

Financial Review of the Global Oil and Natural Gas Industry: First-Quarter 2019



Markets and Financial Analysis Team

July 2019

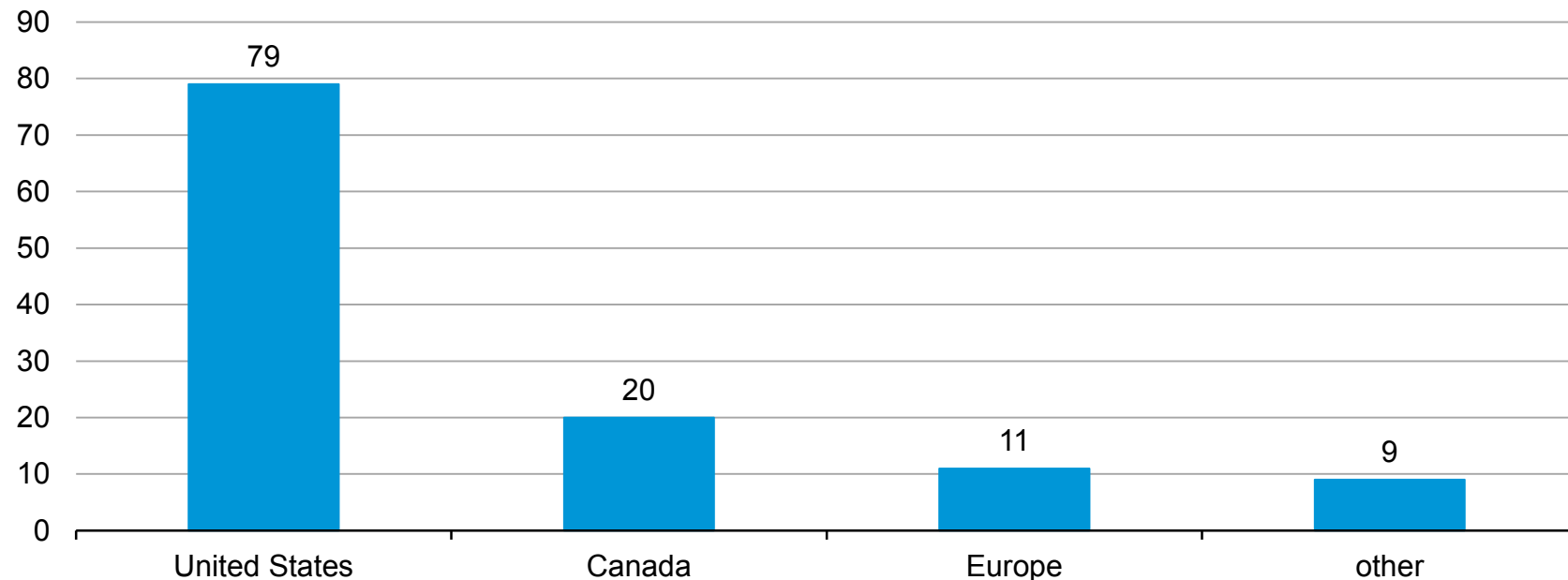
Key findings for first-quarter 2019

- Brent crude oil daily average prices were 5% lower in first-quarter 2019 than in first-quarter 2018 and averaged \$64 per barrel.
- The 119 companies in this study increased their combined liquids production 4.3% in first-quarter 2019 from first-quarter 2018, and their natural gas production increased 2.3% during the same period.
- Nearly two-fifths of the companies were free cash flow positive—that is, they generated more cash from operations than their capital expenditures.
- Dividends plus share repurchases were more than 33% of cash from operations, the highest for any quarter in the 2014–19 period.

Note: The 119 companies analyzed in this study publish publicly available financial statements. A full list of the companies included and a glossary of terms begin on slide 20.

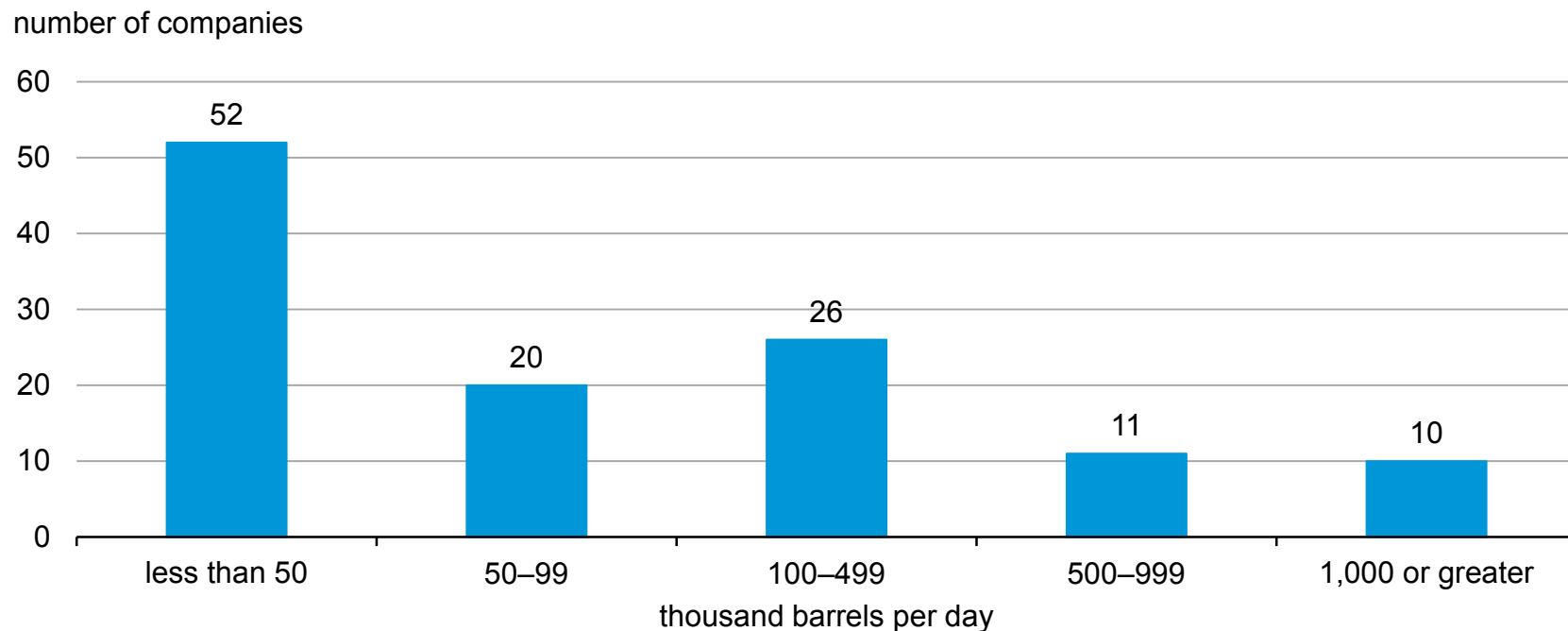
Geographic distribution of global oil and natural gas company headquarters, first-quarter 2019

number of companies



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

Distribution of global energy companies by production of petroleum liquids, first-quarter 2019

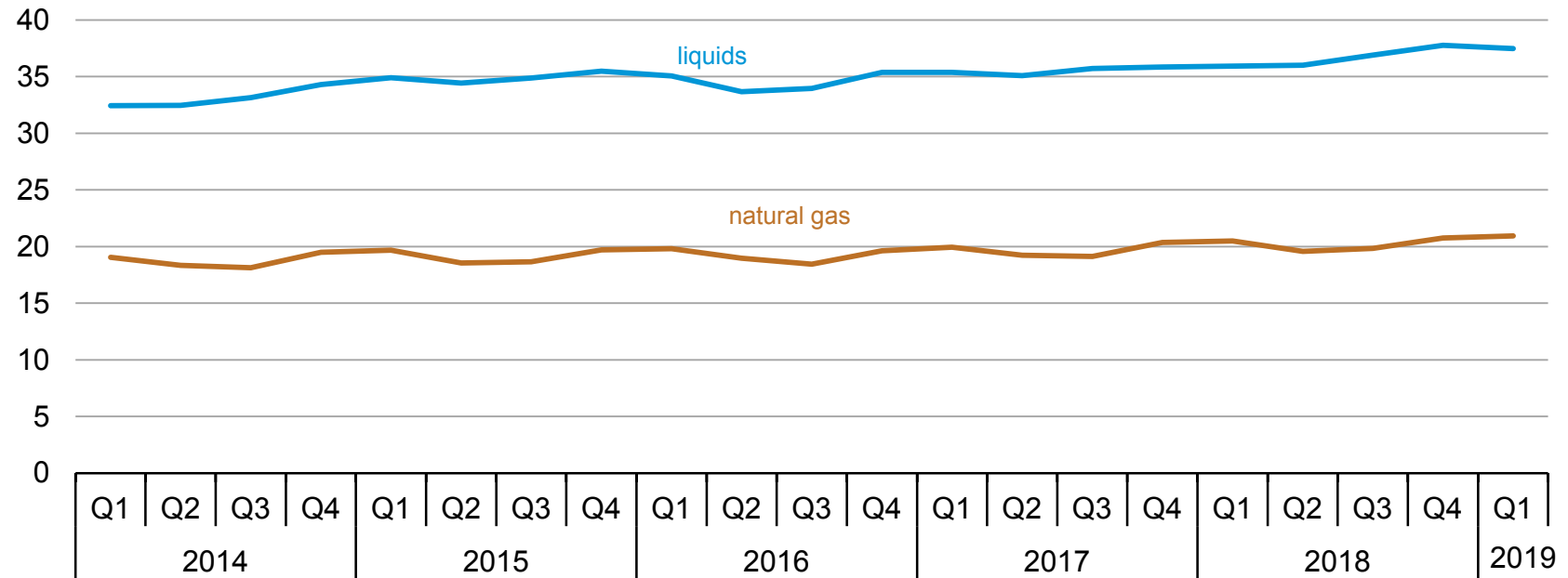


Source: U.S. Energy Information Administration, Evaluate Energy

Liquids and natural gas production was 37 million barrels per day and 21 million barrels of oil equivalent per day, respectively, in first-quarter 2019

liquids and natural gas production

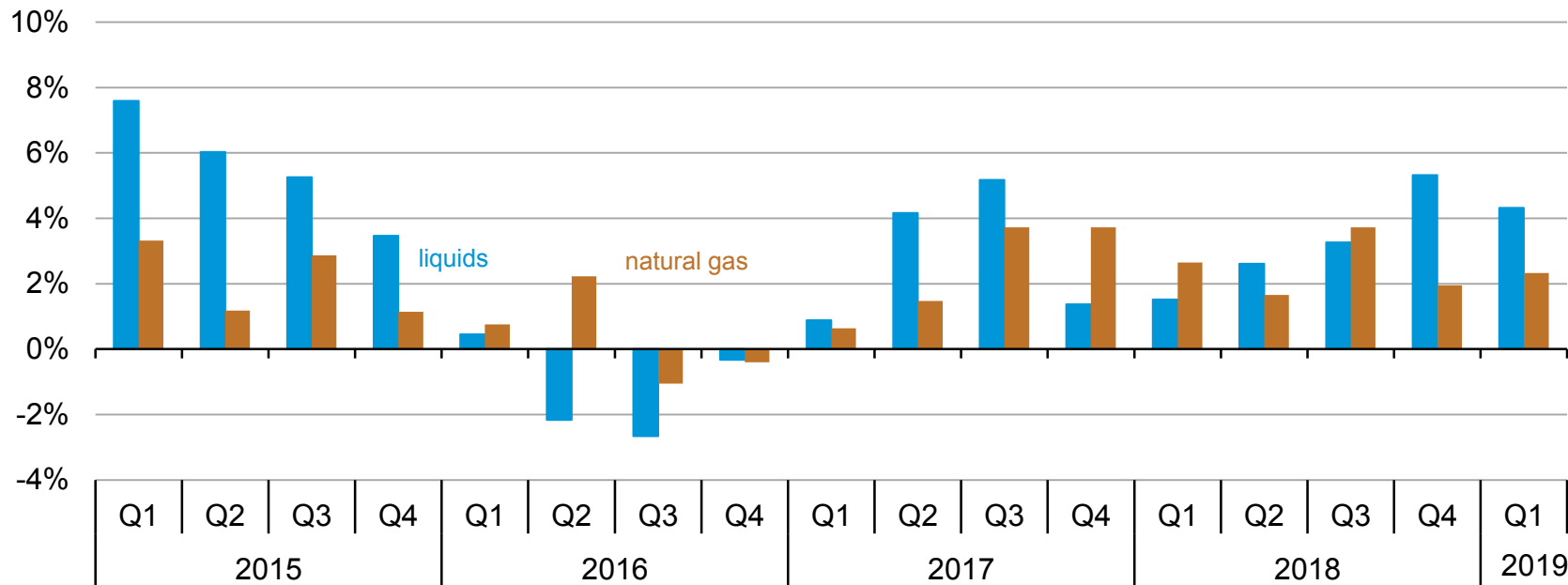
million barrels of oil equivalent per day



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

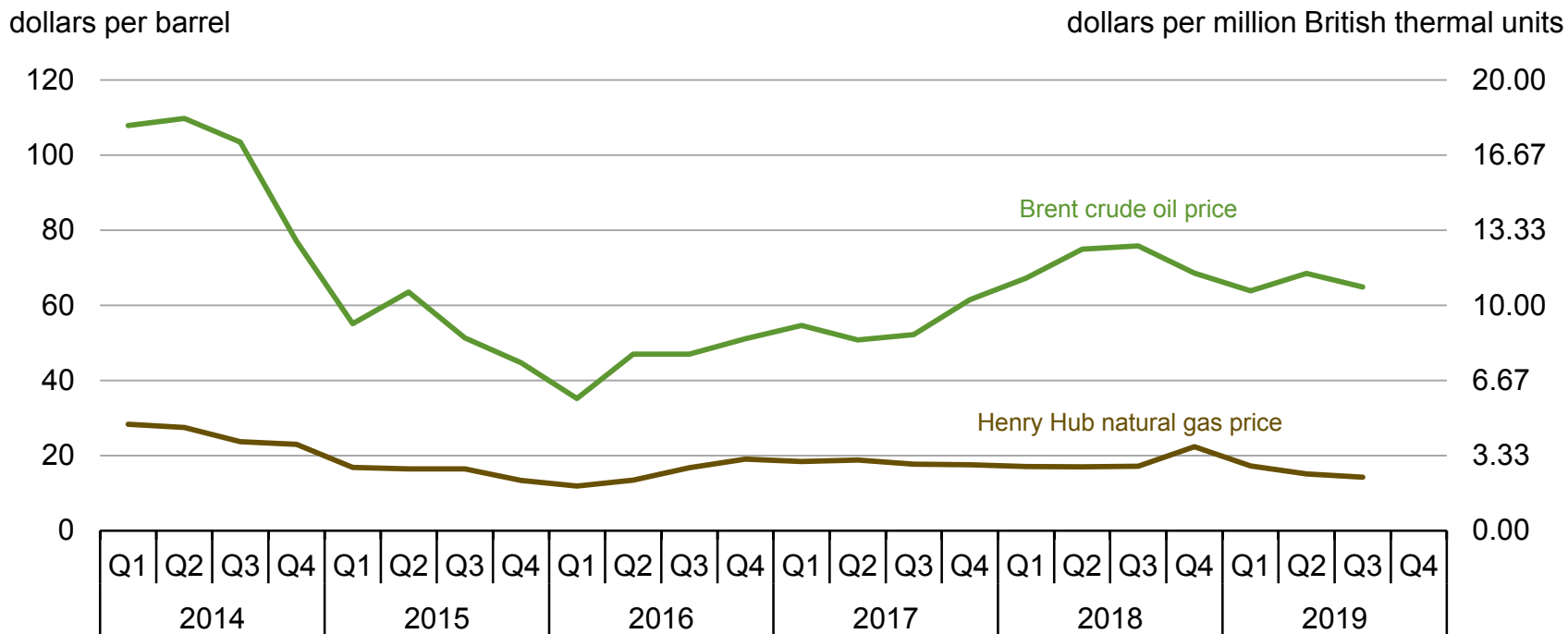
Global liquids production increased 4.3%, and natural gas production increased 2.3% year-over-year in first-quarter 2019

liquids and natural gas production
year-over-year change



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

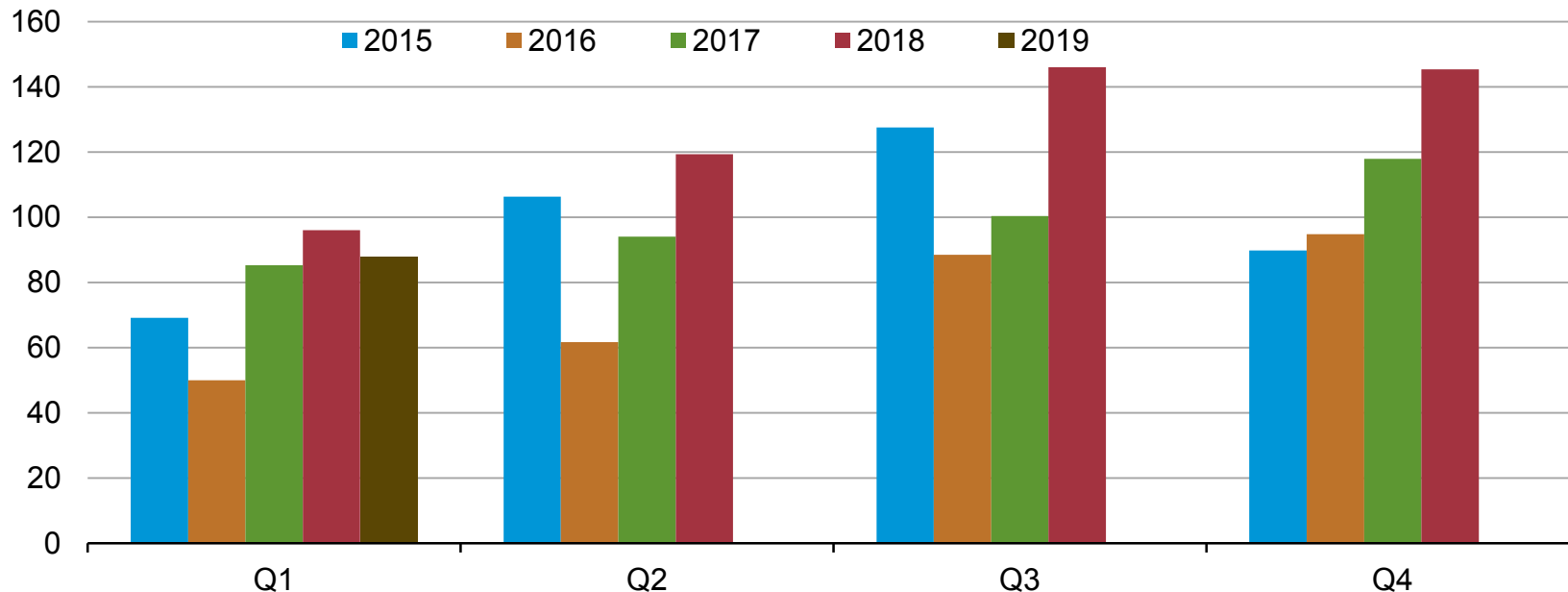
First-quarter 2019 crude oil prices were 5% lower than in first-quarter 2018,
and natural gas prices increased 1% during the same period



Source: Bloomberg

Cash from operations in first-quarter 2019 was \$88 billion, 8% lower than in first-quarter 2018

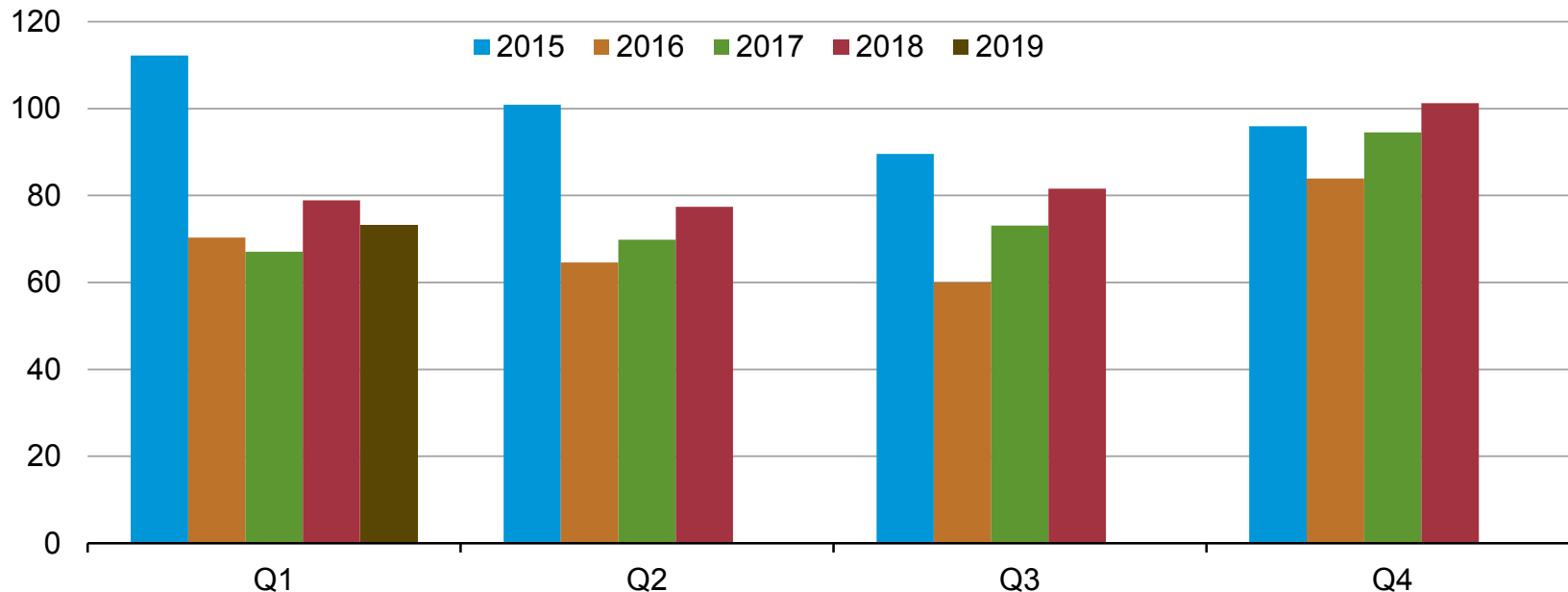
cash from operations
billion dollars



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

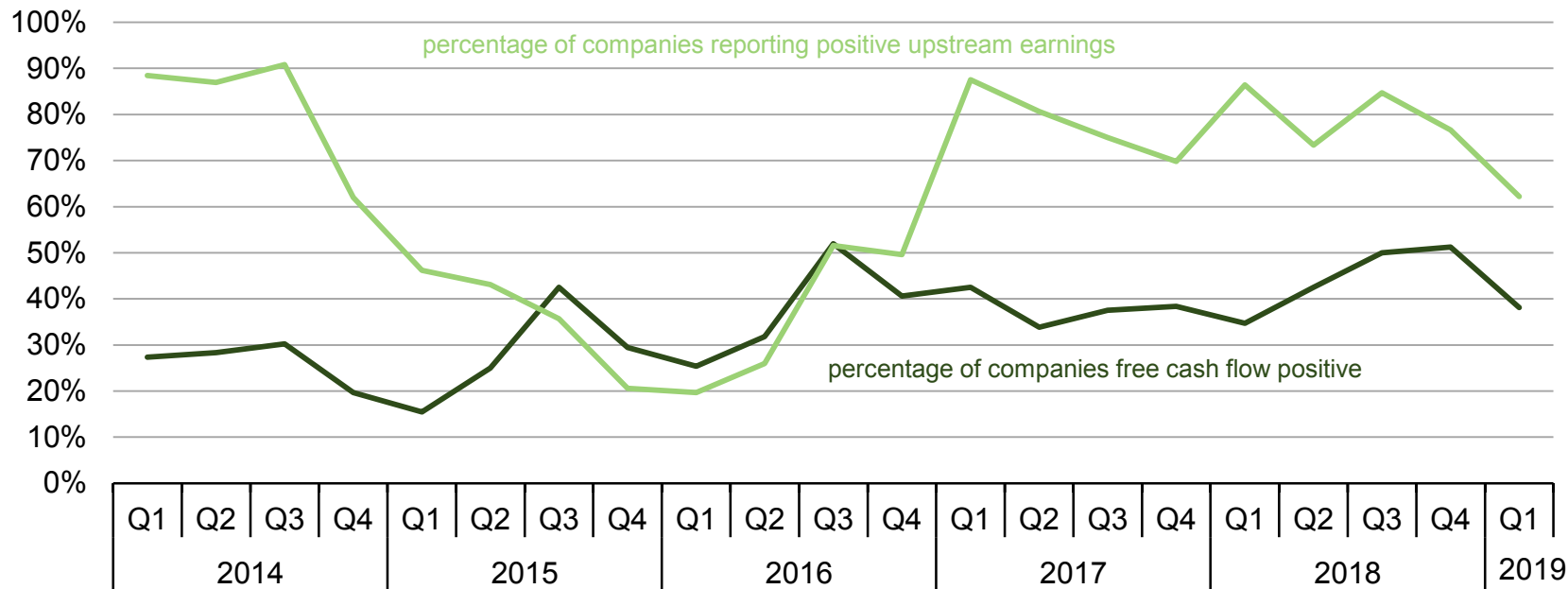
Capital expenditure in first-quarter 2019 was \$73 billion, 7% lower than in first-quarter 2018

capital expenditure
billion dollars



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

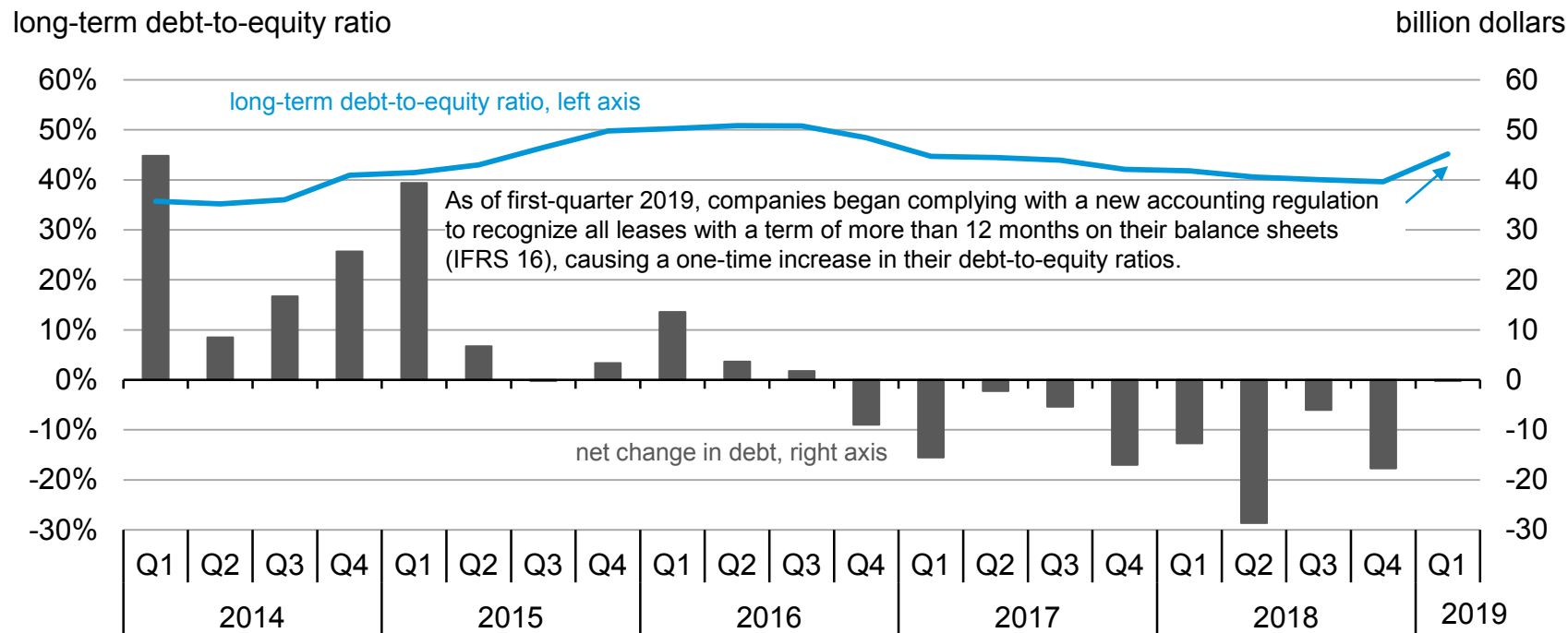
Nearly 40% of companies had positive free cash flow, and 62% of companies reported positive upstream earnings in first-quarter 2019



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

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

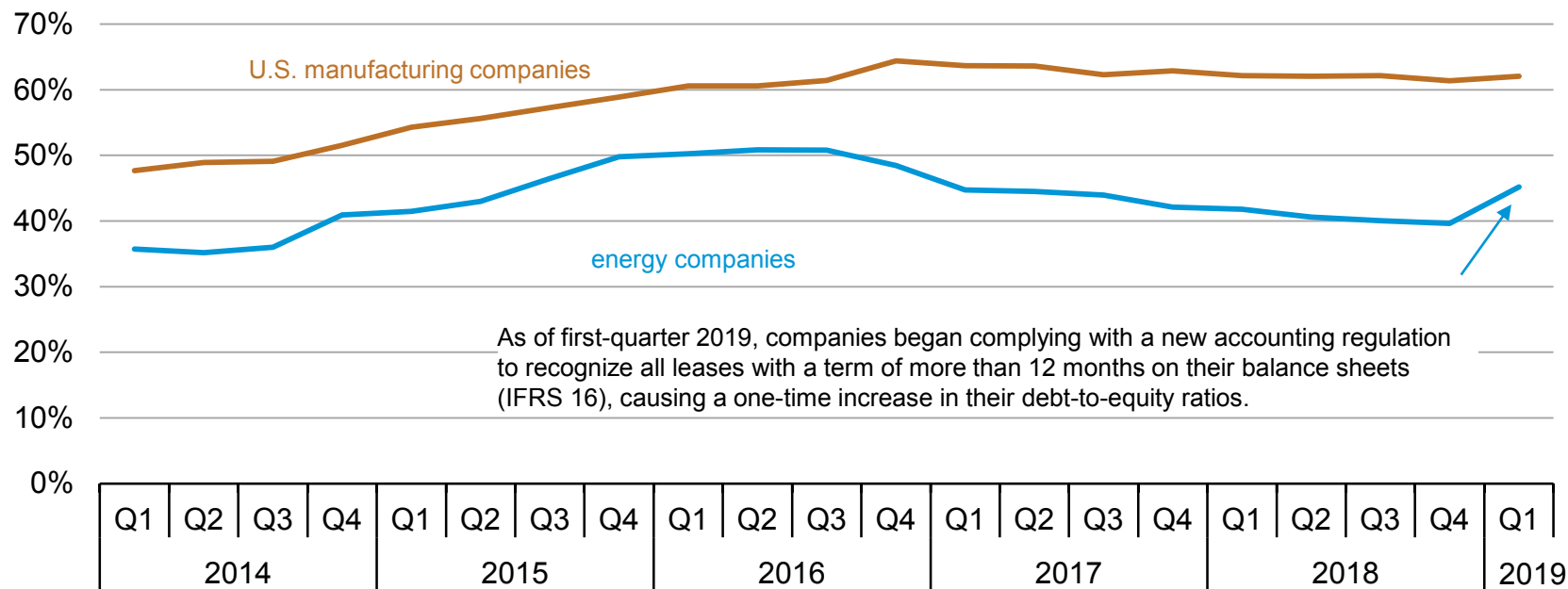
The companies had effectively no net change in debt in first-quarter 2019



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

The long-term debt-to-equity ratio for energy companies was 45% as of first-quarter 2019 and was 62% for U.S. manufacturing companies

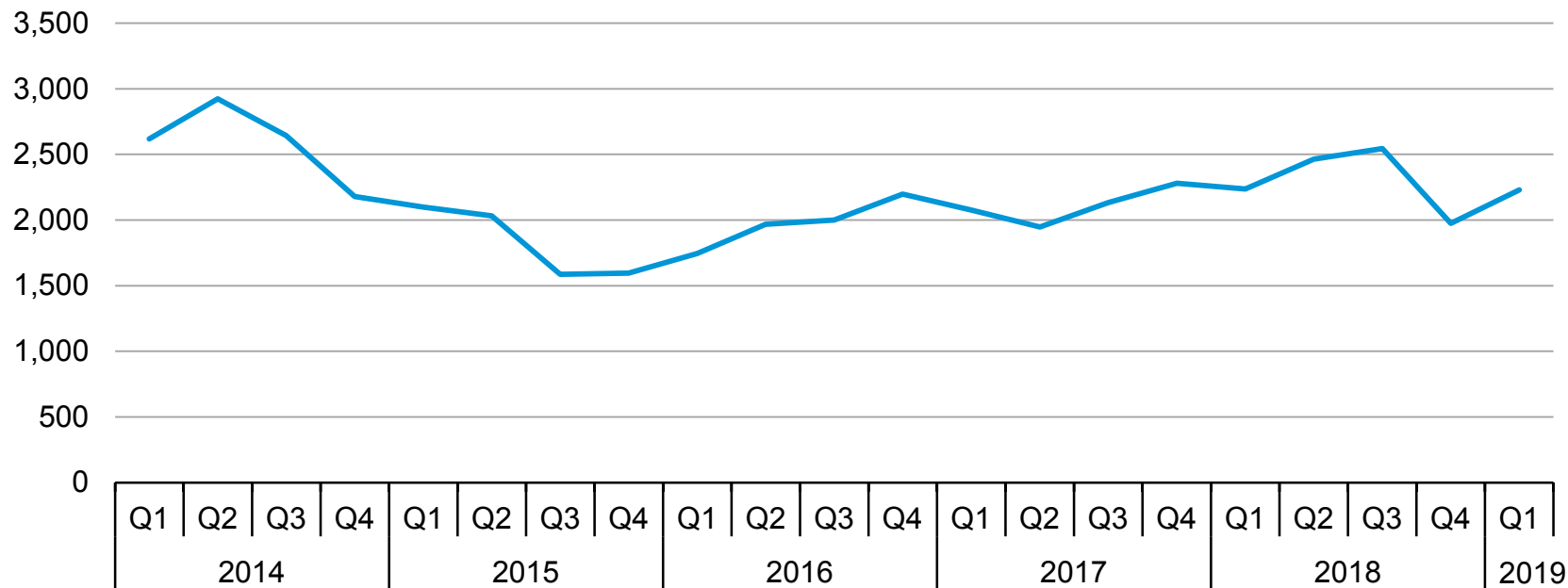
long-term debt-to-equity ratio



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

The energy companies' combined market capitalization in first-quarter 2019 was essentially unchanged compared with first-quarter 2018

combined market capitalization
billion dollars

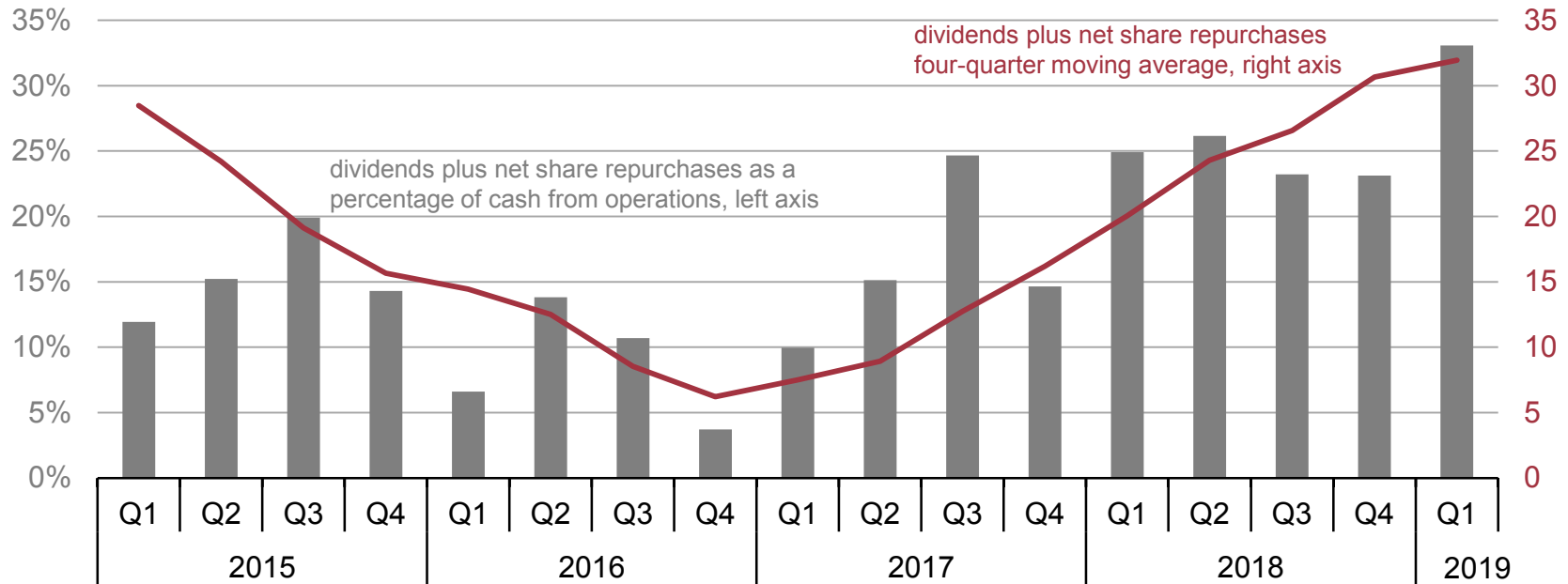


Source: U.S. Energy Information Administration, Evaluate Energy

Distributions to shareholders via dividends and share repurchases amounted to more than 33% of cash from operations

dividends plus net share repurchases as a percentage of cash from operations

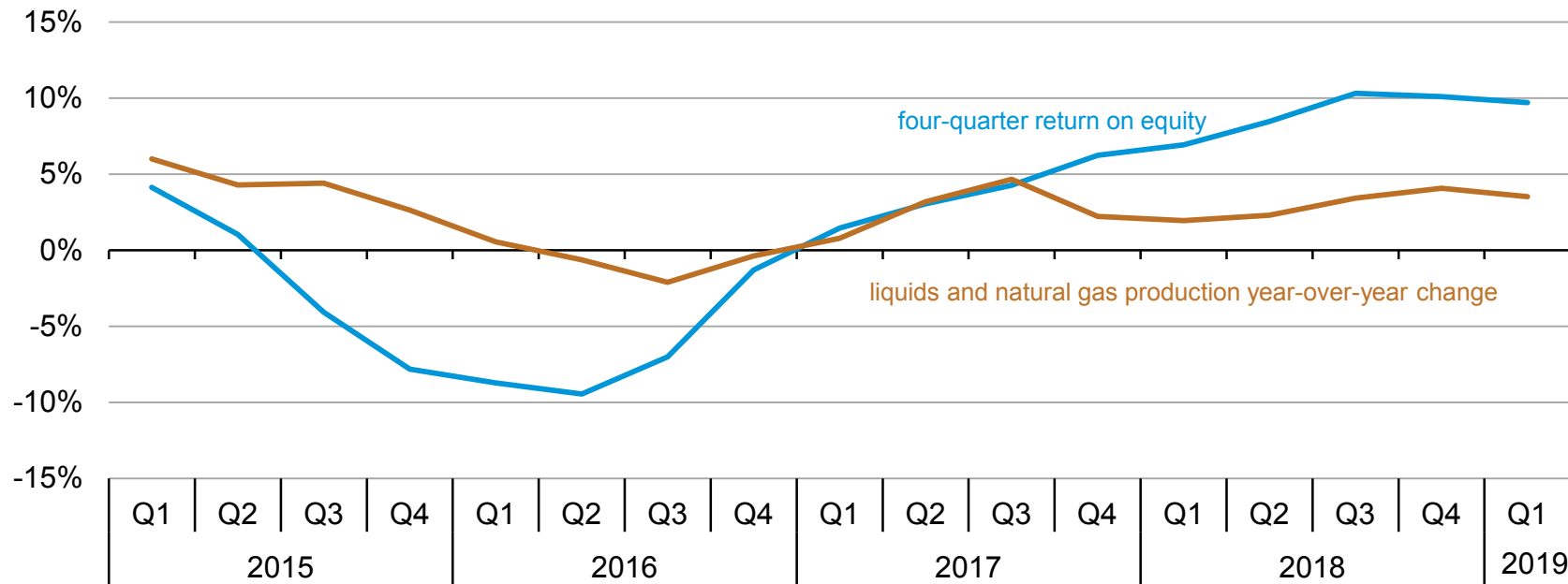
billion dollars



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

The energy companies' return on equity was 10% in first-quarter 2019

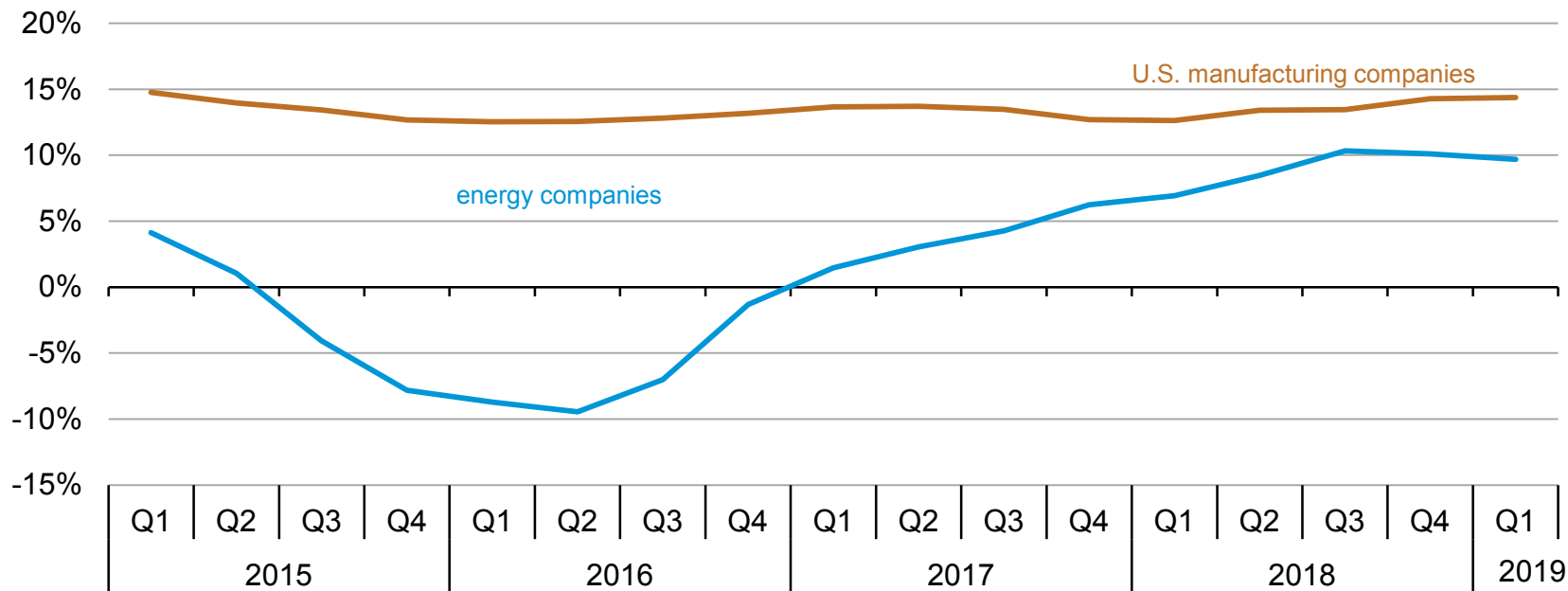
return on equity and production



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

The return on equity for energy companies remained lower than U.S. manufacturing company returns

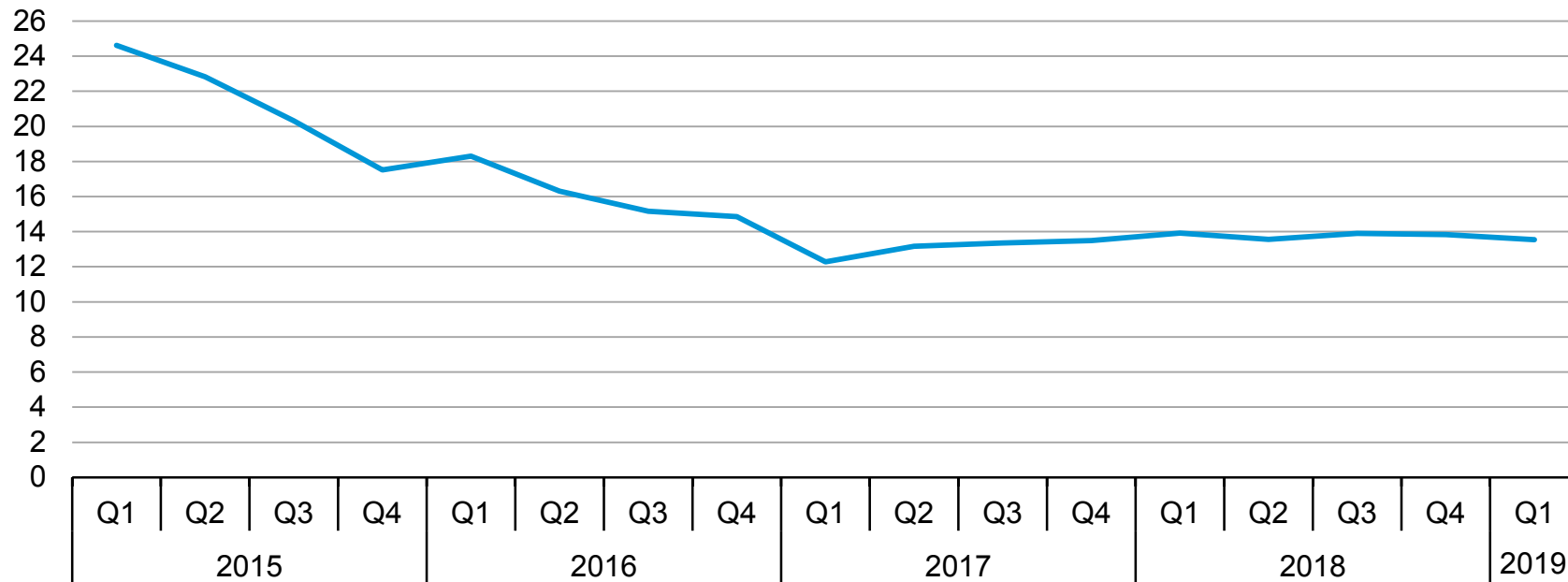
four-quarter return on equity



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

Average upstream capital expenditures on a per-barrel basis have stayed within a 75 cents per barrel of oil equivalent range for two years

upstream capital expenditure/BOE produced
dollars per BOE, four-quarter moving average

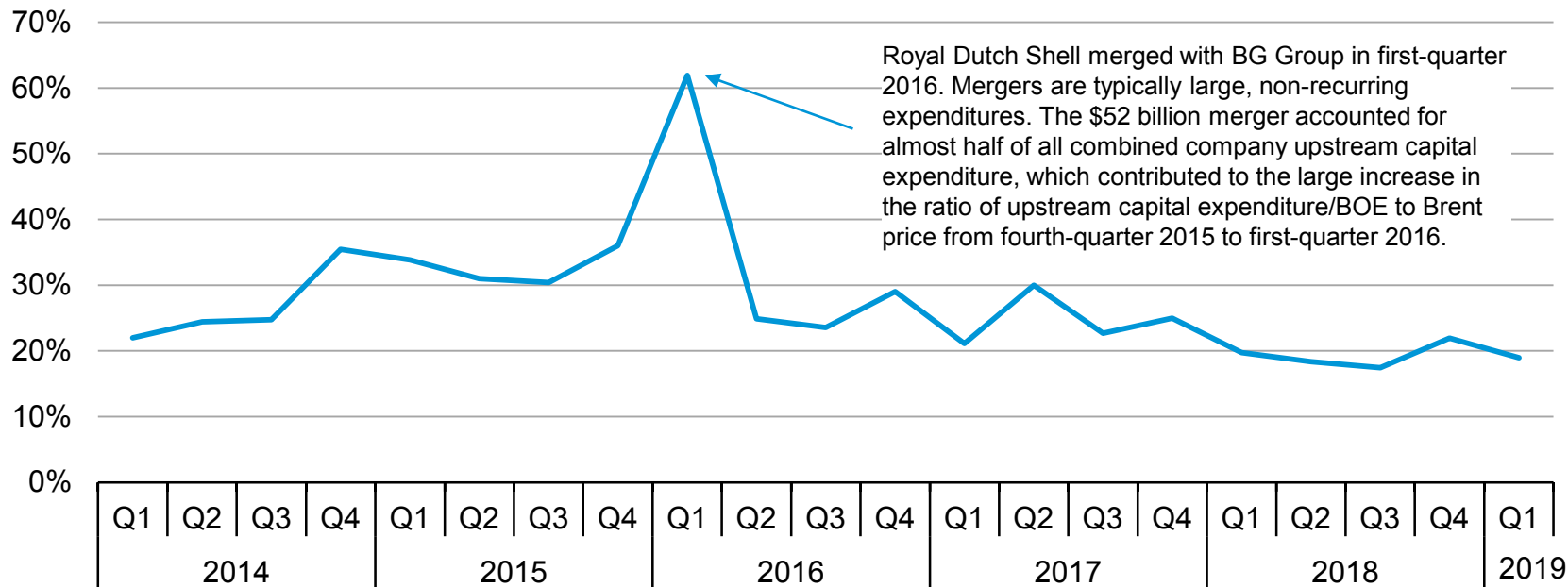


Source: U.S. Energy Information Administration, Evaluate Energy

Note: BOE=barrel of oil equivalent

Upstream capital expenditures per barrel of oil equivalent were 19% of crude oil prices in first-quarter 2019

ratio of upstream capital expenditure/BOE to Brent price



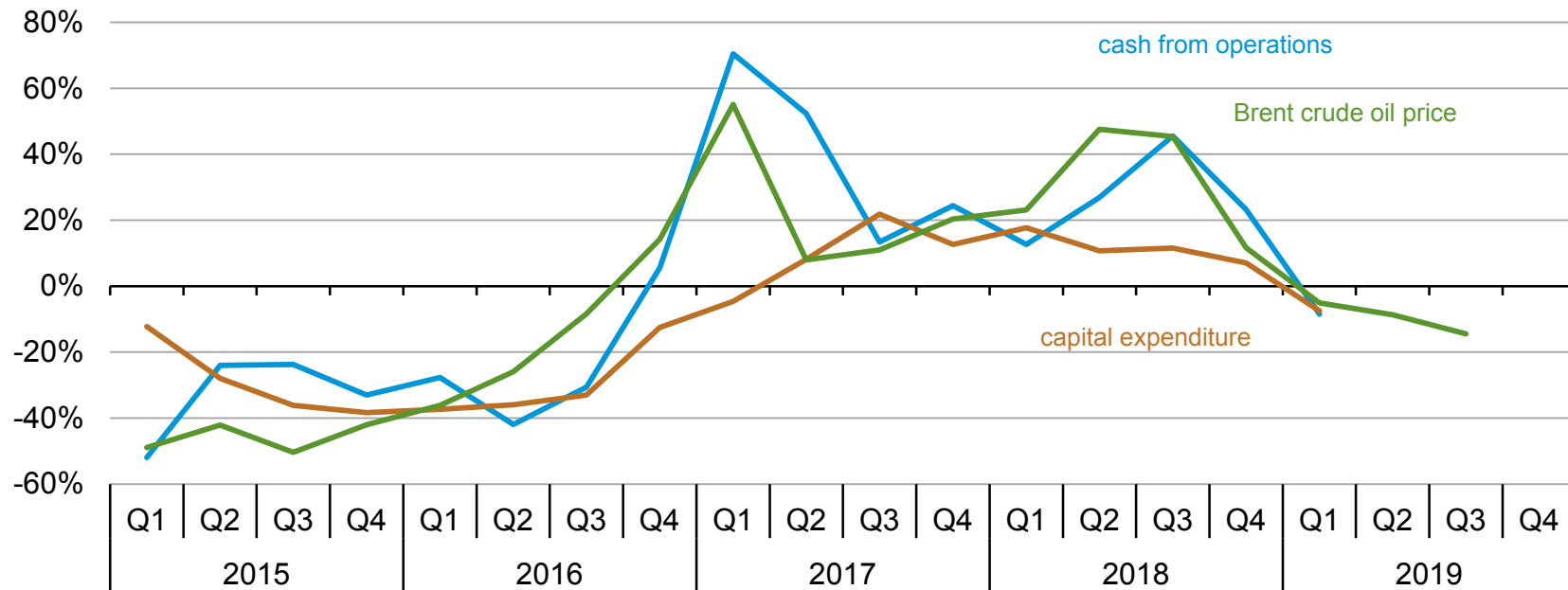
Royal Dutch Shell merged with BG Group in first-quarter 2016. Mergers are typically large, non-recurring expenditures. The \$52 billion merger accounted for almost half of all combined company upstream capital expenditure, which contributed to the large increase in the ratio of upstream capital expenditure/BOE to Brent price from fourth-quarter 2015 to first-quarter 2016.

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

Note: BOE=barrel of oil equivalent

Crude oil price declines in the second and third quarters of 2019 could slow growth in cash from operations or capital expenditures

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	Carrizo Oil & Gas, Inc	Enerplus Corporation	Husky Energy Inc.	Northern Oil & Gas, Inc	Ring Energy Inc	Total
Aker BP ASA	Cenovus Energy Inc.	ENI	International Petroleum Corporation	Oasis Petroleum Inc.	Roan Resources Inc.	TransAtlantic Petroleum Ltd.
Amplify Energy Corp.	Centennial Resource Development, Inc.	EOG Resources	Jagged Peak Energy Inc.	Obsidian Energy Ltd.	Rosehill Resources Inc.	TransGlobe Energy Corporation
Anadarko Petroleum Corp.	Chesapeake Energy Corp.	EP Energy Corporation	Jones Energy, Inc.	Occidental Petroleum Corporation	Rosetta Resources Inc.	Triangle Petroleum Corporation
Antero Resources Corporation	Chevron Corporation	EPL Oil & Gas Inc	Kodiak Oil & Gas Corp.	OMV	Rosneft	Unit Corp
Apache Corporation	Cimarex Energy Co.	Equinor ASA	Kosmos Energy Ltd	Panhandle Oil & Gas Inc.	Royal Dutch Shell	Vaalo Energy Inc
Approach Resources Inc	Clayton Williams Energy, Inc.	Erin Energy Corporation	Laredo Petroleum	Paramount Resources Ltd.	Royale Energy Inc.	Vanguard Natural Resources, Inc.
Athlon Energy Inc.	Concho Resources Inc	Extraction Oil & Gas, Inc.	Legacy Reserves Inc.	Parex Resources Inc.	RSP Permian Inc	Vermilion Energy Inc.
Bankers Petroleum Ltd	ConocoPhillips	ExxonMobil	Lilis Energy Inc.	Parsley Energy Inc.	Sabine Oil & Gas Corporation	W & T Offshore
Baytex Energy Corp.	Contango Oil and Gas Company	FieldPoint Petroleum Corporation	Linn Energy	PDC Energy, Inc.	Sanchez Energy Corp	Whitcap Resources Inc.
Berry Petroleum Corporation	Continental Resources, Inc.	Forest Oil Corporation	Lonestar Resources US, Inc.	PEDEVCO Corp.	SandRidge Energy, Inc.	Whiting Petroleum Corporation
BG Group	Crescent Point Energy Corp	Frontera Energy Corporation	Lukoil (IFRS)	Pengrowth Energy Corporation	Seven Generations Energy Ltd.	Brazos Valley Longhorn, L.L.C.
Black Stone Minerals LP	Denbury Resources Inc.	Galp Energia	Lundin Petroleum AB	Penn Virginia Corporation	Sherritt International Corp	WPX Energy, Inc.
Blue Ridge Mountain Resources, Inc.	Devon Energy Corporation	Gastar Exploration Inc.	Magnolia Oil & Gas Corporation	Petrobras (IFRS US\$ Current)	Sinopec	YPF Sociedad Anonima
Bonanza Creek Energy Inc	Diamondback Energy Inc.	Gazprom Neft	Marathon Oil Corp.	PetroChina	SM Energy Company	Yuma Energy, Inc.
BP Plc.	Earthstone Energy Inc.	GeoPark Limited	Matador Resources Company	Petrominerales Ltd.	Sonde Resources Corp.	Yuma Energy, Inc. (Pre Davis)
BPZ Resources Inc	Montage Resources Corporation	Gran Tierra Energy Inc.	Maverick Natural Resources, LLC	PetroQuest Energy, Inc	SRC Energy Inc	
Cabot Oil & Gas Corp.	Ecopetrol	Halcon Resources Corporation	Mid-Con Energy Partners, LP	Pioneer Natural Resources Company	Stone Energy Corporation	
California Resources Corporation	Encana Corporation	Harvest Natural Resources Inc.	Midstates Petroleum Company, Inc	QEP Resources Inc	Suncor Energy Inc.	
Callon Petroleum	Endeavour International Corp	Hess Corp	Murphy Oil Corporation	Range Resources Corporation	T-Rex Oil, Inc.	
Camber Energy, Inc.	Energen Corp	HighPoint Resources Corporation	Newfield Exploration Company	Repsol	Talos Energy Inc.	
Canadian Natural Resources Limited	Energy XXI Gulf Coast, Inc.	Houston American Energy Corp	Noble Energy	Resolute Energy Corporation	Tatneft	

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

Note: Some companies merged, split, or de-listed before 2019. A total of 119 companies existed in first-quarter 2019.

Background

- This analysis focuses on the financial and operating trends of 119 global oil and natural gas companies (called the *energy companies*).
- The data come from the public financial statements each company publishes, which a data service (Evaluate Energy) aggregates for ease of data analysis.
- An energy company's assets that were acquired by another company in the group after first-quarter 2014 were kept in the data for previous quarters.
- Several charts show comparisons between energy companies and the U.S. manufacturing industry. The data were collected from the U.S. Census Bureau's *Quarterly Financial Report*.

Brief description of terms

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

Brief description of terms

- *Net income* represents profits 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 the loss of production potential or a decline in oil prices.
- *Upstream activities* refers to crude oil exploration, production, and other operations before refining.
- *Downstream activities* refers to refinery operations, product sales, and marketing at the wholesale and retail levels.