

# FINANCIAL NEWS FOR INDEPENDENT ENERGY COMPANIES

## SECOND QUARTER 2009

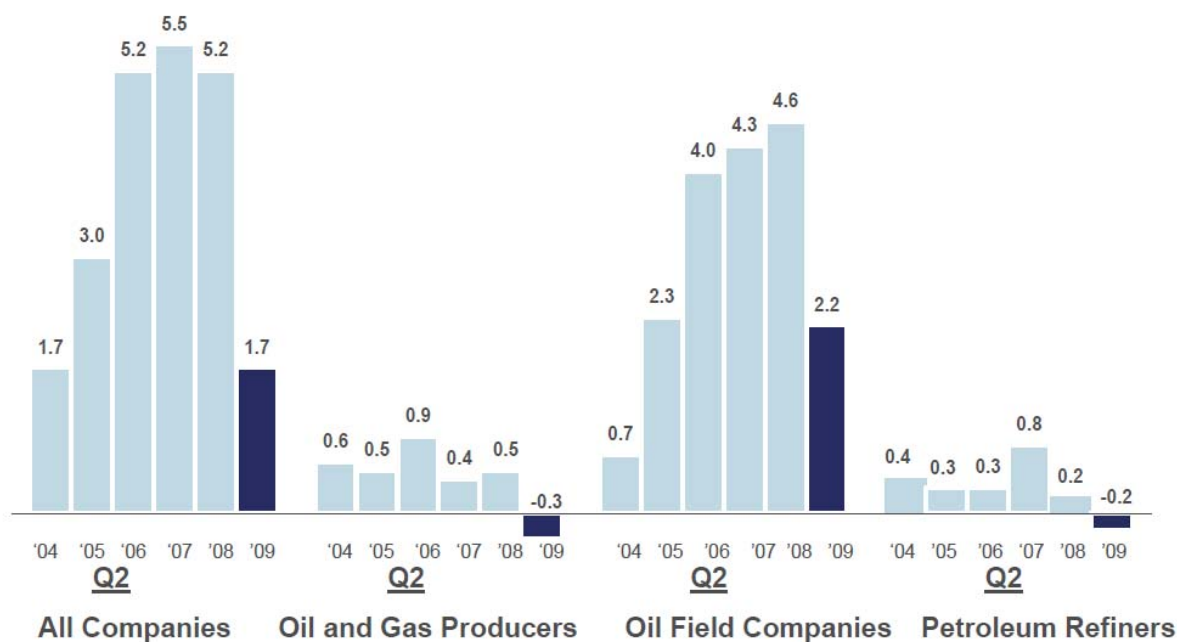
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Second Quarter 2009 Key Findings	
Net Income	\$1.7 billion
Revenues	\$33.1 billion
Highlights	<p>Independent energy companies reported a 68-percent decrease in net income relative to the second quarter of 2008 (Q208), with earnings declines for producers, oil field companies, and refiners.</p> <p>Oil field company earnings dropped 51 percent from Q208 to a level significantly below that of the past three second quarters.</p> <p>Producers and refiners reported losses due to the sharp fall in oil and natural gas prices and the impact of asset impairments.</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 second-quarter 2009 dollars.

## 2<sup>nd</sup> Quarter 2009 Net Income

(Billions of Constant Dollars)



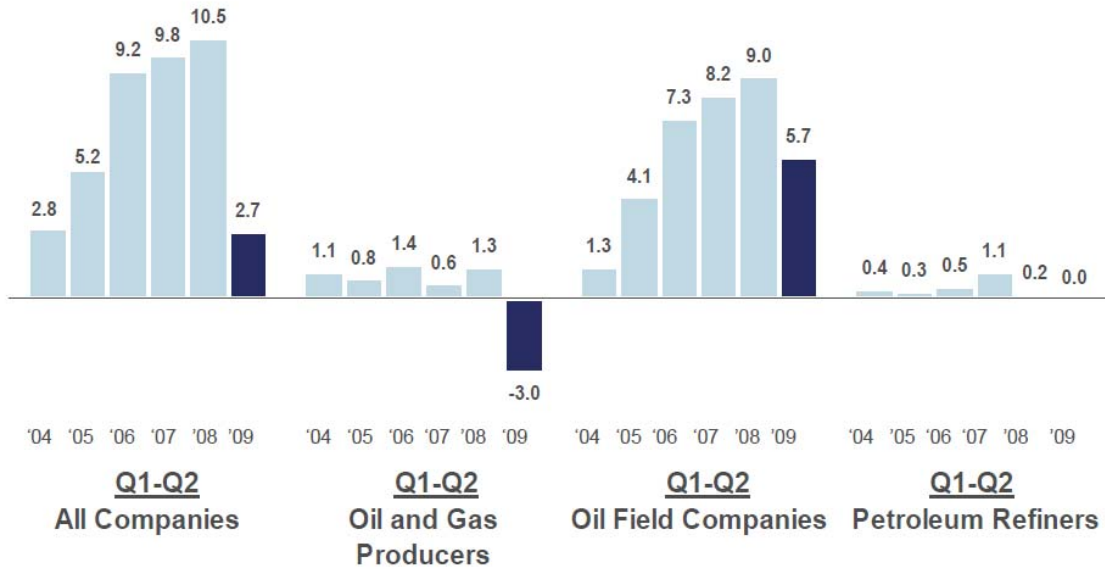
Source: Compiled from companies' quarterly reports to stockholders



- Net income for independent energy companies plummeted 68 percent in the second quarter of 2009 (Q209) from Q208. Oil and gas producers and refiners reported substantial losses.
- Producers reported losses of \$314 million in Q209, following the even larger losses of Q109, the only two quarters of producer losses in the five years this report covers. The Q209 losses represent a 167-percent decline from the year-ago quarter.
- Oil field company net income dropped 51 percent from Q208, and was lower than each of the four prior second quarters. Rig counts fell sharply, reflecting the decline in prices and producer earnings.
- Refiners' profits plummeted 230 percent in Q209 from profits of \$177 million in Q208, though much of this was due to a large write-down in the value of one refining company's goodwill from a prior acquisition.

## Year-to-Date Net Income

(Billions of Constant Dollars)



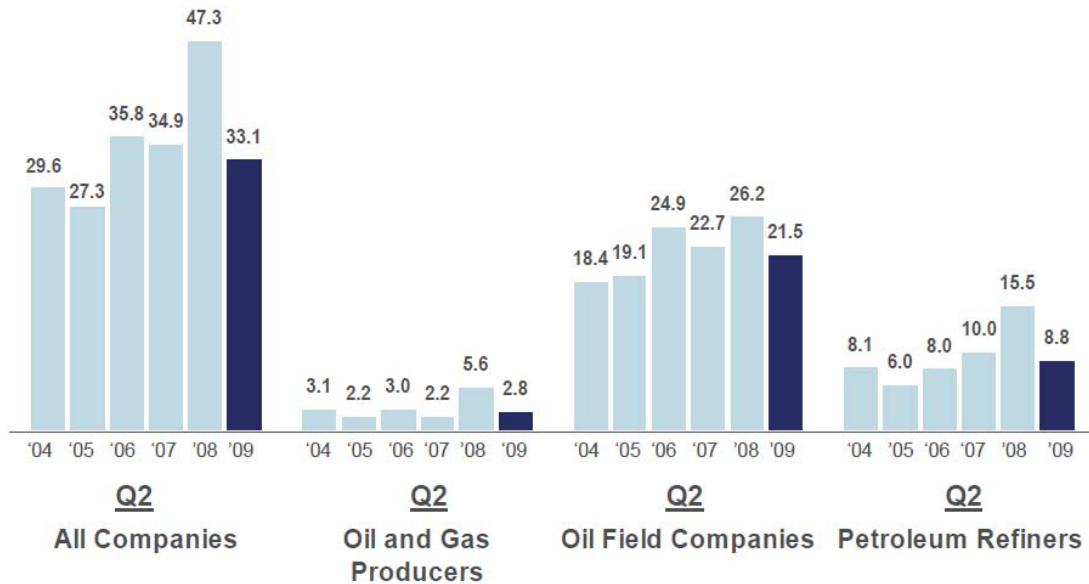
Source: Compiled from companies' quarterly reports to stockholders



- Year-to-date trends were similar to second quarter trends – oil field company earnings dropped substantially while producers and refiners reported losses.

## 2<sup>nd</sup> Quarter Revenues

(Billions of Constant Dollars)



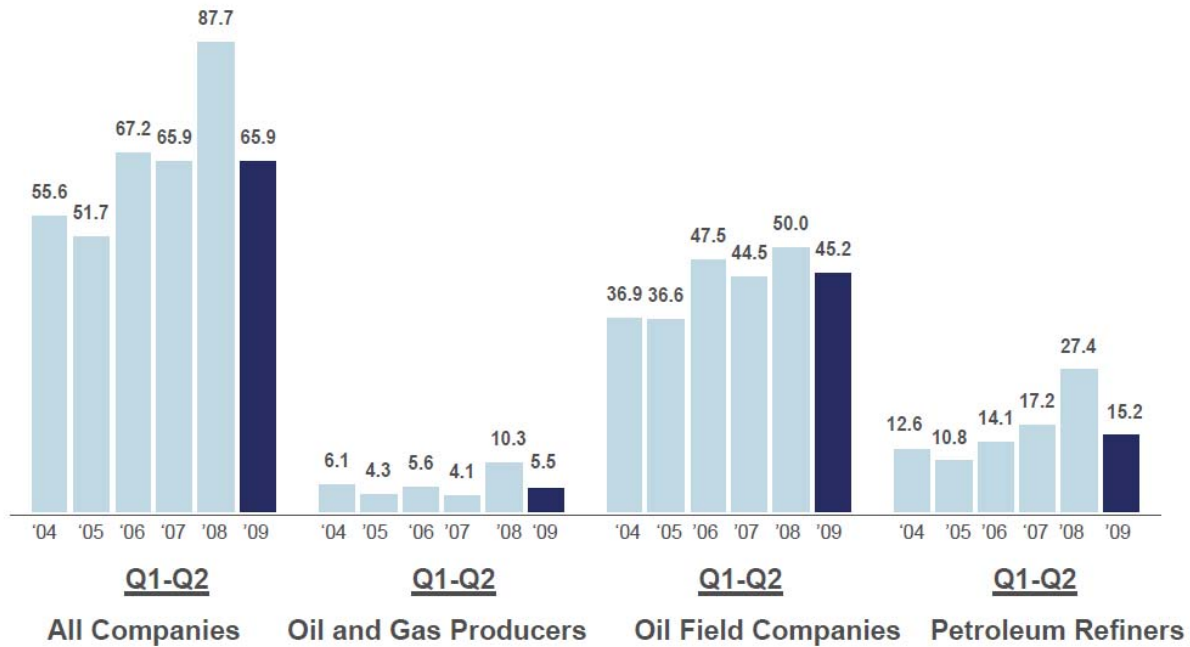
Source: Compiled from companies' quarterly reports to stockholders



- Overall revenue for the companies in this report dropped \$14.2 billion or 30 percent from the year-ago quarter.
- Oil and gas producer revenue dropped 50 percent from the year-ago quarter, though it was 7 percent above the average of the four second quarters preceding Q208.
- Oil field company revenue slipped 18 percent from Q208, but was 1 percent above the average of the four second quarters preceding Q208.
- Revenue for oil refiners declined sharply by 43 percent but was 9 percent higher than the average of the four second quarters preceding Q208.

## Year-to-Date Revenues

(Billions of Constant Dollars)

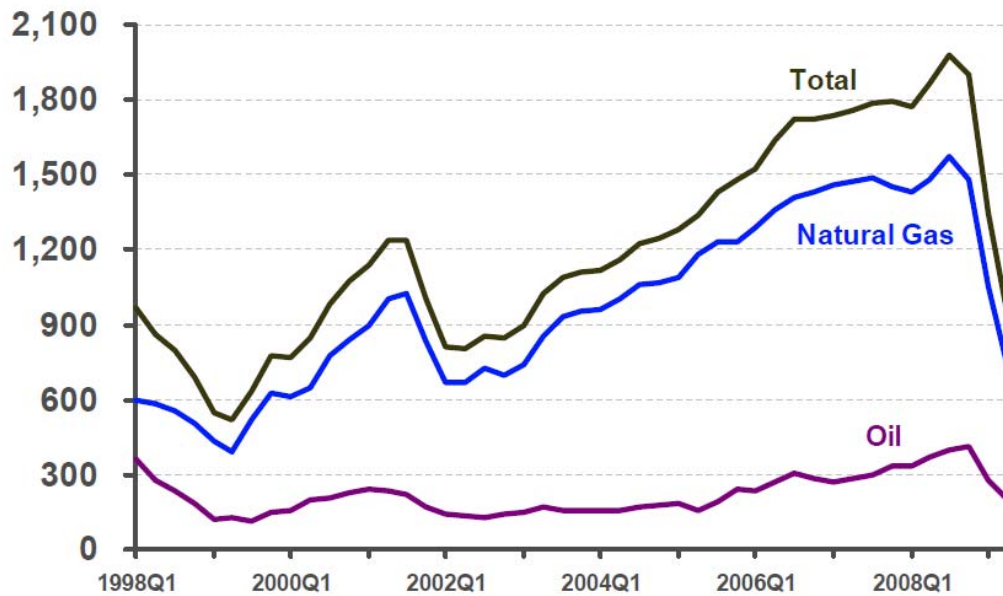


Source: Compiled from companies' quarterly reports to stockholders



- For each of the three categories of independent energy companies, year-to-date revenue dropped substantially from the prior-year quarter but remained above the average of the four second quarters preceding Q208.

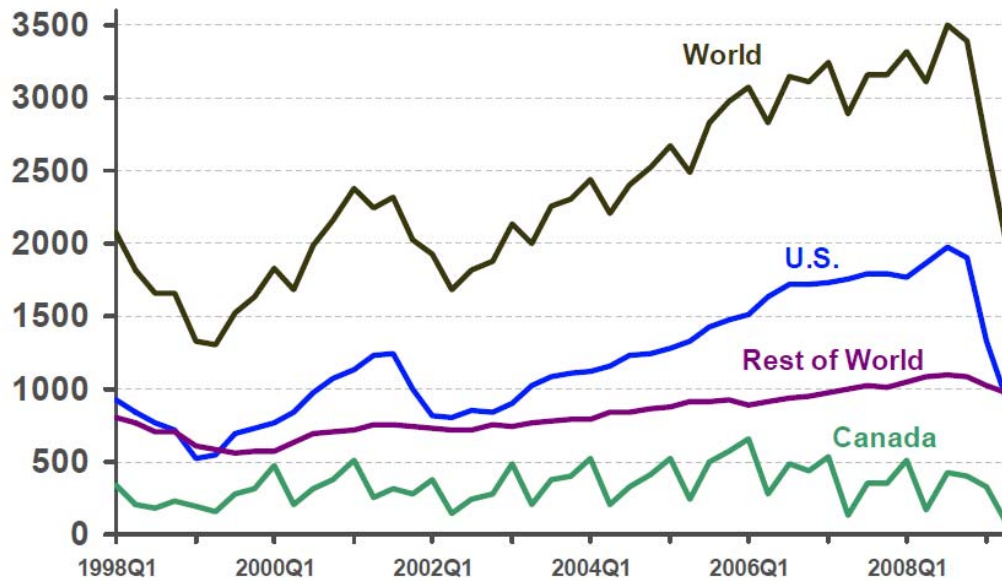
## U.S. Oil and Gas Rig Counts Each Down About 50 percent



Source: Baker Hughes.

- U.S. oil and gas rig counts plummeted by 47 percent and 51 percent, respectively, over the year-ago quarter.

## U.S., Canada Pull Down Worldwide Rig Counts



- U.S. and Canadian total rig counts plummeted by 50 percent and 47 percent, respectively, over the year-ago quarter, compared to a drop of 9 percent for the rest of the world.

### Crude Oil Prices



- Crude oil prices fell 51 percent relative to Q208 and were 21 percent less than the average for the second quarter of 2004-2008 (in Q209 dollars).

### Natural Gas Wellhead Prices



- Natural gas prices declined 66 percent from Q208 and 50 percent compared to the second quarters for 2004-2008 (measured in Q209 dollars).



## U.S. Gross Refining Margins



- The gross refining margin for Q209 was 31 percent lower than a year earlier and 36 percent lower than the average for the second quarter for 2004-2008 (in Q209 dollars).

**Table 1. Revenue and Net Income Summaries for Independent Energy Companies**  
(Million Q209 Dollars)<sup>a</sup>

Companies	Q208	Q209	Percent Change
<b>Revenue</b>			
Oil and Gas Producers (15) <sup>b</sup>	5,627	2,827	-49.7
Oil Field Companies (17)	26,229	21,528	-17.9
Refiners (5)	15,465	8,760	-43.4
<b>Total Revenue (37)</b>	<b>47,321</b>	<b>33,115</b>	<b>-30.0</b>
<b>Net Income</b>			
Oil and Gas Producers (15)	469	-314	-166.9
Oil Field Companies (17)	4,599	2,233	-51.5
Refiners (5)	177	-230	-230.1
<b>Total Income (37)</b>	<b>5,245</b>	<b>1,688</b>	<b>-67.8</b>

<sup>a</sup>Values have been converted to constant Q209 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 Q209 Dollars)<sup>a</sup>**

	Q208	Q209	Percent Change
<b>U.S. Energy Prices<sup>b</sup></b>			
Refiner Acquisition Cost of Imported Crude Oil (\$/barrel)	118.16	57.50	-51.3
Natural Gas Wellhead Price (\$/thousand cubic feet)	10.05	3.44	-65.8
<b>U.S. Gross Refining Margin (\$/barrel)<sup>c</sup></b>	18.12	12.52	-30.9

<sup>a</sup> Prices have been converted to Q209 dollars using the GDP price deflator series.

<sup>b</sup> Energy Information Administration, *Short-Term Energy Outlook*, (September 8, 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.