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Energy Information Administration

Financial News for Independent Energy Companies, First Quarter 2007

Overview

First Quarter 2007 Key Findings	
Net Income	$4.6 billion
Revenues	$32.3 billion
Trends	higher net income relative to first quarter of 2006
	lower oil and gas prices, higher rig counts and margins

Earnings for the 41 independent energy companies included in this report grew 39 percent in the first quarter of 2007 (Q107) over earnings in the first quarter of 2006 (Q106) (Table 1). This was driven by the performance of oil field service companies and the refiner/marketers; in contrast, oil and natural gas producers had declines in earnings over the year-ago quarter.

Table 1. Revenue and Net Income Summaries for Independent Energy Companies
(Million Dollars)

Companies	Q106	Q107	Percent Change
Revenue			
Oil and Gas Producers (14)[a]	2,033	2,082	2.4
Oil Field Companies (22)	18,174	23,221	27.8
Refiners (5)	6,025	7,035	16.7
Total Revenue (41)	26,232	32,337	23.3
Net Income			
Oil and Gas Producers (14)	319	124	-61.1
Oil Field Companies (22)	2,933	4,206	43.4
Refiners (5)	37	248	578.6
Total Income (41)	3,289	4,578	39.2

[a]The number of companies reporting revenue and net income is in parentheses.
Notes: The net income data have been adjusted to exclude the effects of unusual items such as accounting changes. Percentages
Sources: Compiled from companies' quarterly reports to stockholders.

Energy Price News

The crude oil price for Q107 decreased 3 percent relative to a year earlier while the price of natural gas fell 15 percent. The U.S. refiner average acquisition cost of imported crude oil decreased from $54.72 per barrel in Q106 to $53.16 per barrel in Q107 (**Table 2**). (See the **current** and **recent** issues of the *Short-Term Energy Outlook* for explanation of these price changes and those discussed below.) This decline relative to the year-earlier quarter came after eighteen consecutive quarters in which crude oil prices increased relative to their year-earlier levels.

The average U.S. natural gas wellhead price fell from $7.49 per thousand cubic feet in Q106 to $6.37 in Q107 (**Table 2**). This is the third consecutive quarter in which domestic natural gas prices fell relative to the year-earlier quarter and comes on the heels of a streak of nine consecutive quarters in which natural gas prices increased or were unchanged relative to their year-earlier levels.

Table 2. U.S. Energy Prices and the U.S. Gross Refining Margin

	Q106	Q107	Percent Change
U.S. Energy Prices[a]			
Refiner Acquisition Cost of Imported Crude Oil ($/barrel)	54.72	53.16	-2.9
Natural Gas Wellhead Price ($/thousand cubic feet)	7.49	6.37	-15
U.S. Gross Refining Margin ($/barrel)[b]	15.95	17.49	9.7

[a] Energy Information Administration, Short-Term Energy Outlook, (Washington, DC, May 8, 2007), Table 4.
[b] Compiled from data in Energy Information Administration, Petroleum Marketing Monthly, DOE/EIA-380 (Washington, DC), Table 1, Table 4 and Table 5; and Energy Information Administration, Monthly Energy Review, DOE/EIA-0035, (Washington, DC) Table 3.2b.
Note: The U.S. Gross Refining Margin is the difference between the composite wholesale product price and the composite refiner acquisition cost of crude oil.

Independent Energy Company Earnings

Independent producers' earnings drop sharply. Net income of the independent oil and gas producers included in this report declined 61 percent between Q106 and Q107, with revenues increasing 2 percent (Table 1). This earnings drop was caused primarily by a 15-percent decrease in the price of natural gas over year-ago prices and to a lesser extent by a 3-percent decrease in crude oil prices (Table 2).

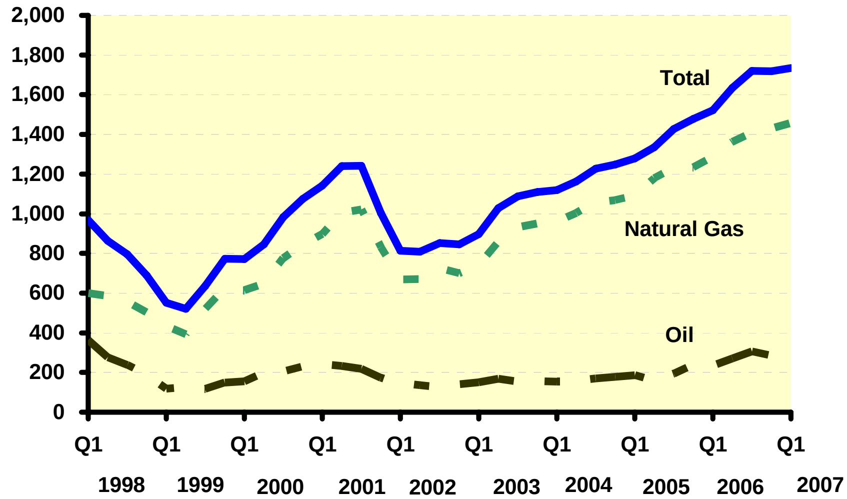
Oil field companies' revenue and earnings increased with higher drilling rig counts. Net income of U.S. oil field companies included in this report jumped 43 percent, as revenues rose 28 percent (see Table 1). U.S. oil field company earnings were strengthened by an increase in the worldwide rig count of 5 percent from 3,080 in Q106 to 3,247 in Q107, according to Baker Hughes data. Higher rig counts and the resulting higher demand for rig services directly increased the demand for the equipment and services supplied by oil field companies. The Petrodata Day Rate Indices for rig rentals reflects that, as rates in Q107 were substantially higher than in Q106.

The U.S. rig count growth rate of 14 percent over the year-ago quarter exceeded the 5 percent worldwide growth rate. Decomposing the total U.S. rig count into its components, the natural gas rig count grew 13 percent and the oil rig count grew 17 percent over the period (see Figure 1). This was the sixteenth consecutive quarter in which the natural gas rig count has increased relative to its year-earlier level.

Breaking down overall (oil plus natural gas) rig counts on a regional basis shows that while rig counts grew 14 percent in the United States from Q106 to Q107, they dropped 20 percent in Canada and grew 10 percent in the rest of the world.

Refiner earnings increased on higher margins. Earnings of the independent refiners included in this report increased 579 percent, from $37 million in Q106 to $248 million in Q107 (see Table 1). This was due to an increase in refining margins of 10 percent over the year-ago quarter (see Table 2). (The gross refining margin is the difference between the composite wholesale refined petroleum product price and the composite refiner acquisition cost of crude oil.)

Figure 1: U.S. Quarterly Rig Counts: Oil, Gas & Total, 1998-2007



About this Report

The "Financial News for Independent Energy Companies" is issued several weeks after the close of each quarter to report recent trends in the financial performance of independent energy companies, which are typically smaller than the majors and do not have integrated production/refining operations. The information is compiled from companies' quarterly reports and press releases.

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