BUSE 3331 Project – Part 1

I chose to do my project over ConocoPhillips mostly in part because they stood out due to their splitting of Phillips 66 in 2012, which would be covered by the investor call. ConocoPhillips pointed out that they had higher than the allotted planned downtime last year which had a negative effect on earnings. They also talked about in their attempt to meet their goal to reduce their debt by $900 million they found themselves accepting a favorable debt obligation which made them have a net zero on long term debt. They also talked about Alaska and how they were beating out the industry average production per well by roughly 15%, something they attested to their sophisticated research before picking where to drill wells. They also have some of the best lease rates in Alaska at $300 per acre.

There are many industry risks when it comes to the energy sector. Due to the volatile prices there could be drastic effects on earnings if the prices swing in a negative director. Also, due to increased scrutiny on the industry there is a chance for a drastic increase in regulation costs that could be a financial burden if ConocoPhillips cannot compensate for the increased regulatory costs that could effect earnings. Due to their industry they also have a large amount of occupational hazards which could lead to lawsuits and other fines that could effect the bottom line.

There are many company specific risks that are outlined in their 10-K. They state that they are not insured in every aspect of their business, which could mean that they could find themselves being sued with unlimited liability. Due to their partnerships with other companies they could find joint ventures to be liability if one or more partners fails to fulfill their obligations which ConocoPhillips could have to pick up. ConocoPhillips also needs to match the increase in new wells to outpace the exhaustion of wells already in place.