
Markets and Financial Analysis Team
September 22, 2015
Key findings for second-quarter 2015

• Although crude oil prices increased in the second quarter over the first quarter, they remained well below the same period of last year.

• Although companies reduced investment spending, declines in operating cash flow were greater, contributing to a decline in cash balances.

• Many companies raised funds from debt or equity markets, although less than in the first quarter.

• The global oil and natural gas companies were less profitable than the U.S. manufacturing sector, which also showed declining profitability.

• Third-quarter 2015 results could show continued declines in profits, cash flow, and capital expenditure if crude oil prices continue to decline.
Geographic distribution of global oil and natural gas companies, second-quarter 2015

number of companies

United States 60
Canada 20
Europe 10
Emerging market countries 5

Source: U.S. Energy Information Administration, Evaluate Energy
Production of oil and other liquids, second-quarter 2015

Source: U.S. Energy Information Administration, Evaluate Energy
Oil and natural gas production for the combined companies

million barrels of oil equivalent per day

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

Note: liquids includes crude oil and hydrocarbon gas liquids
Second-quarter 2015 production levels of liquids and natural gas were 7% and 0%, respectively, above second-quarter 2014.

Source: U.S. Energy Information Administration, Evaluate Energy
Note: liquids include crude oil and hydrocarbon gas liquids
Operating cash flow in second-quarter 2015 increased $26 billion over first-quarter

cash from operations
billion 2015$
Companies reduced capital expenditure by $38 billion over second-quarter of 2014

capital expenditure
billion 2015$

Source: U.S. Energy Information Administration, Evaluate Energy
The difference between cash from operations and capital expenditure was almost zero in second-quarter 2015.

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
Annualized, however, the energy companies still have a wide deficit of operating cash to capital expenditure.

Source: U.S. Energy Information Administration, Evaluate Energy
This operating deficit continues to be funded from asset sales, debt issuance, and equity issuance.

Annualized net proceeds from asset sales, net debt, and net equity issuance

Annualized free cash flow

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

Note: free cash flow = cash from operations minus capital expenditure
Cash balances declined more than $8 billion for the four quarters ending June 30, 2015.

Source: U.S. Energy Information Administration, Evaluate Energy
Companies refinanced debt and increased share issuance, but fixed debt payments took a higher share of operating cash flow.

Source: U.S. Energy Information Administration, Evaluate Energy
Net hedging assets, which provide downside price protection, declined $9 billion since the first quarter.

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
Profitability fell to almost zero for the energy companies

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
Although both sectors had falling profitability for several quarters, energy companies’ decreases were larger.

Annualized return on equity yearly change percentage points

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
Both sectors had the highest debt-to-equity ratios since 2010 in the second quarter.

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
Financial leverage accelerated in recent quarters

Long-term debt-to-equity year-over-year change percentage points

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
In third-quarter 2015, Brent crude oil prices continue to decline, which will likely pressure companies’ cash flow and investment.
## Appendix: List of companies

<table>
<thead>
<tr>
<th>Company Name</th>
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</thead>
<tbody>
<tr>
<td>Anadarko Petroleum Corp.</td>
<td>Carrizo Oil &amp; Gas, Inc</td>
<td>ENI</td>
<td>Lukoil (US GAAP)</td>
<td>Petrobras (IFRS US$ Current)</td>
<td>Stone Energy</td>
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<tr>
<td>Apache Corporation</td>
<td>Chesapeake Energy Corp.</td>
<td>EP Energy Corporation</td>
<td>Magnum Hunter Resources</td>
<td>Petrolifera Petroleum Ltd.</td>
<td>Swift Energy Co</td>
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<tr>
<td>Approach Resources Inc</td>
<td>Chevron Corporation</td>
<td>EPL Oil &amp; Gas Inc</td>
<td>Marathon Oil Corp.</td>
<td>PetroMagdalena Energy Corp.</td>
<td>Synergy Resources Corporation</td>
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<tr>
<td>ATP Oil &amp; Gas Corp.</td>
<td>Clayton Williams Energy</td>
<td>Forest Oil Corporation</td>
<td>MDU Resources Group</td>
<td>PetroQuest Energy, Inc</td>
<td>Thunderbird Resources Equity Inc.</td>
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<tr>
<td>Bankers Petroleum Ltd</td>
<td>Comstock Resources</td>
<td>Gazprom Neft</td>
<td>Memorial Production Partners LP</td>
<td>Pioneer Natural Resources Company</td>
<td>Total</td>
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<tr>
<td>Baytex Energy Corp.</td>
<td>Concho Resources Inc</td>
<td>Goodrich Petroleum Corp</td>
<td>Murphy Oil Corporation</td>
<td>QEP Resources Inc</td>
<td>TransAtlantic Petroleum Ltd.</td>
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<tr>
<td>BG Group</td>
<td>Continental Resources</td>
<td>Gulfport Energy Corporation</td>
<td>Noble Energy</td>
<td>Repsol</td>
<td>Triangle Petroleum Corporation</td>
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<tr>
<td>Bill Barrett Corporation</td>
<td>Denbury Resources Inc.</td>
<td>Halcon Resources Corporation</td>
<td>Northern Oil &amp; Gas, Inc</td>
<td>Rosetta Resources Inc.</td>
<td>Unit Corp</td>
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<td>Black Hills Corp</td>
<td>Det Norske</td>
<td>Hess Corp</td>
<td>Oasis Petroleum Inc.</td>
<td>Royal Dutch Shell</td>
<td>Vaalco Energy Inc</td>
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<tr>
<td>BPZ Resources Inc</td>
<td>Ecopetrol</td>
<td>Imperial Oil Limited</td>
<td>OMV</td>
<td>Sanchez Energy Corp</td>
<td>W &amp; T Offshore</td>
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<tr>
<td>Callon Petroleum</td>
<td>Energen Corp</td>
<td>Kodiak Oil &amp; Gas Corp.</td>
<td>PDC Energy</td>
<td>SM Energy Company</td>
<td>XTO</td>
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<td>Canacol Energy Ltd.</td>
<td>Energy XXI</td>
<td>Laredo Petroleum</td>
<td>Penn Virginia</td>
<td>Sonde Resources Corp.</td>
<td>YPF Sociedad Anonima</td>
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<tr>
<td>Canadian Natural Resources Limited</td>
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<td>Penn West Petroleum Ltd.</td>
<td>Statoil ASA</td>
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**Source:** U.S. Energy Information Administration, Evaluate Energy

Note: Some companies exist that merged or split before 2015. A total of 97 companies existed in 2015.
Background

• This analysis focuses on the financial and operating trends of 97 global oil and natural gas companies (called the energy companies).

• The data come from 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.

• For consistency, companies that were acquired by another company in the group after first-quarter 2010 were kept in the prior year data.

• Several charts compare these upstream companies with the U.S. manufacturing industry, published in U.S. the Census Bureau’s Quarterly Financial Report.

• Totals shown on an annualized basis are the sum of the four quarters ending for that time period. The purpose of this method is to smooth volatility and seasonality.
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.

• Net income (earnings) represents profit after taxes and depreciation.

• Asset impairments are when a company lowers the estimated value of a property to reflect current market value, which may decline from loss of production potential or from oil price declines.

• The term upstream refers to crude oil exploration, production, and other operations prior to refining. The term downstream refers to refinery operations, product sales, and marketing.