CONOCOPHILLIPS
Form 8-K/A
October 01, 2002

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

FORM 8-K/A
AMENDMENT NO. 1
CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
August 30, 2002

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

Delaware	000-49987	01-0562944
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

600 North Dairy Ashford Road, Houston, Texas	77079
(Address of principal executive offices)	(Zip Code)

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

Portions Amended

As set forth below, the registrant hereby amends its Current Report on Form 8-K filed on August 30, 2002.

Item 5. Other Events.

Item 5 is amended by adding the following:

In connection with the mergers of Conoco and Phillips with wholly owned subsidiaries of ConocoPhillips, and to simplify the companies' credit structure, ConocoPhillips and Conoco have fully and unconditionally guaranteed the payment obligations of Phillips with respect to its publicly held debt securities, and ConocoPhillips and Phillips have fully and unconditionally guaranteed the payment obligations of Conoco and Conoco Funding Company, Conoco's wholly owned finance subsidiary, with respect to the publicly held debt securities of Conoco and the publicly held debt securities of Conoco Funding Company fully and unconditionally guaranteed by Conoco.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of Conoco Inc. as of December 31, 2001 and 2000, and for each of the three years in the period ended December 31, 2001, found on pages 72 through 121 of Conoco Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Securities and Exchange Commission on March 15, 2002, are incorporated herein by reference.

The unaudited consolidated financial statements of Conoco Inc. for the quarter ended June 30, 2002, included in Conoco Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 9, 2002, are incorporated herein by reference.

(b) Pro Forma Financial Information.

Basis of Presentation

The following unaudited pro forma condensed combined financial statements have been prepared to illustrate the estimated effect of the merger between Phillips Petroleum Company (Phillips) and Conoco Inc. (Conoco). The merger has been accounted for using purchase accounting. Although the

business combination of Phillips and Conoco was a merger of equals, generally accepted accounting principles require that one of the two companies in the transaction be designated as the acquiror for accounting purposes. Phillips has been designated as the acquiror based on the fact that its common stockholders initially held more than 50 percent of the ConocoPhillips common stock after the merger.

The unaudited pro forma condensed combined balance sheet gives effect to the merger as if it had occurred on June 30, 2002. The unaudited pro forma combined statements of income for the year ended December 31, 2001, and the six-month period ended June 30, 2002, were prepared assuming the merger occurred January 1, 2001. However, during the year ended December 31, 2001, Phillips and Conoco entered into other significant transactions that are not reflected in the companies' historical income statements for the full year ended December 31, 2001. Therefore, Phillips' historical income statement for the year ended December 31, 2001, has been adjusted on a pro forma basis to reflect Phillips' acquisition of Tosco Corporation on September 14, 2001 (as reported in Phillips' Current Report on Form 8-K filed on September 28, 2001, as amended on October 31, 2001, and November 13, 2001), as if it had occurred on January 1, 2001; and Conoco's historical income statement for the year ended December 31, 2001, has been adjusted on a pro forma basis to reflect Conoco's acquisition of Gulf Canada Resources Limited on July 16, 2001 (as reported in Conoco's Current Report on Form 8-K filed on July 31, 2001, as amended on September 10, 2001), as if it had occurred on January 1, 2001. For an analysis of these pro forma adjustments, see the Supplemental Schedules on pages 12 though 16. For more detail, see the Form 8-K filings referenced above.

This pro forma financial information is not intended to reflect results from operations or the financial position which would have actually resulted had the merger been effective on the dates indicated. Moreover, this pro forma information is not intended to be indicative of the results of operations or financial position 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 unaudited pro forma condensed combined financial statements contain pro forma adjustments for the disposition of assets required by order of the U.S. Federal Trade Commission. They do not contain all pro forma adjustments for restructuring charges that will be required to fully integrate and operate the combined organization more efficiently, or anticipated synergies resulting from the merger.

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.

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Unaudited Pro Forma
Combined Statement of Income

ConocoPhillips

Year Ended December 31, 2001	Phillips as Adjusted* (a)	Conoco as Adjusted* (b)	Pro Forma Adjustments for FTC Asset Dispositions (c)	ProForma Purchase Accounting Adjustments		Pro Forma ConocoPhillips
	Millions of Dollars					
Revenues						
Sales and other operating revenues	$47,582	39,913	(1,609)	(29)	(d)	85,857
Equity in earnings of affiliates	41	178	-	(20)	(e)	199
Other income	103	751	(1)	-		853
Total Revenues	47,726	40,842	(1,610)	(49)		86,909
Costs and Expenses						
Purchased crude oil and products	29,976	23,304	(1,261)	(13)	(d)	52,006
Production and operating expenses	4,292	3,288	(114)	(3)	(d)	7,463
Selling, general and administrative expenses	1,290	924	(35)	-		2,179
Exploration expenses	306	437	-	-		743
Depreciation, depletion and amortization	1,586	1,858	(14)	(141)	(e)(f)	3,289
Property impairments	26	238	-	(238)	(g)	26
Taxes other than income taxes	5,602	6,988	(7)	-		12,583
Accretion on discounted liabilities	23	-	-	17	(h)	40
Interest and debt expense	448	574	-	(122)	(i)	900
Foreign currency transaction losses	11	65	-	-		76
Preferred dividend requirements of capital trusts	53	-	-	-		53
Total Costs and Expenses	43,613	37,676	(1,431)	(500)		79,358
Income before income taxes, extraordinary items and cumulative effect of changes in accounting principles	4,113	3,166	(179)	451		7,551
Provision for income taxes	1,986	1,455	(65)	235	(j)	3,611
Income Before Extraordinary						

Items and Cumulative Effect of Changes in Accounting Principles	$ 2,127	1,711	(114)	216	3,940
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles					
Basic	$ 5.59	2.74			5.84
Diluted	5.54	2.69			5.77
Average Common Shares Outstanding (in thousands)					
Basic	380,315	625,503			674,469
Diluted	383,637	635,094			682,636

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.
*Certain amounts have been reclassified to conform to ConocoPhillips' presentation.

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Unaudited Pro Forma Combined Statement of Income

ConocoPhillips

Six Months Ended June 30, 2002	Millions of Dollars				
	Historical Phillips*	Historical Conoco*	Pro Forma Adjustments for FTC Asset Dispositions	ProForma Purchase Accounting Adjustments	Pro Forma ConocoPhillips
			(c)		
Revenues					
Sales and other operating revenues	$20,930	17,556	(640)	(14)(d)	37,832
Equity in earnings of affiliates	49	116	-	(10)(e)	155
Other income	33	27	-	-	60
Total Revenues	21,012	17,699	(640)	(24)	38,047
Costs and Expenses					
Purchased crude oil and products	13,621	10,207	(539)	(7)(d)	23,282
Production and operating expenses	1,810	1,475	(63)	(9)(d)	3,213
Selling, general and administrative expenses	895	412	(13)	-	1,294

Exploration expenses	230	176	-	-	406
Depreciation, depletion and amortization	834	932	(7)	(124)(e)(f)	1,635
Property impairments	18	-	-	-	18
Taxes other than income taxes	2,579	3,727	(3)	-	6,303
Accretion on discounted liabilities	11	-	-	9 (h)	20
Interest and debt expense	213	235	-	(50)(i)	398
Foreign currency transaction (gains) losses	(5)	20	-	-	15
Preferred dividend requirements of capital trusts	24	-	-	-	24
Total Costs and Expenses	20,230	17,184	(625)	(181)	36,608
Income before income taxes, extraordinary items and cumulative effect of change in accounting principle	782	515	(15)	157	1,439
Provision for income taxes	518	301	(6)	82 (j)	895
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 264	214	(9)	75	544
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles					
Basic	$ .69	.34			.80
Diluted	.69	.34			.79
Average Common Shares Outstanding (in thousands)					
Basic	383,130	627,328			677,284
Diluted	385,927	636,275			684,926

See Notes to Unaudited Pro Forma Financial Statements.
*Certain amounts have been reclassified to conform to ConocoPhillips' presentation.

Unaudited Pro Forma Condensed Combined Balance Sheet

ConocoPhillip

At June 30, 2002	Historical Phillips*	Historical Conoco*	Pro Forma Adjustments for FTC Asset Dispositions (c)	ProForma Purchase Accounting Adjustments	Pro Form ConocoPhillip
	Millions of Dollars				
Assets					
Cash and cash equivalents	$ 145	313	-	-	45
Accounts and notes receivable	1,939	1,736	(51)	-	3,62
Inventories	2,580	1,152	(62)	437 (e)	4,10
Prepaid expenses and other current assets	395	860	-	-	1,25
Total Current Assets	5,059	4,061	(113)	437	9,44
Investments and long-term receivables	3,530	2,345	(1)	504 (e)	6,37
Net properties, plants and equipment	24,399	19,790	(301)	(905)(e)	42,98
Goodwill	2,360	3,084	-	7,909 (e)	13,35
Intangibles	1,270	75	-	720 (e)	2,06
Other assets	205	399	(5)	-	59
Total	$36,823	29,754	(420)	8,665	74,82
Liabilities					
Accounts payable	$ 3,214	2,238	(23)	-	5,42
Notes payable and long-term debt due within one year	1,059	1,782	-	-	2,84
Accrued income and other taxes	1,004	430	(5)	-	1,42
Deferred income taxes	-	230	(7)	-	22
Other accruals	628	1,818	(3)	250 (k)	2,69
Total Current Liabilities	5,905	6,498	(38)	250	12,61
Long-term debt	8,576	8,240	-	363 (i)	17,17
Accrued dismantlement, removal and environmental costs	1,263	641	-	(344)(f)(h)	1,56
Deferred income taxes	4,205	4,676	(47)	(568)(e)	8,26
Employee benefit obligations	967	679	-	688 (l)	2,33
Other liabilities and deferred credits	1,101	1,032	(7)	36 (d)(m)	2,16
Total Liabilities	22,017	21,766	(92)	425	44,11
Company-Obligated Mandatorily Redeemable Preferred Securities and Other Minority Interests	350	843	-	-	1,19

Total Common Stockholders' Equity	14,456	7,145	(328)	8,240(n)(o)	29,51
Total	$36,823	29,754	(420)	8,665	74,82

See Notes to Unaudited Pro Forma Financial Statements.
*Certain amounts have been reclassified to conform to ConocoPhillips' presentation.

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Notes to Unaudited Pro Forma Financial Statements — ConocoPhillips

(a) The Phillips historical income statement information for the year ended December 31, 2001, has been adjusted on a pro forma basis to reflect the acquisition of Tosco Corporation on September 14, 2001, as if it had occurred on January 1, 2001. The significant pro forma adjustments that were made for the acquisition of Tosco were:

- Estimated income statement impact resulting from the purchase price allocation to the Tosco assets and liabilities acquired--for example, changes in depreciation due to the step-up of the properties, plants and equipment to fair value;
- The conforming of Tosco's accounting policies to those of Phillips; and
- An increase in average common shares outstanding for stock and stock options issued in the acquisition.

For additional information on this transaction, see the Unaudited Supplemental Pro Forma Combined Statement of Income--Phillips as Adjusted on pages 12 and 13.

(b) The Conoco historical income statement information for the year ended December 31, 2001, has been adjusted on a pro forma basis to reflect the acquisition of Gulf Canada Resources Limited on July 16, 2001, as if it had occurred on January 1, 2001. The significant pro forma adjustments that were made for the acquisition of Gulf Canada were:

- Estimated income statement impact resulting from the purchase price allocation to the Gulf Canada assets and liabilities acquired--for example, increased depreciation due to the step-up of the properties, plants and equipment to fair value;
- The conforming of Gulf Canada's accounting policies to those of Conoco, including the conversion from Canadian GAAP to United States GAAP and Canadian dollars to U.S. dollars; and
- An increase in interest expense due to the debt incurred to fund the acquisition.

For additional information on this transaction, see the

Unaudited Supplemental Pro Forma Combined Statement of Income--Conoco as Adjusted on pages 14 through 16.

(c) 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:

- 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;
- Conoco's Commerce City, Colorado, refinery;
- Phillips' Colorado motor fuel marketing operations (both retail and wholesale);
- Phillips' refined products terminal in Spokane, Washington;
- 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;
- Certain of Conoco's midstream natural gas gathering and processing assets in southeast New Mexico; and
- Certain of Conoco's midstream natural gas gathering assets in West Texas.

No pro forma adjustments have been made to reflect any anticipated gain or loss from the disposition of these assets, as the method of disposition and sales proceeds are not known, but any such effect is not expected to be material with respect to financial position or liquidity in any given period. Additionally, 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.

(d) 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.

(e) The following is a preliminary estimate of the purchase price for Conoco on a purchase accounting basis:

Number of shares of ConocoPhillips common stock issued to holders of Conoco common stock in the exchange	294.15 million
Multiplied by Phillips' average stock price two days before and two days after the date the merger was announced........	x $53.15
	$15,634 million
Fair value of Conoco stock options exchanged for 23.3 million ConocoPhillips stock options..........................	384 million
Estimated transaction-related costs........	50 million
Purchase price............................	$16,068 million

The pro forma income statement adjustments reflect the estimated effects of depreciating and amortizing these purchase accounting adjusted balances in properties, plants and equipment; equity method investments; and identifiable intangible assets with definite lives, over their estimated useful lives. The preliminary assessment of fair values results in $11 billion of goodwill (which, when added to Phillips' historical goodwill of $2.4 billion, equals ConocoPhillips' pro forma goodwill of $13.4 billion) and $652 million of intangible assets with indefinite lives, both of which will be subject to periodic impairment testing.

In determining the fair values for purposes of allocating the purchase price, an outside appraisal firm was engaged to estimate the fair values of Conoco's properties, plants and equipment; investments in certain affiliates accounted for under the equity method of accounting; and intangible assets. The appraisal firm used a variety of methods to estimate these fair values, including comparable market data, asset replacement costs, royalty relief, and the net present value of expected cash flows, discounted at rates varying from 8 percent to 16 percent.

Included in goodwill is $4.3 billion that offsets net deferred tax liabilities arising from differences between the allocated financial bases and historical tax bases of the Conoco net assets. Due to the non-taxable nature of this transaction, Conoco's tax basis in its assets carries over to ConocoPhillips.

(f) Under Phillips' accounting policy and current prevalent industry practice for the acquisition of oil and gas businesses, ConocoPhillips will 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 of $691 million will be accrued as an additional component of future depreciation, building the liability for removal over the remaining useful lives of the properties, plants and equipment on a unit-of-production basis.

(g) Reverses property impairments recorded by Conoco, as the assets would have been adjusted to fair value as part of the purchase price allocation.

(h) Includes the impact of conforming accounting policies and discounting Conoco's environmental liabilities and recording the corresponding accretion over time.

(i) 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 of $1.7 billion using a weighted-average interest rate of 6.2 percent.

(j) Reflects the estimated federal and state income tax effects of the pro forma adjustments to Conoco's pretax income using a blended statutory rate of 52 percent.

(k) Includes an accrued liability of $250 million for the estimated costs, as a result of the merger, to terminate or relocate Conoco employees and to exit certain Conoco activities. Similar costs for Phillips employees and activities, which will also be incurred as a result of the merger, are not included in this amount and will be accrued separately and reported as an expense in the third-quarter 2002 financial results of ConocoPhillips.

(l) Reflects the adjustment to increase Conoco's pension and other post-retirement benefit obligations to the estimated difference between projected benefit obligations and plan assets.

(m) Reflects the impact of adjusting to the fair value of certain long-term liabilities and deferred credits.

(n) Included in the preliminary assessment of the fair value of Conoco was an estimated $246 million for the value of in-process research and development projects. Under generally accepted accounting principles, this value would be charged against earnings immediately after consummation of the merger. Due to the non-recurring nature of this one-time charge, the pro forma statements do not include this charge. The after-tax effect of the charge is reflected in the pro forma balance sheet as a reduction in common stockholders' equity.

(o) Reflects the exchange of outstanding Conoco common stock, the issuance of 294.15 million shares of ConocoPhillips common stock, and the effect of ConocoPhillips' stock options issued in the exchange to Conoco stock option holders.

Supplemental Schedules

Unaudited Supplemental Pro Forma Combined Statement of Income — Phillips as Adjusted

Year Ended December 31, 2001	Millions of Dollars		
	Phillips Historical*	Tosco*	Phillips as Adjusted
Revenues			
Sales and other operating revenues	$ 26,729	20,853	47,582
Equity in earnings of affiliates	41	-	41
Other income	98	5(A)	103
Total Revenues	26,868	20,858	47,726
Costs and Expenses			
Purchased crude oil and products	14,535	15,441	29,976
Production and operating expenses	2,688	1,604(B)	4,292
Selling, general and administrative expenses	946	344	1,290
Exploration expenses	306	-	306
Depreciation, depletion and amortization	1,391	195(B)	1,586
Property impairments	26	-	26
Taxes other than income taxes	3,258	2,344	5,602
Accretion on discounted liabilities	14	9(C)	23
Interest and debt expense	338	110(D)	448
Foreign currency transaction losses	11	-	11
Preferred dividend requirements of capital trusts	53	-(E)	53
Total Costs and Expenses	23,566	20,047	43,613
Income before income taxes, extraordinary items and cumulative effect of changes in accounting principles	3,302	811	4,113
Provision for income taxes	1,659	327(F)	1,986
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 1,643	484	2,127
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles			
Basic	$ 5.61		5.59
Diluted	5.57		5.54

Average Common Shares		
Outstanding (in thousands)		
Basic	292,964	380,315
Diluted	295,016	383,637

See Notes to Phillips as Adjusted Unaudited Supplemental Pro Forma Combined Financial Statements.
*Certain amounts have been reclassified to conform to ConocoPhillips' presentation.

Notes to Unaudited Supplemental Pro Forma Combined Statement of Income For the Year Ended December 31, 2001	Phillips as Adjusted

The Phillips income statement for the year ended December 31, 2001, has been adjusted on a pro forma basis to reflect the acquisition of Tosco on September 14, 2001, as if it was consummated January 1, 2001. The Tosco information is presented on a pro forma basis and has been adjusted as described below.

Footnotes referenced from the statement follow:

(A) Includes $28 million for the reversal of a deferred gain on Tosco's balance sheet that was not subject to any future performance requirement, along with the related amortization of the deferred gain.

(B) Includes adjustments related to the purchase price allocation, such as changes to depreciation resulting from asset re-valuations, as well as adjustments to conform Tosco's accounting policies to those of Phillips.

(C) Reflects the impact of adjusting and discounting Tosco's environmental liabilities and recording the corresponding accretion over time.

(D) Reflects the restatement of Tosco debt to fair value and the corresponding $14 million reduction in interest expense as the resulting premium is amortized.

(E) Reflects the February 2001 conversion of Tosco's company-obligated, mandatorily redeemable, convertible preferred securities into 9.1 million shares of Tosco common stock.

(F) Includes the estimated federal and state income tax effects of the pro forma adjustments to Tosco's pretax income using a blended statutory rate of 40 percent.

Supplemental Schedules

Unaudited Supplemental Pro Forma Combined Statement of Income — Conoco as Adjusted

Year Ended December 31, 2001	Millions of Dollars: Conoco Historical*	Gulf Canada (U.S. GAAP)*	Conoco as Adjusted
Revenues			
Sales and other operating revenues	$38,737	1,176	39,913
Equity in earnings of affiliates	181	(3)	178
Other income	727	24	751
Total Revenues	39,645	1,197	40,842
Costs and Expenses			
Purchased crude oil and products	23,043	261(A)	23,304
Production and operating expenses	3,053	235	3,288
Exploration expenses	378	59(B)	437
Selling, general and administrative expenses	888	36	924
Depreciation, depletion and amortization	1,614	244(C)	1,858
Property impairments	238	-	238
Taxes other than income taxes	6,983	5	6,988
Accretion on discounted liabilities	-	-	-
Interest and debt expense	396	178(D)	574
Foreign currency transaction losses	65	-	65
Preferred dividend requirements of capital trusts	-	-	-
Total Costs and Expenses	36,658	1,018	37,676
Income before income taxes, extraordinary items and cumulative effect of changes in accounting principles	2,987	179	3,166
Provision for income taxes	1,391	64(E)	1,455
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$1,596	115	1,711
Income Before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles			
Basic	$ 2.55		2.74
Diluted	2.51		2.69

Average Common Shares

Outstanding (in thousands)		
Basic	625,503	625,503
Diluted	635,094	635,094

See Notes to Conoco as Adjusted Unaudited Supplemental Pro Forma Combined Financial Statements.
*Certain amounts have been reclassified to conform to ConocoPhillips' presentation.

Notes to Supplemental Unaudited Pro Forma Combined Statement of Income For the Year Ended December 31, 2001 — Conoco as Adjusted

The Conoco income statement for the year ended December 31, 2001, has been adjusted on a pro forma basis to reflect the acquisition of Gulf Canada on July 16, 2001, as if it was consummated January 1, 2001. The Gulf Canada information is presented on a pro forma basis and has been adjusted as described below.

Footnotes referenced from the statement follow:

(A) Includes $11 million for the recognition of Gulf Canada's preferred stock dividend. Gulf Canada reflected preferred stock in the stockholders' equity section of the balance sheet, while Conoco reflected these shares as a minority interest after the acquisition because such shares represent preferred stock of a subsidiary.

(B) Includes $2 million of incremental undeveloped leasehold amortization expense based on the estimated fair value of the undeveloped leaseholds acquired.

(C) Includes $31 million of incremental depreciation, depletion and amortization expense for Gulf Canada and Crestar Energy Inc., a company acquired by Gulf Canada on November 6, 2000, based on the step-up to estimated fair value of these assets assuming the acquisition occurred on January 1, 2001. Oil and gas properties were depreciated on a unit-of-production basis using estimated proved reserve quantities attributable to Gulf Canada.

(D) Includes $108 million of additional pro forma interest expense related to the borrowing of $4.5 billion to fund the Gulf Canada acquisition. This entry assumes that the borrowing occurred on January 1, 2001. Interest expense calculations are based on Conoco's $4,500 million senior unsecured 364-day bridge credit facility used to fund the acquisition. Interest expense was calculated using an effective interest rate of approximately 4.76 percent. This rate was based on a July 1, 2001, LIBOR three-month rate of approximately 3.83 percent. Conoco refinanced the $4.5 billion, 364-day bridge credit facility in the capital markets in October 2001.

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(E) Includes an $82 million income tax benefit related to purchase price adjustments, that was calculated using a blended statutory rate of 43 percent for cost and expense items (with the exception of interest expense, which was calculated using a rate of 58 percent reflecting the deductibility of interest expense in both Canada and the United States).

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONOCOPHILLIPS

/s/ Rand C. Berney

October 1, 2002

Rand C. Berney
Vice President and Controller

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