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

Markets and Financial Analysis Team

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Key findings for third-quarter 2017

• Brent crude oil prices were 9% higher than third-quarter 2016 prices and have averaged more than $50 per barrel for four consecutive quarters, contributing to higher cash flow for companies producing oil and natural gas.

• Liquids production increased 5% in third-quarter 2017 over third-quarter 2016, the highest year-over-year rate since third-quarter 2015.

• Energy companies’ return on equity was the largest since first-quarter 2015.

• Capital expenditure increased 20% year-over-year, the largest growth rate during 2012–17.
Geographic distribution of global oil and natural gas companies, third-quarter 2017

Source: U.S. Energy Information Administration, Evaluate Energy
Distribution of global energy companies by production of petroleum liquids, third-quarter 2017

Source: U.S. Energy Information Administration, Evaluate Energy
Liquids and natural gas production was 35 million and 20 million barrels of oil equivalent, respectively, in third-quarter 2017.

Source: U.S. Energy Information Administration, Evaluate Energy
Global liquids production increased 5% and natural gas production increased 3% in third-quarter 2017 from third-quarter 2016 levels.

Source: U.S. Energy Information Administration, Evaluate Energy
Operating cash flow in third-quarter 2017 was $98 billion, a 10% increase from third-quarter 2016.

Source: U.S. Energy Information Administration, Evaluate Energy
Capital expenditure in third-quarter 2017 was $67 billion, 20% higher than in third-quarter 2016.

Source: U.S. Energy Information Administration, Evaluate Energy
Cash from operations in third-quarter 2017 reached the highest level for any quarter since third-quarter 2015

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

Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg
Cash from operations was $79 billion higher than capital expenditure for the four quarters ending September 30, 2017.

Source: U.S. Energy Information Administration, Evaluate Energy
Almost 40% of companies had a positive free cash flow, and 75% reported positive upstream earnings in third-quarter 2017.
The long-term debt-to-equity ratio declined for the fourth consecutive quarter in third-quarter 2017 as companies paid off debt.

Source: U.S. Energy Information Administration, Evaluate Energy
The increase in cash flow reduced the ratio of debt repayments to cash flow in third-quarter 2017.
The energy companies’ return on equity increased to more than 4% in third-quarter 2017.

Source: U.S. Energy Information Administration, Evaluate Energy
Upstream capital expenditure on a per-barrel basis remains lower than $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
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 22% of the quarterly average crude oil price.

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

Note: boe=barrel of oil equivalent
The return on equity for energy companies was the highest since fourth-quarter 2014 but remains lower than U.S. manufacturing company returns.

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
The long-term debt-to-equity ratios for both sectors declined one percentage point from the second quarter to the third quarter of 2017.

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
Capital expenditure growth outpaced cash from operations in third-quarter 2017
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  
Adams Resources & Energy Inc.  
Aker BP ASA  
Amplify Energy Corp.  
Anadarko Petroleum Corp.  
Antero Resources Corporation  
Apache Corporation  
Approach Resources Inc  
Athlon Energy Inc.  
Bankers Petroleum Ltd  
Baytex Energy Corp.  
Berry Petroleum Company LLC  
BG Group  
Bill Barrett Corporation  
Blue Ridge Mountain Resources, Inc.  
BP Plc.  
BPZ Resources Inc  
Breitburn Energy Partners LP  
California Resources Corporation  
Callon Petroleum  
Canacoil Energy Ltd.  
Canadian Natural Resources Limited  
Carrizo Oil & Gas, Inc  
Cenovus Energy Inc.  
Centennial Resource Development  
Chesapeake Energy Corp.  
Chevron Corporation  
Cimarex Energy Co.  
Clayton Williams Energy, Inc.  
Comstock Resources  
Concho Resources Inc  
ConocoPhillips  
Contango Oil and Gas Company  
Continental Resources  
Denbury Resources Inc.  
Devon Energy Corporation  
Diamondback Energy Inc.  
Earthstone Energy Inc.  
Ecopetrol  
Encana Corporation  
Endeavour International Corp  
Energen Corp  
Energy XXI Gulf Coast, Inc.  
Enerplus Corporation  
ENI  
EOG Resources  
EP Energy Corporation  
EPL Oil & Gas Inc  
Erin Energy Corporation  
Extraction Oil & Gas, Inc.  
ExxonMobil  
Forest Oil Corporation  
Frontera Energy Corporation  
Gazprom Neft  
Goodrich Petroleum Corporation  
Gran Tierra Energy Inc.  
Gulfport Energy Corporation  
Halcon Resources Corporation  
Harvest Natural Resources Inc.  
Hess Corp  
Houston American Energy Corp  
Husky Energy Inc.  
Irsamco, Inc.  
Jagged Peak Energy Inc.  
Jones Energy, Inc.  
Kodiak Oil & Gas Corp.  
Kosmos Energy  
Laredo Petroleum  
Legacy Reserves LP  
Lilis Energy Inc.  
Linn Energy  
Lonestar Resources US, Inc.  
Lukoil (IFRS)  
Lundin Petroleum  
Marathon Oil Corp.  
Matador Resources Company  
Mid-Con Energy Partners, LP  
Murphy Oil Corporation  
Newfield Exploration Company  
Noble Energy  
Northern Oil & Gas, Inc  
Novatek  
Oasis Petroleum Inc.  
Oblidian Energy Ltd.  
Occidental Petroleum Corporation  
OMV  
Parsley Energy Inc.  
PDC Energy, Inc.  
PEDEVCO Corp.  
Penn Virginia Corporation  
Petrobras (IFRS US$ Current)  
PetroChina  
Petrominerales Ltd.  
PetroQuest Energy, Inc.  
Pioneer Natural Resources Company  
QEP Resources Inc  
Range Resources Corporation  
Repsol  
Resolute Energy Corporation  
Ring Energy Inc.  
Rosetta Resources Inc.  
Rosneft  
Royal Dutch Shell  
RSP Permian Inc  
Sabine Oil & Gas Corporation  
Sanchez Energy Corp  
SandRidge Energy, Inc.  
SilverBow Resources, Inc.  
Sinopac  
SM Energy Company  
Sonde Resources Corp.  
SRC Energy Inc  
Statoil ASA  
Stone Energy Corporation  
Suncor Energy Inc.  
T-Rex Oil, Inc.  
TNK-BP International Ltd  
Total  
TransAtlantic Petroleum Ltd.  
TransGlobe Energy Corporation  
Triangle Petroleum Corporation  
Unit Corp  
Vaalco Energy Inc  
Vanguard Natural Resources, Inc.  
Vermillion Energy Inc.  
W & T Offshore  
Whiting Petroleum Corporation  
WildHorse Resource Development  
WPX Energy, Inc.  
YPF Sociedad Anonima  
Yuma Energy, Inc. (Pre Davis)

Source: U.S. Energy Information Administration, Evaluate Energy  
Note: Some companies merged, split, or de-listed before 2017. A total of 113 companies existed in third-quarter 2017.
Background

• This analysis focuses on the financial and operating trends of 113 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 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 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 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 prior to refining

- *Downstream* activities refers to refinery operations, product sales, and marketing at the wholesale and retail levels