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ConocoPhillips 1Q Profit Rises 13 Percent

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ConocoPhillips, the nation's third-largest oil and gas producer, said Wednesday profit rose 13 percent as stronger exploration and production results yielded the best first-quarter earnings since Phillips Petroleum Co. and Conoco Inc. combined in 2002.

Net income jumped to $3.29 billion, or $2.34 per share for the January-March period, from $2.91 billion, or $2.05 per share, in the year-earlier period. Those results were in line with analysts' expectations, according to Thomson Financial.

ConocoPhillips is the first of the three largest U.S. oil companies to report earnings this week. Exxon Mobil Corp. reports Thursday and Chevron Corp. on Friday. The three were expected this week to report a total of more than $16 billion in first-quarter profits.

Also on Wednesday, New York-based oil and gas producer Amerada Hess Corp. said first-quarter profit surged on sharply higher prices for crude oil and natural gas.

Revenue at ConocoPhillips grew to $47.9 billion in the first quarter from $38.9 billion last year. The company said higher oil prices were partially tempered by lower natural gas prices compared with the fourth quarter.

Fadel Gheit, analyst with Oppenheimer & Co., said things will only get better for the company, citing its $33.9 billion acquisition of Burlington Resources completed March 31.

"They will grow the company by leaps and bounds because they are so well managed," Gheit said.

ConocoPhillips Chief Executive Jim Mulva said in a conference call the company will spend about $18 billion this year in capital investments, up from the $10 billion announced in December.

A detailed breakout of investments was not disclosed. But the increase, the company said, comes in part from the recent acquisitions of Burlington Resources and a German refinery. Additionally, the company will earmark $1 billion for loans to affiliates, and complete its planned 20 percent purchase of Lukoil.

"This company has more investment opportunity on its plate than resources to fund them. Everybody else has the problem of too much cash," Gheit said. "The unusual thing about this company is that while everybody is walking, this company is running."

Analysts asked during the call how ConocoPhillips will handle the Venezuelan government's plans to increase state control of some of the nation's most lucrative oil projects.

Mulva answered that he plans to meet with Venezuela Oil Minister Rafael Ramirez in a few weeks.

"That's a big concern because they do have a lot investment opportunities there," said Gene Gillespie, analyst with Howard Weil Inc., in an interview. "Unfortunately, they could be unfulfilled."

Earnings from exploration and production rose to $2.55 billion from $1.79 billion in the first quarter. The gains were offset by a decline in refining income, which dropped to $390 million from $700 million a year ago.

Roughly 85 percent of ConocoPhillips' refining capacity was in use in the first quarter, but it should be in the mid-90s moving forward, Mulva said.

"We experienced significant unplanned downtime and heavy refining turnaround activity, due in part to turnarounds we delayed in response to the 2005 hurricanes," he said.

The company also said its Alliance refinery in Belle Chasse, La., has returned to normal operations after being knocked out by Hurricane Katrina.

ConocoPhillips churned out 1.93 billion barrels of oil equivalent per day in the first quarter. The results do not include production from newly acquired Burlington Resources, since the deal closed on March 31.

ConocoPhillips shares fell $1.10, or 1.6 percent, to close at $67.15 on the New York Stock Exchange. They have traded in a 52-week range of $47.55 to $72.50.

In New York, Amerada Hess said net income ballooned to $695 million, or $6.62 per share, from $219 million, or $2.12 per share, a year ago. Stripped of one-time gains, the company earned $4.85 per share, ahead of analysts' expectations of $4.79.

The results were driven by sharply higher earnings of $706 million from exploration and production, which were boosted by a $186 million gain on the sale of oil-producing properties in Texas and New Mexico's Permian Basin. Lower marketing and refining earnings down 22 percent to $49 million partially offset the gains.

Shares of Amerada Hess fell $6.97 to $143 Wednesday on the New York Stock Exchange.

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