benefits under the Plan made to the participant or beneficiary by the Company during any such period of discontinuance.

SECTION 8. THIRD PARTIES

8.1 A third party dealing with the Trustee shall not be required to make inquiry as to the authority of the Trustee to take any action nor be under any obligation to see to the proper application by the Trustee of the proceeds of sale of any property sold by the Trustee or to inquire into the validity or propriety of any act of the Trustee.

SECTION 9. TAXES, EXPENSES AND COMPENSATION

9.1 The Company shall from time to time pay taxes of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of the Trust Fund, the income or any property forming a part thereof, or any security transaction pertaining thereto. To the extent that any taxes lawfully levied or assessed upon the Trust Fund are not paid by the Company, the Trustee shall pay such taxes out of the Trust Fund. The Trustee shall withhold Federal, State and local taxes from any payments made to a participant or beneficiary in accordance with the provisions of applicable law. The Trustee shall contest the validity of taxes in any manner deemed appropriate by the Company or its counsel, but at the Company's expense, and only if it has received an indemnity bond or other security satisfactory to it to pay any such expenses. In the alternative, the Company may itself contest the validity of any such taxes.

9.2 The Company shall pay the Trustee such reasonable compensation for its services as may be agreed upon in writing from time to time by the Company and the Trustee. The

Company shall also pay the reasonable expenses incurred by the Trustee in the performance of its duties under this Trust Agreement, including fees of counsel engaged by the Trustee. Such compensation and expenses shall be charged against and paid from the Trust Fund to the extent that the Company does not pay such compensation.

SECTION 10. ADMINISTRATION AND RECORDS

10.1 The Trustee shall keep or cause to be kept accurate and detailed accounts of any investments, receipts, disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by the Company. All such accounts, books and records shall be preserved (in original form, or on microfilm, magnetic tape or any other similar process) for such period as the Trustee may determine, but the Trustee may only destroy such accounts, books and records after first notifying the Company in writing of its intention to do so and transferring to the Company any of such accounts, books and records requested.

10.2 Within 30 days after the close of each calendar year, and within 30 days after the removal or resignation of the Trustee or the termination of the Trust, the Trustee shall file with the Company a written account setting forth all investments, receipts, disbursements and other transactions effected by it during the preceding calendar year, or during the period from the close of the preceding calendar year to the date of such removal, resignation or termination, including a description of all investments and securities purchased and sold with the cost or net proceeds of such purchases or sales and showing all cash, securities and other property held at the end of such calendar year or other period.

10.3 The Trustee shall from time to time permit an independent public accountant selected by the Company (except one to whom the Trustee has reasonable objection) to have access during ordinary business hours to such records as may be necessary to audit the Trustee's accounts.

10.4 As of the last day of each calendar year and such other times as the Company may reasonably request, the fair market value of the assets held in the Trust Fund shall be determined. Within 30 days after the close of each calendar year, the Trustee shall file with the Company the written report of the determination of such fair market value of the assets held in the Trust Fund.

10.5 Nothing contained in this Trust Agreement shall be construed as depriving the Trustee or the Company of the right to have a judicial settlement of the Trustee's accounts, and upon any proceeding for a judicial settlement of the Trustee's accounts or for instructions the only necessary parties thereto in addition to the Trustee shall be the Company.

10.6 In the event of the removal or resignation of the Trustee, the Trustee shall deliver to the successor Trustee all records which shall be required by the successor Trustee to enable it to carry out the provisions of this Trust Agreement.

10.7 In addition to any returns required of the Trustee by law, the Trustee shall prepare and file such tax reports and other returns as the Company and the Trustee may from time to time agree.

SECTION 11. REMOVAL OR RESIGNATION OF THE TRUSTEE AND DESIGNATION OF SUCCESSOR TRUSTEE

11.1 At any time the Company may remove the Trustee with or without cause, upon at least 60 days, notice in writing to the Trustee. A copy of such notice shall be sent to the Trustee.

11.2 The Trustee may resign at any time upon at least 60 days, notice in writing to the Company.

11.3 In the event of such removal or resignation, the Trustee shall duly file with the Company a written account as provided in Section 10.2 of this Trust Agreement for the period since the last previous annual accounting, listing the investments of the Trust and any uninvested cash balance thereof, and setting forth all receipts, disbursements, distributions and other transactions respecting the Trust not included in any previous account.

11.4 Within 60 days after any such notice of removal or resignation of the Trustee, the Company shall designate a successor Trustee qualified to act hereunder. Each such successor Trustee, during each period as it shall act as such, shall have the powers, duties and restrictions (including without limitation, the restrictions regarding amendment of certain sections of this Trust Agreement as described in Section 14.1 hereof) herein conferred upon the Trustee, and the word "Trustee" wherever used herein, except where the context otherwise requires, shall be deemed to include any successor Trustee. Upon designation of a successor Trustee and delivery to the resigned or removed Trustee of written acceptance by the successor Trustee of such designation, such resigned or removed Trustee shall promptly assign, transfer, deliver and pay over to such Trustee, in conformity with the requirements of applicable law, the funds and properties in its control or possession then constituting the Trust Fund.

SECTION 12. ENFORCEMENT OF TRUST AGREEMENT AND LEGAL PROCEEDINGS

12.1 The Company shall have the right to enforce any provision of this Trust Agreement. The general creditors of the Company shall have the right under federal and state laws to enforce the Trust provisions opening the Trust to such general creditors in the event of

insolvency of the Company. In any action or proceedings affecting the Trust the only necessary parties shall be the Company and the Trustee and, except as otherwise required by applicable law, no other person shall be entitled to any notice or service of process. Any judgment entered in such an action or proceeding shall to the maximum extent permitted by applicable law be binding and conclusive on all persons having or claiming to have any interest in the Trust.

SECTION 13. TERMINATION AND SUSPENSION

13.1 The Trust shall terminate when all payments which have or may become payable pursuant to the terms of the Trust have been made and any remaining assets shall then be paid by Trustee to the Company.

SECTION 14. AMENDMENTS

14.1 The Company may from time to time amend or modify, in whole or in part, any or all of the provisions of this Trust Agreement (except Sections 1.1, 3.1, 5, 10, 11.4, 12, 13, 14 and 16, which sections may only be amended by the unanimous written consent of all participants and beneficiaries of the Plan), with the written consent of the Trustee, but without the consent of any participant or beneficiary of the Plan, provided that any such amendment shall not adversely affect the rights of any participant or beneficiary hereunder, or cause the Trust to cease to constitute a grantor trust as described in Section 5.4 of this Trust Agreement; provided further, that the Trust created hereunder shall be irrevocable by the Company without the express written consent of all participants and beneficiaries of the Plan.

14.2 The Company and the Trustee shall execute such supplements to, or amendments of, this Trust Agreement as shall be necessary to give effect to any such amendment or modification.

SECTION 15. NONALIENATION

15.1 Except insofar as applicable law may otherwise require and subject to Sections 1.1, 3.1 and 7 of this Trust Agreement, no amount payable to or in respect of any participant or beneficiary at any time under the Trust shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind, and any attempt to so alienate, sell, transfer, assign, pledge, attach, charge or otherwise encumber any such amount, whether presently or thereafter payable, shall be void; and (ii) the Trust Fund shall in no manner be liable for or subject to the debts or liabilities of a participant or beneficiary.

SECTION 16. COMMUNICATIONS

16.1 Communications to the Company shall be addressed to Phillips Petroleum Company, Attention: Senior Vice President and Treasurer, 17 Phillips Building, Bartlesville, Oklahoma 74004; provided, however, that upon the Company's written request, such communications shall be sent to such other address as the Company may specify.

16.2 Communications to the Trustee shall be addressed to WestStar Bank, Attention: Trust Department, 100 S. E. Frank Phillips Boulevard, Bartlesville, Oklahoma 74003; provided, however, that upon the Trustee's written request, such communications shall be sent to such other address as the Trustee may specify.

16.3 No communication shall be binding on the Trustee until it is received by the Trustee, no communication shall be binding on the Company until it is received by the Company and no communication shall be binding on any participant or beneficiary until it is received by the participant or beneficiary.

16.4 Any action of the Company pursuant to this Trust Agreement, including all orders, requests, directions, instructions, approvals and objections of the Company to the Trustee, shall be in writing, signed on behalf of the Company by any duly authorized officer of the Company. Any action by any participant or beneficiary shall be in writing. The Trustee may rely on, and will be fully protected with respect to any such action taken or omitted in reliance on, any information, order, request, direction, instruction, approval, objection, and list delivered to the Trustee by the Company or, to the extent applicable under this Trust Agreement by a participant or beneficiary.

SECTION 17. MISCELLANEOUS PROVISIONS

17.1 This Trust Agreement shall be binding upon and inure to the benefit of the Company and the Trustee and their respective successors and assigns and the personal representatives of individuals.

17.2 The Trustee assumes no obligation or responsibility with respect to any action required by this Trust Agreement on the part of the Company.

17.3 Each participant or beneficiary shall file with the Trustee such pertinent personal information as the Trustee shall specify, and shall have no rights nor be entitled to any benefits under the Trust unless such information is filed.

17.4 Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which the Trustee may be a party, or any corporation to which all or substantially all the trust business of the Trustee may be transferred shall be the successor of the Trustee hereunder without the execution or filing of any instrument or the performance of any act.

17.5 Titles to the Sections of this Trust Agreement are included for convenience only and shall not control the meaning or interpretation of any provision of this Trust Agreement.

17.6 This Trust Agreement and the Trust established here under shall be governed by and construed, enforced, and administered in accordance with the laws of the State of Oklahoma and the Trustee shall be liable to account only in the courts of the State of Oklahoma.

17.7 This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

17.8 The words "beneficiary" or "beneficiaries" shall have the meaning set forth in the Plan.

IN WITNESS WHEREOF, this Trust Agreement has been duly executed by the parties hereto as of the day and year first above written.

ATTEST:

PHILLIPS PETROLEUM COMPANY

By: /s/ Dale J. Billam

Title: Secretary

By: /s/ T. C. Morris

Title: Sr. V. P., Treasurer and CFO

ATTEST:

WESTSTAR BANK, a state banking corporation

By: /s/ Frances David

Title: Asst. Secretary

By: /s/ Bertha Lankriet

Title: Vice President and Trust Officer

STATE OF OKLAHOMA))
) SS
COUNTY OF WASHINGTON)

On this 23rd day of June 1995, before me came T. C. Morris to me known, who, being by me duly sworn, did depose and say that he resides at Bartlesville, Oklahoma; that he is the Sr. V.P., Treasurer & CFO of PHILLIPS PETROLEUM COMPANY, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation or by a duly authorized committee thereof; and that he signed his name thereto by like order.

/s/ Connie Wallace

Notary Public

My Commission expires:
July 11, 1996

STATE OF OKLAHOMA))
) SS
COUNTY OF WASHINGTON)

On this 22nd day of June 1995, before me came Bertha Lanckriet to me known, who, being by me duly sworn, did depose and say that she resides at Bartlesville, Oklahoma; that she is the V. Pres. & Trust Officer of WESTSTAR BANK, a state banking corporation, the corporation described in and which executed the foregoing instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she signed her name thereto by like order.

/s/ Mickie Wheat

Notary Public

My Commission Expires:
March 20, 1999

PHILLIPS PETROLEUM COMPANY

GRANTOR TRUST AGREEMENT

This Grantor Trust Agreement (the "Trust Agreement") is made as of this 1st day of June, 1998 by and between PHILLIPS PETROLEUM COMPANY ("the Company") and WACHOVIA BANK, N.A. ("the Trustee").

RECITALS

- (a) WHEREAS, the Company has adopted the nonqualified deferred compensation Plans and Agreements (the "Arrangements") as listed in Attachment 1;
- (b) WHEREAS, the Company has incurred or expects to incur liability under the terms of such Arrangements with respect to the individuals participating in such Arrangements (the "Participants and Beneficiaries");
- (c) WHEREAS, The Chase Manhattan Bank, N.A. ("Chase") currently serves as trustee for the Arrangements;
- (d) WHEREAS, the Company has determined that Chase shall no longer serve as trustee for the Arrangements and that Wachovia Bank, N.A. shall serve as successor trustee for the Arrangements effective as of June 1, 1998;
- (e) WHEREAS, the Trustee wishes to serve as trustee for the Arrangements;
- (f) WHEREAS, the Company and the Trustee deem it necessary and desirable to enter into this written agreement of Trust for the Arrangements (the "Trust Agreement") to amend and restate the terms and conditions of the Trust for the Arrangements (the "Trust");
- (g) WHEREAS, the Trust has been and is intended to be a "grantor trust" with the corpus and income of the Trust treated as assets and income of the Company for federal income tax purposes pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended;
- (h) WHEREAS, the Company desires that the terms of the Trust continue to permit the particular identification of portions of the funds deposited in trust to particular Arrangements and to permit the Trustee to receive and act upon specific directions from the Company and others with respect to the investment and reinvestment of such particularly identified portions of the funds prior to a Change of Control;
- (i) WHEREAS, subject to the claims of the creditors of the Company or its Participating Subsidiaries, as defined herein, in the event of the Insolvency (as herein defined) of the Company or its Participating Subsidiaries, the Company hereby contributes to the Trust assets that should be held therein until paid to Participants and their Beneficiaries in such manner and at such times as specified in the Arrangements and in this Trust Agreement;

- (j) WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Arrangements as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and
- (k) WHEREAS, it is the intention of the Company to make contributions to the Trust to provide itself with a source of funds (the "Fund") to assist it in satisfying its liabilities under the Arrangements.

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

SECTION 1. ESTABLISHMENT OF THE TRUST

- (a) The Trust is intended to be a Grantor Trust, of which the Company is the Grantor, within the meaning of subpart E, part 1, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.
- (b) The Company shall be considered a Grantor for the purposes of the Trust.
- (c) Subject to Section 5(b), the Trust hereby established is irrevocable by the Company.
- (d) The Company hereby agrees that the assets held in the Trust by Chase for the Arrangements shall be transferred to the Trustee in the Trust and shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.
- (e) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of Participants and general creditors as herein set forth. Participants and their Beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Arrangements and this Trust Agreement shall be unsecured contractual rights of Participants and their Beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the general creditors of the Company under federal and state law in the event the Company is Insolvent, as defined in Section 3(a) herein.
- (f) The Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property acceptable to the Trustee in the Trust to augment the principal to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Prior to a Change of Control, neither the Trustee nor any Participant or Beneficiary shall have any right to compel additional deposits.
- (g) Upon a Change of Control, the Company shall, as soon as possible, but in no event longer than thirty (30) days following the occurrence of a Change of Control, as defined herein, make an irrevocable contribution to the Trust in an amount that is sufficient to fund the Trust in an amount equal to no less than one-hundred percent (100%) but no more than

one-hundred and twenty (120%) of the Required Funding Amount, together with the amount of the Expense Account as established by the Trustee pursuant to Section 1(h). The determination of such Required Funding Amount and the Expense Account to be contributed after a Change of Control shall be determined by the Trustee in the same manner as the determination of such amount required under paragraph (f) of this Section 1, and such amounts shall be communicated to the Company by the Trustee in writing

- (h) The Trustee may from time to time earmark funds in the Fund to be held in an Expense Account and used to pay the Trustee's fees and Trust expenses, provided that the aggregate of all amounts credited to the Expense Account prior to a Change of Control shall not be more than \$250,000, and after a Change of Control shall not be less than \$250,000 nor more than two percent (2%) of the value of the Fund. To the extent that there is a balance in the Expense Account, the Trustee shall utilize such Expense Account for payment of its fees and expenses, and in the absence of such a balance, the Trustee shall seek payment from the Company. In the event that the Company shall fail or refuse to make such payment within sixty (60) days of demand, the Trustee may satisfy such obligations out of the assets of the Trust. If after a Change of Control the Trustee satisfies obligations out of the assets of the Trust, the Company shall immediately upon demand by the Trustee deposit into the Trust Fund a sum equal to the amount demanded by the Trustee to reimburse the Fund for such expenses. If such funds are not deposited with sixty (60) days of such demand, the Trustee may, in its discretion, commence legal action against the Company for recovery of the amount paid out of the Trust and demanded by the Trustee.
- (i) In its discretion, the Trustee may institute an action to collect a contribution due the Trust following a Change of Control or in the event that the Trust should ever experience a short-fall in the amount of assets necessary to make payments pursuant to the terms of the Arrangements, or if the Company should ever fail to contribute the amounts requested by the Trustee pursuant to Sections I (f) or I (g).

SECTION 2. PAYMENTS TO PARTICIPANTS AND THEIR BENEFICIARIES

- (a) Prior to a Change of Control, distributions from the Trust shall be made by the Trustee to Participants and Beneficiaries at the direction of the Company except as may otherwise be provided by this Trust. The entitlement of a Participant or his or her Beneficiaries to benefits under the Arrangements shall be determined by the Company or such party or professional administrator as it shall designate under the Arrangements as the Company's agent, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Arrangements except as may otherwise be provided by this Trust.
- (b) Notwithstanding Section 2(a), a Participant or Beneficiary who believes that he is entitled to a distribution pursuant to one or more of the Arrangements may make application to the Trustee for an independent determination by the Trustee concerning his entitlement after he has exhausted his administrative remedies under the Arrangement at issue. In making its independent determination, the Trustee may consider information provided it

by the Participant or Beneficiary or the Company. The Trustee shall, in such case, reach its own independent determination as to the Participant's or Beneficiary's entitlement to such benefits under the Arrangement, even if the Trustee has been informed by the Company that the individual is not entitled to the benefit. Such determination shall be made within sixty (60) days of the Trustee's receipt of the Participant's or Beneficiary's application for determination. If the Trustee so desires, it may, in its sole discretion, make additional inquiries and take such additional measures as it deems necessary in order to enable it to determine whether such benefits claimed are due and payable, including but not limited to, interviewing or requesting affidavits from appropriate persons. The Trustee may engage an actuary, independent of the Company, to assist it in determining whether benefits are due and payable. In addition, the Trustee may engage its own counsel or other experts it deems necessary. The cost of such actuary, counsel, and other expert, and any other costs reasonably incurred by the Trustee in making its determination shall be borne by the Company. If the Company fails to pay any such costs when due, the Trustee may use the assets of the Trust Fund to pay them as provided in Section I(h). The determination of the Trustee shall be final and binding on all parties. Upon determining that an individual is entitled to receive payment of a benefit, the Trustee shall notify such individual and the Company of the amount payable and the data upon which such determination is based. The Company waives any right to contest any amount paid over by the Trustee hereunder pursuant to a good faith determination made by the Trustee notwithstanding any claim by or on behalf of the Company (absent a manifest abuse of discretion by the Trustee) that such payments should not be made.

- (c) The Company may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Arrangements. The Company shall notify the Trustee of its decision to make payment of benefits directly to Participants or their Beneficiaries prior to the time amounts are payable to such individuals. The Trustee may reimburse the Company for such payments upon presentation of proof satisfactory to the Trustee, in its discretion, that such payments have in fact been made. In the event the Company makes such payments directly, the Company may request the Trustee within thirty (30) days of the making of the payment to reimburse the Company for such payment from the Trust, and upon receipt of evidence satisfactory to the Trustee that such payment has been made, the Trustee shall pay such reimbursement to the Company. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Arrangements, the Company shall make the balance of each such payment as it falls due in accordance with the Arrangements. The Trustee shall notify the Company where principal and earnings are not sufficient. Nothing in this Agreement shall relieve the Company of its liabilities to pay benefits due under the Arrangements except to the extent such liabilities are met by application of assets of the Trust.
- (d) The Company shall provide the Trustee with a copy of each Arrangement and shall provide the Trustee with a copy of any amendment to any Arrangement within thirty (30) days of the adoption of the amendment. The Trustee shall be entitled to rely on the terms of each Arrangement as in effect prior to its amendment until the Trustee receives a copy of such amendment.

- (e) On or before each Funding Date, the Company shall deliver to the Trustee a schedule of benefits due under the Arrangements. Such information shall, for defined benefit obligations, consist of information of the same type as is furnished by the Company to the actuary for its tax qualified defined benefit plan for those Participants actively employed, recognizing that individual benefit amounts cannot be finalized until commencement of benefits and application of certain federal tax limitations to the Participant's qualified plan benefits. Such information for individual deferred compensation account balances and defined contribution obligations shall consist of such information as determined by the third party recordkeeper. The Company agrees to cooperate at all times with the Trustee to furnish updated data as is necessary to determine final benefits due to each Participant and Beneficiary. Subsequent to a Change of Control, the Trustee shall pay benefits due in accordance with such schedule. After a Change of Control, the Company shall continue to make the determination of benefits due to Participants or their Beneficiaries and shall provide the Trustee with an updated schedule of benefits due; provided however, a Participant or their Beneficiaries may make application to the Trustee for an independent decision as to the amount or form of their benefits due under the Arrangements as provided by Section 2(b).
- (f) The Trustee agrees that it will not itself institute any action at law or at equity, whether in the nature of an accounting, interpleading action, request for a declaratory judgment or otherwise, requesting a court or administrative or quasi-judicial body to make the determination required to be made by the Trustee under this Section 2 in the place and stead of the Trustee.

SECTION 3. TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO THE TRUST BENEFICIARY WHEN THE COMPANY IS INSOLVENT

- (a) The Trustee shall cease payment of benefits to Participants and their Beneficiaries if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.
- (b) At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.
- (1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing that the Company is Insolvent. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to Participants or their Beneficiaries.
- (2) Unless the Trustee has actual knowledge that the Company is Insolvent, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether

the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency.

- (3) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments to Participants or their Beneficiaries and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Participants or their Beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Arrangements or otherwise.
- (4) The Trustee shall resume the payment of benefits to Participants or their Beneficiaries in accordance with Section 2 of this Trust Agreement only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Participants or their Beneficiaries under the terms of the Arrangements for the period of such discontinuance, less the aggregate amount of any payments made to Participants or their Beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

(d) For purposes of this Section 3, Company shall include its Participating Subsidiaries, where "Participating Subsidiary" is defined as a subsidiary of the Company, of which the Company beneficially owns, directly or indirectly, more than 50% of the aggregate voting power of all outstanding classes and series of stock, where such subsidiary has adopted one or more of the Arrangements and has employed one or more Participants.

SECTION 4. PAYMENTS WHEN A SHORT-FALL OF THE TRUST ASSETS OCCURS

- (a) If there are not sufficient assets for the payment of benefits pursuant to Section 2 or Section 3(c) hereof and the Company does not otherwise make such payments within a reasonable time after demand from the Trustee, the Trustee shall make payment of benefits from the Trust to the Participants or their Beneficiaries as payments become due to those individuals. If at any time the assets of the Trust are insufficient to pay all Participants and Beneficiaries to whom a payment is then owed, such payments shall be reduced pro rata based on the amounts then due and payable.
- (b) Upon receipt of a contribution from the Company necessary to make up for a shortfall in the payments due, the Trustee shall resume payments to all the Participants and Beneficiaries under the Arrangements. The Trustee shall have the right to compel a contribution to the Trust from the Company to make-up for any shortfall at any time.

SECTION 5. PAYMENTS TO THE COMPANY

- (a) Except as provided in Sections 2(c), 3, 5(b) and 8(a), the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment of benefits have been made to Participants and their Beneficiaries pursuant to the terms of the Arrangements.
- (b) If this Trust is determined to not constitute: (i) a grantor trust as set forth in paragraph (g) of the Recitals, or (ii) an unfunded arrangement under ERISA as set forth in paragraph (j) of the Recitals, by a federal court and appeals from that holding are no longer timely or have been exhausted, this Trust shall terminate. The Board of Directors of the Company may also terminate this Trust if it determines, based upon an opinion of legal counsel which is satisfactory to the Trustee, that either (i) judicial authority or the opinion of the U.S. Department of Labor, Treasury Department or Internal Revenue Service (as expressed in proposed or final regulations, advisory opinions or rulings, or similar administrative announcements) creates a significant risk that the Trust will be funding for a pension benefit plan within the meaning of ERISA ("ERISA Funding") or the Internal Revenue Code ("Tax Funding"), or (ii) ERISA or the Internal Revenue Code requires the Trust to be amended in a way that creates a significant risk that the Trust will be held to be ERISA Funding or Tax Funding, and failure to so amend the Trust could subject the Company to significant penalties. Upon any such termination, the assets of the terminated Trust remaining after payment of the Trustee's fees and expenses shall be distributed, in accordance with the written directions of the Company, as follows:
- (1) Prior to a Change of Control, such assets of the Trust shall be transferred to a new trust established by the Company which is not deemed to be ERISA Funding or Tax Funding, but which is substantially similar in all other respects to this Trust, as determined by the Trustee in its sole discretion, if the Company determines that it is possible to establish such a trust;
 - (2) Following a Change of Control or if the Company determines that it is not possible or practical to establish the trust pursuant to (1) above, then upon the written consent of a seventy-five percent (75%) majority of the Participants and Beneficiaries, the assets of the Trust may be distributed to the Company; or
 - (3) If the Company determines that it is not possible or practical to establish the trust pursuant to (1) above and the Company either (i) fails to receive the consent of a seventy-five percent (75%) majority of the Participants and Beneficiaries within thirty (30) days of such termination, or (ii) upon the direction of the Company, then the assets shall be distributed to Participants and Beneficiaries, as the case may be, pro rata based on the then present value of the benefits to which they would have otherwise been entitled; provided, however that in the event any portion of the Trust Fund Was been identified with a particular Arrangement, the portion of the Fund so identified with that Arrangement shall be first so distributed to provide benefits of that Arrangement, and the excess, if any, shall be so distributed pro rata to the extent necessary to provide benefits of other

Arrangements. If a surplus remains in the Trust after such distributions, it shall be returned to the Company.

SECTION 6. INVESTMENT AUTHORITY

- (a) The Trustee shall not be liable in discharging its duties hereunder, including without limitation its duty to invest and reinvest the Fund, if it acts for the exclusive benefit of the Participants and their Beneficiaries, in good faith and as a prudent person would act in accomplishing a similar task and in accordance with the terms of this Trust Agreement and any applicable federal or state laws, rules or regulations.
- (b) Subject to investment guidelines agreed to in writing from time to time by the Company and the Trustee prior to a Change of Control, the Trustee shall have the power in investing and reinvesting the Fund in its sole discretion:
- (1) To invest and reinvest in any readily marketable common and preferred stocks, bonds, notes, debentures (including convertible stocks and securities but not including any stock or security of Phillips Petroleum Company other than a de minimus amount held in a collective or mutual fund), certificates of deposit or demand or time deposits (including any such deposits with the Trustee) and shares of investment companies and mutual funds, without being limited to the classes or property in which the Trustees are authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Fund;
 - (2) To commingle for investment purposes all or any portion of the Fund with assets of any other similar trust or trusts established by the Company with the Trustee for the purpose of safeguarding deferred compensation or retirement income benefits of its employees;
 - (3) To retain any property at any time received by the Trustee;
 - (4) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;
 - (5) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;
 - (6) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof any assessments levied with respect to any such property to deposit;
 - (7) To extend the time of payment of any obligation held by it;

- (8) To hold uninvested any moneys received by it, without liability for interest thereon, but only in anticipation of payments due for investments, reinvestments, expenses or disbursements;
- (9) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise, which shall be at the direction of the Financial Administrator prior to a Change of Control;
- (10) For the purposes of the Trust, to borrow money from others, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;
- (11) To employ suitable contractors and counsel, who may be counsel to the Company or to the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;
- (12) To register investments in its own name or in the name of a nominee; to hold any investment in bearer form; and to combine certificates representing securities with certificates of the same issue held by it in other fiduciary capacities or to deposit or to arrange for the deposit of such securities with any depository, even though, when so deposited, such securities may be held in the name of the nominee of such depository with other securities deposited therewith by other persons, or to deposit or to arrange for the deposit of any securities issued or guaranteed by the United States government, or any agency or instrumentality thereof, including securities evidenced by book entries rather than by certificates, with the United States Department of the Treasury or a Federal Reserve Bank, even though, when so deposited, such securities may not be held separate from securities deposited therein by other persons; provided, however, that no securities held in the Fund shall be deposited with the United States Department of the Treasury or a Federal Reserve Bank or other depository in the same account as any individual property of the Trustee, and provided, further, that the books and records of the Trustee shall at all times show that all such securities are part of the Trust Fund;
- (13) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;
- (14) To hold and retain policies of life insurance or interests therein, annuity contracts, and other property of any kind which policies are contributed to the Trust by the Company or any subsidiary of the Company or are purchased by the Trustee;
- (15) To hold any other class of assets which may be contributed by the Company and that is deemed reasonable by the Trustee, unless expressly prohibited herein;

(16) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Fund.

(c) Prior to a Change of Control, the Company shall have the right, subject to this Section to direct the Trustee with respect to investments, including the right to identify portions of the funds in Trust to particular Arrangements.

(1) The Company may at any time direct the Trustee to segregate all or a portion of the Fund in a separate investment account or accounts and may appoint one or more investment managers and/or an investment committee established by the Company to direct the investment and reinvestment of each such investment account or accounts. In such event, the Company shall notify the Trustee of the appointment of each such investment manager and/or investment committee. No such investment manager shall be related, directly or indirectly, to the Company, but members of the investment committee may be employees of the Company.

(2) Thereafter, the Trustee shall make every sale or investment with respect to such investment account as directed in writing by the investment manager or investment committee. It shall be the duty of the Trustee to act strictly in accordance with each direction. The Trustee shall be under no duty to question any such direction of the investment manager or investment committee, to review any securities or other property held in such investment account or accounts acquired by it pursuant to such directions or to make any recommendations to the investment managers or investment committee with respect to such securities or other property.

(3) Prior to a Change of Control, the Company may particularly identify a portion of the Trust Fund with a particular Arrangement, and the portion thus identified shall prior to a Change of Control be invested as instructed by the Company and shall be restricted in application to provide benefits or to reimburse the Company pursuant to Section 2(c) for benefits paid under such Arrangement as to which the particularly identified portion has been identified.

(4) Notwithstanding the foregoing, the Trustee, without obtaining prior approval or direction from an investment manager or investment committee, shall invest cash balances held by it from time to time in short term cash equivalents including, but not limited to, through the medium of any short term mutual fund established and maintained by the Trustee subject to the instrument establishing such trust fund, U.S. Treasury Bills, commercial paper (including such forms of commercial paper as may be available through the Trustee's Trust Department), certificates of deposit (including certificates issued by the Trustee in its separate corporate capacity), and similar Type securities, with a maturity not to exceed one year; and, furthermore, sell such short term investments as may be necessary to carry out the instructions of an investment manager or investment committee regarding more permanent type investment and directed distributions.

(5) The Trustee shall neither be liable nor responsible for any loss resulting to the Fund by reason of any sale or purchase of an investment directed by an investment manager or investment committee nor by reason of the failure to take any action with respect to any investment which was acquired pursuant to any such direction in the absence of further directions of such investment manager or investment committee.

(6) Notwithstanding anything in this Agreement to the contrary, the Trustee shall be indemnified and saved harmless by the Company from and against any and all personal liability to which the Trustee may be subjected by carrying out any directions of an investment manager or investment committee issued pursuant hereto or for failure to act in the absence of directions of the investment manager or investment committee including, all expenses reasonably incurred in its defense in the event the Company fails to provide such defense; provided, however, the Trustee shall not be so indemnified if it participates knowingly in, or knowingly undertakes to conceal, an act or omission of an investment manager or investment committee, having actual knowledge that such act or omission is a breach of a fiduciary duty; provided further, however, that the Trustee shall not be deemed to have knowingly participated in or knowingly undertaken to conceal an act or omission of an investment manager or investment committee with knowledge that such act or omission was a breach of fiduciary duty by merely complying with directions of an investment manager or investment committee or for failure to act in the absence of directions of an investment manager or investment committee. The Trustee may rely upon any order, certificate, notice, direction or other documentary confirmation purporting to have been issued by the investment manager or investment committee which the Trustee believes to be genuine and to have been issued by the investment manager or investment committee. The Trustee shall not be charged with knowledge of the termination of the appointment of any investment manager or investment committee until it receives written notice thereof from the Company.

(d) Following a Change of Control, the Trustee shall have the sole and absolute discretion in the management of the Trust assets and shall have all the powers set forth under Section 6(b). In investing the Trust assets, the Trustee shall consider:

- (1) the needs of the Arrangements;
- (2) the need for matching of the Trust assets with the liabilities of the Arrangements; and
- (3) the duty of the Trustee to act solely in the best interests of the Participants and their Beneficiaries.

(e) The Trustee shall have the right, in its sole discretion, to delegate its investment responsibility to an investment manager who may be an affiliate of the Trustee. In the event the Trustee shall exercise this right, the Trustee shall remain, at all times responsible for the acts of an investment manager.

- (f) The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity; provided, however, that such assets and asset values must be confirmed and agreed by the Trustee prior to any such substitution as provided by this Section 6(g).
- (g) Except for insurance contracts, the value of any assets reacquired under Section 6(f) shall be determined as provided in this paragraph. The value of any insurance contract reacquired under Section 6(f) shall be the present value of future projected cash flow or benefits payable under the Contract, but not less than the cash surrender value. The projection shall include death benefits based on reasonable mortality assumptions, including known facts specifically relating to the health of the insured and the terms of the Contract to be reacquired. Values shall be reasonably determined by the Trustee and may be based on the determination of agents or experts selected by the Trustee. The Trustee shall have the right, but shall be under no duty or obligation, to secure confirmation of value by an agent or expert for all property to be substituted for other property.

SECTION 7. INSURANCE CONTRACTS

- (a) To the extent that the Trustee is directed by the Company prior to a Change of Control to invest part or all of the Trust Fund in insurance contracts, the type and amount thereof shall be specified by the Company. The Trustee shall be under no duty to make inquiry as to the propriety of the type or amount so specified.
- (b) Each insurance contract issued shall provide that the Trustee shall be the owner thereof with the power to exercise all rights, privileges, options and elections granted by or permitted under such contract or under the rules of the insurer. The exercise by the Trustee of any incidents of ownership under any contract shall, prior to a Change of Control, be subject to the direction of the Company. After a Change of Control, the Trustee shall have all such rights.
- (c) The Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against an insurance policy held in the Trust Fund.

No insurer shall be deemed to be a party to the Trust and an insurer's obligations shall be measured and determined solely by the terms of contracts and other agreements executed by the insurer.

SECTION 8. DISPOSITION OF INCOME

- (a) Subject to Sections 2(c) and 3, no income received by the Trust may be returned to the Company, but shall be accumulated and reinvested within the Trust, except for that portion of the assets of the Trust which is determined by the Trustee to be in excess of one-hundred and twenty percent (120%) of the Required Funding Amount. Following a

Change of Control, any return of assets pursuant to this Section 8, and subject to Sections 2(c) and 3, shall be limited to that portion of the assets which exceeds 120% of the sum of the Required Funding Amount and the Expense Fund as determined by the Trustee in its discretion.

SECTION 9. ACCOUNTING BY THE TRUSTEE

- (a) The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee and shall deliver an accounting of such accounts and transactions to the Company within forty-five (45) days following the close of each calendar year and within forty-five (45) days after the removal or resignation of the Trustee. The Trustee shall deliver to the Company reports of its receipts and disbursements a Trustee hereunder on a quarterly basis. The Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. The Company may approve such account by an instrument in writing delivered to the Trustee. In the absence of the Company's filing with the Trustee objections to any such account within ninety (90) days after its receipt, the Company shall be deemed to have so approved such account. In such case, or upon the written approval by the Company of any such account, the Trustee shall, to the extent permitted by law, be discharged from all liability to the Company for its acts or failures to act described by such account. The foregoing, however, shall not preclude the Trustee from having its accounting settled by a court of competent jurisdiction. The Trustee shall be entitled to hold and to commingle the assets of the Trust in one Fund for investment purposes but at the direction of the Company prior to a Change of Control, the Trustee shall create one or more sub-accounts.
- (b) The Trustee shall from time to time permit public accountant(s) selected by the Company (who may be employees of the Company) to have access during ordinary business hours to such records as may be necessary to audit the Trustee's accounts.

SECTION 10. RESPONSIBILITY OF THE TRUSTEE

- (a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Arrangements or this Trust and is given in writing by the Company. In the event of a dispute between the Company and

a party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute, subject, however to Section 2(e) hereof.

- (b) The Company hereby indemnifies the Trustee against losses, liabilities, claims, costs and expenses in connection with the administration of the Trust, unless resulting from the gross negligence or misconduct of Trustee. To the extent the Company fails to make any payment on account of an indemnity provided in this paragraph 10(b), in a reasonably timely manner, the Trustee may obtain payment from the Trust Fund. If the Trustee undertakes or defends any litigation arising in connection with this Trust or to protect a Participant's or Beneficiary's rights under the Arrangements, the Company agrees to indemnify the Trustee against the Trustee's costs, reasonable expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust Fund.
- (c) Prior to a Change of Control, the Trustee may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder. Following a Change of Control, the Trustee shall select independent legal counsel and may consult with counsel or other persons with respect to its duties and with respect to the rights of Participants or their Beneficiaries under the Arrangements.
- (d) The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and may rely on any determinations made by such agents and information provided to it by the Company.
- (e) The Trustee shall have, without exclusion, all powers conferred on the Trustee by applicable law, unless expressly provided otherwise herein.
- (f) Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

SECTION 11. TAXES, COMPENSATION AND EXPENSES OF THE TRUSTEE

- (a) The Company shall from time to time pay taxes of any and all kinds whatsoever that at any time are lawfully levied or assessed upon the Company or become payable by the Company in respect of the Trust Fund, the income or any property forming a part thereof, or any security transaction pertaining thereto. All references in this Trust Agreement to the payment of taxes shall include interest and applicable penalties. The Trustee shall comply with all Federal and State tax filing requirements of the Trust and shall furnish to the Company for its review and comment a draft copy of Form 1041 (U.S. Fiduciary Income Tax Return) or any other tax filings for the Trust together with supporting schedules a minimum of two weeks prior to the tax return filing due date. To enable the

Company to make monthly tax accrual and to compute its estimated income tax obligations, the Trustee will furnish, on or prior to the eighth business day of the succeeding month, a monthly report identifying the type and amount of income by source of investment (interest, dividends, etc.).

- (b) The Trustee's compensation shall be as agreed in writing from time to time by the Company and the Trustee. The Company shall pay all administrative expenses and the Trustee's fees and shall promptly reimburse the Trustee for any fees and expenses of its agents. If not so paid, the fees and expenses shall be paid from the Trust.

SECTION 12. RESIGNATION AND REMOVAL OF THE TRUSTEE

- (a) Prior to a Change of Control, the Trustee may resign at any time by written notice to the Company, which shall be effective sixty (60) days after receipt of such notice unless the Company and the Trustee agree otherwise. Following a Change of Control, the Trustee may resign only after the appointment of a successor Trustee.
- (b) The Trustee may be removed by the Company on sixty days (60) days notice or upon shorter notice accepted by the Trustee prior to a Change of Control. Subsequent to a Change of Control, the Trustee may only be removed by the Company with the written consent of a seventy-five percent (75%) majority of the Participants and Beneficiaries.
- (c) If the Trustee resigns within two years after a Change of Control, as defined herein, the Company, or if the Company fails to act within a reasonable period of time following such resignation, the Trustee shall apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions.
- (d) Upon resignation or removal of the Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within sixty (60) days after receipt of notice of resignation, removal or transfer, unless the Company extends the time limit.
- (e) If the Trustee resigns or is removed, a successor shall be appointed by the Company, in accordance with Section 13 hereof, by the effective date of resignation or removal under paragraph(s) (a) or (b) of this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

SECTION 13. APPOINTMENT OF SUCCESSOR

- (a) If the Trustee resigns or is removed in accordance with Section 12 hereof, the Company may appoint, subject to Section 12, any third party national banking association with a market capitalization exceeding \$100,000,000 to replace the Trustee upon resignation or removal. The successor Trustee shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

- (b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Section 8 and 9 hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

SECTION 14. AMENDMENT OR TERMINATION

- (a) This Trust Agreement may be amended by a written instrument executed by the Trustee and the Company. Prior to a Change of Control, the Company may amend Attachment I to add new Arrangements or to delete Arrangements which have been paid in full, and at any time and from time to time may amend Attachment II, the list of individuals authorized to act on behalf of the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Arrangements or shall make the Trust revocable other than is provided in Section 5(b).
- (b) The Trust shall not terminate until the date on which Participants and their Beneficiaries have received all of the benefits due to them under the terms and conditions of the Arrangements.
- (c) Upon written approval of a 75% of the majority of the Participants or Beneficiaries entitled to payment of benefits pursuant to the terms of the Arrangements, the Company may terminate this Trust prior to the time all benefit payments under the Arrangements have been made. All assets in the Trust at termination shall be returned to the Company.
- (d) This Trust Agreement may not be amended or terminated by the Company for two (2) years following a Change of Control without the written consent of a seventy-five percent (75%) majority of the Participants and Beneficiaries, and no such amendment shall adversely affect any benefits of a Participant or Beneficiary without the written consent of the affected person.

SECTION 15. DEFINITIONS OF A CHANGE OF CONTROL

- (a) Change of Control shall mean:
- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 as amended (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of twenty percent (20%) or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or

maintained by the Company or any corporation controlled by the Company or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 15(a); or

- (ii) Individuals who, as of January 12, 1998, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to January 12, 1998, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
- (iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transactions owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially own, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or
- (iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

For purposes of this Section 15(a), the Incumbent Board, by a majority vote, shall have the power to determine on the basis of information known to them (a) the number of shares beneficially owned by any person, entity or group; (b) whether there exists an agreement, arrangement or understanding with another as to matters referred to in this Section 15(a); and (c) such other matters with respect to which a determination is necessary under this Section 15(a).

Notwithstanding anything to the contrary in Section 15(a)(i) or Section 15(a)(ii) or Section 15(a)(iii) or any other provision of this Agreement, a Change of Control shall not have occurred (or be deemed to have occurred) as a result of the consummation of the transactions contemplated under the Agreement and Plan of Merger dated as of November 18, 2001 by and among Phillips Petroleum Company, CorvettePorsche Corp., Porsche Merger Corp., Corvette Merger Corp., and Conoco Inc. ("Merger Agreement").

SECTION 16. MISCELLANEOUS

- (a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.
- (b) The Company hereby represents and warrants that all of the Arrangements have been established, maintained and administered in accordance with all applicable laws, including without limitation, ERISA- The Company hereby indemnifies and agrees to hold the Trustee harmless from all liabilities, including attorney's fees, relating to or arising out of the establishment, maintenance and administration of the Arrangements. To the extent the Company does not pay any of such liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
- (c) Benefits payable to Participants and their Beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.
- (d) The persons authorized to act for the Company are identified on Attachment H and such list may be amended by the Company from time to time without the consent of the Trustee. The individual identified as the Financial Administrator shall have the power to act for the Company with respect to all matters herein regarding the investment of Trust assets, the authority to request reimbursements to be paid to the Company and is the individual designated to receive requests for contributions from the Trustee. The Senior Vice President and Chief Financial Officer, or his successor, of the Company shall be the Financial Administrator. The individual identified as the Benefits Administrator shall have the power to act for the Company with respect to all matters herein regarding the determination of benefits owed under the Arrangements and the Payment of such benefits. The Executive Vice President, Planning, Corporate Relations and Services of the Company, or his successor, shall be the Benefits Administrator. Both the Financial Administrator and the Benefits Administrator may, from time to time, seek advice and guidance, or delegate functions assigned under this Trust Agreement to them, to other individuals who shall be identified on Attachment II as authorized to act for such

Administrator, and each Administrator shall have the authority to amend the list of individuals who are authorized to so act on his or her behalf in Attachment H and to communicate the amended list to the Trustee. Further, both the Benefits and Financial Administrator may delegate administrative functions to other specified individuals who are identified in writing to the Trustee. The Trustee shall be entitled to rely upon the latest list of authorized individuals received.

- (e) This Trust Agreement shall be governed by and construed in accordance with the laws of North Carolina.

IN WITNESS WHEREOF, this Grantor Trust Agreement has been executed on behalf of the parties hereto on the day and year first above written.

PHILLIPS PETROLEUM COMPANY

WACHOVIA BANK, N.A.

By: /s/ T. C. Morris

By: /s/ Peter D. Quinn

Its: Senior Vice President and
Chief Financial Officer

Its: Vice President

ATTEST:

ATTEST:

By: /s/ Dale Billam

By: /s/ Ronald W. Darby

Its: Corporate Secretary

Its: Vice President and Assistant
Secretary

ATTACHMENT I

LIST OF ARRANGEMENTS

KEY EMPLOYEE DEFERRED COMPENSATION PLAN OF PHILLIPS PETROLEUM COMPANY:

PHILLIPS PETROLEUM COMPANY SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN:

KEY EMPLOYEE SUPPLEMENTAL RETIREMENT PLAN OF PHILLIPS PETROLEUM COMPANY:

DEFINED CONTRIBUTION MAKEUP PLAN OF PHILLIPS PETROLEUM COMPANY:

KEY EMPLOYEE MISSED CREDITED SERVICE RETIREMENT PLAN OF PHILLIPS PETROLEUM COMPANY

PRINCIPAL CORPORATE OFFICERS SUPPLEMENTAL RETIREMENT PLAN OF PHILLIPS PETROLEUM COMPANY:

Annuity payments all in payout status

SUPPLEMENTAL RETIREMENT:

Annuity payments all in payout status accrued as a result of participation in the Phillips Petroleum Company Key Employee Death Protection Plan and the individual contracts for deferred compensation

PHILLIPS OIL COMPANY EXCESS BENEFIT PLAN:

One remaining participant in annuity payout

AMINOIL RETIREMENT CONTRACTS:

Contracts with J.B. Coffman and Guy Cessna - both in annuity payout status

PHILLIPS PETROLEUM COMPANY EXECUTIVE SEVERANCE PLAN

The Trust Agreement is in all other respects ratified and confirmed without amendment.

ATTACHMENT II

INDIVIDUALS AUTHORIZED TO ACT ON BEHALF OF THE COMPANY

FINANCIAL ADMINISTRATOR

J. A. Carrig

INDIVIDUALS AUTHORIZED TO ACT FOR FINANCIAL ADMINISTRATOR

J.W. Sheets
J. E. Durbin
F. M. Vallejo

BENEFITS ADMINISTRATOR

J. C. High

INDIVIDUALS AUTHORIZED TO ACT FOR BENEFITS ADMINISTRATOR

H. L. Black, Jr.

Amended by the Board of Directors August 26, 2002

1986 STOCK PLAN
OF
PHILLIPS PETROLEUM COMPANY

1. PURPOSE

The purpose of the 1986 Stock Plan of Phillips Petroleum Company is to provide incentive earnings opportunities to those key employees whose decisions and actions most directly affect the profitability and growth of the Company and its subsidiaries. Since the incentive earnings opportunities under this Plan are based on the market value of the Company's Common Stock it will have the additional effect of increasing these employees' identity of interest with that of the Company's stockholders. There are two programs permitted by this Plan; a Stock Option Plan and the Strategic Incentive Plan.

2. DEFINITIONS

- a) "Board" shall mean the Board of Directors of the Company.
- b) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- c) "Company" shall mean ConocoPhillips.
- d) "Committee" shall mean the Compensation Committee of the Board of Directors as appointed from time to time, and consisting of not less than three Board members. Each member of the Committee shall be a "disinterested person" as that term is now or hereafter defined in Rule 16(b)(3) of the Securities and Exchange Commission.
- e) "Earned Award" shall mean the award which an SIP Participant is entitled to receive under the Strategic Incentive Plan.
- f) "Employee" shall mean any person employed by the Company or a Subsidiary on a full-time salaried basis, including officers and employee directors thereof.
- g) "Fair Market Value" shall mean the average of the highest price and the lowest price at which Stock shall have been sold on the date of the grant of the Option as reflected on

the consolidated tape of New York Stock Exchange issues. In the event that any Option shall be granted on a date on which there were no such sales of Stock, the fair market value of Stock on such date shall be the average of the highest price and lowest price at which Stock shall have been sold on the last trading day preceding the date of grant of such Option as reflected on the consolidated tape of New York Stock Exchange issues.

- h) "Incentive Stock Option" or "ISO" shall mean an Option grant which meets or complies with the terms and conditions set forth in Section 422A of the Code and Treasury regulations promulgated thereunder.
- i) "Indicators of Performance" shall mean the criteria which the Committee will use at the conclusion of the Performance Period to evaluate the Company's overall performance as described in Section 9(b) of this Plan.
- j) "Strategic Incentive Plan Participant" or "SIP Participant" shall mean any eligible Employee who has been so designated by the Committee.
- k) "Option" or "Stock Option" shall mean a right granted under the Plan to an Optionee to purchase a stated number of shares of Stock at a stated exercise price.
- l) "Optionee" shall mean an employee who has received a Stock Option granted under the Plan.
- m) "Performance Period" shall mean a period established by the Committee beginning on the first day of a calendar year, of not less than three consecutive calendar years, at the conclusion of which settlement will be made with a SIP Participant with respect to his Earned Award.
- n) "Plan" shall mean the 1986 Stock Plan of Phillips Petroleum Company.
- o) "Restricted Stock" shall mean Stock which is not transferable except in accordance with the terms established for such transfer at the time of its issue in accordance with the plan under which it was issued.

- p) "Stock" shall mean the common stock, including both Restricted and unrestricted Stock, of the Company.
- q) "Stock Appreciation Right" or "SAR" shall mean the right of an Optionee to exercise his Option in accordance with Section 8 of this Plan.
- r) "Subsidiary" shall mean any corporation, a majority of the voting stock of which is beneficially owned, directly or indirectly, by the Company.
- s) "Target Award" shall mean the award, expressed in shares of Stock, which will be considered an Earned Award, absent any adjustment thereto for individual performance, if the Committee determines pursuant to Section 9(b) of this Plan that the Company's overall performance was "competitive".
- t) "Total Disability" and "Totally Disabled" shall mean that condition in which, by reason of bodily injury or disease, an employee is and will at all times thereafter be wholly prevented from engaging in any occupation or employment for compensation, profit or gain. All determinations of Total Disability shall be made by the insurance company carrying the group life insurance plan of the Company on the date on which the employee, whether or not eligible for benefits under such insurance plan, becomes Totally Disabled.

3. ADMINISTRATION

The Committee is authorized, subject to the provisions of the Plan, from time to time to establish such rules and regulations and to appoint such agents as it deems appropriate for the proper administration of the Plan, and to make such determinations under, and such interpretations of, and to take such steps in connection with the Plan or the Options or Stock Appreciation Rights or the Strategic Incentive Plan as it deems necessary or advisable. Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Committee shall be final and shall be binding and conclusive for all purposes and upon all persons.

4. ELIGIBILITY

Only those Employees who, in the sole judgment of the Committee, may have a significant effect on the profitability and growth of the Company, shall be eligible to receive Options and Stock Appreciation Rights under this Plan. Of such Employees, those who are in positions evaluated at grade 35 or higher under the Company's salary administration system are eligible for participation in the Strategic Incentive Plan; provided, however, the Committee may also permit Employees eligible for Participation in the Plan evaluated at less than grade 35 to participate in the Strategic Incentive Plan if in the opinion of the Committee such Employees have a significant effect on the Company's long term growth and profitability.

5. MAXIMUM SHARES AVAILABLE

The Stock to be distributed under the Plan may be either authorized and unissued shares or issued shares whether held in the treasury of the Company or otherwise. The total amount of Stock which, under the provisions of this Plan, may be subject to delivery on the exercise of Options, issued in satisfaction of exercised options or SAR's, or issued under the Strategic Incentive Plan shall not exceed 3.5% of the number of issued and outstanding shares of Stock, determined as of the effective date of this Plan. The maximum number of shares is subject to adjustment in accordance with the provisions of Section 10 hereof.

6. STOCK OPTIONS

- a) Award of Options: (i) The Committee, at any time and from time to time prior to December 31, 1990, may grant Options under the Plan to eligible Employees, for such numbers of shares and having such terms as the Committee shall designate, subject, however, to the provisions of the Plan. The Committee will also determine the type of Option granted (e.g., ISO, nonstatutory, other statutory Options as from time to time may be permitted by the Code) or a combination of various types of Options. Options

designated as ISOs shall comply with all the provisions of Section 422A of the Code and applicable Treasury Department regulations. The aggregate Fair Market Value (determined at the time the Option is granted) of Stock with respect to which ISOs are exercisable for the first time by any individual during a calendar year under all plans of the Company, and any subsidiary shall not exceed \$100,000. The date on which an Option shall be granted shall be the date of the Committee's authorization of such grant. Any individual at any one time and from time to time may hold more than one Option granted under the Plan or under any other Stock plan of the Company. (ii) Each Option shall be evidenced by a Stock Option Agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

- b) Exercise Price. The price at which shares of Stock may be purchased under an Option shall not be less than 100 percent of the Fair Market Value of the Stock on the date the Option is granted.
- c) Term of Options. The period during which an option may be exercised shall be determined by the Committee; provided, that such period will not be longer than ten years from the date on which the Option is granted for those Options designated as ISOs or 11 years for other types of Options. The date or dates on which installment portion(s) of an Option may be exercised during the term of an Option shall be determined by the Committee and may vary from Option to Option. If the Committee makes no such specific arrangement with respect to an Option, each such Option granted pursuant to the Plan shall become exercisable in four installments. The first such installment shall become exercisable on the first anniversary of the date of the grant for 25 percent of the number of shares of Stock subject to the Option. Thereafter, on each anniversary of the date of the grant an installment shall become exercisable for an additional 25 percent of the number of shares of Stock subject to the

Option until the Option shall have become fully exercisable. To the extent that an installment is not exercised when it becomes exercisable, it shall not expire but shall continue to be exercisable at any time thereafter until the Option shall be cancelled, expire or be surrendered. In no event, however, will any option or portion of an option be exercisable within six months of its grant date. The Committee may accelerate the exercise schedule on outstanding Options, if in its sole judgment conditions are such to warrant such acceleration.

- d) Termination of Employment. (i) If, prior to a date one year from the date an Option shall have been granted, the Optionee's employment with the Company or Subsidiary shall be terminated for any reason, such Option shall be cancelled and all rights thereunder shall cease; provided that an option granted in any year to an Optionee who terminates his employment on January 1 of the following year due to retirement pursuant to the terms of a retirement plan of the Company or a Subsidiary shall not be cancelled for that reason, and provided, further, the Committee may, in its sole discretion determine that all or any portion of any other Option shall not be cancelled due to termination of employment prior to a date one year from the date the Option shall have been granted. (ii) If, on or after one year from the date an Option shall have been granted, an Optionee's employment with the Company or Subsidiary is terminated for any reason except retirement pursuant to the terms of a retirement plan of the Company or a Subsidiary, Total Disability, or death, any Option granted to him under the Plan shall be cancelled on such termination; provided, that the Committee may, in its sole discretion, determine that all or a portion of any such Option shall not be cancelled. (iii) If, on or after a date one year from the date the Option is granted, an Optionee shall terminate employment by reason of retirement pursuant to a retirement plan of the Company or Subsidiary, or by reason of Total Disability, the Optionee shall retain all rights provided by the Option at the time of such termination of employment.

If on or after a date one year from the date the Option is granted, or such shorter period as may be permitted pursuant to (d) (ii) above, an Optionee shall die while in the employ of the Company or Subsidiary or after termination of employment by reason of retirement pursuant to a retirement plan of the Company or Subsidiary, the executor or administrator of the estate of the Optionee or the person or persons to whom the Option shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent and distribution shall have the right to exercise the Option to the same extent the Optionee could have, had he not died. No transfer of an Option by the Optionee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of such Option. (iv) Transfer of employment between the Company and a Subsidiary or between Subsidiaries shall not constitute termination of employment for the purpose of any Option granted under the Plan. Whether any leave of absence shall constitute termination of employment for the purposes of any Option granted under the Plan shall be determined in each case by the Committee in its sole discretion.

- e) Payment for Shares. (i) The exercise price for all shares of Stock purchased upon the exercise of an Option, or a portion thereof, shall be paid in full at the time of such exercise. Such payment may be made in cash, by tendering shares of Stock having a value on the date of exercise equal to the exercise price, or tendering shares of Restricted Stock having a value on the date of exercise equal to the exercise price. Such value shall be the Fair Market Value except that the applicable date for determination of the highest and lowest price on the New York Stock Exchange shall be the date on which the Option is exercised, or if not a trading date, then the last

trading day on such Exchange preceding the date on which the Option is exercised. If Restricted Stock is used in such exercise, the resulting new shares shall have the same restrictions as the tendered shares. The number of shares so restricted shall not be less than the number of shares of Restricted Stock tendered. The Committee may, in its sole discretion and judgment, limit the extent to which shares of Stock or shares of Restricted Stock may be used in exercising Options. (ii) The Stock delivered to the Optionee upon exercise of an Option, whether or not Restricted Stock is used for payment of the purchase price of the Option may, at the discretion of the Committee, have restrictions placed on it, provided that the Stock Option agreement with the Optionee covering the Option permits such use of Restricted Stock.

7. DETRIMENTAL ACTIVITIES

If the Committee determines that, subsequent to the grant of any Option, the Optionee has engaged or is engaging in any activity which, in the sole judgment of the Committee, is or may be detrimental to the Company or a Subsidiary, the Committee may refuse to honor the exercise of such Optionee's Options already requested, and cancel the Option or Options granted to that Optionee.

8. STOCK APPRECIATION RIGHTS

- a) Grant. The Committee may, at its discretion, affix Stock Appreciation Rights to any Option, either at the time of its initial granting to the Optionee or at a later date. The addition of such SARs must be accomplished prior to the completion of the period during which the Option may be exercised and such exercise period may not be extended beyond that which was initially established. The Committee may establish any SAR terms and conditions that it desires at the time such SAR is established, provided that, notwithstanding any provision of this Plan to the contrary, the terms and conditions of a SAR related to an ISO shall be the same as the terms applicable to the underlying ISO.

b) Exercise of Stock Appreciation Right. (i) A Stock Appreciation Right shall be exercisable at such time as may be determined by the Committee, which shall be not less than six months after its grant, and provided further that a Stock Appreciation Right shall be exercisable only to the extent that the related Option could be exercised. Option shares with respect to which the related Stock Appreciation Right shall have been exercised may not again be subjected to Options under this Plan. Upon the exercise of a Stock Appreciation Right, that portion of the Option underlying the Stock Appreciation Right will be considered as having been exercised. (ii) The Committee may impose any other conditions upon the exercise of a Stock Appreciation Right, which conditions may include a condition that the Stock Appreciation Right may only be exercised in accordance with rules and regulations adopted by the Committee from time to time. Such rules and regulations may govern the right to exercise Stock Appreciation Rights granted prior to the adoption or amendment of such rules and regulations as well as Stock Appreciation Rights granted thereafter. The exercise of a Stock Appreciation Right for cash shall be made only during the periods specified in Rule 16b-3(e)(3)(iii) of the Securities and Exchange Commission. (iii) Upon the exercise of a Stock Appreciation Right, the Company shall give to an Optionee an amount (less any applicable withholding taxes) equivalent to the excess of the value of the shares of Stock for which the right is exercised on the date of such exercise over the exercise price of such shares under the related Option. The value on the date of exercise shall be the Fair Market Value as determined in Section 6(e) of this Plan. Such amount shall be either in cash or in shares of Stock or both as the Committee shall determine. Such determination may be made at the time of the granting of the Stock Appreciation Right and may be changed at any time thereafter. The shares may consist either in whole or in part of authorized and unissued shares of Stock or issued shares of Stock whether held in the treasury of the Company or otherwise. No

fractional shares of Stock shall be issued and the Committee shall determine whether cash shall be given in lieu of such fractional share or whether such fractional share shall be eliminated.

- c) Expiration or Termination of Stock Appreciation Rights. (i) Subject to (c)(ii), each Stock Appreciation Right and all rights and obligations thereunder shall expire on a date to be determined by the Committee. (ii) A Stock Appreciation Right shall terminate and may no longer be exercised upon the termination of the related Option.
- d) Amend, Suspension or Termination of Stock Appreciation Rights. The Committee may at any time amend, suspend or terminate any Stock Appreciation Right theretofore granted under the Plan.

9. STRATEGIC INCENTIVE PLAN

- a) Administrative Procedure. Normally, the Committee shall adopt administrative procedures applicable to a Performance Period prior to, or within 30 days after, the date designated by the Committee for the Commencement of such Performance Period. The Committee may, however, adopt such administrative procedures more than 30 days after such commencement if in its opinion such delayed action is appropriate. Such procedures shall establish Indicators of Performance and the Target Awards applicable to the Performance Period. Indicators of Performance may vary from Performance Period to Performance Period.
- b) Indicators of Performance. Indicators of Performance may include, but shall not be limited to, increased shareholder value, earnings per share, return on shareholder's equity, return on assets and/or other similar criteria. Such indicators may be based on the Company's performance compared to the performance of one or more selected companies in the petroleum industry during the same Performance Period or may relate solely to the Company's performance during the Performance Period or a

combination of such indicators. At the completion of the Performance Period, the Committee will review the Company's actual performance with respect to the Indicators of Performance and, in its sole judgment, rank the Company's overall performance. Such ranking may range from "noncompetitive" through "competitive" to "outstanding". In arriving at such ranking the Committee may take into consideration, and make appropriate adjustments for, events occurring during the Performance Period which the Committee, in its sole judgment, concludes have affected the performance of the Company or any selected company with respect to any of the Indicators of Performance. No earned Awards will be granted if the Company's overall performance is ranked "noncompetitive". Subject to individual performance adjustments therein, if any, pursuant to paragraph 9(c) of this Plan, if the Company's overall performance is ranked "competitive", Target Awards will result; higher or lower ranking will result in greater or lesser awards provided that in no event, including individual performance adjustments, shall the Earned Award of a SIP Participant exceed 150% of his Target Award.

- c) Award Adjustments. The Committee in its sole discretion may make adjustments in awards determined under paragraph (b) of this Section based on the SIP Participant's individual performance during the Performance Period. The administrative procedures for each Performance Period shall establish the method to be used by the Committee in determining which, if any, SIP Participants may receive such performance adjustments and, subject to the maximum set out in paragraph (b) of this Section, the size of such adjustments.
- d) Partial Performance Period Participation. The administrative procedures adopted for each Performance Period shall also include procedures to be used in determining the extent to which an Employee shall participate in a partial Performance Period due to either assignment to a position which makes eligible to be a SIP Participant after the

beginning of such Performance Period or termination of employment prior to the completion of such a Performance Period in which he was a SIP Participant.

- e) Award Settlement. With respect to each Performance Period, settlement of all Earned Awards shall be made in Stock as soon as practicable following the date on which the Committee determines the size of Earned Awards; provided that the Committee may decide to settle such awards over a period or periods of time as the Committee shall deem appropriate.

10. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

In the event of a reorganization, recapitalization, Stock split, Stock dividend, exchange of Stock, combination of Stock, merger, consolidation or any other change in corporate structure of the Company affecting the Stock, or in the event of a sale by the Company of all or a significant part of its assets, or any distribution to its shareholders other than a normal cash dividend, the Committee may make appropriate adjustment in the number, kind, price and value of Stock authorized by this Plan and any adjustment to outstanding Awards as it determines appropriate so as to prevent dilution or enlargements of rights.

11. MISCELLANEOUS

- a) Except as otherwise required by law, no action taken under the Plan shall be taken into account in determining any benefits under any pension, retirement, thrift, profit sharing, group insurance, or other benefit plan maintained by the Company or any Subsidiary, unless such other plan specifically provides for such inclusion.
- b) No Option or Stock Appreciation Right or right under the Strategic Incentive Plan shall be transferable other than by will or the laws of descent and distribution. During the lifetime of an Optionee, any Option or Stock Appreciation Right shall be exercisable only by him or by his duly appointed guardian or legal representative.

- c) The Company shall have the right to withhold from any settlement hereunder any federal, state, or local taxes required by law to be withheld. Such withholding may be satisfied by the withholding of shares of Stock by the Company if the Optionee so requests in a manner prescribed by the Committee, if the Committee so approves, and such withholding of shares does not violate any applicable laws, rules or regulations of federal, state or local authorities.
- d) All administrative expenses associated with the administration of the Plan shall be borne by the Company.
- e) Masculine pronouns and other words of masculine gender used herein shall refer to both men and women.
- f) The titles and headings of the sections in this Plan are for convenience of reference only and in the event of any conflicts, the text of the Plan, rather than such titles or headings, shall control.

12. AMENDMENT AND TERMINATION

The Board may at any time terminate or amend this Plan in such respect as it shall deem advisable, provided, the Board may not, without further approval of the stockholders of the Company amend the Plan so as to (i) increase the number of shares of Stock which may be issued under the Plan, except as provided for in Section 10; (ii) materially modify the requirements as to eligibility for participation; (iii) materially increase the benefits accruing to Participants under the Plan; (iv) extend the duration of the Plan beyond the date approved by the stockholders; or (v) increase the maximum dollar amount of ISOs which an individual Optionee may exercise during any calendar year beyond that permitted in the Code and applicable regulations of the Treasury Department. Notwithstanding the foregoing, no such termination or amendment may adversely affect the rights of any Participant under any Award that is outstanding at the time of such termination or amendment without the Participant's consent.

13. DURATION OF THE PLAN

The Plan shall become effective on approval by the stockholders at the annual meeting of the stockholders in April of 1986, retroactive to January 1, 1986, and shall terminate on December 31, 1990.

14. CHANGE OF CONTROL

a) In the event of a Change of Control:

- i) Any Stock Options and Stock Appreciation Rights outstanding as of the date of the Change of Control that are not then fully exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant;
- ii) All restrictions and other limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;
- iii) All Performance Awards and other Awards outstanding as of the date of the Change of Control shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and except as provided in subsection (c) of this Section 14, such Performance Units shall be settled in cash as promptly as is practicable; and
- iv) Section 7 of the Plan, and all noncompetition covenants and other similar restrictive covenants applicable to any outstanding Awards, shall lapse and become null and void and of no further effect.

b) A "Change of Control" shall mean:

- i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 as amended (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of 20% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company

- Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 14(b); or
- ii) Individuals who, as of August 26, 2002, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 26, 2002, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
 - iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding

Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially own, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

- iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

- c) Notwithstanding the foregoing, if any right to receive cash granted pursuant to this Section 14 would make a Change of Control transaction ineligible for pooling-of-interest accounting under APB No. 16 that but for the nature of such right would be

eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Stock or other securities with a fair market value equal to the cash that would otherwise be payable hereunder.

Amended by the Board of Directors August 26, 2002

1990 STOCK PLAN
OF
PHILLIPS PETROLEUM COMPANY
(As Approved April 25, 1989)

1. PURPOSE

The purpose of the 1990 Stock Plan of Phillips Petroleum Company is to provide incentive earnings opportunities to those key employees whose decisions and actions most directly affect the profitability and growth of the Company and its subsidiaries. Since the incentive earnings opportunities under this Plan are based on the market value of the Company's Common Stock, it will have the additional effect of increasing these employees' identity of interest with that of the Company's stockholders. There are two programs permitted by this Plan; a Stock Option Plan and the Strategic Incentive Plan.

2. DEFINITIONS

- a) "Board" shall mean the Board of Directors of the Company.
- b) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- c) "Company" shall mean ConocoPhillips.
- d) "Committee" shall mean the Compensation Committee of the Board of Directors as appointed from time to time, and consisting of not less than three Board members. Each member of the Committee shall be a

"disinterested person" as that term is now or hereafter defined in Rule 16(b)(3) of the Securities and Exchange Commission.

- e) "Earned Award" shall mean the award which an SIP Participant is entitled to receive under the Strategic Incentive Plan.
- f) "Employee" shall mean any person employed by the Company or a Subsidiary on a full-time salaried basis, including officers and employee directors thereof.
- g) "Fair Market Value" shall mean the average of the highest price and the lowest price at which Stock shall have been sold on the date of the grant of the Option as reflected on the consolidated tape of New York Stock Exchange issues. In the event that any Options shall be granted on a date on which there were no such sales of Stock, the fair market value of Stock on such date shall be the average of the highest price and the lowest price at which Stock shall have been sold on the last trading day preceding the date of grant of such Option as reflected on the consolidated tape of New York Stock Exchange issues.
- h) "Incentive Stock Option" or "ISO" shall mean an Option which meets or complies with the terms and conditions set forth in Section 422A of the Code and Treasury regulations promulgated thereunder.
- i) "Indicators of Performance" shall mean the criteria which the Committee will use at the conclusion of the Performance Period to evaluate the Company's overall performance as described in Section 9(b) of this Plan.

- j) "Strategic Incentive Plan Participant" or "SIP Participant" shall mean any eligible Employee who has been so designated by the Committee.
- k) "Option" or "Stock Option" shall mean a right granted under the Plan to an Optionee to purchase a stated number of shares of Stock at a stated exercise price.
- l) "Optionee" shall mean an employee who has received a Stock Option granted under the Plan.
- m) "Performance Period" shall mean a period established by the Committee beginning on the first day of a calendar year, of not less than three consecutive calendar years, at the conclusion of which settlement will be made with a SIP Participant with respect to his Earned Award.
- n) "Plan" shall mean the 1990 Stock Plan of Phillips Petroleum Company.
- o) "Restricted Stock" shall mean Stock which is not transferable except in accordance with the terms established for such transfer at the time of its issue in accordance with the plan under which it was issued.
- p) "Stock" shall mean the common stock, including both Restricted and unrestricted Stock, of the Company.
- q) "Stock Appreciation Right" or "SAR" shall mean the right of an Optionee to exercise an Option granted in accordance with Section 8 of this Plan.
- r) "Subsidiary" shall mean any corporation, a majority of the voting stock of which is beneficially owned, directly or indirectly, by the Company.
- s) "Target Award" shall mean the award, expressed in shares of Stock, which will be considered an Earned Award, absent any adjustment thereto for

individual performance, if the Committee determines pursuant to Section 9(b) of this Plan that the Company's overall performance was "competitive."

- t) "Total Disability" and "Totally Disabled" shall mean the condition in which, by reason of bodily injury or disease, an employee is and will at all times thereafter be wholly prevented from engaging in any occupation or employment for compensation, profit or gain. All determinations of Total Disability shall be made by the insurance company carrying the group life insurance plan of the Company on the date on which the employee, whether or not eligible for benefits under such insurance plan, becomes Totally Disabled.

3. ADMINISTRATION

The Committee is authorized, subject to the provisions of the Plan, from time to time to establish such rules and regulations and to appoint such agents as it deems appropriate for the proper administration of the Plan, and to make such determinations under, and such interpretations of, and to take such steps in connection with the Plan or the Options or Stock Appreciation Rights or the Strategic Incentive Plan as it deems necessary or advisable. Each determination, interpretation, or other action made or taken pursuant to the provision of the Plan by the Committee shall be final and shall be binding and conclusive for all purposes and upon all persons. Notwithstanding any provision of the Plan or any Administrative Procedure adopted thereunder which may be capable of being construed to the contrary, no discretion concerning the administration of the Plan

insofar as it relates to persons subject to Section 16 of the Securities Exchange Act of 1934 shall be afforded to a person who is not a disinterested person in respect of the Plan.

4. ELIGIBILITY

Only those Employees who, in the sole judgment of the Committee, may have a significant effect on the profitability and growth of the Company, shall be eligible to receive Options and Stock Appreciation Rights under this Plan. Of such Employees, those who are in positions evaluated at grade 35 or higher under the Company's salary administration system are eligible for participation in the Strategic Incentive Plan; provided, however, the Committee may also permit Employees eligible for Participation in the Plan evaluated at less than grade 35 to participate in the Strategic Incentive Plan if in the opinion of the Committee such Employees have a significant effect on the Company's long term growth and profitability.

5. MAXIMUM SHARES AVAILABLE

The Stock to be distributed under the Plan may be either authorized and unissued shares or issued shares whether held in the treasury of the Company or otherwise. The total amount of Stock which, under the provisions of this Plan, may be subject to delivery on the exercise of Options, issued in satisfaction of exercised Options or SAR's, or issued under the Strategic Incentive Plan shall not exceed 8.6 million shares of the Company's Stock, which represents approximately 3.5% of the number of issued and outstanding shares of Stock as of December 31, 1988. The maximum number of shares is subject to adjustment in accordance with the

provisions of Section 10 hereof. In determining the number of shares subject to delivery under this Plan, those represented by cancelled Options, forfeited Options, expired Options and non-earned awards under the Strategic Incentive Plan shall be returned upon the occurrence of such event to the pool of shares available for distribution under the Plan and may be the subject of further Options or SAR's, or may be issued under the Strategic Incentive Plan.

6. STOCK OPTIONS

- a) Award of Options. (i) The Committee, at any time and from time to time prior to December 31, 1994, may grant Options under the Plan to eligible Employees, for such numbers of shares and having such terms as the Committee shall designate, subject, however, to the provisions of the Plan. The Committee will also determine the type of Option granted (e.g., ISO, nonstatutory, other statutory Options as from time to time may be permitted by the Code) or a combination of various types of Options. Options designated as ISO's shall comply with all the provisions of Section 422A(b) of the Code and applicable Treasury Department regulations. The aggregate Fair Market Value (determined at the time the Option is granted) of Stock with respect to which ISO's are exercisable for the first time by any individual during a calendar year under all plans of the Company, and any subsidiary shall not exceed \$100,000. All shares over the \$100,000 first exercisable value shall be granted as a non-qualified Option. The date on which an Option shall be granted shall be the date of the Committee's authorization of such grant. Any individual at

any one time and from time to time may hold more than one Option granted under the Plan or under any other Stock plan of the Company.
(ii) Each Option shall be evidenced by a Stock Option Agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

- b) Exercise Price. The price at which shares of Stock may be purchased under an Option shall not be less than 100 percent of the Fair Market Value of the Stock on the date the Option is granted.
- c) Term of Options. The period during which an Option may be exercised shall be determined by the Committee; provided, that such period will not be longer than ten years from the date on which the Option is granted for those Options designated as ISO's or 11 years for other types of Options. The date or dates on which installment portion(s) of an Option may be exercised during the term of an Option shall be determined by the Committee and may vary from Option to Option. If the Committee makes no such specific arrangement with respect to an Option, each such Option granted pursuant to the Plan shall become exercisable in four installments. The first such installment shall become exercisable on the first anniversary of the date of the grant for 25 percent of the number of shares of Stock subject to the Option. Thereafter, on each anniversary of the date of the grant an installment shall become exercisable for an additional 25 percent of the number of shares of Stock subject to the Option until the Option shall have become fully exercisable. To the extent that an installment is

not exercised when it becomes exercisable, it shall not expire but shall continue to be exercisable at any time thereafter until the Option shall be cancelled, expire or be surrendered. The Committee may accelerate the exercise schedule on outstanding Options, if in its sole judgment conditions are such to warrant such acceleration.

- d) Termination of Employment. (i) If, prior to a date one year from the date an Option shall have been granted, the Optionee's employment with the Company or Subsidiary shall be terminated for any reason, such Option shall be cancelled and all rights thereunder shall cease; provided that an Option granted in any year to an Optionee who terminates employment on January 1 of the following year due to retirement pursuant to the terms of a retirement plan of the Company or a Subsidiary shall not be cancelled for that reason, and provided, further, the Committee may, in its sole discretion determine that all or any portion of any other Option shall not be cancelled due to termination of employment prior to a date one year from the date the Option shall have been granted.

(ii) If, on or after one year from the date an Option shall have been granted, an Optionee's employment with the Company or Subsidiary is terminated for any reason except retirement pursuant to the terms of a retirement plan of the Company or a Subsidiary, Total Disability, or death, any Option so granted under the Plan shall be cancelled on such termination; provided, that the Committee may, in its sole discretion, determine that all or a portion of any such Option shall not be cancelled.

(iii) If, on or after a date one year from the date the Option is granted, an Optionee shall terminate employment by reason of retirement pursuant to a retirement plan of the Company or Subsidiary, or by reason of Total Disability, the Optionee shall retain all rights provided by the Option at the time of such termination of employment. If on or after a date one year from the date the Option is granted, or such shorter period as may be permitted pursuant to (d)(ii) above, an Optionee shall die while in the employ of the Company or Subsidiary or after termination of employment by reason of retirement pursuant to a retirement plan of the Company or Subsidiary, the executor or administrator of the estate of the Optionee or the person or persons to whom the Option shall have been validly transferred by the executor or the administrator pursuant to will or the laws of descent and distribution shall have the right to exercise the Option to the same extent the Optionee could have, had the Optionee not died. No transfer of an Option by the Optionee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of such Option.

(iv) Transfer of employment between the Company and a Subsidiary or between Subsidiaries shall not constitute termination of employment for the purpose of any Option granted under the Plan. Whether any leave of

absence shall constitute termination of employment for the purposes of any Option granted under the Plan shall be determined in each case by the Committee in its sole discretion.

- e) Payment for Shares. (i) The exercise price for all shares of Stock purchased upon the exercise of an Option, or a portion thereof, shall be paid in full at the time of such exercise. Such payment may be made in cash, by tendering shares of Stock having a value on the date of exercise equal to the exercise price, or tendering shares of Restricted Stock having a value on the date of exercise equal to the exercise price. Such value shall be the Fair Market Value except that the applicable date for determination of the highest and lowest price on the New York Stock Exchange shall be the date on which the Option is exercised, or if not a trading date, then the last trading day on such Exchange preceding the date on which the Option is exercised. If Restricted Stock is used in such exercise, the resulting new shares shall have the same restrictions as the tendered shares. The number of shares so restricted shall not be less than the number of shares of Restricted Stock tendered. The Committee may, in its sole discretion and judgment, limit the extent to which shares of Stock or shares of Restricted Stock may be used in exercising Options.

(ii) The Stock delivered to the Optionee upon exercise of an Option, whether or not Restricted Stock is used for payment of the purchase price of the Option may, at the discretion of the Committee, have restrictions

placed on it, provided that the Stock Option Agreement with the Optionee covering the Option permits such use of Restricted Stock.

- f) Should a withholding tax obligation arise upon the exercise of an Option, the withholding tax may be satisfied by withholding shares of Stock or by payment of cash.

7. DETRIMENTAL ACTIVITIES

If the Committee determines that, subsequent to the grant of any Option, the Optionee has engaged or is engaging in any activity which, in the sole judgment of the Committee, is or may be detrimental to the Company or a Subsidiary, the Committee may refuse to honor the exercise of such Optionee's Options already requested, and cancel the Option or Options granted to that Optionee.

8. STOCK APPRECIATION RIGHTS

- a) Grant. The Committee may, at its discretion, affix Stock Appreciation Rights to any Option, either at the time of its initial granting to the Optionee or at a later date. The addition of such SAR's must be accomplished prior to the completion of the period during which the Option may be exercised and such exercise period may not be extended beyond that which was initially established. The Committee may establish any SAR terms and conditions that it desires at the time such SAR is established, provided that, to the extent permitted by applicable law, notwithstanding any provision of this Plan to the contrary, the terms and conditions of a SAR related to an ISO shall be the same as the terms applicable to the underlying ISO.

b) Exercise of Stock Appreciation Right. (i) A Stock Appreciation Right shall be exercisable at such time as may be determined by the Committee, which shall be not less than six months after its grant, and provided further that a Stock Appreciation Right shall be exercisable only to the extent that the related Option could be exercised. Option shares with respect to which the related Stock Appreciation Right shall have been exercised may not again be subjected to Options under this Plan. Upon the exercise of a Stock Appreciation Right, that portion of the Option underlying the Stock Appreciation Right will be considered as having been exercised.

(ii) The Committee may impose any other conditions upon the exercise of a Stock Appreciation Right, which conditions may include a condition that the Stock Appreciation Right may only be exercised in accordance with rules and regulations adopted by the Committee from time to time. Such rules and regulations may govern the right to exercise Stock Appreciation Rights granted prior to the adoption or amendment of such rules and regulations as well as Stock Appreciation Rights granted thereafter. The exercise of a Stock Appreciation Right for cash shall be made only during the periods specified in Rule 16b-3 of the Securities and Exchange Commission.

(iii) Upon the exercise of a Stock Appreciation Right, the Company shall give to an Optionee an amount (less any applicable withholding taxes, which at the Company's discretion may be settled by withholding shares of Stock or by payment of cash) equivalent to the excess of the value of

the shares of Stock for which the right is exercised on the date of such exercise over the exercise price of such shares under the related Option. The value on the date of exercise shall be the Fair Market Value as determined in Section 6(e) of this Plan. Such amount shall be either in cash or in shares of Stock or both as the Committee shall determine. Such determination may be made at the time of the granting of the Stock Appreciation Right and may be changed at any time thereafter. The shares may consist either in whole or in part of authorized and unissued shares of Stock or issued shares of Stock whether held in the treasury of the Company or otherwise. No fractional shares of Stock shall be issued and the Committee shall determine whether cash shall be given in lieu of such fractional share or whether such fractional share shall be eliminated.

c) Expiration or Termination of Stock Appreciation Rights.

(i) Subject to (c)(ii), each Stock Appreciation Right and all rights and obligations thereunder shall expire on a date to be determined by the Committee.

(ii) A Stock Appreciation Right shall terminate and may no longer be exercised upon the termination of the related Option

d) Amendment, Suspension or Termination of Stock Appreciation Rights. The Committee may, at any time, amend, suspend, or terminate any Stock Appreciation Right theretofore granted under the Plan.

9. STRATEGIC INCENTIVE PLAN

- a) Administrative Procedure. Normally, the Committee shall adopt administrative procedures applicable to a Performance Period prior to, or within 30 days after, the date designated by the Committee for the Commencement of such Performance Period. The Committee may, however, adopt such administrative procedures more than 30 days after such commencement if in its option such delayed action is appropriate. Such procedures shall establish Indicators of Performance and the Target Awards applicable to the Performance Period. Indicators of Performance may vary from Performance Period to Performance Period.

- b) Indicators of Performance. Indicators of Performance may include, but shall not be limited to, increased shareholder value, earnings per share, return on shareholder's equity, return on assets and/or other similar criteria. Such indicators may be based on the Company's performance compared to the performance of one or more selected companies in the petroleum industry during the same Performance Period or may relate solely to the Company's performance during the Performance Period or a combination of such indicators. At the completion of the Performance Period, the Committee will review the Company's actual performance with respect to the Indicators of Performance, and, in its sole judgment, rank the Company's overall performance. Such ranking may range from "noncompetitive" through "competitive" to "outstanding." In arriving at such ranking, the Committee may take into consideration, and make

appropriate adjustments for, events occurring during the Performance Period, which the Committee, in its sole judgment, concludes have affected the performance of the Company or any selected company with respect to any of the Indicators of Performance. No Earned Awards will be granted if the Company's overall performance is ranked "non-competitive." Subject to individual performance adjustments therein, if any, pursuant to paragraph 9(c) of this Plan, if the Company's overall performance is ranked "competitive," Target Awards will result; higher or lower ranking will result in greater or lesser awards provided that in no event, including individual performance adjustments, shall the Earned Award of a SIP Participant exceed 150% of the SIP Participant's Target Award.

- c) Award Adjustments. The Committee in its sole discretion may make adjustments in awards determined under paragraph (b) of this Section based on the SIP Participant's individual performance during the Performance Period. The administrative procedures for each Performance Period shall establish the method to be used by the Committee in determining which, if any, SIP Participants may receive such performance adjustments and, subject to the maximum set out in paragraph (b) of this Section, the size of such adjustments.
- d) Partial Performance Period Participation. The administrative procedures adopted for each Performance Period shall also include procedures to be used in determining the extent to which an Employee shall participate in a

partial Performance Period due to either assignment to a position which makes the Employee eligible to be a SIP Participant after the beginning of such Performance Period or termination of employment prior to the completion of such a Performance Period in which the Employee was a SIP Participant.

- e) Award Settlement. With respect to each Performance Period, settlement of all Earned Awards shall be made in Stock as soon as practicable following the date on which the Committee determines the size of Earned Awards; provided that the Committee may decide to settle such awards over a period or periods of time as the Committee shall deem appropriate.

10. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

In the event of a reorganization, recapitalization, Stock split, Stock dividend, exchange of Stock, combination of Stock, merger, consolidation or any other change in corporate structure of the Company affecting the Stock, or in the event of a sale by the Company of all or a significant part of its assets, or any distribution to its shareholders other than a normal cash dividend, the Committee may make appropriate adjustment in the number, kind, price and value of Stock authorized by this Plan and any adjustment to outstanding Awards as it determines appropriate so as to prevent dilution or enlargement of rights.

11. MISCELLANEOUS

- a) Except as otherwise required by law, no action taken under the Plan shall be taken into account in determining any benefits under any pension, retirement, thrift, profit sharing, group insurance, or other benefit plan

maintained by the Company or any Subsidiary, unless such other plan specifically provides for such inclusion.

- b) No Option or Stock Appreciation Right or right under the Strategic Incentive Plan shall be transferable other than by will or the laws of descent and distribution. During the lifetime of an Optionee, any Option or Stock Appreciation Right shall be exercisable only by the Optionee or the Optionee's duly appointed guardian or legal representative.
- c) The Company shall have the right to withhold from any settlement hereunder any Federal, state, or local taxes required by law to be withheld. Such withholding may be satisfied by the withholding of shares of Stock by the Company if the Optionee so requests in a manner prescribed by the Committee, if the Committee so approves, and such withholding of shares does not violate any applicable laws, rules or regulations of Federal, state or local authorities.
- d) All administrative expenses associated with the administration of the Plan shall be borne by the Company.
- e) Masculine pronouns and other words of masculine gender used herein shall refer to both men and women.
- f) The titles and headings of the sections in this Plan are for convenience of reference only and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

12. AMENDMENT AND TERMINATION

The Board may, at any time, terminate or amend this Plan in such respect as it

shall deem advisable, provided, the Board may not, without further approval of the stockholders of the Company if such approval is required in order that transactions in Company securities under the Plan be exempt from the operation of Section 16(b) of the Securities Exchange Act of 1934, amend the Plan so as to (i) increase the number of shares of Stock which may be issued under the Plan, except as provided for in Section 10; (ii) materially modify the requirements as to eligibility for participation; (iii) materially increase the benefits accruing to Participants under the Plan; (iv) extend the duration of the Plan beyond the date approved by the stockholders; or (v) increase the maximum dollar amount of ISO's which an individual Optionee may first exercise during any calendar year beyond that permitted in the Code and applicable regulations of the Treasury Department. Notwithstanding the foregoing, no such termination or amendment may adversely affect the rights of any Participant under any Award that is outstanding at the time of such termination or amendment without the Participant's consent.

13. DURATION OF THE PLAN

The Plan shall become effective on January 1, 1990, provided that it has been approved by the stockholders at the annual meeting of the stockholders in April of 1989, and shall terminate on December 31, 1994.

14. CHANGE OF CONTROL

a) In the event of a Change of Control:

i) Any Stock Options and Stock Appreciation Rights outstanding as of the date of the Change of Control that are not then fully

- exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant;
- ii) All restrictions and other limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;
 - iii) All Performance Awards and other Awards outstanding as of the date of the Change of Control shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and except as provided in subsection (c) of this Section 14, such Performance Units shall be settled in cash as promptly as is practicable; and
 - iv) All noncompetition covenants and other similar restrictive covenants applicable to any outstanding Awards shall lapse and become null and void and of no further effect.
- b) A "Change of Control" shall mean:
- i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 as amended (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of 20% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined

voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for the purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 14(b); or

- ii) Individuals who, as of August 26, 2002, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 26, 2002, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors

or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

- iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding

any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially own, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

- iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

- c) Notwithstanding the foregoing, if any right to receive cash granted pursuant to this Section 14 would make a Change of Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that but for the nature of such right would be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Stock or other securities with a fair market value equal to the cash that would otherwise be payable hereunder.

Amended by the Board of Directors August 26, 2002

ANNUAL INCENTIVE COMPENSATION PLAN
OF
PHILLIPS PETROLEUM COMPANY

SECTION 1. PURPOSE AND ESTABLISHMENT

The purpose of the Annual Incentive Compensation Plan of Phillips Petroleum Company (the "Plan") is to benefit the shareholders of Phillips Petroleum Company by encouraging high levels of performance by individuals whose performance is a key element in achieving the Company's continued financial and operational success and to enable the Company to recruit, reward, retain and motivate all employees to work as a team to achieve the Company's mission of being the top performer in each of our businesses through the recognition and reward of such performance on an annual basis when measured against predetermined annual performance objectives.

The Annual Incentive Compensation Plan of Phillips Petroleum Company is established effective January 1, 1993.

SECTION 2. DEFINITIONS

As used in this Plan:

- (a) "AWARD" means the grant of cash or any other form of Share based or non-Share based Award granted pursuant to this Plan.
- (b) "AWARD AGREEMENT" means a written agreement between the Company and a Participant that sets forth the terms, conditions and any limitations applicable to an Award granted to the Participant.
- (c) "BENEFICIARY" means a person or persons designated by a Participant to receive, in the event of death, any unpaid portion of an Award held by the Participant. Any Participant may, subject to such limitations as may be prescribed by the Committee, designate one or more persons primarily or contingently as beneficiaries in writing upon forms supplied by and delivered to the Company, and may revoke such designations in writing. If a Participant fails effectively to designate a beneficiary, then the Award will be paid in the following order of priority:

Surviving spouse

Surviving children in equal shares

To the estate of the Participant.

- (d) "BOARD" means the Board of Directors of Phillips Petroleum Company.
- (e) "CODE" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute.
- (f) "COMMITTEE" means the Compensation Committee of the Board of ConocoPhillips or any successor committee with substantially the same responsibilities.
- (g) "COMPANY" means Phillips Petroleum Company, a Delaware corporation, or any successor corporation.
- (h) "DISABILITY" shall mean the inability, in the opinion of the Company's group life insurance carrier, of a Participant, because of an injury or sickness, to work at a reasonable occupation which is available with the Company or at any gainful occupation which the Participant is or

may become fitted.

- (i) "EMPLOYEE" means any individual who is a salaried employee of the Company or any Participating Subsidiary.
- (j) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute.
- (k) "FAIR MARKET VALUE PER SHARE" in reference to the common stock of the Company means
 - (i) the average of the reported highest and lowest sale prices per share of such stock as reported on the composite tape of the New York Stock Exchange transactions (or such other reporting system as shall be selected by the Committee), on the relevant date; or
 - (ii) in the absence of reported sales on that date, the average of the reported highest and lowest sales prices per share on the last previous day for which there was a reported sale.
- (l) "PARTICIPANT" means any Employee who has been designated

by the Committee to be eligible for an Award under this Plan.

- (m) "PARTICIPATING SUBSIDIARY" means a subsidiary of the Company, of which the Company beneficially owns, directly or indirectly, more than 50% of the aggregate voting power of all outstanding classes and series of stock, and one or more employees of which are Participants, or are eligible for Awards pursuant to the Plan.
- (n) "PERFORMANCE MEASURES" means the criteria which the Committee will use to evaluate the Company's performance.
- (o) "PLAN YEAR" means calendar year.
- (p) "RESTRICTED STOCK" means shares of Stock which have certain restrictions attached to the ownership thereof.
- (q) "RETIREMENT" means termination of employment with the Company or a Participating Subsidiary which qualifies the Employee for Retirement as that term is defined in the Retirement Income Plan of Phillips Petroleum Company or of the applicable retirement plan of a Participating Subsidiary.

- (r) "RULE 16B-3" has the meaning described in Section 12(c).
- (s) "SECTION 16" means Section 16 of the Exchange Act or any successor regulation and the rules promulgated thereunder as they may be amended from time to time.
- (t) "STOCK" mean shares of common stock of ConocoPhillips, par value \$.01.
- (u) "STOCK UNIT" means the right to receive a payment equivalent in value to one share of Stock on the date of payment.

SECTION 3. ELIGIBILITY

Awards may be granted only to Employees who are designated as Participants from time to time by the Committee. The Committee shall determine which Employees shall be Participants, the types of Awards to be made to Participants and the terms, conditions and limitations applicable to the Awards.

SECTION 4. PERFORMANCE MEASURES

As soon as practicable after the beginning of the year the Committee shall determine the Performance Measures for the Plan Year and shall advise Participants of the Performance Measures. The Performance Measures may include corporate, group, business unit and Staff objectives. The objectives may include a combination of financial and/or operational criteria and may be measured solely against internal targets or in comparison to the performance of an industry peer group or both. The Committee shall establish a threshold Performance Measure applicable to overall financial performance of the Company which must be achieved before Awards for the Plan Year will be granted.

SECTION 5. DETERMINATION OF AWARDS

Following the completion of the Plan Year, the Committee will review the Company's performance with respect to the Performance Measures, and in its sole judgment, determine the amount and manner of Awards to be granted to eligible Employees. No Awards will be granted if the threshold Performance Measure established under Section 4 is not achieved.

SECTION 6. PAYMENT OF AWARDS

- (a) Each Award may be made at the discretion of the Committee either in cash, in Stock, in Restricted Stock, in Stock

Units, or in another form as determined by the Committee and may be made partly in one form and partly in one or more other forms. In the case of an Award in Stock, Restricted Stock, or Stock Units, the number shall be determined by using the Fair Market Value Per share of Stock on the date of the Award, provided, however, that no Employee whose acquisition of Stock, Restricted Stock, Stock Units or other form of Award would be subject to the provisions of Section 16 of the Exchange Act shall be eligible to receive an Award otherwise than in cash, and the Committee shall grant Awards to such persons only in cash, unless prior to the grant of any such Award all action necessary to qualify such award for the exemption under Rule 16b-3 shall have been taken.

- (b) The payment of any Award shall be subject to such obligations or conditions as the Committee may specify in making or recommending the Award, but Awards need not be evidenced by Award Agreements.
- (c) Part or all of a cash Award may be deferred by a Participant under the terms of the Key Employee Deferred Compensation Plan of Phillips Petroleum Company or any successor plan thereto.

- (d) Any Award payable in Stock or Restricted Stock may, in the discretion of the Committee, be paid part or all in cash, on each date on which payment in Stock or Restricted Stock would otherwise have been made, in an amount equal to the Fair Market Value per share of Stock on each such date, multiplied by the number of shares of Stock or Restricted Stock which would otherwise have been paid on such date.

- (e) Awards may be granted in Restricted Stock that is issued to a Participant and is subject to such terms, conditions and restrictions as the Committee deems appropriate, which may include restrictions upon the sale, assignment, transfer or other disposition of the Restricted Stock and the requirement of forfeiture of the Restricted Stock upon termination of employment under certain specified conditions. The Committee may provide for the lapse of any such term or condition or waive any term or condition based on such factors or criteria as the Committee may determine. The Participant shall have, with respect to awards of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the Restricted Stock and the rights to receive any cash or stock dividend on such Stock.

- (f) Awards may be granted in Stock Units that are subject to such terms and conditions as the Committee deems appropriate. The number of Stock Units awarded with respect to any Award shall be the number determined by using the Fair Market Value per share of Stock on the date of the Award. Any Award made in Stock Units may, in the discretion or the recommendation of the Committee, be paid in shares of Stock on each date on which payment in cash would otherwise be made.
- (g) In lieu of the foregoing forms of payment of Awards, the Committee may specify or recommend any other form of payment which it determines to be of substantially equivalent economic value to the cash value of the Award including, without limitation, forms involving payments to a trust or trusts for the benefit of one or more Participants.
- (h) Each payment of an Award that is to be made in cash shall be from the general funds of the Company or the Participating Subsidiary making the payment.
- (i) In the event the Participant resigns during the Plan Year or before Awards are paid for the Plan Year, no Awards shall be made to that Participant, provided, that the

Committee may, in its sole discretion, determine that an Award shall be made with respect to the period of time during which the Participant was an Employee.

- (j) In the event the Participant transfers to a non-participating subsidiary or otherwise becomes ineligible prior to the end of the Plan Year, the Participant may remain a Participant for the purpose of all Awards which shall have been made prior to the Participant's transfer or prior to the Participant becoming ineligible or are to be made, but in such later case, only with respect to the period of time during which the Participant was an eligible Participant.
- (k) In the event the Participant terminates employment by reason of Disability, the Participant may remain a Participant for the purpose of all Awards which shall have been made prior to the Participant's Disability or are to be made, but in such later case, only with respect to the period of time prior to the Disability.
- (l) In the event the Participant terminates employment by Retirement, the Participant may remain a Participant for the purpose of all Awards which shall have been made

prior to Retirement or are to be made, but in such later case, only with respect to the period of time during which the Participant was an Employee.

- (m) In the event of the death of a Participant to whom an Award is to be or shall have been made, the Award or any portion thereof remaining unpaid may be paid to such Participant's Beneficiary either in the manner in which payment would have been made had the Participant not died or in such other manner as may be determined by the Committee.

SECTION 7. ADMINISTRATION

- (a) The Plan and all Awards granted pursuant thereto shall be administered by the Committee so as to permit the Plan to comply with Rule 16b-3. A majority of the members of the Committee shall constitute a quorum. The vote of a majority of a quorum shall constitute action by the Committee.
- (b) To the extent permitted by Section 12, the Committee is authorized to
 - (i) determine which Employees shall be Participants in

- the Plan and which form of Awards shall be granted to Participants,
- (ii) establish, amend and rescind rules, regulations and guidelines relating to this Plan as it deems appropriate,
 - (iii) interpret and administer this Plan, Awards and Award Agreements,
 - (iv) establish, modify and terminate terms and conditions of Award Agreements,
 - (v) grant waivers and accelerations of Plan, Award and Award Agreement restrictions and
 - (vi) take any other action necessary for the proper administration and operation of the Plan, all of which shall be executed in accordance with the objectives of this Program.
- (c) The Committee may delegate to the officers or employees of the Company the authority to carry out any of its responsibilities under and described in this Plan, under such conditions or limitations as the Committee may

establish, other than its authority with regard to Participants who are subject to Section 16.

- (d) Determinations of the Committee and its designees shall be final, binding and conclusive on the Company, its Participating Subsidiaries, shareholders, Employees and Participants. No member of the Committee or any of its designees shall be personally liable for any action or determination made in good faith with respect to this Program, any Award, or any Award Agreement.

SECTION 8. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

Subject to any required action by the shareholders of ConocoPhillips, in the event of a reorganization, recapitalization, stock split, stock dividend, exchange of Stock, combination of Stock, merger, consolidation or any other changes in corporate structure of ConocoPhillips affecting the Stock, or in the event of a sale by ConocoPhillips of all or a significant part of its assets, or any distribution to ConocoPhillips' shareholders other than a normal cash dividend, the Committee may make appropriate adjustment in the number, kind, price and value of Stock authorized by this Plan and any adjustments to outstanding Awards as it determines appropriate so as to prevent dilution or enlargement of rights.

SECTION 9. CHANGE OF CONTROL

- (a) In the event of a Change of Control, all restrictions and other limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.
- (b) A "Change of Control" shall mean:
 - (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (a) the then outstanding shares of common stock of ConocoPhillips (the "Outstanding Company Common Stock") or (b) the combined voting power of the then outstanding voting securities of ConocoPhillips entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from ConocoPhillips, (B) any acquisition by ConocoPhillips, (C) any acquisition by any employee

benefit plan (or related trust) sponsored or maintained by ConocoPhillips or any corporation controlled by ConocoPhillips or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 9(b); or

- (ii) Individuals who, as of August 26, 2002, constitute the Board of Directors of ConocoPhillips (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of ConocoPhillips (the "CP Board"); provided, however, that any individual becoming a director subsequent to August 26, 2002, whose election, or nomination for election by ConocoPhillips' shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the CP Board; or
- (iii) Approval by the shareholders of ConocoPhillips of a reorganization, merger or consolidation or sale or other

disposition of all or substantially all of the assets of ConocoPhillips or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns ConocoPhillips or all or substantially all of ConocoPhillips' assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of ConocoPhillips or such corporation resulting from such Corporate Transaction) beneficially own, directly or

indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the CP Board, providing for such Corporate Transaction; or

- (iv) Approval by the shareholders of ConocoPhillips of a complete liquidation or dissolution of ConocoPhillips.

SECTION 10. RIGHTS OF EMPLOYEES

- (a) Status as an eligible Employee shall not be construed as a commitment that any Award will be made under the Plan to such eligible Employee or to eligible Employees generally.
- (b) Nothing contained in the Plan (or in any other documents

related to this Plan or to any Award) shall confer upon any Employee or Participant any right to continue in the employ or other service of the Company or constitute any contract or limit in any way the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person with or without cause.

SECTION 11. COMPLIANCE WITH APPLICABLE LEGAL REQUIREMENTS

No certificate for Stock distributable pursuant to this Plan shall be issued and delivered unless the issuance of such certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended from time to time or any successor statute, the Exchange Act and the requirements of the exchanges on which the Stock may, at the time, be listed.

SECTION 12. AMENDMENTS AND TERMINATION

- (a) The Committee or the Board, as appropriate, may, insofar as permitted by law, from time to time, suspend or terminate this Plan or revise or amend it in any respect whatsoever; provided, however, unless the Committee or the Board, as

appropriate, specifically otherwise provides, any revision or amendment that would cause this Plan to fail to comply with any requirement of applicable law, regulation or rule if such amendment were not approved by the shareholders of ConocoPhillips shall not be effective unless and until the approval of the shareholders of ConocoPhillips is obtained.

- (b) Subject to the terms and conditions and within the limitations of this Plan, the Committee may amend, cancel, modify or extend outstanding Awards granted under this Plan, but no such action taken after a Change of Control, at the request of a third party seeking to effect a Change of Control, or otherwise in connection with or in anticipation of a Change of Control, may adversely affect the rights of any Participant with respect to any outstanding award without such Participant's consent.
- (c) This Plan is intended to comply with Rule 16b-3 promulgated by the Securities and Exchange Commission as now in force or as such regulation or successor regulation shall be hereafter amended ("Rule 16b-3") with respect to Participants who are subject to Section 16 of the Exchange Act. Should the requirements of Rule 16b-3 change, the Board or the Committee, as appropriate, may

amend the program to comply with the requirements of the amended Rule 16b-3 or its successor provision or provisions.

SECTION 13. UNFUNDED PLAN

The Plan shall be unfunded. Neither the Company nor the Board of Directors shall be required to segregate any assets that may, at any time, be represented by Awards made pursuant to the Plan. Neither the Company, the Committee, nor the Board of Directors shall be deemed to be a trustee of any amounts to be paid under the Plan.

SECTION 14. LIMITS OF LIABILITY

- (a) Any liability of the Company to any Participant with respect to an Award shall be based solely upon contracted obligations created by the Plan and the Award Agreement.
- (b) Neither the Company nor any member of the Board of Directors or of the Committee, nor any person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability to any party for any action taken or not taken, in good faith under the

Plan.

AMENDED BY THE BOARD OF DIRECTORS AUGUST 26, 2002

KEY EMPLOYEE DEFERRED COMPENSATION PLAN OF
PHILLIPS PETROLEUM COMPANY

PURPOSE

The purpose of the Key Employee Deferred Compensation Plan of Phillips Petroleum Company (the "Plan") is to attract and retain key employees by providing them with an opportunity to defer receipt of cash amounts which otherwise would be paid to them under various compensation programs or plans by the Company.

SECTION 1. Definitions.

- (a) "Affiliated Group" shall mean the Company plus other subsidiaries and affiliates in which it owns a 5% or more equity interest.
- (b) "Award" shall mean the United States cash dollar amount (i) allotted to an Employee under the terms of an Incentive Compensation Plan or the Long Term Incentive Compensation Plan, or (ii) required to be credited to an Employee's Deferred Compensation Account pursuant to the Incentive Compensation Plan, the Long Term Incentive Compensation Plan, the Strategic Incentive Plan, the Long Term Incentive Plan, or any similar plans, or any administrative procedure adopted pursuant thereto, (iii) credited as a result of a Participant's deferral of the receipt of the value of the Stock which would otherwise be delivered to an Employee in the event restrictions lapse on Restricted Stock or Restricted Stock Units or the settlement of Restricted Stock Units previously awarded or which may be awarded to the Participant pursuant to the Incentive Compensation Plan, the Long Term Incentive Compensation Plan, the Strategic Incentive Plan, the Long Term Incentive Plan, the Omnibus Securities Plan, or any similar plans, or any administrative procedure adopted pursuant thereto, (iv)

credited resulting from a lump sum distribution from any of the Company's non-qualified retirement plans and/or plans which provide for a retirement supplement, (v) resulting from the forfeiture of Restricted Stock, required by the Company, of key employees who become employees of GPM Gas Corporation, (vi) credited as a result of an Employee's deferral of the receipt of the lump sum cash payment from the Employee's account in the Defined Contribution Makeup Plan, (vii) credited as a result of an Employee's voluntary reduction of Salary (viii) credited as a result of an Employee's deferral of the settlement of a Long Term Performance Unit Award, or (ix) any other amount determined by the Committee to be an Award under the Plan. Sections 2 and 3 of this Plan shall not apply with respect to Awards included under (ii), (v), and (ix) above and a participant receiving such an Award shall be deemed, with respect thereto, to have elected a Section 5(b)(i) payment option - 10 annual installments commencing about one year after retirement, but subject to revision under the terms of this Plan.

- (c) "Board of Directors" shall mean the board of directors of the Company.
- (d) "Chief Executive Officer (CEO)" shall mean the Chief Executive Officer of the Company.
- (e) "Committee" shall mean the Compensation Committee of the Board of Directors.
- (f) "Company" shall mean Phillips Petroleum Company.
- (g) "Deferred Compensation Account" shall mean an account established and maintained for each Participant in which is recorded the amounts of Awards deferred by a Participant, the deemed gains, losses and earnings accrued thereon and payments made therefrom all in accordance with the terms of the Plan.

- (h) "Defined Contribution Makeup Plan" shall mean the Defined Contribution Makeup Plan of Phillips Petroleum Company or any similar plan or successor plans.
- (i) "Disability" shall mean the inability, in the opinion of the Company's Medical Director or the Medical Director of the Company's parent, of a Participant, because of an injury or sickness, to work at a reasonable occupation which is available with the Company, ConocoPhillips, a Participating Subsidiary, or another subsidiary of ConocoPhillips.
- (j) "Employee" shall mean any individual or Rehired Participant who satisfies the conditions of Section 5(j) who is a salaried employee of the Company or of a Participating Subsidiary who is eligible to receive an Award from an Incentive Compensation Plan, has Restricted Stock and/or Restricted Stock Units or is classified as a Grade 32P or any equivalent grade at ConocoPhillips. Employee shall also include Participants who are employed by a member of the Affiliated Group and former employees who Retire or are Laid Off and are eligible to receive a lump sum distribution from non-qualified retirement plans.
- (k) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time or any successor statute.
- (l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute.
- (m) "Incentive Compensation Plan" shall mean the Incentive Compensation Plan of the Company, or the Annual Incentive Compensation Plan of Phillips Petroleum Company, or similar plan of a Participating Subsidiary, or any similar or successor plans, or all, as the context may require.

- (n) "Layoff" or "Laid Off" shall mean layoff under the Phillips Layoff Plan or any similar plan which the Company, ConocoPhillips, any Participating Subsidiary, any member of the Affiliated Group, or any other subsidiary of ConocoPhillips may adopt from time to time under the terms of which the Participant executes and does not revoke a general release of liability, acceptable to the Company, ConocoPhillips, such Participating Subsidiary, such member of the Affiliated Group, or such other subsidiary of ConocoPhillips, as applicable, under such layoff plan.
- (o) "Long-Term Incentive Compensation Plan" shall mean the Long-Term Incentive Compensation Plan of the Company which was terminated December 31, 1985.
- (p) "Long-Term Incentive Plan" shall mean the Long-Term Incentive Plan, or similar or successor plan, established under the Omnibus Securities Plan of Phillips Petroleum Company.
- (q) "Long Term Performance Unit Award" shall mean a Performance Award as authorized by Section 4.4 of the Omnibus Securities Plan, or similar or successive plan, where the applicable administrative procedure for such award provides that the recipient is eligible to indicate a preference to defer all or any part of such award.
- (r) "Newhire Employee" shall mean any Employee who is hired or rehired during a calendar year.
- (s) "Participant" shall mean a person for whom a Deferred Compensation Account is maintained.
- (t) "Participating Subsidiary" shall mean a subsidiary of the Company, of which the Company beneficially owns, directly or indirectly, more than 50% of the aggregate voting power of all outstanding classes and series of stock, where such subsidiary has

adopted one or more plans making participants eligible for participation in this Plan and one or more Employees of which are Potential Participants.

- (u) "Plan Administrator" shall mean the Executive Vice President, Planning, Corporate Relations and Services, or his successor.
- (v) "Potential Participant" shall mean a person who has received a notice specified in Section 2 or in Section 5 (h).
- (w) "Rehired Participant" shall mean a Participant who subsequent to Retirement or Layoff is rehired by the Company, ConocoPhillips, or any other subsidiary of ConocoPhillips and whose employment status is classified as regular full-time or its equivalent.
- (x) "Restricted Stock" and "Restricted Stock Units" shall mean respectively shares of Stock and units each of which shall represent a hypothetical share of Stock, which have certain restrictions attached to the ownership thereof or the delivery of shares pursuant thereto.
- (y) "Retirement" or "Retire", or "Retiring" shall mean termination of employment with the Company, ConocoPhillips, or any other subsidiary of ConocoPhillips on or after the earliest early retirement date as defined in the Retirement Income Plan of Phillips Petroleum Company or of the applicable retirement plan of ConocoPhillips, a Participating Subsidiary, a member of the Affiliated Group or any other subsidiary of ConocoPhillips.
- (z) "Retirement Income Plan" shall mean the Retirement Income Plan of the Company or a similar retirement plan of the Participating Subsidiary pursuant to the terms of which the Participant retires.

- (aa) "Settlement Date" shall mean the date on which all acts under the Incentive Compensation Plan or the Long-Term Incentive Compensation Plan or actions directed by the Committee, as the case may be, have been taken which are necessary to make an Award payable to the Participant.
- (bb) "Salary" shall mean the monthly equivalent rate of pay for an Employee before adjustments for any before-tax voluntary reductions.
- (cc) "Stock" means shares of common stock of ConocoPhillips, par value \$.01.
- (dd) "Strategic Incentive Plan" shall mean the Strategic Incentive Plan portion of the 1986 Stock Plan of the Company, of the 1990 Stock Plan of the Company, and of any successor plans of similar nature.
- (ee) "Trustee" shall mean the trustee of the grantor trust established by the Trust Agreement between the Company and Wachovia Bank, N.A. dated as of June 1, 1998, or any successor trustee.

SECTION 2. Notification of Potential Participants.

- (a) Incentive Compensation Plan. Each year, during September, Employees who are eligible to receive an Award in the immediately following calendar year under the Company's or a Participating Subsidiary's Incentive Compensation Plan will be notified and given the opportunity, in a manner prescribed by the Plan Administrator, to indicate a preference concerning deferral of all or part of such Award.
- (b) Restricted Stock and Restricted Stock Units Awards. (i) Each year Employees who are or will become 55 years of age prior to the end of the calendar year or who are

over 55 years old and have not previously been notified will be notified and given the opportunity, in a manner prescribed by the Plan Administrator, to indicate a preference concerning the deferral of the receipt of the value of all or part of the Stock which would otherwise be delivered to the Employees in the event restrictions lapse on Restricted Stock and/or Restricted Stock Units or the settlement of Restricted Stock Units previously awarded or which may be awarded to the Employees.

(ii) Employees who have been granted a special Restricted Stock Award and/or Restricted Stock Units Award by the Compensation Committee, may, in the year preceding the year in which the restrictions are scheduled to lapse or the Restricted Stock Units are to be settled, indicate a preference concerning the deferral of the value of all or part of the stock which would otherwise be delivered to the Employees in the next calendar year when the restrictions lapse on the special Restricted Stock and /or Restricted Stock Units or the Restricted Stock Units are settled based on the terms of the special Restricted Stock Awards and/or Restricted Stock Units Awards.

(iii) Employees who are Laid Off during or after the year they reach age 50 will be given an opportunity within 30 days of being notified of Layoff, in the manner prescribed by the Plan Administrator, to indicate a preference concerning the deferral of the receipt of the values of all or part of the Stock which would be otherwise be delivered to the Employees in the event Restricted Stock Units, which have been granted in exchange for Restricted Stock pursuant to the Exchange offer initiated by the Company on December 17, 2001, are settled.

- (c) Lump Sum Distribution from Non-Qualified Retirement Plans. With respect to the lump sum distribution permitted from the Company's non-qualified retirement plans and/or plans which provide for a retirement supplement, Employees may indicate, in a manner prescribed by the Plan Administrator, a preference for all or part of the lump sum distribution, if any, to be considered an Award under this Plan.
- (d) Lump Sum from Defined Contribution Makeup Plan. Employees who will receive a

lump sum cash payment from their account under the Defined Contribution Makeup Plan, may indicate, in a manner prescribed by the Plan Administrator, a preference concerning deferral of all or part of such payment.

- (e) Salary Reduction. Annually, Employees and Newhire Employees on the U.S. dollar payroll may elect, in a manner prescribed by the Plan Administrator, a voluntary reduction of Salary for each pay period of the following calendar year, or for Newhire Employees the remainder of the calendar year in which they are hired, in which case the Company will credit a like amount as an Award hereunder, provided that the amount of such reduction shall be not less than 2% nor more than a percentage of the Employee's Salary per pay period such that the resulting salary that is paid is sufficient to satisfy all benefit plan deductions, tax deductions, elective deductions and other deductions required to be withheld by the Company.
- (f) Long Term Performance Unit Award. As soon as practicable following the grant of a Long Term Performance Unit Award, Employees will be notified and given the opportunity, in a manner prescribed by the Plan Administrator, to indicate a preference concerning deferral of all or part of such Award.
- (g) Performance Based Incentive Award. Each year, during September, Employees who are eligible to receive a Performance Based Incentive Award in the immediately following calendar year will be notified and given the opportunity, in a manner prescribed by the Plan Administrator, to indicate a preference for the award to be paid as cash, deferred to their KEDCP account or issued as Restricted Stock or a combination of cash, deferred compensation and Restricted Stock.

SECTION 3. Indication of Preference or Election to Defer Award.

- (a) Incentive Compensation Plan. If a Potential Participant prefers to defer under this Plan

all or any part of the Award to which a notice received under Section 2(a) pertains, the Potential Participant must indicate such preference, in a manner prescribed by the Plan Administrator, (i) if the Potential Participant is subject to Section 16 of the Exchange Act, to the Committee, or (ii) if the Potential Participant is not subject to Section 16 of the Exchange Act, to the CEO. The Potential Participant's preference must be received on or before October 1 of the year in which said Section 2(a) notice was received. Such indication must state the portion of the Award the Potential Participant desires to be deferred. If an indication is not received by October 1, the Potential Participant will be deemed to have elected to receive any ICP award awarded by the Committee.

Such indication of preference, if accepted, becomes irrevocable on October 1 of the year in which the indication is submitted to the Committee or CEO, except that, in the event of any of the following:

- i) the Employee is demoted to a job classification/grade that is no longer eligible to receive an Award from an Incentive Compensation Plan,
- ii) the Employee's employment status is classified to a status other than regular full-time or its equivalent,
- iii) the Employee is receiving Unavoidable Absence Benefits (UAB) pay such that the pay received is less than his/her pay had been prior to being on UAB,

the Employee can request, subject to approval by the Plan Administrator, that his/her indication of preference to defer, whether approved or not, be revoked for that Incentive Compensation Plan Award.

The Committee or CEO, as applicable, shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed. The Potential Participant shall be notified in writing of the decision.

- (b) Restricted Stock or Restricted Stock Units. If a Potential Participant prefers to defer under this Plan the value of all or any part of the Restricted Stock or Restricted Stock

Units to which a notice received under Section 2(b) pertains, the Potential Participant must indicate such preference, in a manner prescribed by the Plan Administrator, (i) if the Potential Participant is subject to Section 16 of the Exchange Act, to the Committee, or (ii) if the Potential Participant is not subject to Section 16 of the Exchange Act, to the CEO. The Potential Participant's preference must be received on or before October 1 of the year in which said Section 2(b) notice was received. Such indication must state the portion of the value of the Restricted Stock or Restricted Stock Units the Potential Participant desires to be deferred. If an indication is not received by October 1, the Potential Participant will be deemed to have elected to receive any shares or units for which the restrictions are lapsed. Such indication of preference becomes irrevocable on October 1 of the year in which the indication is submitted to the Committee or CEO. The Committee or CEO, as applicable, shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed. The Potential Participant shall be notified in writing of the decision. A deferral of the value of the Restricted Stock or Restricted Stock Units will be paid under the terms of Section 5(b)(i) hereof - 10 annual installments commencing about one year after retirement, but subject to revision under the terms of this Plan. Such approved indication of preference shall apply to any Restricted Stock Units granted in exchange for shares of Restricted Stock pursuant to the Exchange offer initiated by the Company on December 17, 2001.

- (c) Lump Sum Distribution from Non-Qualified Retirement Plans. If a Potential Participant prefers to defer under this Plan all or part of the lump sum distribution to which Section 2(c) pertains, the Potential Participant must indicate such preference, in a manner prescribed by the Plan Administrator, (i) if the Potential Participant is subject to Section 16 of the Exchange Act, to the Committee or (ii) if the Potential Participant is not subject to Section 16 of the Exchange Act, to the CEO. The Potential Participant's preference must be received in the period beginning 90 days prior to and ending no less than 30 days prior to the date of commencement of

retirement benefits under such plans. Such indication must state the portion of the lump sum distribution the Potential Participant desires to be deferred. The Committee or CEO, as applicable, shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference, if accepted, becomes irrevocable on the date of such acceptance.

- (d) Lump Sum from Defined Contribution Makeup Plan. If a Potential Participant prefers to defer under this Plan all or part of the lump sum cash payment to which Section 2(d) pertains, the Potential Participant must indicate such preference, in a manner prescribed by the Plan Administrator, (i) if the Potential Participant is subject to Section 16 of the Exchange Act, to the Committee or (ii) if the Potential Participant is not subject to Section 16 of the Exchange Act, to the CEO. The Potential Participant's preference must be received in the period beginning 365 days prior to and ending no less than 90 days prior to the Participant's retirement date except that if a Potential Participant is notified of layoff during or after the year in which the Potential Participant reaches age 50 and if there is not at least 120 days between the date the Potential Participant is notified of layoff and the Potential Participant's termination date, the Potential Participant's preference must be received within 30 days of being notified of layoff. Such indication must state the portion of the lump sum payment the Potential Participant desires to be deferred. The Committee or CEO, as applicable, shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference, if accepted, becomes irrevocable on the date of such acceptance. A deferral of the lump sum from the Defined Contribution Makeup Plan will be paid under the terms of Section 5(b)(i) hereof - 10 annual installments commencing about one year after retirement, but subject to revision under the terms of the Plan.

(e) Salary Reduction. If a Potential Participant elects to voluntarily reduce Salary and receive an Award hereunder in lieu thereof, the Potential Participant must make an election, in the manner prescribed by the Plan Administrator, which must be received on or before November 30 prior to the beginning of the calendar year of the elected deferral or for Newhire Employees as soon as practicable within a 30-day period after their first day of employment or reemployment. Such election must be in writing signed by the Potential Participant, and must state the amount of the salary reduction the Potential Participant elects. Such election becomes irrevocable on November 30 prior to the beginning of the calendar year or for Newhire Employees after the 30-day period after their first day of employment or reemployment, except that in the event of any of the following:

- i) the Employee is demoted to a job classification/grade that is no longer eligible to receive an Award from an Incentive Compensation Plan,
- ii) the Employee's employment status is classified to a status other than regular full-time or its equivalent,
- iii) the Employee is receiving Unavoidable Absence Benefits (UAB) pay such that the pay received is less than his/her pay had been prior to being on UAB,

the Employee can request, subject to approval by the Plan Benefits Administrator, that his/her election to voluntarily reduce his/her salary be revoked for the remainder of the calendar year.

An Award in lieu of voluntarily reduced salary will be paid under the terms of Section 5(b)(i) hereof - 10 annual installments commencing about one year after retirement, but subject to revision under the terms of the Plan.

(f) Long Term Performance Unit Award. If a Potential Participant prefers to defer under this Plan the value of all or any part of the Long Term Performance Unit Award to which a notice received under Section 2(f) pertains, the Potential Participant must

indicate such preference, in a manner prescribed by the Plan Administrator, (i) if the Potential Participant is subject to Section 16 of the Exchange Act, to the Committee, or (ii) if the Potential Participant is not subject to Section 16 of the Exchange Act, to the CEO. The Potential Participant's preference must be received on or before 90 days from the grant date of the Long Term Performance Unit Award. Such indication must state the portion of the value of the Long Term Performance Unit Award the Potential Participant desires to be deferred. If an indication is not received by 90 days from the grant date of the award, the Potential Participant will be deemed to have elected not to defer any portion of the Award. Such indication of preference becomes irrevocable 90 days from the grant date of the Award. The Committee or CEO, as applicable, shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed. The Potential Participant shall be notified in writing of the decision. A deferral of the value of the Long Term Performance Unit Award will be paid under the terms of Section 5(b) (i) hereof - 10 annual installments commencing about one year after retirement, but subject to revision under the terms of this Plan.

- (g) Performance Based Incentive Award. The Potential Participant who is eligible to receive a Performance Based Incentive Award in the immediately following calendar year, must indicate a preference, in a manner prescribed by the Plan Administrator, (i) if the Potential Participant is subject to Section 16 of the Exchange Act, to the Committee, or (ii) if the Potential Participant is not subject to Section 16 of the Exchange Act, to the CEO. The Potential Participant's preference must be received on or before October 1 of the year in which said Section 2(g) notice was received. Such indication must state the portion of the award the Potential Participant desires to be in cash, the portion to be deferred and the portion to be in Restricted Stock. If an indication is not received by October 1, the Potential Participant will be deemed to have elected to receive the award as cash. Such indication of preference becomes irrevocable on October 1 of the year in which the indication is submitted to the

Committee or CEO. The Committee or CEO, as applicable, shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed.

SECTION 4. Deferred Compensation Accounts.

- (a) Credit for Deferral. Amounts deferred pursuant to Section 3(a) and Section 5(h)(1) will be credited to the Participant's Deferred Compensation Account as soon as practicable, but not less than 30 days after the Settlement Date of the Incentive Compensation Plan. Amounts deferred pursuant to Section 3(b) and Section 5(h)(2) will be credited at market value of the underlying Restricted Stock or the shares represented by the Restricted Stock Units, as applicable, as soon as practicable, but not later than 30 days after the date as of which the restrictions lapse. For this purpose, the market value of the underlying Restricted Stock or the shares represented by the Restricted Stock Units, as applicable, shall be based on the higher of (i) the average of the high and low selling prices of the Company Stock on the date the restrictions lapse or the last trading day before the day the restrictions lapse if such date is not a trading day or (ii) the average of the high three monthly Fair Market Values of the Company Stock during the twelve calendar months preceding the month in which the restrictions lapse. The monthly Fair Market Value of the Company Stock is the average of the daily Fair Market Value of the Stock for each trading day of the month. The daily Fair Market Value of the Stock shall be deemed equal to the average of the high and low selling prices of the Stock on the New York Stock Exchange. Amounts deferred pursuant to Section 3(d), 3(e), and 3(f) and Section 5(h)(3) will be credited to the Participant's Deferred Compensation Account as soon as practicable, but not later than 30 days after the cash payment would have been made had it not been deferred. Amounts deferred pursuant to other provisions of this plan shall be credited as soon as practicable but not later than 30 days after the date the Award would otherwise be payable.

(b) Designation of Investments. The amount in each Participant's Deferred Compensation Account shall be deemed to have been invested and reinvested from time to time, in such "eligible securities" as the Participant shall designate. Prior to or in the absence of a Participant's designation, the Company shall designate an "eligible security" in which the Participant's Deferred Compensation Account shall be deemed to have been invested until designation instructions are received from the Participant. Eligible securities are those securities designated by the Chief Financial Officer of the Company, or his successor. The Chief Financial Officer of the Company may include as eligible securities, stocks listed on a national securities exchange, and bonds, notes, debentures, corporate or governmental, either listed on a national securities exchange or for which price quotations are published in The Wall Street Journal and shares issued by investment companies commonly known as "mutual funds". The Participant's Deferred Compensation Account will be adjusted to reflect the deemed gains, losses and earnings as though the amount deferred was actually invested and reinvested in the eligible securities for the Participant's Deferred Compensation Account.

Notwithstanding anything to the contrary in this section 4(b), in the event the Company actually purchases or sells such securities in the quantities and at the times the securities are deemed to be purchased or sold for a Participant's Deferred Compensation Account, the Account shall be adjusted accordingly to reflect the price actually paid or received by the Company for such securities after adjustment for all transaction expenses incurred (including without limitation brokerage fees and stock transfer taxes).

In the case of any deemed purchase not actually made by the Company, the Deferred Compensation Account shall be charged with a dollar amount equal to the quantity and kind of securities deemed to have been purchased multiplied by the fair market

value of such security on the date of reference and shall be credited with the quantity and kind of securities so deemed to have been purchased. In the case of any deemed sale not actually made by the Company, the account shall be charged with the quantity and kind of securities deemed to have been sold, and shall be credited with a dollar amount equal to the quantity and kind of securities deemed to have been sold multiplied by the fair market value of such security on the date of reference. As used herein "fair market value" means in the case of a listed security the closing price on the date of reference, or if there were no sales on such date, then the closing price on the nearest preceding day on which there were such sales, and in the case of an unlisted security the mean between the bid and asked prices on the date of reference, or if no such prices are available for such date, then the mean between the bid and asked prices to the nearest preceding day for which such prices are available.

The Senior Vice President and Chief Financial Officer of the Company may also designate a Fund Manager to provide services which may include recordkeeping, Participant accounting, Participant communication, payment of installments to the Participant, tax reporting and any other services specified by the Company in agreement with the Fund Manager.

- (c) Payments. A Participant's Deferred Compensation Account shall be debited with respect to payments made from the account pursuant to this Plan as of the date such payments are made from the account. The payment shall be made as soon as practicable, but no later than 30 days, after the installment payment date.

If any person to whom a payment is due hereunder is under legal disability as determined in the sole discretion of the Plan Administrator, the Plan Administrator shall have the power to cause the payment due such person to be made to such person's guardian or other legal representative for the person's benefit, and such payment shall constitute a full release and discharge of the Company, the Plan

Administrator and any fiduciary of the Plan.

- (d) Statements. At least one time per year the Company or the Company's designee will furnish each Participant a written statement setting forth the current balance in the Participant's Deferred Compensation Account, the amounts credited or debited to such account since the last statement and the payment schedule of deferred Awards and deemed gains, losses and earnings accrued thereon as provided by the deferred payment option selected by the Participant.

SECTION 5. Payments from Deferred Compensation Accounts.

- (a) Election of Method of Payment for an Incentive Compensation Plan Award. At the time a Potential Participant submits an indication of preference to defer all or any part of an Award under an Incentive Compensation Plan as provided in Section 3(a) above, the Potential Participant shall also elect in a manner prescribed by the Plan Administrator, which of the payment options, provided for in Paragraph (b) of this Section, shall apply to the deferred portion of said Award adjusted for any deemed gains, losses and earnings accrued thereon credited to the Participant's Deferred Compensation Account under this Plan. Subject to Paragraphs (e), (g) and (h) of this Section, if the Committee or CEO, as appropriate, accepts the Potential Participant's indication of preference, the election of the method of payment of the amount deferred shall become irrevocable.
- (b) Payment Options. A Potential Participant may elect to have the deferred portion of an Incentive Compensation Plan Award adjusted for any deemed gains, losses and earnings accrued thereon paid:
 - (i) (Post-Retirement) in 10 annual installments, the payment of the first of such installments to commence on the first day of the first calendar quarter which is

on or after the first anniversary of the Potential Participant's first day of Retirement, or

- (ii) (Pre-Retirement) in annual installments of not less than 5 nor more than 10, in semi-annual installments of not less than 10 nor more than 20, or in quarterly installments of not less than 20 nor more than 40. The first of such installments to commence, as soon as practicable after any date specified by the Potential Participant, so long as such date is the first day of a calendar quarter, is on or after the Settlement Date, is at least one year from the date the payout option was elected, and is prior to the date the Potential Participant will attain the Participant's Normal Retirement Date under the terms of the Retirement Income Plan.
- (c) Election of Method of Payment of the Value of Restricted Stock and Restricted Stock Units. As provided in Section 3(b) above, a deferral of the value of all or part of the Restricted Stock or Restricted Stock Units will be considered payment option (b)(i) of this Section subject to Paragraphs (e) and (g) of this Section.
- (d) Election of Method of Payment of a Lump Sum Distribution from Non-Qualified Retirement Plans. At the time a Potential Participant submits an indication of preference to defer all or part of the lump sum distribution as provided in Section 3(c) above, the Potential Participant shall also elect in a manner prescribed by the Plan Administrator which payment option shall apply to the deferred lump sum adjusted for any gains, losses and earnings to be accrued thereon credited to the Participant's Deferred Compensation Account under this Plan. The payment options are annual installments of not less than 5 nor more than 10, semi-annual installments of not less than 10 nor more than 20, or quarterly installments of not less than 20 nor more than 40. The first installment to commence as soon as practicable after any date specified by the Potential Participant, so long as such date is the first day of a calendar quarter

and is at least one year from the date the payout option was elected. Subject to Paragraph (g) of this Section, if the Committee or CEO, as appropriate, accepts the Potential Participant's indication of preference, the election of the method of payment of the amount deferred shall become irrevocable.

- (e) Payment Option Revisions. If a Section 5(b)(i) payment option applies to any part of the balance of a Participant's Deferred Compensation Account, the Participant may revise such payment option as follows:
- (i) Prior to Retirement. The Participant at any time during a period beginning 365 days prior to and ending 90 days prior to the date the Participant Retires may, with respect to the total of all amounts subject to such payment option at the time of the Participant's retirement, in the manner prescribed by the Plan Administrator, revise such payment option and elect one of the payment options specified in (e)(iv) of this Section to apply to such total amount in place of such payment option.
 - (ii) Upon Layoff. If a Participant who is eligible to Retire or who is Laid Off during or after the year in which the Participant reaches age 50 is notified of Layoff and if there is not at least 120 days between the date the Participant is notified of Layoff and the Participant's termination date, the Participant may, within 30 days of being notified of Layoff, in the manner prescribed by the Plan Administrator, revise such payment option and elect one of the payment options specified in (e)(iv) of this Section to apply to such total amount in place of the such payment option.
 - (iii) If Disabled. The Participant may at any time during a period from the date of the beginning of the qualifying period for the Company's Long Term Disability Plan or similar plan to no later than 90 days prior to the end of such

period, or within 30 days of the amendment of this Plan providing for such election, in the manner prescribed by the Plan Administrator, revise such payment option and elect one of the payment options specified in (e)(iv) of this Section to apply to the total of all amounts subject to such payment option; provided, however, that after the payments have begun, such payments may be made in a different manner if, the Participant due to an unanticipated emergency caused by an event beyond the control of the Participant results in financial hardship to the Participant, so request and the CEO gives written consent to the method of payment requested.

- (iv) Payment Options After Revision. If a Participant revises a Section 5(b)(i) payment option as specified in (e)(i), (e)(ii) or (e)(iii) of this Section, the Participant, subject to the exception in (e)(v) of this Section, may select payments in annual installments of not less than 5 nor more than 10, in semi-annual installments of not less than 10 nor more than 20, or in quarterly installments of not less than 20 nor more than 40 with the first installment to commence, as soon as practicable following any date specified by the Participant so long as such date is the first day of a calendar quarter, is on or after the Participant's first day of Retirement or the first day the Participant is no longer an Employee following Layoff, is at least one year from the date the payment option was revised and is not more than two calendar quarters after the Participant's 70th birthday.
- (v) Payment Option After Revision Exception. If a Participant elected a Section 5(b)(i) payment option for amounts deferred prior to January 1, 1994, the Participant may select payments in one lump sum or annual installments of not less than 5 nor more than 20 in addition to the payment options specified in (e)(iii) of this Section, provided that the commencement date specified by the Participant would be permitted under paragraph (e)(iii) of this Section.

- (f) Installment Amount. The amount of each installment shall be determined by dividing the balance in the Participant's Deferred Compensation Account as of the date the installment is to be paid, by the number of installments remaining to be paid (inclusive of the current installment).

- (g) Death of Participant. Upon the death of a Participant, the Participant's beneficiary or beneficiaries designated in accordance with Section 6, or in the absence of an effective beneficiary designation, the surviving spouse, surviving children (natural or adopted) in equal shares, or the Estate of the deceased Participant, in that order of priority, shall receive payments in accordance with the payment option selected by the Participant, if death occurred after such payments had commenced; or if death occurred before payments have commenced, the beneficiary may select payments in annual installments of not less than 5 nor more than 10, in semi-annual installments of not less than 10 nor more than 20, or in quarterly installments of not less than 20 nor more than 40 with the first installment to commence, as soon as practicable following any date specified by the beneficiary so long as such date is the first day of a calendar quarter and is at least one year from the date the payment option is selected and is not more than two calendar quarters after the date the deceased Participant would have been age 70; provided, however, such payments may be made in a different manner if the beneficiary or beneficiaries entitled to receive or receiving such payments, due to an unanticipated emergency caused by an event beyond the control of the beneficiary or beneficiaries that results in financial hardship to the beneficiary or beneficiaries, so requests and the CEO gives written consent to the method of payment requested.

- (h) Disability of Participant. In the event a Participant or employee becomes disabled, the individual may, in the period from the date of the beginning of the qualifying period for the Company's Long Term Disability Plan to no later than 90 days prior to

the end of such period, or within 30 days of the amendment of this Plan providing for such election, indicate a preference, in a manner prescribed by the Plan Administrator, for any of the following:

- 1) to defer part or all of any Incentive Compensation Plan Award the Employee is eligible to receive in the immediately following calendar year,
- 2) to defer part or all of the value of the Stock which would otherwise be delivered to the Employee when the restrictions lapse on any Restricted Stock or Restricted Stock Units or Restricted Stock Units are settled,
- 3) to defer part or all of the value from their account under the Defined Contribution Makeup Plan which would otherwise be paid as a lump sum to the Participant.

Such indications of preference shall be subject to approval by the Committee if the Potential Participant is subject to Section 16 of the Exchange Act or by the CEO if the Potential Participant is not subject to Section 16 of the Exchange Act. The Committee or CEO, as applicable, shall consider such indication or preference as submitted and shall decide whether to accept or reject the preference expressed.

Such indications of preference, if accepted, becomes irrevocable on the date of such acceptance. A deferral of any amount will be paid under the terms of Section 5(b)(I) hereof - ten (10) annual installments, but subject to revision as specified under the terms of this Plan.

(i) Termination of Employment.

In the event a Participant's employment with the Company, ConocoPhillips, any Participating Subsidiary, or any other subsidiary of ConocoPhillips terminates for any

reason other than death, Retirement, Disability, or by layoff during or after the year in which the Participant reaches age 50, the entire balance of the Participant's Deferred Compensation Account shall be paid to the Participant in one lump sum as soon as practicable after the date the Participant terminates employment, except that a Participant who becomes employed by a member of the Affiliated Group, ConocoPhillips or any other subsidiary of ConocoPhillips immediately after terminating employment with the Company or Participating Subsidiary shall not receive their benefit under the plan until the Participant terminates employment from the Affiliated Group, ConocoPhillips or any other subsidiary of ConocoPhillips and provided, however, the Committee, in its sole discretion, may elect to make such payments in the amounts and on such schedule as it may determine.

(j) Rehire of Participant

In the event a Participant is a Rehired Participant, he/she will be eligible to receive notifications as specified in Section 2 and will be eligible to submit an Indication of Preference or Election to Defer as specified in Section 3, if the Participant agrees to the suspension of payments from his/her Deferred Compensation Account during the period of reemployment by the Company. Upon termination of reemployment, such payments shall resume on the same schedule as was in effect at the time the Participant previously Retired or was Laid Off.

SECTION 6. Special Provisions for Former ARCO Alaska Employees

Notwithstanding any provisions to the contrary, in order to comply with the terms of the Master Purchase and Sale Agreement ("Sale Agreement") by which the Company acquired certain Alaskan assets of Atlantic Richfield Company ("ARCO"), a Participant who was eligible to participate in the ARCO employee benefit plans immediately prior to becoming an Employee and who was not employed by ARCO Marine, Inc. (a "former ARCO Alaska employee") may, in a manner prescribed by the Plan Administrator, indicate a preference or

make an election to:

- a) voluntarily reduce salary and receive an Award in the amount of the reduction credited to, at the Employee's election, (i) an account under this Plan, or (ii) for so long as the ARCO Executive Deferral Plan will accept such deferrals of salary, but not beyond December 31, 2001, an account under the ARCO Executive Deferral Plan.
- b) defer any Award payable to a former ARCO employee who is involuntarily terminated prior to April 18, 2002 in lieu of a target ARCO Annual Incentive Plan (AIP) award, and at the Employee's election credit the Award to (i) an account under this Plan, or (ii) to the ARCO Executive Deferral Plan.
- c) defer the Final ARCO Supplemental Executive Retirement Plan (SERP) benefit that will be calculated as of the earlier of April 17, 2002 or the date the former ARCO employee voluntarily or involuntarily terminates employment from the Company or any Participating Subsidiary to the ARCO Executive Deferral Plan.
- d) defer the value of the restricted stock granted on July 31, 2000 to an account under this Plan when the restrictions lapse on July 31, 2001, July 31, 2002 and July 31, 2002. Such indications of preference shall be made in July of the year preceding the calendar year when the restrictions are scheduled to lapse or as soon as practicable after July 31, 2000 for the restrictions on the shares that are to be lapsed on July 31, 2001.
- e) all indications of preference in Section 6(a), (b) and (c) are subject to approval by the Compensation Committee if the Employee is subject to Section 16 of the Exchange Act and by the CEO if the Employee is not subject to Section 16 of the Exchange Act.
- f) for a former ARCO Alaska employee who was classified as a grade 7 or 8 under

ARCO's job classification system and was eligible under ARCO's Executive Deferral Plan to voluntarily reduce salary and defer the amount of the voluntary salary reduction and who is now classified as a grade 31 or below under Phillips' job classification system, make an annual election to voluntarily reduce salary and defer the amount of the voluntary salary reduction for salary received from July 31, 2000 through December 31, 2000 and for the five years from 2001 through 2005 and receive a salary deferral credit under this Plan.

SECTION 7. Designation of Beneficiary

Each Participant shall designate a beneficiary or beneficiaries to receive the entire balance of the Participant's Deferred Compensation Account by giving signed written notice of such designation to the Plan Administrator. The Participant may from time to time change or cancel any previous beneficiary designation in the same manner. The last beneficiary designation received by the Plan Administrator shall be controlling over any prior designation and over any testamentary or other disposition. After acceptance by the Plan Administrator of such written designation, it shall take effect as of the date on which it was signed by the Participant, whether the Participant is living at the time of such receipt, but without prejudice to the Company or the CEO on account of any payment made under this Plan before receipt of such designation.

SECTION 8. Nonassignability

The right of a Participant, or beneficiary, or other person who becomes entitled to receive payments under this Plan, shall not be assignable or subject to garnishment, attachment or any other legal process by the creditors of, or other claimants against, the Participant, beneficiary, or other such person.

SECTION 9. Administration.

- (a) The Plan Administrator may adopt such rules, regulations and forms as deemed desirable for administration of the Plan and shall have the discretionary authority to allocate responsibilities under the Plan to such other persons as may be designated, whether or not employee members of the Board of Directors.
- (b) Any claim for benefits hereunder shall be presented in writing to the Plan Administrator for consideration, grant or denial. In the event that a claim is denied in whole or in part by the Plan Administrator, the claimant, within ninety days of receipt of said claim by the Plan Administrator, shall receive written notice of denial. Such notice shall contain:
 - (1) a statement of the specific reason or reasons for the denial;
 - (2) specific references to the pertinent provisions hereunder on which such denial is based;
 - (3) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and
 - (4) an explanation of the following claims review procedure set forth in paragraph (c) below.
- (c) Any claimant who feels that a claim has been improperly denied in whole or in part by the Plan Administrator may request a review of the denial by making written application to the Trustee. The claimant shall have the right to review all pertinent documents relating to said claim and to submit issues and comments in writing to the Trustee. Any person filing an appeal from the denial of a claim must do so in writing within sixty days after receipt of written notice of denial. The Trustee shall render a decision regarding the claim within sixty days after receipt of a request for review, unless special circumstances require an

extension of time for processing, in which case a decision shall be rendered within a reasonable time, but not later than 120 days after receipt of the request for review. The decision of the Trustee shall be in writing and, in the case of the denial of a claim in whole or in part, shall set forth the same information as is required in an initial notice of denial by the Plan Administrator, other than an explanation of this claims review procedure. The Trustee shall have absolute discretion in carrying out its responsibilities to make its decision of an appeal, including the authority to interpret and construe the terms hereunder, and all interpretations, findings of fact, and the decision of the Trustee regarding the appeal shall be final, conclusive and binding on all parties.

- (d) Compliance with the procedures described in paragraphs (b) and (c) shall be a condition precedent to the filing of any action to obtain any benefit or enforce any right which any individual may claim hereunder. Notwithstanding anything to the contrary in the Plan, these paragraphs (b), (c) and (d) may not be amended without the written consent of a seventy-five percent (75%) majority of Participants and Beneficiaries and such paragraphs shall survive the termination of this Plan until all benefits accrued hereunder have been paid.

SECTION 10. Employment not Affected by Plan.

Participation or nonparticipation in this Plan shall neither adversely affect any person's employment status, or confer any special rights on any person other than those expressly stated in the Plan. Participation in the Plan by an Employee of the Company or of a Participating Subsidiary shall not affect the Company's or the Participating Subsidiary's right to terminate the Employee's employment or to change the Employee's compensation or position.

SECTION 11. Determination of Recipients of Awards.

The determination of those persons who are entitled to Awards under the Incentive

Compensation Plan and any other such plans shall be governed solely by the terms and provisions of the applicable plan, and the selection of an Employee as a Potential Participant or the acceptance of an indication of preference to defer an Award hereunder shall not in any way entitle such Potential Participant to an Award.

SECTION 12. Method of Providing Payments.

- (a) Nongregation. Amounts deferred pursuant to this Plan and the crediting of amounts to a Participant's Deferred Compensation Account shall represent the Company's unfunded and unsecured promise to pay compensation in the future. With respect to said amounts, the relationship of the Company and a Participant shall be that of debtor and general unsecured creditor. While the Company may make investments for the purpose of measuring and meeting its obligations under this Plan such investments shall remain the sole property of the Company subject to claims of its creditors generally, and shall not be deemed to form or be included in any part of the Deferred Compensation Account.
- (b) Funding. It is the intention of the Company that this Plan shall be unfunded for federal tax purposes and for purposes of Title I of ERISA; provided, however, that the Company may establish a grantor trust to satisfy part or all of its Plan payment obligations so long as the Plan remains unfunded for federal tax purposes and for purposes of Title I of ERISA.

SECTION 13. Amendment or Termination of Plan.

The Company reserves the right to amend this Plan from time to time or to terminate the Plan entirely, provided, however, that no amendment may affect the balance in a Participant's account on the effective date of the amendment. No Participant shall participate in a decision to amend or terminate this Plan. In the event of termination of the Plan, the

Chief Executive Officer, in his sole discretion, may elect to pay to the Participant in one lump sum as soon as practicable after termination of the Plan, the balance then in the Participant's account.

29

SECTION 14. Miscellaneous Provisions.

- (a) Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.
- (b) This Plan shall be construed, regulated, and administered in accordance with the laws of the State of Oklahoma except to the extent that said laws have been preempted by the laws of the United States.

30

Board of Directors Amended
February 9, 1998

NON-EMPLOYEE DIRECTOR RETIREMENT PLAN
OF PHILLIPS PETROLEUM COMPANY

ARTICLE I - PURPOSE

The Non-Employee Director Retirement Plan is intended to provide Non-Employee Directors with income commencing upon their retirement from service on the Phillips Petroleum Company Board of Directors.

ARTICLE II - DEFINITIONS

The following terms, when used in this Plan, have the following meaning unless the context clearly indicates otherwise:

1. "Annual Board Service Retainer" shall mean the sum of the cash compensation paid for Board service exclusive of compensation for committee membership and of fees for attendance at Board or Committee meetings, if any, plus the value of the Company common stock granted, if any, to a Non-Employee Director during the twelve calendar months immediately preceding the date on which the Non-Employee Director retires, such value to be determined as the product of the number of shares of such common stock granted multiplied by the higher of the Fair Market Value for the last year or the average of the

high three Fair Market Values calculated in accordance with Article II, Section 6, for the last ten years preceding the Non-Employee Director's retirement.

2. "Board" shall mean the Board of Directors of the Company.
3. "Chief Executive Officer" shall mean the Chief Executive Officer of the Company.
4. "Company" shall mean Phillips Petroleum Company.
5. "Disability" shall mean that condition in which, by reason of bodily injury or disease, a Non-Employee Director is prevented from serving in such capacity. All determinations of Disability shall be made by a physician selected by the Company.
6. "Fair Market Value" shall be calculated as the average of the high three monthly fair market values of the Company common stock during the twelve calendar months preceding the month in which the Non-Employee Director retires. The monthly fair market value of the Company common stock is the average of the daily fair market value of the stock for each trading day of the month. The daily fair market value of the stock shall be deemed equal to the average of the high and low selling prices

of the stock on the New York Stock Exchange, as reported in the Wall Street Journal.

7. "Non-Employee Director" shall mean a member of the Board of Directors who is not a present employee nor former employee of the Company or any of its subsidiaries.
8. "Normal Retirement Date" shall mean the date of the Annual Stockholders Meeting of the Company in the year in which the director is no longer eligible for election as a director as defined in the Bylaws of the Company, currently the year in which the director attains age 71.
9. "Plan" shall mean the Non-Employee Director Retirement Plan of Phillips Petroleum Company, the terms and provisions of which are herein set forth, together with such amendments thereto as may hereafter from time to time be adopted.
10. "Retires" or "Retirement" shall mean the termination of Board service due to a) the Non-Employee Director's not being nominated for election to the Board; or b) the Non-Employee Director's not being reelected to Board service after being so nominated; or c) the Non-Employee Director's resignation from Board service as a result of the Director's Disability or any reason, acceptable to a majority of the remaining members of the Board of

Directors.

11. "Years of Service" shall mean the number of full and partial consecutive calendar years during which the Non-Employee Director was a member of the Board; provided, however that only a Non-Employee Director whose Normal Retirement Date occurs in 1998, shall accrue Years of Service after December 31, 1997, and further that no Non-Employee Director shall accrue Years of Service after the date of the 1998 Annual Stockholders Meeting of the Company.

ARTICLE III - ELIGIBILITY

Only Non-Employee Directors are eligible to participate in the Plan.

ARTICLE IV - PAYMENT OF RETIREMENT BENEFITS

Upon Retirement from Board service each Non-Employee Director shall receive payments under this Plan. Notwithstanding anything to the contrary in this Plan, no payments shall be made under this Plan for any Non-Employee Director who has given written consent to the Company to receive an Award of Restricted Stock, as of March 2, 1998, under the Phillips Petroleum Company Stock Plan for Non-Employee Directors representing and in lieu of his or her accrued benefits under this Plan.

- a) These payments shall be made on a monthly basis beginning on or about the first of the month after Retirement. The amount of these monthly payments shall be equal to the Annual Board Service Retainer divided by 12; provided, however, that the amount of payments to any retired Non-Employee Director who has commenced receiving payments from this Plan prior to April 10, 1995, shall not be increased or paid in a different manner, but shall be paid in the same amount and manner as in effect at the time payments commenced. These payments shall continue for a number of months equal to Years of Service times 12.
- b) Notwithstanding (a) above, a Retiring Non-Employee Director may, not earlier than 150 days nor later than 30 days prior to the date retirement benefit payments would begin, express a preference, in the manner prescribed by the Chief Executive Officer, to have the monthly payment provided hereunder converted to one lump sum payment which is calculated as the present value of the monthly payment amount using the December 1 of the year prior to Retirement rate of the 30-year Treasury Bond as quoted in the Federal Reserve Statistical Release Bulletin No. H.15, or the comparable successor publication, and the number of Years of Service.

All or part of such lump sum payment may be either paid

to the Non-Employee Director or considered for deferral under the Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company. The Chief Executive Officer shall consider such indication of preference for a lump sum and shall respectively decide in the Chief Executive Officer's sole discretion whether to accept or reject the preference expressed. In the event the Chief Executive Officer accepts such Non-Employee Director's preference for a lump sum, part or all of the retirement benefit shall be paid in a lump sum as soon as practicable after the later of such acceptance or on or about the first of the month after Retirement.

ARTICLE V - DEATH OF NON-EMPLOYEE DIRECTOR

In the event a Non-Employee Director dies prior to Retirement, no benefits shall be payable from this Plan. After commencement of Retirement payments, if paid as a monthly payment determined in accordance with Article IV (a), such monthly payments will continue until the total number of payments has been made, or the death of the retired Non-Employee Director, whichever occurs first. If death occurs first, then the remaining payments shall be made to the surviving spouse, if any. If there is no surviving spouse, or if the surviving spouse should die, then there will be no further payment obligation under this Plan.

ARTICLE VI - ADMINISTRATION

The Chief Executive Officer is authorized, subject to the provisions of the Plan, to establish rules and regulations, to make determinations under and such interpretations of, and to take steps in connection with the Plan as the Chief Executive Officer deems necessary or advisable, and to appoint agents as the Chief Executive Officer deems appropriate for the proper administration of the Plan. Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Chief Executive Officer shall be reported to the Board of Directors and once so reported shall be final and shall be binding and conclusive for all purposes and upon all persons.

ARTICLE VII - TERMINATION OR AMENDMENT OF THE PLAN

The Board may at any time terminate the Plan and may from time to time alter or amend the Plan, or any part thereof, (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement); provided, however, that no director may act to terminate or amend the Plan if such action would either increase benefits payable under the Plan to that director or remove or reduce the risk that such director's benefits under the Plan might be forfeited. Such termination or amendment will not negatively impact any rights or benefits accrued to date of such termination or amendment under this Plan. After the 1998 Annual Stockholders Meeting of the Company and

upon the final payment of all amounts owed to Retired Non-Employee Directors and their surviving spouses, this Plan shall automatically terminate without further action of this Board.

- 8 -

ARTICLE VIII - NON-ASSIGNABILITY

Retirement payments may not be pledged, anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process.

ARTICLE IX - MISCELLANEOUS

- (a) All amounts payable under this Plan are unfunded and unsecured benefits and shall be paid solely from the general assets of the Company and any rights accruing to the Non-Employee Director or the surviving spouse under the Plan shall be those of a unsecured general creditor; provided, however, that the Company may establish a grantor trust to pay part or all of its Plan payment obligations so long as the Plan remains unfunded for federal tax purposes.
- (b) Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.
- (c) This Plan shall be construed, regulated, and administered in accordance with the laws of the State of Delaware except to the extent that said laws have been preempted by the laws of

- 9 -

the United States.

ARTICLE X - EFFECTIVE DATE OF THE PLAN

The Plan is amended and restated effective as of January 1, 1998.

Amended by the Board of Directors August 26, 2002

OMNIBUS SECURITIES PLAN
OF
PHILLIPS PETROLEUM COMPANY
(AMENDED AND RESTATED)

SECTION 1. PURPOSE AND ESTABLISHMENT.

The purpose of the Omnibus Securities Plan of Phillips Petroleum Company (the "Plan") is to benefit the Company's stockholders by encouraging high levels of performance by individuals whose performance is a key element in achieving the Company's continued financial and operational success, and to enable the Company to recruit, reward, retain and motivate employees to work as a team to achieve the Company's mission of being the top performer in each of our businesses by rewarding the creation of shareholder value.

The Omnibus Securities Plan of Phillips Petroleum Company shall become effective January 1, 1993, upon its adoption by the Company's stockholders at the 1993 Annual Meeting.

SECTION 2. DEFINITIONS.

For purposes of the Plan, the following terms, as used herein, shall have the meaning specified:

- (a) "AWARD" or "AWARDS" means an award granted pursuant to Section 4 hereof.
- (b) "AWARD AGREEMENT" means an agreement described in Section 5 hereof entered into between the Company and a Participant, setting forth the terms, conditions and any limitations applicable to the Award granted to the Participant.

- (c) "BENEFICIARY" means a person or persons designated by a Participant to receive, in the event of death, any unpaid portion of an Award held by the Participant. Any Participant may, subject to such limitations as may be prescribed by the Committee, designate one or more persons primarily or contingently as beneficiaries in writing upon forms supplied by and delivered to the Company, and may revoke such designations in writing. If a Participant fails effectively to designate a beneficiary, then the Award will be paid in the following order of priority:
 - (i) Surviving spouse;
 - (ii) Surviving children in equal shares;
 - (iii) To the estate of the Participant.
- (d) "BOARD" means the Board of Directors of the Company as it may be comprised from time to time.
- (e) "CODE" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.
- (f) "COMMITTEE" means the Compensation Committee of the Board or any successor committee with substantially the same responsibilities.
- (g) "COMPANY" means ConocoPhillips, a Delaware corporation or any successor corporation.
- (h) "DISABILITY" shall mean the inability, in the opinion of the Company's group life insurance carrier, of a Participant, because of an injury or sickness, to work at a reasonable occupation which is available with the Company or at any gainful occupation which the Participant is or may become fitted.

- (i) "EMPLOYEE" means any individual who is a salaried employee of the Company or any Participating Subsidiary.
- (j) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute.
- (k) "FAIR MARKET VALUE" in reference to the common Stock of the Company means
 - (i) the average of the reported highest and lowest sale prices per share of such Stock as reported on the composite tape of New York Stock Exchange transactions (or such other reporting system as shall be selected by the Committee) on the relevant date; or
 - (ii) in the absence of reported sales on that date, the average of the reported highest and lowest sales prices per share on the last previous day for which there was a reported sale.

The Committee shall determine the Fair Market Value of any security that is not publicly traded, using such criteria as it shall determine, in its sole discretion, to be appropriate for such valuation.

- (l) "INSIDER" means any person who is subject to Section 16 of the Exchange Act.
- (m) "PARTICIPANT" means an Employee who has been designated by the Committee to be eligible for an Award pursuant to this Plan.
- (n) "PARTICIPATING SUBSIDIARY" means a subsidiary of the Company, of which the Company beneficially owns, directly or indirectly, more than 50% of the aggregate voting power of

all outstanding classes and series of stock, and one or more Employees of which are Participants, or are eligible for Awards pursuant to this Plan.

-4-

- (o) "RESTRICTED STOCK" means shares of Stock which have certain restrictions attached to the ownership thereof, which may be issued under Section 4.3.
- (p) "RETIREMENT" means termination of employment with the Company or a Participating Subsidiary which qualifies the Employee for Retirement as that term is defined in the Retirement Income Plan of Phillips Petroleum Company or of the applicable retirement plan of a Participating Subsidiary.
- (q) "RULE 16B-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission as now in force or as such regulation or successor regulation shall be hereafter amended.
- (r) "SECTION 16" means Section 16 of the Exchange Act or any successor regulation and the rules promulgated thereunder as they may be amended from time to time.
- (s) "STOCK" means shares of Common Stock of the Company, par value \$.01.
- (t) "STOCK APPRECIATION RIGHT" means a right, the value of which is determined relative to the appreciation in value of shares of Stock, which may be issued under Section 4.2.
- (u) "STOCK OPTION" means a right to purchase shares of Stock granted pursuant to Section 4.1 and includes Incentive Stock Options and Non-Qualified Stock Options as defined in Section 4.1.

SECTION 3. ELIGIBILITY.

Awards may be granted only to Employees who are designated as Participants from time to time by the Committee. The Committee shall determine which Employees shall be Participants, the types

-5-

of Awards to be made to Participants and the terms, conditions and limitations applicable to the Awards.

SECTION 4. AWARDS

Awards may include, but are not limited to, those described in this Section 4. The Committee may grant Awards singly, in tandem or in combination with other Awards, as the Committee may in its sole discretion determine. Subject to the other provisions of this Plan, Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan and any other employee plan of the Company.

4.1 STOCK OPTIONS

A Stock Option is a right to purchase a specified number of shares of Stock at a specified price during such specified time as the Committee shall determine.

- (a) Options granted may be either of a type that complies with the requirements of incentive stock options as defined in Section 422 of the Code ("Incentive Stock Options") or of a type that does not comply with such requirements ("Non-Qualified Options"), provided, however, that the aggregate number of shares which may be subject to Incentive Stock Options under this Plan shall not exceed twenty million (20,000,000) shares of Stock.
- (b) The exercise price per share of any Stock Option shall be no less than the Fair Market Value per share of the Stock subject to the option on the date the Stock Option is granted.
- (c) A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased.

- (d) The exercise price of the Stock subject to the Stock Option may be paid in cash or, at the discretion of the Committee, may also be paid by the tender of Stock already owned by the Participant, or through a combination of cash and Stock, or through such other means the Committee determines are consistent with the Plan's purpose and applicable law. No fractional shares of Stock will be issued or accepted.

4.2 STOCK APPRECIATION RIGHTS

A Stock Appreciation Right is a right to receive, upon surrender of the right, but without payment, an amount payable in cash and/or shares of Stock under the terms and conditions as the Committee shall determine.

- (a) A Stock Appreciation Right may be granted in tandem with part or all of, in addition to, or completely independent of a Stock Option or any other Award under this Plan. A Stock Appreciation Right issued in tandem with a Stock Option may be granted at the time of grant of the related Stock Option or at any time thereafter during the term of the Stock Option.
- (b) The amount payable in cash and/or shares of Stock with respect to each right shall be equal in value to a percent of the amount by which the Fair Market Value per share of Stock on the exercise date exceeds the exercise price of the Stock Appreciation Right. The applicable percent shall be established by the Committee. The amount payable in shares of Stock, if any, is determined with reference to the Fair Market Value on the date of exercise.
- (c) Stock Appreciation Rights issued in tandem with Stock Options shall be exercisable only to the extent that the Stock Options to which they relate are exercisable. Upon exercise of the Stock Appreciation Right, the Participant shall surrender to the Company the underlying Stock Option. Stock Appreciation Rights issued in tandem with Stock Options shall automatically terminate upon the exercise of such Stock Options.

4.3 RESTRICTED STOCK

Restricted Stock is Stock that is issued to a Participant and is subject to such terms, conditions and restrictions as the Committee deems appropriate, which may include, but are not limited to, restrictions upon the sale, assignment, transfer or other disposition of the Restricted Stock and the requirement of forfeiture of the Restricted Stock upon termination of employment under certain specified conditions. The Committee may provide for the lapse of any such term or condition or waive any term or condition based on such factors or criteria as the Committee may determine. The Participant shall have, with respect to awards of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the Restricted Stock and the right to receive any cash or stock dividends on such Stock. No more than thirty percent (30%) of the total number of shares of Stock available for Awards under the Plan shall be issued during the duration of the Plan as Restricted Stock.

4.4 PERFORMANCE AWARDS

Performance Awards may be granted under this Plan from time to time based on the terms and conditions as the Committee deems appropriate provided that such Awards shall not be inconsistent with the terms and purposes of this Plan. Performance Awards are Awards which are contingent upon the performance of all or a portion of the Company and/or its Subsidiaries or which are contingent upon the individual performance of a Participant. Performance Awards may be in the form of performance units, performance shares and such other forms of performance Awards which the Committee shall determine. The Committee shall determine the performance measurements and criteria for such performance Awards.

4.5 OTHER AWARDS

The Committee may from time to time grant Stock, other Stock based and non-Stock based Awards under the Plan including without limitations those Awards pursuant to which Shares of Stock are or may in the future be acquired, Awards denominated in Stock units, securities convertible into Stock, phantom securities and dividend equivalents. The Committee shall determine the terms and conditions of such other Stock, Stock based and non-Stock based Awards provided that such Awards shall not be inconsistent with the terms and purposes of this Plan.

SECTION 5. AWARD AGREEMENTS.

Each Award under this Plan shall be evidenced by an Award Agreement setting forth the number of shares of Stock or other security, Stock Appreciation Rights, or units subject to the Award and such other terms and conditions applicable to the Award as determined by the Committee.

(a) Award Agreements shall include the following terms:

(i) NON-ASSIGNABILITY:

A provision that the Awards under the Plan other than Awards representing Non-Qualified Stock Options shall not be assigned, pledged or otherwise transferred except by will or by the laws of descent and distribution, and that during the lifetime of a Participant, an Award other than an Award representing Non-Qualified Stock Options shall be exercised only by such Participant or by the Participant's legal guardian or legal representative.

(ii) TERMINATION OF EMPLOYMENT: A provision describing the treatment of an Award in the event of the Retirement, Disability, death or other termination of a Participant's employment with the Company, including but not limited to terms relating to the vesting, time for exercise, forfeiture or cancellation of an Award in such circumstances.

- (iii) RIGHTS AS STOCKHOLDER: A provision that a Participant shall have no rights as a stockholder with respect to any securities covered by an Award until the date the Participant becomes the holder of record. Except as provided in Section 8 hereof, no adjustment shall be made for dividends or other rights, unless the Award Agreement specifically requires such adjustment, in which case, grants of dividend equivalents or similar rights shall not be considered to be a grant of any other stockholder right.
- (iv) WITHHOLDING: A provision requiring the withholding of applicable taxes required by law from all amounts paid in satisfaction of an Award. In the case of an Award paid in cash, the withholding obligation shall be satisfied by withholding the applicable amount and paying the net amount in cash to the Participant. In the case of Awards paid in shares of Stock or other securities of the Company, a Participant may satisfy the withholding obligation by paying the amount of any taxes in cash or, with the approval of the Committee, shares of Stock or other securities may be deducted from the payment to satisfy the obligation in full or in part as long as such withholding of shares does not violate any applicable laws, rules or regulations of Federal, state or local authorities. The number of shares to be deducted shall be determined by reference to the Fair Market Value of such shares of Stock on the applicable date.
- (v) HOLDING PERIOD: In the case of an Award to an Insider:
 - (A) of an equity security, a provision stating (or the effect of which is to require) that such security must be held for a least six months (or such longer period as the Committee in its discretion specifies) from the date of acquisition; or

- (B) of a derivative security with a fixed exercise price within the meaning of Section 16, a provision stating (or the effect of which is to require) that at least six months (or such longer period as the Committee in its discretion specifies) must elapse from the date of acquisition of the derivative security to the date of disposition of the derivative security (other than upon exercise or conversion) or its underlying equity security; or
 - (C) of a derivative security without a fixed exercise price within the meaning of Section 16, a provision stating (or the effect of which is to require) that at least six months (or such longer period as the Committee in its discretion specifies) must elapse from the date upon which such price is fixed to the date of disposition of the derivative security (other than by exercise or conversion) or its underlying equity security.
- (b) Award Agreements may include the following terms:
- (i) REPLACEMENT, SUBSTITUTION, AND RELOADING: Any provisions
 - (A) permitting the surrender of outstanding Awards or securities held by the Participant in order to exercise or realize rights under other Awards, or in exchange for the grant of new Awards under similar or different terms (including the grant of reload options), or,
 - (B) requiring holders of Awards to surrender outstanding Awards as a condition precedent to the grant of new Awards under the Plan.

- (ii) TRANSFERABILITY OF NON-QUALIFIED STOCK OPTIONS: Such provisions as the Committee may, in its discretion, authorize in any particular case, with respect to all or any portion of any Non-Qualified Stock Options to be granted to Participant, the transfer by such Participant of any of such Non-Qualified Stock Options to (a) the spouse, children or grandchildren (including in each case stepchildren or step grandchildren) of the Participant (all such persons collectively "Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of persons all of whom are Immediate Family Members, or (c) a partnership in which all partners are Immediate Family Members, provided that following any such permitted transfer, subsequent transfers of transferred Non-Qualified Stock Options, except by will or the laws of descent and distribution, are prohibited. Following any transfer contemplated hereby, the transferred Non-Qualified Stock Options shall continue to be subject to all of the terms hereof and Administrative Procedure and the Award Agreement pursuant to which it was originally granted and the transferee shall be obliged to comply in all respects with all of the terms and conditions hereof, the Administrative Procedure and the Award Agreement in the same manner as if the transferee were a Participant hereunder.
- (iii) OTHER TERMS: Such other terms as are necessary and appropriate to effect an Award to the Participant including but not limited to the term of the Award, vesting provisions, deferrals, any requirements for continued employment with the Company, any other restrictions or conditions (including performance requirements) on the Award and the method by which restrictions or conditions lapse, effect on the Award of a Change of Control as defined in Section 9, the price, amount or value of Awards.

SECTION 6. SHARES OF STOCK SUBJECT TO THE PLAN

- (a) Subject to the adjustment provisions of Section 8 hereof, the number of Shares for which Awards may be granted in each calendar year during any part of which the Plan is in effect (including, for the purpose of this limitation, shares of Stock which have been or may be the subject of Awards under the Prior Plans as defined in Section 17 hereof during such year) shall not exceed eight-tenths of one percent (.8%) of the total issued and outstanding shares of Stock on December 31 of the immediately preceding year. In the event that not all of the shares available in one year are used for Awards in that year, the number of shares not used for Awards that year shall be carried forward and shall be available for Awards in succeeding calendar years in addition to the eight-tenths of one percent (.8%) of shares that would otherwise be available in such years.
- (b) Any unexercised or undistributed portion of any terminated, expired, exchanged, or forfeited Award or Awards settled in cash in lieu of shares of Stock shall be available for further Awards in addition to those available under Section 6(a) hereof.
- (c) For the purposes of computing the total number of shares of Stock granted under the Plan, the following rules shall apply to Awards payable in Stock or other securities, where appropriate:
 - (i) except as provided in (v) of this Section, each Stock Option shall be deemed to be the equivalent of the maximum number of shares that may be issued upon exercise of the particular Stock Option;
 - (ii) except as provided in (v) of this Section, each other Stock-based Award payable in some other security shall be deemed to be equal to the number of shares to which it relates;

- (iii) except as provided in (v) of this Section, where the number of shares available under the Award is variable on the date it is granted, the number of shares shall be deemed to be the maximum number of shares that could be received under that particular Award;

- (iv) where one or more types of Awards (both of which are payable in shares of Stock or another security) are granted in tandem with each other, such that the exercise of one type of Award with respect to a number of shares cancels an equal number of shares of the other, each joint Award shall be deemed to be the equivalent of the number of shares under the other; and

- (v) each share awarded or deemed to be awarded under the preceding subsections shall be treated as shares of Stock, even if the Award is for a security other than Stock.

Additional rules for determining the number of shares of Stock granted under the Plan may be made by the Committee, as it deems necessary or appropriate.

- (d) The Stock which may be issued pursuant to an Award under the Plan may be treasury or authorized but unissued Stock or Stock may be acquired, subsequently or in anticipation of the transaction, in the open market to satisfy the requirements of the Plan.

SECTION 7. ADMINISTRATION.

- (a) The Plan and all Awards granted pursuant thereto shall be administered by the Committee so as to permit the Plan to comply with Rule 16b-3. A majority of the members of the Committee shall constitute a quorum. The vote of a majority of a quorum shall constitute action by the Committee.

- (b) The Committee shall periodically determine the Participants in the Plan and the nature, amount, pricing, timing, and other terms of Awards to be made to such individuals.
- (c) The Committee shall have the power to interpret and administer the Plan. All questions of interpretation with respect to the Plan, the number of shares of Stock or other security, Stock Appreciation Rights, or units granted, and the terms of any Award Agreements shall be determined by the Committee and its determination shall be final and conclusive upon all parties in interest. In the event of any conflict between an Award Agreement and the Plan, the terms of the Plan shall govern.
- (d) It is the intent of the Company that the Plan and Awards hereunder satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Insiders, satisfies the applicable requirements of Rule 16b-3, so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 and will not be subjected to avoidable liability thereunder. If any provision of the Plan or of any Award would otherwise frustrate or conflict with the intent expressed in this Section 7(d), that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, the provision shall be deemed void as applicable to Insiders.
- (e) The Committee may delegate to the officers or employees of the Company the authority to execute and deliver such instruments and documents, to do all such acts and things, and to take all such other steps deemed necessary, advisable or convenient for the effective administration of the Plan in accordance with its terms and purpose, except that the Committee may not delegate any discretionary authority with respect to substantive decisions or functions regarding the Plan or Awards thereunder as these relate to Insiders including but not limited to decisions regarding the timing, eligibility, pricing, amount or other material term of such Awards.

SECTION 8. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

Subject to any required action by the Company's shareholders, in the event of a reorganization, recapitalization, Stock split, Stock dividend, exchange of Stock, combination of Stock, merger, consolidation or any other change in corporate structure of the Company affecting the Stock, or in the event of a sale by the Company of all or a significant part of its assets, or any distribution to its shareholders other than a normal cash dividend, the Committee may make appropriate adjustment in the number, kind, price and value of Stock authorized by this Plan and any adjustments to outstanding Awards as it determines appropriate so as to prevent dilution or enlargement of rights.

SECTION 9. CHANGE OF CONTROL

(a) In the event of a Change of Control:

- (i) Any Stock Options and Stock Appreciation Rights outstanding as of the date of the Change of Control that are not then fully exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant;
- (ii) All restrictions and other limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;
- (iii) All Performance Awards and other Awards outstanding as of the date of the Change of Control shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and except as provided in subsection (c) of this Section 9, such Performance Units shall be settled in cash as promptly as is practicable; and

- (iv) All noncompetition covenants and other similar restrictive covenants applicable to any outstanding Awards shall lapse and become null and void and of no further effect.
- (b) A "Change of Control" shall mean:
 - (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14 (d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 9(b); or
 - (ii) Individuals who, as of August 26, 2002, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 26, 2002, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election

contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

- (iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially own, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time

of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) Notwithstanding the foregoing, if any right to receive cash granted pursuant to this Section 9 would make a Change of Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that but for the nature of such right would be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Stock or other securities with a fair market value equal to the cash that would otherwise be payable hereunder.

SECTION 10. RIGHTS OF EMPLOYEES.

(a) Status as an eligible Employee shall not be construed as a commitment that any Award will be made under the Plan to such eligible Employee or to eligible Employees generally.

(b) Nothing contained in the Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Employee or Participant any right to continue in the employ or other service of the Company or constitute any contract or limit in any way the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person with or without cause.

SECTION 11. AWARDS IN FOREIGN COUNTRIES.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which

the Company or its Participating Subsidiaries may operate to assure the viability of the benefits of Awards made to Participants employed in such countries and to meet the purpose of this Plan.

SECTION 12. COMPLIANCE WITH APPLICABLE LEGAL REQUIREMENTS

No certificate for Stock distributable pursuant to this Plan shall be issued and delivered unless the issuance of such certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended from time to time or any successor statute, the Exchange Act and the requirements of the exchanges on which the Company's Stock may, at the time, be listed.

SECTION 13. AMENDMENT AND TERMINATION.

The Board of Directors may at any time amend, suspend or terminate the Plan. The Committee may at any time alter or amend any or all Award Agreements under the Plan, but no such alteration or amendment may adversely affect the rights of the Participant in question without such Participant's consent. However, no such action may, without further approval of the stockholders of the Company, be effective if such approval is required in order that transactions in Company securities under the Plan be exempt from the operation of Section 16(b) of the Securities Exchange Act of 1934 and may not amend the plan so as to

- (i) increase the number of shares of Stock which may be issued under the Plan, except as provided for in Section 8;
- (ii) materially modify the requirements as to eligibility for participation,
- (iii) materially increase the benefits accruing to Participants under the Plan; or

(iv) extend the duration beyond the date approved by the stockholders.

SECTION 14. UNFUNDED PLAN.

The Plan shall be unfunded. Neither the Company nor the Board of Directors shall be required to segregate any assets that may at any time be represented by Awards made pursuant to the Plan. Neither the Company, the Committee, nor the Board of Directors shall be deemed to be a trustee of any amounts to be paid under the Plan.

SECTION 15. LIMITS OF LIABILITY.

- (a) Any liability of the Company to any Participant with respect to an Award shall be based solely upon contractual obligations created by the Plan and the Award Agreement.
- (b) Neither the Company nor any member of the Board of Directors or of the Committee, nor any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability to any party for any action taken or not taken, in good faith under the Plan.

SECTION 16. DURATION OF THE PLAN.

This Plan shall become effective on January 1, 1993, upon the adoption by the Company's stockholders at the 1993 Annual Meeting and the Committee shall have authority to grant Awards hereunder until December 31, 2002, subject to the ability of the Board of Directors to terminate the Plan as provided in Section 13.

SECTION 17. TERMINATION OF OTHER PLANS.

Effective upon the adoption of the Plan by stockholders, no further grants of options, stock appreciation rights, stock or restricted stock shall be made under the Company's 1986 Stock Plan and 1990 Stock Plan ("Prior Plans"). Thereafter, all grants and awards made under the Prior Plans prior to that date shall continue in accordance with the terms of the Prior Plans.

BOARD OF DIRECTORS AMENDED
AUGUST 26, 2002

DEFERRED COMPENSATION PLAN
FOR
NON-EMPLOYEE DIRECTORS
OF
PHILLIPS PETROLEUM COMPANY

Section 1. Purpose of the Plan

The amount of total compensation which is paid to the Non-Employee Director for services rendered as a Non-Employee Director is set by resolution of the Board of Directors and is comprised of a portion paid in cash ("Cash Compensation") and a portion paid in shares ("Stock Compensation") of Phillips Petroleum Company common stock \$1.25 par value ("Phillips Common Stock"). "Cash Compensation" shall also include any portion of the compensation that is paid to a Continuing Director (as defined in Section 13) in cash (including, without limitation, any cash compensation payable pursuant to any restricted stock unit) by ConocoPhillips for services as a member of the ConocoPhillips Board (as defined in Section 13), and "Stock Compensation" shall also include any portion of the compensation that is paid to a Continuing Director by ConocoPhillips in ConocoPhillips common stock \$.01 par value ("CP Common Stock") for services as a member of the ConocoPhillips Board. "Common Stock" shall mean Phillips Common Stock or CP Common Stock, as the context may require.

The purpose of the Deferred Compensation Plan for Non-Employee Directors ("Plan") is to provide a program whereby a member of the Board of Directors of Phillips Petroleum Company ("Company") who is not an officer, present employee, nor former employee of the Company or

any of its subsidiaries ("Non-Employee Director") may indicate a preference to:

- 1) defer the payment of part or all of the Cash Compensation payable to the Non-Employee Director ("Cash Payment")
- 2) receive part or all of the Cash Compensation and part or all of the Stock Compensation payable to the Non-Employee Director in shares of Unrestricted Stock under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors ("Unrestricted Stock Award")
- 3) receive part or all of the Cash Compensation and/or part or all of the Stock Compensation in shares of Restricted Stock under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors ("Restricted Stock Award"),
- 4) delay the lapsing of restrictions on Restricted Stock or delay the settlement of Restricted Stock Units due to the attainment of certain ages under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors ("Restricted Stock Lapsing"),
- 5) defer the value of shares of unrestricted Common Stock which would otherwise be delivered to the Non-Employee Director as a result of restrictions being lapsed on shares of Restricted Stock or when Restricted Stock Units or similar Awards are settled due to the attainment of certain ages or at Retirement under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors or under the terms of the grant of such Awards ("Value of Restricted Stock or Awards"), and
- 6) defer the payment of all or a portion of the lump sum payment from the Non-Employee Director Retirement Plan ("Retirement Payment").

Section 2. Indications of Preference

- (a) Cash Payment. For each calendar year, a Non-Employee Director may indicate a preference to have payment of part or all of the Non-Employee Director's Cash Compensation deferred. On or before December 1 of each year, the indication of preference to defer Cash Compensation to be paid in the next calendar year may be made by giving written notice thereof to the Corporate Secretary, except that such indication of preference may be made by the end of the month in which a Non-Employee Director is first elected to the Board of Directors. The Chief Executive Officer (CEO) shall consider such indication of preference and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference to defer Cash Compensation, if accepted, becomes irrevocable on the date of such acceptance.
- (b) Unrestricted Stock Award. For each calendar year, a Non-Employee Director may indicate a preference to receive Unrestricted Stock for part or all of the Cash Compensation and/or part or all of the Stock Compensation that would be paid in the next calendar year. On or before December 1 of each year, such indication of preference to receive Unrestricted Stock instead of cash and/or for the Stock Compensation may be made by giving written notice thereof to the Corporate Secretary, except that such indication of preference may be made by the end of the month in which a Non-Employee Director is first elected to the Board of Directors. The CEO shall consider such indication of preference and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference to receive Unrestricted Stock, if accepted, becomes irrevocable on the date of such acceptance.

- (c) Restricted Stock Award. For each calendar year, a Non-Employee Director may indicate a preference to receive Restricted Stock for part or all of the Cash Compensation and/or part or all of the Stock Compensation. On or before December 1 of each year, such indication of preference to receive Restricted Stock instead of cash and/or for the Stock Compensation that would be paid in the next calendar year may be made by giving written notice thereof to the Corporate Secretary, except that such indication of preference may be made by the end of the month in which a Non-Employee Director is first elected to the Board of Directors. The CEO shall consider such indication of preference and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference to receive Restricted Stock, if accepted, becomes irrevocable on the date of such acceptance.
- (d) Restricted Stock Lapsing or Restricted Stock Units Settled. Each year Non-Employee Directors who are or will become 65 years of age prior to the end of that calendar year or who are over 65 years old and have not previously been given the opportunity may indicate a preference to delay the lapsing of restrictions on Restricted Stock and that would otherwise be lapsed, and to defer the receipt of shares of Common Stock that would otherwise be delivered in settlement of restricted stock units or similar awards, in either case based on their age under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors until the day the Director retires from the Board of Directors. The Non-Employee Director must make the indication of preference by giving written notice thereof to the Corporate Secretary on or before December 1 of that year, except that

such indication of preference may be made within 30 days of the amendment of this plan providing for such indication of preference or by the end of the month in which a Non-Employee Director is first elected to the Board of Directors if such Director would receive shares of Common Stock as a result of restrictions being lapsed on shares of Restricted Stock or pursuant to Awards based on their age under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors. The CEO shall consider such indication of preference and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference to delay the lapsing of restrictions on Restricted Stock or the settlement of Restricted Stock Units or Awards, if accepted, becomes irrevocable on the date of such acceptance. Such approved indication of preference shall apply to any Restricted Stock Units granted in exchange for shares of Restricted Stock pursuant to the Exchange offer initiated by the Company on December 17, 2001.

(e) Value of Restricted Stock and Restricted Stock Units.

- (i) Each year Non-Employee Directors who are or will become 65 years of age prior to the end of that calendar year or who are over 65 years old and have not previously been given the opportunity may indicate a preference concerning the deferral of the receipt of the value of all or part of the Common Stock which would otherwise be delivered to the Non-Employee Director as a result of restrictions being lapsed on shares of Restricted Stock or and the settlement of Restricted Stock Units or similar Awards based on their age under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors.
- (ii) If the Non-Employee Director has previously indicated a preference to delay the

lapsing of restrictions on Restricted Stock or the settlement of Restricted Stock Units or similar Awards until the Director retires from the Board of Directors, or if the Non-Employee Director Retires from the Board prior to being given an opportunity to indicate such preference, such Non-Employee Director may indicate a preference concerning the deferral of the receipt of the value of all or part of the Common Stock which would otherwise be delivered to the Non-Employee Director as a result of restrictions being lapsed on shares of Restricted Stock or the settlement of Restricted Stock Units or Awards until the Director retires from the Board of Directors. (iii) The Non-Employee Director must make the indication of preference specified in Sections 2 (e) (i) and (ii) herein by giving written notice to the Corporate Secretary on or before December 1 of the applicable year, except that such indication of preference may be made within 30 days of the amendment of this Plan providing for such indication of preference or by the end of the month in which a Non-Employee Director is first elected to the Board of Directors or as soon as practicable prior to the Director's Retirement from the Board if such Director would receive shares of Common Stock as a result of restrictions being lapsed on shares of Restricted Stock or the settlement of Restricted Stock Units or Awards under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors prior to the next period for indicating such preference. The CEO shall consider such indication of preference and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference to defer the value of Restricted Stock or Restricted Stock Units or Awards, if accepted, becomes irrevocable on the date of such acceptance.

- (f) Retirement Payment. If a Non-Employee Director prefers to defer under this Plan all or

part of the lump sum payment from the Non-Employee Director Retirement Plan, the Non-Employee Director must indicate such preference to the Chief Executive Officer (CEO) of the Company. The Non-Employee Director's preference must be received by the Corporate Secretary in the period beginning 150 days prior to and ending no less than 30 days prior to the date the retirement payment is to be made. Such indication must be in writing signed by the Non-Employee Director and must state the portion of the lump sum payment the Non-Employee Director desires to be deferred. The CEO shall consider such indication of preference as submitted and shall decide whether to accept or reject the preference expressed as soon as practicable. Such indication of preference to defer the Retirement Payment, if accepted, becomes irrevocable on the date of such acceptance.

Section 3. Deferred Compensation Accounts

- (a) Credit for Deferral. The Company will establish and maintain an account for each Non-Employee Director who defers Cash Compensation, the Value of Restricted Stock or Restricted Stock Units or Awards and/or a Retirement Payment in which will be credited the amounts deferred. Amounts deferred shall be credited as soon as practicable but not later than 30 days after the date the payment would otherwise have been made. The value of the underlying Restricted Stock or Restricted Stock Units or Awards shall be the higher of (a) the average of the high and low selling prices of the Common Stock on the date the restrictions lapse or the shares are to be delivered, as applicable, or the last trading day before such date, if such date is not a trading day, or (b) the average of the high three monthly Fair Market Values of the Common Stock during the twelve calendar months preceding the month in which the restrictions lapse or the shares are to be delivered, as

applicable. The monthly Fair Market Value of the Common Stock is the average of the daily Fair Market Value of the Common Stock for each trading day of the month. The daily Fair Market Value of the Common Stock shall be deemed equal to the average of the reported highest and lowest sales prices per share of such Common Stock as reported on the composite tape of the New York Stock Exchange transactions.

- (b) Designation of Investments. The amount in each Non-Employee Director's Deferred Compensation Account shall be deemed to have been invested and reinvested from time to time, in such "eligible securities" as the Non-Employee Director shall designate. Prior to or in the absence of a Non-Employee Director's designation, the Company shall designate an "eligible security" in which the Non-Employee Director's Deferred Compensation Account shall be deemed to have been invested until designation instructions are received from the Non-Employee Director. Eligible securities are those securities designated by the Chief Financial Officer of the Company. The Chief Financial Officer of the Company may include as eligible securities, stocks listed on a national securities exchange, and bonds, notes, debentures, corporate or governmental, either listed on a national securities exchange or for which price quotations are published in The Wall Street Journal and shares issued by investment companies commonly known as "mutual funds". The Non-Employee Director's Deferred Compensation Account will be adjusted to reflect the deemed gains, losses and earnings as though the amount deferred was actually invested and reinvested in the eligible securities for the Non-Employee Director's Deferred Compensation Account.

Notwithstanding anything to the contrary in this Section 3(b), in the event the Company actually purchases or sells such securities in the quantities and at the times the securities are deemed to be purchased or sold for a Non-Employee Director's Deferred Compensation Account, the Account shall be adjusted accordingly to reflect the price actually paid or received by the Company for such securities after adjustment for all transaction expenses incurred (including without limitation brokerage fees and stock transfer taxes).

In the case of any deemed purchase not actually made by the Company, the Deferred Compensation Account shall be charged with a dollar amount equal to the quantity and kind of securities deemed to have been purchased multiplied by the fair market value of such security on the date of reference and shall be credited with the quantity and kind of securities so deemed to have been purchased. In the case of any deemed sale not actually made by the Company, the account shall be charged with the quantity and kind of securities deemed to have been sold, and shall be credited with a dollar amount equal to the quantity and kind of securities deemed to have been sold multiplied by the fair market value of such security on the date of reference. As used herein "fair market value" means in the case of a listed security the closing price on the date of reference, or if there were no sales on such date, then the closing price on the nearest preceding day on which there were such sales, and in the case of an unlisted security the mean between the bid and asked prices on the date of reference, or if no such prices are available for such date, then the mean between the bid and asked prices to the nearest preceding day for which such prices are available.

The Treasurer may also designate a Fund Manager to provide services which may include recordkeeping, Non-Employee Director accounting, Non-Employee Director communication, payment of installments to the Non-Employee Director, tax reporting and any other services specified by the Company in agreement with the Fund Manager.

- (c) Payments. A Non-Employee Director's Deferred Compensation Account shall be debited with respect to payments made from the account pursuant to this Plan as of the date such payments are made from the account. The payment shall be made as soon as practicable, but no later than 30 days, after the installment payment date.

If any person to whom a payment is due hereunder is under legal disability as determined in the sole discretion of the Chief Executive Officer, the Company shall have the power to cause the payment due such person to be made to such person's guardian or other legal representative for the person's benefit, and such payment shall constitute a full release and discharge of the Company and any fiduciary of the Plan.

- (d) Statements. At least one time per year the Company or the Company's designee will furnish each Non-Employee Director a written statement setting forth the current balance in the Non-Employee Director's Deferred Compensation Account, the amounts credited or debited to such account since the last statement and the payment schedule of deferred amounts and deemed gains, losses and earnings accrued thereon as provided by the deferred payment option selected by the Non-Employee Director.

Section 4. Deferred Payment Options

- (a) Payment Options for Cash Compensation and the Value of Restricted Stock or Restricted Stock Units or Awards. A Non-Employee Director, at the time notice of an indication of preference to defer Cash Compensation or the Value of Restricted Stock or Restricted Stock Units or Awards is given, shall also specify in writing whether the Cash Compensation or the Value of Restricted Stock or Restricted Stock Units or Awards deferred by such indication and any deemed gains, losses and earnings accrued thereon is to be paid in one lump sum or in annual installments of not less than 5 nor more than 10. If a lump sum payment is selected, the Non-Employee Director will specify the date the lump sum payment is to be made so long as the date is the first day of a calendar quarter and is at least one year from the date of the election or is specified as the first day of the calendar quarter following retirement from the Board of Directors. If annual installments of not less than 5 nor more than 10 are selected, the first installment will begin as soon as practicable after the first day of the calendar quarter which is on or after the Non-Employee Director's retirement. After a payment option is selected the first time a Non-Employee Director defers Cash Compensation or the value of Restricted Stock or Restricted Stock Units or Awards, all subsequent deferrals of Cash Compensation and/or the value of Restricted Stock or Restricted Stock Units or Awards will have the same payment option.
- b) Payment Options for Retirement Payment.

- (i) The payment option for a deferred Retirement Payment for a Non-Employee Director who has previously deferred Cash Compensation or the Value of Restricted Stock or Restricted Stock Units or Awards will be the same as the payment option for the deferred Compensation.

- (ii) The payment option for a deferred Retirement Payment for a Non-Employee Director who has not previously deferred Cash Compensation or the Value of Restricted Stock or Restricted Stock Units or Awards will be 10 annual installments with the first installment to begin as soon as practicable after the first day of the calendar quarter which is on or after the Non-Employee Director's Retirement, except that a different payment schedule may be selected by the Non-Employee Director at the time the Non-Employee Director submits a preference to defer all or part of the lump sum Retirement payment. The payment options in this situation are: annual installments of not less than 5 nor more than 10, semi-annual installments of not less than 10 nor more than 20, or quarterly installments of not less than 20 nor more than 40. The first installment to commence as soon as practicable after any date specified by the Non-Employee Director, so long as such date is the first day of a calendar quarter and is at least one year from the date the payout option was selected. Subject to Section 5, if the CEO, accepts the Non-Employee Director's indication of preference, the method of payment of the deferred Retirement Payment shall become irrevocable.

(c) Payment Option Revision. If a Non-Employee Director specified annual installments of not less than 5 nor more than 10 pursuant to Section 4(a) herein, the Non-Employee Director may at any time during a period beginning 365 days prior to and ending 90 days prior to the date the Non-Employee Director terminates Board service due to (a) not being nominated for election to the Board; or (b) not being reelected to Board service after being so nominated; or (c) resignation from Board service as a result of the Director's disability or any reason acceptable to a majority of the remaining members of the Board of Directors ("Retires" or "Retirement"), or as soon as practicable if there are less than 90 days prior to Retirement in the manner prescribed by the Company, revise such payment option and select one of the following payment options in place of such payment option:

(i) annual installments of not less than 5 nor more than 10,

(ii) semi-annual installments of not less than 10 nor more than 20, or

(iii) quarterly installments of not less than 20 nor more than 40,

with the first installment to commence, as soon as practicable following any date specified by the Non-Employee Director so long as such date is the first day of a calendar quarter, is on or after the Non-Employee Director's Retirement Date, is at least one year from the date the payment option was revised and is no later than five (5) years after the Non-Employee Director's Retirement Date.

(d) Installment Amount. The amount of each installment shall be determined by dividing the balance in the Non-Employee Director's Deferred Compensation Account as of the date the installment is to be paid, by the number of installments remaining to be paid (inclusive

of the current installment).

Section 5. Death of Non-Employee Director

Upon the death of a Non-Employee Director, the Non-Employee Director's beneficiary or beneficiaries designated in accordance with Section 6 of this Plan, or, in the absence of an effective beneficiary designation, the surviving spouse, the surviving children (natural or adopted) in equal shares, or the Estate of the deceased Non-Employee Director, in that order of priority, shall receive the beneficiary's or beneficiaries' portion of the payments in accordance with the deferred payment schedule selected by the Non-Employee Director, whether the Non-Employee Director's death occurred before or after such payments have commenced; provided, however, such payments may be made in a different manner if the beneficiary or beneficiaries entitled to receive such payments, due to an unanticipated emergency caused by an event beyond the control of the beneficiary or beneficiaries that results in financial hardship to the beneficiary or beneficiaries, so requests and the CEO gives written consent to the method of payment requested.

Section 6. Designation of Beneficiary

Each Non-Employee Director who defers under this Plan shall designate a beneficiary or beneficiaries to receive the entire balance of the Non-Employee Director's Deferred Compensation Account by giving signed written notice of such designation to the Corporate Secretary. The Non-Employee Director may from time to time change or cancel any previous

beneficiary designation in the same manner. The last written beneficiary designation received by the Corporate Secretary shall be controlling over any prior designation and over any testamentary or other disposition. After receipt by the Corporate Secretary of such written designation, it shall take effect as of the date on which it was signed by the Non-Employee Director, whether the Non-Employee Director is living at the time of such receipt, but without prejudice to the Company on account of any payment made under this Plan before receipt of such designation.

Section 7. Nonassignability

The right of a Non-Employee Director or beneficiary or other person who becomes entitled to receive payments under this Plan shall not be pledged, assigned or subject to garnishment, attachment or any other legal process by the creditors of or other claimants against the Non-Employee Director, beneficiary, or other such person.

Section 8. Administration, Interpretation and Amendment

The Plan shall be administered by the Chief Executive Officer of the Company. The decision of the Chief Executive Officer with respect to any questions arising as to the interpretation of this Plan, including the severability of any and all of the provisions thereof, shall be final, conclusive and binding. The Company reserves the right to amend this Plan from time to time or to terminate the Plan entirely, provided, however, that no amendment may affect the balance in a Non-Employee Director's account on the effective date of the amendment. In the event of

termination of the Plan, the Chief Executive Officer in the Chief Executive Officer's sole discretion, may elect to pay in one lump sum as soon as practicable after termination of the Plan, the balance then in the Non-Employee Director's account.

Section 9. Nonsegregation

Amounts deferred pursuant to this Plan and the crediting of amounts to a Non-Employee Director's Deferred Compensation Account shall represent the Company's unfunded and unsecured promise to pay compensation in the future. With respect to said amounts, the relationship of the Company and a Non-Employee Director shall be that of debtor and general unsecured creditor. While the Company may make investments for the purpose of measuring and meeting its obligations under this Plan such investments shall remain the sole property of the Company subject to claims of its creditors generally, and shall not be deemed to form or be included in any part of the Deferred Compensation Account.

Section 10. Funding

All amounts payable under the Plan are unfunded and unsecured benefits and shall be paid solely from the general assets of the Company and any rights accruing to the Non-Employee Director or the beneficiary under this Plan shall be those of an unsecured general creditor; provided, however, that the Company may establish a grantor trust to pay part or all of its Plan payment obligations so long as the Plan remains unfunded for federal tax purposes.

Section 11. Miscellaneous

- (a) Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.
- (b) This Plan shall be construed, regulated, and administered in accordance with the laws of the State of Delaware except to the extent that said laws have been preempted by the laws of the United States.

Section 12. Effective Date of the Plan

This Plan is amended and restated effective as of December 10, 2001.

Section 13. Continuing Directors and Noncontinuing Directors

Notwithstanding anything contained in this Plan to the contrary:

- (a) Elections made by a Non-Employee Director who is a member of the board of directors (the "ConocoPhillips Board") of ConocoPhillips (a "Continuing Director") immediately following the closing (the "Closing") of the transactions (the "Merger") contemplated by the Agreement and Plan of Merger dated as of November 18, 2001 by and among Phillips

Petroleum Company, CorvettePorsche Corp., Porsche Merger Corp., Corvette Merger Corp., and Conoco Inc. (the "Merger Agreement") shall be effective for the following compensation received from ConocoPhillips with respect to service as a Continuing Director for the portion of calendar year 2002 that follows the Closing, without any action on the part of such Continuing Director, Phillips Petroleum Company or ConocoPhillips: (i) the deferral of the receipt of Cash Compensation, (ii) the receipt of Unrestricted Stock in lieu of Cash Compensation or Stock Compensation, (iii) the receipt of Restricted Stock in lieu of Cash Compensation or Stock Compensation, (iv) the deferral of the lapsing of restrictions on Restricted Stock that would otherwise lapse, (v) the deferral of receipt of the value of all or part of the Common Stock which would otherwise be delivered to the Continuing Director as a result of restrictions being lapsed; and (vi) the deferral of receipt of a lump sum payment from the Non-employee Director Retirement Plan; and

- (b) ConocoPhillips shall be the co-sponsor of this Plan and shall be the obligor hereunder with respect to compensation of Continuing Directors for services on the ConocoPhillips Board that is deferred hereunder;
- (c) A Continuing Director shall not be deemed to have "retired" or otherwise terminated service as a Non-Employee Director for any purpose of this Plan solely as a result of such director's ceasing to be a director of Phillips Petroleum Company in connection with the Merger, and no distributions of the Continuing Directors' account balances under the Plan shall be made solely as a result of the consummation of the transactions contemplated by the Merger Agreement. For any Continuing Director, service as a member of the ConocoPhillips Board shall be treated as service as a Non-Employee

Director, and "retirement" or any other termination of service from the ConocoPhillips Board shall be deemed to be a retirement or termination of service (as applicable) as a Non-Employee Director for all purposes of this Plan.

- (d) Each individual who ceases to be a Non-Employee Director in connection with the Merger who is not a Continuing Director shall be deemed to have retired as of the Closing Date for purposes of this Plan (including, without limitation, for purposes of Section 4).

BOARD OF DIRECTORS AMENDED
AUGUST 26, 2002

PHILLIPS PETROLEUM COMPANY
STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

ARTICLE I - PURPOSES OF THE PLAN

The purposes of this Plan are to enable non-employee members of the Board of Directors to acquire additional stock ownership and further alignment with shareholders of the Company, and to attract and retain highly qualified individuals as directors of this Company without significantly changing the total amount of non-employee director compensation.

ARTICLE II - DEFINITIONS

1. "Award" shall mean a grant of Restricted Stock or Unrestricted Stock pursuant to this Plan.

2. "Beneficiary" means a person or persons designated by a Non-Employee Director to receive, in the event of death, any shares of Common Stock held by the Non-Employee Director under this Plan. Any Non-Employee Director may designate one or more persons primarily or contingently as beneficiaries in writing upon forms supplied by and delivered to the Company, and may revoke such designations in writing. If a Non-Employee Director fails effectively to designate a beneficiary, then such shares will be paid in the following order of priority:

- (i) Surviving Spouse,
- (ii) Surviving children (natural or adopted) in equal shares,
- (iii) To the Estate of the Non-Employee Director.

3. "Board" means the Board of Directors of the Company.

4. "Cash Compensation" shall mean the portion of the total compensation that is payable in cash to the Non-Employee Director for services rendered as a Non-Employee Director.

5. "Change of Control" shall mean:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 as amended (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of 20% or more of either (a) the then outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition pursuant to a

transaction which complies with clauses (A), (B) and (C) of Subparagraph (iii) of this Paragraph 5; or

(ii) Individuals who, as of August 26, 2002, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 26, 2002, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting

securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

6. "Chief Executive Officer" shall mean the Chief Executive Officer of the Company.

7. "Company" shall mean ConocoPhillips.

8. "Common Stock" shall mean the common stock of the Company having a par value of \$.01 per share.

9. "Disability" shall mean that condition in which, by reason of bodily injury or disease, a Non-Employee Director is prevented from serving in such capacity. All determinations of Disability shall be made by a physician selected by the Chief Executive Officer.

10. "Fair Market Value" in reference to a share of Common Stock of the Company shall be deemed equal to the average of the reported highest and lowest sales prices per share of such Common Stock on the applicable date, or the last trading day before the applicable day if such date is not a trading day, as reported on the composite tape of the New York Stock Exchange transactions for the applicable date, as reported in the Wall Street Journal.

11. "Non-Employee Director" shall mean a member of the Board who is not an employee or former employee of the Company or any of its subsidiaries.

12. "Normal Retirement Date" shall mean the date of the Annual Stockholders Meeting of the Company in the year in which the director is no longer eligible for election as a director as determined by the

Bylaws of the Company, currently the year in which the director attains age 71.

13. "Plan" shall mean the Phillips Petroleum Company Stock Plan for Non-Employee Directors, including any amendments thereto as may hereafter from time to time be adopted.

14. "Restricted Stock" shall mean Common Stock awarded under this Plan, which is subject to certain forfeiture and transferability restrictions as may be provided in the Plan.

15. "Retires" or "Retirement" shall mean the termination of Board service due to (a) the Non-Employee Director's not being nominated for election to the Board; (b) the Non-Employee Director's not being reelected to Board service after being so nominated; or (c) the Non-Employee Director's resignation from Board service as a result of the director's Disability.

16. "Stock Compensation" shall mean the portion of the total compensation that is payable in Common Stock to the Non-Employee Director for services rendered as a Non-Employee Director.

17. "Unrestricted Stock" shall mean Common Stock either Awarded under this Plan to a Non-Employee Director as part of the Non-Employee Director's compensation for Board service or issued to such Director upon the lapsing of restrictions on Restricted Stock, and which is nonforfeitable and free of transferability restrictions under the

Plan.

ARTICLE III - ELIGIBILITY

Each Non-Employee Director who is participating in the Non-Employee Director Retirement Plan of Phillips Petroleum Company (the "NED Retirement Plan") on December 31, 1997, and (i) whose Normal Retirement Date is after 1998, and (ii) who consents in writing on or before February 27, 1998, to receive an Award of Restricted Stock in this Plan in lieu of a benefit from the NED Retirement Plan, is eligible to participate and shall be a participant in this Plan. All Non-Employee Directors who are first elected to serve on the Board after 1997 are eligible and will participate in this Plan. After the date of the 1998 Annual Stockholders Meeting of the Company, all Non-Employee Directors of the Company are eligible and will participate in this Plan.

ARTICLE IV - AWARDS OF COMMON STOCK

1. There shall be an Award of shares of Restricted Stock to each eligible Non-Employee Director representing the converted present value of the accrued benefit of each Non-Employee Director who has consented in writing on or before February 27, 1998, to the conversion of his or her benefits under the NED Retirement Plan to such an Award under this Plan, such Award to be made effective in its entirety on the first business day of March 1998, for prior service and in lieu of a benefit payable from the NED Retirement Plan. Such Award shall be

equal to the converted present value of the Non-Employee Director's benefits under the NED Retirement Plan (the "Conversion Amount"). The Conversion Amount shall be determined by calculating to a single lump sum the present value of the monthly payment provided under the NED Retirement Plan using the December 1, 1997 rate of the 30-year Treasury Bond as quoted in the Federal Reserve Statistical Release Bulletin No. H.15 and the number of Years of Service (as defined in the NED Retirement Plan) through December 31, 1997, and assuming that such monthly payments are deemed to begin on January 1, 1998. The number of shares Awarded pursuant to this Paragraph 1 shall be determined by dividing the Conversion Amount by (i) the Fair Market Value of the Common Stock as of January 12, 1998, and rounding up to the next higher whole number.

2. On the first business day of March, 1998, there shall be an Award of 400 shares of Restricted Stock to each eligible Non-Employee Director for past service during the director's then-current term of office.

3. Subject to Paragraph 4 of this Article IV, after December 31, 1998, there shall be an Award of shares of Unrestricted Stock to each Non-Employee Director each calendar year equal to the value of the stock portion of the total compensation to be received for Board service, such Award to be made effective in its entirety on the first business day in January of each year for past service during the director's then-current term of office; or in respect of a Non-Employee Director who served in such term of office only subsequent to

the first of January of that term of office and prior to the Annual Stockholders Meeting of the Company for that year, then such Award shall be effective in its entirety on the fifteenth day of the month following the month of such director's election, for past services during the first term in which the Non-Employee Director serves. The number of shares of Unrestricted Stock to be determined by dividing the value of the applicable Stock Compensation amount by the Fair Market Value and rounding up to the next higher whole number.

4. After December 31, 1998, for each Non-Employee Director whose preference to receive Restricted Stock in lieu of part or all of the Non-Employee Director's Award of Unrestricted Stock has been approved, there shall be an additional Award of shares of Restricted Stock to each such Non-Employee Director each calendar year that such preference is approved, such Award to be made effective in its entirety at the time the Unrestricted Stock would have been issued for past service, representing the number of shares of Unrestricted Stock which the Non-Employee Director has indicated a preference to receive as Restricted Stock. Such indication of preference shall be made in the manner and at the times provided in the Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company ("DCPNED"). The Restricted Stock Awarded pursuant to this Paragraph in lieu of such Unrestricted Stock shall thereafter be subject to the terms of this Plan and be subject to forfeiture and all restrictions as Restricted Stock under the terms of this Plan.

5. After December 31, 1998, for each Non-Employee Director whose

preference to receive Unrestricted Stock and/or Restricted Stock in lieu of part or all of the Non-Employee Director's Cash Compensation has been approved, there shall be an additional Award of shares of Unrestricted Stock and/or Restricted Stock to each such Non-Employee Director each year that such preference is approved, such Award to be made effective in its entirety at the time the Cash Compensation would have been paid for past service. The number of shares of Unrestricted Stock or Restricted Stock to be determined by dividing the applicable Cash Compensation amount by the Fair Market Value and rounding up to the next higher whole number. Such indication of preference shall be made in the manner and at the times provided in the Deferred Compensation Plan for Non-Employee Directors of Phillips Petroleum Company. The Restricted Stock Awarded pursuant to this Paragraph shall thereafter be subject to the terms of this Plan and be subject to forfeiture and all restrictions as Restricted Stock under the terms of this Plan.

6. Each Non-Employee Director who receives an Award of Restricted Stock on the first business day of March 1998 pursuant to Paragraphs 1 or 2 of this Article shall also receive an Award of a dividend equivalent to be determined as though such shares Awarded to the director on the first business day of March 1998 were continuously held by the Plan for the director from the first business day of January 1998 until the first business day of March 1998. All dividends earned on any Restricted Stock held under this Plan (including dividend equivalent amounts Awarded pursuant to the preceding sentence) shall be reinvested in additional shares of Restricted Stock

on the date such dividends are payable and such additional shares of Restricted Stock shall be subject to the terms and conditions generally applicable to Restricted Stock under the Plan. The number of shares of Restricted Stock acquired through this reinvestment of dividends shall be acquired at the Fair Market Value of Common Stock on the date such dividends are payable and shall be purchased through the Company's dividend reinvestment program if practicable; provided, however if not purchased through the dividend reinvestment program, the shares purchased with dividends shall be rounded up to the next higher whole number.

7. The Restricted Stock held for the benefit of each Non-Employee Director shall be held in escrow for the Non-Employee Director by the Treasurer of the Company. The Non-Employee Director will have all rights of ownership to such Restricted Stock including, but not limited to, voting rights and the right to receive dividends (provided such dividends must be reinvested in Restricted Stock), and other distributions, except that the Non-Employee Director shall not have the right to sell, transfer, assign, pledge or otherwise dispose of such shares until the escrow is terminated. The escrow shall end as to shares of such stock on the earliest date restrictions on Restricted Stock lapse pursuant to Article V.

8. Upon termination of the Restricted Stock escrow, the Company shall deliver to the Non-Employee Director his or her shares of such Common Stock free of any restrictions. Unless the Non-Employee Director has requested to defer receipt in the manner and at the times

provided in the DCPNED, the director will receive such unrestricted shares of Common Stock as soon as practicable after the termination of the escrow as to those shares. A Non-Employee Director who has properly and timely elected to have receipt of part or all of the shares of Restricted Stock for which restrictions lapse deferred shall receive instead a credit to his or her account in the DCPNED in an amount and at the time determined pursuant to the terms of the DCPNED.

ARTICLE V - TERMS AND CONDITIONS OF RESTRICTED STOCK

1. All Restricted Stock Awarded or held under the Plan shall be subject to the following terms and conditions:

A. Shares of Restricted Stock shall be, subject to Subparagraph B of this Article V, forfeitable, nontransferable and nonassignable and may not be pledged, anticipated, assigned (either at law or in equity), alienated, or subject to attachment, garnishment, levy, execution, or other legal or equitable process until the restrictions lapse pursuant to Subparagraphs B or C hereof.

B. Each share of Restricted Stock shall become nonforfeitable, transferable and all restrictions shall lapse upon the earliest to occur of (i) the Non-Employee Director's Retirement, including Retirement due to Disability, (ii) the Non-Employee Director's death, (iii) the Non-Employee Director's termination from Board service for any reason in connection with or within one-year

following a Change of Control, (iv) a Change of Control; provided, that, a Corporate Transaction under Paragraph 5(iii) of Article II shall be a Change of Control for purposes of this clause (iv) only if clause (C) of Paragraph 5(iii) of Article II is not satisfied in connection with such Corporate Transaction, of (v) the Non-Employee Director's termination of Board service for any reason other than those described in clauses (i), (ii), and (iii), but only if a majority of the remaining directors of the Board consent to the vesting of such shares and the lapsing of such restrictions.

C. Shares of Restricted Stock shall become nonforfeitable, transferable and all restrictions shall lapse on the first business day of October of each year in the following amounts unless the Non-Employee Director has elected, under the terms of the DCPNED, to delay the lapsing of such restrictions until the day of the Director's retirement:

(i) 20% of all shares of Restricted Stock held under the Plan for the Non-Employee Director in the year in which he or she will attain age 66;

(ii) 25% of all shares of Restricted Stock held under the Plan for the Non-Employee Director in the year in which he or she will attain age 67;

(iii) 33 1/3 % of all shares of Restricted Stock held under

the Plan for the Non-Employee Director in the year in which he or she will attain age 68;

(iv) 50% of all shares of Restricted Stock held under the Plan for the Non-Employee Director in the year in which he or she will attain age 69; and

(v) 100% of all shares of Restricted Stock held under the Plan for the Non-Employee Director in the year in which he or she will attain age 70.

ARTICLE VI - ADJUSTMENTS

Subject to any required action by the Company's shareholders, if the class of shares of Restricted Stock then subject to the Plan is changed into or exchanged for a different number or kind of shares or securities, as the result of any one or more reorganizations, recapitalizations, stock splits, reverse stock splits, stock dividends or similar events, or in the event of a sale by the Company of all or a significant part of its assets, or any distribution to its shareholders other than a normal cash dividend, an adjustment shall be made in the number and/or type of shares or securities for which Restricted Stock has been or may thereafter be Awarded under this Plan so as to prevent dilution or enlargement of rights.

ARTICLE VII - ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Chief Executive Officer who is authorized to adopt rules and regulations, to make determinations under and such determinations of, and to take steps in connection with the Plan as the Chief Executive Officer deems necessary or advisable, and to appoint agents as the Chief Executive Officer deems appropriate for the proper administration of the Plan. Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Chief Executive Officer shall be reported to the Board and once so reported shall be final and shall be binding and conclusive for all purposes and upon all persons.

ARTICLE VIII - MISCELLANEOUS

1. The Chief Executive Officer may rely upon information reported to him or her by officers or employees of the Company with delegated responsibilities and shall not be liable for any act of commission or omission of others or, except in circumstances involving his or her own bad faith, for any act taken or omitted by himself or herself.

2. The Plan and each Award hereunder shall be subject to all applicable laws and the rules and regulations of governmental authorities promulgated thereunder.

3. Shares of Common Stock received with respect to Restricted Stock received pursuant to a stock split, dividend reinvestment, stock dividend or other change in the capitalization of the Company will be held subject to the same restrictions on transferability that are

applicable to such shares Awarded hereunder as Restricted Stock.

4. All amounts payable under this Plan are unfunded and unsecured benefits and shall be paid solely from the general assets of the Company and any rights accruing to the Non-Employee Director or his or her Beneficiaries under the Plan shall be those of a general creditor; provided, however, that the Company may establish a grantor trust to pay part or all of its Plan payment obligations so long as the Plan remains unfunded for federal tax purposes.

5. Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.

6. This Plan shall be construed, regulated, and administered in accordance with the laws of the State of Delaware except to the extent that said laws have been preempted by the laws of the United States.

ARTICLE X - AMENDMENT OR TERMINATION

The Board of Directors of the Company may amend or terminate the Plan. No amendment or termination of the Plan shall deprive any Non-Employee Director or former Non-Employee Director or any Beneficiary of any rights or benefits accrued to the date of such amendment or termination.

ARTICLE XI

The Board or an authorized Committee of the board consisting solely of Non-Employee Directors may from time to time grant stock, other stock-based Awards under the Plan, including without limitations those awards pursuant to which shares of stock are or may in the future be acquired, Awards denominated in stock units, securities convertible into stock, phantom securities and dividend equivalents. The Board or such Committee shall determine the terms and conditions of such other stock and stock-based Awards, provided that such Awards shall not be inconsistent with the terms and purposes of this Plan.

ARTICLE XII - EFFECTIVE DATE

The Plan is amended and restated effective as of December 10, 2001.

AMENDED BY BOARD OF DIRECTORS
AUGUST 26, 2002

KEY EMPLOYEE SUPPLEMENTAL RETIREMENT PLAN OF
PHILLIPS PETROLEUM COMPANY

PURPOSE

The purpose of the Key Employee Supplemental Retirement Plan of Phillips Petroleum Company (the "Plan") is to attract and retain key employees by providing them with supplemental retirement benefits. This Plan is intended to be and shall be administered as an unfunded excess benefit plan for highly compensated employees within the meaning of ERISA Sections 3(36) and 4(b)(5) subject to Section V.

SECTION I. Definitions.

As used in this Plan:

- (a) "Board" shall mean the board of directors of the Company.
- (b) "Chief Executive Officer (CEO)" shall mean the Chief Executive Officer of the Company.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (d) "Committee" shall mean the Compensation Committee of the Board of Directors of ConocoPhillips.
- (e) "Company" shall mean Phillips Petroleum Company.
- (f) "Employee" shall mean a person who is an active participant in the Retirement Plan.
- (g) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended

from time to time, or any successor statute.

- (h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute.
- (i) "Incentive Compensation Plan" shall mean the Incentive Compensation Plan of the Company, or the Annual Incentive Compensation Plan of Phillips Petroleum Company, or similar plan of a Participating Subsidiary, or any similar or successor plans, or all, as the context may require.
- (j) "KEDCP" shall mean the Key Employee Deferred Compensation Plan of Phillips Petroleum Company.
- (k) "Nonqualified Plans" shall mean the Key Employee Supplemental Retirement Plan, Supplemental Executive Retirement Plan, the Key Employee Missed Credited Service Retirement Plan and any similar plan or plans of the Company or a Participating Subsidiary.
- (l) "Participating Subsidiary" shall mean a subsidiary of the Company, of which the Company beneficially owns, directly or indirectly, more than 50% of the aggregate voting power of all outstanding classes and series of stock, where such subsidiary has adopted one or more plans making participants eligible for participation in this Plan.
- (m) "Plan" shall mean the Key Employee Supplemental Retirement Plan of Phillips Petroleum Company, the terms of which are stated in and by this document.
- (n) "Plan Administrator" shall mean Executive Vice President, Planning, Corporate Relations and Services, or his successor.
- (o) "Restricted Stock" shall mean shares of Stock which have certain restrictions attached to the ownership thereof.

- (p) "Retirement Plan" shall mean the Retirement Income Plan of Phillips Petroleum Company, which plan is qualified under Code Section 401(a).
- (q) "Salary" shall mean the monthly equivalent rate of pay for an Employee before adjustments for any before-tax voluntary reductions.
- (r) "Stock" means shares of common stock of ConocoPhillips, par value \$.01.
- (s) "Total Final Average Earnings" shall mean the average of the high 3 earnings, excluding Incentive Compensation Plan Awards, paid in consecutive years of the last 10 years prior to termination of employment plus the average of the high 3 Incentive Compensation Awards for any of such last 10 years under the Incentive Compensation Plan, whether paid or deferred, and shall include the value of any special awards specified by the Compensation Committee to be included for final average earnings purposes under the terms of the special awards when granted by the Compensation Committee and shall also recognize benefits paid under Section 4.2 of the Phillips Petroleum Company Executive Severance Plan in the same manner as layoff pay is recognized by the Retirement Plan.
- (t) "Trustee" means the trustee of the grantor trust established by the Trust Agreement between the Company and Wachovia Bank, N.A. dated as of June 1, 1998, or any successor trustee.

SECTION II. Plan Benefits.

Supplemental payments will be made in such amounts which, together with the payments which the Employee or the Employee's surviving spouse, in the case of the death of an Employee prior to retirement or the death of a former Employee prior to commencing retirement benefits is

eligible to receive under the Retirement Plan, will equal the retirement benefit that would have been payable under the Retirement Plan except for any or all of the following reasons:

- (a) An Employee's deferral of all or any portion of one or more awards under the Incentive Compensation Plan, pursuant to the provisions of KEDCP, which results in a reduction in the total retirement benefits which would have been payable under the Retirement Plan,
- (b) The issuance of Restricted Stock in settlement of awards under the Incentive Compensation Plan (which for purposes of this Section the initial value thereof shall be considered a "deferral"), which results in a reduction in the total retirement benefits which would have been payable under the Retirement Plan,
- (c) An Employee's voluntary reduction of salary pursuant to the provisions of KEDCP which results in a reduction in the total retirement benefits which would have been payable under the Retirement Plan,
- (d) The payments which would have been received under the Retirement Plan except for limitations relating to Code Section 401(a)(17), or
- (e) The payments which would have been received under the Retirement Plan except for limitations relating to Code Section 415, including without limitation the interest rate limitations of Code Section 415(b)(2)(E).
- (f) The payments which would have been received under the Retirement Plan if benefits under Section 4.2 of the Phillips Petroleum Company Executive Severance Plan were recognized under the Retirement Plan as layoff pay for purposes of final average earnings and credited service.

In addition to the supplemental payments in Section II (a), (b), (c), (d), (e) and (f) hereof, an

additional supplemental retirement payment will be made to an Employee who terminates employment on or after February 8, 1993, calculated under the terms of the Retirement Plan using as final average earnings the difference, if any, between the Total Final Average Earnings and the Final Average Earnings used in the Retirement Plan.

SECTION III. Special Survivor Benefit.

Each senior vice president or higher level executive of the Company may, as soon as practicable, following the announcement of the merger of Conoco and Phillips, elect to receive a lump sum benefit under the Company's Nonqualified Plans when they retire after the transaction. If such officer should die before actually commencing retirement benefits, then his or her surviving spouse will receive a lump sum benefit calculated on the same basis as if the executive had commenced his or her retirement benefit from the Retirement Income Plan and applicable Nonqualified Plans as a lump sum, less the value of the pre-retirement 50% joint and survivor annuity death benefit payable under the Retirement Income Plan, the first of the month following the death of the executive. The surviving spouse who receives such lump sum will not be eligible to receive the pre-retirement 50% joint and survivor annuity death benefit from the Nonqualified Plans.

SECTION IV. Special Provision for former ARCO Alaska Employees.

Notwithstanding any provisions to the contrary, in order to comply with the terms of the Board approved Master Purchase and Sale Agreement ("Sale Agreement") by which the Company

acquired certain Alaskan assets of Atlantic Richfield Company, Inc. ("ARCO"), the following supplemental payments will be made:

- (a) The payments which would have been received under Article XXIV - ARCO Flight Crew of the Retirement Plan for those who were classified as an Aviation Manager, Chief Pilot, Assistant Chief Pilot, Captain or Reserve Captain as of July 31, 2000 if they had been eligible for those benefits under the Retirement Plan, except that if they receive a limited social security makeup benefit from the Retirement Plan it will be offset from the benefit payable from the plan.
- (b) A final ARCO Supplemental Executive Retirement Plan (SERP) benefit will be calculated at the earlier of the time an Employee who had an ARCO SERP benefit terminates employment or, 2 years following the ARCO/BP Amoco p.l.c. merger, April 17, 2002 ("calculation date"). The SERP benefit attributable to service through July 31, 2000 shall be paid by BP Amoco p.l.c. and the difference shall be paid by this plan. The SERP calculation will be done as if the Employee had continued to participate in the Atlantic Richfield Retirement Plan and SERP up to the calculation date. The ARCO Annual Incentive Plan (AIP) amount used will be:
 - (i) if the Employee terminates employment involuntarily prior to April 17, 2002, the highest of the actual AIP in the last 3 years including the AIP target payment amount for years after 1999 or the payment received under Phillips Annual Incentive Compensation Plan
 - (ii) if the Employee terminates employment voluntarily prior to April 17, 2002, or if the calculation is made as of April 17, 2002, then the AIP will include the highest 3

year average using the highest of the actual AIP, the AIP target payment amount for years after 1999, or the payment received under Phillips Annual Incentive Compensation Plan.

Any benefit paid by this plan under this Section IV (b)(ii) and the SERP benefit paid by BP Amoco p.l.c. shall offset the benefit payable from this plan at the time the Employee commences benefits under the Retirement Plan.

SECTION V. Payment of Benefits.

Subject to the requirement that the manner of payment of supplemental retirement benefits which an Employee is eligible to receive under this Plan, the Principal Corporate Officers Supplemental Retirement Plan of Phillips Petroleum Company, the Phillips Petroleum Company Supplemental Executive Retirement Plan, the Phillips Petroleum Company Key Employee Death Protection Plan, the Key Employee Missed Credited Service Retirement Plan and any similar plan or plans of the Company or a Participating Subsidiary, shall be the same and, subject further to the condition that an Employee who receives payments under this Plan in the manner described in Section IV (b) hereof, shall agree to be available to provide from time to time advice and consultation to the Company after reasonable notice and for reasonable compensation therefore:

- (a) An Employee may elect in the manner prescribed by the Plan Administrator to have the payments provided for hereunder made on a straight life annuity basis, or to have such life annuity payments converted in the manner provided by the Retirement Plan

to any one of the other forms of payments which the Employee would be entitled to select (except the lump-sum settlement option) if such payments were to be paid to the Employee under the Retirement Plan.

- (b) Notwithstanding (a) above, an Employee who is commencing retirement benefits and is eligible for a lump sum distribution from the Retirement Income Plan may, not earlier than 90 days nor later than 30 days prior to commencing retirement benefits, express a preference, in the manner prescribed by the Plan Administrator, to have the payment of the amounts provided for hereunder converted in the manner provided by the Retirement Plan from a life annuity basis to one lump-sum payment of which all or part of the lump sum payment is either paid to the Employee or considered an award pursuant to the provisions of KEDCP. The Chief Executive Officer, with respect to Employees who are not subject to Section 16 of the Exchange Act, and the Committee, with respect to Employees who are subject to Section 16 of the Exchange Act, shall consider such indication of preference and shall respectively decide in the Chief Executive Officer's or the Committee's sole discretion whether to accept or reject the preference expressed. In the event the Chief Executive Officer or the Committee, as applicable, accepts such Employee's preference, part or all of the Plan benefits shall be paid in a lump sum as soon as practicable after the later of such acceptance or the Employee's retirement benefit commencement date or credited as of the Employee's retirement benefit commencement date to the Employee's KEDCP account as applicable.

SECTION VI. Method of Providing Benefits.

All amounts payable under this Plan shall be paid solely from the general assets of the Company and any rights accruing to an eligible Employee or Retiree under the Plan shall be those of a general creditor; provided, however, that the Company may establish a grantor trust to satisfy part or all of its Plan payment obligations so long as the Plan remains an unfunded excess benefit plan for purposes of Title I of ERISA.

SECTION VII. Nonassignability.

The right of an Employee, or beneficiary, or other person who becomes entitled to receive payments under this Plan, shall not be assignable or subject to garnishment, attachment or any other legal process by the creditors of, or other claimants against, the Employee, beneficiary, or other such person.

SECTION VIII. Administration.

- (a) The Plan shall be administered by the Plan Administrator. The Plan Administrator may adopt such rules, regulations and forms as deemed desirable for administration of the Plan and shall have the discretionary authority to allocate responsibilities under the Plan to such other persons as may be designated, whether or not employee members of the Board.
- (b) Any claim for benefits hereunder shall be presented in writing to the Plan Administrator for consideration, grant or denial. In the event that a claim is denied in whole or in part by

the Plan Administrator, the claimant, within ninety days of receipt of said claim by the Plan Administrator, shall receive written notice of denial. Such notice shall contain:

- (1) a statement of the specific reason or reasons for the denial;
 - (2) specific references to the pertinent provisions hereunder on which such denial is based;
 - (3) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and
 - (4) an explanation of the following claims review procedure set forth in paragraph (c) below.
- (c) Any claimant who feels that a claim has been improperly denied in whole or in part by the Plan Administrator may request a review of the denial by making written application to the Trustee. The claimant shall have the right to review all pertinent documents relating to said claim and to submit issues and comments in writing to the Trustee. Any person filing an appeal from the denial of a claim must do so in writing within sixty days after receipt of written notice of denial. The Trustee shall render a decision regarding the claim within sixty days after receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered within a reasonable time, but not later than 120 days after receipt of the request for review. The

decision of the Trustee shall be in writing and, in the case of the denial of a claim in whole or in part, shall set forth the same information as is required in an initial notice of denial by the Plan Administrator, other than an explanation of this claims review procedure. The Trustee shall have absolute discretion in carrying out its responsibilities to make its decision of an appeal, including the authority to interpret and construe the terms hereunder, and all interpretations, findings of fact, and the decision of the Trustee regarding the appeal shall be final, conclusive and binding on all parties.

- (d) Compliance with the procedures described in paragraphs (b) and (c) shall be a condition precedent to the filing of any action to obtain any benefit or enforce any right which any individual may claim hereunder. Notwithstanding anything to the contrary in this Plan, these paragraphs (b), (c) and (d) may not be amended without the written consent of a seventy-five percent (75%) majority of Participants and Beneficiaries and such paragraphs shall survive the termination of this Plan until all benefits accrued hereunder have been paid.

SECTION IX. Employment not Affected by Plan.

Participation or nonparticipation in this Plan shall neither adversely affect any person's employment status, or confer any special rights on any person other than those expressly stated in the Plan. Participation in the Plan by an Employee of the Company or of a Participating Subsidiary shall not affect the Company's or the Participating Subsidiary's right to terminate the Employee's employment or to change the Employee's compensation or position.

SECTION X. Miscellaneous Provisions.

- (a) The Board reserves the right to amend or terminate this Plan at any time, if, in the sole judgment of the Board, such amendment or termination is deemed desirable; provided that no member of the Board who is also an Employee or Retiree shall participate in any action which has the actual or potential effect of increasing his or her benefits hereunder, and further provided, the Company shall remain liable for any benefits accrued under this Plan prior to the date of amendment or termination.
- (b) Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.
- (c) No amount accrued or payable hereunder shall be deemed to be a portion of an Employee's compensation or earnings for the purpose of any other employee benefit plan adopted or maintained by the Company, nor shall this Plan be deemed to amend or modify the provisions of the Retirement Plan.
- (d) The Plan shall be construed, regulated, and administered in accordance with the laws of the State of Oklahoma except to the extent that said laws have been preempted by the laws of the United States.

Amended by Corporate Approval
December 19, 2002

DEFINED CONTRIBUTION MAKEUP PLAN
OF
CONOCOPHILLIPS

SECTION 1. DEFINITIONS.

For purposes of the Plan, the following terms, as used herein, shall have the meaning specified:

- (a) "AFFILIATED COMPANY" means ConocoPhillips and any company or other legal entity that is controlled, either directly or indirectly, by ConocoPhillips.
- (b) "AFFILIATED GROUP" shall mean ConocoPhillips and its subsidiaries and affiliates in which it owns a 5% or more equity interest.
- (c) "ALLOCATION RATIO" shall mean the ratio determined by dividing (i) an amount equal to the total value of the unallocated shares of Stock allocated to Stock Savings Feature participants and beneficiaries as of a Stock Savings Feature Semiannual Allocation Date or Supplemental Allocation Date (as defined in the CPSP) by (ii) an amount equal to the total net Stock Savings Feature employee deposits used in the calculation of the Stock Savings Feature Semiannual Allocation or Supplemental Allocation (as defined in the CPSP).

- (d) "BENEFICIARY" means a person or persons designated by a Participant to receive, in the event of death, any unpaid portion of a Participant's Benefit from this Plan. Any Participant may designate one or more persons primarily or contingently as beneficiaries in writing upon forms supplied by and delivered to the Company, and may revoke such designations in writing. If a Participant fails to properly designate a beneficiary, then the Benefits will be paid in the following order of priority:
- (i) Surviving spouse;
 - (ii) Surviving children in equal shares;
 - (iii) To the estate of the Participant.
- (e) "BENEFIT" shall mean an obligation of the Company to pay amounts from this Plan.
- (f) "BOARD" means the Board of Directors of the Company, as it may be comprised from time to time.
- (g) "CODE" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.
- (h) "CPSP" means the ConocoPhillips Savings Plan.
- (i) "COMMITTEE" means the Compensation Committee of the Board of Directors of ConocoPhillips or any successor committee with substantially the same responsibilities.
- (j) "COMPANY" means ConocoPhillips Company, a Delaware corporation, or any successor corporation.

- (k) "DISABILITY" means the inability, in the opinion of the Medical Director of ConocoPhillips, of a Participant, because of an injury or sickness, to work at a reasonable occupation that is available with the a member of the Affiliated Group.
- (l) "EMPLOYEE" means any individual who is a salaried employee of the Company or any Participating Subsidiary.
- (m) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute.
- (n) "HIGHLY COMPENSATED EMPLOYEE" shall mean an Employee whose compensation exceeds the amount set forth in Code Section 401(a)(17), as amended from time to time, or who is eligible to elect a voluntary salary reduction under the provisions of the KEDCP; provided, however, that Employees of ConocoPhillips Services Inc. or Employees of any member of the Affiliated Group that prior to August 30, 2002, was also a member of the controlled group of companies of which Conoco Inc. was then a member shall only be a Highly Compensated Employee for purposes of the Supplemental Stock Savings Feature of this Plan.
- (o) "KEDCP" shall mean the Key Employee Deferred Compensation Plan of ConocoPhillips Company or any similar or successor plan maintained by an Affiliated Company.

- (p) "LAYOFF" or "LAID OFF" means layoff under the Phillips Layoff Plan, the Work Force Stabilization Plan of Phillips Petroleum Company, the Phillips Petroleum Company Executive Severance Plan, The Conoco Inc. Severance Pay Plan, the Conoco Inc. Key Employee Severance Plan or any similar plan which the Company, any Participating Subsidiary or a member of the Affiliated Group may adopt from time to time under the terms of which the Participant executes and does not revoke a general release of liability, acceptable to the Company, Participating Subsidiary or a member of the Affiliated Group, as applicable, under such layoff plan.
- (q) "PARTICIPANT" means an Employee who is eligible to receive a Benefit from this Plan as a result of being a Highly Compensated Employee and any person for whom a Supplemental Thrift Feature Account and/or a Supplemental Stock Savings Feature Account is maintained.
- (r) "PARTICIPATING SUBSIDIARY" means a subsidiary of ConocoPhillips, which has adopted the CPSP, and one or more Employees of which are Participants eligible to make deposits to the CPSP, or are eligible for Benefits pursuant to this Plan.
- (s) "PAY" means, "Pay" as defined in the CPSP except, without regard to Pay Limitations or voluntary Salary Reduction under provisions of the KEDCP.
- (t) "PAY LIMITATIONS" means the compensation limitations applicable to the CPSP that are set forth in Code Section 401(a)(17), as adjusted.

- (u) "PLAN ADMINISTRATOR" means the Manager, Compensation and Benefits, of ConocoPhillips or his successor.
- (v) "RETIREMENT" means termination of employment with the Company, a Participating Subsidiary or a member of the Affiliated Group that qualifies the Employee for Retirement as that term is defined in the applicable provisions of the ConocoPhillips Retirement Plan or of the applicable retirement plan of a member of the Affiliated Group.
- (w) "STOCK" means shares of common stock, \$0.01 par value, issued by ConocoPhillips, and prior to August 30, 2002, shares of common stock, \$1.25 par value, of Phillips Petroleum Company.
- (x) "STOCK SAVINGS FEATURE" shall mean the Stock Savings Feature of the CPSP.
- (y) "SUPPLEMENTAL THRIFT CONTRIBUTIONS" means, (i) prior to the month in which the Participant's Pay first exceeds the Pay Limitations in a year, the same percentage of a Participant's Pay that the Participant is depositing as a Basic Deposit to the Thrift Feature for that month multiplied by the amount of the Participant's voluntary salary reduction under the KEDCP for that month, and (ii) provided the Participant is making deposits to the Thrift Feature for the month in which the Participant's Pay exceeds the Pay Limitations and each month thereafter until the end of the year, the same percentage of the Participant's Pay that the Participant was depositing as a Basic Deposit to

the Thrift Feature for the month in which he or she reached the Pay Limitations for the year, multiplied by the sum of the amount of the Participant's voluntary salary reduction under the KEDCP for that month plus the amount of the Participant's Pay for that month that is in excess of the Pay Limitations for that year.

- (z) "SUPPLEMENTAL STOCK SAVINGS FEATURE ACCOUNT" means the Plan Benefit account of a Participant that reflects the portion of his or her Benefit that is intended to replace certain Stock Savings Feature benefits to which the Participant might otherwise be entitled but for the application of the Pay Limitations and/or a voluntary salary reduction under the KEDCP.
- (aa) "SUPPLEMENTAL STOCK SAVINGS CONTRIBUTIONS" means (i) prior to the month in which the Participant's Pay first exceeds the Pay Limitations in a year, for each month that the Participant makes deposits to the Stock Savings Feature, 1% of the amount of the Participant's voluntary salary reduction under the KEDCP for that month, and (ii) provided the Participant is making deposits to the Stock Savings Feature in the month in which the Participant's Pay exceeds the Pay Limitations, for that month and for each month thereafter until the end of the year, 1% of the sum of the amount of the Participant's voluntary salary reduction under the KEDCP for that month plus the amount of the Participant's Pay for that month that is in excess of the Pay Limitations for that year.

- (bb) "SUPPLEMENTAL THRIFT FEATURE ACCOUNT" means the Plan Benefit account of a Participant which reflects the portion of his or her Benefit which is intended to replace certain Thrift Feature benefits to which the Participant might otherwise be entitled but for the application of the Pay Limitations and/or a voluntary salary reduction under the KEDCP.
- (cc) "THRIFT FEATURE" shall mean the Thrift Feature of the CPSP.
- (dd) "TRUSTEE" shall mean the trustee of the grantor trust established by the Trust Agreement between the Company (known then as Phillips Petroleum Company) and Wachovia Bank, N.A. dated as of June 1, 1998, or any successor trustee.
- (ee) "VALUATION DATE" means "Valuation Date" as defined in the CPSP.

SECTION 2. PURPOSE.

The purpose of this Plan is to provide supplemental benefits for those Highly Compensated Employees whose benefits under the CPSP are affected by Pay Limitations or by a voluntary reduction in salary under provisions of KEDCP. This Plan is intended to be and shall be administered as an unfunded benefit plan for Highly Compensated Employees.

SECTION 3. ELIGIBILITY.

Benefits may only be granted to Highly Compensated Employees.

SECTION 4. SUPPLEMENTAL THRIFT FEATURE ACCOUNT BENEFITS.

For each month in which Company Contributions to a Participant's account in the Thrift Feature are, or would be, limited by the Pay Limitations and/or by a voluntary salary reduction to the KEDCP, a Benefit amount shall be credited to his or her Supplemental Thrift Feature Account no later than the end of the month following the Valuation Date that Company contributions are made to the Participant's Thrift Feature Account, or would be made to such account but for Pay Limitations. The Participant will be credited with an amount equal to the amount of his or her Supplemental Thrift Contributions each month to the same investment funds and in the same proportions as the Participant has directed his or her latest available investment allocation for Deposits to the Thrift Feature.

SECTION 4.1 SUPPLEMENTAL THRIFT FEATURE ACCOUNT EARNINGS

The Supplemental Thrift Feature Account shall be eligible to be invested in the same investment funds as are made available to Participants in the Thrift Feature from time to time. While such investments shall consist solely of book entries and shall not actually be invested in such funds, the book entry share value of such deemed investment funds in this Plan shall be determined to be the same share value as the actual value of shares in the investment funds of the CPSP. The amounts deemed invested in this Plan shall be valued at the same time and in the same manner as though they were actually invested in the CPSP. Also, deemed investments in the Participant's Supplemental Thrift Feature Account may be exchanged into other available investment funds in

the same manner, at the same times, and subject to the same limitations as though the deemed amounts were actually invested in the CPSP. However, to the extent that earnings in the form of dividends on Company Stock in the CPSP are eligible to be passed through to the Participant, such dividends will be deemed to have been reinvested in the Company Stock Fund of this Plan, without regard to whether the Participant has made a pass through election under the CPSP.

SECTION 5. SUPPLEMENTAL STOCK SAVINGS FEATURE ACCOUNT BENEFITS.

For each month in which a Semiannual Allocation or Supplemental Allocation (as defined in the CPSP) to a Participant's account in the Stock Savings Feature is, or would be, limited by the Pay Limitations and/or by a voluntary salary reduction under the KEDCP, a Benefit amount shall be credited to his or her Supplemental Stock Savings Feature Account. The amount to be credited shall be calculated in shares in the Leveraged Stock Fund of this Plan as though the Participant had made Supplemental Stock Savings Contributions and shall be equal to (i) the Participant's Supplemental Stock Savings Contributions during the applicable Allocation Period (as defined in the CPSP) multiplied by the applicable Allocation Ratio, divided by (ii) the share value for the Leveraged Stock Fund of the CPSP on the applicable Allocation Date. This amount shall be credited no later than the end of the month following the Valuation Date that the Semiannual Allocation or Supplemental Allocation to the Leveraged Stock Fund would have been made had the Participant received a Semiannual Allocation or Supplemental Allocation under the Stock Savings Feature. A share in the Leveraged Stock Fund of the Supplemental Stock Savings Feature Account shall have a value equivalent to a share in the Leveraged Stock Fund of the CPSP.

SECTION 5.1 SUPPLEMENTAL STOCK SAVINGS ACCOUNT FEATURE EARNINGS

After being initially invested in the Leveraged Stock Fund account, the amounts in the Participant's Supplemental Stock Savings Feature Account shall thereafter be eligible to be invested in the same investment funds as are made available to

Participants in the CPSP from time to time. While such investments shall consist solely of book entries and shall not actually be invested in such funds, the book entry share value of such deemed investment funds in this Plan shall be determined to be the same share value as the actual value of shares in the investment funds of the CPSP. The amounts deemed invested in this Plan shall be valued at the same time and in the same manner as though they were actually invested in the CPSP. Also, deemed investments in the Participant's Supplemental Stock Savings Feature Account may be exchanged into other available investment funds in the same manner, at the same times, and subject to the same limitations as though the deemed amounts were actually invested in the CPSP. However, to the extent that earnings in the form of dividends on Company Stock in the CPSP are eligible to be passed through to the Participant, such dividends will be deemed to have been reinvested in the Company Stock Fund of this Plan, without regard to whether the Participant has made a pass through election under the CPSP.

SECTION 6. PAYMENT.

If a Participant terminates employment with the Affiliated Group for any reason except death, Disability, Layoff during or after the year in which the Participant reaches age 50, or Retirement, Benefits which the Participant is eligible to receive under this Plan shall be paid in one lump sum cash payment as soon as practicable following his or her termination. If a Participant dies prior to Retirement, Benefits which the Participant is eligible to receive under this Plan shall be paid in one lump sum cash payment to the Participant's Beneficiary as soon as practicable after his or her death. If a Participant Retires, is

Laid off during or after the year in which the Participant reaches age 50, or becomes Disabled, Benefits which the Participant is eligible to receive under this Plan shall be paid in one lump sum cash payment as soon as practicable following the Participant's Retirement, Layoff, determination of Disability or termination of employment; provided that such a Participant may indicate a preference to defer part or all of such lump sum cash payment under the terms of the KEDCP.

All lump sum cash payments shall be made only as of a Valuation Date and shall be net of withholding for applicable taxes required by law.

The Chief Executive Officer of ConocoPhillips, with respect to Participants who are not subject to Section 16 of the Exchange Act, and the Committee, with respect to Participants who are subject to Section 16 of the Exchange Act, shall consider such indication of preference and shall respectively decide in the Chief Executive Officer's or the Committee's sole discretion whether to accept or reject the preference expressed. In the event the Chief Executive Officer or the Committee, as applicable, accepts such Participant's preference, the Participant's Benefit from this Plan shall be credited as an Award under the KEDCP as soon as practicable after the Participant's Retirement, Layoff or the date the Participant is determined to be Disabled.

SECTION 7. ADMINISTRATION.

- (a) The Plan shall be administered by the Plan Administrator. The Plan Administrator may delegate to employees of the Company or any Affiliated Company the authority to execute and deliver such instruments and documents, to do all such acts and things, and to take all such other steps deemed necessary, advisable or convenient for the effective administration of the Plan in accordance with its terms and purpose, except that the Plan Administrator may not delegate any discretionary authority with respect to substantive decisions or functions regarding the Plan or Benefits thereunder.
- (b) Any claim for benefits hereunder shall be presented in writing to the Plan Administrator for consideration, grant or denial. In the event that a claim is denied in whole or in part by the Plan Administrator, the claimant, within ninety days of receipt of said claim by the Plan Administrator, shall receive written notice of denial. Such notice shall contain:
- (1) a statement of the specific reason or reasons for the denial;
 - (2) specific references to the pertinent provisions hereunder on which such denial is based;
 - (3) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and

(4) an explanation of the following claims review procedure set forth in paragraph (c) below.

(c) Any claimant who feels that a claim has been improperly denied in whole or in part by the Plan Administrator may request a review of the denial by making written application to the Trustee. The claimant shall have the right to review all pertinent documents relating to the claim and to submit issues and comments in writing to the Trustee. Any person filing an appeal from the denial of a claim must do so in writing within sixty days after receipt of written notice of denial. The Trustee shall render a decision regarding the claim within sixty days after receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered within a reasonable time, but not later than 120 days after receipt of the request for review. The decision of the Trustee shall be in writing and, in the case of the denial of a claim in whole or in part, shall set forth the same information as is required in an initial notice of denial by the Plan Administrator, other than an explanation of this claims review procedure. The Trustee shall have absolute discretion in carrying out its responsibilities to make its decision of an appeal, including the authority to interpret and construe the terms hereunder, and all interpretations, findings of fact, and the decision of the Trustee regarding the appeal shall be final, conclusive and binding on all parties.

- (d) Compliance with the procedures described in paragraphs (b) and (c) shall be a condition precedent to the filing of any action to obtain any benefit or enforce any right that any individual may claim hereunder. Notwithstanding anything to the contrary in this Plan, these paragraphs (b), (c) and (d) may not be amended without the written consent of a seventy-five percent (75%) majority of Participants and Beneficiaries and such paragraphs shall survive the termination of this Plan until all benefits accrued hereunder have been paid.

SECTION 8. RIGHTS OF EMPLOYEES AND PARTICIPANTS.

Nothing contained in the Plan (or in any other documents related to this Plan or to any Benefit) shall confer upon any Employee or Participant any right to continue in the employ or other service of the Company or any member of the Affiliated Group or constitute any contract or limit in any way the right of the Company or any member of the Affiliated Group to change such person's compensation or other benefits or to terminate the employment of such person with or without cause.

SECTION 9. AWARDS IN FOREIGN COUNTRIES.

The Board or its delegate shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or Participating Subsidiaries may

operate to assure the viability of the Benefits of Participants employed in such countries and to meet the purpose of this Plan.

-16-

SECTION 10. AMENDMENT AND TERMINATION.

The Board reserves the right to amend or terminate this Plan at any time, and to delegate such authority as the Board deems necessary or desirable; provided that no member of the Board who is also a Participant shall participate in any action which has the actual or potential effect of increasing his or her Benefits hereunder; and further provided, the Company shall remain liable for any Benefits accrued under this Plan prior to the date of amendment or termination.

SECTION 11. UNFUNDED PLAN.

All amounts payable under this Plan shall be paid solely from the general assets of the Company and any rights accruing to a Participant under the Plan shall be those of a general creditor; provided, however, that the Company or ConocoPhillips may establish a grantor trust to satisfy part or all of the Company's Plan payment obligations so long as the Plan remains unfunded for purposes of Title I of ERISA.

SECTION 12. MISCELLANEOUS PROVISIONS.

- (a) No right or interest of a Participant under this Plan shall be assignable or transferable, in whole or in part, directly or indirectly, by operation of law or otherwise (excluding devolution upon death or mental incompetency), without the prior consent of the Board.
- (b) This Plan shall be restated and amended effective as of January 1, 2003.

-17-

- (c) No amount accrued or payable hereunder shall be deemed to be a portion of an Employee's compensation or earnings for the purpose of any other employee benefit plan adopted or maintained by the Company, nor shall this Plan be deemed to amend or modify the provisions of the CPSP.
- (d) This Plan shall be construed, regulated, and administered in accordance with the laws of the State of Texas except to the extent that said laws have been preempted by the laws of the United States.
- (e) Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.

BOARD OF DIRECTORS APPROVED
AUGUST 26, 2002

2002 OMNIBUS SECURITIES PLAN
OF
PHILLIPS PETROLEUM COMPANY
(2002-2006)

SECTION 1. PURPOSE AND ESTABLISHMENT

The purpose of the Omnibus Securities Plan of Phillips Petroleum Company (the "Plan") is to benefit the Company's stockholders by encouraging high levels of performance by individuals whose performance is a key element in achieving the Company's continued financial and operational success, and to enable the Company to recruit, reward, retain and motivate employees to work as a team to achieve the Company's mission of being the top performer in each of our businesses by rewarding the creation of shareholder value.

The 2002 Omnibus Securities Plan of Phillips Petroleum Company shall become effective January 1, 2002, upon its adoption by the Company's stockholders at the 2001 Annual Meeting.

SECTION 2. DEFINITIONS

For purposes of the Plan, the following terms, as used herein, shall have the meaning specified:

- (a) "AWARD" or "AWARDS" means an award granted pursuant to Section 4 hereof.
- (b) "AWARD AGREEMENT" means an agreement described in Section 5 hereof entered into between the Company and a Participant, setting forth the terms, conditions and any limitations applicable to the Award granted to the Participant.

- (c) "BENEFICIARY" means a person or persons designated by a Participant to receive, in the event of death, any unpaid portion of an Award held by the Participant. Any Participant may, subject to such limitations as may be prescribed by the Committee, designate one or more persons primarily or contingently as beneficiaries in writing upon forms supplied by and delivered to the Company, and may revoke such designations in writing. If a Participant fails effectively to designate a beneficiary, then the Award will be paid in the following order of priority:
 - (i) Surviving spouse;
 - (ii) Surviving children in equal shares;
 - (iii) To the estate of the Participant.
- (d) "BOARD" means the Board of Directors of the Company as it may be comprised from time to time.
- (e) "CODE" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.
- (f) "COMMITTEE" means the Compensation Committee of the Board or any successor committee with substantially the same responsibilities.
- (g) "COMPANY" means ConocoPhillips, a Delaware corporation or any successor corporation.
- (h) "COVERED EMPLOYEE" means a Participant designated prior to the grant of Restricted Stock or Performance Awards by the Committee as one who is or may be a "covered employee" within the meaning of Section 162(m)(3) of the Code in the year in which Restricted Stock or Performance Awards are expected to be taxable to such Participant.

- (i) "DATE OF CHANGE OF CONTROL" shall mean the earliest date on which any of the occurrences listed in Section 9 of this Plan should occur.
- (j) "DISABILITY" shall mean the inability, in the opinion of the independent third party who administers the Long Term Disability Plan for the Company or as certified by a physician who is licensed as a Medical Doctor (M.D.) or a Doctor of Osteopathy (D.O.) that the Participant, because of an injury or sickness, is unable to work at a reasonable occupation which is available with the Company or at any gainful occupation which the Participant is or may become fitted.
- (k) "EMPLOYEE" means any individual who is a salaried employee of the Company or any Participating Subsidiary.
- (l) "EXECUTIVE OFFICER" means the Chief Executive Officer (CEO) position and those positions that report directly to the CEO and other positions so designated by the Compensation Committee.
- (m) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended and in effect from time to time, or any successor statute.
- (n) "FAIR MARKET VALUE" in reference to the common stock of the Company means
 - (i) the average of the reported highest and lowest sales prices per share of such Stock during regular business hours as reported on the composite tape of New York Stock Exchange transactions (or such other reporting system as shall be selected by the Committee) on the relevant date; or

- (ii) in the absence of reported sales on that date, the average of the reported highest and lowest sales prices per share during regular business hours on the last previous day for which there was a reported sale.

The Committee shall determine the Fair Market Value of any security that is not publicly traded, using such criteria as it shall determine, in its sole discretion, to be appropriate for such valuation.

- (O) "INSIDER" means any person who is subject to Section 16 of the Exchange Act.
- (P) "INVOLUNTARY TERMINATION" of a Participant means:
 - (i) Termination of the Participant's employment with the Company for any reason other than voluntary termination (except as provided in clause (ii)), death, disability or termination for cause,
 - (ii) A termination of employment by the Participant within 60 days following a reduction of ten percent or more of the Participant's annual salary or a reduction in the Participant's job responsibilities, or
 - (iii) A termination of the Participant's employment by the Company as a consequence of refusing a transfer by the Company to a location in excess of 50 miles from the Participant's work location upon the Date of Change of Control, unless the move is covered by the Company's moving policy.

In no event shall a Participant be considered Involuntarily Terminated if he or she is retained in the employment of the Company, its subsidiaries or affiliates.

- (q) "PARTICIPANT" means an Employee who has been designated by the Committee to be eligible for an Award pursuant to this Plan.
- (r) "PERFORMANCE GOAL" means a performance goal established by the Committee in connection with the grant of a Qualified Performance-Based Award, which is based on the attainment of specified levels of one or more of the following measures on either absolute or relative basis: earnings per share, sales, net profit after tax, gross profit, operating profit, cash generation, unit volume, return on equity, economic profit, safety, growth project achievement, change in working capital, return on capital, return on investment, shareholder return, and is established in writing by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.
- (s) "QUALIFIED PERFORMANCE-BASED AWARD" means an Award of Restricted Stock or Performance Units or another type of Award designated as such by the Committee at the time of grant, based upon a determination that (i) the recipient is a Covered Employee with respect to such Award and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption.
- (t) "PARTICIPATING SUBSIDIARY" means an entity of the Company, of which the Company beneficially owns, directly or indirectly, more than 50% of the aggregate voting power of all outstanding classes and series of stock or membership interest, and in which one or more Employees are Participants, or are eligible for Awards pursuant to this Plan.
- (u) "RESTRICTED STOCK" means shares of Stock which have certain restrictions attached to the ownership thereof, which may be issued under Section 4.3.
- (v) "RETIREMENT" means termination of employment with the Company or a Participating Subsidiary which qualifies the Employee for Retirement as that term is defined in the

Retirement Income Plan of Phillips Petroleum Company or of the applicable retirement plan of a Participating Subsidiary.

- (w) "RULE 16B-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission as now in force or as such regulation or successor regulation shall be hereafter amended.
- (x) "SECTION 16" means Section 16 of the Exchange Act or any successor regulation and the rules promulgated thereunder as they may be amended from time to time.
- (y) "SECTION 162(m) EXEMPTION" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.
- (z) "STOCK" means shares of common stock of the Company, par value \$.01 or as modified from time to time.
- (aa) "STOCK APPRECIATION RIGHT" means a right, the value of which is determined relative to the appreciation in value of shares of Stock, which may be issued under Section 4.2.
- (bb) "STOCK OPTION" means a right to purchase shares of Stock granted pursuant to Section 4.1 and includes Incentive Stock Options and Non-Qualified Stock Options as defined in Section 4.1.

SECTION 3. ELIGIBILITY

Awards may be granted only to Employees who are designated as Participants from time to time by the Committee. The Committee shall determine which Employees shall be Participants, the types of Awards to be made to Participants and the terms, conditions and limitations applicable to the Awards.

SECTION 4. AWARDS

Awards may include, but are not limited to, those described in this Section 4. The Committee may grant Awards singly, in tandem or in combination with other Awards, as the Committee may in its sole discretion determine. Subject to the other provisions of this Plan, Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan and any other employee plan of the Company. The Committee must approve all grants made under this Plan to the Chief Executive Officer. The Committee may also designate from time to time other classes of officers or employees for whom Committee approval will be required for grants of equity under this Plan. The Chief Executive Officer shall have authority to approve stock option grants, restricted stock, or other forms of equity compensation, to Participants other than those whose grant has been designated by the Committee for approval by the Committee.

4.1 STOCK OPTIONS

A Stock Option is a right to purchase a specified number of shares of Stock at a specified price during such specified time as the Committee shall determine.

- (a) Options granted may be either of a type that complies with the requirements of incentive stock options as defined in Section 422 of the Code and is designated as such ("Incentive Stock Options") or of a type that does not comply with such requirements or is designated as not being an Incentive Stock Option ("Non-Qualified Options"). The maximum award term for all Stock Options awarded under this Plan shall be ten (10) years.
- (b) The exercise price per share of any Stock Option shall be no less than the Fair Market Value per share of the Stock subject to the option on the date the Stock Option is granted.

- (c) A Stock Option may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased.
- (d) The exercise price of the Stock subject to the Stock Option may be paid in cash or, at the discretion of the Committee, may also be paid by the tender of Stock already owned by the Participant, or through a combination of cash and Stock, or through such other means the Committee determines are consistent with the Plan's purpose and applicable law. No fractional shares of Stock will be issued or accepted.
- (e) Notwithstanding any other provision of this Plan, other than Section 8, no Participant may be granted Stock Options and Stock Appreciation Rights covering in excess of 2,000,000 shares of Stock in any calendar year. If Stock Appreciation Rights are granted in tandem with an equal number of Stock Options, the total number of shares covered by such Stock Appreciation Rights and Stock Options shall be deemed, for purposes of this limitation, to equal the number of shares covered by such Stock Options.

4.2 STOCK APPRECIATION RIGHTS

A Stock Appreciation Right is a right to receive, upon surrender of the right, but without payment, an amount payable in cash and/or shares of Stock under the terms and conditions as the Committee shall determine.

- (a) A Stock Appreciation Right may be granted in tandem with part or all of, in addition to, or completely independent of a Stock Option or any other Award under this Plan. A Stock Appreciation Right issued in tandem with a Stock Option may be granted at the time of grant of the related Stock Option or at any time thereafter during the term of the Stock Option.

- (b) The amount payable in cash and/or shares of Stock with respect to each right shall be equal in value to a percent of the amount by which the Fair Market Value per share of Stock on the exercise date exceeds the exercise price of the Stock Appreciation Right. The applicable percent shall be established by the Committee. The amount payable in shares of Stock, if any, is determined with reference to the Fair Market Value on the date of exercise.
- (c) Stock Appreciation Rights issued in tandem with Stock Options shall be exercisable only to the extent that the Stock Options to which they relate are exercisable. Upon exercise of the Stock Appreciation Right, the Participant shall surrender to the Company the underlying Stock Option. Stock Appreciation Rights issued in tandem with Stock Options shall automatically terminate upon the exercise of such Stock Options.
- (d) Grants of Stock Appreciation Rights are subject to the limitations set forth in Section 4.1(e) above.

4.3 RESTRICTED STOCK

Restricted Stock is Stock that is issued to a Participant and is subject to such terms, conditions and restrictions as the Committee deems appropriate, which may include, but is not limited to, restrictions upon the sale, assignment, transfer or other disposition of the Restricted Stock and the requirement of forfeiture of the Restricted Stock upon termination of employment under certain specified conditions. The Committee may provide for the lapse of any such term or condition or waive any term or condition based on such factors or criteria as the Committee may determine. Pursuant to this Section 4.3, an Award of Restricted Stock may be either time-lapsed Restricted Stock or Performance-Based Restricted Stock. The Participant shall have, with respect to awards of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the Restricted Stock and the right to receive any cash or stock dividends on such Stock.

4.4 PERFORMANCE AWARDS

Performance Awards may be granted under this Plan from time to time based on the terms and conditions as the Committee deems appropriate provided that such Awards shall not be inconsistent with the terms and purposes of this Plan. Performance Awards are Awards which are contingent upon the performance of all or a portion of the Company and/or its Participating Subsidiaries or which are contingent upon the individual performance of a Participant. Performance Awards may be in the form of performance units, performance shares and such other forms of performance Awards which the Committee shall determine. The Committee shall determine the performance measurements and criteria for such Performance Awards.

4.5 OTHER AWARDS

The Committee may from time to time grant stock, other stock-based and non-stock based Awards under the Plan including without limitations those Awards pursuant to which shares of stock are or may in the future be acquired, Awards denominated in stock units, securities convertible into stock, phantom securities and dividend equivalents. The Committee shall determine the terms and conditions of such other stock, stock-based and non-stock based Awards provided that such Awards shall not be inconsistent with the terms and purposes of this Plan.

4.6 QUALIFIED PERFORMANCE-BASED AWARDS

The provisions of this Section 4.6 shall apply to all Qualified Performance-Based Awards, notwithstanding any other provision of this Plan, other than Sections 8 and 9. No Participant may be granted Qualified Performance-Based Awards covering in excess of 2,000,000 shares of Stock or allowing for the payment of cash in excess of \$10,000,000 in any calendar year. Each Qualified Performance-Based Award shall be earned, vested and payable (as applicable) only upon the achievement of one or more Performance Goals (together with the satisfaction of any other

conditions, such as continued employment, as the Committee may determine to be appropriate); provided, that (i) the Committee may provide, either in connection with the grant thereof or by amendment thereafter, that achievement of such Performance Goals will be waived upon the death or disability of the Participant, and (ii) the provisions of Sections 8 and 9 shall apply notwithstanding this sentence. Except as specifically provided in the preceding sentence, no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under this Plan with respect to a Qualified Performance-Based Award under this Plan, in any manner to waive the achievement of the applicable Performance Goals or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. Under this Plan, a Qualified Performance-Based Award may include Restricted Stock.

SECTION 5. AWARD AGREEMENTS

Each Award under this Plan shall be evidenced by an Award Agreement setting forth the number of shares of Stock or other security, Stock Appreciation Rights, or units subject to the Award and such other terms and conditions applicable to the Award as determined by the Committee.

(a) Award Agreements shall include the following terms:

- (i) NON-ASSIGNABILITY: A provision that the Awards under the Plan other than Awards representing Non-Qualified Stock Options shall not be assigned, pledged or otherwise transferred except by will or by the laws of descent and distribution, and that during the lifetime of a Participant, an Award other than an Award representing Non-Qualified Stock Options shall be exercised only by such Participant or by the Participant's legal guardian or legal representative.

- (ii) TERMINATION OF EMPLOYMENT: A provision describing the treatment of an Award in the event of the Retirement, Disability, death or other termination of a Participant's employment with the Company, including but not limited to terms relating to the vesting, time for exercise, forfeiture or cancellation of an Award in such circumstances.
- (iii) RIGHTS AS STOCKHOLDER: A provision that a Participant shall have no rights as a stockholder with respect to any securities covered by an Award until the date the Participant becomes the holder of record. Except as provided in Section 8 hereof, no adjustment shall be made for dividends or other rights, unless the Award Agreement specifically requires such adjustment, in which case, grants of dividend equivalents or similar rights shall not be considered to be a grant of any other stockholder right.
- (iv) WITHHOLDING: A provision requiring the withholding of applicable taxes required by law from all amounts paid in satisfaction of an Award. In the case of an Award paid in cash, the withholding obligation shall be satisfied by withholding the applicable amount and paying the net amount in cash to the Participant. In the case of Awards paid in shares of Stock or other securities of the Company, a Participant may satisfy the withholding obligation by paying the amount of any taxes in cash or, with the approval of the Committee, shares of Stock or other securities may be deducted from the payment to satisfy the Company's minimum withholding obligation in full or in part as long as such withholding of shares does not violate any applicable laws, rules or regulations of Federal, state or local authorities. The number of shares to be deducted shall be determined by reference to the Fair Market Value of such shares of Stock on the applicable date.

(b) Award Agreements may include the following terms:

- (i) REPLACEMENT AND SUBSTITUTION: Except as provided in Section 13 (b) dealing with repricing of Stock Options, such provisions permitting the surrender of outstanding Awards or securities held by the Participant in order to exercise or realize rights under other Awards, or in exchange for the grant of new Awards under similar or different terms, may be included.
- (ii) TRANSFERABILITY OF NON-QUALIFIED STOCK OPTIONS: Such provisions as the Committee may, in its discretion, authorize in any particular case, with respect to all or any portion of any Non-Qualified Stock Options to be granted to Participant, the transfer by such Participant of any of such Non-Qualified Stock Options to (a) the spouse, children or grandchildren (including in each case stepchildren or step grandchildren) of the Participant (all such persons collectively "Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of persons all of whom are Immediate Family Members, or (c) a partnership in which all partners are Immediate Family Members, provided that following any such permitted transfer, subsequent transfers of transferred Non-Qualified Stock Options, except by will or the laws of descent and distribution, are prohibited. Following any transfer contemplated hereby, the transferred Non-Qualified Stock Options shall continue to be subject to all of the terms hereof, administrative procedures and the Award Agreement pursuant to which it was originally granted, and the transferee shall be obliged to comply in all respects with all of the terms and conditions hereof, the administrative procedures and the Award Agreement in the same manner as if the transferee were a Participant hereunder.
- (iii) OTHER TERMS: Such other terms as are necessary and appropriate to effect an Award to the Participant including but not limited to the term of the Award, vesting provisions, deferrals, any requirements for continued employment with the

Company, any other restrictions or conditions (including performance requirements) on the Award and the method by which restrictions or conditions lapse, effect on the Award of a Change of Control as defined in Section 9, the price, amount or value of Awards.

SECTION 6. SHARES OF STOCK SUBJECT TO THE PLAN

- (a) Subject to the adjustment provisions of Section 8 hereof, the number of shares of Stock for which Awards may be granted during the term of this Plan shall be 12,500,000; provided, that immediately following the Effective Time of the Merger (as those terms are defined in the next sentence), the number of shares of Stock for which Awards may be granted during the term of this Plan shall be increased by the product of (i) a fraction, the numerator of which is 12,500,000 and the denominator of which is the number of shares of Stock outstanding immediately before the Effective Time times (ii) the number of shares of Stock issued by the Company to stockholders of Tosco Corporation pursuant to the Merger; and provided, further, that the numbers described in clauses (i) and (ii) of the preceding proviso shall be adjusted as appropriate in the event there is any adjustment made pursuant to Section 8 hereof before the Effective Time of the Merger. The terms "Effective Time" and "Merger" shall have the meanings given to them in the Agreement and Plan of Merger, dated as of February 4, 2001, by and among the Company, Ping Acquisition Corp. and Tosco Corporation, as the same may be amended from time to time.

Shares issued under the Plan which do not fall under Section 4.1 or 4.2 shall be limited to 2,000,000 shares during the term of the Plan; provided, that immediately following the Effective Time of the Merger, the 2,000,000 share limitation shall be increased by the

product of (i) a fraction, the numerator of which is 2,000,000 and the denominator of which is the number of shares of Stock outstanding immediately before the Effective Time times (ii) the number of shares of Stock issued by the Company to stockholders of Tosco Corporation pursuant to the Merger; and provided, further, that the numbers described in clauses (i) and (ii) of the preceding proviso shall be adjusted as appropriate in the event there is any adjustment made pursuant to Section 8 hereof before the Effective Time of the Merger.

- (b) Any unexercised or undistributed portion of any terminated, expired, exchanged, or forfeited Award or Awards settled in cash in lieu of shares of Stock shall be available for further Awards in addition to those available under Section 6(a) hereof.
- (c) For the purposes of computing the total number of shares of Stock granted under the Plan, the following rules shall apply to Awards payable in Stock or other securities, where appropriate:
 - (i) except as provided in (v) of this Section, each Stock Option shall be deemed to be the equivalent of the maximum number of shares that may be issued upon exercise of the particular Stock Option;
 - (ii) except as provided in (v) of this Section, each other stock-based Award payable in some other security shall be deemed to be equal to the number of shares to which it relates;
 - (iii) except as provided in (v) of this Section, where the number of shares available under the Award is variable on the date it is granted, the number of shares shall be deemed to be the maximum number of shares that could be received under that particular Award;

- (iv) where one or more types of Awards (both of which are payable in shares of Stock or another security) are granted in tandem with each other, such that the exercise of one type of Award with respect to a number of shares cancels an equal number of shares of the other, each joint Award shall be deemed to be the equivalent of the number of shares under the other; and
- (v) each share awarded or deemed to be awarded under the preceding subsections shall be treated as shares of Stock, even if the Award is for a security other than Stock.

Additional rules for determining the number of shares of Stock granted under the Plan may be made by the Committee, as it deems necessary or appropriate.

- (d) The Stock which may be issued pursuant to an Award under the Plan may be treasury or authorized but unissued Stock or Stock may be acquired, subsequently or in anticipation of the transaction, in the open market to satisfy the requirements of the Plan.

SECTION 7. ADMINISTRATION

- (a) A majority of the members of the Committee shall constitute a quorum. The vote of a majority of a quorum shall constitute action by the Committee.
- (b) The Committee shall periodically determine the Participants in the Plan and the nature, amount, pricing, timing, and other terms of Awards to be made to such individuals.
- (c) The Committee shall have the power to interpret and administer the Plan. All questions of interpretation with respect to the Plan, the number of shares of Stock or other security, Stock Appreciation Rights, or units granted, and the terms of any Award Agreements shall be

determined by the Committee and its determination shall be final and conclusive upon all parties in interest. In the event of any conflict between an Award Agreement and the Plan, the terms of the Plan shall govern.

- (d) It is the intent of the Company that the Plan and Awards hereunder satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Insiders, satisfies the applicable requirements of Rule 16b-3, so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 and will not be subjected to avoidable liability thereunder. If any provision of the Plan or of any Award would otherwise frustrate or conflict with the intent expressed in this Section 7(d), that provision, to the extent possible, shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, the provision shall be deemed void as applicable to Insiders.
- (e) The Committee may delegate to the officers or employees of the Company the authority to execute and deliver such instruments and documents, to do all such acts and things, and to take all such other steps deemed necessary, advisable or convenient for the effective administration of the Plan in accordance with its terms and purpose, except that the Committee may not delegate any discretionary authority with respect to substantive decisions or functions regarding the Plan or Awards thereunder as these relate to any Qualified Performance-Based Awards nor to Insiders including, but not limited to, decisions regarding the timing, eligibility, pricing, amount or other material term of such Awards.

SECTION 8. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

Subject to any required action by the Company's stockholders, in the event of a reorganization, recapitalization, Stock split, Stock dividend, exchange of Stock, combination of Stock, merger, consolidation or any other change in corporate structure of the Company affecting the Stock, or in

the event of a sale by the Company of all or a significant part of its assets, or any distribution to its stockholders other than a normal cash dividend, the Committee may make appropriate adjustment in the number, kind, price and value of Stock authorized by this Plan, in the limitations imposed by Sections 4.1(e) and 4.6, and any adjustments to outstanding Awards as it determines appropriate so as to prevent dilution or enlargement of rights; provided, that such adjustments to the limitations imposed by Sections 4.1(e) and 4.6, and to Qualified Performance-Based Awards shall be carried out in a manner complying with the requirements for the Section 162(m) Exemption.

SECTION 9. CHANGE OF CONTROL

- (a) In the event of a Change of Control, unless explicitly provided otherwise in the applicable Award Agreement:
 - (i) Any Stock Options and Stock Appreciation Rights outstanding as of the Date of Change of Control that are not then fully exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant and shall remain exercisable following any Involuntary Termination for a period not less than the lesser of one year and the remainder of the original term of such Stock Option or Stock Appreciation Right;
 - (ii) All restrictions and other limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;

(iii) All Performance Awards and other Awards outstanding as of the Date of Change of Control shall be considered to be earned, at the higher of the target level or the level earned based upon performance from the beginning of the applicable performance period through the Date of Change of Control, and shall be paid in full, and any deferral or other restriction shall lapse and except as provided in subsection (c) of this Section 9, such Performance Awards shall be settled in cash as promptly as is practicable; and (iv) All noncompetition covenants and other similar restrictive covenants applicable to any outstanding Awards shall lapse and become null and void and of no further effect.

(b) A "Change of Control" shall mean:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14 (d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15 percent or more of either (a) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (b) the combined power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 9(b); or

- (ii) Individuals who, as of August 26, 2002, constituted the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 26, 2002, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

- (iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity (a "Corporate Transaction"), in each case, unless, following such Corporate Transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction of the Outstanding Company Common Stock and Outstanding Company

Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) beneficially own, directly or indirectly, 15 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Corporate Transaction and (C) at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(c) Notwithstanding the foregoing, if any right to receive cash granted pursuant to this Section 9 would make a Change of Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that but for the nature of such right would be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Stock or other securities with a Fair Market Value equal to the cash that would otherwise be payable hereunder and to make such other adjustments as may be necessary to preserve such eligibility (so long as such other adjustments do not materially diminish the value of the affected Awards).

SECTION 10. RIGHTS OF EMPLOYEES

(a) Status as an eligible Employee shall not be construed as a commitment that any Award will be made under the Plan to such eligible Employee or to eligible Employees generally.

- (b) Nothing contained in the Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Employee or Participant any right to continue in the employ or other service of the Company or constitute any contract or limit in any way the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person with or without cause.

SECTION 11. AWARDS IN FOREIGN COUNTRIES

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Participating Subsidiaries may operate to assure the viability of the benefits of Awards made to Participants employed in such countries and to meet the purpose of this Plan.

SECTION 12. COMPLIANCE WITH APPLICABLE LEGAL REQUIREMENTS

No Stock certificate distributable pursuant to this Plan shall be issued and delivered unless the issuance of such certificate complies with all applicable legal requirements including, without limitation, compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended from time to time, or any successor statute, the Exchange Act and the requirements of the exchanges on which the Company's Stock may, at the time, be listed.

SECTION 13. AMENDMENT AND TERMINATION

- (a) The Board of Directors may at any time amend, suspend or terminate the Plan. The Committee may at any time alter or amend any or all Award Agreements under the Plan, but no such alteration or amendment may adversely affect the rights of the Participant in question without such Participant's consent. However, no such action may, without further

approval of the stockholders of the Company, be effective if such approval is required in order that transactions in Company securities under the Plan be exempt from the operation of Section 16(b) of the Securities Exchange Act of 1934, nor may any such action amend the Plan so as to

- (i) increase the number of shares of Stock which may be issued under the Plan, except as provided for in Section 8; or
 - (ii) materially modify the requirements as to eligibility for participation.
- (b) In addition, except for adjustments pursuant to Section 8 hereof, in no event may any Stock Option or Stock Appreciation Right granted under this Plan be amended to decrease the exercise price thereof, cancelled in conjunction with the grant of any new Stock Option or Stock Appreciation Right with a lower price, or otherwise be subject to any action that would be treated, for accounting purposes, as a repricing of such Stock Option or Stock Appreciation Right.

SECTION 14. UNFUNDED PLAN

The Plan shall be unfunded. Neither the Company nor the Board of Directors shall be required to segregate any assets that may at any time be represented by Awards made pursuant to the Plan. Neither the Company, the Committee, nor the Board of Directors shall be deemed to be a trustee of any amounts to be paid under the Plan.

SECTION 15. LIMITS OF LIABILITY

- (a) Any liability of the Company to any Participant with respect to an Award shall be based solely upon contractual obligations created by the Plan and the Award Agreement.
- (b) Neither the Company nor any member of the Board of Directors or of the Committee, nor any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability to any party for any action taken or not taken, in good faith under the Plan.

SECTION 16. DURATION OF THE PLAN

This Plan shall become effective on January 1, 2002, upon the adoption by the Company's stockholders at the 2001 Annual Meeting, and the Committee shall have authority to grant Awards hereunder until December 31, 2006, subject to the ability of the Board of Directors to terminate the Plan as provided in Section 13.

SECTION 17. TERMINATION OF OTHER PLANS

The Omnibus Securities Plan of 1993 ("1993 Plan") shall continue for its duration or until December 31, 2002, and grants may be made from the 1993 Plan until it expires by its terms or until shares of Stock are no longer awardable under the 1993 Plan. Grants other than Incentive Stock Options, Non-qualified Stock Options, and Stock Appreciation Rights that are made under the 1993 Plan, following the approval by stockholders of the 2002 Omnibus Securities Plan, shall not exceed 700,000 shares. All Stock Options granted under the 1993 Plan, following the approval by stockholders of the 2002 Omnibus Securities Plan, shall be granted at not less than the Fair Market Value of the Stock on the date of the grant, and the term of such options shall not exceed ten (10) years.

1998 STOCK AND PERFORMANCE INCENTIVE PLAN
OF CONOCOPHILLIPS

(AS AMENDED AND RESTATED EFFECTIVE AUGUST 30, 2002)

RECITALS

Conoco Inc. ("Conoco") established the 1998 Stock and Performance Incentive Plan of Conoco Inc. (the "Plan") effective October 16, 1998. Paragraph 5 specifies the number of shares of Common Stock with respect to which awards may be granted under the Plan. Paragraph 14 reserves to the Board the right to amend the Plan. Paragraph 16 provides that in the event of certain transactions, including a reorganization, the Board is authorized to (a) issue or assume Awards by means of substitution of new Awards, as appropriate, for previously issued Awards or an assumption of previously issued Awards as part of such adjustment or (b) to cancel Awards that are Options or SARs and give the Participants who are the holders of such Awards notice and opportunity to exercise for 30 days prior to such cancellation.

Effective October 8, 2001, Conoco reclassified its Class A Common Stock and Class B Common Stock into a single class of new common stock ("Common Stock") by merging Conoco Delaware I, Inc., a wholly owned subsidiary of Conoco ("Merger Sub"), with and into Conoco (the "Merger"), pursuant to an Agreement and Plan of Merger, dated as of July 17, 2001, between Conoco and Merger Sub. In connection with the Merger and pursuant to their authority under Paragraph 14, the Board authorized the amendment and restatement of the Plan to provide for the issuance of Awards with respect to the new class of Common Stock, effective October 8, 2001 (the effective time of the Merger). In addition, in connection with the Merger and effective October 8, 2001, pursuant to its authority under Paragraph 16, the Board substituted a new Award for each previously issued outstanding Award. The new Award applied to a number of shares of Common Stock equal to the total number of shares of Conoco Class A Common Stock and Class B Common Stock for which the previously issued outstanding Award had not been exercised, and provides for the same exercise price and the same other terms and conditions as those applicable under the previously issued outstanding Award.

On September 21, 2001, the stockholders of Conoco approved a Plan amendment to increase the number shares of Common Stock available for Awards under the Plan, which increase was included in October 8, 2001 amendment and restatement of the Plan.

On October 30, 2001, the Board of Directors of Conoco approved certain Stock Award and Plan amendment limitations to the Plan.

Effective November 18, 2001, Conoco entered into the Agreement and Plan of Merger by and among Phillips Petroleum Company, Corvette Porsche Corp., Porsche Merger Corp., Corvette Merger Corp. and Conoco (the "Phillips Merger Agreement"), which provides for a series of transactions including the formation of ConocoPhillips, a Delaware corporation, and the merger of Conoco into and with a subsidiary of ConocoPhillips (collectively, the "Phillips Merger"). In connection with and effective upon the closing of the Phillips Merger, the Board of Directors of Conoco approved the amendment and restatement of the Plan to reflect the

transfer of sponsorship to ConocoPhillips, the renaming of the Plan as the "1998 Stock and Performance Incentive Plan of ConocoPhillips," and to make certain changes related thereto.

Now, therefore, Conoco hereby amends and restates the Plan, effective as of the Closing of the Phillips Merger, to read as follows:

1. Plan. The Plan was adopted by the Company to reward certain corporate officers and key employees of the Company, certain independent contractors and nonemployee directors of the Company by providing for certain cash benefits and by enabling them to acquire shares of Common Stock of the Company.

2. Objectives. The purpose of this Amended and Restated 1998 Stock and Performance Incentive Plan of ConocoPhillips is to further the interests of the Company, its Subsidiaries and its shareholders by providing incentives in the form of Awards to key employees, independent contractors and directors who can contribute materially to the success and profitability of the Company and its Subsidiaries and to provide for issuance of Awards in connection with the "Option Program" under which certain existing DuPont awards were canceled at the election of the holders. Such Awards will recognize and reward outstanding performances and individual contributions and give Participants in the Plan an interest in the Company parallel to that of the shareholders, thus enhancing the proprietary and personal interest of such Participants in the Company's continued success and progress. This Plan will also enable the Company and its Subsidiaries to attract and retain such employees, independent contractors and directors.

3. Definitions. As used herein, the terms set forth below shall have the following respective meanings:

"Annual Director Award Date" means, for each year beginning on or after the IPO Closing Date, the first business day of the month next succeeding the date upon which the annual meeting of stockholders of the Company is held in such year.

"Authorized Officer" means the the Chief Executive Officer of the Company (or any other senior officer of the Company to whom either of them shall delegate the authority to execute any Award Agreement, where applicable).

"Award" means an Employee Award, a Director Award or an Independent Contractor Award.

"Award Agreement" means any Employee Award Agreement, Director Award Agreement or Independent Contractor Award Agreement.

"Board" means the Board of Directors of the Company.

"Cash Award" means an award denominated in cash.

"Chairman" means the Chairman of the Board as of the IPO Pricing Date.

"Change of Control" is defined in Attachment A.

"Class A Common Stock" means the Class A Common Stock, par value \$.01 per share, of Conoco Inc.

"Class B Common Stock" means the Class B Common Stock, par value \$.01 per share, of Conoco Inc.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation Committee of the Board or such other committee of the Board as is designated by the Board to administer the Plan.

"Common Stock" means, from and after the effective time of the Phillips Merger (as defined in the Recitals), ConocoPhillips common stock, par value \$.01 per share. Prior to the effective time of the Phillips Merger and after the Merger (as defined in the Recitals), "Common Stock" means Conoco common stock, par value \$.01 per share. Prior to the effective time of the Merger, "Common Stock" means Class A Common Stock or Class B Common Stock, as appropriate.

"Company" means ConocoPhillips, a Delaware corporation. Prior to the effective time of the Phillips Merger, "Company" means Conoco.

"Conoco" means Conoco Inc., a Delaware corporation.

"Director Amendment Date" means October 1, 2000, the date as of which the Plan was amended to reflect a change in the compensation structure for Nonemployee Directors.

"Director Award" means a Director Option or Stock Unit.

"Director Award Agreement" means a written agreement setting forth the terms, conditions and limitations applicable to a Director Award.

"Director Option" means a Nonqualified Stock Option granted to a Nonemployee Director pursuant to paragraph 9 hereof,

"Directors Deferred Compensation Plan" means the ConocoPhillips Deferred Compensation Plan for Nonemployee Directors established under the Plan.

"Disability" means, with respect to a Nonemployee Director, the inability to perform the duties of a member of the Board for a continuous period of more than three months by reason of any medically determinable physical or mental impairment.

"Dividend Equivalents" means, with respect to shares of Restricted Stock that are to be issued at the end of the Restriction Period, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to stockholders of record during the Restriction Period on a like number of shares of Common Stock.

"DuPont" means E.I. du Pont de Nemours and Company, a Delaware corporation.

"DuPont Award" means an option, stock appreciation right or other form of stock award granted by DuPont pursuant to the DuPont Stock Performance Plan, the DuPont Variable Compensation Plan, the DuPont Corporate Sharing Plan or the Conoco Unit Option Plan.

"Employee" means an employee of the Company or any of its Subsidiaries and an individual who has agreed to become an employee of the Company or any of its Subsidiaries and is expected to become such an employee within the following six months.

"Employee Award" means any Option, SAR, Stock Award, Cash Award or Performance Award granted, whether singly, in combination or in tandem, to a Participant who is an Employee pursuant to such applicable terms, conditions and limitations (including treatment as a Performance Award) as the Committee may establish in order to fulfill the objectives of the Plan.

"Employee Award Agreement" means a written agreement setting forth the terms, conditions and limitations applicable to an Employee Award.

"Fair Market Value" of a share of Common Stock means, as of a particular date, (i) if Common Stock is listed on a national securities exchange, the mean between the highest and lowest sales price per share of such Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the next succeeding date on which such a sale was so reported, or, at the discretion of the Committee, the price prevailing on the exchange at the time of exercise, (ii) if Common Stock is not so listed but is quoted on the Nasdaq National Market, the mean between the highest and lowest sales price per share of Common Stock reported by the Nasdaq National Market on that date, or, if there shall have been no such sale so reported on that date, on the next succeeding date on which such a sale was so reported or, at the discretion of the Committee, the price prevailing on the Nasdaq National Market at the time of exercise, (iii) if Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the next succeeding date on which such quotations shall be available, as reported by the Nasdaq Stock Market, or, if not reported by the Nasdaq Stock Market, by the National Quotation Bureau Incorporated or (iv) if Common Stock is not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose.

"Grant Date" means the date an Award is granted to a Participant pursuant to the Plan. The Grant Date for a substituted award is the Grant Date of the original award.

"Grant Price" means the price at which a Participant may exercise his or her right to receive cash or Common Stock, as applicable, under the terms of an Award.

"Incentive Stock Option" means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

"Independent Contractor" means a person providing services to the Company or any of its Subsidiaries, or who will provide such services, except an Employee or Nonemployee Director.

"Independent Contractor Award" means any Nonqualified Stock Option, SAR, Stock Award, Cash Award or Performance Award granted, whether singly, in combination or in tandem, to a Participant who is an Independent Contractor pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

"Independent Contractor Award Agreement" means a written agreement setting forth the terms, conditions and limitations applicable to an Independent Contractor Award.

"IPO" means the first time a registration statement filed under the Securities Act of 1933 and respecting an underwritten primary offering by Conoco of shares of Common Stock is declared effective under that Act and the shares registered by that registration statement are issued and sold by Conoco (otherwise than pursuant to the exercise of any over-allotment option).

"IPO Closing Date" means the date on which Conoco first receives payment for the shares of Common Stock it sells in the IPO.

"IPO Pricing Date" means the date of the execution and delivery of an underwriting or other purchase agreement among Conoco and the underwriters relating to the IPO setting forth the price at which shares of Common Stock will be issued and sold by Conoco to the underwriters and the terms and conditions thereof.

"Nonemployee Director" means an individual serving as a member of the Board who is not an Employee of the Company or any of its Subsidiaries.

"Nonqualified Stock Option" means an Option that is not an Incentive Stock Option.

"Option" means a right to purchase a specified number of shares of Common Stock at a specified Grant Price, which may be an Incentive Stock Option or a Nonqualified Stock Option.

"Option Program" means a program involving the cancellation of certain existing DuPont Awards.

"Option Program Award" means an Option, SAR or Stock Award granted in connection with the Option Program.

"Option Value" means the value of a Director Option as determined on the basis of a generally accepted valuation methodology as determined by the Board.

"Participant" means an Employee, Director or Independent Contractor to whom an Award has been granted under this Plan.

"Performance Award" means an award made pursuant to this Plan to a Participant who is an Employee or Independent Contractor that is subject to the attainment of one or more Performance Goals.

"Performance Goal" means a standard established by the Committee, to determine in whole or in part whether a Performance Award shall be earned.

"Restricted Stock" means Common Stock that is restricted or subject to forfeiture provisions.

"Restriction Period" means a period of time beginning as of the Grant Date of an Award of Restricted Stock and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

"Stock Appreciation Right" or "SAR" means a right to receive a payment, in cash or Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified Grant Price, in each case, as determined by the Committee.

"Stock Award" means an Award in the form of shares of Common Stock or units denominated in shares of Common Stock, including an award of Restricted Stock.

"Stock Unit" means a unit equal to one share of Common Stock (as determined by the Committee) (as adjusted pursuant to Paragraph III.6 of the Directors Deferred Compensation Plan) granted to a Nonemployee Director.

"Subsidiary" means (i) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing 50% or more of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation and (ii) in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns 50% or more of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise).

4. Eligibility.

(a) Employees. Employees eligible for the grant of Employee Awards under this Plan are those who hold positions of responsibility and whose performance, in the judgment of the Committee, can have a significant effect on the success of the Company and its Subsidiaries.

(b) Directors. Members of the Board eligible for the grant of Director Awards under this Plan are those who are Nonemployee Directors.

(c) Independent Contractors. All Independent Contractors are eligible for the grant of Independent Contractor Awards under this Plan.

5. Common Stock Available for Awards.

(a) Subject to the provisions of paragraph 16 hereof, no Award shall be granted if it shall result in the aggregate number of shares of Common Stock issued under

the Plan plus the number of shares of Common Stock covered by or subject to Awards then outstanding (after giving effect to the grant of the Award in question) to exceed 14,684,765. No more than 4,677,000 shares of Common Stock shall be available for Incentive Stock Options. The number of shares of Common Stock that are the subject of Awards under this Plan that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or in a manner such that all or some of the shares covered by an Award are not issued to a Participant or are exchanged for Awards that do not involve Common Stock, shall again immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such procedures concerning the counting of shares against the Plan maximum as it may deem appropriate. The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

(b) Option Program Awards and awards assumed under the Plan or issued as substitute Awards, each pursuant to paragraph 16(b) of the Plan, (i) are not subject to the limitations in paragraph 8(b) and (ii) do not count against the limitations on Common Stock available for Awards set forth in paragraph 5(a).

6. Administration.

(a) This Plan shall be administered by the Committee except as otherwise provided herein.

(b) Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. The Committee may, in its discretion, provide for the extension of the exercisability of an Employee Award or Independent Contractor Award, accelerate the vesting or exercisability of an Employee Award or Independent Contractor Award, eliminate or make less restrictive any restrictions applicable to an Employee Award or Independent Contractor Award, waive any restriction or other provision of this Plan (insofar as such provision relates to Employee Awards or to Independent Contractor Awards) or an Employee Award or Independent Contractor Award or otherwise amend or modify an Employee Award or Independent Contractor Award in any manner that is either (i) not adverse to the Participant to whom such Employee Award or Independent Contractor Award was granted or (ii) consented to by such Participant. The Committee may grant an Award to an Employee who it expects to become an employee of the Company or any of its Subsidiaries within the following six months, with such Award being subject to the individual's actually becoming an employee within such time period, and subject to such other terms and conditions as may be established by the Committee. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in

any Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(c) No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. Delegation of Authority. The Committee may delegate to the Chief Executive Officer and to other senior officers of the Company its duties under this Plan pursuant to such conditions or limitations as the Committee may establish. The Committee may engage or authorize the engagement of a third party administrator to carry out administrative functions under the Plan.

8. Employee and Independent Contractor Awards.

(a) The Committee shall determine the type or types of Employee Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Employee Award shall be embodied in an Employee Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and, if required by the Committee, shall be signed by the Participant to whom the Employee Award is granted and by an Authorized Officer for and on behalf of the Company. Employee Awards may consist of those listed in this paragraph 8(a) and may be granted singly, in combination or in tandem. Employee Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. An Employee Award may provide for the grant or issuance of additional, replacement or alternative Employee Awards upon the occurrence of specified events, including the exercise of the original Employee Award granted to a Participant. All or part of an Employee Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Company and its Subsidiaries, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance. Upon the termination of employment by a Participant who is an Employee, any unexercised, deferred, unvested or unpaid Employee Awards shall be treated as set forth in the applicable Employee Award Agreement.

(i) Option. An Employee Award may be in the form of an Option, which may be an Incentive Stock Option or a Nonqualified Stock Option. The Grant Price of an Option shall be not less than the Fair Market Value of the Common Stock subject to such Option on the Grant Date. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options

awarded to Employees pursuant to this Plan, including the Grant Price, the term of the Options and the date or dates upon which they become exercisable, shall be determined by the Committee.

(ii) Stock Appreciation Rights. An Employee Award may be in the form of an SAR. The terms, conditions and limitations applicable to any SARs awarded to Employees pursuant to this Plan, including the Grant Price, the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.

(iii) Stock Award. An Employee Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Awards granted pursuant to this Plan shall be determined by the Committee.

(iv) Cash Award. An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to this Plan shall be determined by the Committee.

(v) Performance Award. Without limiting the type or number of Employee Awards that may be made under the other provisions of this Plan, an Employee Award may be in the form of a Performance Award. A Performance Award shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee prior to the earlier to occur of (x) 90 days after the commencement of the period of service to which the Performance Goal relates and (y) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. Such a Performance Goal may be based on one or more business criteria that apply to the Employee, one or more business units of the Company, or the Company as a whole, and may include one or more of the following: increased revenue, net income, stock price, market share, earnings per share, return on equity, return on assets, decrease in costs, shareholder value, net cash flow, total shareholder return, return on capital, return on investors' capital, operating income, funds from operations, cash flow, cash from operations, after-tax operating income, reserve addition, proceeds from dispositions, production volumes, refinery runs, net cash flow before financing activities, reserve replacement ratio, finding and development costs, refinery utilizations and total market value. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Performance Awards, it is the intent of the Plan to conform with the standards of Section 162(m) of the Code and Treasury Regulations 1.162-27(e)(2)(i), and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the

achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Performance Awards made pursuant to this Plan shall be determined by the Committee.

(b) Notwithstanding anything to the contrary contained in this Plan excluding paragraph 5(b), the following limitations shall apply to any Employee Awards made hereunder:

(i) no Participant may be granted, during any calendar year, Employee Awards consisting of Options or SARs that are exercisable for more than 2,338,500 shares of Common Stock;

(ii) no Participant may be granted, during any calendar year, Stock Awards covering or relating to more than 116,925 shares of Common Stock (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above, being hereinafter collectively referred to as the "Stock Based Awards Limitations"); and

(iii) no Participant may be granted Employee Awards consisting of cash or in any other form permitted under this Plan (other than Employee Awards consisting of options or SARs or Stock Awards) in respect of any calendar year having a value determined on the Grant Date in excess of \$10,000,000.

(c) Subject to Section 8(e), the Committee shall have the sole responsibility and authority to determine the type or types of Independent Contractor Awards to be made under this Plan and the terms, conditions and limitations applicable to such Awards.

(d) An Option Program Award is generally subject to the same terms and conditions as the canceled DuPont Award.

(e) Stock Awards, other than those awards which are subject to specific grant limitations under the Plan, shall be in lieu of, and have a Fair Market Value on the Grant Date equal to, other compensation that the Company would otherwise have awarded to the Participant.

9. Director Awards. Each Nonemployee Director of the Company shall be granted Director Awards in accordance with this paragraph 9 and subject to the applicable terms, conditions and limitations set forth in this Plan and the applicable Director Award Agreements. Notwithstanding anything to the contrary contained herein, Director Awards shall not be granted in any year in which a sufficient number of shares of Common Stock are not available to make all such scheduled Awards under this Plan.

(a) Initial Director Options. On the IPO Pricing Date, each Nonemployee Director, other than the Chairman, and each person who had agreed to become a Nonemployee Director in connection with the IPO was automatically granted a Director

Option on that number of shares of Class A Common Stock such that the aggregate Option Value was \$30,000, and the Chairman was automatically awarded a Director Option on that number of shares of Class A Common Stock such that the aggregate Option Value was \$1,300,000, but in the case of a person who was not a Nonemployee Director on such date, subject to that person becoming a Nonemployee Director no later than the first regularly scheduled meeting of the Board following the IPO Pricing Date.

(b) Annual Director Options. On each Annual Director Award Date before the Director Amendment Date, each Nonemployee Director other than the Chairman shall automatically be granted a Director Option with an Option Value equal to \$30,000.

(c) Terms of Director Option. Each Director Option shall have a term of ten years following the Grant Date. The Grant Price of each share of Common Stock subject to a Director Option shall be equal to the Fair Market Value of the Common Stock subject to such Option on the Grant Date. All Director Options shall be fully vested after 6 months of service as a Nonemployee Director. All Director Options shall become exercisable in increments of one-third of the total number of shares of Common Stock that are subject thereto (rounded up to the nearest whole number) on the first and second anniversaries of the Grant Date and of all remaining shares of Common Stock that are subject thereto on the third anniversary of the Grant Date. Notwithstanding the foregoing exercise schedule, all Director Options held by a Nonemployee Director shall immediately become fully exercisable if the Nonemployee Director terminates his or her status as a member of the Board by reason of the director's death or Disability.

(d) Director Option Agreements. Any Award of Director Options shall be embodied in a Director Award Agreement, which shall contain the terms, conditions and limitations set forth above and shall be signed by an Authorized Officer for and on behalf of the Company.

(e) IPO Related Stock Units. On the IPO Pricing Date, each Nonemployee Director, other than the Chairman, and each person who had agreed to become a Nonemployee Director in connection with the IPO was automatically granted that number of Stock Units under the Director's Deferred Compensation Plan determined by dividing \$95,000 by the Fair Market Value of Class A Common Stock on the IPO Pricing Date, and the Chairman was automatically granted that number of Stock Units under the Director's Deferred Compensation Plan determined by dividing \$100,000 by the Fair Market Value of Class A Common Stock on the IPO Pricing Date; provided, however, that in the case of a person who was not a Nonemployee Director on such date, the grant under this subparagraph (e) was subject to that person becoming a Nonemployee Director no later than the first regularly scheduled meeting of the Board following the IPO Pricing Date. Initial Stock Units related to Class A Common Stock. Stock Units granted under this paragraph 9(e) cannot be distributed or made available to the Nonemployee Director before the expiration of three years from the Grant Date, except by reason of death or Disability of the director.

(f) Other Stock Unit Grants before Director Amendment Date. On the date of his or her first appointment or election to the Board, provided such appointment or

election occurs on or after the IPO Closing Date and before the Director Amendment Date, a Nonemployee Director shall automatically be granted that number of Stock Units determined by dividing \$95,000 by the Fair Market Value of the applicable Common Stock on the date of election to the Board. In addition, on each Annual Director Award Date before the Director Amendment Date, each Nonemployee Director other than the Chairman shall automatically be granted an additional number of Stock Units determined by dividing \$20,000 by the Fair Market Value of the applicable Common Stock on such date. Stock Units granted under this paragraph 9(f) cannot be distributed or made available to the Nonemployee Director before the expiration of three years from the Grant Date, except by reason of death or Disability of the director.

(g) Initial Stock Unit Grants On or After Director Amendment Date. On the date of his or her first appointment or election to the Board, if such appointment or election occurs on or after the Director Amendment Date, a Nonemployee Director shall automatically be granted that number of Stock Units determined by dividing \$100,000 by the Fair Market Value of the applicable Common Stock on the date of election to the Board. Stock Units granted under this paragraph 9(g): (i) shall become vested with respect to one-fifth of the total number of Stock Units subject to the initial grant hereunder (rounded up to the nearest whole number) on the first through fourth anniversaries of the Grant Date and with respect to all remaining Stock Units subject to the initial grant hereunder on the fifth anniversary of the Grant Date, subject to the requirement that the director remain in the continuous service of the Company as a director through the anniversary on which the additional vesting is scheduled to occur, provided that all such Stock Units shall immediately vest if the director terminates his or her status as a member of the Board by reason of the death or Disability of the director, and (ii) cannot be distributed or made available to the Nonemployee Director before the expiration of five years from the Grant Date, except by reason of death or Disability of the director. Notwithstanding the foregoing, no grants shall be made under this subparagraph (g) solely as a result of a former Phillips Petroleum Company director becoming a Nonemployee Director in connection with the Phillips Merger.

(h) Other Stock Unit Grants On or After Director Amendment Date. On each Annual Director Award Date occurring on or after the Director Amendment Date, each Nonemployee Director shall automatically be granted a number of Stock Units determined by dividing \$50,000 by the Fair Market Value of the applicable Common Stock on such date. Stock Units granted under this paragraph 9(h): (i) are fully vested upon the Grant Date, and (ii) cannot be distributed or made available to the Nonemployee Director before the expiration of three years from the Grant Date, except by reason of death or Disability of the director.

(i) Terms of Stock Units. Stock Units granted under the foregoing provisions of this paragraph 9 shall be accounted for and subject to the terms and conditions of the Directors Deferred Compensation Plan, including provisions that dividend equivalents shall be accumulated and reinvested in additional Stock Units.

(j) Stock Unit Agreements. Any Award of Stock Units shall be embodied in a Director Award Agreement, which shall contain the applicable terms and conditions and

limitations set forth above, and applicable terms and conditions from the Directors Deferred Compensation Plan.

10. Change of Control. Notwithstanding the provisions of paragraphs 8 and 9 hereof, unless otherwise expressly provided in the applicable Award Agreement, in the event of a Change of Control during a Participant's employment (or service as a Nonemployee Director or Independent Contractor) with the Company or one of its Subsidiaries, (i) each Award granted under this Plan to the Participant shall become immediately vested and fully exercisable (regardless of the otherwise applicable vesting or exercise schedules or performance goals provided for under the Award Agreement) and (ii) if the Award is an Option or SAR, shall remain exercisable until the expiration of the term of the Award or, if the Participant should die before the expiration of the term of the Award, until the earlier of (a) the expiration of the term of the Award or (b) two (2) years following the date of the Participant's death.

11. Payment of Awards.

(a) General. Payment made to a Participant pursuant to an Award may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions. If such payment is made in the form of Restricted Stock, the applicable Award Agreement relating to such shares shall specify whether they are to be issued at the beginning or end of the Restriction Period. In the event that shares of Restricted Stock are to be issued at the beginning of the Restriction Period, the certificates evidencing such shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. In the event that shares of Restricted Stock are to be issued at the end of the Restricted Period, the right to receive such shares shall be evidenced by book entry registration or in such other manner as the Committee may determine. Payment of Stock Units awarded to Nonemployee Directors shall be governed by the Directors Deferred Compensation Plan.

(b) Deferral. With the approval of the Committee, amounts payable in respect of Awards may be deferred and paid either in the form of installments or as a lump-sum payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards or any other compensation otherwise payable by the Company in accordance with procedures established by the Committee and may provide that such deferred compensation may be payable in shares of Common Stock. Any deferred payment pursuant to an Award, whether elected by the Participant or specified by the Award Agreement or by the Committee, may be forfeited if and to the extent that the Award Agreement so provides.

(c) Dividends, Earnings and Interest. Rights to dividends or Dividend Equivalents may be extended to and made part of any Stock Award, subject to such terms, conditions and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest or other earnings on deferred cash payments and Dividend Equivalents for Stock Awards.

(d) Substitution of Awards. At the discretion of the Committee, a Participant who is an Employee or Independent Contractor may be offered an election to substitute an Employee Award or Independent Contractor Award for another Employee Award or Independent Contractor Award or Employee Awards or Independent Contractor Awards of the same or different type.. Subject to Paragraph 16, the Grant Price of any Option shall not be decreased, including by means of issuance of a substitute Award with a lower Grant Price.

(e) Cash-out of Awards. At the discretion of the Committee, an Award that is an Option or SAR may be settled by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the date of exercise and the Grant Price of the Award, multiplied by the number of shares with respect to which the Award is exercised.

12. Option Exercise. The Grant Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the optionee, the optionee may purchase such shares by means of tendering Common Stock or surrendering another Award, including Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for Participants to tender Common Stock or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award. Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock used as consideration therefor, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee. The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this paragraph.

An optionee desiring to pay the Grant Price of an Option by tendering Common Stock using the method of attestation may, subject to any such conditions and in compliance with any such procedures as the Committee may adopt, do so by attesting to the ownership of Common Stock of the requisite value in which case the Company shall issue or otherwise deliver to the optionee upon such exercise a number of shares of Common Stock subject to the Option equal to the result obtained by dividing (a) the excess of the aggregate Fair Market Value of the shares of Common Stock subject to the Option for which the Option (or portion thereof) is being exercised over the Grant Price payable in respect of such exercise by (b) the Fair Market Value per share of Common Stock subject to the Option, and the optionee may retain the shares of Common Stock the ownership of which is attested.

13. Taxes. The Company or its designated third party administrator shall have the right to deduct applicable taxes from any Employee Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes or other amounts required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also

permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Employee Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made. The Committee may provide for loans, on either a short term or demand basis, from the Company to a Participant who is an Employee or Independent Contractor to permit the payment of taxes required by law.

14. Amendment, Modification, Suspension or Termination of the Plan. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Company to the extent such approval is required by applicable legal requirements. In addition, if an amendment would (i) materially increase the benefits accruing to Participants under this Plan, (ii) materially increase the aggregate number of securities that may be issued under this Plan, or (iii) materially modify the requirements as to eligibility for participation in this Plan, then to the extent required by applicable law, or deemed necessary by the Committee, such amendment shall be subject to shareholder approval.

15. Assignability. Unless otherwise determined by the Committee and provided in the Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will, beneficiary designation or the laws of descent and distribution. In the event that a beneficiary designation conflicts with an assignment by will, the beneficiary designation will prevail. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 15 shall be null and void.

16. Adjustments.

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of shares of Common Stock reserved under this Plan, (ii) the number of shares of Common Stock covered by outstanding Awards, (iii) the Grant Price or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Stock Based Awards Limitations

shall each be proportionately adjusted by the Board as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (i) the number of shares of Common Stock covered by Awards, (ii) the Grant Price or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Stock Based Awards Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized (x) to assume under the Plan previously issued compensatory awards, or to substitute new Awards for previously issued compensatory awards, including Awards, as part of such adjustment or (y) to cancel Awards that are Options or SARs and give the Participants who are the holders of such Awards notice and opportunity to exercise for 30 days prior to such cancellation.

17. Restrictions. No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

18. Unfunded Plan. This Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets for purposes of this Plan or Awards hereunder, nor shall the Company, the Board or the Committee be deemed to be a trustee of any benefit to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

19. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Delaware.

20. Effectiveness. The Plan, as approved by the Board, was effective as of October 16, 1998. This Plan was approved by the stockholders of the Company on October 19, 1998. The amendments to the Plan to permit the grant of Awards denominated in Class B Common Stock were effective on May 12, 1999 and were conditioned upon the approval of the stockholders of the Company prior to December 31, 1999, which approval was obtained on May 12, 1999. The amendment to Paragraph 12 of the Plan providing for option exercise payment by the attestation method was effective on October 28, 1999. The amendments to the Plan reflecting a change in Nonemployee Director compensation were effective on October 1, 2000. The Plan, as approved by the Board for amendment and restatement in connection with the Merger (as defined in the Recitals on page 1 of this Plan) was effective October 8, 2001, and the increase of shares available for Awards included in the October 8, 2001 amendment and restatement was separately approved by the stockholders of the Company on September 21, 2001. The amendment and restatement of the Plan to add certain Stock Award and Plan amendment limitations was approved by the Board of Directors on October 30, 2001. This amendment and restatement of the Plan to reflect the Phillips Merger, was approved by the Board of Directors on August 16, 2002 and is effective as of the effective time of the Phillips Merger.

ATTACHMENT "A"

"CHANGE IN CONTROL"

The following definitions apply to the Change of Control provision in paragraph 10 of the foregoing Plan.

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on August 30, 2002.

"Associate" shall mean, with reference to any Person, (a) any corporation, firm, partnership, association, unincorporated organization or other entity (other than the Company or a subsidiary of the Company) of which such Person is an officer or general partner (or officer or general partner of a general partner) or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities, (b) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

"Beneficial Owner" shall mean, with reference to any securities, any Person if:

(a) such Person or any of such Person's Affiliates and Associates, directly or indirectly, is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on August 30, 2002) such securities or otherwise has the right to vote or dispose of such securities, including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection (a) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (i) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a-2(b)(2) of the General Rules and Regulations under the Exchange Act) proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (ii) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report);

(b) such Person or any of such Person's Affiliates and Associates, directly or indirectly, has the right or obligation to acquire such securities (whether such right or obligation is exercisable or effective immediately or only after the passage of time or the occurrence of an event) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to "beneficially own," (i) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange or (ii) securities issuable upon exercise of Exempt Rights; or

(c) such Person or any of such Person's Affiliates or Associates (i) has any agreement, arrangement or understanding (whether or not in writing) with any other Person (or any Affiliate or Associate thereof) that beneficially owns such securities for the purpose of acquiring, holding, voting (except as set forth in the proviso to subsection (a) of this definition) or disposing of such securities or (ii) is a member of a group (as that term is used in Rule 13d-5(b) of the General Rules and Regulations under the Exchange Act) that includes any other Person that beneficially owns such securities;

provided, however, that nothing in this definition shall cause a Person engaged in business as an underwriter of securities to be the Beneficial Owner of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition. For purposes hereof, "voting" a security shall include voting, granting a proxy, consenting or making a request or demand relating to corporate action (including, without limitation, a demand for a stockholder list, to call a stockholder meeting or to inspect corporate books and records) or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act) in respect of such security.

The terms "beneficially own" and "beneficially owning" shall have meanings that are correlative to this definition of the term "Beneficial Owner."

"Board" shall have the meaning set forth in the foregoing Plan.

"Change of Control" shall mean any of the following occurring on or after August 30, 2002:

(a) any Person (other than an Exempt Person) shall become the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding or 20% or more of the combined voting power of the Voting Stock of the Company then outstanding; provided, however, that no Change of Control shall be deemed to occur for purposes of this subsection (a) if such Person shall become a Beneficial Owner of 20% or more of the shares of Common Stock or 20% or more of the combined voting power of the Voting Stock of the Company solely as a result of (i) an Exempt Transaction or (ii) an acquisition by a Person pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this definition are satisfied;

(b) individuals who, as of August 30, 2002, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 30, 2002 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; provided, further, that there shall be excluded, for this purpose, any such individual whose initial assumption of office occurs as a result of any

actual or threatened election contest that is subject to the provisions of Rule 14a-11 of the General Rules and Regulations under the Exchange Act;

(c) the shareholders of the Company shall approve a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (i) more than 70% of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding Voting Stock of such corporation beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the outstanding Common Stock, (ii) no Person (excluding any Exempt Person or any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the Common Stock then outstanding or 20% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding Voting Stock of such corporation and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the initial agreement or initial action by the Board providing for such reorganization, merger or consolidation; or

(d) the shareholders of the Company shall approve (i) a complete liquidation or dissolution of the Company unless such liquidation or dissolution is approved as part of a plan of liquidation and dissolution involving a sale or disposition of all or substantially all of the assets of the Company to a corporation with respect to which, following such sale or other disposition, all of the requirements of clauses (ii)(A), (B) and (C) of this subsection (d) are satisfied, or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which, following such sale or other disposition, (A) more than 70% of the then outstanding shares of common stock of such corporation and the combined voting power of the Voting Stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock, (B) no Person (excluding any Exempt Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the Common Stock then outstanding or 20% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding Voting Stock of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of

the Incumbent Board at the time of the initial agreement or initial action of the Board providing for such sale or other disposition of assets of the Company.

"Common Stock" shall have the meaning set forth in the foregoing Plan.

"Company" shall have the meaning set forth in the foregoing Plan.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exempt Person" shall mean any of the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, and any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan.

"Exempt Rights" shall mean any rights to purchase shares of Common Stock or other Voting Stock of the Company if at the time of the issuance thereof such rights are not separable from such Common Stock or other Voting Stock (i.e., are not transferable otherwise than in connection with a transfer of the underlying Common Stock or other Voting Stock), except upon the occurrence of a contingency, whether such rights exist as of August 30, 2002 or are thereafter issued by the Company as a dividend on shares of Common Stock or other Voting Securities or otherwise.

"Exempt Transaction" shall mean an increase in the percentage of the outstanding shares of Common Stock or the percentage of the combined voting power of the outstanding Voting Stock of the Company beneficially owned by any Person solely as a result of a reduction in the number of shares of Common Stock then outstanding due to the repurchase of Common Stock or Voting Stock by the Company, unless and until such time as (a) such Person or any Affiliate or Associate of such Person shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or additional Voting Stock representing 1% or more of the combined voting power of the then outstanding Voting Stock, or (b) any other Person (or Persons) who is (or collectively are) the Beneficial Owner of shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or Voting Stock representing 1% or more of the combined voting power of the then outstanding Voting Stock shall become an Affiliate or Associate of such Person.

"Person" shall mean any individual, firm, corporation, partnership, association, trust, unincorporated organization or other entity.

"Voting Stock" shall mean, with respect to a corporation, all securities of such corporation of any class or series that are entitled to vote generally in the election of directors of such corporation (excluding any class or series that would be entitled so to vote by reason of the occurrence of any contingency, so long as such contingency has not occurred).

1998 KEY EMPLOYEE STOCK PERFORMANCE PLAN
OF CONOCOPHILLIPS

(AS AMENDED AND RESTATED EFFECTIVE AUGUST 30, 2002)

RECITALS

Conoco Inc. ("Conoco") established the 1998 Key Employee Stock Performance Plan of Conoco Inc. (the "Plan") effective October 16, 1998. Paragraph 5 specifies the number of shares of Common Stock with respect to which Awards may be granted under the Plan. Paragraph 13 reserves to the Board the right to amend the Plan. Paragraph 15 provides that in the event of certain transactions, including a reorganization, the Board is authorized to (a) issue or assume Awards by means of substitution of new Awards, as appropriate, for previously issued Awards or an assumption of previously issued Awards as part of such adjustment or (b) cancel Awards that are Options or SARs and give Participants who are holders of such Awards notice and opportunity to exercise for 30 days prior to such cancellation.

Effective October 8, 2001, Conoco reclassified its Class A Common Stock and Class B Common Stock into a single class of new common stock ("Common Stock") by merging Conoco Delaware I, Inc., a wholly owned subsidiary of Conoco ("Merger Sub"), with and into Conoco (the "Merger"), pursuant to an Agreement and Plan of Merger, dated as of July 17, 2001, between Conoco and Merger Sub. In connection with the Merger and pursuant to their authority under Paragraph 13, the Board authorized the amendment and restatement of the Plan to provide for the issuance of Awards with respect to the new class of Common Stock, effective October 8, 2001 (the effective time of the Merger). In addition, in connection with the Merger and effective October 8, 2001, pursuant to its authority under Paragraph 15, the Board substituted a new Award for each previously issued outstanding Award. The new Award applied to a number of shares of Common Stock equal to the total number of shares of Conoco Class A Common Stock and Class B Common Stock for which the previously issued outstanding Award had not been exercised, and provides for the same exercise price and the same other terms and conditions as those applicable under the previously issued outstanding Award.

On September 21, 2001, the stockholders of Conoco approved a Plan amendment to increase the number shares of Common Stock available for Awards under the Plan, which increase was included in the October 8, 2001 amendment and restatement of the Plan.

On October 30, 2001, the Board of Directors of Conoco approved certain stock award and Plan amendment limitations to the Plan.

Effective November 18, 2001, Conoco entered into the Agreement and Plan of Merger by and among Phillips Petroleum Company, Corvette Porsche Corp., Porsche Merger Corp., Corvette Merger Corp. and Conoco (the "Phillips Merger Agreement"), which provides for a series of transactions including the formation of ConocoPhillips, a Delaware corporation, and the merger of Conoco into and with a subsidiary of ConocoPhillips (collectively, the "Phillips Merger"). In connection with and effective upon the closing of the Phillips Merger, the Board of Directors of Conoco approved the amendment and restatement of the Plan to reflect the

transfer of sponsorship to ConocoPhillips, the renaming of the Plan as the "1998 Key Employee Stock Performance Plan of ConocoPhillips," and to make certain changes related thereto.

1. Plan. The Plan was adopted by the Company to reward certain Employees of the Company by enabling them to acquire shares of Common Stock of the Company or receive payments determined by reference to such Common Stock.

2. Objectives. The purpose of this Amended and Restated 1998 Key Employee Stock Performance Plan of ConocoPhillips is to further the interests of the Company, its Subsidiaries and its shareholders by providing incentives in the form of Awards to Employees and to provide for issuance of Awards in connection with the "Option Program" under which certain existing DuPont awards were canceled at the election of the holder. Such Awards will give Participants in the Plan an interest in the Company parallel to that of the shareholders, thus enhancing the proprietary and personal interest of such Participants in the Company's continued success and progress.

3. Definitions. As used herein, the terms set forth below shall have the following respective meanings:

"Authorized Officer" means the Chief Executive Officer of the Company (or any other senior officer of the Company to whom either of them shall delegate the authority to execute any Award Agreement, where applicable).

"Award" means any Option or SAR granted to a Participant pursuant to such applicable terms, conditions and limitations as the Committee may establish in order to fulfill the objectives of the Plan.

"Award Agreement" means a written agreement setting forth the terms, conditions and limitations applicable to an Award.

"Board" means the Board of Directors of the Company.

"Change of Control" is defined in Attachment A.

"Class A Common Stock" means the Class A Common Stock, par value \$.01 per share, of Conoco.

"Class B Common Stock" means the Class B Common Stock, par value \$.01 per share, of Conoco.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation Committee of the Board or such other committee of the Board as is designated by the Board to administer the Plan.

"Common Stock" means, from and after the effective time of the Phillips Merger (as defined in the Recitals), ConocoPhillips common stock, par value \$.01 per share. Prior to the effective time of the Phillips Merger and after the Merger (as defined in the Recitals), "Common

Stock" means Conoco common stock, par value \$.01 per share. Prior to the effective time of the Merger, "Common Stock" means Class A Common Stock or Class B Common Stock, as appropriate.

"Company" means ConocoPhillips, a Delaware corporation. Prior to the effective time of the Phillips Merger, "Company" means Conoco.

"Conoco" means Conoco Inc., a Delaware corporation.

"Director" means an individual serving as a member of the Board.

"DuPont" means E.I. du Pont de Nemours and Company, a Delaware corporation.

"DuPont Award" means an option or stock appreciation right granted by DuPont pursuant to the DuPont Stock Performance Plan, the DuPont Variable Compensation Plan, the DuPont Corporate Sharing Plan or the Conoco Unit Option Plan.

"Employee" means an employee of the Company or any of its Subsidiaries and an individual who has agreed to become an employee of the Company or any of its Subsidiaries and is expected to become such an employee within the following six months.

"Fair Market Value" of a share of Common Stock means, as of a particular date, (i) if Common Stock is listed on a national securities exchange, the mean between the highest and lowest sales price per share of such Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the next succeeding date on which such a sale was so reported, or, at the discretion of the Committee, the price prevailing on the exchange at the time of exercise, (ii) if Common Stock is not so listed but is quoted on the Nasdaq National Market, the mean between the highest and lowest sales price per share of Common Stock reported by the Nasdaq National Market on that date, or, if there shall have been no such sale so reported on that date, on the next succeeding date on which such a sale was so reported, or, at the discretion of the Committee, the price prevailing on the Nasdaq National Market at the time of exercise, (iii) if Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the next succeeding date on which such quotations shall be available, as reported by the Nasdaq Stock Market, or, if not reported by the Nasdaq Stock Market, by the National Quotation Bureau Incorporated or (iv) if Common Stock is not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose.

"Grant Date" means the date an Award is granted to a Participant pursuant to the Plan. The Grant Date for a substituted award is the Grant Date of the original award.

"Grant Price" means the price at which a Participant may exercise his or her right to receive cash or Common Stock, as applicable, under the terms of an Award.

"Incentive Stock Option" means an Option that is intended to comply with the requirements set forth in Section 422 of the Code.

"Nonqualified Stock Option" means an Option that is not an Incentive Stock Option.

"Option" means a right to purchase a specified number of shares of Common Stock at a specified Grant Price, which may be an Incentive Stock Option or a Nonqualified Stock Option.

"Option Program" means a program involving the cancellation of certain existing DuPont Awards.

"Option Program Award" means an Option or SAR granted in connection with the Option Program.

"Participant" means an Employee to whom an Award has been granted under this Plan.

"Stock Appreciation Right" or "SAR" means a right to receive a payment, in cash or in Common Stock, equal to the excess of the Fair Market Value or other specified valuation of a specified number of shares of Common Stock on the date the right is exercised over a specified Grant Price, in each case, as determined by the Committee.

"Subsidiary" means (i) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing 50% or more of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation and (ii) in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns 50% or more of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise).

4. Eligibility. All Employees are eligible for the grant of Awards under this Plan.

5. Common Stock Available for Awards.

(a) Subject to the provisions of paragraph 15 hereof, no Award shall be granted if it shall result in the aggregate number of shares of Common Stock issued under the Plan plus the number of shares of Common Stock covered by or subject to Awards then outstanding (after giving effect to the grant of the Award in question) to exceed 17,576,459. No more than 5,612,400 shares of Common Stock shall be available for Incentive Stock Options. The number of shares of Common Stock that are the subject of Awards under this Plan that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or in a manner such that all or some of the shares covered by an Award are not issued to a Participant, shall again immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such procedures concerning the counting of shares against the Plan maximum as it may deem appropriate. The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with

governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

(b) Option Program Awards and awards assumed under the Plan or issued as substitute Awards, each pursuant to paragraph 15(b) of the Plan, (i) are not subject to the limitations in paragraph 8(b) and (ii) do not count against the limitations on Common Stock available for Awards set forth in paragraph 5(a).

6. Administration.

(a) The Plan shall be administered by the Committee.

(b) The Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. The Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions applicable to an Award, waive any restriction or other provision of this Plan or otherwise amend or modify an Award in any manner that is either (i) not adverse to the Participant to whom such Award was granted or (ii) consented to by such Participant. The Committee may grant an Award to an Employee who it expects to become an employee of the Company or any of its Subsidiaries within the following six months, with such Award being subject to the individual's actually becoming an employee within such time period, and subject to such other terms and conditions as may be established by the Committee. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(c) No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. Delegation of Authority. The Committee may delegate to the Chief Executive Officer and to other senior officers of the Company its duties under this Plan pursuant to such conditions or limitations as the Committee may establish. The Committee may engage or authorize the engagement of a third party administrator to carry out administrative functions under the Plan.

8. Awards.

(a) The Committee shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of Awards. Each Award shall be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by an Authorized Officer for and on behalf of the Company. Awards may consist of those listed in this paragraph 8(a) and may be granted singly, in combination or in tandem. Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. An Award may provide for the grant or issuance of additional, replacement or alternative Awards upon the occurrence of specified events, including the exercise of the original Award granted to a Participant. All or part of an Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Company and its Subsidiaries, achievement of specific business objectives, increases in specified indices, attainment of specified growth rates and other comparable measurements of performance. Upon the termination of employment by a Participant, any unexercised, deferred, unvested or unpaid Awards shall be treated as set forth in the applicable Award Agreement.

(i) Options. An Award may be in the form of an Option, which may be an Incentive Stock Option or a Nonqualified Stock Option. The Grant Price of an Option shall be not less than the Fair Market Value of the Common Stock subject to such Option on the Grant Date. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded to Employees pursuant to this Plan, including the Grant Price, the term of the Options and the date or dates upon which they become exercisable, shall be determined by the Committee.

(ii) Stock Appreciation Rights. An Award may be in the form of an SAR. The terms, conditions and limitations applicable to any SARs awarded to Employees pursuant to this Plan, including the Grant Price, the term of any SARs and the date or dates upon which they become exercisable, shall be determined by the Committee.

(b) Notwithstanding anything to the contrary contained in this Plan excluding paragraph 5(b), no Participant may be granted, during any calendar year, Awards that are exercisable for more than 93,540 shares of Common Stock.

(c) Stock Awards, other than those awards which are subject to specific grant limitations under the Plan, shall be in lieu of, and have a Fair Market Value on the Grant Date equal to, other compensation that the Company would otherwise have awarded to the Participant.

9. Change of Control. Notwithstanding the provisions of paragraph 8 hereof, unless otherwise expressly provided in the applicable Award Agreement, in the event of a Change of Control during a Participant's employment with the Company or one of its Subsidiaries, (i) each Award granted under this Plan to the Participant shall be become immediately vested and fully exercisable (regardless of the otherwise applicable vesting or exercise schedules or performance goals provided for under the Award Agreement) and (ii) if the Award is an Option or SAR, shall remain exercisable until the expiration of the term of the Award or, if the Participant should die before the expiration of the term of the Award, until the earlier of (a) the expiration of the term of the Award or (b) two (2) years following the date of the Participant's death.

10. Payment of Awards.

(a) General. Payment made to a Participant pursuant to an Award may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee shall determine, including, in the case of Common Stock, restrictions on transfer and forfeiture provisions.

(b) Deferral. With the approval of the Committee, amounts payable in respect of Awards may be deferred and paid either in the form of installments or as a lump-sum payment. The Committee may permit selected Participants to elect to defer payments of some or all types of Awards or any other compensation otherwise payable by the Company in accordance with procedures established by the Committee and may provide that such deferred compensation may be payable in shares of Common Stock. Any deferred payment pursuant to an Award, whether elected by the Participant or specified by the Award Agreement or by the Committee, may be forfeited if and to the extent that the Award Agreement so provides.

(c) Substitution of Awards. At the discretion of the Committee, a Participant may be offered an election to substitute an Award for another Award or Awards of the same or different type. Subject to Paragraph 15, the Grant Price of any Option shall not be decreased, including by means of issuance of a substitute Award with a lower Grant Price.

(d) Cash-out of Awards. At the discretion of the Committee, an Award may be settled by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the date of exercise and the Grant Price of the Award, multiplied by the number of shares with respect to which the Award is exercised.

11. Option Exercise. The Grant Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the optionee, the optionee may purchase such shares by means of tendering Common Stock or surrendering another Award valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee shall determine acceptable methods for Participants to tender Common Stock or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award. The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the

provisions of this paragraph. An optionee desiring to pay the Grant Price of an Option by tendering Common Stock using the method of attestation may, subject to any such conditions and in compliance with any such procedures as the Committee may adopt, do so by attesting to the ownership of Common Stock of the requisite value, in which case the Company shall issue or otherwise deliver to the optionee upon such exercise a number of shares of Common Stock subject to the Option equal to the result obtained by dividing (a) the excess of the aggregate Fair Market Value of the shares of Common Stock subject to the Option for which the Option (or portion thereof) is being exercised over the Grant Price payable in respect of such exercise by (b) the Fair Market Value per share of Common Stock subject to the Option, and the optionee may retain the shares of Common Stock the ownership of which is attested.

12. Taxes. The Company or its designated third party administrator shall have the right to deduct applicable taxes from any payment hereunder and withhold, at the time of delivery of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes or other amounts required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made. The Committee may provide for loans, on either a short term or demand basis, from the Company to a Participant to permit the payment of taxes required by law.

13. Amendment, Modification, Suspension or Termination of the Plan. The Board may amend, modify, suspend or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the stockholders of the Company to the extent such approval is required by applicable legal requirements. In addition, if an amendment would (i) materially increase the benefits accruing to Participants under this Plan, (ii) materially increase the aggregate number of securities that may be issued under this Plan, or (iii) materially modify the requirements as to eligibility for participation in this Plan, then to the extent required by applicable law, or deemed necessary by the Committee, such amendment shall be subject to shareholder approval.

14. Assignability. Unless otherwise determined by the Committee and provided in the Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will, beneficiary designation or the laws of descent and distribution. In the event that a beneficiary designation conflicts with an assignment by will, the beneficiary designation will prevail. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this paragraph 14 shall be null and void.

15. Adjustments.

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of shares of Common Stock reserved under this Plan, (ii) the number of shares of Common Stock covered by outstanding Awards, (iii) the Grant Price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Award limitations shall each be proportionately adjusted by the Board as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting any Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Board shall make appropriate adjustments to (i) the number of shares of Common Stock covered by Awards, (ii) the Grant Price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Award limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards. In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Board shall be authorized (x) to assume under the Plan previously issued compensatory awards, or to substitute new Awards for previously issued compensatory awards, including Awards as part of such adjustment or (y) to cancel Awards that are Options or SARs and give the Participants who are the holders of such Awards notice and opportunity to exercise for 30 days prior to such cancellation.

16. Restrictions. No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

17. Unfunded Plan. This Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets for purposes of this Plan or Awards hereunder, nor shall the Company, the Board or the Committee be deemed to be a trustee of any benefit to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

18. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Delaware.

19. Effectiveness. The Plan, as approved by the Board, was effective as of October 16, 1998. This Plan was approved by the stockholders of the Company on October 19, 1998. The amendments to the Plan to permit the grant of Awards denominated in Class B Common Stock became effective on May 12, 1999 and were conditioned upon the approval of the stockholders of the Company prior to December 31, 1999, which approval was obtained on May 12, 1999. The amendment to paragraph 11 of the Plan providing for option exercise payment by the attestation method was effective on October 28, 1999. The Plan, as approved by the Board for amendment and restatement in connection with the Merger (as defined in the Recitals on page 1 of this Plan) was effective October 8, 2001, and the increase of shares available for Awards included in the October 8, 2001 amendment and restatement was separately approved by the stockholders of the Company on September 21, 2001. The amendment and restatement of the Plan to add certain stock award and Plan limitations was approved by the Board of Directors on October 30, 2001. This amendment and restatement of the Plan to reflect the Phillips Merger, was approved by the Board of Directors on August 16, 2002 and is effective as of the effective time of the Phillips Merger.

ATTACHMENT "A"

"CHANGE IN CONTROL"

The following definitions apply to the Change of Control provision in paragraph 9 of the foregoing Plan.

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on August 30, 2002.

"Associate" shall mean, with reference to any Person, (a) any corporation, firm, partnership, association, unincorporated organization or other entity (other than the Company or a subsidiary of the Company) of which such Person is an officer or general partner (or officer or general partner of a general partner) or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities, (b) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

"Beneficial Owner" shall mean, with reference to any securities, any Person if:

(a) such Person or any of such Person's Affiliates and Associates, directly or indirectly, is the "beneficial owner" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on August 30, 2002) such securities or otherwise has the right to vote or dispose of such securities, including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subsection (a) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (i) arises solely from a revocable proxy or consent given in response to a public (i.e., not including a solicitation exempted by Rule 14a-2(b)(2) of the General Rules and Regulations under the Exchange Act) proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act and (ii) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report);

(b) such Person or any of such Person's Affiliates and Associates, directly or indirectly, has the right or obligation to acquire such securities (whether such right or obligation is exercisable or effective immediately or only after the passage of time or the occurrence of an event) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to "beneficially own," (i) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange or (ii) securities issuable upon exercise of Exempt Rights; or

(c) such Person or any of such Person's Affiliates or Associates (i) has any agreement, arrangement or understanding (whether or not in writing) with any other Person (or any Affiliate or Associate thereof) that beneficially owns such securities for the purpose of acquiring, holding, voting (except as set forth in the proviso to subsection (a) of this definition) or disposing of such securities or (ii) is a member of a group (as that term is used in Rule 13d-5(b) of the General Rules and Regulations under the Exchange Act) that includes any other Person that beneficially owns such securities;

provided, however, that nothing in this definition shall cause a Person engaged in business as an underwriter of securities to be the Beneficial Owner of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition. For purposes hereof, "voting" a security shall include voting, granting a proxy, consenting or making a request or demand relating to corporate action (including, without limitation, a demand for a stockholder list, to call a stockholder meeting or to inspect corporate books and records) or otherwise giving an authorization (within the meaning of Section 14(a) of the Exchange Act) in respect of such security.

The terms "beneficially own" and "beneficially owning" shall have meanings that are correlative to this definition of the term "Beneficial Owner."

"Board" shall have the meaning set forth in the foregoing Plan.

"Change of Control" shall mean any of the following occurring on or after August 30, 2002:

(a) any Person (other than an Exempt Person) shall become the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding or 20% or more of the combined voting power of the Voting Stock of the Company then outstanding; provided, however, that no Change of Control shall be deemed to occur for purposes of this subsection (a) if such Person shall become a Beneficial Owner of 20% or more of the shares of Common Stock or 20% or more of the combined voting power of the Voting Stock of the Company solely as a result of (i) an Exempt Transaction or (ii) an acquisition by a Person pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of subsection (c) of this definition are satisfied;

(b) individuals who, as of August 30, 2002, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 30, 2002 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; provided, further, that there shall be excluded, for this purpose, any such individual whose initial assumption of office occurs as a result of any actual or threatened election contest that is

subject to the provisions of Rule 14a-11 of the General Rules and Regulations under the Exchange Act;

(c) the shareholders of the Company shall approve a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (i) more than 70% of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding Voting Stock of such corporation beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the outstanding Common Stock, (ii) no Person (excluding any Exempt Person or any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the Common Stock then outstanding or 20% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding Voting Stock of such corporation and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the initial agreement or initial action by the Board providing for such reorganization, merger or consolidation; or

(d) the shareholders of the Company shall approve (i) a complete liquidation or dissolution of the Company unless such liquidation or dissolution is approved as part of a plan of liquidation and dissolution involving a sale or disposition of all or substantially all of the assets of the Company to a corporation with respect to which, following such sale or other disposition, all of the requirements of clauses (ii)(A), (B) and (C) of this subsection (d) are satisfied, or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which, following such sale or other disposition, (A) more than 70% of the then outstanding shares of common stock of such corporation and the combined voting power of the Voting Stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the Beneficial Owners of the outstanding Common Stock immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock, (B) no Person (excluding any Exempt Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the Common Stock then outstanding or 20% or more of the combined voting power of the Voting Stock of the Company then outstanding) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding Voting Stock of such corporation and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at

the time of the initial agreement or initial action of the Board providing for such sale or other disposition of assets of the Company.

"Common Stock" shall have the meaning set forth in the foregoing Plan.

"Company" shall have the meaning set forth in the foregoing Plan.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exempt Person" shall mean any of the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, and any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan.

"Exempt Rights" shall mean any rights to purchase shares of Common Stock or other Voting Stock of the Company if at the time of the issuance thereof such rights are not separable from such Common Stock or other Voting Stock (i.e., are not transferable otherwise than in connection with a transfer of the underlying Common Stock or other Voting Stock), except upon the occurrence of a contingency, whether such rights exist as of August 30, 2002 or are thereafter issued by the Company as a dividend on shares of Common Stock or other Voting Securities or otherwise.

"Exempt Transaction" shall mean an increase in the percentage of the outstanding shares of Common Stock or the percentage of the combined voting power of the outstanding Voting Stock of the Company beneficially owned by any Person solely as a result of a reduction in the number of shares of Common Stock then outstanding due to the repurchase of Common Stock or Voting Stock by the Company, unless and until such time as (a) such Person or any Affiliate or Associate of such Person shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or additional Voting Stock representing 1% or more of the combined voting power of the then outstanding Voting Stock, or (b) any other Person (or Persons) who is (or collectively are) the Beneficial Owner of shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock or Voting Stock representing 1% or more of the combined voting power of the then outstanding Voting Stock shall become an Affiliate or Associate of such Person.

"Person" shall mean any individual, firm, corporation, partnership, association, trust, unincorporated organization or other entity.

"Voting Stock" shall mean, with respect to a corporation, all securities of such corporation of any class or series that are entitled to vote generally in the election of directors of such corporation (excluding any class or series that would be entitled so to vote by reason of the occurrence of any contingency, so long as such contingency has not occurred).

AMENDED BY CORPORATE APPROVAL
FEBRUARY 27, 2003

DEFERRED COMPENSATION PLAN
FOR
NON-EMPLOYEE DIRECTORS
OF
CONOCOPHILLIPS

Section 1. Purpose of the Plan

The amount of total compensation which is paid to the Non-Employee Director for services rendered as a Non-Employee Director is set by resolution of the Board of Directors and is comprised of a portion paid in cash ("Cash Compensation") and a portion paid in Restricted Stock and/or Restricted Stock Units ("Stock Compensation") of ConocoPhillips common stock \$.01 par value ("CP Common Stock"). The "Cash Compensation" shall also include any portion of the compensation that is paid to a Continuing Director (as defined in Section 12) in cash (including, without limitation, any cash compensation payable pursuant to any restricted stock unit) by ConocoPhillips for services as a member of the ConocoPhillips Board (as defined in Section 12), and "Stock Compensation" shall also include any portion of the compensation that is paid to a Continuing Director by ConocoPhillips in ConocoPhillips common stock \$.01 par value ("CP Common Stock") for services as a member of the ConocoPhillips Board. "Common Stock" shall mean Phillips Common Stock or CP Common Stock, as the context may require.

The purpose of the Deferred Compensation Plan for Non-Employee Directors ("Plan") is to provide a program whereby a member of the Board of Directors of ConocoPhillips ("Company")

who is not an officer or present employee of the Company or any of its subsidiaries ("Non-Employee Director") may elect to:

- 1) defer the payment of part or all of the Cash Compensation payable to the Non-Employee Director ("Cash Payment"),
- 2) receive part or all of the Cash Compensation payable to the Non-Employee Director in shares of Unrestricted Stock under the terms of the 1998 Stock and Performance Incentive Plan of ConocoPhillips ("Unrestricted Stock Award"),
- 3) receive part or all of the Cash Compensation in shares of Restricted Stock under the terms of the 1998 Stock and Performance Incentive Plan of ConocoPhillips ("Restricted Stock Award"),
- 4) delay the lapsing of restrictions on Restricted Stock or delay the settlement of Restricted Stock Units issued prior to January 1, 2003 due to the attainment of certain ages under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors ("Restricted Stock Lapsing"), and to delay the lapsing on any Restricted Stock issued after January 1, 2003 under the terms of the 1998 Stock and Performance Incentive Plan of ConocoPhillips, or to delay the settlement of Restricted Stock Units issued after January 1, 2003.
- 5) defer the value of shares of unrestricted Common Stock which would otherwise be delivered to the Non-Employee Director as a result of restrictions being lapsed on shares of Restricted Stock or when Restricted Stock Units or similar Awards are settled due to the attainment of certain ages or at Retirement under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors and/or the 1998 Stock and Performance Incentive Plan of

ConocoPhillips or under the terms of the grant of such Awards ("Value of Restricted Stock, Restricted Stock Units or Awards").

Section 2. Elections

- (a) Cash Payment. For each calendar year, a Non-Employee Director may elect to have payment of part or all of the Non-Employee Director's Cash Compensation deferred. On or before December 20 of each year, the election to defer Cash Compensation that would otherwise be paid in the next calendar year may be made by giving written notice thereof in the manner prescribed by the Company, except that such election may be made by the end of the month in which a Non-Employee Director is first elected to the Board of Directors. The election becomes irrevocable after the date for making such election.
- (b) Unrestricted Stock Award. For each calendar year, a Non-Employee Director may elect to receive Unrestricted Stock for part or all of the Cash Compensation that would otherwise be paid in the next calendar year. On or before December 20 of each year, such election to receive Unrestricted Stock instead of cash may be made by giving written notice thereof in the manner prescribed by the Company, except that such election may be made by the end of the month in which a Non-Employee Director is first elected to the Board of Directors. Such election to receive Unrestricted Stock becomes irrevocable after the date for making such election.

(c) Restricted Stock Award. For each calendar year, a Non-Employee Director may elect to receive Restricted Stock for part or all of the Cash Compensation that would otherwise be paid in the next calendar year. On or before December 20 of each year, such election to receive Restricted Stock instead of cash may be made by giving written notice thereof in the manner prescribed by the Company, except that such election may be made by the end of the month in which a Non-Employee Director is first elected to the Board of Directors. Such election to receive Restricted Stock becomes irrevocable after the date for making such election.

(d) Restricted Stock Lapsing or Restricted Stock Units Settled.

(i) For Restricted Stock and/or Restricted Stock Units issued prior to January 1, 2003, Non-Employee Directors who are or will become 65 years of age prior to the end of that calendar year may elect to delay the lapsing of restrictions on Restricted Stock and that would otherwise be lapsed, and to delay the receipt of shares of Common Stock that would otherwise be delivered in settlement of restricted stock units or similar awards, in either case based on their age under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors until the day the Director retires from the Board of Directors.

(ii) For Restricted Stock and/or Restricted Stock Units issued after January 1, 2003, Non-Employee Directors may elect to delay the lapsing of restrictions on Restricted Stock that would otherwise be lapsed in January of the year following the next calendar year based on the terms of any Restricted Stock Awards granted under the 1998 Stock and Performance Incentive Plan of ConocoPhillips, and to delay the receipt of shares of

Common Stock or the cash value that would otherwise be delivered in settlement of Restricted Stock Units or similar Awards until the day the Director retires from the Board of Directors.

(iii) The Non-Employee Director must make the elections specified in Section 2 (d) (i) and (ii) herein by giving written notice thereof in the manner prescribed by the Company on or before December 20 of that year. Such election to delay the lapsing of restrictions on Restricted Stock or the settlement of Restricted Stock Units or Awards becomes irrevocable after the date for making such election. Such election shall apply to any Restricted Stock Units granted in exchange for shares of Restricted Stock pursuant to the Exchange offer initiated by the Company on December 17, 2001.

(e) Value of Restricted Stock and Restricted Stock Units.

(i) Each year Non-Employee Directors who are or will become 65 years of age prior to the end of that calendar year may make an election concerning the deferral of the receipt of the value of all or part of the Common Stock which would otherwise be delivered to the Non-Employee Director as a result of restrictions being lapsed on shares of Restricted Stock or and the settlement of Restricted Stock Units or similar Awards issued prior to January 1, 2003 based on their age under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors.

(ii) If the Non-Employee Director has previously elected to delay the lapsing of restrictions on Restricted Stock or the settlement of Restricted Stock Units or similar Awards until the Director retires from the Board of Directors or if restrictions are to lapse on any Restricted Stock or if Restricted Stock Units or similar Awards are to be

settled at the time the Director retires from the Board of Directors, or if the Non-Employee Director Retires from the Board prior to being given an opportunity to make such election, such Non-Employee Director may make an election concerning the deferral of the receipt of the value of all or part of the Common Stock or the cash payment that would otherwise be delivered to the Non-Employee Director as a result of restrictions being lapsed on shares of Restricted Stock or the settlement of Restricted Stock Units or Awards when the Director retires from the Board of Directors.

(iii) The Non-Employee Director must make the election specified in Sections 2 (e) (i) and (ii) herein by giving written notice on or before December 20 of the applicable year, or as soon as practicable prior to the Director's Retirement from the Board if such Director would receive shares of Common Stock or a cash payment as a result of restrictions being lapsed on shares of Restricted Stock or the settlement of Restricted Stock Units or Awards under the terms of the Phillips Petroleum Company Stock Plan for Non-Employee Directors or the 1998 Stock and Performance Incentive Plan of ConocoPhillips or the terms of the Award. Such election to defer the value of Restricted Stock or Restricted Stock Units or Awards becomes irrevocable after the date for making such election.

Section 3. Deferred Compensation Accounts

- (a) Credit for Deferral. The Company will establish and maintain an account for each Non-Employee Director who defers Cash Compensation and/or the Value of Restricted Stock

or Restricted Stock Units or Awards in which will be credited the amounts deferred. Amounts deferred shall be credited as soon as practicable but not later than 30 days after the date the payment would otherwise have been made. The value of the underlying Restricted Stock or Restricted Stock Units or Awards i) for any Restricted Stock or Restricted Stock Units issued prior to January 1, 2003 shall be the higher of (a) the average of the high and low selling prices of the Common Stock on the date the restrictions lapse or the shares are to be delivered, as applicable, or the last trading day before such date, if such date is not a trading day, or (b) the average of the high three monthly Fair Market Values of the Common Stock during the twelve calendar months preceding the month in which the restrictions lapse or the shares are to be delivered, as applicable and ii) for any Restricted Stock or Restricted Stock Units issued, including all dividends that are reinvested, on or after January 1, 2003 shall be the monthly average Fair Market Value of the calendar month preceding the month in which the restrictions lapse or the cash payment or shares are to be delivered as applicable. The monthly average Fair Market Value of the Common Stock is the average of the daily Fair Market Value of the Common Stock for each trading day of the month. The daily Fair Market Value of the Common Stock shall be deemed equal to the average of the reported highest and lowest sales prices per share of such Common Stock as reported on the composite tape of the New York Stock Exchange transactions.

- (b) Designation of Investments. The amount in each Non-Employee Director's Deferred Compensation Account shall be deemed to have been invested and reinvested from time to time, in such "eligible securities" as the Non-Employee Director shall designate. Prior to

or in the absence of a Non-Employee Director's designation, the Company shall designate an "eligible security" in which the Non-Employee Director's Deferred Compensation Account shall be deemed to have been invested until designation instructions are received from the Non-Employee Director. Eligible securities are those securities designated by the Chief Financial Officer of the Company. The Chief Financial Officer of the Company may include as eligible securities, stocks listed on a national securities exchange, and bonds, notes, debentures, corporate or governmental, either listed on a national securities exchange or for which price quotations are published in The Wall Street Journal and shares issued by investment companies commonly known as "mutual funds". The Non-Employee Director's Deferred Compensation Account will be adjusted to reflect the deemed gains, losses and earnings as though the amount deferred was actually invested and reinvested in the eligible securities for the Non-Employee Director's Deferred Compensation Account.

Notwithstanding anything to the contrary in this Section 3(b), in the event the Company actually purchases or sells such securities in the quantities and at the times the securities are deemed to be purchased or sold for a Non-Employee Director's Deferred Compensation Account, the Account shall be adjusted accordingly to reflect the price actually paid or received by the Company for such securities after adjustment for all transaction expenses incurred (including without limitation brokerage fees and stock transfer taxes).

In the case of any deemed purchase not actually made by the Company, the Deferred

Compensation Account shall be charged with a dollar amount equal to the quantity and kind of securities deemed to have been purchased multiplied by the fair market value of such security on the date of reference and shall be credited with the quantity and kind of securities so deemed to have been purchased. In the case of any deemed sale not actually made by the Company, the account shall be charged with the quantity and kind of securities deemed to have been sold, and shall be credited with a dollar amount equal to the quantity and kind of securities deemed to have been sold multiplied by the fair market value of such security on the date of reference. As used herein "fair market value" means in the case of a listed security the closing price on the date of reference, or if there were no sales on such date, then the closing price on the nearest preceding day on which there were such sales, and in the case of an unlisted security the mean between the bid and asked prices on the date of reference, or if no such prices are available for such date, then the mean between the bid and asked prices to the nearest preceding day for which such prices are available.

The Treasurer may also designate a Fund Manager to provide services which may include recordkeeping, Non-Employee Director accounting, Non-Employee Director communication, payment of installments to the Non-Employee Director, tax reporting and any other services specified by the Company in agreement with the Fund Manager.

- (c) Payments. A Non-Employee Director's Deferred Compensation Account shall be debited with respect to payments made from the account pursuant to this Plan as of the date such payments are made from the account. The payment shall be made as soon as practicable,

but no later than 30 days, after the installment payment date.

-10-

If any person to whom a payment is due hereunder is under legal disability as determined in the sole discretion of the Chief Executive Officer, the Company shall have the power to cause the payment due such person to be made to such person's guardian or other legal representative for the person's benefit, and such payment shall constitute a full release and discharge of the Company and any fiduciary of the Plan.

- (d) Statements. At least one time per year the Company or the Company's designee will furnish each Non-Employee Director a written statement setting forth the current balance in the Non-Employee Director's Deferred Compensation Account, the amounts credited or debited to such account since the last statement and the payment schedule of deferred amounts and deemed gains, losses and earnings accrued thereon as provided by the deferred payment option selected by the Non-Employee Director.

Section 4. Deferred Payment Options

- (a) Payment Options for Cash Compensation and the Value of Restricted Stock or Restricted Stock Units or Awards. A Non-Employee Director, at the time an election to defer Cash Compensation or the Value of Restricted Stock or Restricted Stock Units or Awards is made, shall also specify in writing whether the Cash Compensation or the Value of Restricted Stock or Restricted Stock Units or Awards deferred by such election and any deemed gains, losses and earnings accrued thereon is to be paid in one lump sum or in annual installments of not less than 5 nor more than 10. The lump sum payment will be made or the first installment will begin as soon as practicable after the first day of the

-11-

calendar quarter which is on or after the Non-Employee Director's retirement, or the Director may specify that the lump sum be paid the first day of any calendar quarter following retirement from the Board except that the date must be at least one year from the date the election is made. After a Non-Employee Director first selects a payment option, all subsequent deferrals of Cash Compensation and/or the value of Restricted Stock or Restricted Stock Units or Awards will have the same payment option.

(b) Payment Option Revision. The Non-Employee Director may at any time during a period beginning 365 days prior to and ending no later than December 20 prior to the date the Non-Employee Director terminates Board service due to (a) not being nominated for election to the Board; or (b) not being reelected to Board service after being so nominated; or (c) resignation from Board service as a result of the Director's disability or any reason acceptable to a majority of the remaining members of the Board of Directors ("Retires" or "Retirement"), or as soon as practicable prior to Retirement in the manner prescribed by the Company, revise such payment option and select one of the following payment options in place of such payment option:

- (i) a lump sum,
- (ii) annual installments of not less than 5 nor more than 10,
- (iii) semi-annual installments of not less than 10 nor more than 20, or
- (iv) quarterly installments of not less than 20 nor more than 40,

with the lump sum to be paid or first installment to commence, as soon as practicable following any date specified by the Non-Employee Director so long as such date is the first day of a calendar quarter, is on or after the Non-Employee Director's Retirement Date, is at least one year from the date the payment option was revised and is no later than five (5) years after the Non-Employee Director's Retirement Date.

- (c) Installment Amount. The amount of each installment shall be determined by dividing the balance in the Non-Employee Director's Deferred Compensation Account as of the date the installment is to be paid, by the number of installments remaining to be paid (inclusive of the current installment) or such other installment option that may be offered.

Section 5. Death of Non-Employee Director

Upon the death of a Non-Employee Director, the Non-Employee Director's beneficiary or beneficiaries designated in accordance with Section 6 of this Plan, or, in the absence of an effective beneficiary designation, the surviving spouse, or the Estate of the deceased Non-Employee Director, in that order of priority, shall receive the beneficiary's or beneficiaries' portion of the payments in accordance with the deferred payment schedule selected by the Non-Employee Director, whether the Non-Employee Director's death occurred before or after such payments have commenced; provided, however, such payments may be made in a different manner if the beneficiary or beneficiaries entitled to receive such payments, due to an unanticipated emergency caused by an event beyond the control of the beneficiary or

beneficiaries that results in financial hardship to the beneficiary or beneficiaries, so requests and the Vice President Human Resources gives written consent to the method of payment requested.

Section 6. Designation of Beneficiary

Each Non-Employee Director who defers under this Plan shall designate a beneficiary or beneficiaries to receive the entire balance of the Non-Employee Director's Deferred Compensation Account by giving signed written notice of such designation in the manner prescribed by the Company. The Non-Employee Director may from time to time change or cancel any previous beneficiary designation in the same manner. The last written beneficiary designation received by the Company shall be controlling over any prior designation and over any testamentary or other disposition. After receipt by the Company of such written designation, it shall take effect as of the date on which it was signed by the Non-Employee Director, whether the Non-Employee Director is living at the time of such receipt, but without prejudice to the Company on account of any payment made under this Plan before receipt of such designation.

Section 7. Nonassignability

The right of a Non-Employee Director or beneficiary or other person who becomes entitled to receive payments under this Plan shall not be pledged, assigned or subject to garnishment, attachment or any other legal process by the creditors of or other claimants against the Non-Employee Director, beneficiary, or other such person.

Section 8. Administration, Interpretation and Amendment

The Plan shall be administered by the Chief Executive Officer of the Company or his designee. The decision of the Chief Executive Officer with respect to any questions arising as to the interpretation of this Plan, including the severability of any and all of the provisions thereof, shall be final, conclusive and binding. The Company reserves the right to amend this Plan from time to time or to terminate the Plan entirely, provided, however, that no amendment may affect the balance in a Non-Employee Director's account on the effective date of the amendment. In the event of termination of the Plan, the Chief Executive Officer in the Chief Executive Officer's sole discretion, may elect to pay in one lump sum as soon as practicable after termination of the Plan, the balance then in the Non-Employee Director's account.

Section 9. Nonsegregation

Amounts deferred pursuant to this Plan and the crediting of amounts to a Non-Employee Director's Deferred Compensation Account shall represent the Company's unfunded and unsecured promise to pay compensation in the future. With respect to said amounts, the relationship of the Company and a Non-Employee Director shall be that of debtor and general unsecured creditor. While the Company may make investments for the purpose of measuring and meeting its obligations under this Plan such investments shall remain the sole property of the Company subject to claims of its creditors generally, and shall not be deemed to form or be included in any part of the Deferred Compensation Account.

Section 10. Funding

All amounts payable under the Plan are unfunded and unsecured benefits and shall be paid solely from the general assets of the Company and any rights accruing to the Non-Employee Director or the beneficiary under this Plan shall be those of an unsecured general creditor; provided, however, that the Company may establish a grantor trust to pay part or all of its Plan payment obligations so long as the Plan remains unfunded for federal tax purposes.

Section 11. Miscellaneous

- (a) Except as otherwise provided herein, the Plan shall be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.
- (b) This Plan shall be construed, regulated, and administered in accordance with the laws of the State of Delaware except to the extent that said laws have been preempted by the laws of the United States.

Section 12. Continuing Directors and Noncontinuing Directors

Notwithstanding anything contained in this Plan to the contrary:

- (a) Elections made by a Non-Employee Director who is a member of the board of directors (the "ConocoPhillips Board") of ConocoPhillips (a "Continuing Director") immediately following the closing (the "Closing") of the transactions (the "Merger") contemplated by the Agreement and Plan of Merger dated as of November 18, 2001 by and among Phillips Petroleum Company, CorvettePorsche Corp., Porsche Merger Corp., Corvette Merger Corp., and Conoco Inc. (the "Merger Agreement") shall be effective for the following compensation received from ConocoPhillips with respect to service as a Continuing Director for the portion of calendar year 2002 that follows the Closing, without any action on the part of such Continuing Director, Phillips Petroleum Company or ConocoPhillips: (i) the deferral of the receipt of Cash Compensation, (ii) the receipt of Unrestricted Stock in lieu of Cash Compensation or Stock Compensation, (iii) the receipt of Restricted Stock in lieu of Cash Compensation or Stock Compensation, (iv) the deferral of the lapsing of restrictions on Restricted Stock that would otherwise lapse, (v) the deferral of receipt of the value of all or part of the Common Stock which would otherwise be delivered to the Continuing Director as a result of restrictions being lapsed; and (vi) the deferral of receipt of a lump sum payment from the Non-employee Director Retirement Plan; and
- (b) ConocoPhillips shall be the co-sponsor of this Plan and shall be the obligor hereunder with respect to compensation of Continuing Directors for services on the ConocoPhillips Board that is deferred hereunder;
- (c) A Continuing Director shall not be deemed to have "retired" or otherwise terminated service as a Non-Employee Director for any purpose of this Plan solely as a result of such director's ceasing to be a director of Phillips Petroleum Company in connection with the

Merger, and no distributions of the Continuing Directors' account balances under the Plan shall be made solely as a result of the consummation of the transactions contemplated by the Merger Agreement. For any Continuing Director, service as a member of the ConocoPhillips Board shall be treated as service as a Non-Employee Director, and "retirement" or any other termination of service from the ConocoPhillips Board shall be deemed to be a retirement or termination of service (as applicable) as a Non-Employee Director for all purposes of this Plan.

- (d) Each individual who ceases to be a Non-Employee Director in connection with the Merger who is not a Continuing Director shall be deemed to have retired as of the Closing Date for purposes of this Plan (including, without limitation, for purposes of Section 4).

Section 13. Effective Date of the Plan

This Plan is amended and restated effective as of October 22, 2002.

AMENDED AND RESTATED
CONOCO INC.
SALARY DEFERRAL & SAVINGS RESTORATION PLAN

I. PURPOSE

The purpose of the Salary Deferral & Savings Restoration Plan (Plan) is to provide eligible employees with the opportunity to defer, until termination of employment, receipt of salary that, because of compensation limits imposed by law, is ineligible to be considered in calculating benefits within the Company's tax-qualified defined contribution plans and thereby recover benefits lost because of that restriction.

II. ADMINISTRATION

The administration of this Plan is vested in the Employee Benefit Plans Board (EBPB). The EBPB may adopt such rules as it may deem necessary for the proper administration of the Plan, and may appoint such persons or groups as may be judged necessary to assist in the administration of the Plan. The EBPB's decision in all matters involving the interpretation and application of this Plan shall be final. The EBPB shall have the discretionary right to determine eligibility for benefits hereunder and to construe the terms and conditions of this Plan.

III. ELIGIBILITY

An employee of the Company who is eligible to participate in the Thrift Plan for Employees of Conoco Inc. (the Thrift Plan) and whose annual base compensation exceeds the amount prescribed in Internal Revenue Code Section 401(a)(17) shall be eligible to participate in this Plan (hereinafter "Participant"). Participant shall also include any individual who continues to have a Participant Account under this Plan.

For purposes of this Plan, the term "Company" means ConocoPhillips Services Inc., Conoco Pipe Line Inc., or Louisiana Gas Systems Inc. Prior to January 1, 2003, Company included Conoco Inc.

Participation in this Plan is entirely voluntary.

IV. PARTICIPANT ACCOUNTS

A. PARTICIPANT CONTRIBUTIONS

A Participant may elect to defer receipt of a percentage of annual base compensation in excess of the amount prescribed in Internal Revenue Code Section 401 (a)(17), and have the dollar equivalent of the deferral percentage credited to a Participant Account under this Plan. The deferral percentage elected under this Plan shall not exceed that allowed in total in the tax-qualified defined contribution plans of the Company in which (s)he participates. Except as provided below, such deferral election will be made prior to the beginning of each calendar year and will be irrevocable for that calendar year.

For purposes of a Participant's first year of participation in this Plan, the compensation

deferral election must be made no later than 30 days prior to the first day of the month for which compensation is deferred and will be irrevocable for the remainder of that calendar year.

B. COMPANY CONTRIBUTIONS

1. To the extent that a Participant makes a deferral election under the terms of subparagraph (A) above, the Company will credit to that Participant's Account in this Plan an amount equivalent to the Company matching contributions that would be provided to that Participant under the terms of the Company's tax-qualified defined contribution plans in which (s)he is participating.
2. The Company will credit to the Participant's Account in this Plan an amount equivalent to the value of the Semiannual Allocation or Supplemental Allocation under the Stock Savings Feature of the ConocoPhillips Savings Plan (the CPSP) as those terms are used in the CPSP that would be provided to that Participant on his or her annual base compensation in excess of the amount prescribed in Internal Revenue Code Section 401 (a)(7) under the terms of the CPSP.

C. EARNINGS EQUIVALENTS

Credits for Participant Contributions and Company Contributions shall be treated as having been invested in one or more of the investment options available in the Company's tax-qualified defined contribution plan in which (s)he is participating. Additional credit (or debit) amounts will be posted to the Participant's Account in this Plan based on the performance of those investment options.

The Participant shall have the right to:

- I. Designate which investment options are to be used in valuing his/her Account under this Plan, subject to the rules governing investment direction in the Thrift Plan; and/or
2. Change the designated investment options used in valuing his/her Account under this Plan, subject to the rules governing investment direction and/or transfers among funds in the Thrift Plan.

D. CREDITS TO ACCOUNTS

- I. Participant Contributions, Company Contributions, and Earnings Equivalents shall be credited (or debited) to the Participant's Account under this Plan as unfunded book entries stated as cash balances, and will not be payable to a Participant until such time as employment with the Company terminates. The cash balances in Participant Accounts shall be unfunded general obligations of the Company, and no Participant shall have any claim to or security interest in any asset of the Company on account thereof.
2. For each employee who was participating in the DuPont Salary Deferral & Savings Restoration Plan (DuPont Plan) immediately prior to January 1, 1999, an amount equivalent to Participant Contributions, Company Contributions, and Earnings Equivalents under the DuPont Plan credited (or debited) to the

Participant's Account under the DuPont Plan shall be credited to the Participant's Account under this Plan as unfunded book entries stated as cash balances, and will not be payable to such Participant until such time as employment with the Company terminates. The cash balances in Participant Accounts shall be unfunded general obligations of the Company and no Participant shall have any claim to or security interest in any asset of the Company on account thereof.

V. VESTING

Participant Contributions and Company Contributions and Earnings Equivalents shall be vested at the time such amounts are credited to the Participant's Account.

VI. PAYMENT OF BENEFITS

Amounts payable under this Plan shall be delivered in a cash lump sum as soon as practicable after termination of employment unless the Participant irrevocably elects under rules prescribed by the EBPB to receive payments in a series of annual installments. All payments under this Plan shall be made by, and all expenses of administering this Plan shall be borne by, the Company.

VII. RIGHT TO MODIFY

The Company reserves the right, at any time, to amend, suspend, terminate, change, or discontinue this Plan in its discretion by action of the Board of Directors or its delegee. Notwithstanding the preceding sentence, no such amendment, suspension, termination, discontinuation, or change shall deprive any person of his accrued benefit under the terms of the Plan or a lump sum distribution payable as soon as practicable upon termination of employment, including termination for retirement, with respect to his accrued benefit.

WITNESS MY HAND to this Conoco Inc. Salary Deferral & Savings Restoration Plan, as restated effective January 1, 2003.

/s/ Joseph C. High

Joseph C. High, Vice President, Human Resources

CONOCO INC.
DIRECTORS' CHARITABLE GIFT PLAN

1. PURPOSE OF THE PLAN

The purpose of the Directors' Charitable Gift Plan (the "Plan") is to acknowledge the service of members of the Board of Directors (the "Board") of Conoco Inc. (the "Company"); recognize the mutual interest of the Company and its Directors in support of eligible educational and charitable organizations; and enhance the Directors' total compensation package.

Each eligible Director of the Company will recommend that the Company make a donation of up to \$1,000,000 to the eligible tax-exempt organization(s) (the "Organization(s)") designated by the Director. The donation will be made in the Director's name in five equal annual installments, with the first installment to be made as soon as practicable after the death of the Director or former Director.

2. ELIGIBILITY

Each member of the Board of Directors who serves for a minimum of one year shall be eligible to participate in the Plan. The Plan will not be effective for a Director until he or she completes all required enrollment procedures for the Plan.

3. DIRECTOR'S RECOMMENDATION

Each eligible Director shall make a written recommendation to the Company, on a form approved by the Company for this purpose, designating the Organization(s) which he or she intends to be the recipient(s) of the Company's donation to be made in the Director's name. A Director may revise or revoke such recommendation prior to his or her death by signing a new recommendation form and submitting it to the Company.

4. ORGANIZATIONS

In order to be eligible to receive a donation, an Organization must initially, and at the time a donation is to be made in whole or in part, qualify to receive tax-deductible donations under the Internal Revenue Code and be reviewed and approved by the Company. An Organization will be approved by the Company unless it determines, in the exercise of good faith judgment, that a donation to the Organization would be detrimental to the best interests of the Company. Private foundations are not eligible to receive donations under the Plan.

Non-U.S. Directors may designate qualified educational and charitable organizations in their countries of citizenship, provided that each designated organization has a tax exempt status that is similar to comparable U.S.-based organizations under section 501(c)(3) of the Internal Revenue Code.

5. AMOUNT AND TIMING OF DONATION

Each Director may recommend one Organization to receive a Company donation of \$1,000,000, or two or more Organizations to receive donations aggregating \$1,000,000. Each Organization must

be recommended to receive a donation of at least \$100,000. The donation will be made by the Company in five equal annual installments, with the first installment to be made as soon as practicable after the death of the Director or former Director. If a Director recommends more than one Organization to receive a donation, each will receive a prorated portion of each annual installment. Each annual installment payment will be divided among the Organizations in the same proportion as the total donation amount has been allocated among the Organizations by the Director.

6. VESTING

Each Director will be fully vested in the Plan upon completion of one year of service as a Director.

The Board has authority not to make a donation if it determines that a Former Director has willfully engaged in activity which is harmful to the Company's interest.

7. FUNDING AND PLAN ASSETS

The Company may fund the Plan, or it may choose not to fund the Plan. If the Company elects to fund the Plan in any manner, neither the Directors nor their recommended Organization(s) shall have any rights or interests in any assets of the Company identified for such purpose. Nothing contained in the Plan shall create, or be deemed to create, a trust, actual or constructive, for the benefit of a Director or any organization recommended by a Director to receive a donation, or shall give, or be deemed to give, any Director or recommended Organization any interest in any assets of the Plan or the Company. If the Company elects to fund the Plan through life insurance policies, a participating Director agrees to cooperate and fulfill the enrollment requirements necessary to obtain insurance on his or her life.

8. AMENDMENT OR TERMINATION

The Board of Directors may amend, suspend, or terminate this Plan at any time without the consent of the Directors or former Directors participating in the Plan.

9. ADMINISTRATION

Except as otherwise specifically provided, the Plan shall be administered by the Company. The Company's determination with respect to any questions arising as to interpretation of the Plan shall be final, conclusive, and binding on all interested parties.

Amended by Board Resolution
July 16, 2002

PHILLIPS PETROLEUM COMPANY DIRECTOR CHARITABLE CONTRIBUTION PROGRAM

- A) The program shall be called the "Phillips Petroleum Company Director Charitable Contribution Program" (the "Program").
- B) All members of the Phillips Petroleum Company Board of Directors who were Directors on February 6, 1997, and any newly elected Director who becomes a Director after January 1, 1997, and who completes five consecutive years of Board service is a participant in the Program.
- C) Upon the death of a participating Director, payment shall be made to the charity or charities designated by such Director in the total amount of \$100,000 per year for ten years. Payments to the charities designated by a participating Director shall commence in the year of the Director's death if possible, and in no event later than 180 days of the Director's death, and shall be funded by the Company.
- D) Charities designated by Directors must be tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Contributions paid by the Company under the Program are conditioned upon the contributions being deductible from taxable income for purposes of federal and other income taxes payable by the Company.
- E) Subject to Section D, contributions to the charities designated by a Director and requested to be irrevocable, will become irrevocable upon the earliest of (a), (b) or (c) below, and contributions to all charities designated by a Director will become irrevocable upon the earlier of (a) or (b) below:
 - (a) The election by the Company, in its sole discretion, within one year of the date of the request by the Director that the Company make an irrevocable commitment of a future contribution to the designated charity,
 - (b) The death of the Director, or
 - (c) The occurrence of any of the events listed in the definition of "Coverage Date" under the Workforce Stabilization Plan of Phillips Petroleum Company.

- F) The Company is authorized to obtain life insurance on each Director as a source of funding for the Program. The amount of insurance to be obtained on each Director shall be \$1 million. If any Director is not insurable, sufficient insurance will be obtained on the remaining insurable Directors to obtain an aggregate amount of insurance equal to \$1 million on all Directors.
- G) Phillips Petroleum Company shall be the owner and beneficiary of all policies obtained under the Program.
- H) Insurance shall be underwritten by companies with a minimum A.M. Best rating of A++ or Standard and Poors rating of AAA.
- I) The Program shall be administered by the Executive Officer responsible for Human Resources.

CONOCOPHILLIPS
INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement"), made and entered into as of the 1st day of March, 2003, by and between ConocoPhillips, a Delaware corporation originally incorporated under the name ConocoPhillips (the "Company"), and [*Name of Director*] ("Indemnitee").

W I T N E S S E T H:

WHEREAS, Indemnitee is currently serving or is about to begin serving as a Director of the Company and in the future may serve in some other Corporate Status, and Indemnitee is willing, subject to, among other things, the Company's execution and performance of this Agreement, to continue in or assume such capacity or capacities; and

WHEREAS, the By-laws of the Company provide that the Company shall indemnify and advance expenses to all directors of the Company in the manner set forth therein and to the fullest extent permitted by applicable law, and the Company's Certificate of Incorporation provides for limitation of liability for directors; and

WHEREAS, in order to induce Indemnitee to provide services as contemplated hereby, the Company has deemed it to be in its best interest to enter into this Agreement with Indemnitee;

NOW, THEREFORE, in consideration of Indemnitee's agreement to provide services to the Company and/or certain of its affiliates as contemplated hereby, the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto stipulate and agree as follows:

ARTICLE I
Certain Definitions

As used herein, the following words and terms shall have the following respective meanings (whether singular or plural):

"Change of Control" means a change in control of the Company after the date Indemnitee acquired his or her Corporate Status, which shall be deemed to have occurred in any one of the following circumstances occurring after such date: (i) there shall have occurred an event required to be reported with respect to the Company in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item or any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regardless of whether the Company is then subject to such reporting requirement; (ii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) shall have become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company's then outstanding voting securities; (iii) the Company is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, and members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors of the Company or the ultimate parent entity resulting from or

after such transaction or event; or (iv) individuals who at the beginning of such period constituted the Board of Directors (including, for this purpose, any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

"Corporate Status" describes the status of Indemnitee as a Director of the Company, or as a person who is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another company or of a partnership, limited liability company, association, joint venture, trust or employee benefit plan maintained or sponsored by the Company, or other enterprise or as a person who consented to be nominated to any of the forgoing positions.

"Court" means the Court of Chancery of the State of Delaware.

"Director" means a non-employee director of the Company.

"DGCL" means the Delaware General Corporation Law.

"Expenses" shall include all attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

"Independent Counsel" means a law firm, or a member of a law firm, or an independent practicing attorney that is experienced in matters of corporate law, and who or which, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Company or the claimant in an action to determine the claimant's rights under this Agreement.

"Matter" is a claim, an inquiry, an issue, or other substantial request for relief.

"Proceeding" includes any threatened, pending or completed action, claim, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding arising from or in any way related to the Corporate Status of Indemnitee (whether or not at the time of such Proceeding Indemnitee has such Corporate Status), whether civil (including intentional and unintentional tort claims), criminal, administrative or investigative and whether instituted by or on behalf of the Company or any other party, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or other proceedings hereinabove listed, except such as is initiated by Indemnitee pursuant to Section 6.1 of this Agreement to enforce Indemnitee's rights under this Agreement.

ARTICLE II Services by Indemnitee

Section 2.1. Services by Indemnitee. Indemnitee agrees to serve or continue to serve in his or her current capacity a Director of the Company. Indemnitee may also agree to serve (the agreement so to serve being in the sole discretion of Indemnitee), as the Company may request from time to time, as a director, officer, employee, agent or fiduciary of any other company, partnership, limited liability company, association, joint venture, trust or other

enterprise in which the Company has an interest. Indemnitee and the Company each acknowledge that they have entered into this Agreement as a means of inducing Indemnitee to serve (or continue to serve) the Company in such capacities. Indemnitee may at any time and for any reason resign from such position or positions (subject to any other contractual obligation or any obligation imposed by operation of law). The Company shall have no obligation under this Agreement to continue Indemnitee in any such position for any period of time and shall not be precluded by the provisions of this Agreement from removing Indemnitee from any such position at any time.

ARTICLE III
Indemnification

Section 3.1. General. Subject to Articles IV and V, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding, the Company shall, to the fullest extent permitted by applicable law, indemnify and hold Indemnitee harmless from and against any and all losses, liabilities, claims, damages, judgments, fines, penalties, amounts paid in settlement (subject to Section 7.2) and Expenses (including all interest, assessments and other charges paid or payable in connection with or in respect of such listed items), whatsoever incurred in connection with such Proceeding.

Section 3.2. Claims Initiated by Indemnitee. Notwithstanding anything to the contrary set forth herein, prior to a Change of Control, Indemnitee shall not be entitled to indemnification (including any advancement of Expenses) pursuant to this Agreement in connection with any Proceeding initiated or claim made by Indemnitee, unless either (i) the Board of Directors has authorized or consented to the initiation of such Proceeding or the making of such claim or (ii) such Proceeding or claim seeks to enforce Indemnitee's rights under this Agreement.

ARTICLE IV
Advancement of Expenses

Section 4.1. Advances. In the event of any threatened or pending Proceeding in which Indemnitee is a party or is involved and that may give rise to a right of indemnification under this Agreement, following written request to the Company by Indemnitee, the Company shall pay to Indemnitee, within 10 days of such request, amounts to cover Expenses incurred by Indemnitee in such Proceeding in advance of its final disposition upon the receipt by the Company of (i) a written undertaking executed by or on behalf of Indemnitee providing that Indemnitee will repay the advance if it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as provided in this Agreement and (ii) satisfactory evidence as to the amount of such Expenses.

Section 4.2. Repayment of Advances or Other Expenses. Indemnitee agrees that Indemnitee shall reimburse the Company for all Expenses advanced by the Company pursuant to Section 4.1 in the event and only to the extent that it shall be determined pursuant to the provisions of this Agreement or by final judgment or other final adjudication under the provisions of any applicable law (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee is not entitled to be indemnified by the Company for such Expenses.

Section 4.3. Reimbursement for Non-Party Expenses. To the extent that the Indemnitee is a witness in any Proceeding in which the Indemnitee is not a party or threatened to

be made a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

ARTICLE V
Procedure for Determination of Entitlement
to Indemnification

Section 5.1. Request for Indemnification. To obtain indemnification, Indemnitee shall submit to the Secretary of the Company a written claim or request. The Secretary of the Company shall promptly advise the Board of Directors of such request. All determinations and payments with respect to indemnification shall be made as promptly as practicable.

Section 5.2. Determination of Entitlement; No Change of Control. If there has been no Change of Control at the time the request for indemnification is submitted, Indemnitee's entitlement to indemnification shall be determined in accordance with clauses (1), (2), or (3) of Section 145(d) of the DGCL. If entitlement to indemnification is to be determined by Independent Counsel pursuant to Section 145(d) of the DGCL, the Company shall furnish written notice to Indemnitee within 10 days after receipt of the request for indemnification, specifying the identity and address of Independent Counsel. The Indemnitee may, within 10 days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Article I, and the objection shall set forth with particularity the factual basis of such assertion. If such objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If (i) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to this Section and (ii) within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 5.1, no Independent Counsel shall have been selected and not objected to, the Company or Indemnitee may petition the Court for resolution of any objection which shall have been made by Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the petitioned Court or by such other person as the petitioned Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under this Section. If (i) Independent Counsel does not make any determination respecting Indemnitee's entitlement to indemnification hereunder within 90 days after receipt by the Company of a written request therefor and (ii) any judicial proceeding pursuant to Section 6.1 is then commenced, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 5.3. Determination of Entitlement; Change of Control. If there has been a Change of Control at the time the request for indemnification is submitted, Indemnitee's entitlement to indemnification shall be determined in a written opinion by Independent Counsel selected by Indemnitee. Indemnitee shall give the Company written notice advising of the identity and address of the Independent Counsel so selected. The Company may, within 10 days after such written notice of selection shall have been given, deliver to the Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Article I, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is

withdrawn or a court has determined that such objection is without merit. If (i) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to this Section and (ii) within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 5.1, no Independent Counsel shall have been selected and not objected to, the Company or the Indemnitee may petition the Court for resolution of any objection which shall have been made by the Company to Indemnitee's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the petitioned Court or by such other person as the petitioned Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under this Section. If (i) Independent Counsel does not make any determination respecting Indemnitee's entitlement to indemnification hereunder within 90 days after receipt by the Company of a written request therefor and (ii) any judicial proceeding or arbitration pursuant to Section 6.1 is then commenced, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 5.4. Presumptions and Burden of Proof; Procedures of Independent Counsel. In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

Except in the event that the determination of entitlement to indemnification is to be made by Independent Counsel, if the person or persons empowered under Section 5.2 to determine entitlement to indemnification shall not have made and furnished to Indemnitee in writing a determination within 60 days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification. The termination of any Proceeding or of any Matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner that Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful. A person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan of the Company shall be deemed to have acted in a manner not opposed to the best interests of the Company.

For purposes of any determination hereunder, a person shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or Proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if his or her action is based on good faith reliance on the records or books of account of the Company or another enterprise or on information supplied to him or her by the officers of the Company or another enterprise in the course of their duties or on the advice of legal counsel for the Company or another enterprise or on information or records given or reports made to the Company or another enterprise by an independent accountant or by an appraiser or other expert selected with reasonable care by the Company or another enterprise. The term "another enterprise" as used in this Section shall mean any other corporation or any partnership, limited liability company, association, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Company as a director, officer, employee or agent. The provisions of this

paragraph shall not be deemed to be exclusive or to limit in any way the circumstances in which an Indemnitee may be deemed to have met the applicable standards of conduct for determining entitlement to rights under this Agreement.

Section 5.5. Independent Counsel Expenses. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred acting pursuant to this Article and in any proceeding to which it is a party or witness in respect of its investigation and written report and shall pay all reasonable fees and expenses incident to the procedures in which such Independent Counsel was selected or appointed. No Independent Counsel may serve if a timely objection has been made to his or her selection until a court has determined that such objection is without a reasonable basis.

ARTICLE VI Certain Remedies of Indemnitee

Section 6.1. Adjudication. In the event that (i) a determination is made pursuant to Section 5.2 or 5.3 that Indemnitee is not entitled to indemnification under this Agreement; (ii) advancement of Expenses is not timely made pursuant to Section 4.1; (iii) Independent Counsel is to determine Indemnitee's entitlement to indemnification hereunder, but does not make that determination within 90 days after receipt by the Company of the request for that indemnification; or (iv) payment of indemnification is not made within 10 days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 5.2, 5.3 or 5.4, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advancement of Expenses. In the event that a determination shall have been made that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 6.1 shall be conducted in all respects as a de novo trial on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding commenced pursuant to this Section 6.1, the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be. If a determination shall have been made or deemed to have been made that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 6.1, or otherwise.

The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 6.1 that the procedures and presumptions of this Agreement are not valid, binding and enforceable, and shall stipulate in any such proceeding that the Company is bound by all provisions of this Agreement. In the event that Indemnitee, pursuant to this Section 6.1, seeks a judicial adjudication to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, (i) Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication, regardless of whether Indemnitee prevails therein, and (ii) any determination made pursuant to Section 5.2 or 5.3 that Indemnitee is not entitled to indemnification under this Agreement shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expenses advanced pursuant to Section 4.1 until it shall be determined by final judgment or other final adjudication under the provisions of any applicable law (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee is not entitled to be indemnified by the Company for such Expenses.

ARTICLE VII
Participation by the Company

Section 7.1. Participation by the Company; No Change of Control. If there has been no Change of Control at the time Indemnitee notifies the Company of the commencement of a Proceeding, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company (jointly with any other indemnifying party similarly notified) will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After receipt of notice from the Company to Indemnitee of the Company's election so to assume the defense thereof, the Company will not be liable to Indemnitee under this Agreement for any legal or other Expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation, Expenses incurred in being or preparing to be a witness or in assisting, at the request of the Company, with the defense, and as otherwise provided below. At the request of the Company, Indemnitee agrees to use Indemnitee's reasonable efforts to assist in such defense. Indemnitee shall have the right to employ Indemnitee's own counsel in such Proceeding but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Company, (ii) Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel employed by Indemnitee shall be subject to indemnification pursuant to the terms of this Agreement. The Company shall not be entitled to assume the defense of any Proceeding brought in the name of or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided for in (ii) above.

Section 7.2. Settlements. Prior to a Change of Control, the Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent, which consent shall not be unreasonably withheld. The Company shall not settle any action or claim in any manner that would impose any limitation or unindemnified penalty on Indemnitee without Indemnitee's written consent, which consent shall not be unreasonably withheld.

ARTICLE VIII
Miscellaneous

Section 8.1. Nonexclusivity of Rights. The rights of indemnification and advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled to under applicable law, the Company's Certificate of Incorporation, the Company's By-laws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to any Indemnitee for acts, events and circumstances that occurred, in whole or in part, before such amendment, alteration or repeal. The provisions of this Agreement shall continue as to an Indemnitee whose Corporate Status has ceased for any reason.

Section 8.2. Insurance and Subrogation. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if, but only to the extent that, Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

In the event of any payment hereunder, the Company shall be subrogated to the extent of such payment to all the rights of recovery of Indemnitee, who shall execute all papers required and take all action reasonably requested by the Company to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 8.3. Acknowledgment of Certain Matters. Both the Company and Indemnitee acknowledge that in certain instances, applicable law or public policy may prohibit indemnification of Indemnitee by the Company under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake, by the Securities and Exchange Commission, to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

Section 8.4. Amendment. This Agreement may not be modified or amended except by a written instrument executed by or on behalf of each of the parties hereto.

Section 8.5. Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term only by a writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided herein, no delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

Section 8.6. Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby are superseded by this Agreement.

Section 8.7. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby; and, to the fullest extent possible, the provisions of this Agreement shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 8.8. Notices. Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if Indemnitee anticipates or contemplates making a claim for expenses or an advance pursuant to the terms of this Agreement, notify the Company of the commencement of such action, suit or proceeding; provided, however, that any delay in so notifying the Company shall not constitute a waiver or release by Indemnitee of rights hereunder and that any omission by Indemnitee so to notify the Company shall not relieve the Company from any liability that it may have to Indemnitee otherwise than under this Agreement. Any communication required or permitted to the Company shall be addressed to the Secretary of the Company and any such communication to Indemnitee shall be addressed to Indemnitee's address as shown on the Company's records unless Indemnitee specifies otherwise and shall be personally delivered or delivered by overnight mail delivery. Any such notice shall be effective upon receipt.

Section 8.9. Binding Effect. The provisions of this Agreement shall be binding upon all successors and assigns of the Company (including any transferee of all or substantially all of the company's assets and any successor by merger or operation of law) and shall inure to the benefit of the personal representatives and estate of the Indemnitee.

Section 8.10. Governing Law. Jurisdiction. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to any principles of conflict of laws that, if applied, might permit or require the application of the laws of a different jurisdiction. The Company agrees to the jurisdiction of the Court, and agrees that it is a convenient forum, for the adjudication of any dispute with Indemnitee under this Agreement.

Section 8.11. Headings. The Article and Section headings in this Agreement are for convenience of reference only, and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

Section 8.12. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

Section 8.13. Use of Certain Terms. As used in this Agreement, the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular paragraph, subparagraph, section, subsection, shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered to be effective as of the date first above written.

CONOCOPHILLIPS

By: _____
Rick A. Harrington
Senior Vice President, Legal,
and General Counsel

INDEMNITEE

[Name of Director]

[LETTERHEAD OF CONOCO INC.]

July 22, 2002

Archie W. Dunham
600 N. Dairy Ashford
Houston, Texas 77070

RE: Employment Agreement of November 18, 2001

Dear Mr. Dunham:

Please refer to the Employment Agreement, dated as of November 18, 2001, between you, Conoco Inc. and ConocoPhillips. The capitalized terms in the Agreement will have the same meaning here, unless otherwise specified.

Under your Employment Agreement, ConocoPhillips (called "New Parent" in the Agreement) has agreed to provide you the compensation and benefits described in Section 2(b) of the Agreement, beginning on the Agreement Effective Date. By signing this letter, you acknowledge and agree that ConocoPhillips will satisfy this obligation by causing its wholly owned subsidiary administering the payroll for former employees of Conoco Inc., to provide you the compensation and benefits described in Section 2(b) of the Agreement.

Sincerely,

/s/ R. A. Harrington

R. A. Harrington

/s/ Archie W. Dunham

Archie W. Dunham

AMENDMENT

TO

RABBI TRUST AGREEMENT

This Amendment to the Trust Agreement (the "Trust Agreement") between U.S. Trust Company, National Association (the "Trustee") and Conoco Inc. (the "Company") is hereby entered into this 25th day of February, 2002 and shall become effective March 1, 2002.

WHEREAS, the Trust Agreement may be amended with respect to certain matters pursuant to Section 12;

NOW, THEREFORE, effective as of the date specified above, the Company and Trustee hereby amend Section 15 of the Trust Agreement by adding the following sentence to the end of the definition of "Change in Control" to read as follows:

"Notwithstanding any provision to the contrary, neither the transactions contemplated by the Agreement and Plan of Merger dated as of November 18, 2001 to which Phillips Petroleum Company and the Company are parties, nor the approval of such transactions by the shareholders of either Phillips Petroleum Company or the Company, shall constitute a Change of Control for purposes of any provision of this Trust Agreement."

IN WITNESS WHEREOF, the Company and the Trustee have signed this amendment to the Trust Agreement as of the date first written above.

CONOCO INC.

By: /s/ R. W. Goldman

R. W. Goldman
Senior Vice President, Finance
and Chief Financial Officer

U.S. TRUST COMPANY, NATIONAL ASSOCIATION

By: /s/ Charles E. Wert

Title: Executive Vice President

CONOCOPHILLIPS AND CONSOLIDATED SUBSIDIARIES
TOTAL ENTERPRISE
Computation of Ratio of Earnings to Fixed Charges

	Millions of Dollars				
	Years Ended December 31				
	2002	2001	2000	1999	1998
	(Unaudited)				
EARNINGS AVAILABLE FOR FIXED CHARGES					
Income from continuing operations before income taxes	\$ 2,164	3,255	3,748	1,178	407
Distributions less than equity in earnings of fifty-percent-or-less-owned companies	2	58	(30)	(7)	(19)
Fixed charges, excluding capitalized interest*	850	501	481	396	314
	\$ 3,016	3,814	4,199	1,567	702
FIXED CHARGES					
Interest and expense on indebtedness, excluding capitalized interest	\$ 566	338	369	279	200
Capitalized interest	232	231	174	49	48
Preferred dividend requirements of subsidiary and capital trusts	38	53	53	53	53
Interest portion of rental expense	181	90	42	47	45
Interest expense relating to guaranteed debt of fifty-percent-or-less-owned companies	16	-	-	-	-
Interest expense relating to guaranteed debt of greater than fifty-percent-owned companies	3	-	-	-	-
	\$ 1,036	712	638	428	346
RATIO OF EARNINGS TO FIXED CHARGES	2.9	5.4	6.6	3.7	2.0

*Includes amortization of capitalized interest totaling approximately \$46 million in 2002, \$20 million in 2001, \$17 million each in 2000 and 1999, and \$16 million in 1998.

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

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

LIST OF SUBSIDIARIES OF CONOCOPHILLIPS

Listed below are subsidiaries of the registrant at December 31, 2002. Certain subsidiaries are omitted since such subsidiaries considered in the aggregate do not constitute a significant subsidiary.

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Alpine Pipeline Company	Delaware
Armadillo Investors LLC	Delaware
Asamera Algeria Limited	Alberta
Asamera Minerals (U.S.) Inc.	Colorado
Asamera Oil (U.S.) Inc.	Montana
Asamera Resources Inc.	Nevada
Ashford Energy Capital S.A.	Luxembourg
AZL Resources, Inc.	Arizona
Aztec Catalyst Company	Delaware
Bantry Terminal Ltd	Ireland
Bayway Refining Company	Delaware
Border Resources Ltd.	England
Brandywine Industrial Gas Inc.	Delaware
BVLC, Inc.	California
C.S. Land, Inc.	California
Calcasieu Properties L.L.C.	Delaware
Calcasieu Shipping Corporation	Delaware
CGP Servicios Energeticos de Altamira, S. de R. L. de C. V.	Mexico
Circle K Enterprises Inc.	Delaware
Circle K Stores Inc.	Texas
Clearwater Ltd.	Bermuda
Cliffe Storage Limited	England
Clyde Netherlands B.V.	Netherlands
Clyde Petroleum (Investments) Limited	England
Clyde Petroleum (Management) Limited	England
Clyde Petroleum Exploratie B.V.	Netherlands
Clyde Petroleum Limited	Scotland
Comap, Inc.	Delaware
Conoco (Thailand) Company Limited	Thailand
Conoco A.G.	Switzerland
Conoco Africa Inc.	Delaware
Conoco Arctic Inc.	Delaware
Conoco Asia Ltd.	Bermuda
Conoco Asia Pacific Ltd.	Delaware
Conoco Asia Pacific Sdn. Bhd.	Malaysia
Conoco Asia Ventures Pte. Ltd.	Singapore
Conoco Austria Mineraloel GmbH	Austria
Conoco Brunei Ltd.	Bermuda
Conoco Capital Inc.	Delaware
Conoco Carbon and Minerals, Inc.	Delaware

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Conoco Carbon Fibers Japan, KK	Japan
Conoco Center Inc.	Delaware
Conoco Central and Eastern Europe Holdings BV	Netherlands
Conoco Central Europe Inc.	Delaware
Conoco Cevolution Europe B.V.	Netherlands
Conoco Cevolution Germany GmbH	Germany
Conoco Colombia Ltd	Bermuda
Conoco Continental Holding GmbH	Germany
Conoco Coral Inc.	Delaware
Conoco Corporate Holdings L.P.	Delaware
Conoco Czech Republic s.r.o.	Czech Republic
Conoco Denmark Inc.	Delaware
Conoco Development Company	Delaware
Conoco Development II Inc.	Delaware
Conoco Development Services Inc.	Delaware
Conoco do Brazil Ltda.	Brazil
Conoco Drilling Inc.	Delaware
Conoco Egypt Inc.	Delaware
Conoco Energy Holdings Nigeria Ltd.	Bermuda
Conoco Energy Nigeria Limited	Nigeria
Conoco Energy Services Company	Delaware
Conoco Enterprises Inc.	Delaware
Conoco Equity Investments Inc.	Delaware
Conoco Este Pipeline Company	Delaware
Conoco EurAsia Inc.	Delaware
Conoco Exploration & Production Nigeria Limited	Nigeria
Conoco Finance Inc.	Delaware
Conoco Finance Services Inc.	Delaware
Conoco Foreign Sales Corporation	Barbados
Conoco Funding Company	Novas Scotia
Conoco Geisum Inc.	Delaware
Conoco Global Energy Company	Delaware
Conoco Global Power Assets Inc.	Delaware
Conoco Global Power Assets Sabine Inc.	Delaware
Conoco Global Power de Mexico, S. de R. L. de C. V.	Mexico
Conoco Global Power Development Deutschland GmbH	Germany
Conoco Global Power Development Espana SRL	Spain
Conoco Global Power Developments Inc.	Delaware
Conoco Global Power Development-Sabine Inc.	Delaware
Conoco Global Power Inc.	Delaware
Conoco Hungary Kft.	Hungary
Conoco Indonesia Holding Company Ltd.	British Virgin Islands
Conoco Indonesia Inc. Ltd.	Bermuda
Conoco International Petroleum Company	Delaware
Conoco Investment AG	Switzerland
Conoco Investments Norge A/S	Norway

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Conoco Jet (Malaysia) Sdn. Bhd.	Malaysia
Conoco Jet Danmark A/S	Denmark
Conoco Jet Finland Oy	Finland
Conoco Jet Nordic AB	Sweden
Conoco Jet Norge A/S	Norway
Conoco Kuwait Services Inc.	Delaware
Conoco Lagia Offshore, Inc.	Delaware
Conoco Limited	England
Conoco Lubricant (India) Private Limited	India
Conoco Lubricants (Malaysia) Sdn. Bhd.	Malaysia
Conoco Mexico Servicios, S.A. de C.V.	Mexico
Conoco Mexico, S.A. de C.V.	Mexico
Conoco Middle East Gas Co. N.V.	Netherland Antilles
Conoco Middle East Ltd.	Delaware
Conoco Mineraloel GmbH	Germany
Conoco Mont Belvieu Holdings Inc.	Delaware
Conoco Nila Ltd.	Bermuda
Conoco Nordic Holding LLC	Delaware
Conoco Nordic Holdings AB	Sweden
Conoco Nordic Investment LP	Delaware
Conoco Nordic Limited	Bermuda
Conoco Norway Inc.	Delaware
Conoco Norway Properties Inc.	Delaware
Conoco NW Natuna Exploration & Production Ltd.	Bermuda
Conoco Offshore Pipe Line Company	Delaware
Conoco Operations (QLD) Pty Ltd.	Australia
Conoco Orinoco Inc.	Delaware
Conoco Peru Ltd.	Bermuda
Conoco Petcoke Far East Ltd.	Delaware
Conoco Petroleum Nigeria Limited	Nigeria
Conoco Petroleum Operations Inc.	Delaware
Conoco Phillips (96-20) Pty Ltd	Western Australia
Conoco Pipe Line Company	Delaware
Conoco Poland Sp. z.o.o.	Poland
Conoco Power Marketing Inc	Delaware
Conoco Sabah Ltd.	Bermuda
Conoco Services Company	Delaware
Conoco Services Ltd.	Bermuda
Conoco Shale Oil Inc.	Delaware
Conoco Shipping & Marine Development L.L.C.	Marshall Islands
Conoco Shipping Company	Liberia
Conoco Shipping Norge A/S	Norway
Conoco Shipping Norge Nr. 2 AS	Norway
Conoco Shipping Norge Nr. 3 AS	Norway
Conoco Shtokman Inc.	Delaware
Conoco Singapore Operations Pte. Limited	Singapore

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Conoco Slovakia s.r.o.	Slovic Republic
Conoco South Sokang Holding Ltd.	British Virgin Islands
Conoco South Sokang Ltd.	Bermuda
Conoco Specialty Products Limited	England
Conoco Syria DEZ Gas Ltd.	Bermuda
Conoco Syria Ltd.	Bermuda
Conoco Timan-Pechora Ltd.	Delaware
Conoco Tobong Holding Ltd.	British Virgin Islands
Conoco Trading Company	Delaware
Conoco Trinidad (4a) B.V.	Netherlands
Conoco Trinidad (4b) B.V.	Netherlands
Conoco Trinidad Inc.	Delaware
Conoco U.K. Properties Inc.	Delaware
Conoco Venezuela B.V.	Netherlands
Conoco Venezuela C.A.	Venezuela
Conoco Venezuela EPLtd.	Bermuda
Conoco Venezuela Holding C.A.	Venezuela
Conoco Venezuela Ltd.	Bermuda
Conoco Venezuela Services B.V.	Netherlands
Conoco Warim B.V.	Netherlands
ConocoPhillips (00-21) Pty Ltd	Western Australia
ConocoPhillips (91-12) Pty Ltd	Australia
ConocoPhillips (91-13) Pty Ltd	Western Australia
ConocoPhillips (95-19) Pty Ltd	Australia
ConocoPhillips (96-16) Pty Ltd	Australia
ConocoPhillips (Aceh) Ltd.	Bermuda
ConocoPhillips (AIB) Ltd.	Bermuda
ConocoPhillips (GIB) Ltd.	Bermuda
ConocoPhillips (Glen) Limited	England
ConocoPhillips (Grissik) Ltd.	Bermuda
ConocoPhillips (Kakap) Ltd.	Bermuda
ConocoPhillips (Ketapang) Ltd.	Bermuda
ConocoPhillips (Pangkah) Ltd.	Bermuda
ConocoPhillips (Ramba) Ltd.	Bermuda
ConocoPhillips (Sakakemang) Ltd.	Bermuda
ConocoPhillips (South Jambi) Ltd.	Bermuda
ConocoPhillips (Tungkal) Ltd.	Bermuda
ConocoPhillips (U.K.) Alpha Limited	England
ConocoPhillips (U.K.) Beta Limited	England
ConocoPhillips (U.K.) Eta Limited	England
ConocoPhillips (U.K.) Gama Limited	England
ConocoPhillips (U.K.) Lambda Limited	Ireland
ConocoPhillips (U.K.) Limited	England
ConocoPhillips (U.K.) Theta Limited	England
ConocoPhillips (U.K.) Zeta Limited	England

Name of Company

State or Jurisdiction in
Which Subsidiary Was
Incorporated or Organized

ConocoPhillips Alaska, Inc.	Delaware
ConocoPhillips Australia Gas Holdings Pty Ltd	Western Australia
ConocoPhillips Australia Pty Ltd	Western Australia
ConocoPhillips Aviation Services LLC	Texas
ConocoPhillips Banyumas Holding Ltd.	British Virgin Islands
ConocoPhillips Canada (East) Limited	Canada
ConocoPhillips Canada (North) Limited	Canada
ConocoPhillips Canada Energy Partnership	Alberta
ConocoPhillips Canada Limited	New Brunswick
ConocoPhillips Canada Resources Corp.	Nova Scotia
ConocoPhillips Communications Inc.	Delaware
ConocoPhillips Company	Delaware
ConocoPhillips Developments Limited	England
ConocoPhillips Energy Asia Inc.	Delaware
ConocoPhillips Energy Marketing Corp.	Delaware
ConocoPhillips European Power Limited	England
ConocoPhillips Holding Company	Delaware
ConocoPhillips Holdings Limited	England
ConocoPhillips International Inc.	Delaware
ConocoPhillips JPDA Pty Ltd	Western Australia
ConocoPhillips Nila Holding Ltd.	British Virgin Islands
ConocoPhillips Norge	Delaware
ConocoPhillips Oil (GB) Limited	United Kingdom
ConocoPhillips Oil Trading Limited	United Kingdom
ConocoPhillips Oilsands Partnership	Alberta
ConocoPhillips Oilsands Partnership II	Alberta
ConocoPhillips Petroleum Chemicals U.K. Limited	United Kingdom
ConocoPhillips Petroleum Company U.K. Limited	United Kingdom
ConocoPhillips Petroleum International Corporation Denmark	Cayman Islands
ConocoPhillips Petroleum Limited	England
ConocoPhillips Petroleum UK Investment Corporation	Delaware
ConocoPhillips Pipeline Australia Pty Ltd	Western Australia
ConocoPhillips Power Operations Limited	England
ConocoPhillips Sakakemang Holding Ltd.	British Virgin Islands
ConocoPhillips Services Inc.	Delaware
ConocoPhillips Specialty Products Inc.	Delaware
ConocoPhillips STL Pty Ltd	Western Australia
ConocoPhillips Surmont Partnership	Canada
ConocoPhillips Tobong Ltd.	Bermuda
ConocoPhillips Treasury Limited	England
ConocoPhillips WA-248 Pty Ltd	Western Australia
ConocoPhillips Western Canada Partnership	Alberta
Cono-Services Inc.	Delaware
Conoven Holding Ltd.	British Virgin Islands
Continental Mid Delta Petroleum Company	Delaware
Continental Netherlands Oil Company B.V.	Netherlands

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Continental Oil Company	Delaware
Continental Oil Company (Nederland) B.V.	Netherlands
Continental Oil Company of Italy	Delaware
Continental Oil Company of Niger	Delaware
Continental Oil Company of Nigeria	Delaware
Continental Pipe Line Company	Delaware
COP Holdings Limited	England
Crestar Energy Holdings Ltd.	Bermuda
CRS Resources (Ecuador) LDC	Cayman Islands
Crusader (Ireland) Pty. Ltd.	Australia
Crusader Inc.	Delaware
CSPL Holdings Limited	England
Danube Insurance Ltd.	Bermuda
Darwin LNG Pty Ltd	Australia
Douglas Oil Company of California	California
Du Pont EPNo. 1 B.V.	Netherlands
Dubai Petroleum Company	Delaware
Eagle Sun Company Limited	Liberia
East Boston Terminal Company	Delaware
Emerald Shipping Corporation	Delaware
Emet Pty Ltd	Australia
F.P.S.O. Development Ltd.	Bermuda
Four Star Beverage Company Inc.	Texas
Four Star Holding Company, Inc.	Texas
Frontier Deepwater Drilling Inc.	Delaware
Gas Natural del Guasare Ltd	Liberia
GCRL Energy Ltd.	Colorado
GCRL Holdings Inc.	Delaware
GCRL Marketing Ltd.	Delaware
Golden Valley Pipeline Company	California
Gulf Canada Tunisia Ltd.	Alberta
Gulf Energy Asia Pte Ltd.	Singapore
Gulf Expro Limited	Scotland
Gulf Petroleum (Australia) Pty Ltd.	Australia
Gulf Resources (Calik) Ltd.	Alberta
Gulf Resources (Halmahera) Ltd.	Alberta
Gulf Resources (Jambieor) Ltd.	Barbados
Gulf Resources (Merangin) Ltd.	Alberta
Gulf Resources (NW Natuna) Ltd.	Alberta
Gulf Resources (Sakala Timur) Ltd.	Alberta
Gulf Resources (Sebuku) Ltd.	Alberta
Gulf Resources (West Natuna) Ltd.	Alberta
Hotel Phillips Mgmt. Company	Oklahoma
Immingham CHP LLP	England
Immingham Energy Limited	England
Interkraft Handel GmbH	Germany

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
International Colin Energy Corporation	Alberta
International Energy Insurance Limited	Bermuda
International Energy Limited	Bahamas
International Petroleum Sales Inc.	Panama
Irish Petroleum Company Limited	Ireland
Irish Refining Limited	Ireland
Jet Tankstellen-Betriebs-GmbH	Germany
Jet/Jiffy Shops Limited	Thailand
Kayo Oil Company	Delaware
Kenai LNG Corporation	Delaware
Kenai Tankers LLC	Delaware
Kuparuk Pipeline Company	Delaware
Lantri Investments B.V.	Netherlands
Leland Energy Partnership	Alberta
Linden Urban Renewal Limited Partnership	New Jersey
Lobo Inc.	Delaware
Lobo Pipeline Company L.P.	Delaware
Longhorn Pipeline Company	Delaware
Louisiana Gas System Inc.	Delaware
Lubricantes 76 Mexico, S.A. de C.V.	Mexico
Manassas Terminal Company	Delaware
Marcus Hook Refining Company	Delaware
Maspher Investments B.V.	Netherlands
Norske Conoco A/S	Norway
North Gillette Coal Company	Nevada
NW Natuna Holding Company	British Virgin Islands
Oliktok Pipeline Company	Delaware
Pacific Pipelines, Inc	Delaware
Peerless Insurance Company Limited	Barbados
Petco Enterprises Ltd.	Japan
Petroleum Transmission Co	Calgary
Petroz (International) Pty Ltd	Australia
Petroz (Timor Sea) Pty Ltd	Australia
Petroz (ZOCA 91-08) Pty Ltd	Australia
Petroz Bentu LDC	Cayman Islands
Petroz Korinci Baru LDC	Cayman Islands
Petroz N.L.	Australia
Phillips 66 Capital I	Delaware
Phillips 66 Capital II	Delaware
Phillips Africa Exploration, Ltd.	Liberia
Phillips Alaska Holdings, Inc.	Delaware
Phillips Alaska Natural Gas Corporation	Delaware
Phillips Alaska Receivables Company, LLC	Delaware
Phillips Alpine Alaska, LLC	Delaware
Phillips Angola Offshore Ltd.	Cayman Islands
Phillips Australasia Exploration Co.	Liberia

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Phillips Caspian, Ltd.	Liberia
Phillips Chemical Holdings Company	Delaware
Phillips China Inc.	Liberia
Phillips Coal Company	Nevada
Phillips Deepwater Exploration Nigeria Limited	Nigeria
Phillips Expatriate Services Company	Delaware
Phillips Exploration Angola, Ltd.	Liberia
Phillips Exploration Azerbaijan, Ltd.	Cayman Islands
Phillips Exploration Nigeria Limited	Nigeria
Phillips Gas Company	Delaware
Phillips Gas Company Shareholder, Inc.	Delaware
Phillips Gas Investment Company	Delaware
Phillips Gas Marketing Company	Delaware
Phillips Gas Pipeline Company	Delaware
Phillips Gas Supply Corporation	Delaware
Phillips Indonesia Inc.	Delaware
Phillips International Investments, Inc.	Delaware
Phillips Investment Company	Nevada
Phillips LNG Middle East Ltd.	Cayman Islands
Phillips LNG Ventures Limited	Liberia
Phillips Mexico LNG, LLC	Delaware
Phillips New Ventures, Ltd.	Cayman Islands
Phillips Oil Company (Nigeria) Ltd.	Nigeria
Phillips Oil Company Australia	Liberia
Phillips Petroleum (96-16) Pty Ltd	Australia
Phillips Petroleum (96-20) Pty Ltd	Western Australia
Phillips Petroleum (BTC) Ltd.	Cayman Islands
Phillips Petroleum Africa, Ltd.	Liberia
Phillips Petroleum Arabia (CV1) Limited	Cayman Islands
Phillips Petroleum Arabia, Ltd.	Liberia
Phillips Petroleum Argentina S.A.	Argentina
Phillips Petroleum Asia Ventures, Ltd.	Liberia
Phillips Petroleum Bohai Limited	Bahamas
Phillips Petroleum Borneo, Ltd.	Liberia
Phillips Petroleum Canada Ltd.	New Brunswick
Phillips Petroleum Company Algeria	Delaware
Phillips Petroleum Company Andes	Delaware
Phillips Petroleum Company Cameroon	Delaware
Phillips Petroleum Company Indonesia	Delaware
Phillips Petroleum Company Ireland	Delaware
Phillips Petroleum Company Kuwait	Cayman Islands
Phillips Petroleum Company Niugini	Delaware
Phillips Petroleum Company Western Hemisphere	Delaware
Phillips Petroleum Do Brasil Ltda.	Brazil
Phillips Petroleum Eurasia, Ltd.	Liberia

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Phillips Petroleum Europe Exploration Ltd.	Liberia
Phillips Petroleum Greenland A/S	Greenland
Phillips Petroleum International Corporation	Delaware
Phillips Petroleum International Corporation Italy	Liberia
Phillips Petroleum International Corporation Somalia	Liberia
Phillips Petroleum International Investment Company	Delaware
Phillips Petroleum International, Limited	Japan
Phillips Petroleum Kazakhstan, Ltd.	Liberia
Phillips Petroleum Kuwait, Ltd.	Liberia
Phillips Petroleum Latin America, Ltd.	Liberia
Phillips Petroleum Middle East, Ltd.	Liberia
Phillips Petroleum Mudayy, Ltd.	Liberia
Phillips Petroleum Norsk A/S	Norway
Phillips Petroleum Oman, Ltd.	Liberia
Phillips Petroleum Pension Trustees Limited	United Kingdom
Phillips Petroleum Peru Ltd.	Liberia
Phillips Petroleum Resources, Ltd.	Delaware
Phillips Petroleum Russia, Ltd.	Delaware
Phillips Petroleum Sisimiut A/S	Greenland
Phillips Petroleum South Africa, Ltd.	Liberia
Phillips Petroleum TLtd.	Liberia
Phillips Petroleum Timor Sea Inc.	Delaware
Phillips Petroleum Timor Sea Pty Ltd	New South Wales
Phillips Petroleum Worldwide Gas, Ltd.	Cayman Islands
Phillips Petroleum International Corporation Venezuela	Liberia
Phillips Pipe Line Company	Delaware
Phillips Pt. Arguello Production Company	Delaware
Phillips Receivables Company II, LLC	Delaware
Phillips Receivables Company, LLC	Oklahoma
Phillips Retail Marketing Company	Delaware
Phillips Singapore Private Limited	Singapore
Phillips STL Ventures Inc.	Delaware
Phillips Texas Pipeline Company, Ltd.	Texas
Phillips Transportation Alaska, Inc.	Delaware
Phillips Utility Gas Corporation	Delaware
Phillips-New Mexico Partners, L.P.	Delaware
Phillips-San Juan Partners, L.P.	Delaware
Polar Tankers Spill Response Company	Delaware
Polar Tankers, Inc	Delaware
Pontoon (Timor Sea) Pty Ltd	Australia
Pontoon N.L.	Australia
Projet Malaysia Sdn. Bhd.	Malaysia
R.A.Z. Properties, Inc.	California
Raptor Facilities Inc.	Delaware
Raptor Gas Transmission LLC	Delaware
Raptor Natural Pipeline LLC	New Mexico

Name of Company -----	State or Jurisdiction in Which Subsidiary Was Incorporated or Organized -----
Raptor Natural Plains Marketing LLC	Delaware
Rocky Mountain Investment &Antique Company	Wyoming
Ronany Limited	North Ireland
San Jacinto Service Company	Delaware
Seagas Pipeline Company	Delaware
Seminole Fertilizer Corporation	Delaware
Siam Conoco Land Ltd.	Thailand
Siam Conoco Terminal Co., Ltd.	Thailand
Smile Loyalty Limited	England
Societe Europeenne Des Carburants (SECA)	Belgium
Sooner Insurance Brokers Limited	Bermuda
Sooner Insurance Company	Vermont
SRW Cogeneration Limited Partnership	Delaware
Stampedder Acquisition (No. 2) Ltd.	Canada
Stampedder Acquisition Ltd.	Canada
Stampedder Energy (U.S.) Inc.	Delaware
Stampedder Exploration Ltd.	Canada
Statoil Vietnam AS	Norway
Sweeny Coker Investor Sub, Inc.	Delaware
The Circle K Corporation	Delaware
The Largo Company	Delaware
The Oil Shale Corporation	Delaware
The Standard Shale Products Company	Colorado
TMC Franchise Corporation	Arizona
Tosco Canada Ltd.	Yukon Territory
Tosco Corporation	Nevada
Tosco Europe Limited	United Kingdom
Tosco Operating Company, Inc.	Delaware
Tosco Pipeline Company	Delaware
Tosco Trading, Transportation and Supply, Inc.	Delaware
TPC Pipe Line Company	Delaware
TS, Inc.	Georgia
Union Pipeline Company (California)	California
Wabiskaw Explorations Ltd.	Canada
WesTTex 66 Pipeline Company	Delaware
World Wide Transport, Inc.	Liberia
3067047 Novia Scotia Company	Nova Scotia
362084 Alberta Inc.	Alberta
3793885 Canada Ltd.	Canada
534404 Alberta Ltd.	Alberta
66 Pipe Line Company	Delaware
758350 Alberta Inc.	Alberta
942819 Alberta ltd.	Alberta

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated March 24, 2003, with respect to the consolidated financial statements, condensed consolidating financial information and schedule of ConocoPhillips included in the Annual Report (Form 10-K) for the year ended December 31, 2002, in the following registration statements and related prospectuses.

ConocoPhillips Form S-3 File No. 333-101187

ConocoPhillips Form S-8 File No. 333-98681

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Houston, Texas
March 24, 2003

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ConocoPhillips (the company) on Form 10-K for the period ending December 31, 2002, as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), I, J. J. Mulva, President and Chief Executive Officer of ConocoPhillips, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 24, 2003

/s/ J. J. Mulva

J. J. Mulva
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to ConocoPhillips and will be retained by ConocoPhillips and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ConocoPhillips (the company) on Form 10-K for the period ending December 31, 2002, as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), I, John A. Carrig, Executive Vice President, Finance, and Chief Financial Officer of ConocoPhillips, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 24, 2003

/s/ John A. Carrig

John A. Carrig
Executive Vice President, Finance, and Chief
Financial Officer

A signed original of this written statement required by Section 906 has been provided to ConocoPhillips and will be retained by ConocoPhillips and furnished to the Securities and Exchange Commission or its staff upon request.

CONOCOPHILLIPS
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2002

Basis of Presentation

The following Unaudited Pro Forma Combined Statement of Operations has been prepared to illustrate the estimated effect of the merger between ConocoPhillips Company (formerly Phillips Petroleum Company (Phillips)) and ConocoPhillips Holding Company (formerly Conoco Inc. (Conoco)). The Unaudited Pro Forma Combined Statement of Operations for the year ended December 31, 2002, was prepared assuming the merger occurred January 1, 2002.

This pro forma financial information is not intended to reflect the results of operations which would have actually resulted had the merger been effective on the date indicated. Moreover, this pro forma information is not intended to be indicative of the results of operations which may be achieved by ConocoPhillips in the future. The pro forma adjustments use estimates and assumptions based on currently available information. Management believes that the estimates and assumptions are reasonable, and that the significant effects of the transactions are properly reflected. However, actual results may materially differ from this pro forma financial information.

The preliminary purchase price allocation is subject to revision as more detailed analysis is completed and additional information on the fair value of Conoco's assets and liabilities becomes available. Final purchase accounting adjustments may therefore differ from the pro forma adjustments presented here.

Millions of Dollars

Year Ended December 31, 2002	Historical ConocoPhillips As Reported,	Non-Recurring Charges*	Adjusted Historical ConocoPhillips	Eight Months Historical Conoco**	Pro Forma Purchase Accounting Adjustments	Pro Forma ConocoPhillips
REVENUES						
Sales and other operating revenues	\$ 56,748	-	56,748	23,844	(16)(b)	80,576
Equity in earnings of affiliates	261	-	261	212	(21)(c)	452
Other income	215	-	215	190	-	405
Total Revenues	57,224	-	57,224	24,246	(37)	81,433
COSTS AND EXPENSES						
Purchased crude oil and products	37,823	-	37,823	14,013	(8)(b)	51,828
Production and operating expenses	4,988	(381)	4,607	1,924	(15)(b)	6,516
Selling, general and administrative expenses	1,660	(379)	1,281	546	-	1,827
Exploration expenses	592	-	592	273	-	865
Depreciation, depletion and amortization	2,223	-	2,223	1,203	(110)(c) 64(d)	3,380
Impairments	177	-	177	-	-	177
Taxes other than income taxes	6,937	-	6,937	5,187	-	12,124
Accretion on discounted liabilities	22	-	22	-	10(e)	32
Interest and debt expense	566	-	566	341	(66)(f)	841
Foreign currency transaction (gains) losses	24	-	24	18	-	42
Preferred dividend requirements of capital trusts and minority interests	48	-	48	29	-	77
Total Costs and Expenses	55,060	(760)	54,300	23,534	(125)	77,709
Income from continuing operations before income taxes	2,164	760	2,924	712	88	3,724
Provision for income taxes	1,450	203	1,653	550	44(g)	2,247
INCOME FROM CONTINUING OPERATIONS (a)	\$ 714	557	1,271	162	44	1,477
INCOME FROM CONTINUING OPERATIONS PER SHARE						
Basic	\$ 1.48		2.64			2.18
Diluted	1.47		2.62			2.17
AVERAGE COMMON SHARES OUTSTANDING (IN THOUSANDS)						
Basic	482,082		482,082			677,482
Diluted	485,505		485,505			681,616

See Notes to Unaudited Pro Forma Financial Statement.

*Adjusted to exclude non-recurring charges directly related to the merger, including the write-down of acquired in-process research and development costs (\$246 million both before and after tax, excluded from production and operating expenses), and work force reduction and other charges (\$514 million before tax, \$311 million after tax-- \$135 million before tax excluded from production and operating expenses and \$379 million before tax excluded from selling, general and administrative expenses).

**Certain amounts have been reclassified to conform to ConocoPhillips' presentation.

- (a) On August 30, 2002, the U.S. Federal Trade Commission (FTC) accepted for public comment an Agreement Containing Consent Orders (Consent Agreement) that permitted Conoco and Phillips to close the merger. This Consent Agreement included a proposed Decision and Order that required, among other things, the divestiture of specified Conoco and Phillips assets. These assets include:
- o Phillips' Woods Cross business unit, which includes the Woods Cross, Utah, refinery and associated Phillips motor fuel marketing operations (both retail and wholesale) in Utah, Idaho, Wyoming, and Montana, as well as Phillips' 50 percent interests in two refined products terminals in Boise and Burley, Idaho;
 - o Conoco's Commerce City, Colorado, refinery;
 - o Phillips' Colorado motor fuel marketing operations (both retail and wholesale);
 - o Phillips' refined products terminal in Spokane, Washington;
 - o Phillips' propane terminal assets at Jefferson City, Missouri, and East St. Louis, Illinois, which include the propane portions of these terminals and the customer relationships and contracts for the supply of propane therefrom;
 - o Certain of Conoco's midstream natural gas gathering and processing assets in southeast New Mexico; and
 - o Certain of Conoco's midstream natural gas gathering assets in West Texas.

These operations are excluded from income from continuing operations. No pro forma adjustments have been made to reflect any earnings benefit from the reinvestment of any proceeds which might be recovered, or reduction of debt which may arise as a consequence of the asset dispositions required under the consent agreement.

- (b) Primarily reflects the elimination of a deferred credit arising from a prior year settlement for future price modifications to a U.K. long-term natural gas sales contract, as well as the revaluation of certain other long-term contracts to their fair value.
- (c) Reflects the estimated effects of depreciating and amortizing purchase accounting adjustment balances in properties, plants and equipment; equity method investments; and identifiable intangible assets with definite lives, over their estimated useful lives.
- (d) Under ConocoPhillips' accounting policy and current prevalent industry practice for the acquisition of oil and gas businesses, ConocoPhillips did not record an initial liability for the estimated costs of removing Conoco's properties, plants and equipment at the end of their useful lives. Instead, currently estimated total undiscounted removal costs are accrued as an additional component of depreciation, building the liability for removal over the remaining useful lives of the properties, plants and equipment on a unit-of-production basis.
- (e) Includes the impact of conforming accounting policies and discounting Conoco's environmental liabilities and recording the corresponding accretion.
- (f) Reflects the restatement of Conoco's fixed-rate debt to fair value and the corresponding reduction in interest expense as the resulting premium is amortized. Also reflects the capitalization of interest based on the estimated fair value of Conoco's qualifying assets using a weighted-average interest rate of 5.3 percent.

(g) Reflects the estimated federal and state income tax effects of the pro forma adjustments to Conoco's pretax income using an approximate blended statutory rate of 50 percent.