Financial Review of the Global Oil and Natural Gas Industry: Second-Quarter 2020

Markets and Financial Analysis Team

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Key findings for second-quarter 2020

• Brent crude oil daily average prices were 51% lower in second-quarter 2020 than in second-quarter 2019 and averaged $33 per barrel.

• The combined petroleum liquids production of this study’s 102 companies decreased 4.9% in second-quarter 2020 from second-quarter 2019, and their natural gas production decreased 5.6% during the same period.

• Companies increased short-term and long-term borrowing in the second quarter, increasing debt by $72 billion in the quarter.

• Capital expenditures declined to $44 billion, the lowest for any quarter in the 2015–20 period.

Note: The 102 companies analyzed in this study publish publicly available financial statements. A full list of the companies included and a glossary of terms begins on slide 21.
Geographic distribution of global oil and natural gas company headquarters, second-quarter 2020

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: Other includes Argentina, Brazil, Chile, China, Colombia, and Russia.
Distribution of global energy companies by production of petroleum liquids, second-quarter 2020

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements
Petroleum liquids and natural gas production was 36 million barrels per day and 19 million barrels of oil equivalent per day, respectively, in second-quarter 2020.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
In second-quarter 2020, global petroleum liquids production decreased 4.9% year over year and natural gas production decreased 5.6%.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
Second-quarter 2020 crude oil prices were 51% lower than in second-quarter 2019, and natural gas prices decreased 30% during the same period.

Source: Bloomberg
Cash from operations in second-quarter 2020 was $54 billion, 54% lower than in second-quarter 2019.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
Capital expenditure in second-quarter 2020 was $44 billion, 44% lower than in second-quarter 2019.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
About 25% of companies had positive free cash flow, and 14% of companies reported positive upstream earnings in second-quarter 2020.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.

Note: free cash flow = cash from operations minus capital expenditures.
The companies increased debt by $72 billion in second-quarter 2020, the most for any quarter in the 2015–20 period

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements
The long-term debt-to-equity ratio for energy companies was 59% as of second-quarter 2020 and was 65% for U.S. manufacturing companies.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and U.S. Census Bureau.
The energy companies’ combined market capitalization in second-quarter 2020 decreased by almost $1 trillion year over year.

Combined market capitalization
Billion dollars

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
Cash balances increased $34 billion year over year in second-quarter 2020 for the 10 largest capitalization companies but decreased $6 billion among all others.
The $66 billion in asset impairments were nearly 10% of the companies’ net present value of their proved reserves.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
The energy companies’ return on equity fell to -9% in second-quarter 2020.
The return on equity for energy companies remained lower than U.S. manufacturing company returns.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and U.S. Census Bureau.
Upstream capital expenditures on a per-barrel basis declined to the lowest average level in the 2016–20 period

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

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: BOE=barrel of oil equivalent
Upstream capital expenditures per barrel of oil equivalent were 21% of crude oil prices in second-quarter 2020

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.

Upstream capital expenditures per barrel of oil equivalent were 21% of crude oil prices in second-quarter 2020

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: BOE=barrel of oil equivalent
Crude oil prices increased from second-quarter 2020 in the third quarter but remain lower year over year, indicating continued declines in cash from operations and capital expenditure.

Cash flow items and Brent prices

Year over year change

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and Bloomberg.
Appendix: List of companies

Abraoxas Petroleum Corporation  |  Carrizo Oil & Gas, Inc  |  Energy XXI Gulf Coast, Inc.
Aker BP ASA  |  Centeneal Resource Development, Inc.  |  Enerplus Corporation
AmbitEnergy Corp.  |  Chesapeake Energy Corp.  |  ENI
Anadarko Petroleum Corp.  |  Chevron Corporation  |  EOG Resources
Antero Resources Corporation  |  Cimarex Energy Co.  |  EP Energy Corporation
Apache Corporation  |  Clayton Williams Energy, Inc.  |  Equinor ASA
Approach Resources Inc  |  Concho Resources Inc  |  Erin Energy Corporation
Bankers Petroleum Ltd  |  ConocoPhillips  |  Extraction Oil & Gas, Inc.
Baytex Energy Corp.  |  Contango Oil and Gas Company  |  ExxonMobil
Berry Corporation  |  Continental Resources, Inc.  |  FieldPoint Petroleum Corporation
BG Group  |  Crescent Point Energy Corp  |  Frontera Energy Corporation
Black Stone Minerals LP  |  Denbury Resources Inc.  |  Galp Energia
Blue Ridge Mountain Resources, Inc.  |  Devon Energy Corporation  |  Gastar Exploration Inc.
Bonanza Creek Energy Inc  |  Diamondback Energy Inc.  |  Gazprom Neft PJSC
BP Plc.  |  Earthstone Energy Inc.  |  GeoPark Limited
BPZ Resources Inc  |  Montage Resources Corporation  |  Gran Tierra Energy Inc.
Cabot Oil & Gas Corporation  |  Ecopetrol  |  Battalion Oil Corporation
California Resources Corporation  |  Qintu Inc.  |  Harvest Natural Resources Inc.
Callon Petroleum  |  Endeavour International Corporation  |  Hess Corporation
Camber Energy, Inc.  |  Energen Corp  |  HighPoint Resources Corporation
Canadian Natural Resources Limited  |  Houston American Energy Corp  |  Noble Energy

Husky Energy Inc.  |  International Petroleum Corporation
Jagged Peak Energy Inc.  |  Oasis Petroleum Inc.
Jones Energy, Inc.  |  Obsidian Energy Ltd.
Kosmos Energy Ltd  |  Occidental Petroleum Corporation
Laredo Petroleum Inc.  |  OMV Group
Legacy Reserves Inc.  |  Panhandle Oil & Gas Inc.
Lils Energy Inc.  |  Paramount Resources Ltd.
Linn Energy  |  Parex Resources Inc.
Lonestar Resources US, Inc.  |  Parsley Energy
Lukoil PJSC  |  PDC Energy, Inc.
Pengrowth Energy Corporation  |  PEDEVCO Corp.
Penn Virginia Corporation  |  Petrobras (IFRS US$ Current)
PetroChina  |  PetroQuest Energy, Inc.
Pioneer Natural Resources Company  |  QEP Resources Inc
Mid-Continent Energy Partners, LP  |  Range Resources Corporation
Midstates Petroleum Company, Inc.  |  Repsol
Murphy Oil Corporation  |  Resolute Energy Corporation
Newfield Exploration Company  |  Total
Northern Oil & Gas, Inc.  |  TransAlta Petroleum Ltd.
Oriente Petroleum Ltd.  |  TransGlobe Energy Corporation
Occidental Petroleum Corporation  |  Triangle Petroleum Corporation
OMV Group  |  Unit Corp
Panhandle Oil & Gas Inc.  |  Vasalco Energy Inc
Paramount Resources Ltd.  |  Grizzly Energy LLC
Parex Resources Inc.  |  Vermilion Energy Inc.
Parsley Energy Inc.  |  W & T Offshore
PDC Energy, Inc.  |  Whitecap Resources Inc.
Pegas Energy, Inc.  |  Whiting Petroleum Corporation

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

Note: Some companies merged, split, or de-listed before 2020. A total of 102 companies existed in second-quarter 2020.
Background

• This analysis focuses on the financial and operating trends of 102 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 2015 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.