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Energy Information Administration

Financial News for Independent Energy Companies, First Quarter 2008

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Overview

First Quarter 2008 Key Findings	
Net Income	$5.9 billion
Revenues	$43.8 billion
Highlights	Independent energy companies reported a higher net income relative to first quarter of 2007 for producers and oil field service companies, but lower net income for refiners.
	The first quarter of 2008 saw much higher oil prices, higher natural gas prices, a slightly higher rig count, and lower margins than the same period a year ago.

Earnings for the 43 independent energy companies included in this report grew 18 percent in the first quarter of 2008 (Q108) over earnings in the first quarter of 2007 (Q107) (Table 1). This was driven by the performance of the producers and the oil field service companies; in contrast, refiner/marketers had declines in earnings over the year-ago quarter.

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

Companies	Q107	Q108	Percent Change
Revenue			
Oil and Gas Producers (17)[a]	3,266	4,553	39.4
Oil Field Companies (22)	24,549	28,490	16.1
Refiners (4)	6,014	10,705	78.0
Total Revenue (43)	33,830	43,748	29.3
Net Income			
Oil and Gas Producers (17)	330	693	109.9
Oil Field Companies (22)	4,421	5,185	17.3
Refiners (4)	241	24	-89.9
Total Income (43)	4,991	5,902	18.2

[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 are calculated from unrounded data.
Sources: Compiled from companies' quarterly reports to stockholders.

Energy Price News

The crude oil price for Q108 increased 68 percent relative to a year earlier while the price of natural gas increased 19 percent. The U.S. refiner average acquisition cost of imported crude oil increased from $53.13 per barrel in Q107 to $89.37 per barrel in Q108 (**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 is the twenty-first time in the past twenty-three quarters (i.e., five and three-quarters years) that the price of crude oil was higher relative to the year-earlier quarter. (The first and second quarters of 2007 were the only exceptions since the second quarter of 2002.)

The average U.S. natural gas wellhead price increased from $6.37 per thousand cubic feet (mcf) in Q107 to $7.61 per mcf in Q108 (**Table 2**). Natural gas prices have generally fluctuated over the past two years, increasing four times relative to the year-earlier quarter and decreasing four times since the first quarter of 2006.

The gross refining margin (the per-barrel composite wholesale product price less the composite refiner acquisition cost of crude oil) was about 12 percent lower in Q108 than in Q107 (**Table 2**). A large increase in the average price for petroleum products (from $70.82 per barrel to $104.88 per barrel) was exceeded by an even larger $36.24 per barrel increase in the price of crude oil resulting in a lower margin.

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

	Q107	Q108	Percent Change
U.S. Energy Prices[a]			
Refiner Acquisition Cost of Imported Crude Oil ($/barrel)	53.13	89.37	68.2
Natural Gas Wellhead Price ($/thousand cubic feet)	6.37	7.61	19.5
U.S. Gross Refining Margin ($/barrel)[b]	17.69	15.51	-12.4

[a] Energy Information Administration, *Short-Term Energy Outlook*, (May 6, 2008), Table 2.

[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 3.2.

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 increased. Net income of the independent oil and gas producers included in this report increased 110 percent between Q107 and Q108, while revenues increased 39 percent (Table 1). The 68-percent jump in oil prices, supported by the 19-percent rise in natural gas prices (**Table 2**), led to the sharp increase in profits.

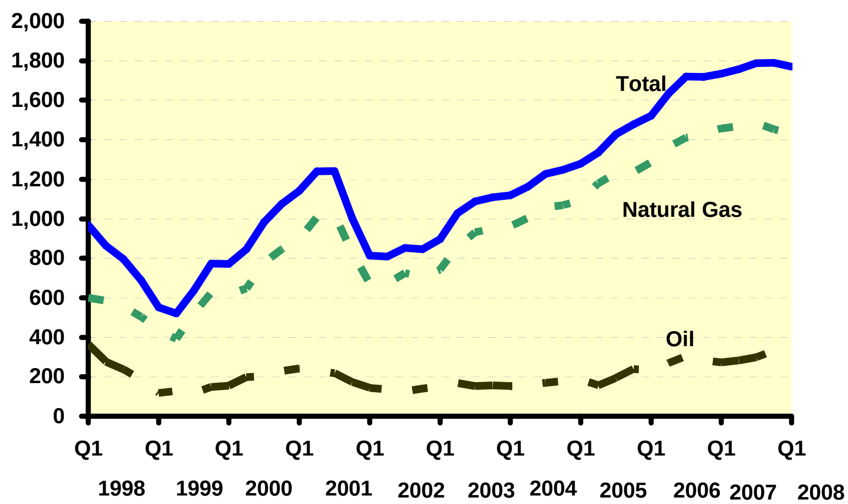
Oil field companies' revenue and earnings increased. Net income of U.S. oil field companies included in this report increased 17 percent, as revenues rose 16 percent (see Table 1). U.S. oil field company earnings were strengthened by an increase in the U.S. rig count of 2 percent from 1,733 in Q107 to 1,770 in Q108, 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.

Breaking down the overall (oil plus natural gas) U.S. rig count into its components, the oil rig count grew 21 percent while the natural gas rig count declined 2 percent over the period (see Figure 1). This was the first decline in the natural gas rig count after twenty consecutive quarters in which it increased relative to its year-earlier level.

The worldwide rig count increased 2 percent over the year-ago quarter. While overall rig counts grew 2 percent in the United States from Q107 to Q108, they dropped 5 percent in Canada and grew 7 percent in the rest of the world.

Refiner earnings dropped on lower margins. After a big increase in first quarter earnings in 2007, earnings of the independent refiners included in this report dropped 90 percent, from $241 million in Q107 to $24 million in Q108 (see Table 1), which is about half what their earnings were in both Q106 and Q105. This was due to a decrease in refining margins of 12 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, 1998-2008



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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