Higher Oil Prices, Asset Sales Boost Conoco Profit

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NEW YORK (AP) — Higher oil prices are making it easier for ConocoPhillips to complete a massive transformation this year.

The Houston energy company said Wednesday that its profit rose 66.1 percent in the fourth quarter even as it produced less oil. Much of that increase came from the sale of pipelines and other assets that became more attractive as the oil they transported rose in price.

ConocoPhillips reported net income of $3.39 billion, or $2.56 per share, for the October-December period, compared with $2.04 billion, or $1.39 per share, a year earlier. Revenue increased 17.2 percent to $62.4 billion.

Excluding special gains, earnings were $2.02 per share. That beat analyst estimates of $1.77 per share on revenue of $45.1 billion.

ConocoPhillips is in the final stages of a three-year overhaul of its worldwide operations that will make it much smaller, and, the company hopes, easier to grow in the future. Since 2010, ConocoPhillips has shed $10.7 billion in assets, including some of its least profitable businesses, and it plans to sell more than $1 billion more by the end of 2012.

It also will spin off its refining business into a separate company, Phillips 66, before June.

The company picked a good time to transform itself. Surging oil prices are supporting revenue even as it produces less. And they helped ConocoPhillips get top dollar for oil field equipment, pipelines and other assets.

"They're finding a seller's market right now," Raymond James analyst Pavel Molchanov said. "There's a lot of demand for those assets."

Oil production declined for ConocoPhillips in the quarter as it closed operations and experienced a series of setbacks around the world. The Libyan rebellion shut down the company's joint ventures in that country while oil production off the coast of China slowed down while ConocoPhillips dealt with an oil spill.

Altogether, production dropped 13.3 percent in the final three months of 2011. Exploration and production profits fell 5 percent in the quarter, but the decline would have been much worse if not for an increase in oil and natural gas prices.

ConocoPhillips sold crude worldwide for an average of $97.22 in the quarter, up 22.4 percent from the same period last year. It sold natural gas for $5.34 per 1,000 cubic feet, up 4.9 percent from last year.

Chief Financial Officer Jeff Sheets told investors in a conference call that production should drop further this year. The company expects to pump 1.6 million barrels of oil equivalent per day in 2012, down from 1.62 million barrels in 2011.

More asset sales should further reduce oil production this year. Also, the company may shut down some natural gas production in North America this year because of low prices, Sheets said.

Meanwhile, refining and market profits soared as the company sold $1.55 billion in pipelines and other refining assets. Altogether, the company's refining business earned $1.7 billion in the quarter.

Profit at ConocoPhillips' chemicals unit increased 32.2 percent to $156 million and its midstream business increased earnings 30 percent to $118 million.

For the full year, ConocoPhillips said its net income rose to $12.4 billion, or $8.97 per share, compared with $11.4 billion, or $7.62 per share, in 2010. Annual revenue increased 26.5 percent to $251.2 billion.

ConocoPhillips is the first major oil company to report financial results for the fourth quarter. Chevron Corp. plans to release its quarterly figures on Friday, followed by Exxon Mobil Corp. and Royal Dutch Shell next week. Occidental Petroleum Corp. on Wednesday reported a 35 percent jump in quarterly profits as it increased production and sold crude for higher prices.

ConocoPhillips shares fell 63 cents to close at $69.98 on Wednesday.

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