

ASPHALT SUPPLY IN A VOLATILE OIL WORLD

Bill Haverland

ConocoPhillips Company

Issues to be Discussed

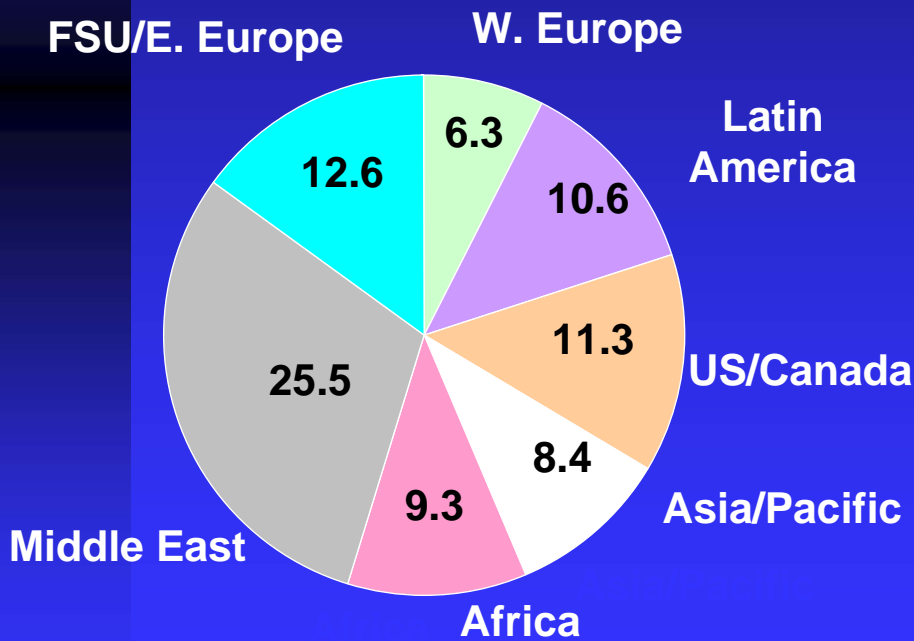
- Crude Oil Supply
- Crude Oil Pricing
- Refining Capacity
- Products Supply
- Products Pricing
- Future of the Industry

CRUDE OIL SUPPLY

A WORLD LOOK

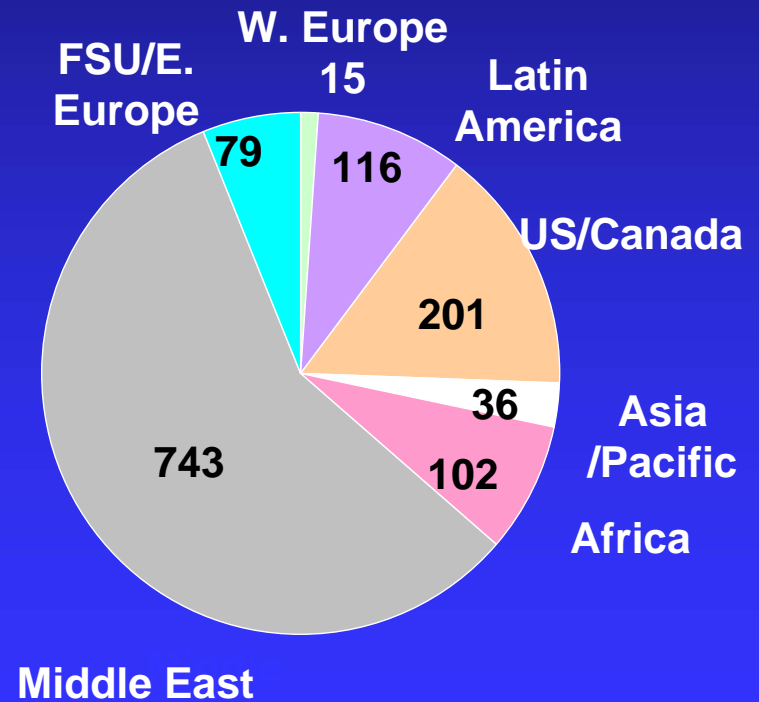
Crude Oil Supply (2006)

World Crude Oil Production Millions of Barrels Per Day



Total: 84MMB/D

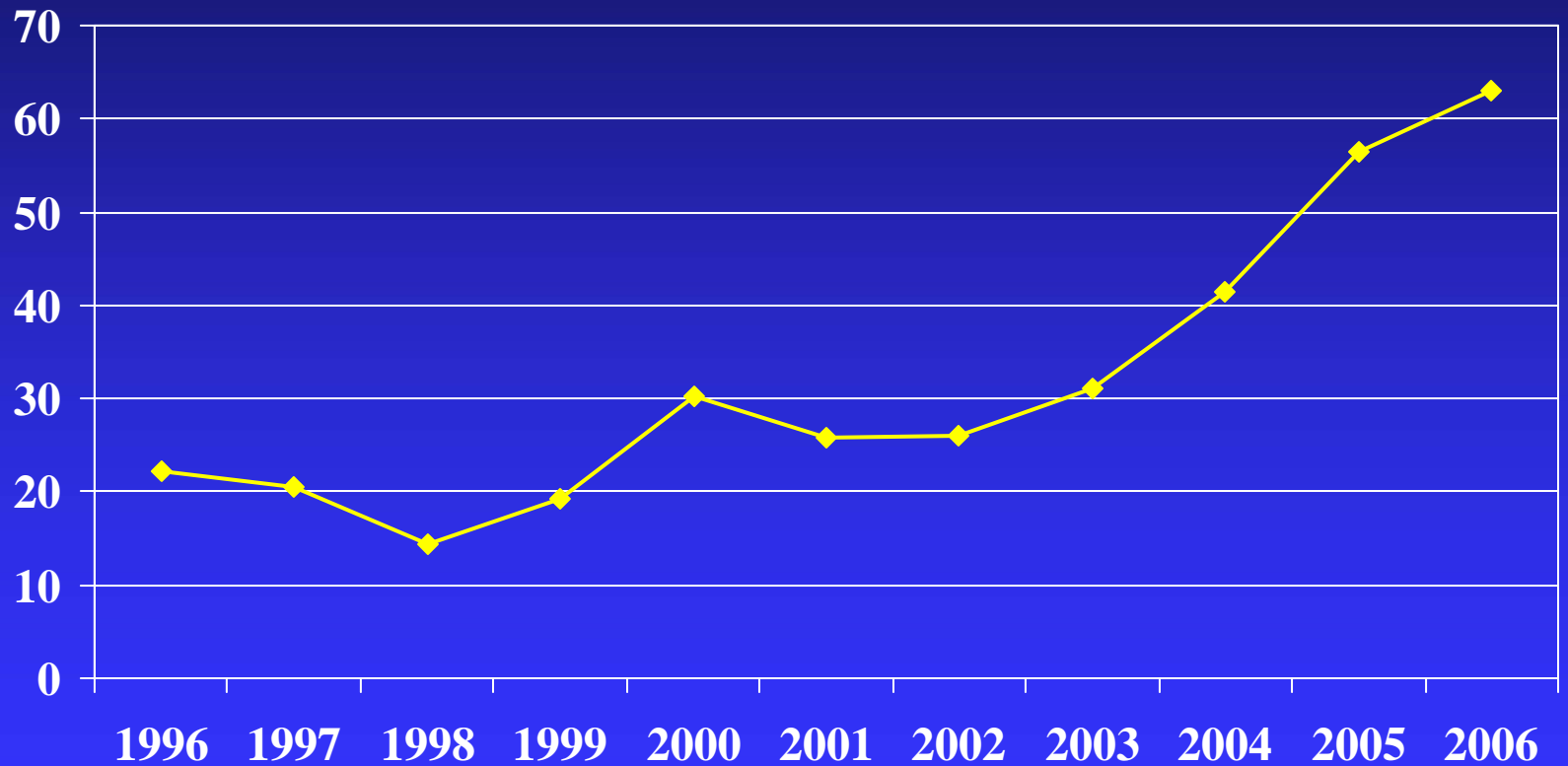
World Proven Crude Oil Reserves Billions of Barrels



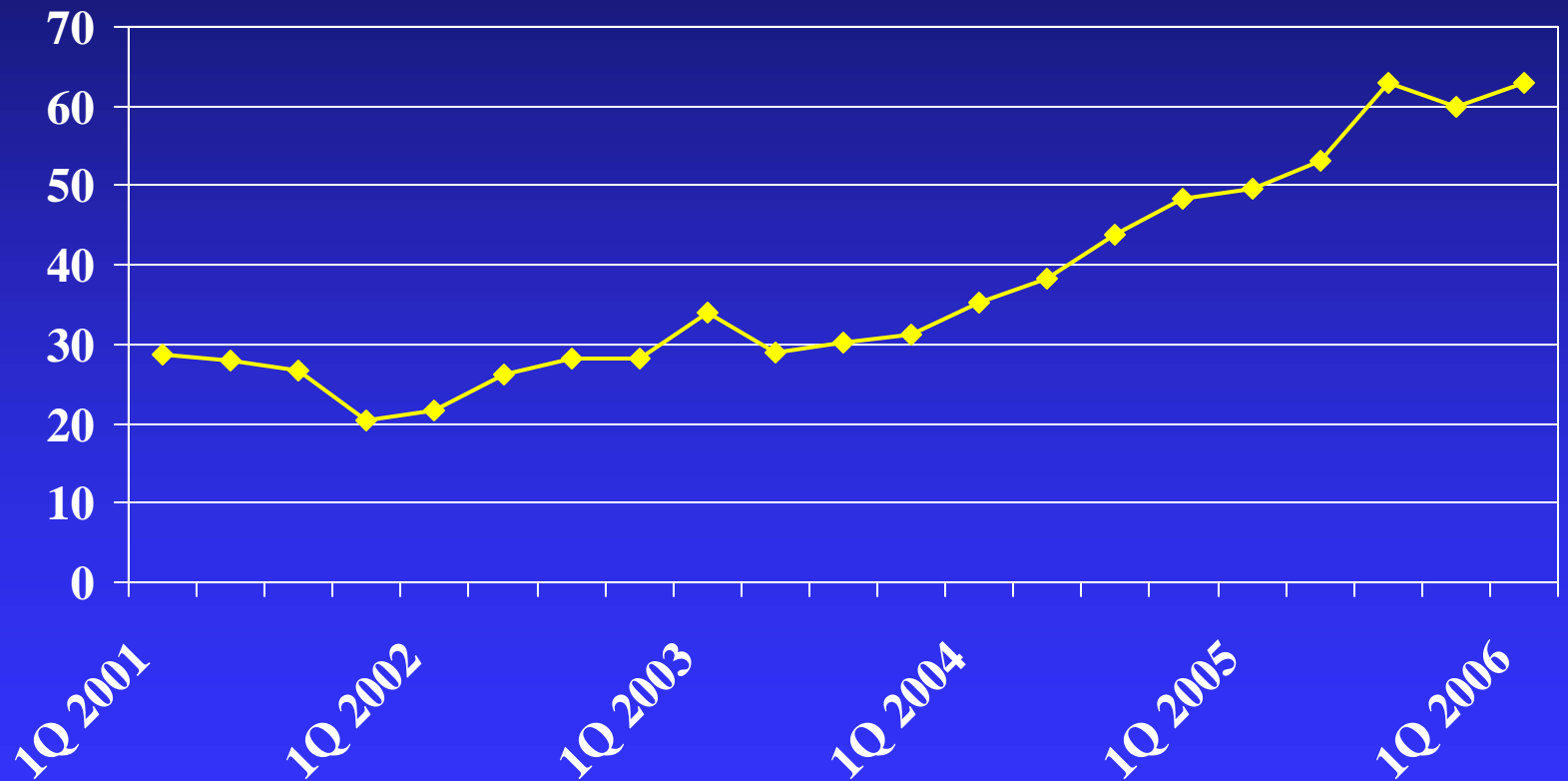
Total: 1,292 BB

CRUDE OIL PRICING

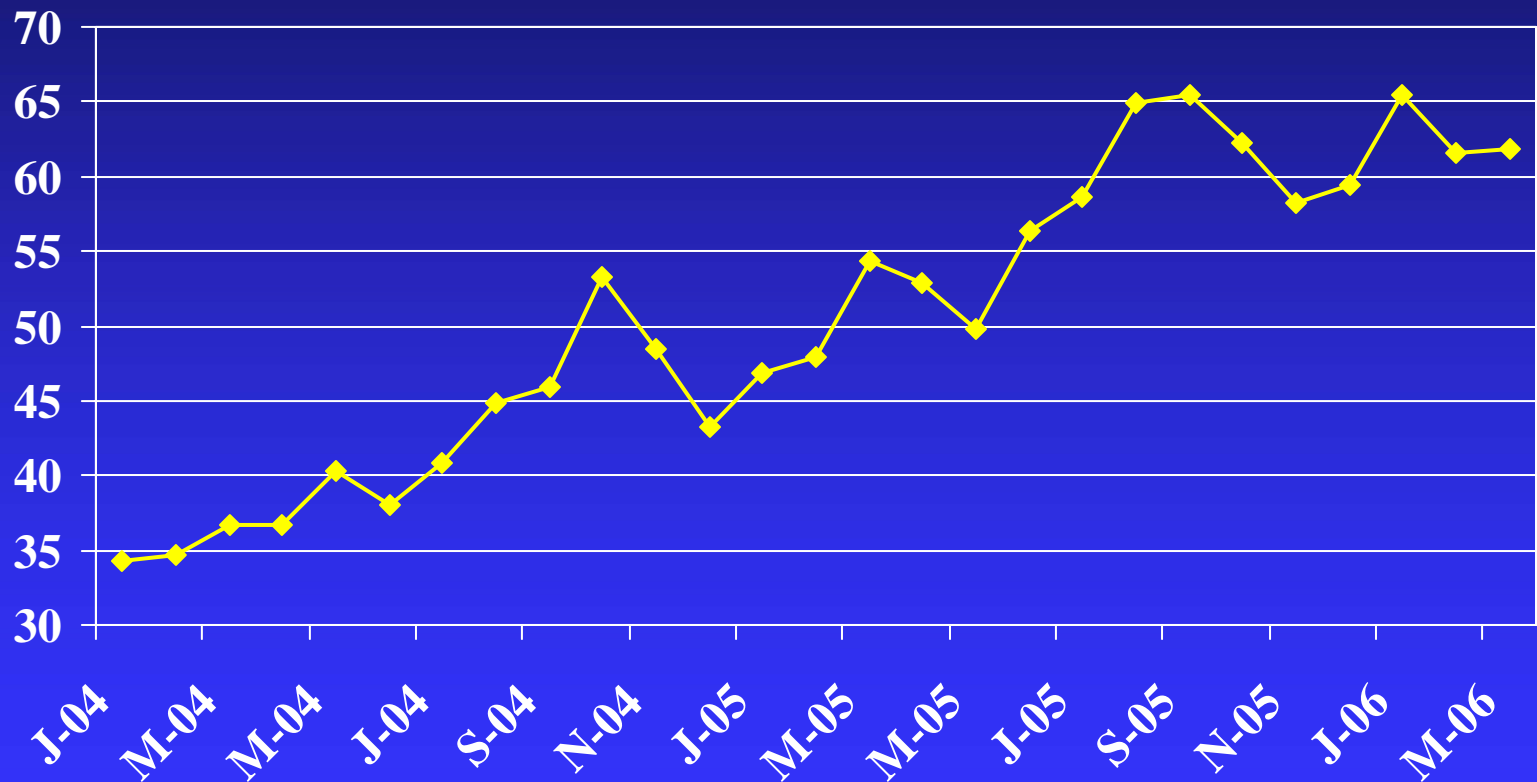
WTI Price by Year



WTI Price by Quarter

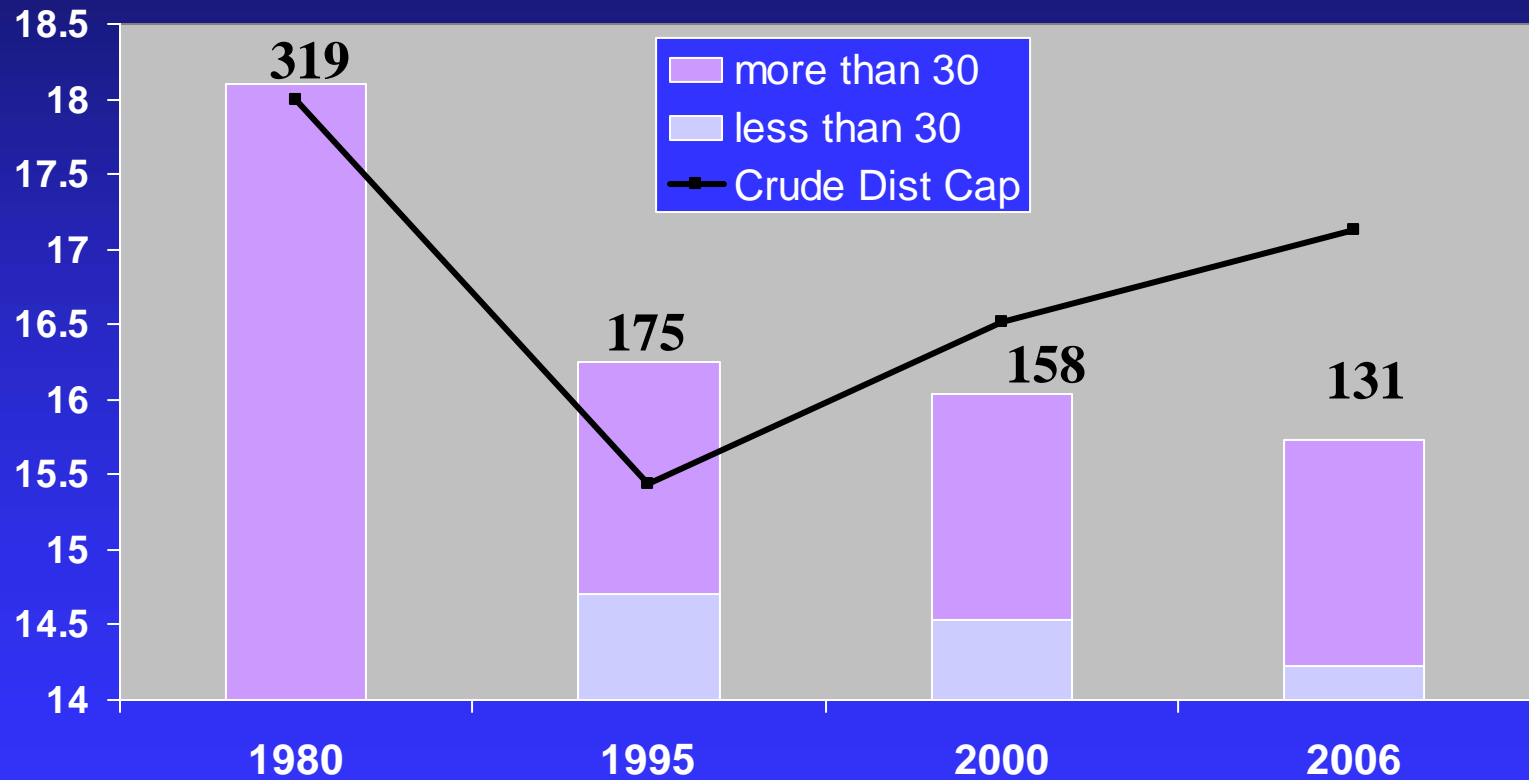


WTI Price by Month



REFINING CAPACITY

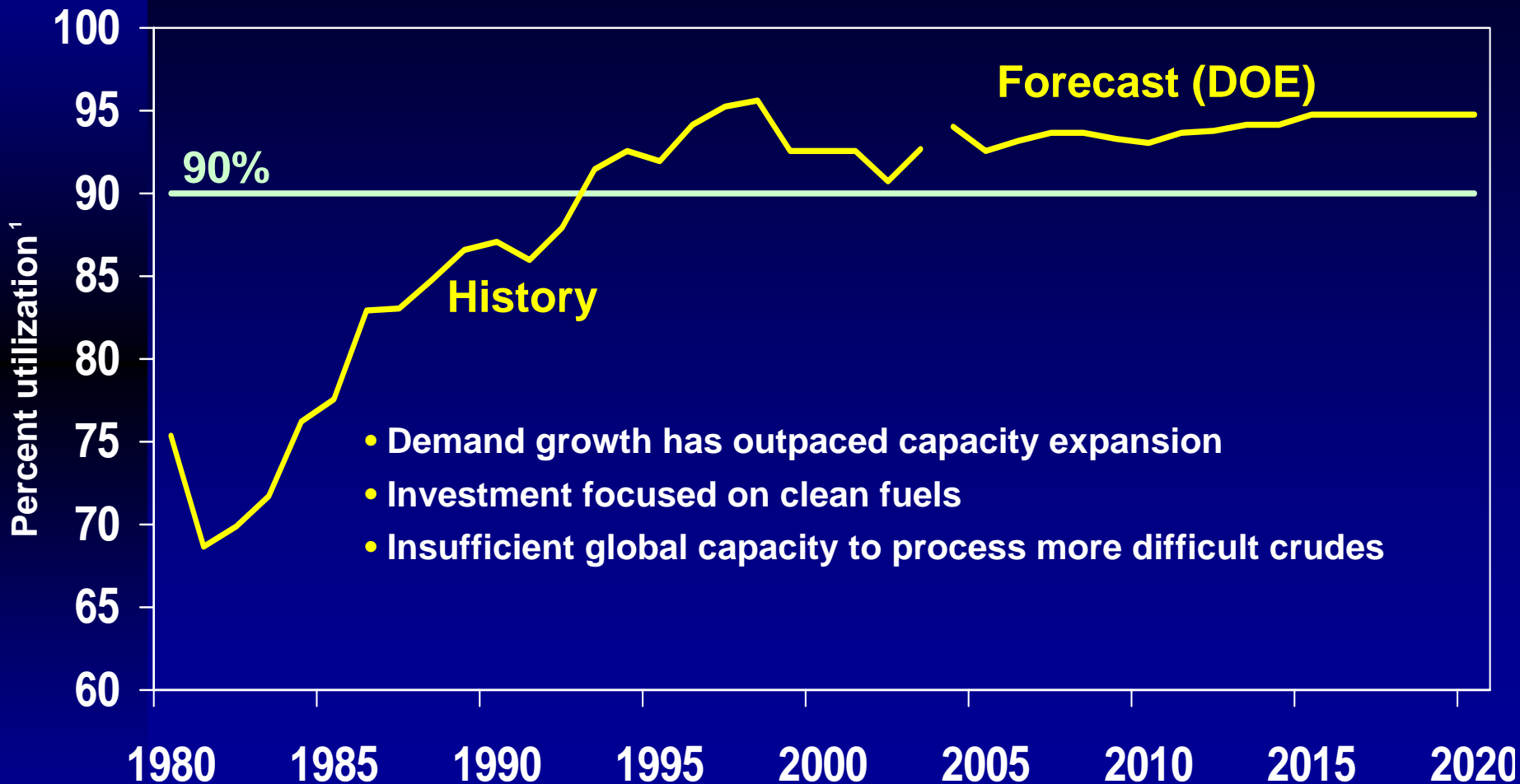
U. S. Refining Capacity



Last New U. S. Refinery Built in 1976

Source: Oil & Gas Journal

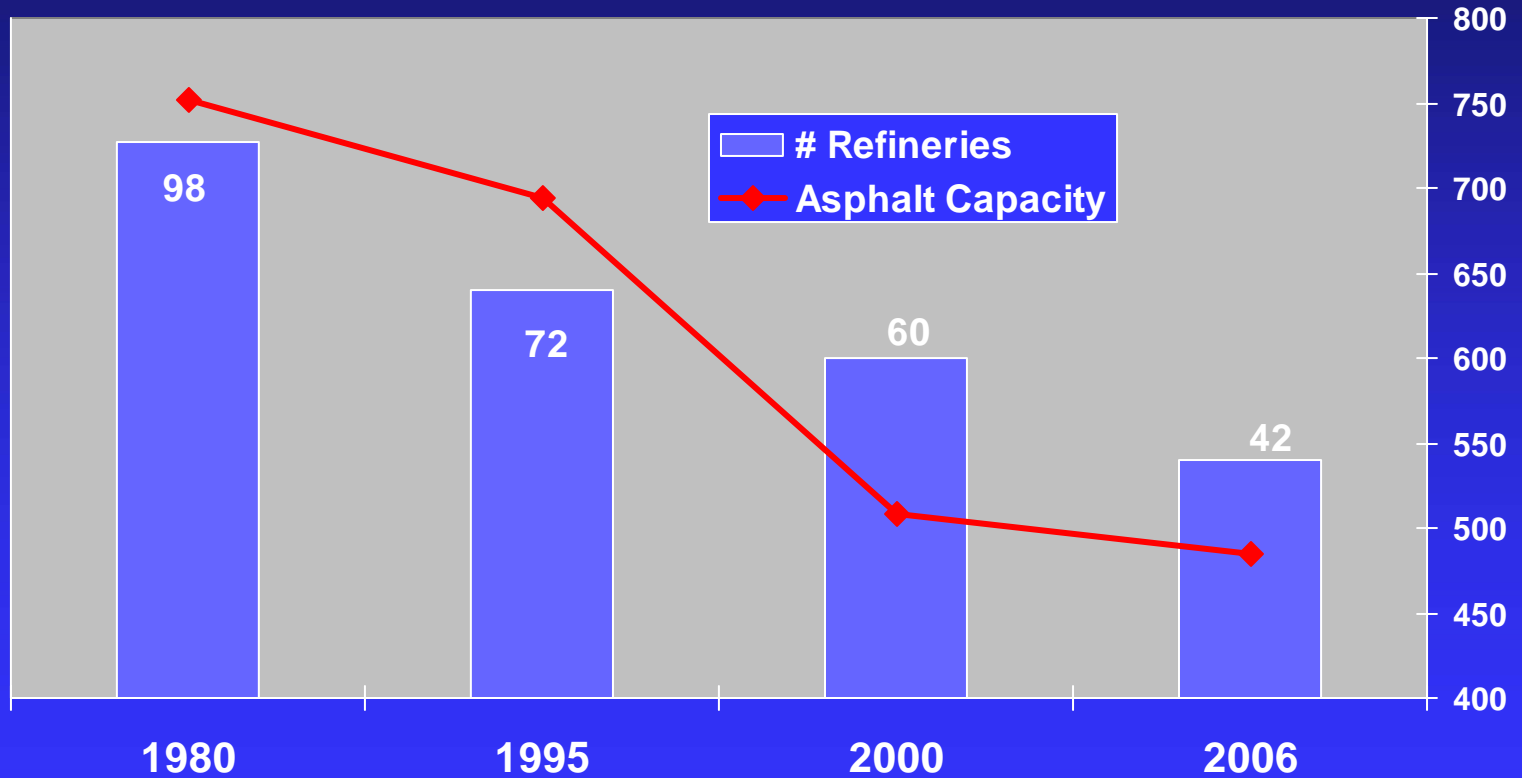
Total U.S. Capacity Utilization



Source: U.S. Department of Energy

¹ Percent utilization defined as: gross input to refineries / operable capacity.

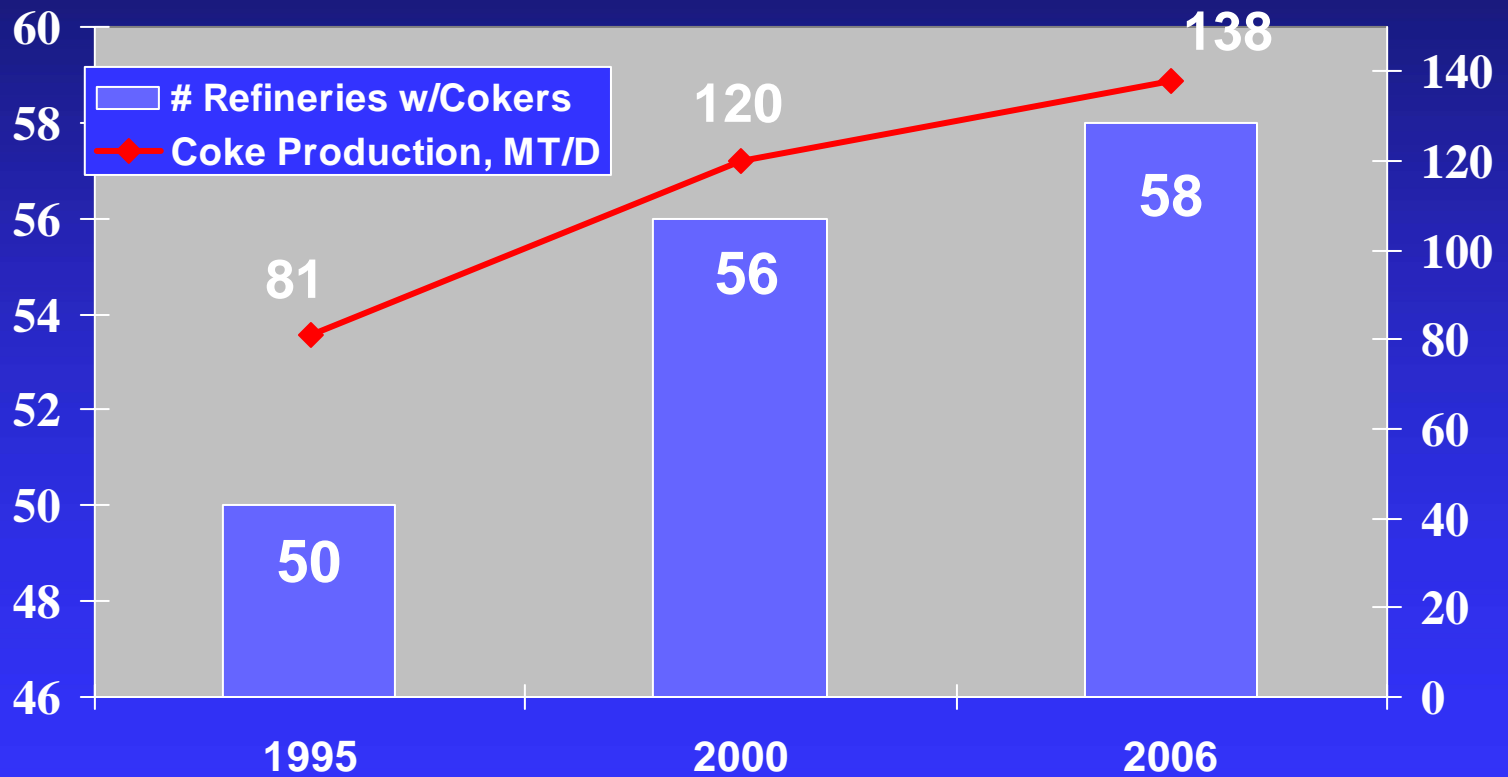
U. S. Asphalt Refining Capacity



Production Range: 600 B/D to 60,000 B/D

Source: Oil & Gas Journal

U. S. Refining Coking Capacity



U.S. Coker Construction Projects 2005 - 2011

■ Engineering, Procurement & Const. Phase

■ Total Refineries: 245 MB per day

■ Asphalt Refineries: 135 MB per day

■ Planning or Early Engineering Phase

■ Total Refineries: 176 MB per day

■ Asphalt Refineries: 121 MB per day

* Source: Argus Asphalt Report

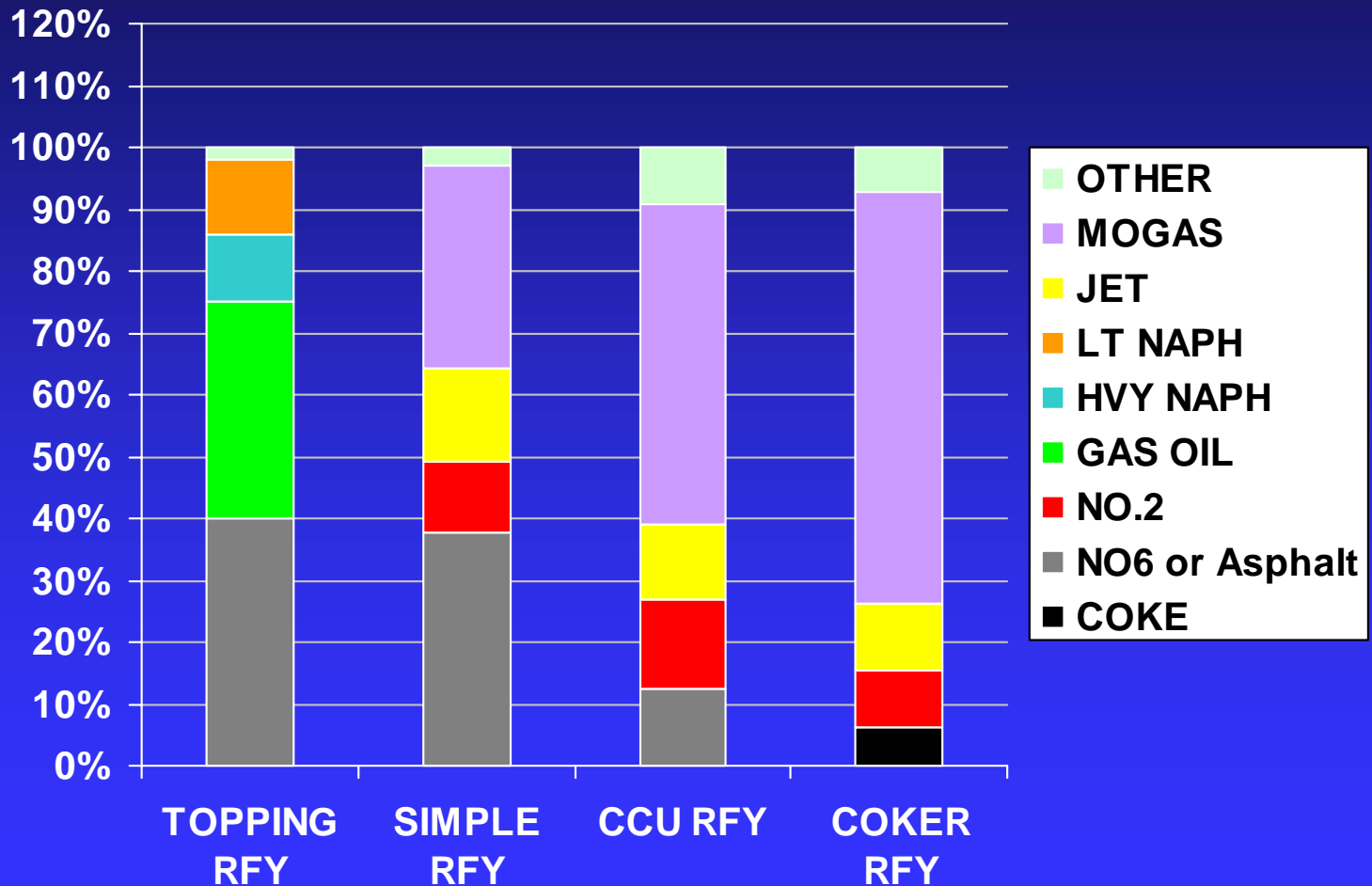
Worldwide Coker Additions

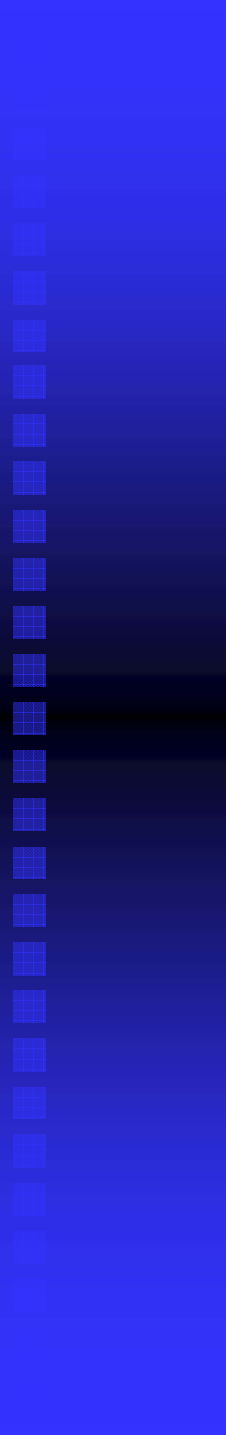
- Refinery Coker Additions – 1,570M Barrels
- Crude Upgraders - 1,214M
- Total Resid Destruction - 2,784M*

*Reduces world asphalt and resid supply

Source – Argus Asphalt Report

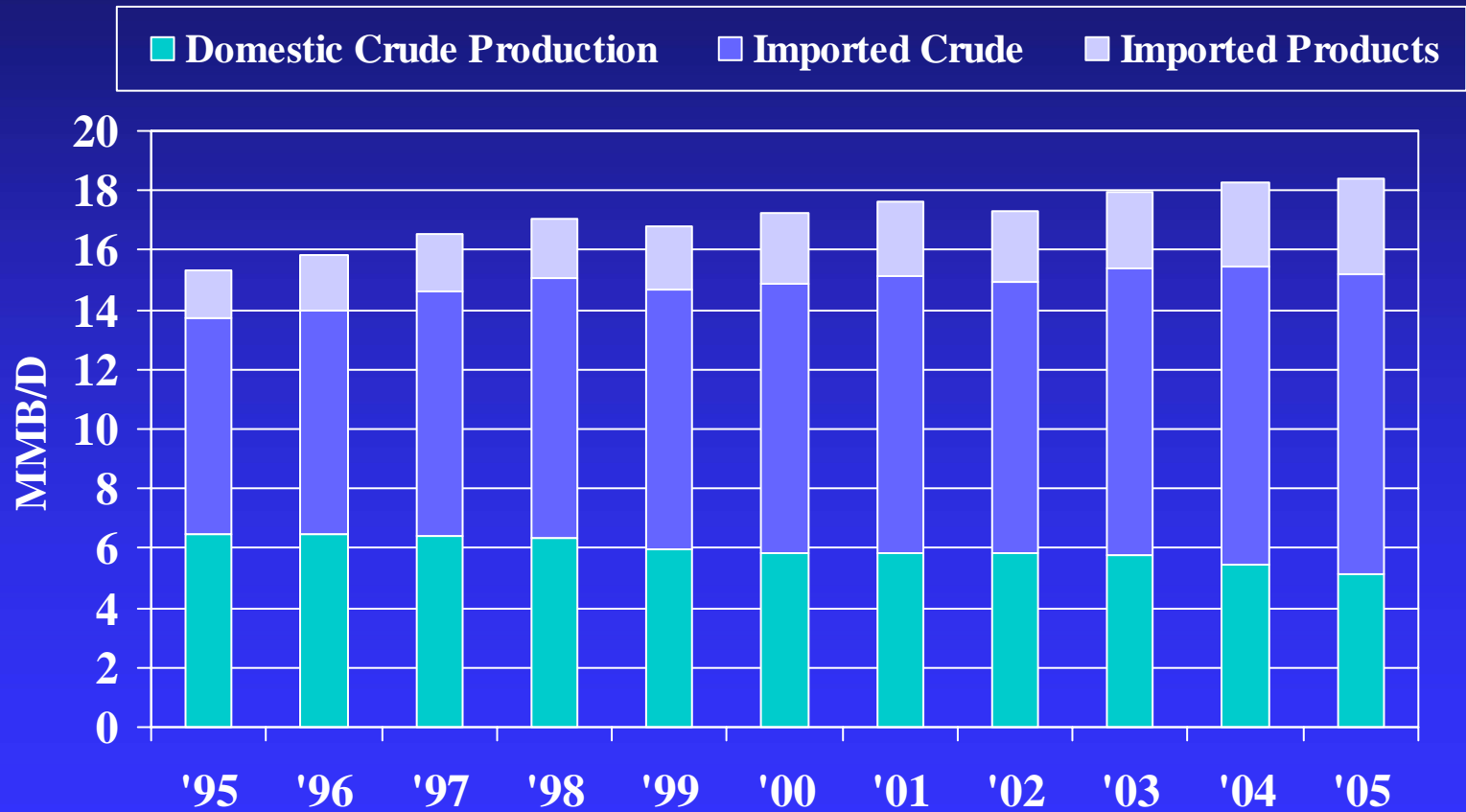
Refinery Yield (% of Crude Intake)



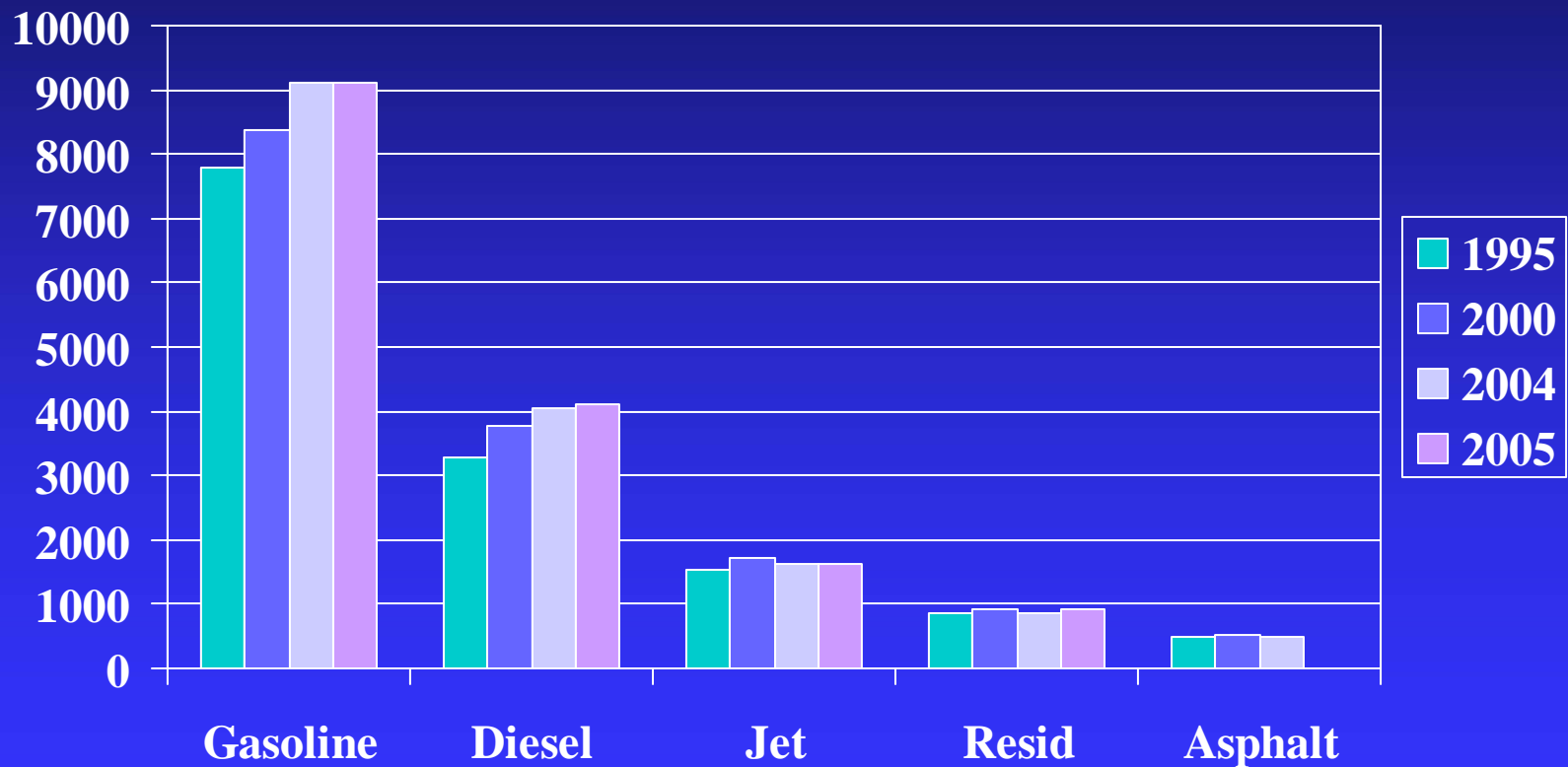


PRODUCTS SUPPLY/DEMAND

Supply Source for U. S. Demand

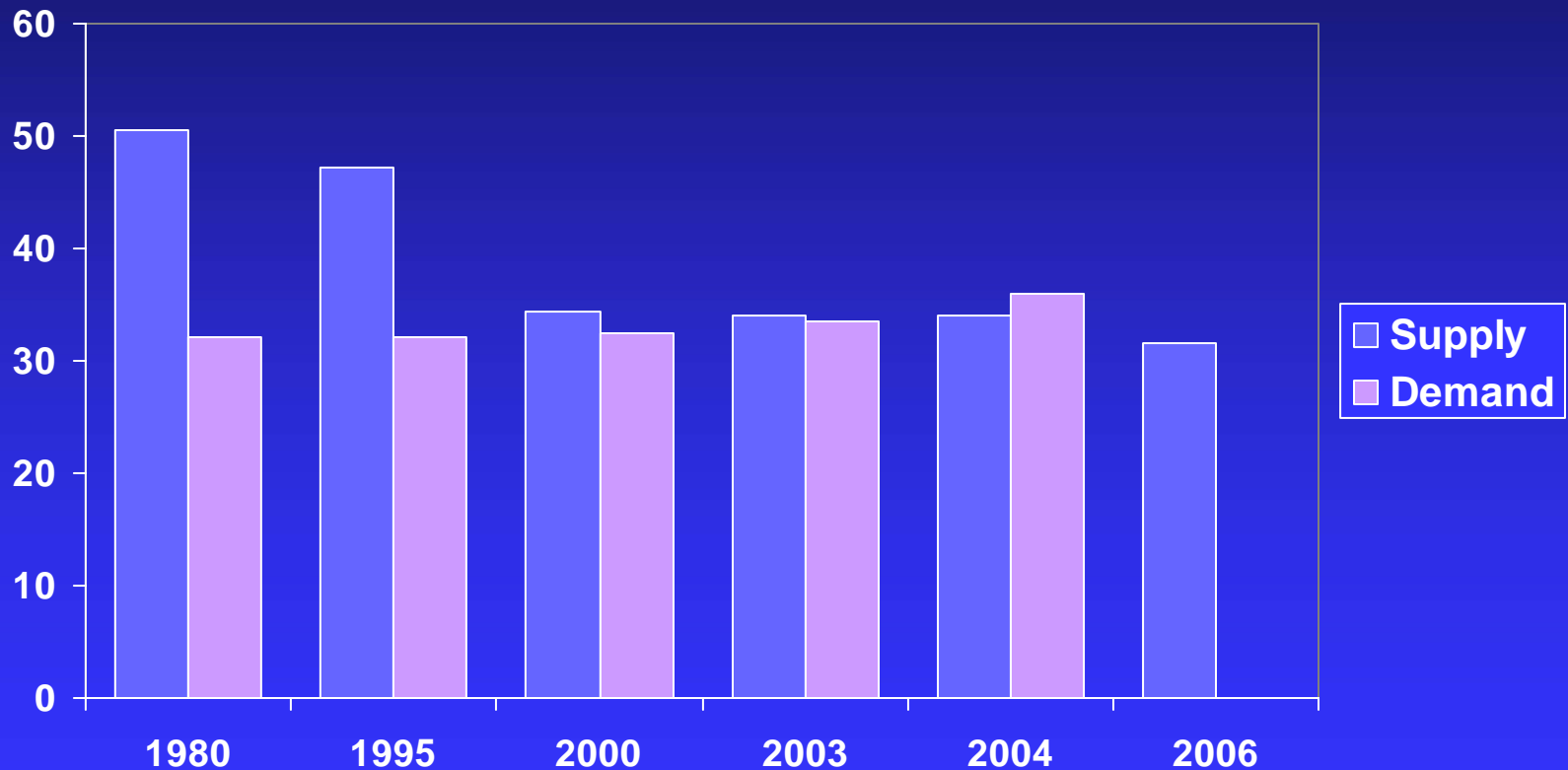


U. S. Product Demand, MB/D



Historical Asphalt Supply/Demand

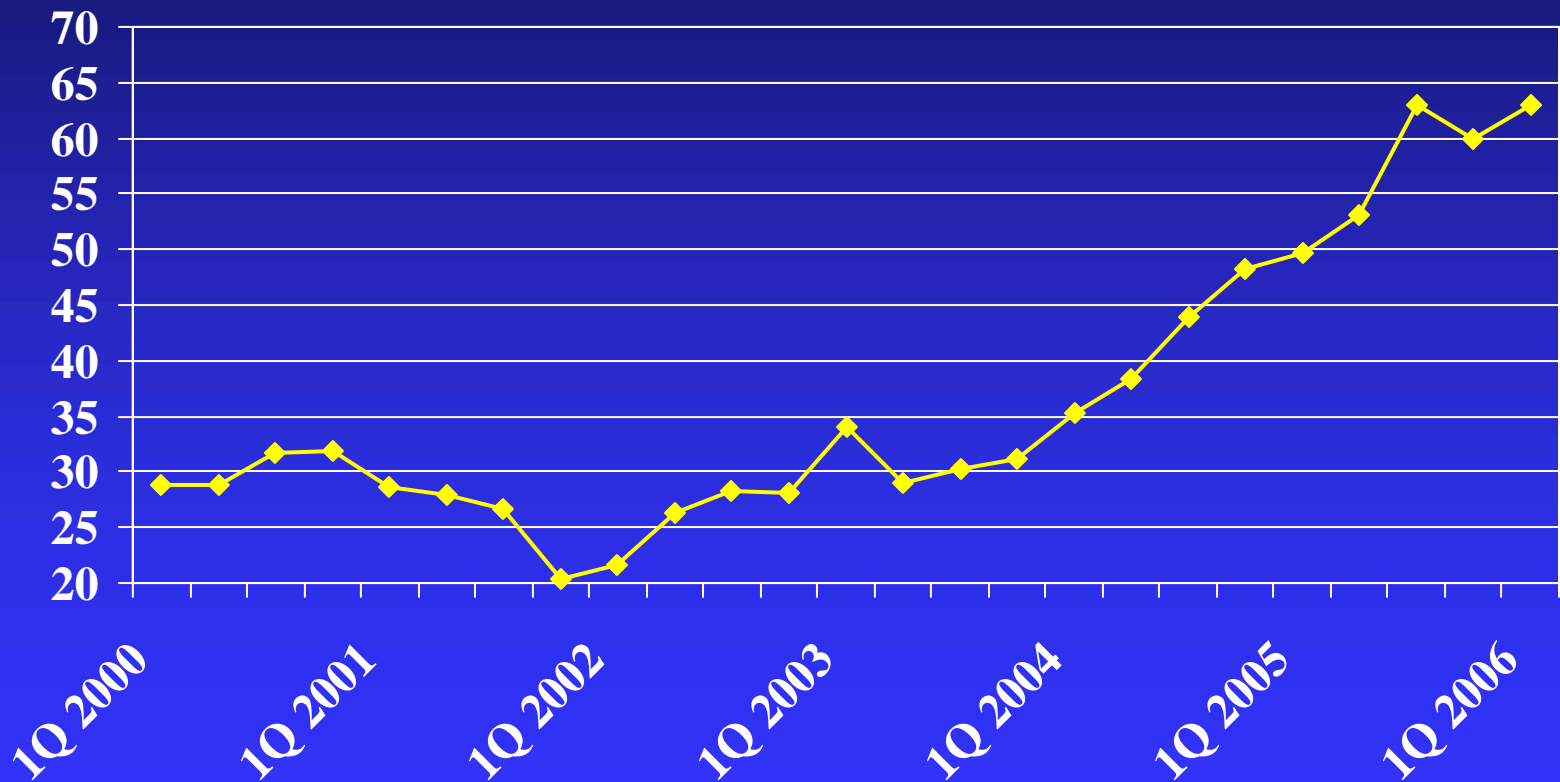
Millions Tons - Liquid



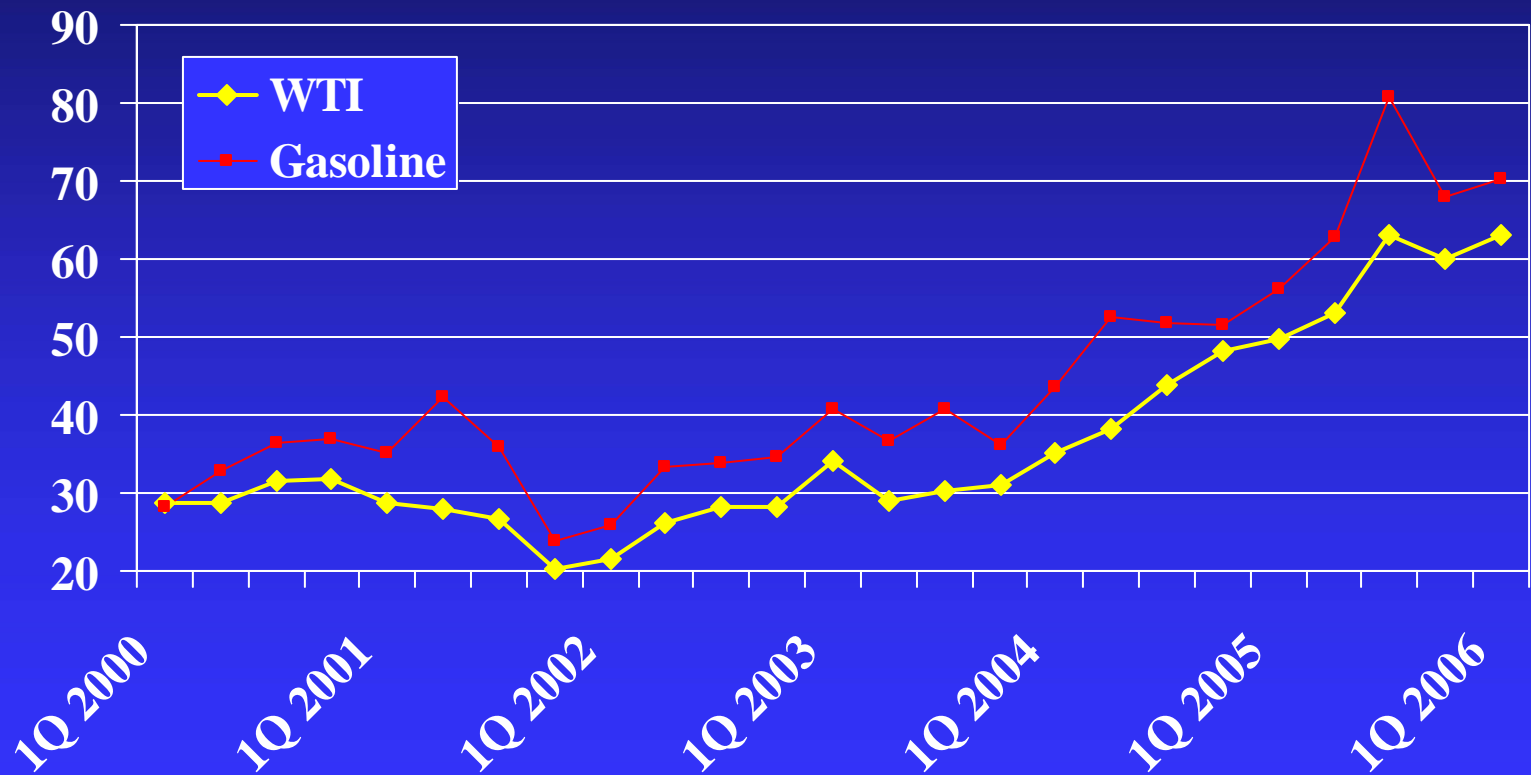
Source: Oil & Gas Journal

PRODUCTS PRICING

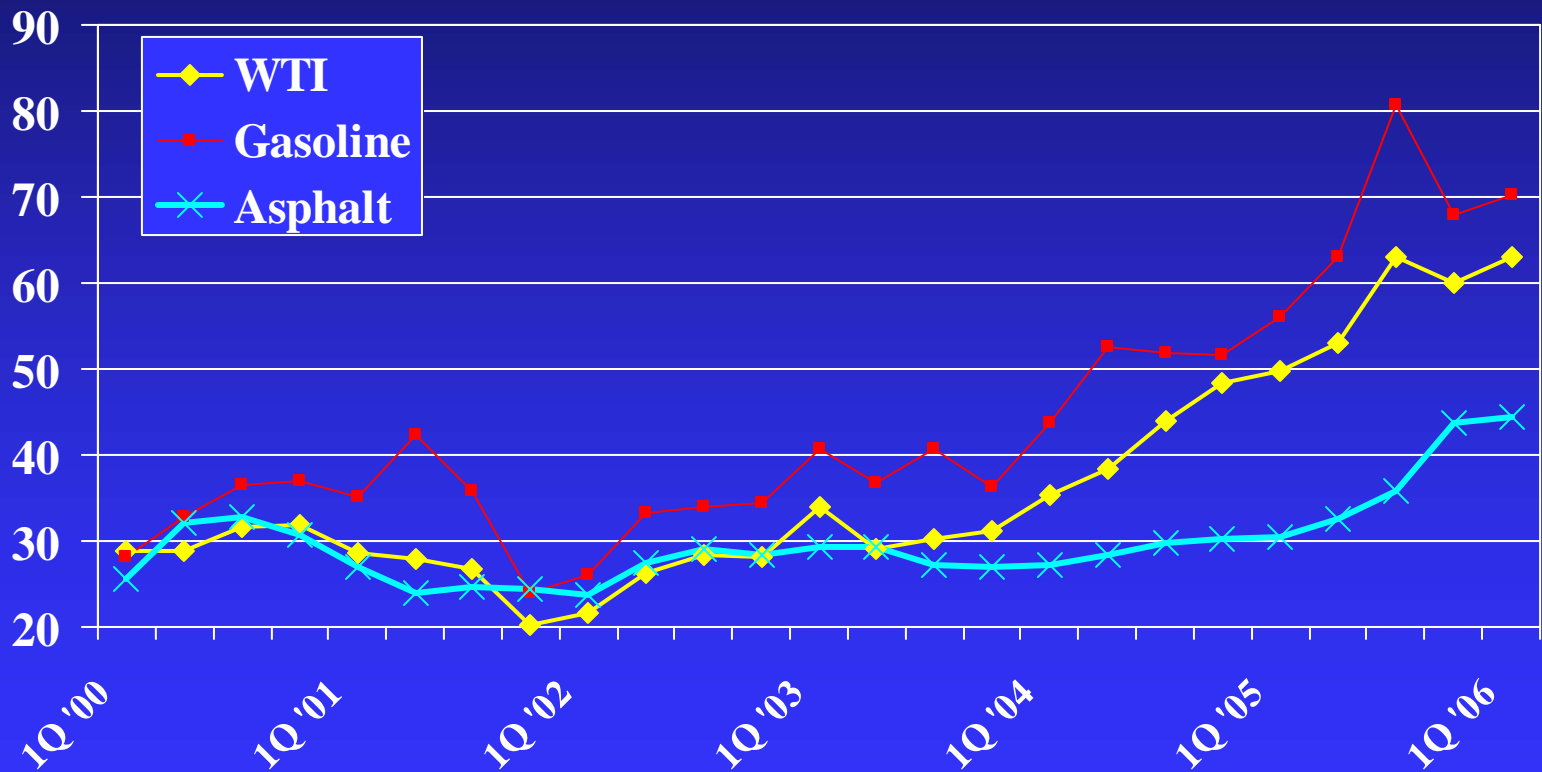
WTI Price by Quarter



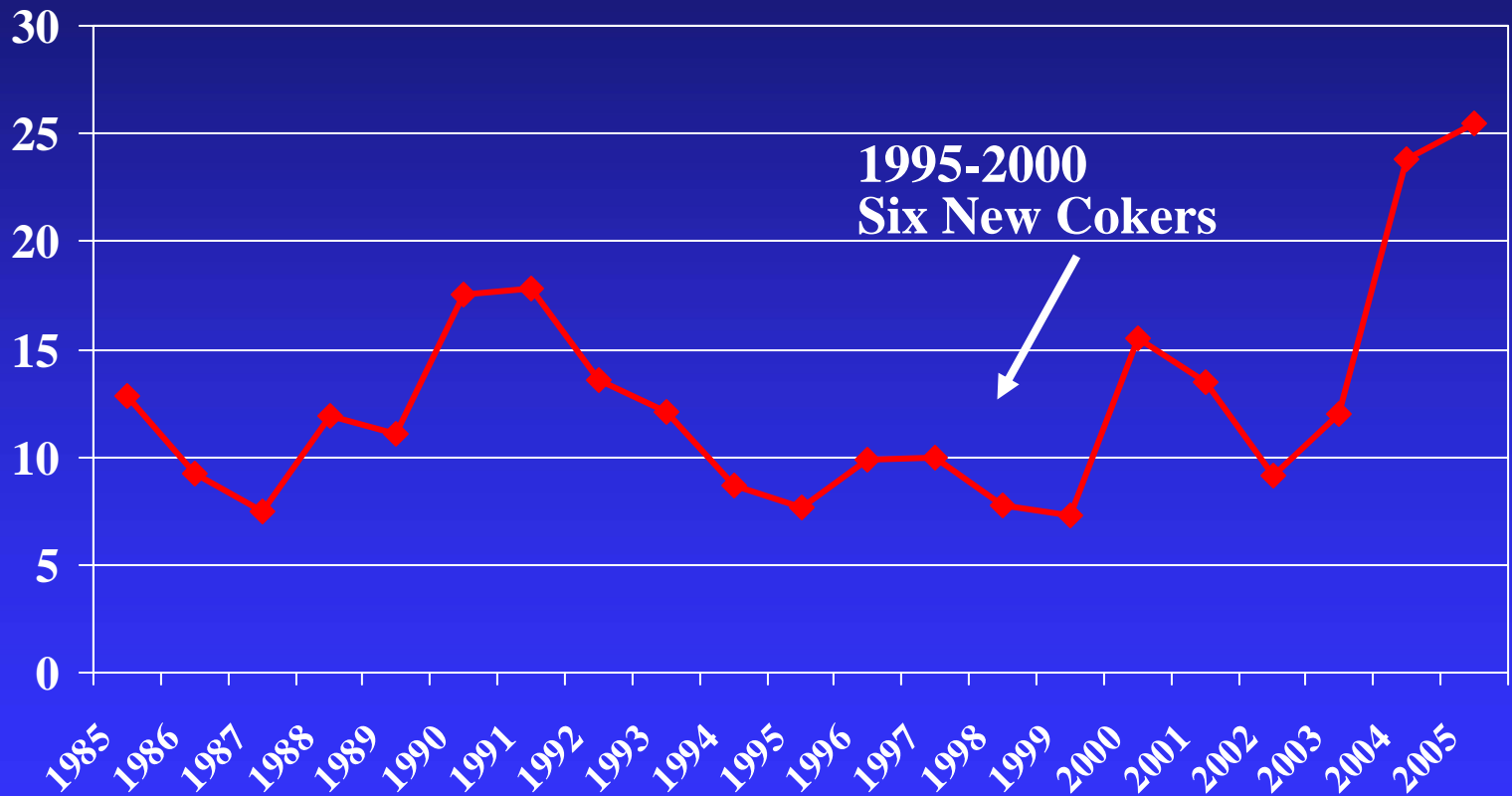
Prices by Quarter



Prices by Quarter



Light-Heavy Product Price Spread Drives Refinery Investment Cycle



Economic Analysis

Gasoline/Diesel Pricing

- Jan., 06 Price: \$70.00/BBL
- Less Distribution: 6.30/BBL
- Net to Refinery: \$63.70/BBL

Ohio Asphalt Pricing

- 12/05 YTD: \$32.94/BBL*
- (\$35/Ton): 6.25/BBL
- \$26.69/BBL
- Lost Value: \$37.01/BBL

* Source – Poten & Partners

Coking Economics

- 30,000 BBLs/Day Asphalt Production
- X 70% Gasoil Production
- 21,000 BBLs Gasoil for Gasoline/Diesel
- X \$37.01/BBL Gasoline/Diesel diff. To Asphalt
- \$771,210 per day added margin
- \$1 Billion / \$771,210 = 1,297 days (3.55 years payoff)

QUESTIONS