Brief Description of Financial Terms

For additional information, see the Glossary, available at
http://www.eia.gov/emeu/perfpro/form/eia28_instructions_2009.pdf.

Additions to Investment in Place: See Capital Expenditure.

Capital Expenditure: Also referred to as Additions to Investment in Place. Funds (including cash) used by a company to acquire or upgrade physical assets such as property, industrial buildings, or equipment that are expected to provide benefits for more than just the current year. Additions to property, plant and equipment as well as additions to investments and advances to unconsolidated affiliates are classified as capital expenditures.

Cash Flow From Operations: The amount of cash a company generates from operations, defined as net income after taxes plus depreciation and other noncash expenses.

Current Expenditure: An expenditure that is expected to provide benefit only in the current year and is classified as an expense in the income statement.

Development Expenditures: Costs of developmental wells, facilities and support equipment used to access and prepare oil and gas deposits for production.

Exploration Expenditures: Costs of locating oil and gas deposits, including the costs of retaining and carrying undeveloped property, geological and geophysical costs, and the costs of drilling and equipping exploratory wells.

Extensions and Discoveries: Reserve additions (see below) that result from the extension of previously discovered reservoirs or the discovery of new fields or reservoirs.

Finding Costs: The per-barrel costs of adding oil or gas proved reserves.

Gross Refining Margin: The difference between the revenue from the sale of petroleum products (e.g., motor gasoline) and the cost of the raw materials (e.g., crude oil) used to produce the products.

Improved Recovery: Reserve additions (see below) resulting from the application of improved recovery techniques.

Lifting (Production) Costs: See Production Costs.

Lines of Business: The FRS lines of business consist of petroleum, downstream natural gas (including NGL processing and natural gas pipelines), electric power, nonenergy, and other energy (including coal, nuclear, renewable fuels, and nonconventional fuels). The petroleum line of business is further segmented into production (including oil and natural gas exploration, development, and production), refining/marketing, crude and petroleum product pipelines (for domestic petroleum), and international marine transport (for foreign petroleum).

Net Income: A company's total earnings, or profit. Net income is calculated by taking revenues less the cost of doing business, depreciation, interest, taxes and other expenses. This number is an important measure of how profitable the company is over a period of time.[111]

Net Investment In Place: The value of property, plant, and equipment net of depreciation, plus investments and advances to unconsolidated affiliates.

Net Refining Margin: The difference between the gross refining margin and the costs of producing and selling the petroleum products (e.g., refining energy costs and selling costs). The net margin measures before-tax cash earnings from the production and sale of refined products. The net margin excludes peripheral activities such as non-petroleum product sales at convenience stores.

Production (Lifting) Costs: The per-barrel costs associated with the extraction of a mineral reserve from a producing property.

Production Expenditures: The costs of extracting oil and gas from oil and gas deposits.

Profitability: The measure of a company's or an industry's net income relative to the equity or capital provided by its investors. Profitability for the consolidated FRS companies can be measured by return on equity (ROE). Because stockholders' equity is a corporate concept, the lines of business within the company use return on investment (ROI) as a measure of profitability. Net investment in place consists of the value of property, plant, and equipment net of depreciation, plus investments and advances to unconsolidated affiliates.

Regions: The FRS regions consist of U.S. Onshore, U.S. Offshore, Canada, Europe, Former Soviet Union, Africa, Middle East, Other Eastern Hemisphere (primarily Asia Pacific), and Other Western Hemisphere (primarily South America).

Reserve Additions: The quantity of oil and gas reserves added each year as a result of exploration and development activities. Reserve additions are reported in three categories: reserve revisions, improved recovery, and extensions and discoveries.

Reserve Replacement Ratio: The amount of oil and gas reserves added in a year divided by the amount of oil and gas produced during that same year.

Reserve Revisions: Changes (upward or downward) made to previous estimates as a result of new information obtained from development drilling and production history or from changes in economic factors.

Reserves-to-Production Ratio: The number of years that oil and gas reserves would last at the current production rate.

Return on Equity (ROE): Net income as a percentage of shareholders' equity. ROE measures performance (i.e, net income) relative to the value of stockholders' equity (retained earnings plus other equity) in the company.

Return on Investment (ROI): Net income divided by net investment in place for that segment. ROI measures performance relative to the value of investments by the company in property, plant and equipment (PP&E) (long-term capital assets) for a particular business segment or project.

[111] See the dictionary on Investopedia.com for additional information. Investopedia.com can be found at http://www.investopedia.com (as of October 20, 2010).

Special Items: Accounting changes, asset dispositions and write-downs, tax adjustments, and related items that affect net income but are not part of normal operations. Special items are items that are similar to, but do not necessarily qualify as, extraordinary or unusual items under U.S. generally accepted accounting principles. Excluding special items (which to great extent are not reoccurring) from annual net income is a standard practice to attempt to give a clearer picture of a company's ongoing operations for any particular year.