

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



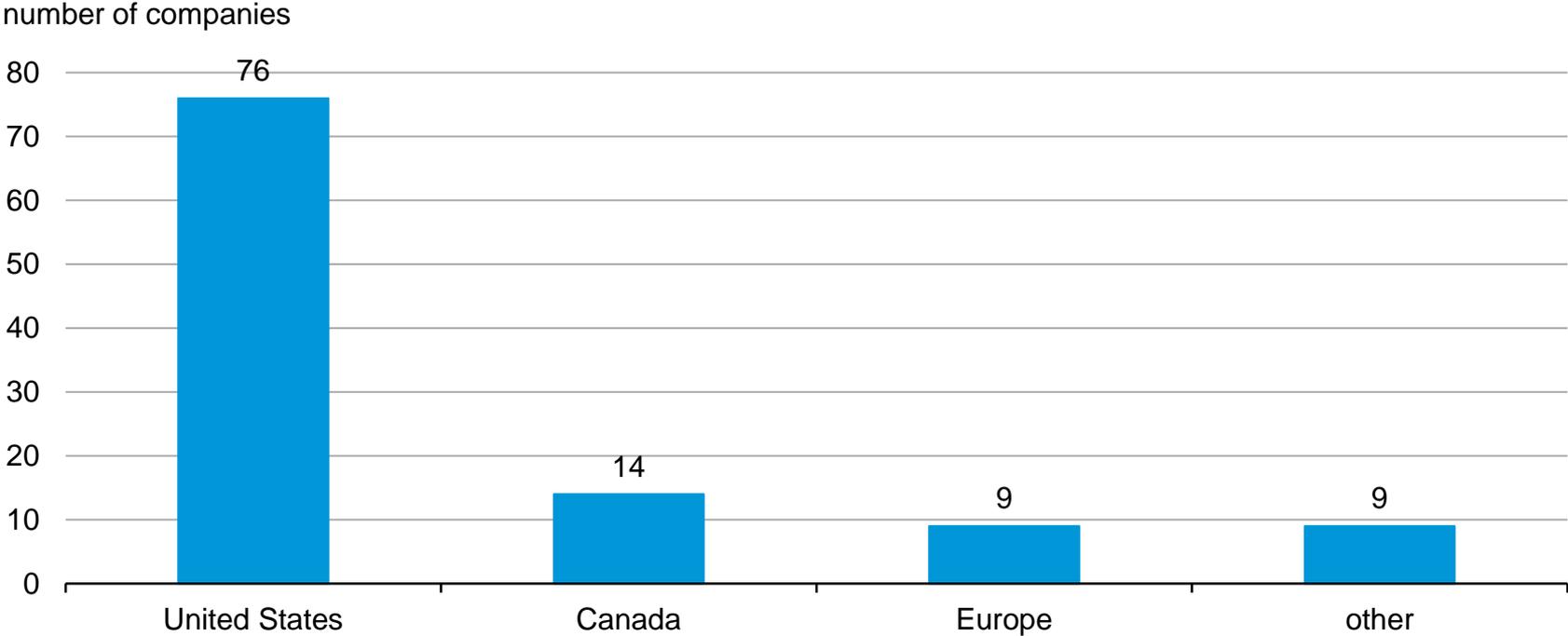
Markets and Financial Analysis Team

September 2017

Key findings for second-quarter 2017

- Brent crude oil prices remained lower than in the 2012–14 period but were 6% higher than in second-quarter 2016, increasing operating cash flow for most producers
- Liquids production increased 4% in second-quarter 2017, the highest rate since third-quarter 2015
- Energy companies' return on equity was the largest since first-quarter 2015
- Capital expenditure increased year over year for the first quarter since second-quarter 2014

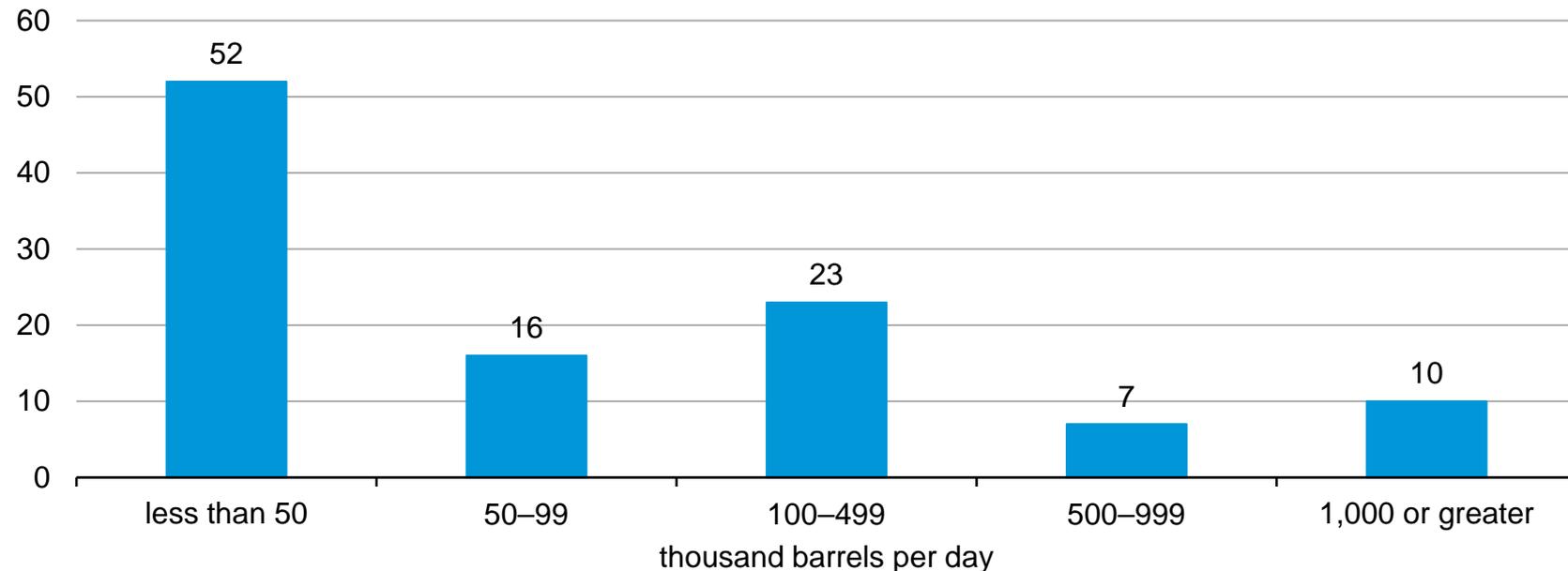
Geographic distribution of global oil and natural gas companies, second-quarter 2017



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

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

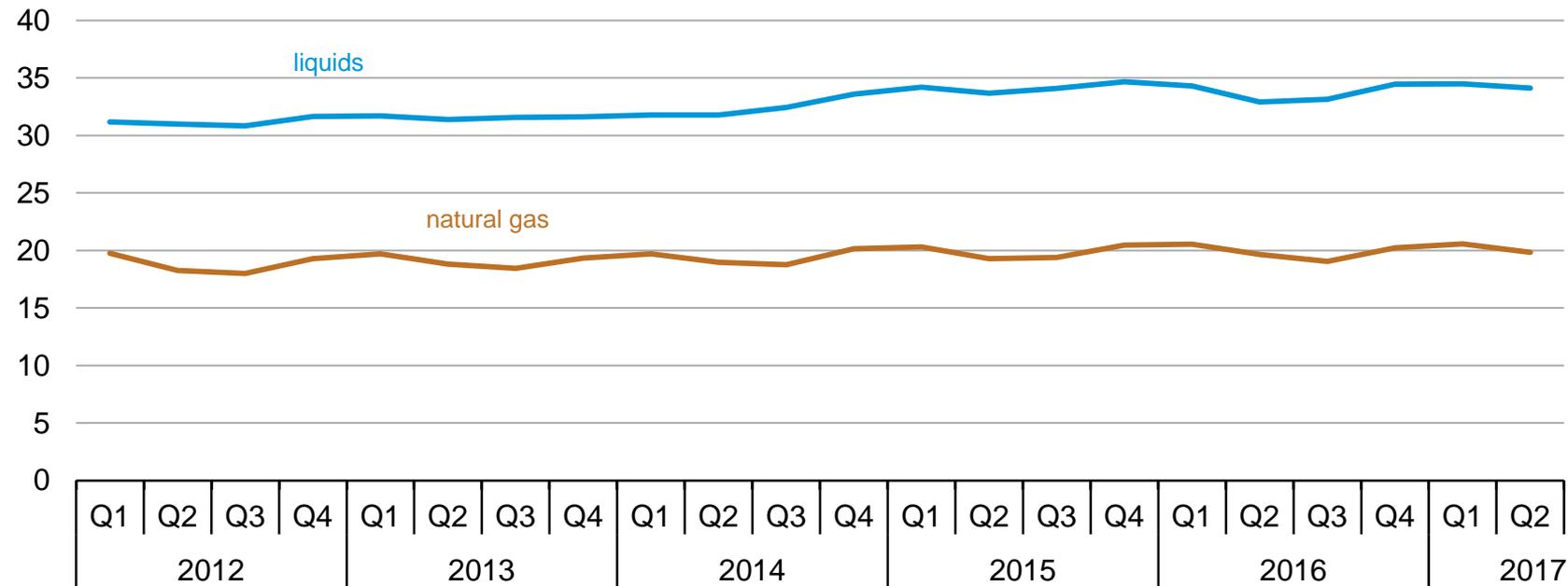
number of companies



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

Liquids and natural gas production was 34 and 20 million barrels of oil equivalent, respectively, in second-quarter 2017

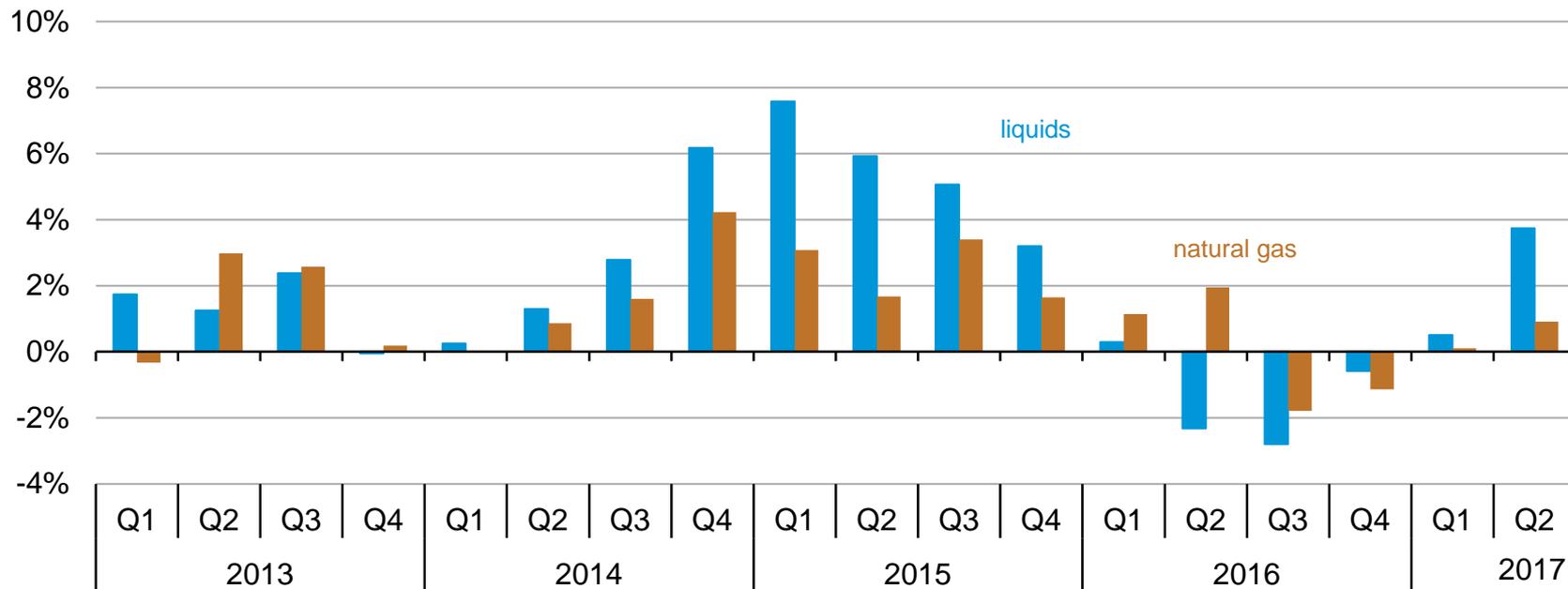
liquids and natural gas production
million barrels of oil equivalent per day



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

Global liquids production increased 4% and natural gas production increased 1% in second-quarter 2017 from second-quarter 2016 levels

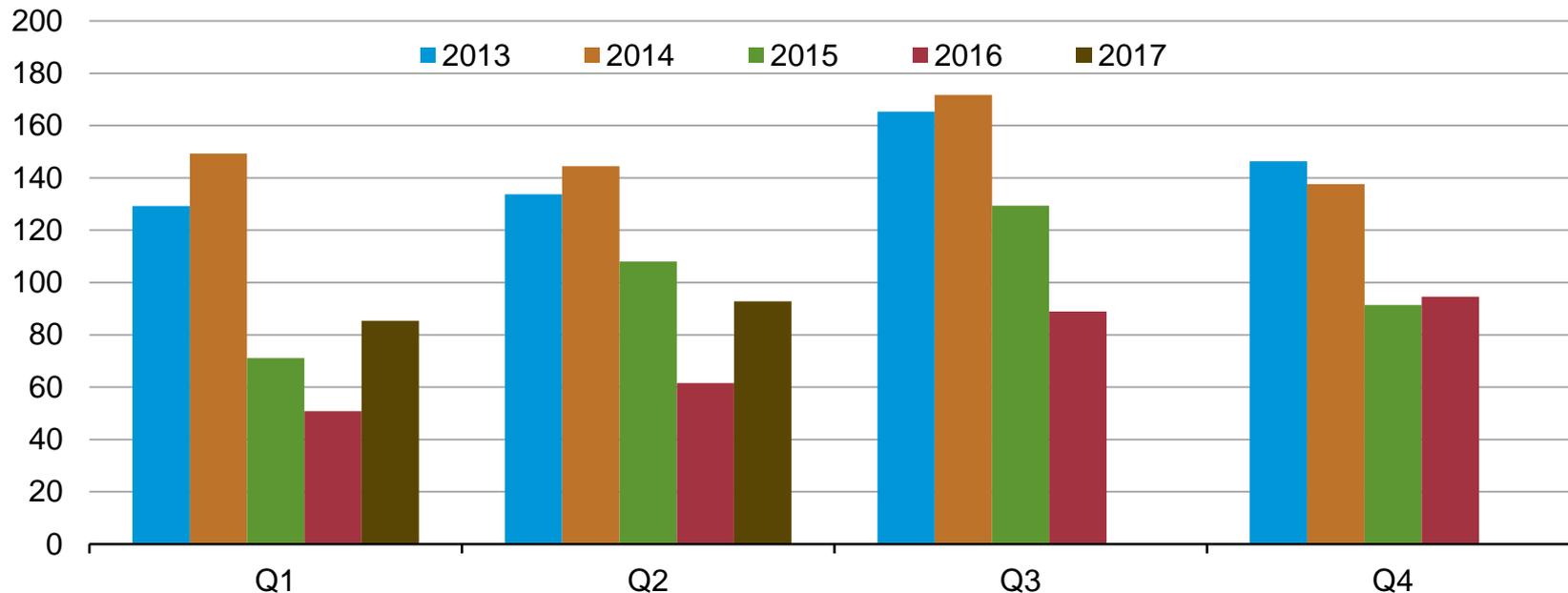
liquids and natural gas production
year-over-year change



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

Operating cash flow in second-quarter 2017 totaled \$93 billion, a 51% increase from second-quarter 2016

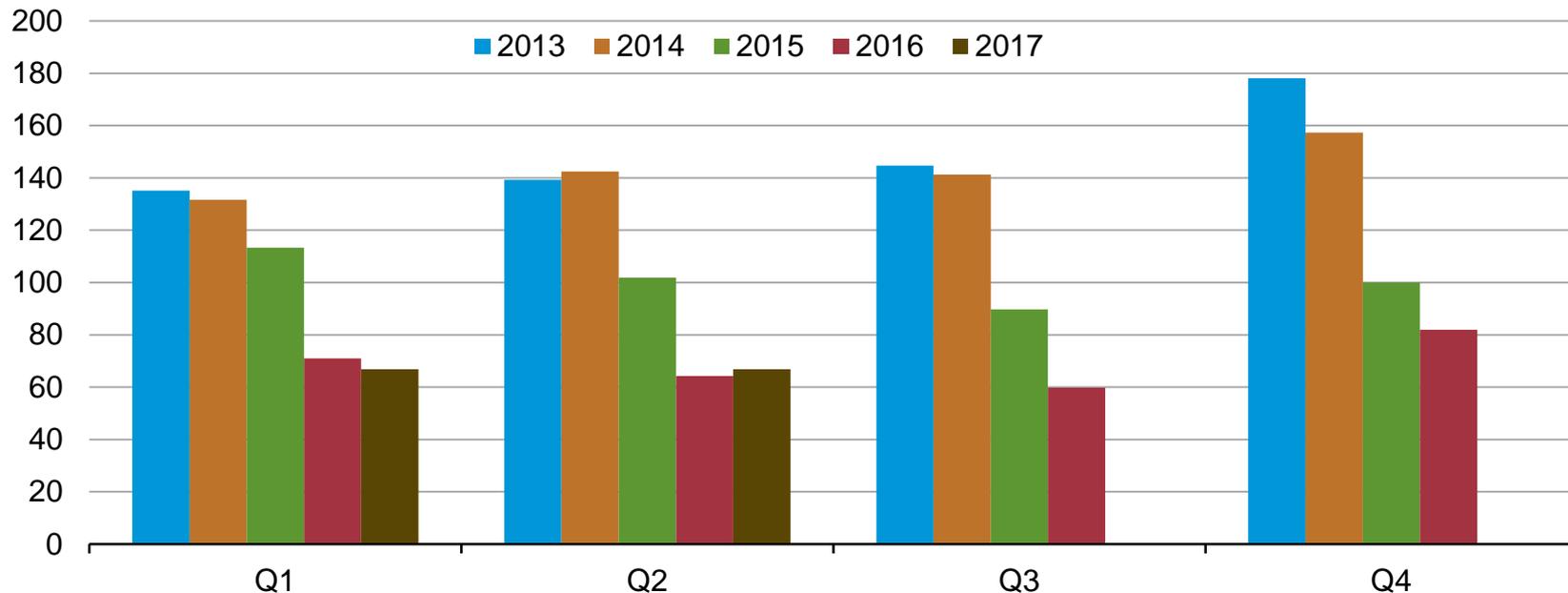
cash from operations
billion 2017\$



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

Capital expenditure in second-quarter 2017 totaled \$67 billion, 4% higher than second-quarter 2016

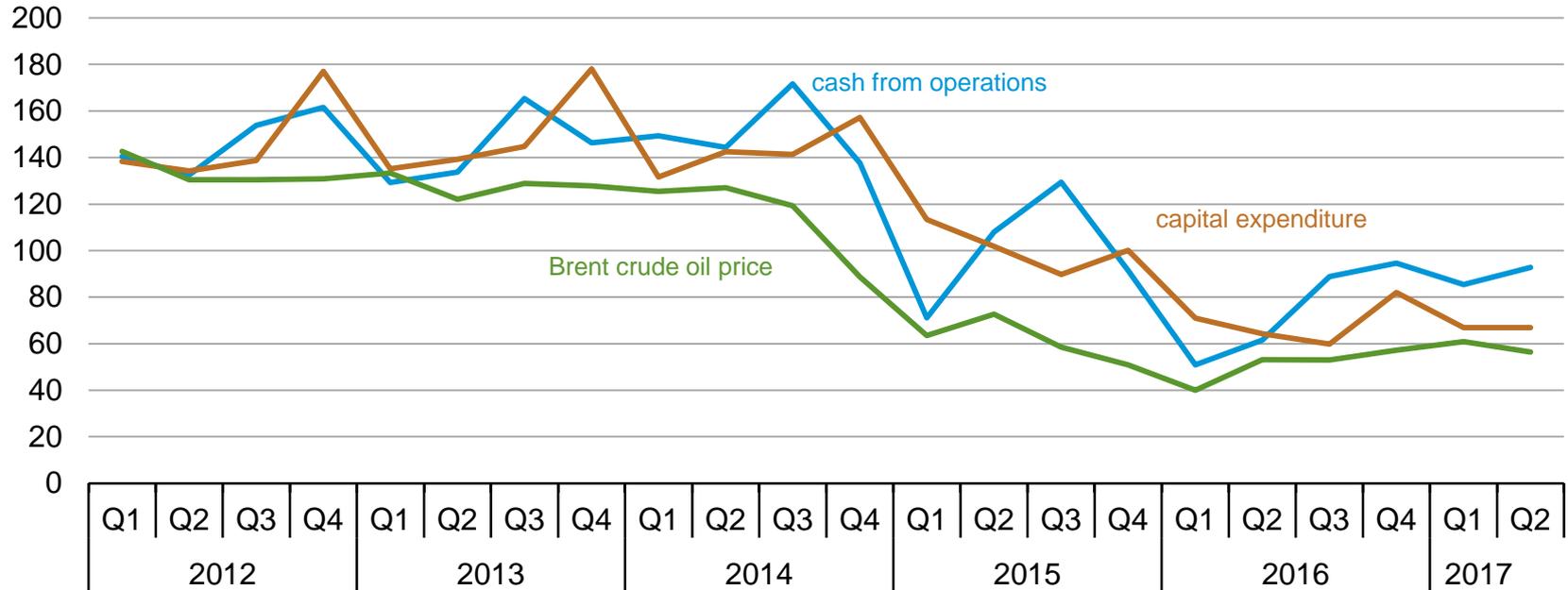
capital expenditure
billion 2017\$



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

Cash from operations in second-quarter 2017 remained higher than \$85 billion for the fourth consecutive quarter

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

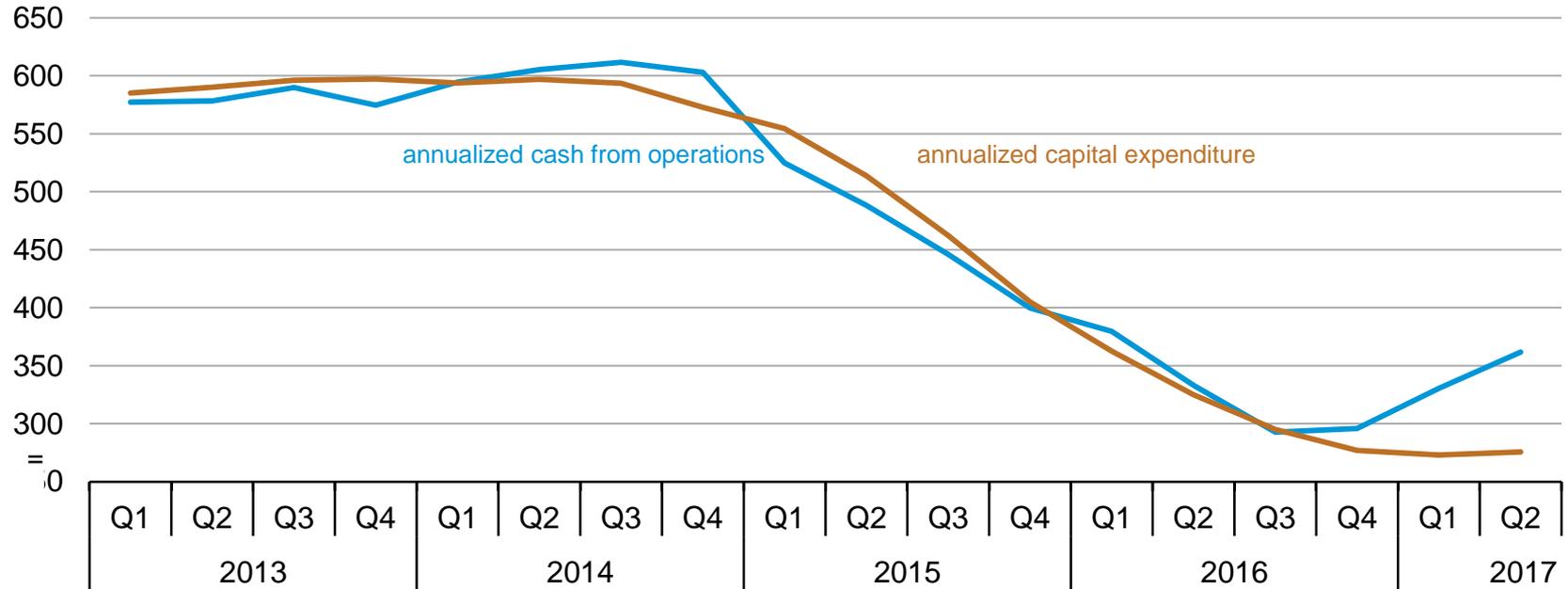


Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg

Note: b=barrel

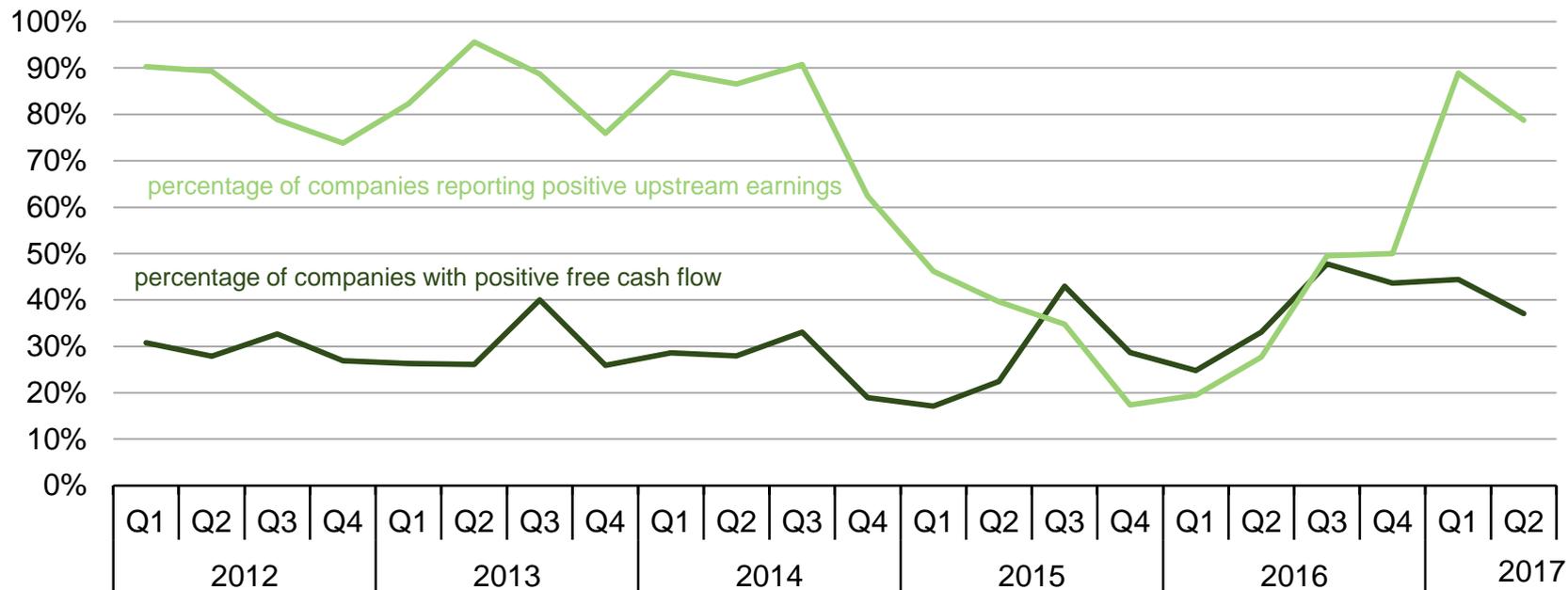
Cash from operations was \$86 billion higher than capital expenditure for the sum of the four quarters ending June 30, 2017

annualized cash flow items
billion 2017\$



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

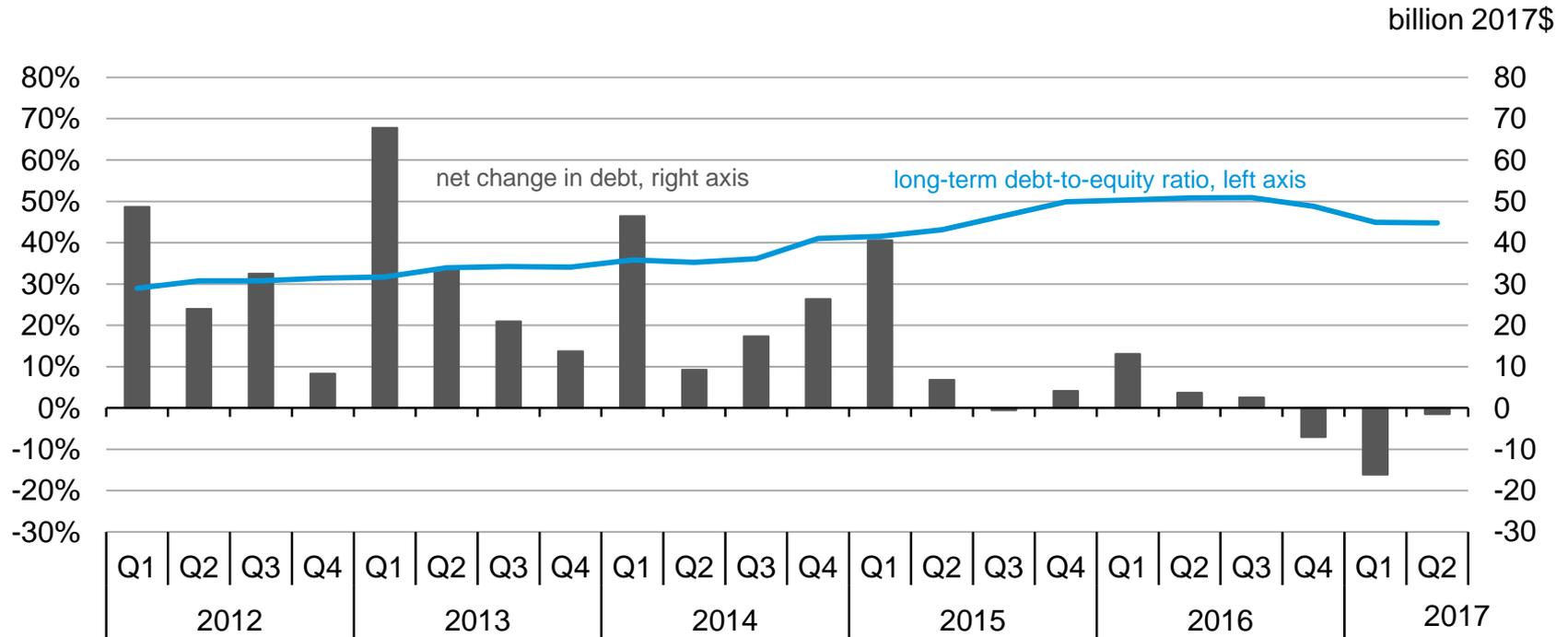
Over 35% of companies had a positive free cash flow and 79% reported positive upstream earnings in second-quarter 2017



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

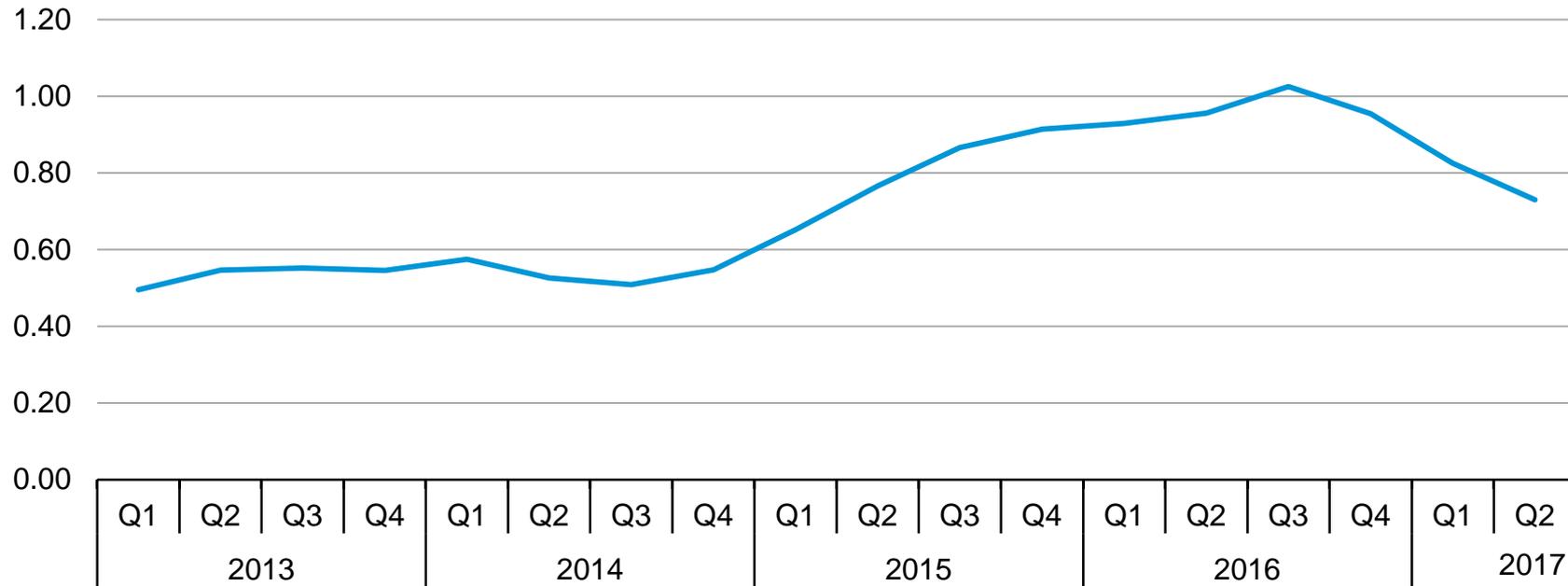


Source: U.S. Energy Information Administration, Evaluate Energy

The increase in cash flow has reduced the ratio of debt repayments to cash flow in second-quarter 2017

annualized debt repayments to cash flow

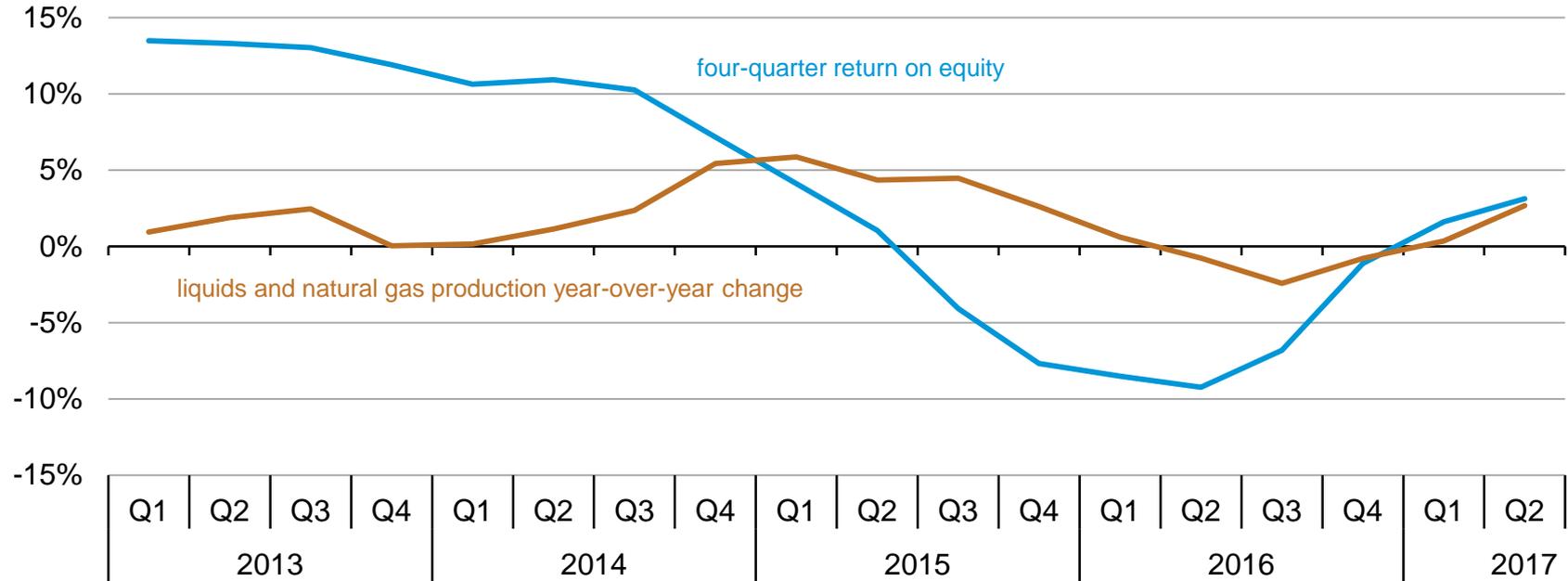
ratio



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

The energy companies' return on equity increased to over 3%

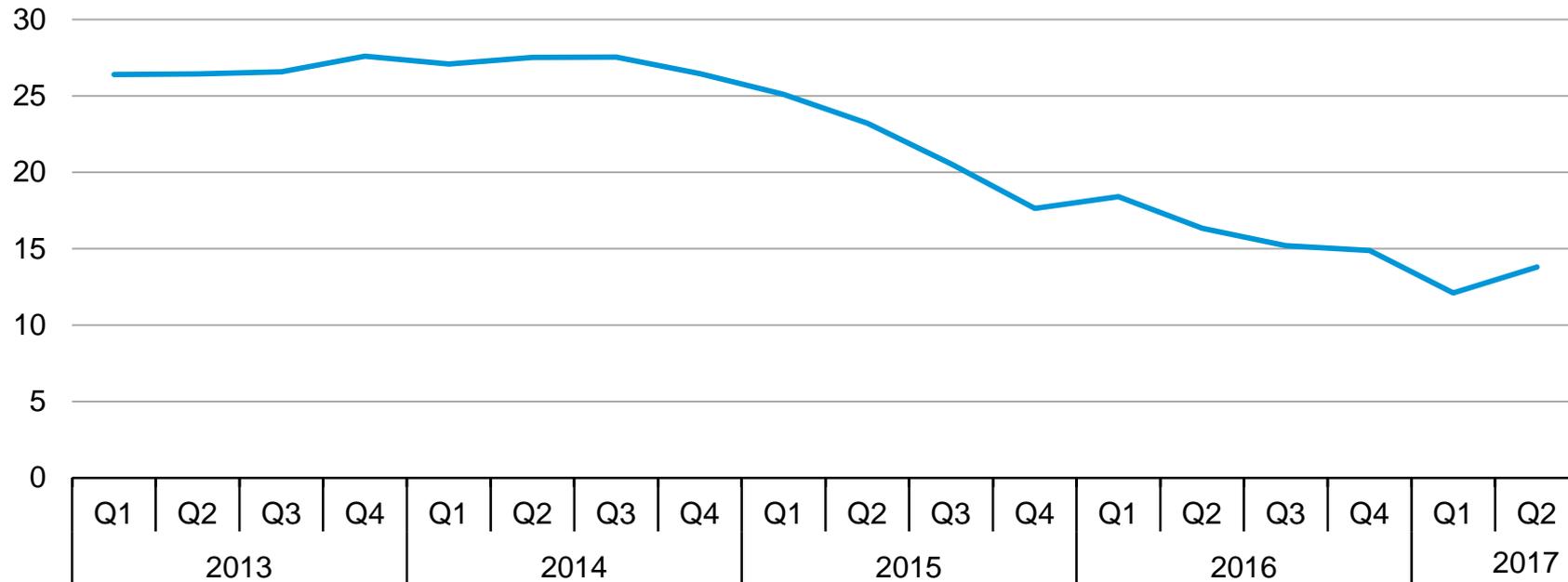
profitability and production



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

Upstream capital expenditure on a per-barrel basis remains below \$15 per barrel of oil equivalent

upstream capital expenditure per barrel of oil equivalent produced
2017 \$/boe four-quarter moving average

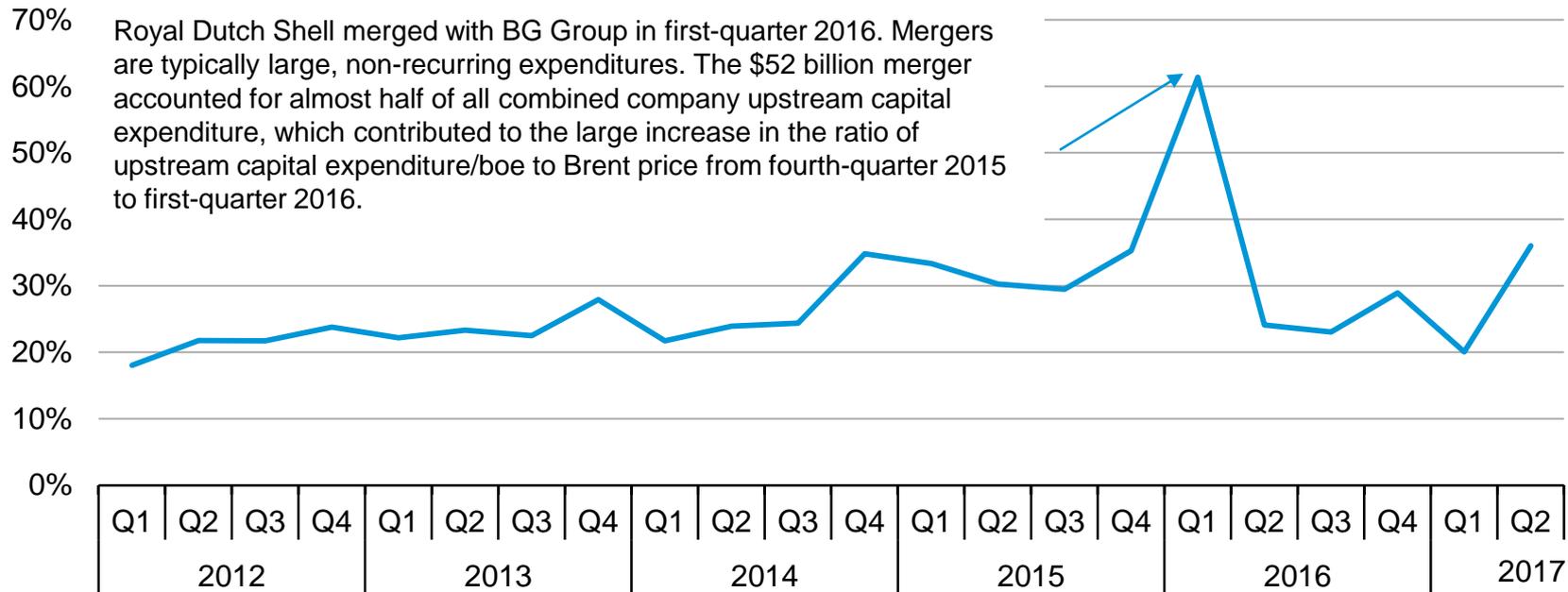


Source: U.S. Energy Information Administration, Evaluate Energy

Note: boe=barrel of oil equivalent

Upstream capital expenditures per barrel of oil equivalent were 36% of the quarterly average crude oil price, in part driven by large merger and acquisition activity

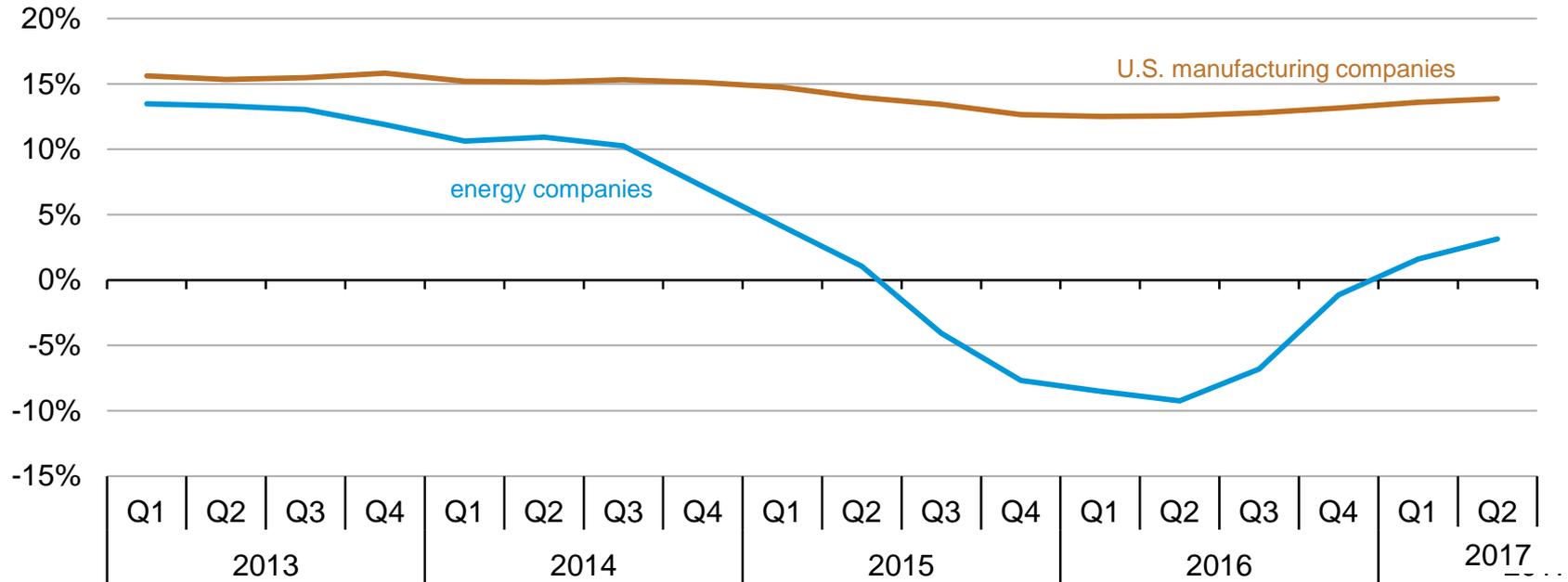
ratio of upstream capital expenditure/boe to Brent price



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

The return on equity for energy companies was positive for the second consecutive quarter but remain lower than U.S. manufacturing company returns

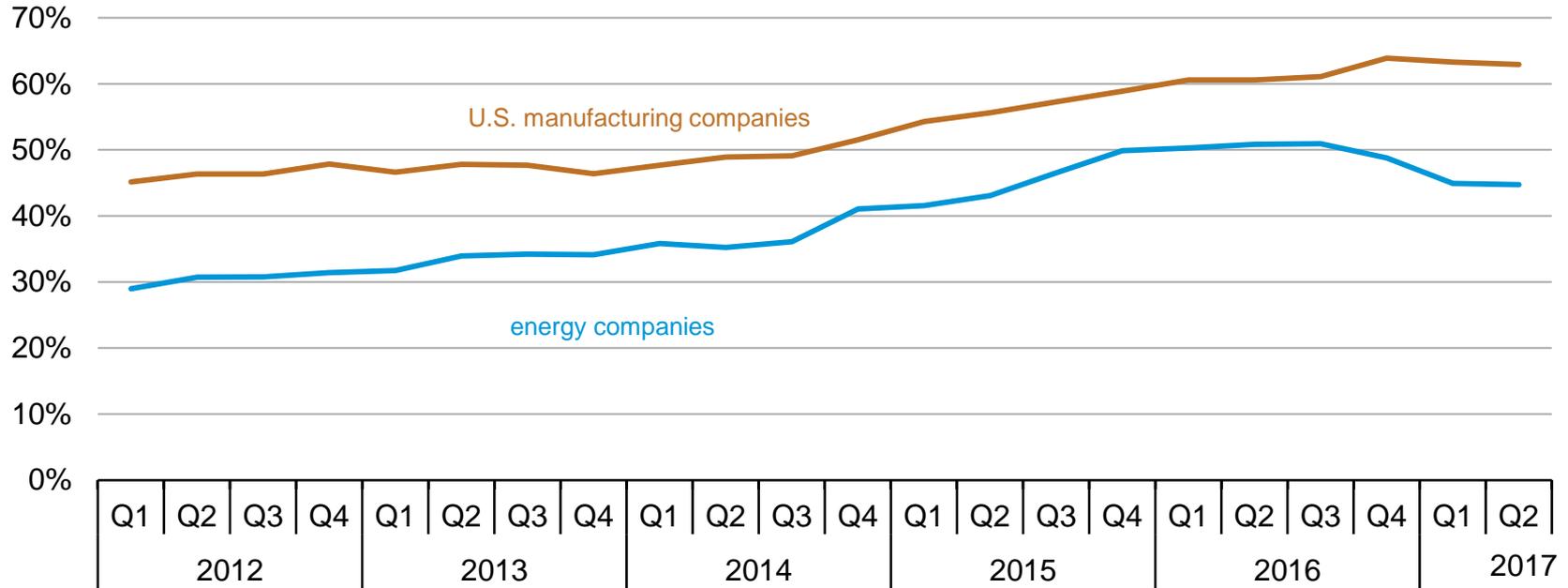
four-quarter return on equity



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

The long-term debt-to-equity ratios for both sectors was essentially unchanged from the first quarter of 2017 to the second quarter

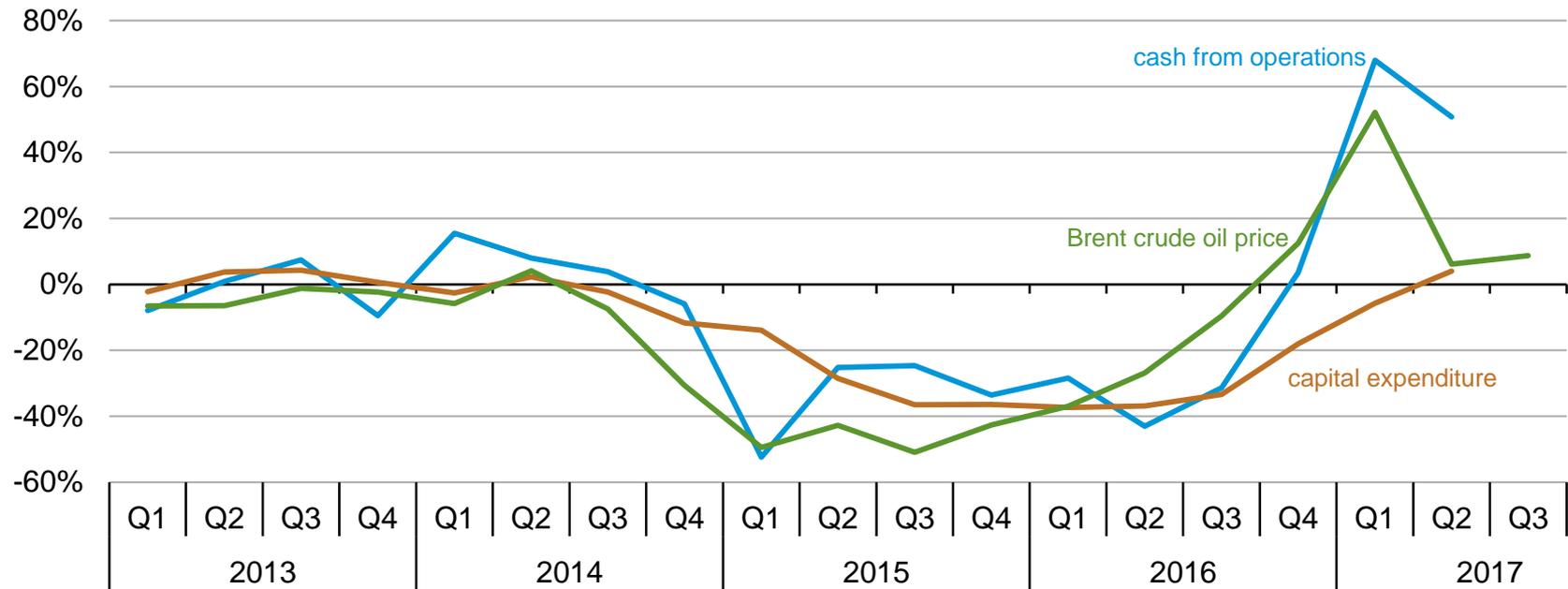
long-term debt-to-equity



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

Capital expenditure increased year over year for the first quarter since second-quarter 2014

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

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

Note: Some companies merged or split before 2017. A total of 108 companies existed in second-quarter 2017.

Background

- This analysis focuses on the financial and operating trends of 108 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