

ConocoPhillips - How Should It Adjust the 2020 Operating Plan?

Internal ID: S&F-STR-163

Topic: Operations Strategy, Risk Management, Pricing Strategy

Industry: Oil & Gas Exploration & Production

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 17 March 2020, 11:59 p.m. Central Daylight Time

Decision scope: Development pace, base work and production operations

Case convention: This is an author-created management decision exercise. The assignment and options are hypothetical; company disclosures and forecasts are historical. No private deliberations are represented.

The decision

On the evening of 17 March 2020, ConocoPhillips (COP) had to decide whether its 2020 operating plan could still stand. The plan had been issued before two shocks arrived together: the spread of COVID-19 was weakening expected oil demand, and the March 6 OPEC+ meeting ended without an agreement to extend production management. Saudi Aramco then disclosed a government directive to raise its maximum sustainable capacity. Demand, supply and the duration of the disruption were uncertain.

Assignment: Recommend how COP should adjust its 2020 operating and development plan. Decide whether to defer selected drilling or other development work, protect base maintenance and work that remains robust across scenarios, or consider production curtailment under specific conditions. State what new information should trigger a review and who should act. The case does not ask for a valuation, price forecast or company-specific break-even calculation. Use only information available by 17 March 2020.

The plan before the shocks

In February, COP guided to a 2020 capital plan of \$6.5-\$6.7 billion across ongoing development drilling, major projects, exploration and appraisal, and base maintenance. It expected production of 1.230-1.270 million barrels of oil equivalent per day, excluding Libya. Neither the results release nor other public information in this case supplied a project-by-project spending schedule, pause costs or asset economics. [C01], "Outlook," paragraphs 51-55.

COP had recently described a ten-year plan built around a \$50-per-barrel real WTI planning case. The company expected about \$50 billion of free cash flow over the decade, with annual capital spending averaging below \$7 billion. It presented a low-decline portfolio and an optimized development pace as part of its strategy. These figures were scenario-based management plans, not a promise to preserve every project after conditions changed. [C02], "Highlights of the 10-year plan."

The company had ended 2019 with \$5.4 billion in cash, cash equivalents and restricted cash and \$3.0 billion in short-term investments. It had announced \$3 billion of planned repurchases for 2020 and a quarterly dividend of \$0.42 per share. These figures frame the resources and

commitments surrounding the operating decision; they do not identify which field activities could be delayed safely or economically. A share-repurchase authorization was not a requirement to spend the full authorized amount. [C01], paragraphs 19 and 25-28.

A fast-moving market shock

On 5 March, OPEC described a major adverse effect of COVID-19 on expected 2020 demand growth and recommended an additional production adjustment through June. The March 6 meeting between OPEC and participating non-OPEC countries ended without agreement. The International Energy Agency's March 9 outlook published a wide range of demand scenarios. EIA's March 11 outlook later reported that Brent and WTI futures prices had fallen 24% and 25%, respectively, on March 9. [M02], paragraphs 4-8; [M04], "Highlights" and "Demand"; [M01], pp.1 and 4-5.

On 11 March, Saudi Aramco said the Ministry of Energy had directed it to raise maximum sustainable capacity from 12 million to 13 million barrels per day. That announcement established a directive and capacity target, not the volume or timing of actual additional production. [M03].

The forecasts published in March differed in date, assumptions and scenario design. They conveyed risk and uncertainty rather than a single answer about eventual demand or prices.

Exhibit 1. Contemporaneous market indicators and forecasts

Source and date	Published view available by the cutoff	Assumptions and limits
OPEC, 5 March	Lowered its 2020 demand-growth forecast to 0.48 million barrels/day from 1.1 million in December; recommended an additional 1.5 million barrels/day adjustment through June	Recommendation preceded the 6 March meeting; not an agreement by all participants
EIA, 11 March outlook	Reported Brent and WTI futures had fallen 24% and 25% on 9 March; forecast demand growth below 0.4 million barrels/day, first-half inventory builds averaging 1.7 million barrels/day, and average 2020 WTI of \$38/barrel	Incorporated the failed 6 March talks; used preliminary demand data and assumed COVID effects would diminish by Q3
IEA, 9 March	Baseline forecast: global demand down 90,000 barrels/day in 2020; low case down 730,000 and high case up 480,000	Scenarios show a broad range, not realized demand or a COP price deck
Saudi Aramco, 11 March	Announced a directive to raise maximum sustainable capacity from 12 to 13 million barrels/day	Capacity is not the same as actual production, exports or timing

Sources: [M01]-[M04]. All market values are dated forecasts or announcements, not subsequent outcomes.

What could move, and what was not public

“Capital spending” contained different kinds of work. Development drilling may involve sunk costs and some projects may be easier to pause than others. Major projects can have long lead times and dependencies. Base maintenance can support safe and reliable operations. Exploration and appraisal preserve future opportunities but compete for current resources. The public plan listed these categories but did not show which projects could be delayed, how much value a pause would sacrifice, or how quickly work could restart. [C01], “Outlook,” paragraphs 51-55.

Production curtailment was a separate question from delaying a new well. A temporary shut-in could reduce exposure to very low realized prices, but its effects would vary by asset. COP had not publicly disclosed field-level realized prices, variable costs, transport and contractual obligations, restart costs or reservoir effects. The information available to outside investors could not identify which COP assets, if any, should be shut in.

Exhibit 2. COP's pre-shock operating and cash context

Measure	Company-reported amount or plan	Status and limit
2019 cash provided by operating activities	\$11.1 billion	Historical company-reported figure; not a 2020 forecast
2019 capital expenditures and investments	\$6.6 billion	Historical; the 2020 plan spans several work categories
Cash, equivalents and restricted cash at year-end	\$5.4 billion	Does not include short-term investments
Short-term investments at year-end	\$3.0 billion	Combined with cash above to \$8.4 billion; not a complete liquidity measure
2020 capital plan	\$6.5-\$6.7 billion	Issued before the March market shocks; no project-level schedule disclosed
2020 production guidance	1.230-1.270 million boe/day, excluding Libya	Pre-shock company guidance; not an updated forecast

Source: [C01], paragraphs 8-11, 19, and 51-55. COP's cash-flow measure is company-reported; its 2020 guidance predates the demand and supply-policy changes.

A question of timing and robustness

Investment research offers one useful lens. Kellogg's study of 1,150 Texas infill wells from 1993-2003 found that drilling activity fell as expected oil-price volatility rose, conditional on expected price levels. The paper's real-options logic is that waiting can have value when an investment is difficult to reverse and new information may arrive. Its setting was small firms drilling older Texas fields; it does not estimate the right choice for COP's global portfolio. [A01], pp.1698-1702, 1706-1725, 1732-1734.

Other oil-and-gas research cautions that the relationship may depend on the source of uncertainty and how reversible an investment is. Ahmadi, Manera and Sadeghzadeh report in their publisher abstract that investment uncertainty is positively related to reversible investment but not positively related to irreversible investment. Their analysis also associates

uncertainty tied to global oil consumption-demand shocks with lower investment; that is a broad empirical category, not a direct estimate of COVID-19's effect or of COP's projects. The full article was not available for this review. These results are context, not a rule for the company's response. [A02].

For COP, the practical choice was whether to preserve flexibility by slowing selected commitments while protecting work needed to maintain safe, reliable operations and projects that remained sound under a broad range of conditions. Any curtailment decision would require internal asset-level evidence unavailable in the public record.

Three operating approaches

1. **Defer selectively.** Slow or postpone development work that is costly to reverse after commitment and whose timing can move without jeopardizing project value, safety or critical dependencies. Protect base maintenance and work that remains robust across plausible conditions. This preserves options but may increase restart costs or disrupt sequencing.
2. **Protect more of the plan.** Continue a larger share of development and project work to preserve portfolio continuity and future production, while using review triggers to make later adjustments. This avoids premature disruption but keeps spending commitments in place while demand and supply remain uncertain.
3. **Add conditional production curtailment.** Retain selective development deferrals and authorize temporary shut-ins only where internal realized-price, variable-cost, transport, contract, safety and restart analysis supports them. This may reduce near-term exposure at qualifying assets, but could sacrifice production or create operational costs. Public sources cannot determine eligible assets.

These alternatives are author-designed. They are not a record of COP's internal March 17 options or its subsequent decision.

Your recommendation

Prepare a short operating-plan memo to COP's leadership team. Recommend what to preserve, defer or make conditional. For each action, identify the evidence needed, an owner and a review trigger. Consider several paths for demand and supply duration without assigning probabilities that the sources do not support. Distinguish field-level production decisions from company-wide development planning.

Possible triggers include updated demand and price indicators, supply-policy developments, project-level pause/restart assessments, safe-operating requirements, contract constraints and evidence that a deferral would disrupt linked work. Any threshold or scenario you propose is a management rule for this exercise, not a disclosed COP target. No valuation, forecast calibration or capital-budget calculation is required.

Sources and conventions

C01. ConocoPhillips, [Q4 and FY2019 results](#), 4 February 2020; paragraphs cited above. Company-defined cash-flow measures are identified as such.

C02. ConocoPhillips, [2020-2029 plan announcement](#), 19 November 2019; "Highlights of the 10-year plan." The source was read from the official site search index after direct page access failed.

M01. U.S. Energy Information Administration, [March 2020 Short-Term Energy Outlook](#), relevant pages 1-2 and 4-6.

M02. OPEC, [178th Extraordinary Meeting conclusion](#), 5 March 2020, paragraphs 4-8.

M03. Saudi Aramco, [“Ministry of Energy directed Saudi Aramco to raise maximum capacity”](#), 11 March 2020.

M04. International Energy Agency, [“Global oil demand to decline in 2020 as coronavirus weighs heavily on markets”](#), 9 March 2020.

A01. Ryan Kellogg, “The Effect of Uncertainty on Investment: Evidence from Texas Oil Drilling,” *American Economic Review* 104(6), 1698-1734 (2014). [Full article and appendix](#).

A02. Maryam Ahmadi, Matteo Manera and Mehdi Sadeghzadeh, “The investment-uncertainty relationship in the oil and gas industry,” *Resources Policy* 63, article 101439 (2019). [Publisher record](#). Abstract-level use; see accepted research dossier for access limits.

COP historical figures and forecasts are identified as company-reported. EIA/IEA values are forecasts with dated assumptions. No information published after 17 March 2020 is included.