Financial Review: Third-quarter 2015

Markets and Financial Analysis Team
December 8, 2015
Key findings for third-quarter 2015

• Crude oil prices decreased 19% from the second quarter, 51% lower than third-quarter 2014.

• Impairment charges increased, contributing to continued declines in profits.

• Capital expenditure per barrel produced was the lowest for this set of companies since at least 2010.

• Fourth-quarter crude oil prices remain low compared to year-ago levels, which could continue to pressure profits, cash flow, and investment.
Geographic distribution of global oil and natural gas companies, third-quarter 2015

Source: U.S. Energy Information Administration, Evaluate Energy
Distribution of global companies by production of petroleum liquids, third-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

petroleum liquids production

natural gas production

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

Note: liquids include crude oil and hydrocarbon gas liquids
Third-quarter 2015 production levels of petroleum and natural gas were 7% and 2%, respectively, above third-quarter 2014.

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

Note: liquids include crude oil and hydrocarbon gas liquids.
Operating cash flow in third-quarter 2015 increased $7 billion since the second quarter, totaling $93 billion.
Capital expenditure decreased $11 billion since second-quarter 2015, totaling $80 billion

Source: U.S. Energy Information Administration, Evaluate Energy
Cash from operations was larger than capital spending for the first time in a year

billion 2015$; Brent in 2015$/barrel

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
The difference between cash flow and capital expenditure was the largest since at least 2010.

Rolling a four-quarter sum eliminates the seasonality in the measures on the previous slide. So while third-quarter cash flow was higher than capital expenditure, it remains considerably lower on an annualized basis.

Source: U.S. Energy Information Administration, Evaluate Energy
Sources of cash from asset sales, debt, and equity markets over the past four quarters was the lowest since 2012.

- Annualized net proceeds from asset sales, net debt, and net equity issuance.
- Annualized free cash flow.

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

annualized change in cash balance

Source: U.S. Energy Information Administration, Evaluate Energy
Net hedging assets, which tend to increase in value when prices decline, increased $4.5 billion since second-quarter 2015.

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
The total value of asset write-downs increased to $57 billion, almost twice the amount in second-quarter 2015.

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.

Source: U.S. Energy Information Administration, Evaluate Energy
Past investment contributed to increased current production, while low prices contributed to negative profitability.

Source: U.S. Energy Information Administration, Evaluate Energy
Higher production and falling capital expenditure led to the lowest average spending per barrel since at least 2010

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
Crude oil prices remain low compared to year-ago levels, which could continue to pressure cash flow and investment.

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
### Appendix: List of companies

<table>
<thead>
<tr>
<th>Company Name</th>
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<tbody>
<tr>
<td>Anadarko Petroleum Corp.</td>
<td>California Resources Corporation</td>
<td>Det Norske</td>
<td>Forest Oil Corporation</td>
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<tr>
<td>Apache Corporation</td>
<td>Callon Petroleum</td>
<td>Devon Energy Corporation</td>
<td>Gazprom Neft</td>
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<td>Approach Resources Inc</td>
<td>Canacol Energy Ltd.</td>
<td>Diamondback Energy Inc.</td>
<td>Goodrich Petroleum Corp</td>
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<td>Athlon Energy Inc.</td>
<td>Canadian Natural Resources Limited</td>
<td>Dong Energy</td>
<td>Gran Tierra Energy Inc.</td>
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<td>ATP Oil &amp; Gas Corp.</td>
<td>Carrizo Oil &amp; Gas, Inc.</td>
<td>Ecopetrol</td>
<td>Gulfport Energy Corporation</td>
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<td>Bankers Petroleum Ltd</td>
<td>Cenovus Energy Inc.</td>
<td>Encana Corporation</td>
<td>Halcon Resources Corporation</td>
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<td>Baytex Energy Corp.</td>
<td>Chesapeake Energy Corp.</td>
<td>Endeavour International Corp</td>
<td>Hess Corp</td>
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<td>Berry Petroleum Co.</td>
<td>Chevron Corporation</td>
<td>Energen Corp</td>
<td>Husky Energy Inc.</td>
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<td>BG Group</td>
<td>Cimarex Energy Co.</td>
<td>Energy XXI</td>
<td>Imperial Oil Limited</td>
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<td>Bill Barrett Corporation</td>
<td>Clayton Williams Energy</td>
<td>Enerplus Corporation</td>
<td>Ithaca Energy Inc.</td>
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<td>Black Hills Corp</td>
<td>Comstock Resources</td>
<td>ENI</td>
<td>Jones Energy, Inc.</td>
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<td>BP Plc.</td>
<td>Concho Resources Inc</td>
<td>EOG Resources</td>
<td>Kodiak Oil &amp; Gas Corp.</td>
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<td>BPZ Resources Inc</td>
<td>ConocoPhillips</td>
<td>EP Energy Corporation</td>
<td>Kosmos Energy</td>
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<td>Breitburn Energy Partners</td>
<td>Continental Resources</td>
<td>EPL Oil &amp; Gas Inc</td>
<td>Laredo Petroleum</td>
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<td>Brigham Exploration Company</td>
<td>Denbury Resources Inc.</td>
<td>ExxonMobil</td>
<td>Linn Energy</td>
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<td>Pacific Exploration and Production Corporation</td>
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**Source:** U.S. Energy Information Administration, Evaluate Energy  
**Note:** Some companies listed merged or split before 2015. A total of 99 companies existed in third-quarter 2015.
Background

• This analysis focuses on the financial and operating trends of 99 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.

• For consistency, a company’s assets that were acquired by another company in the group after first-quarter 2010 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 (earnings) 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.

• 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 at the wholesale and retail level.