

ASPHALT SUPPLY IN A VOLATILE OIL WORLD

Bill Haverland
ConocoPhillips Company

Issues to be Discussed

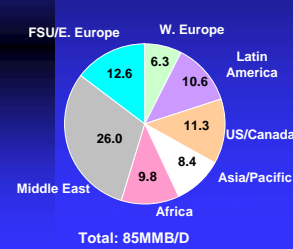
- Crude Oil Supply
- Crude Oil Pricing
- Refining Capacity
- Products Supply
- Future of the Industry

CRUDE OIL SUPPLY

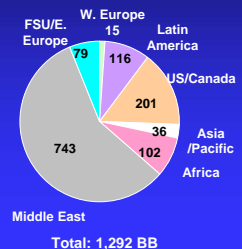
A WORLD LOOK

Crude Oil Supply (2006)

World Crude Oil Production
Millions of Barrels Per Day



World Proven Crude Oil Reserves
Billions of Barrels

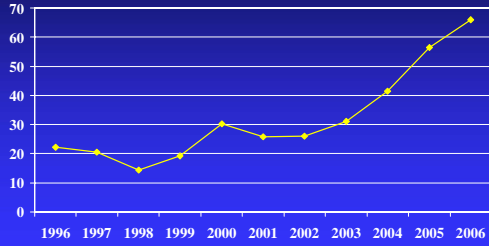


Crude Oil Demand

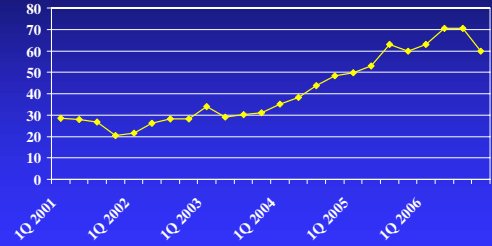
- Demand has risen by 7 MMB/D (9%) since 2002.
- Demand at 85 MMB/D or 98% of world daily delivery capacity.
- Vulnerable to supply disruptions caused by storms, accidents, breakdowns, political unrest.
- 65% of proven reserves within national oil companies and 16% held by Russia.
- Traditional companies have full access to 7% of reserves and 12% through partners (if allowed).

CRUDE OIL PRICING

WTI Price by Year

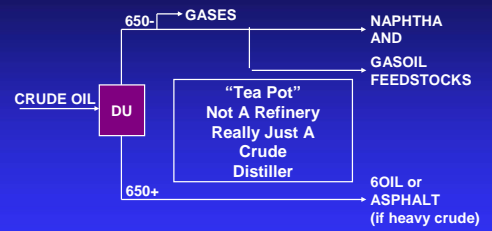


WTI Price by Quarter

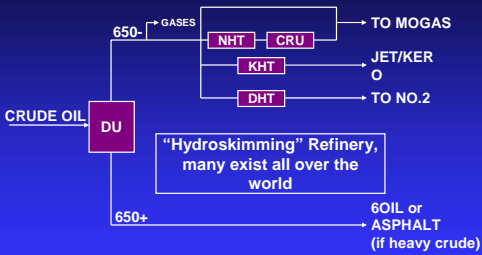


REFINING CAPACITY

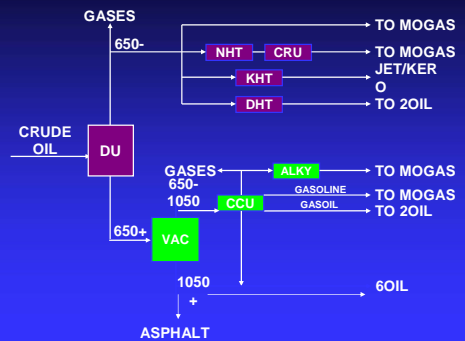
Topping Refinery



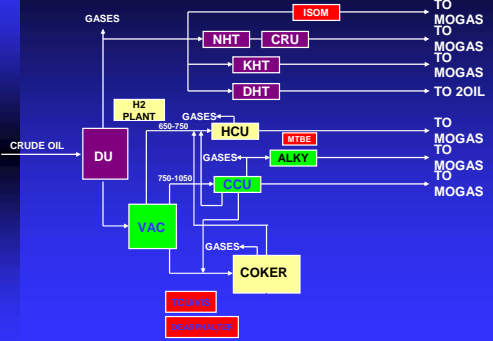
Simple Refinery



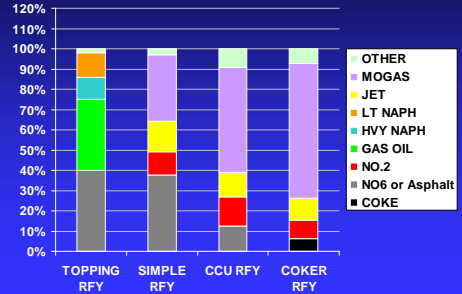
CCU - "Complex" Refinery



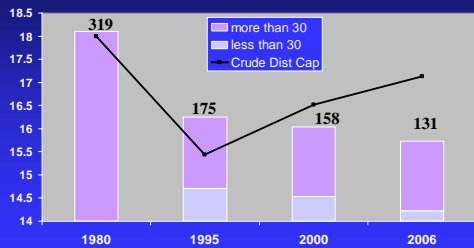
CCU/HCU/Coker - "Very Complex" Refinery



Refinery Yield (% of Crude Intake)

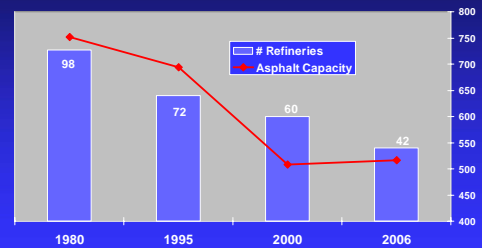


U. S. Refining Capacity



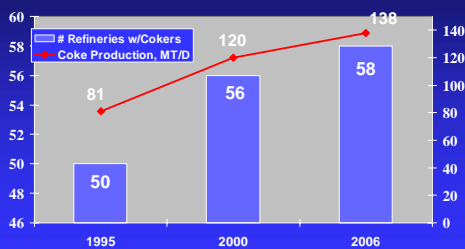
Last New U. S. Refinery Built in 1976
Source: Oil & Gas Journal

U. S. Asphalt Refining Capacity



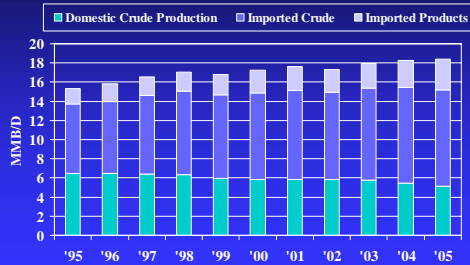
Production Range: 600 B/D to 60,000 B/D
Source: Oil & Gas Journal

U. S. Refining Coking Capacity

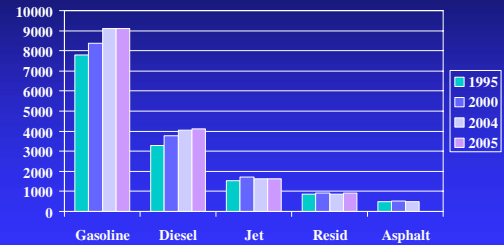


PRODUCTS
SUPPLY/DEMAND

Supply Source for U. S. Demand

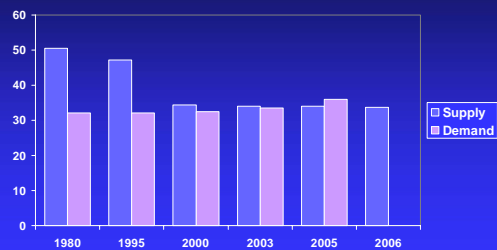


U. S. Product Demand, MB/D



Historical Asphalt Supply/Demand

Millions Tons - Liquid



Source: Oil & Gas Journal

FUTURE OF THE INDUSTRY

Current Realities

- Crude production at maximum rates based on exiting infrastructure
- U.S. refining running at maximum capacity
- No new refineries in the near term
- Existing refinery expansions must fill gap
- Increase crude capacity and conversion capabilities to meet light product demand
- Asphalt must keep pace with conversion feed values to encourage production
- Asphalt not as politically charged as fuels

Factors Influencing Asphalt Price

- Absolute price of crude (WTI benchmark)
- Light/Heavy crude price differential
- Light product "crack spread"
- Coking economics
- Impact of clean fuels (sweet crudes)
- Heavy crude availability (Venezuela)
- Transportation costs
- Supply/Demand

Future For Asphalt

- More heavy crude being run (availability and price)
- Clean fuels capital behind refiners, up-graders next?
- Asphalt is more expensive in a \$60.00+ crude world
- Asphalt has to trend faster with crude oil prices
- Asphalt has to be more competitive with light products
- Transportation costs rising – Rail, Barge, Terminalling
- Refiners less willing to shoulder price risk
- State asphalt price indexes reduce supplier/contractor risk

QUESTIONS