

Financial Review of the Global Oil and Natural Gas Industry: First-quarter 2017



Markets and Financial Analysis Team

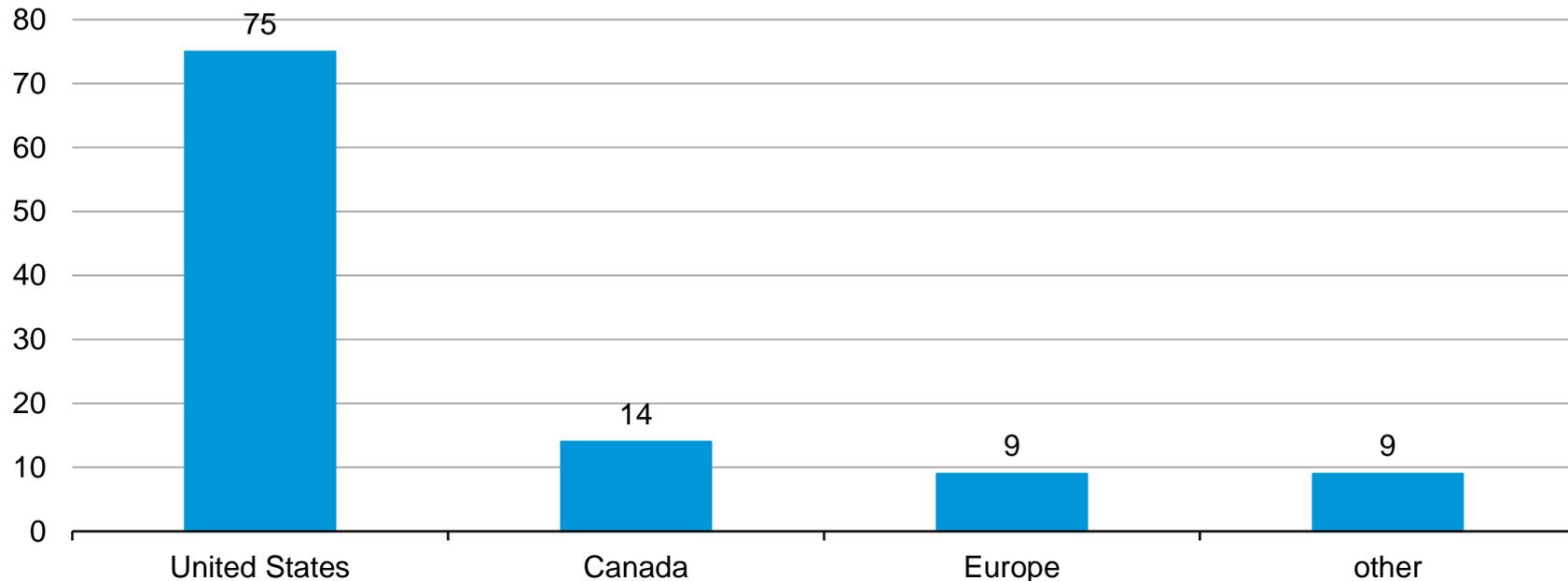
June 2017

Key findings for first-quarter 2017

- Brent crude oil prices remained lower than in the 2012–14 period but significantly higher than in first-quarter 2016, which increased operating cash flow for most producers
- Liquids production increased in first-quarter 2017 after three consecutive quarters of declines
- Energy companies' long-term debt levels were \$79 billion lower than in first-quarter 2016
- Capital expenditure continued to decline despite higher oil and natural gas prices, totaling \$67 billion in the first quarter of 2017

Geographic distribution of global oil and natural gas companies, first-quarter 2017

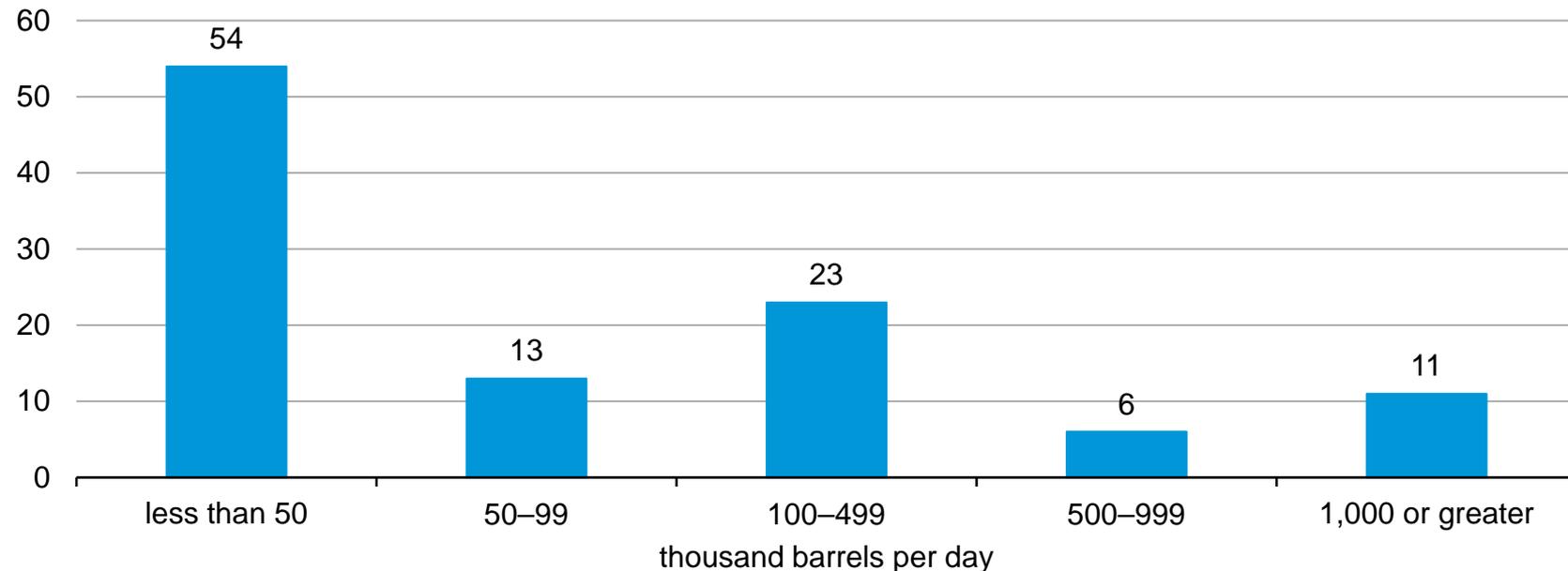
number of companies



Source: U.S. Energy Information Administration, *Evaluate Energy*

Distribution of global energy companies by production of petroleum liquids, first-quarter 2017

number of companies

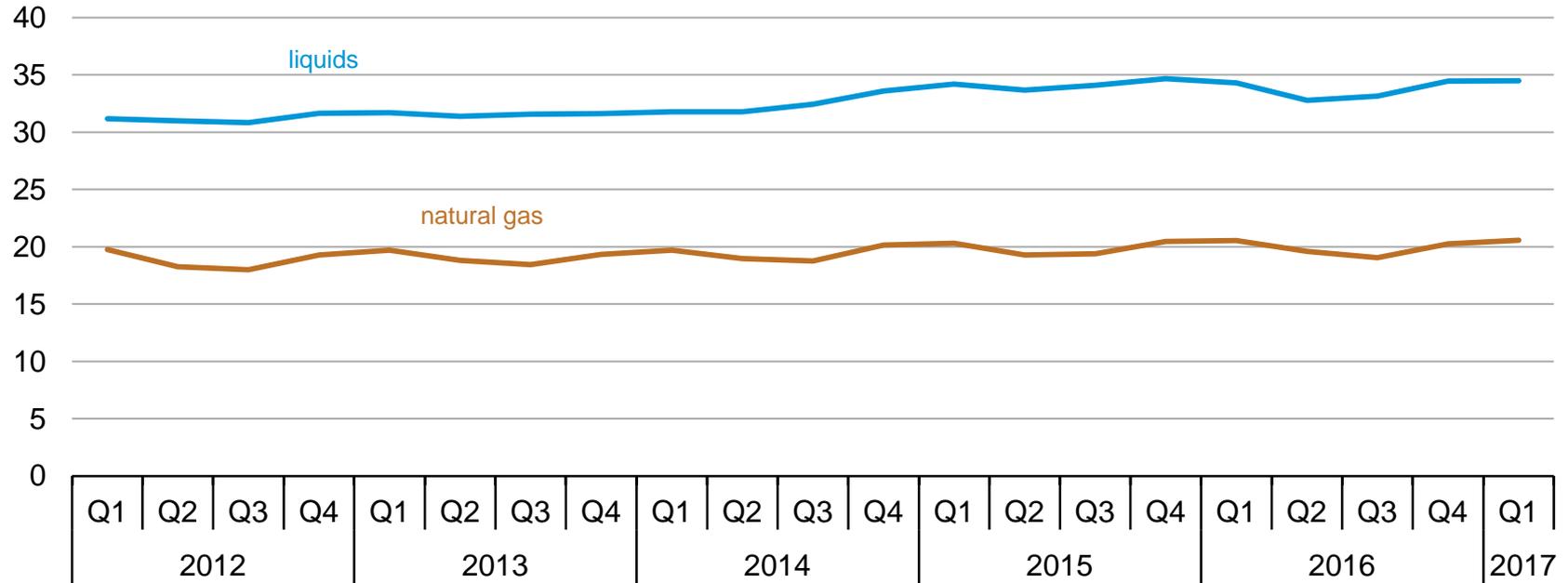


Source: U.S. Energy Information Administration, *Evaluate Energy*

Production from the global oil and natural gas companies

liquids and natural gas production

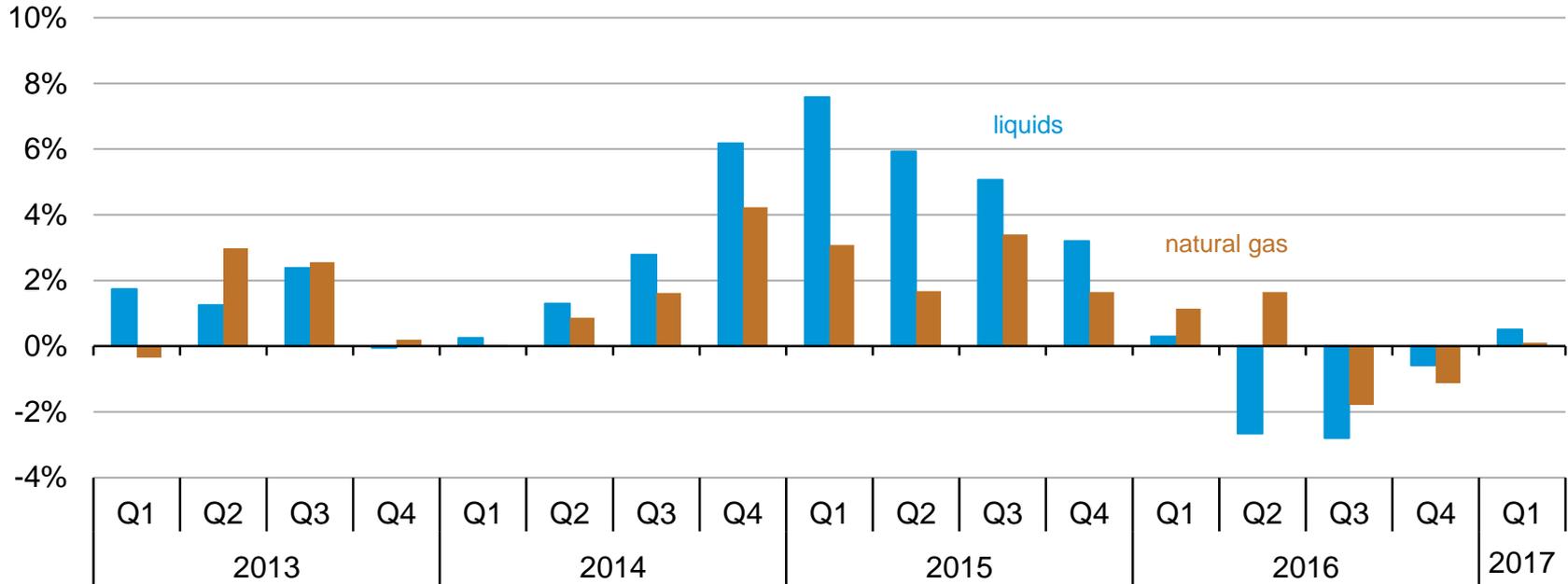
million barrels of oil equivalent per day



Source: U.S. Energy Information Administration, Evaluate Energy

Global liquids production increased 0.5% and natural gas production was unchanged in first-quarter 2017 from first-quarter 2016 levels

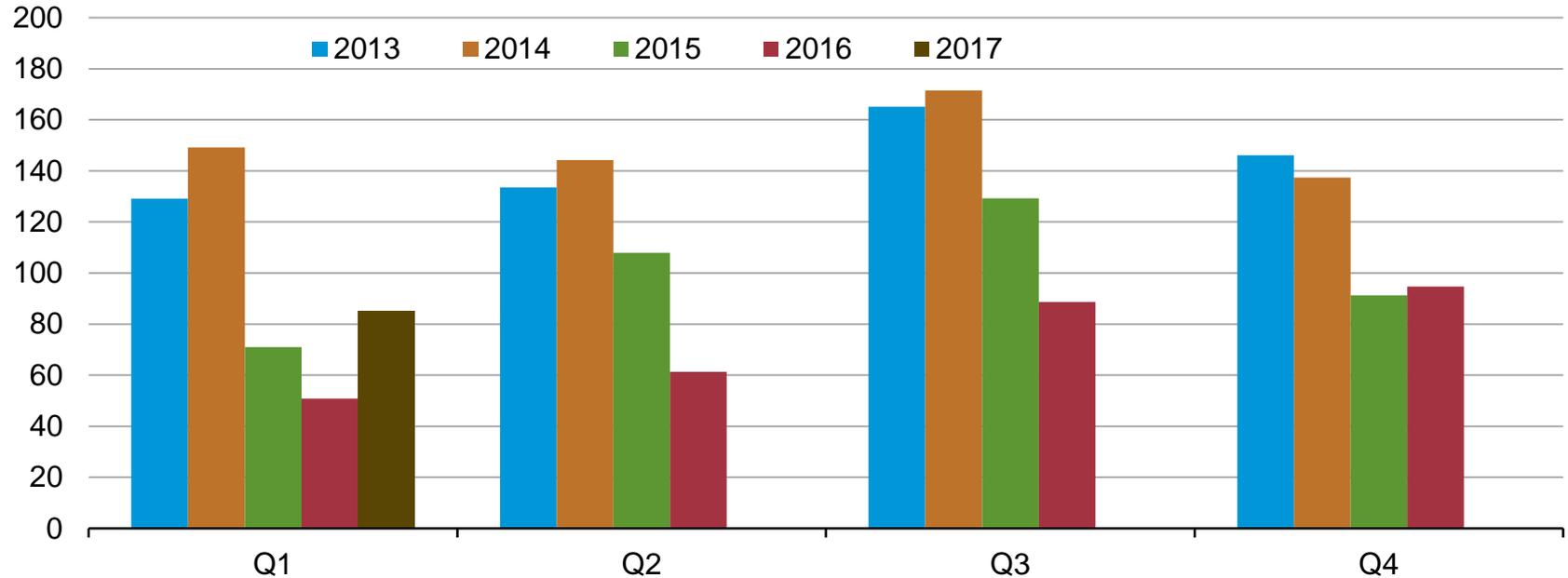
liquids and natural gas production
year-over-year change



Source: U.S. Energy Information Administration, Evaluate Energy

Operating cash flow for energy companies increased 68% from first-quarter 2016 to \$85 billion in first-quarter 2017

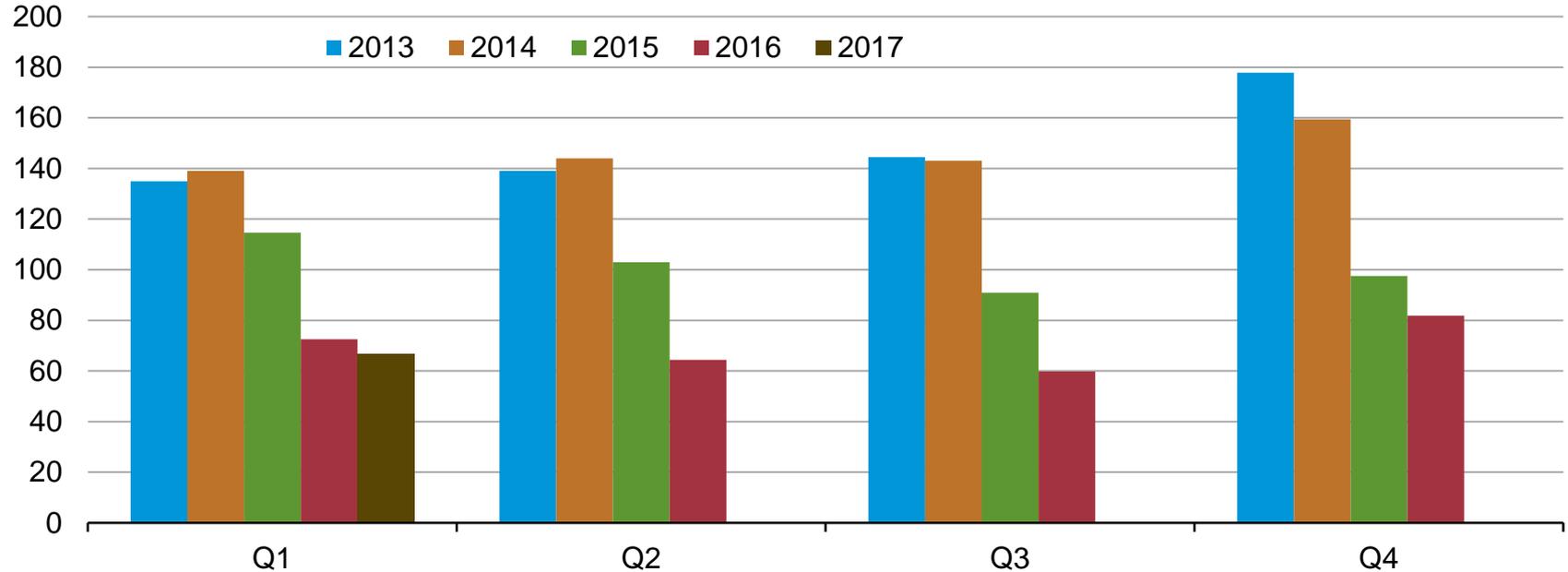
cash from operations
billion 2017\$



Source: U.S. Energy Information Administration, Evaluate Energy

Capital expenditure in first-quarter 2017 totaled \$67 billion, 8% lower than first-quarter 2016

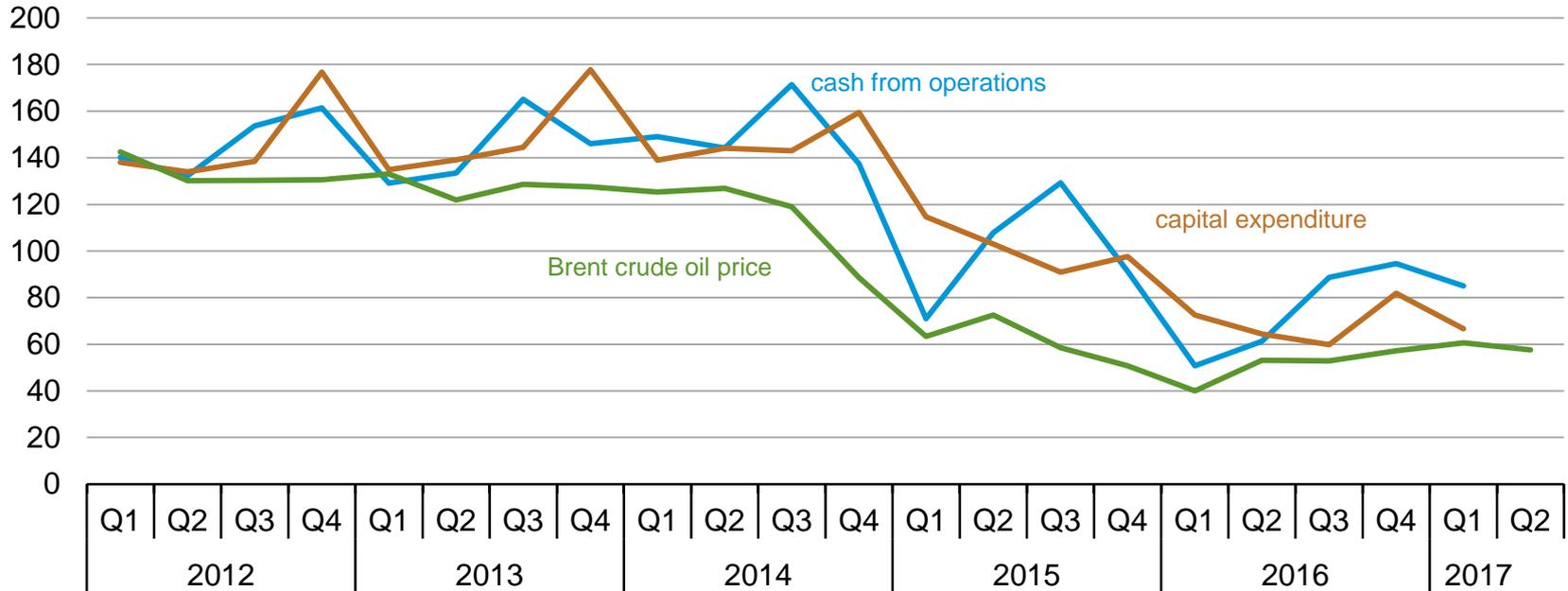
capital expenditure
billion 2017\$



Source: U.S. Energy Information Administration, Evaluate Energy

Cash from operations in first-quarter 2017 remained above \$80 billion for the third consecutive quarter

cash flow items and Brent price
billion 2017\$; Brent in 2017 \$/b

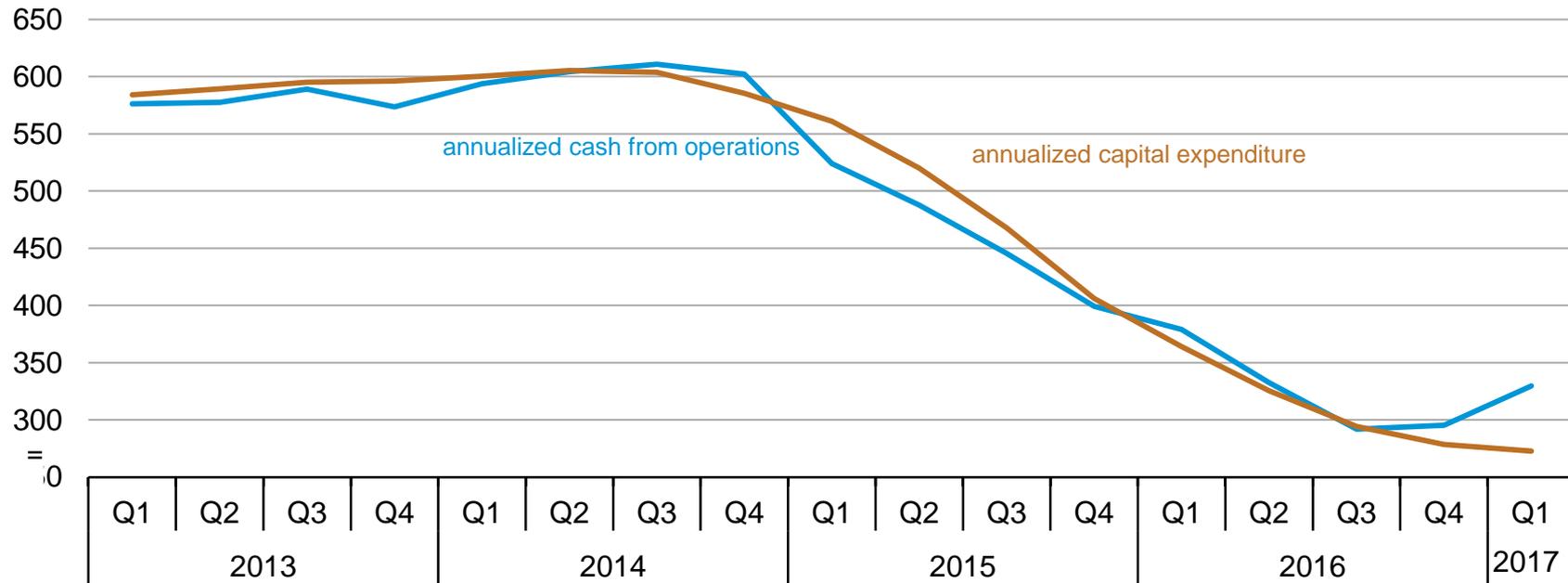


Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg

Note: b=barrel

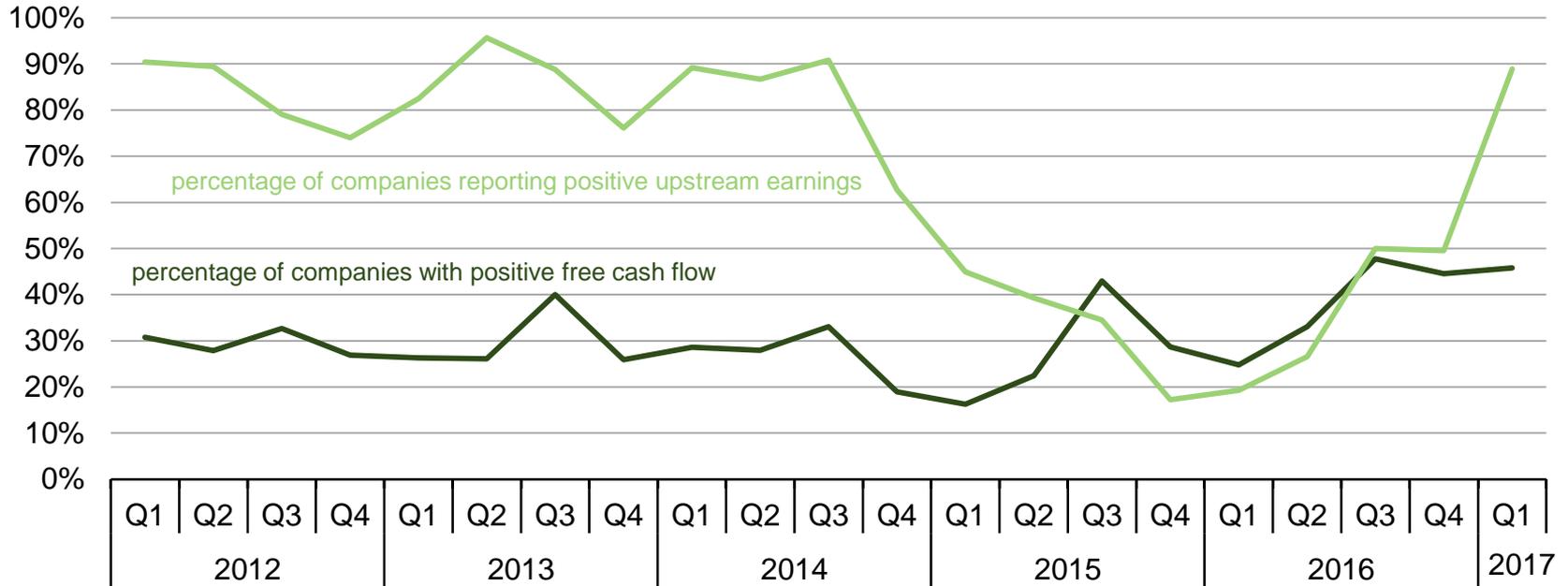
Cash from operations was \$57 billion higher than capital expenditures for the four quarters ending March 31, 2017

annualized cash flow items
billion 2017\$



Source: U.S. Energy Information Administration, Evaluate Energy

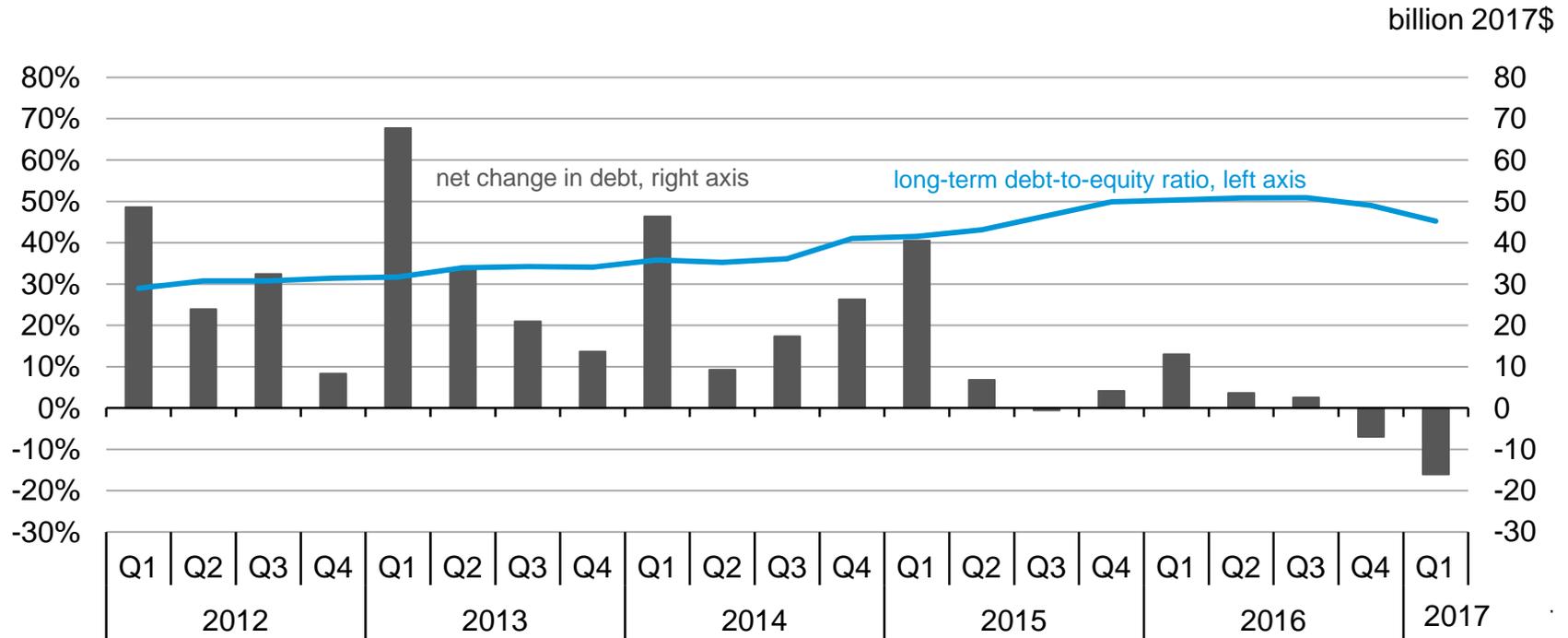
Almost half of companies had a positive free cash flow and almost 90% reported positive upstream earnings in first-quarter 2017



Source: U.S. Energy Information Administration, Evaluate Energy

Note: free cash flow=cash from operations minus capital expenditure

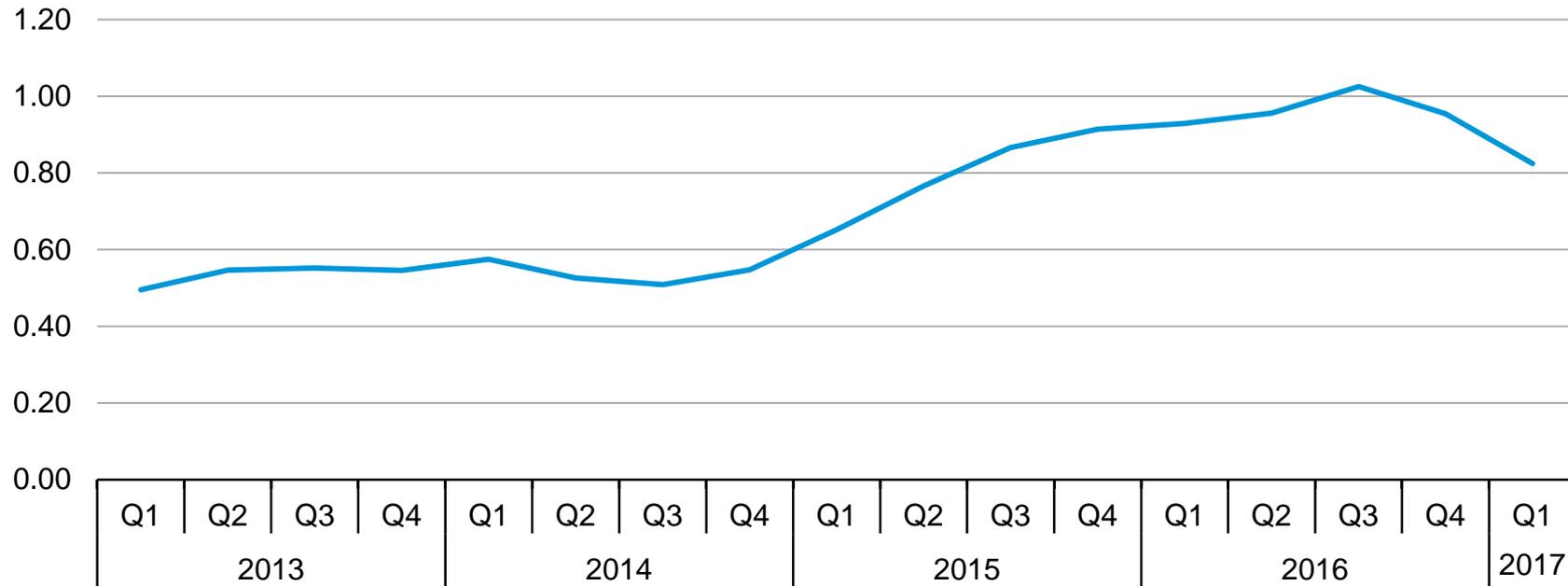
The long-term debt-to-equity ratio declined in recent quarters as companies paid off debt



Source: U.S. Energy Information Administration, Evaluate Energy

The increase in cash flow has reduced the ratio of debt repayments to cash flow

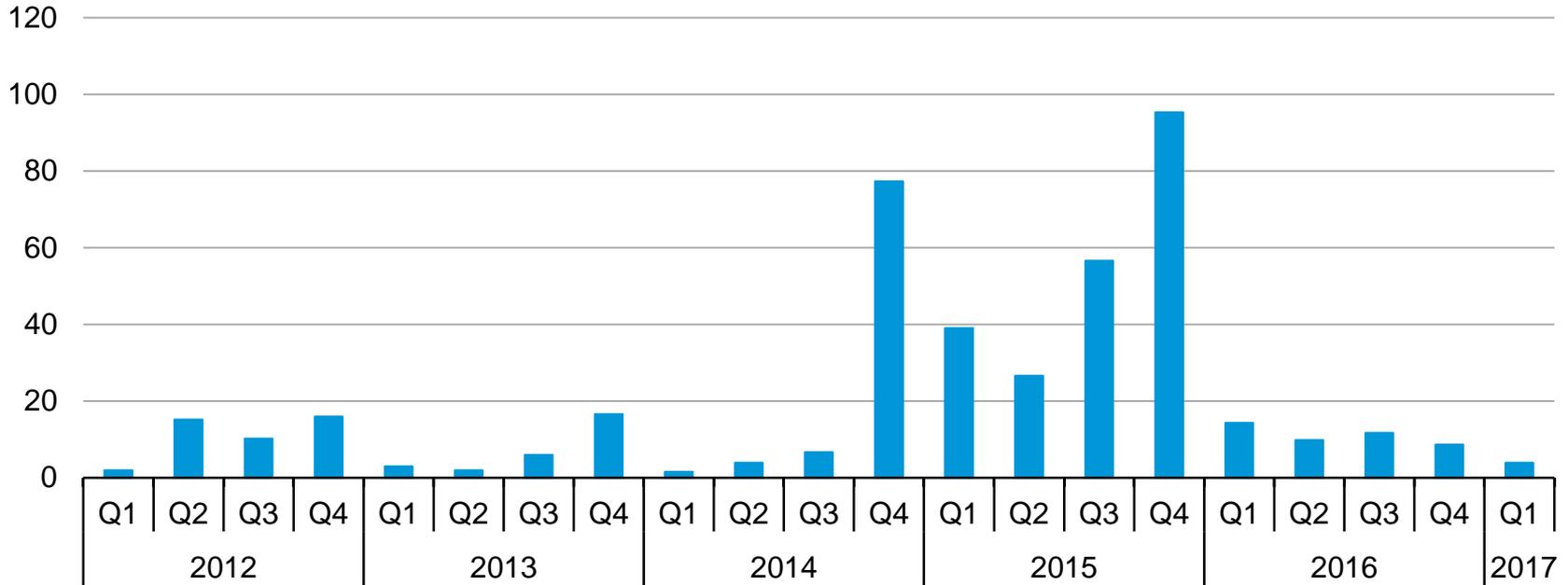
annualized debt repayments to cash flow ratio



Source: U.S. Energy Information Administration, Evaluate Energy

Impairments were the lowest since second-quarter 2014

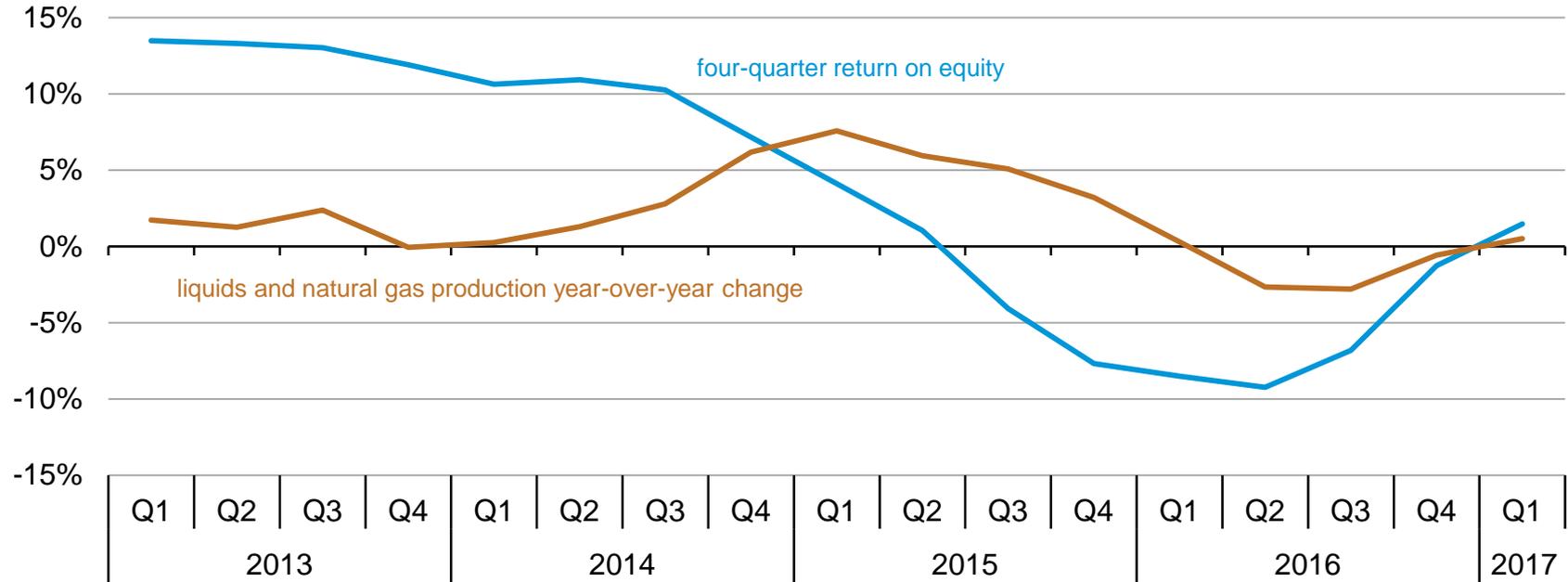
impairments
billion 2017\$



Source: U.S. Energy Information Administration, Evaluate Energy

Increasing profits contributed to an increase in production

profitability and production

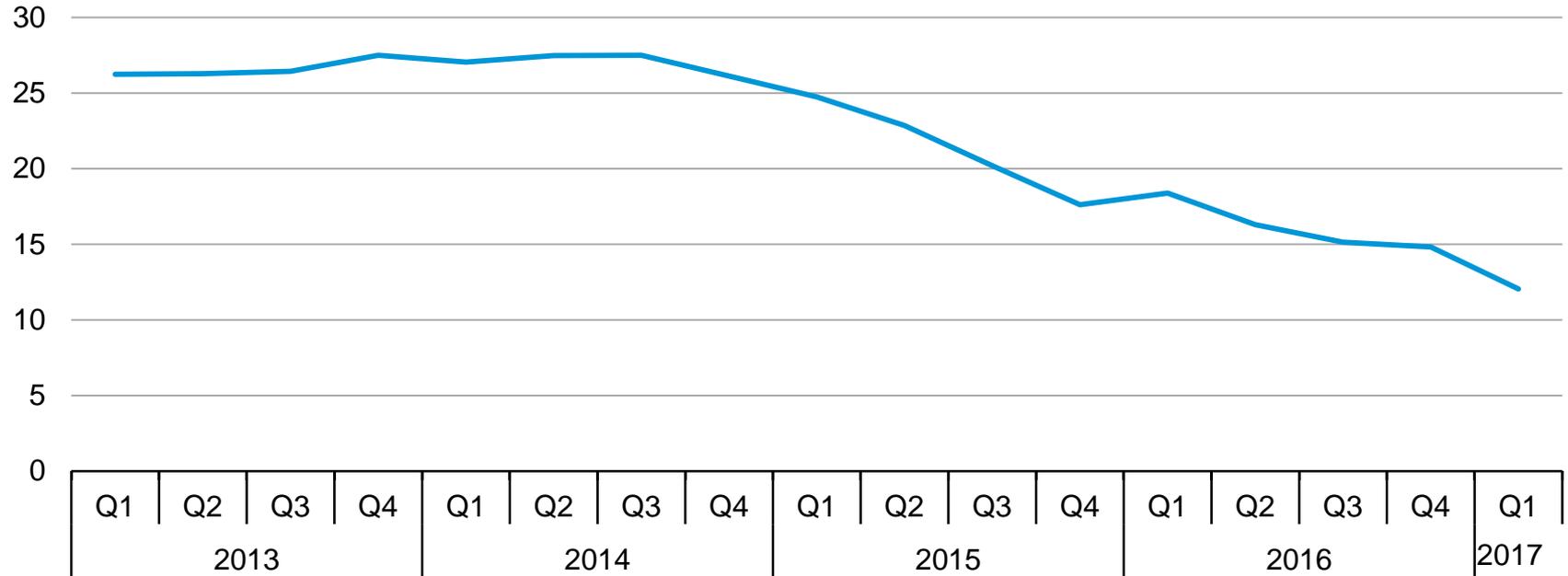


Source: U.S. Energy Information Administration, Evaluate Energy

Upstream capital expenditure on a per-barrel basis continued to decline

upstream capital expenditure per barrel of oil produced

2017 \$/boe four-quarter moving average

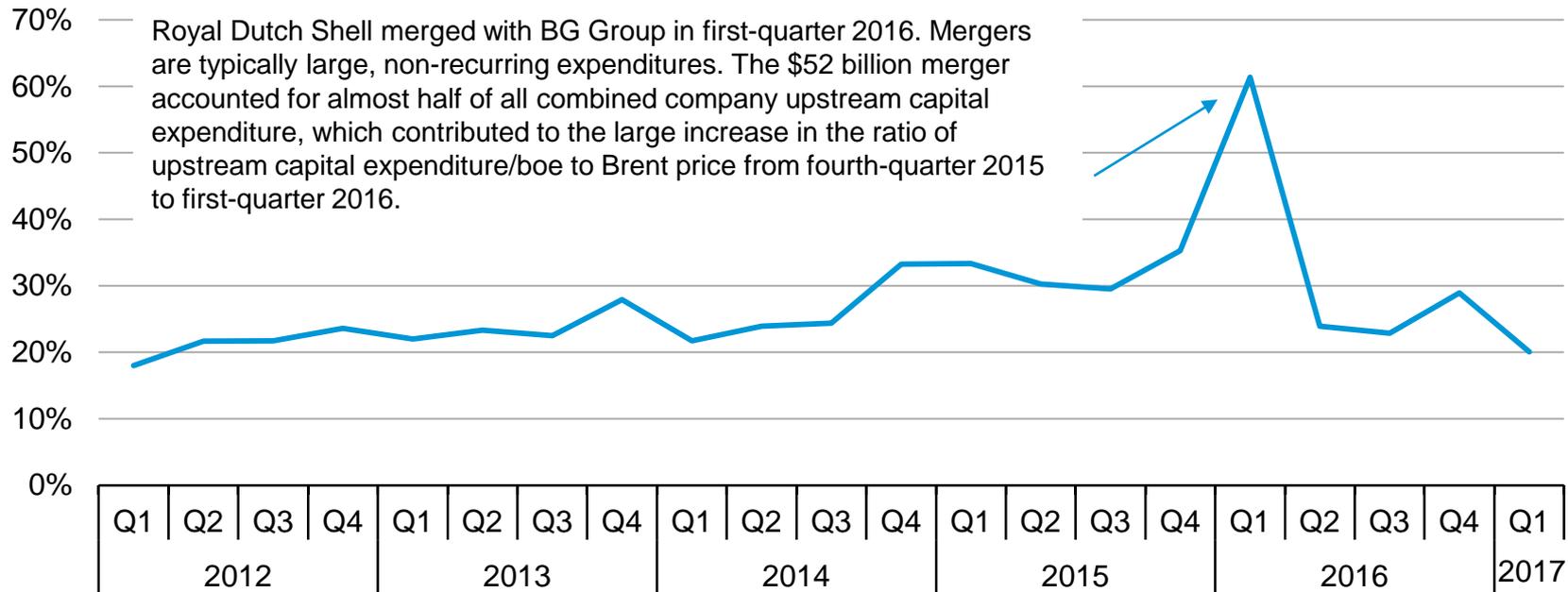


Source: U.S. Energy Information Administration, Evaluate Energy

Note: boe=barrel of oil equivalent

Upstream capital expenditures per barrel of oil equivalent were 20% of the quarterly average crude oil price, the second lowest since 2012

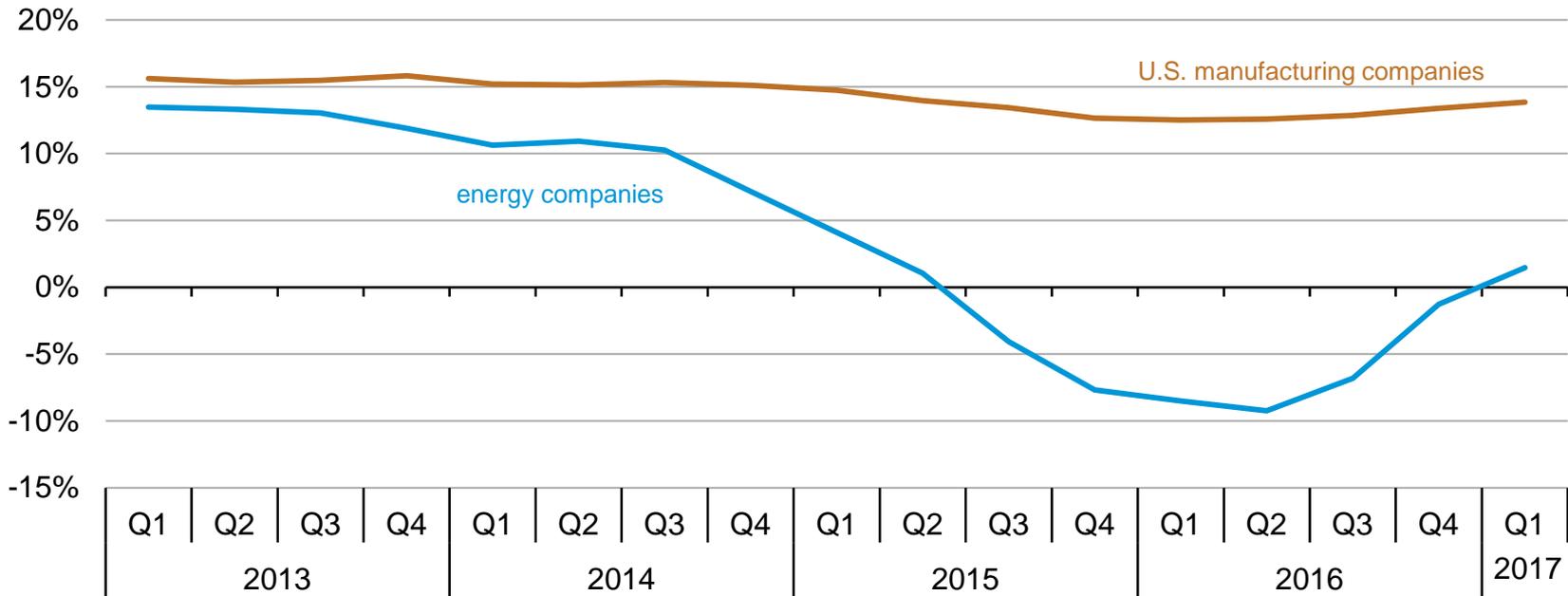
ratio of upstream capital expenditure/boe to Brent price



Source: U.S. Energy Information Administration, Evaluate Energy

Profits for energy companies were positive for the first quarter since 2015 but remain lower than U.S. manufacturing company profits

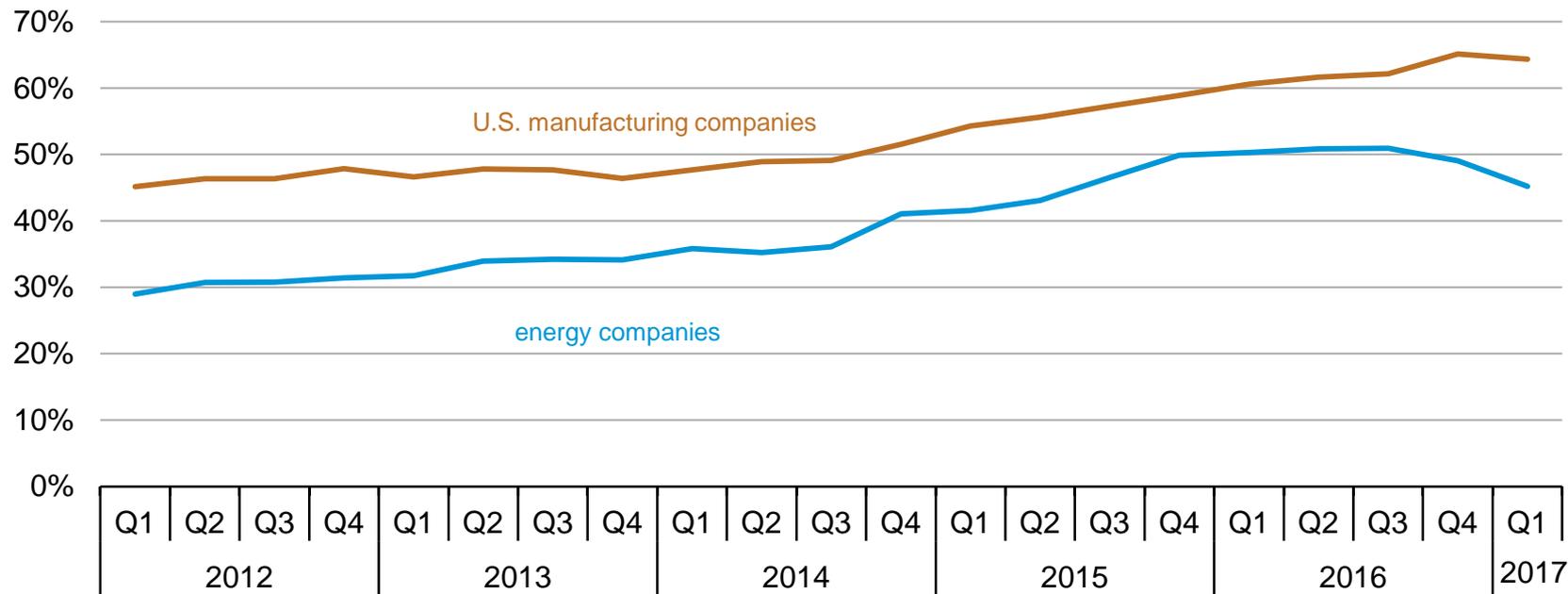
four-quarter return on equity



Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau

The long-term debt-to-equity ratio fell five percentage points year-over-year for the energy companies, but it increased three percentage points for U.S. manufacturing companies

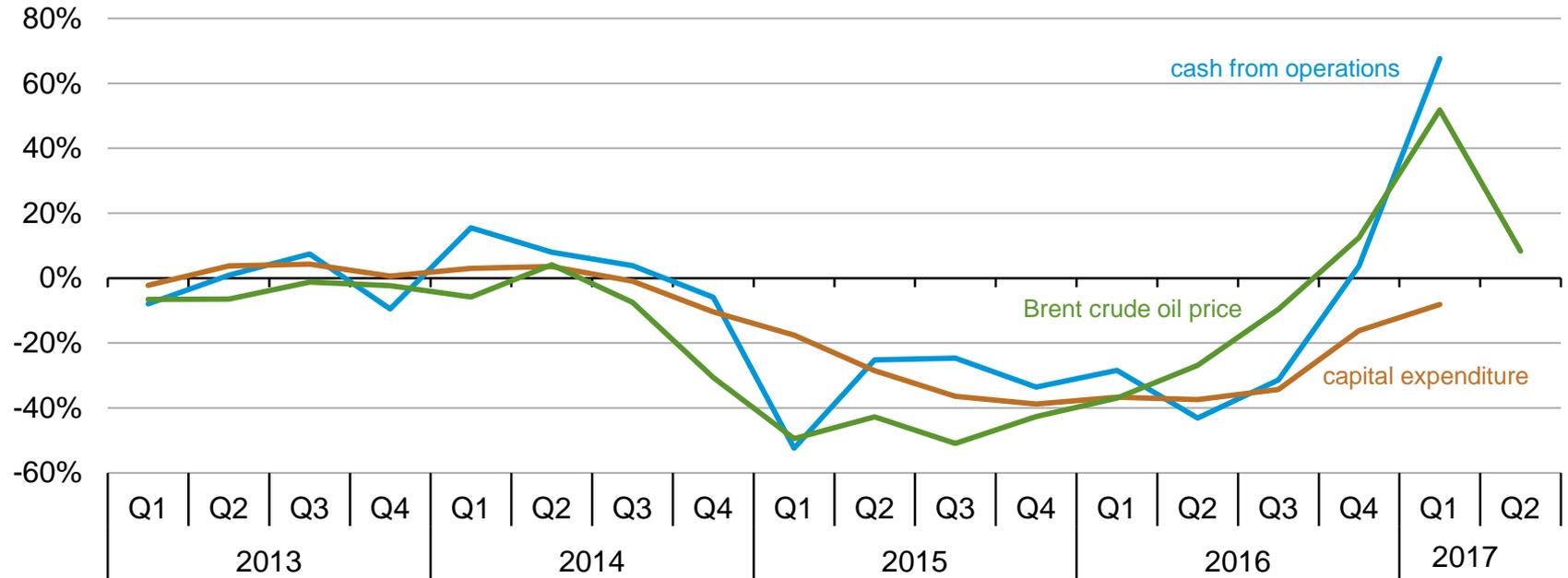
long-term debt-to-equity



Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau

Cash from operations increased significantly compared with first-quarter 2016, but capital expenditure decreased

cash flow items and Brent prices
year-over-year change



Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg

Appendix: List of companies

Abraxas Petroleum Corporation	Chesapeake Energy Corp.	ExxonMobil	Matador Resources Company	Range Resources Corporation	TransGlobe Energy Corporation
Adams Resources & Energy Inc.	Chevron Corporation	Forest Oil Corporation	Memorial Production Partners LP	Repsol	Triangle Petroleum Corporation
Aker BP ASA	Cimarex Energy Co.	Gazprom Neft	Mid-Con Energy Partners, LP	Resolute Energy Corporation	Unit Corp
Anadarko Petroleum Corp.	Clayton Williams Energy, Inc.	Goodrich Petroleum Corporation	Murphy Oil Corporation	Ring Energy Inc	Vaalco Energy Inc
Antero Resources Corporation	Comstock Resources	Gran Tierra Energy Inc.	Newfield Exploration Company	Rosetta Resources Inc.	Vanguard Natural Resources LLC
Apache Corporation	Concho Resources Inc	Gulfport Energy Corporation	Noble Energy	Rosneft	Vermilion Energy Inc.
Approach Resources Inc	ConocoPhillips	Halcon Resources Corporation	Northern Oil & Gas, Inc	Royal Dutch Shell	W & T Offshore
Athlon Energy Inc.	Contango Oil and Gas Company	Harvest Natural Resources Inc.	Novatek	RSP Permian Inc	Whiting Petroleum Corporation
Bankers Petroleum Ltd	Continental Resources	Hess Corp	Oasis Petroleum Inc.	Sabine Oil & Gas Corporation	WPX Energy, Inc.
Baytex Energy Corp.	Denbury Resources Inc.	Houston American Energy Corp	Occidental Petroleum Corporation	Sanchez Energy Corp	YPF Sociedad Anonima
Berry Petroleum Co.	Devon Energy Corporation	Husky Energy Inc.	OMV	SandRidge Energy, Inc.	Yuma Energy, Inc. (Pre Davis)
BG Group	Diamondback Energy Inc.	Isramco, Inc	Pacific Exploration and Production Corporation	SilverBow Resources, Inc.	
Bill Barrett Corporation	Earthstone Energy Inc.	Ithaca Energy Inc.	Parsley Energy Inc.	Sinopec	
Blue Ridge Mountain Resources, Inc.	Ecopetrol	Jones Energy, Inc.	PDC Energy, Inc.	SM Energy Company	
BP Plc.	Encana Corporation	Kodiak Oil & Gas Corp.	PEDEVCO Corp.	Sonde Resources Corp.	
BPZ Resources Inc	Endeavour International Corp	Kosmos Energy	Penn Virginia Corporation	SRC Energy Inc	
Breitburn Energy Partners LP	Energen Corp	Laredo Petroleum	Penn West Petroleum Ltd.	Statoil ASA	
California Resources Corporation	Energy XXI	Legacy Reserves LP	Petrobras (IFRS US\$ Current)	Stone Energy Corporation	
Callon Petroleum	Enerplus Corporation	Lilis Energy Inc.	PetroChina	Suncor Energy Inc.	
Canacol Energy Ltd.	ENI	Linn Energy	Petrominerales Ltd.	T-Rex Oil, Inc.	
Canadian Natural Resources Limited	EOG Resources	Lukoil (IFRS)	PetroQuest Energy, Inc	TNK-BP International Ltd	
Carrizo Oil & Gas, Inc	EP Energy Corporation	Lundin Petroleum	Pioneer Natural Resources Company	Total	
Cenovus Energy Inc.	EPL Oil & Gas Inc	Marathon Oil Corp.	QEP Resources Inc	TransAtlantic Petroleum Ltd.	

Source: U.S. Energy Information Administration, Evaluate Energy

Note: Some companies merged or split before 2017. A total of 107 companies existed in first-quarter 2017.

Background

- This analysis focuses on the financial and operating trends of 107 global oil and natural gas companies (called the *energy companies*)
- The data come from the public financial statements each company submits to the U.S. Securities and Exchange Commission, which a data service (Evaluate Energy) aggregates for ease of data analysis
- Several charts show comparisons between energy companies and the U.S. manufacturing industry, collected from U.S. Census Bureau's *Quarterly Financial Report*
- For consistency, a company's assets that were acquired by another company in the group after first-quarter 2012 were kept in the prior-year data

Brief description of terms

- *Cash from operations* is a measure of income
- *Capital expenditure* represents cash used for property, plant, and equipment
- *Financing activities* measure inflows/outflows in debt or equity markets including dividends, share issuance or repurchases, and debt issuance or repayments
- *Return on equity* is a measure of the profit a company earns on money shareholders have invested
- *Market capitalization* is the total value of all of a company's publicly traded shares outstanding

Brief description of terms

- *Net income* represents profit after taxes and depreciation
- *Asset impairments* occur when a company lowers the estimated value of a property to reflect current market value, which may result from loss of production potential or declining oil prices
- *Upstream* refers to crude oil exploration, production, and other operations prior to refining
- *Downstream* refers to refinery operations, product sales, and marketing at the wholesale and retail levels