

# FINANCIAL NEWS FOR INDEPENDENT ENERGY COMPANIES

## FIRST QUARTER 2009

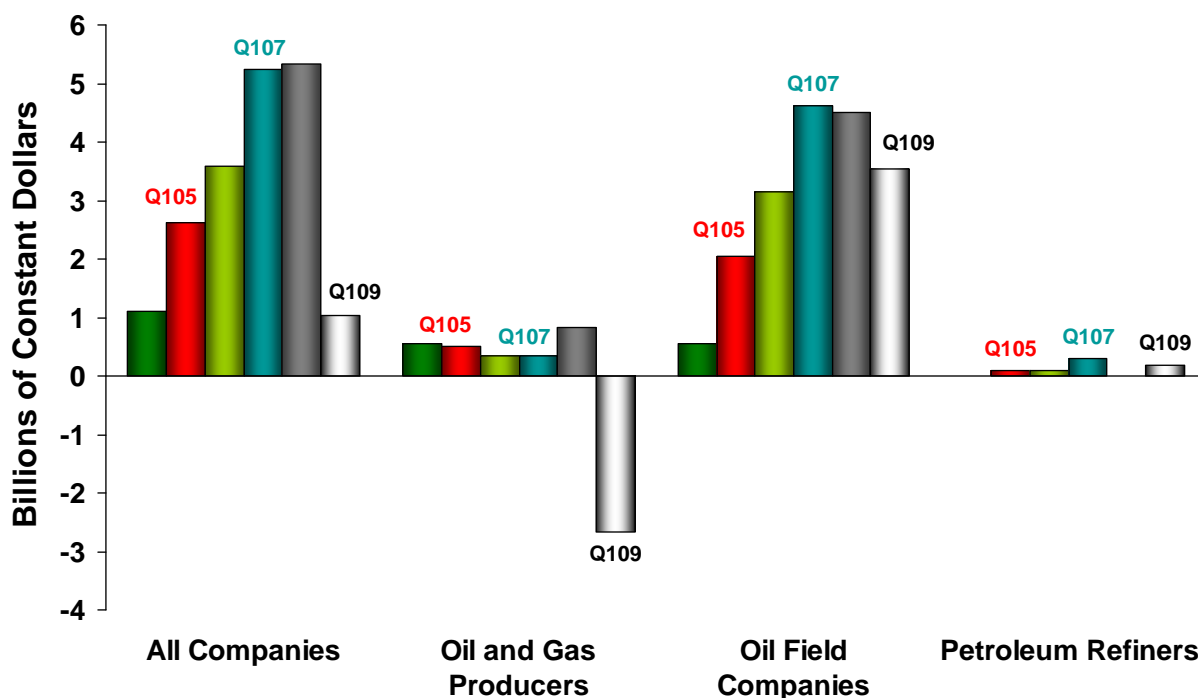
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| First Quarter 2009 Key Findings |   |
|---------------------------------|---|
| <b>Net Income</b>               | \$1.0 billion   |
| <b>Revenues</b>                 | \$32.9 billion  |
| <b>Highlights</b>               | <p>Independent energy companies reported an 81-percent decrease in net income relative to the first quarter of 2008, driven by large losses for producers.</p> <p>Lower earnings for producers resulted from the sharp fall in oil and natural gas prices, causing billion-dollar write-downs in the value of company reserves.</p> <p>Oil field company earnings declined while refiner earnings increased; both are above the average of the prior five first quarters.</p> |

- The “Financial News for Independent Energy Companies” reviews the financial performance of companies that are typically smaller than the majors and do not have integrated production/refining operations.
- While the composition of the companies in this report changes over time, the changes are usually incremental, and don’t significantly affect comparisons across time periods.
- All dollar figures and comparisons are in constant first-quarter 2009 dollars.

## 1<sup>st</sup> Quarter 2009 Net Income:

Aggregate Earnings Fall 71 Percent Below the Five Year Average.



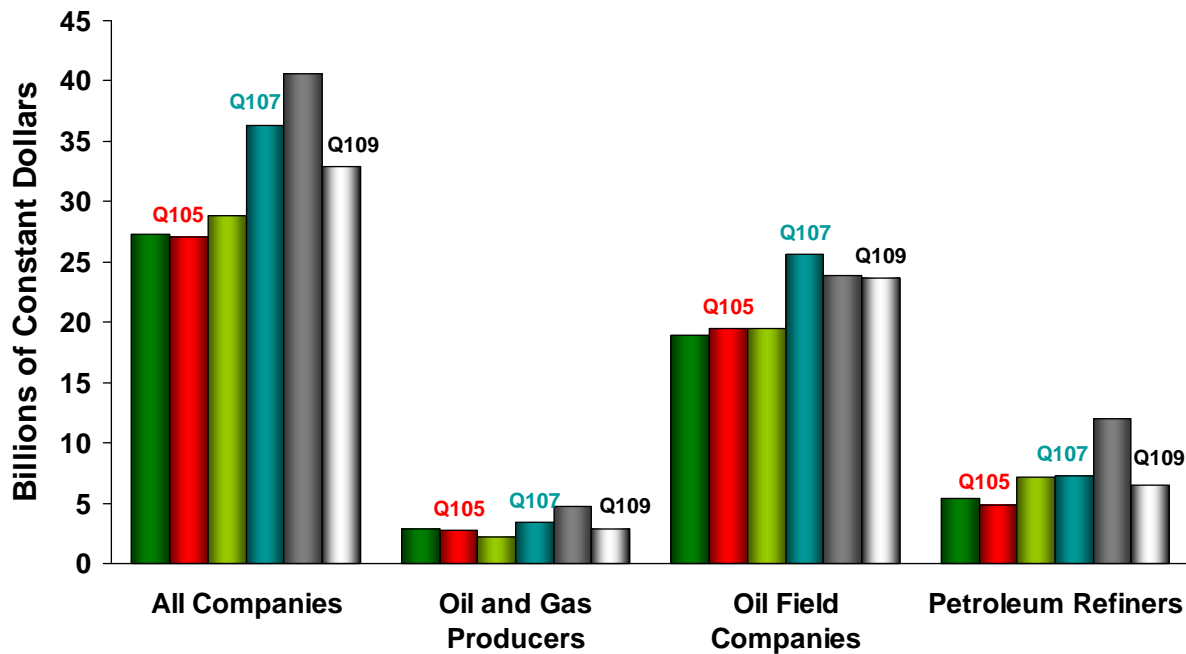
Source: Compiled from companies' quarterly reports to stockholders



- Net income for independent energy companies plummeted 81 percent in the first quarter of 2009 (Q109) from Q108. Oil and gas producers reported major losses.
- For the first time in the five years this report covers, producers reported losses, totaling nearly \$2.7 billion, down 420% from nearly \$840 of profits in the year-ago quarter. Seventy percent of this loss was due to three of the companies in this group of fifteen, as they wrote down the value of their oil and natural gas reserves due to the large drop in oil and natural gas prices.
- Oil field company net income dropped 22 percent from Q108, but was still 19 percent higher than the average of the prior five first quarters. Rig counts fell sharply, reflecting the decline in prices and producer earnings.
- Refiners' profits increased in Q109 to \$185 million from losses of \$9 million in Q108, and were 104 percent higher than the average of the prior five first quarters.

# 1<sup>st</sup> Quarter 2009 Revenues for All Companies:

## Industry Revenues Are Up 2.8 Percent Against the Five Year Average

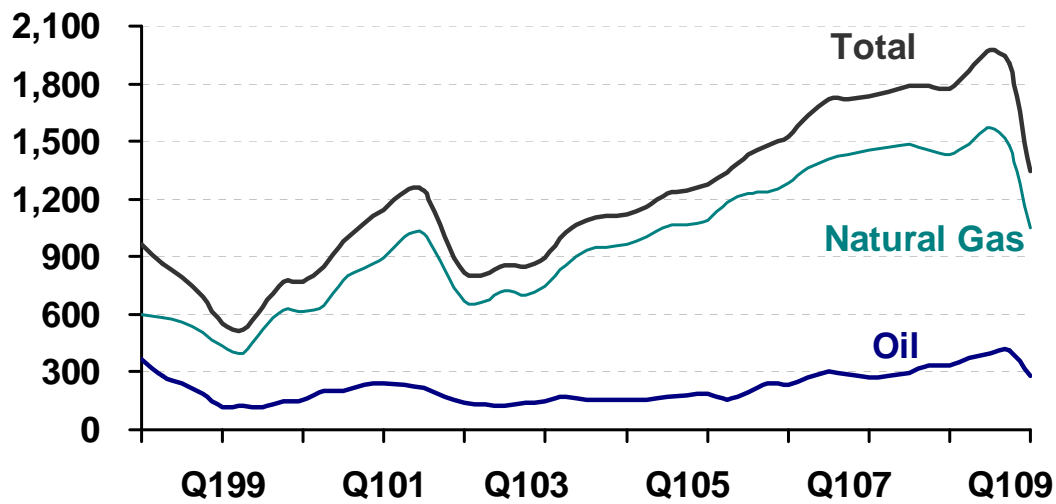


Source: Compiled from companies' quarterly reports to stockholders



- Overall revenue for the companies in this report dropped \$7.7 billion or 19 percent from the year-ago quarter.
- Oil and gas producer revenue dipped 40 percent from the year-ago quarter, lagging 12 percent below the average of the prior five first quarters.
- Oil field company revenue slipped 1.2 percent since Q108, but is 10 percent above the average of the prior five first quarters.
- Revenues for oil refiners declined sharply by 46 percent and are 12 percent lower than the average of the prior five first quarters.

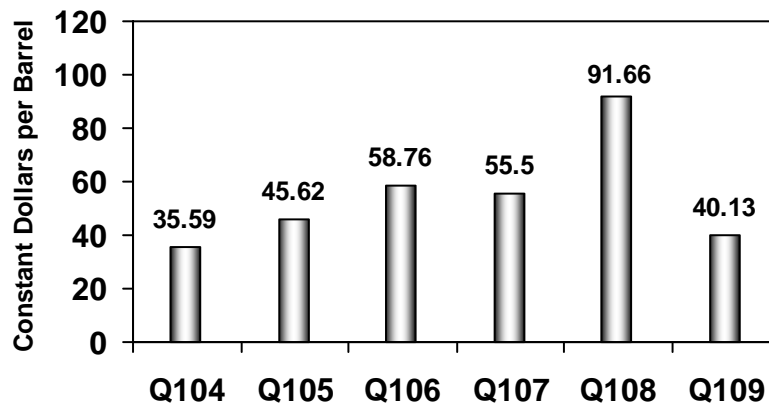
## U.S. Oil and Gas Rig Counts Down Sharply



Source: Baker Hughes.

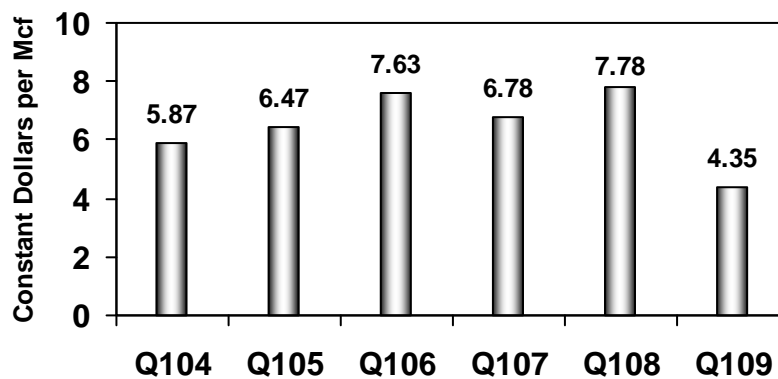
- U.S. oil and gas rig counts declined by 16 percent and 26 percent, respectively, over the year-ago quarter.

## Crude Oil Prices



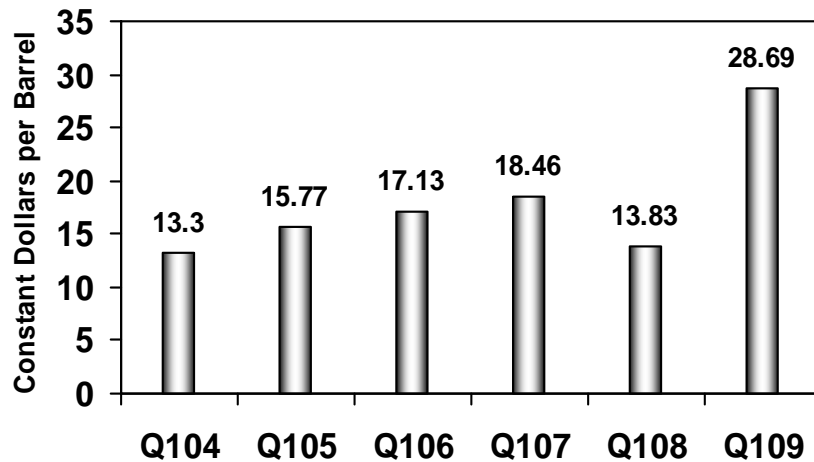
- Crude oil prices dropped 56 percent from Q108 and are 30 percent less than the average of the prior five first quarters.

## Natural Gas Wellhead Prices



- Natural gas prices tumbled 44 percent from the year-ago quarter and are 37 percent below the average of the prior five first quarters.

## U.S. Gross Refining Margins



- Gross refining margins climbed 107 percent from the year-ago quarter, exceeding the average of the prior five first quarters by 83%.

**Table 1. Revenue and Net Income Summaries for Independent Energy Companies**  
(Million Q109 Dollars)<sup>a</sup>

| Companies                               | Q108          | Q109          | Percent Change |
|---|---------------|---------------|----------------|
| <b>Revenue</b>                          |               |               |                |
| Oil and Gas Producers (15) <sup>b</sup> | 4,697         | 2,807         | -40.2          |
| Oil Field Companies (17)                | 23,906        | 23,631        | -1.2           |
| Refiners (5)                            | 11,976        | 6,470         | -46.0          |
| <b>Total Revenue (31)</b>               | <b>40,579</b> | <b>32,908</b> | <b>-18.9</b>   |
| <b>Net Income</b>                       |               |               |                |
| Oil and Gas Producers (15)              | 838           | -2,678        | -419.6         |
| Oil Field Companies (17)                | 4,498         | 3,530         | -21.5          |
| Refiners (5)                            | -9            | 185           | 2,270.6        |
| <b>Total Income (37)</b>                | <b>5,327</b>  | <b>1,037</b>  | <b>-80.5</b>   |

<sup>a</sup>Values have been converted to constant Q109 dollars using the GDP price deflator series.

<sup>b</sup>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.

**Table 2. U.S. Energy Prices and the U.S. Gross Refining Margin  
(Constant Q109 Dollars)<sup>a</sup>**

|   | Q108  | Q109  | Percent<br>Change |
|---|-------|-------|-------------------|
| <b>U.S. Energy Prices<sup>b</sup></b>                         |       |       |                   |
| Refiner Acquisition Cost of Imported Crude Oil<br>(\$/barrel) | 91.66 | 40.13 | -56.2             |
| Natural Gas Wellhead Price (\$/thousand cubic feet)           | 7.78  | 4.35  | -44.1             |
| <b>U.S. Gross Refining Margin (\$/barrel)<sup>c</sup></b>     | 13.83 | 28.69 | 107.4             |

<sup>a</sup> Prices have been converted to Q109 dollars using the GDP price deflator series.

<sup>b</sup> Energy Information Administration, *Short-Term Energy Outlook*, (May 12, 2009), Table 2.

<sup>c</sup> 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.