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Energy Information Administration

Financial News for Independent Energy Companies, Second Quarter 2007

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Overview

Second Quarter 2007 Key Findings	
Net Income	$5.5 billion
Revenues	$34.2 billion
Trends	higher net income relative to second quarter of 2006 for oil field service companies and refiners, lower net income for producers
	lower oil prices, higher rig counts and margins

Earnings for the 38 independent energy companies included in this report grew 39 percent in the second quarter of 2007 (Q207) over earnings in the second quarter of 2006 (Q206) (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	Q206	Q207	Percent Change	2006	2007	Percent Change
Revenue						
Oil and Gas Producers (12)[a]	1,215	1,444	18.8	2,371	2,639	11.3
Oil Field Companies (22)	19,990	24,334	21.7	38,111	47,458	24.5
Refiners (4)	6,853	8,470	23.6	12,015	14,485	20.6
Total Revenue (38)	28,058	34,248	22.1	52,497	64,582	23.0
Net Income						
Oil and Gas Producers (12)	275	249	-9.6	514	353	-31.3
Oil Field Companies (22)	3,378	4,582	35.7	6,271	8,765	39.8
Refiners (4)	314	682	116.8	363	922	153.9
Total Income (38)	3,967	5,512	38.9	7,149.0	10,040.0	40.4

[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 Q207 decreased two percent relative to a year earlier while the price of natural gas fell ten percent. The U.S. refiner average acquisition cost of imported crude oil decreased from $63.62 per barrel in Q206 to $62.13 per barrel in Q207 (**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 was the second straight after eighteen consecutive quarters in which crude oil prices increased relative to their year-earlier levels.

The average U.S. natural gas wellhead price increased from $6.19 per thousand cubic feet in Q206 to $6.80 in Q207 (**Table 2**). The increase follows four consecutive quarters in which domestic natural gas prices fell relative to the year-earlier quarter.

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

	Q206	Q207	Percent Change
U.S. Energy Prices[a]			
Refiner Acquisition Cost of Imported Crude Oil ($/barrel)	63.62	62.13	-2.3
Natural Gas Wellhead Price ($/thousand cubic feet)	6.19	6.80	9.9
U.S. Gross Refining Margin ($/barrel)[b]	24.67	31.28	26.8

[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. Net income of the independent oil and gas producers included in this report declined 10 percent between Q206 and Q207, while revenues increased 19 percent (Table 1). The 2-percent decrease in oil prices and higher expenses for some companies on exploration, abandonments, and repairs from hurricane Rita, outweighed the effects of the 10-percent increase in natural gas prices (Table 2).

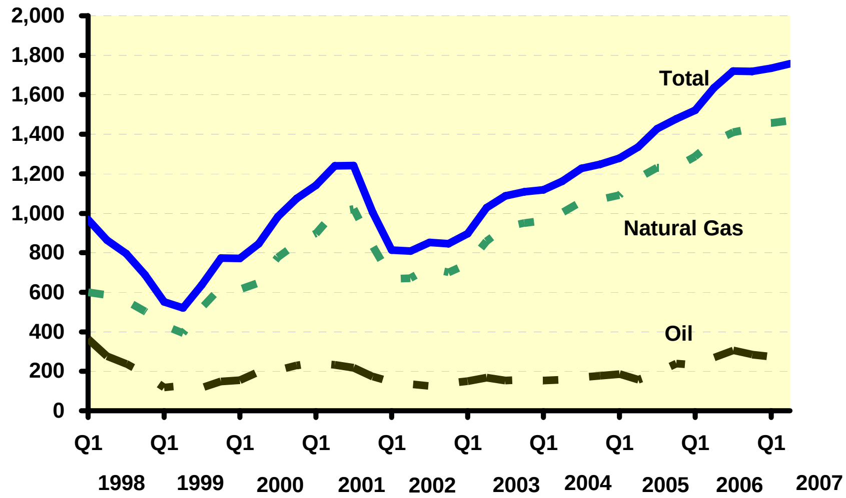
Oil field companies' revenue and earnings increased with higher drilling rig counts. Net income of U.S. oil field companies included in this report jumped 36 percent, as revenues rose 22 percent (see Table 1). U.S. oil field company earnings were strengthened by an increase in the worldwide rig count of 3 percent from 2,827 in Q206 to 2,898 in Q207, according to Baker Hughes data.

The U.S. rig count growth rate of 7 percent over the year-ago quarter exceeded the 3 percent worldwide growth rate. Breaking down the overall (oil plus natural gas) U.S. rig count into its components, the natural gas rig count grew 8 percent and the oil rig count grew 5 percent over the period (see Figure 1). This was the eighteenth consecutive quarter in which the natural gas rig count has increased relative to its year-earlier level.

On a regional basis, while overall rig counts grew 8 percent in the United States from Q206 to Q207, they dropped 51 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 117 percent, from $314 million in Q206 to $682 million in Q207 (see Table 1). This was due to an increase in refining margins of 27 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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