

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



Markets and Financial Analysis Team

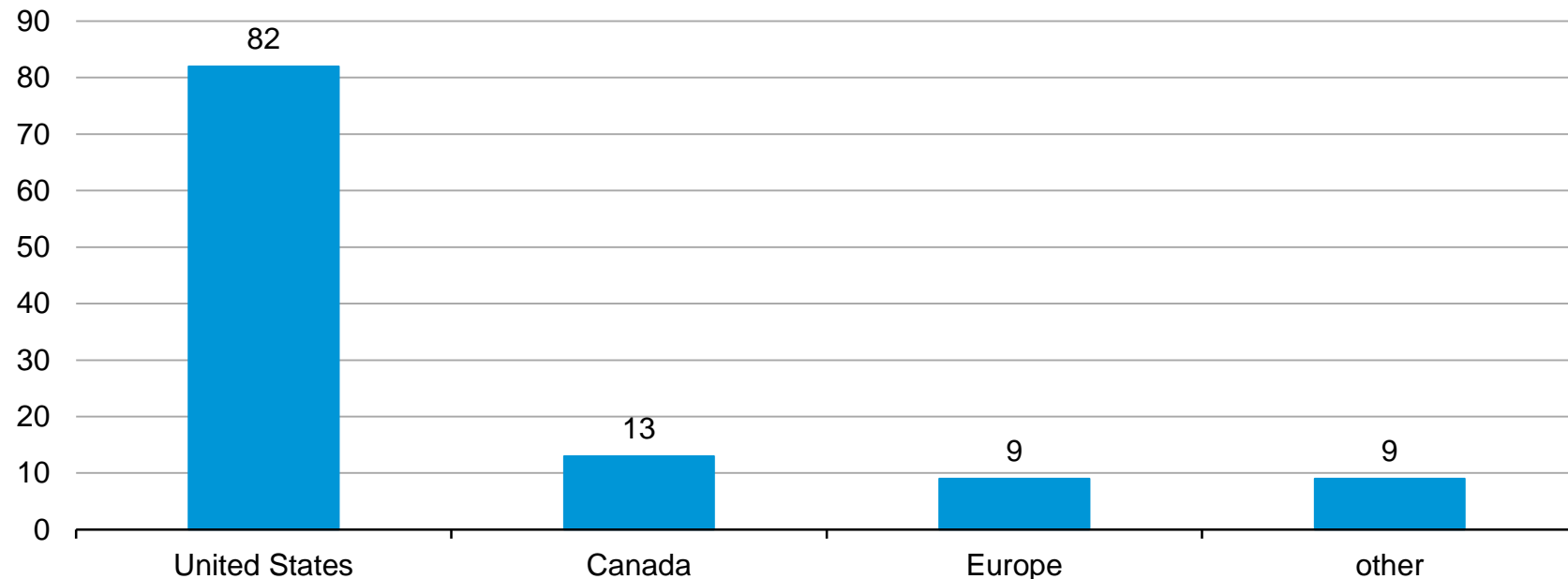
December 2017

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

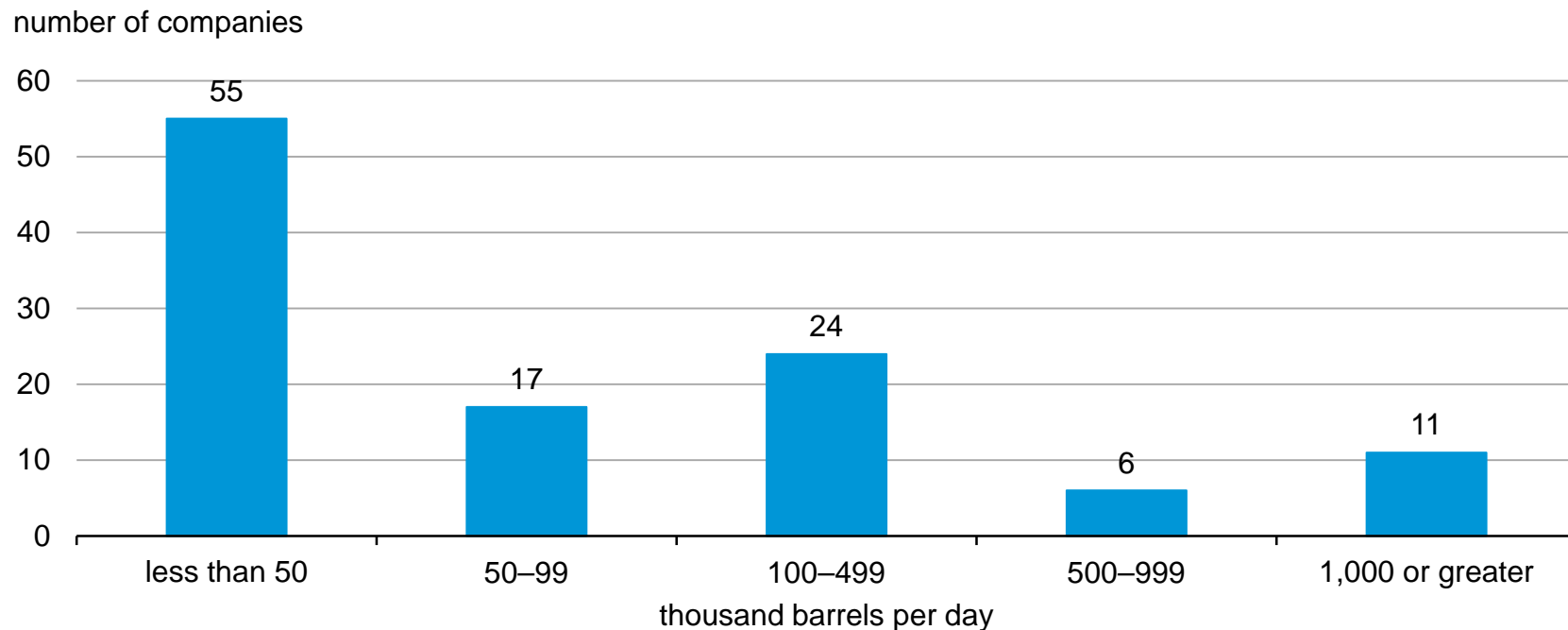
Geographic distribution of global oil and natural gas companies, third-quarter 2017

number of companies



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

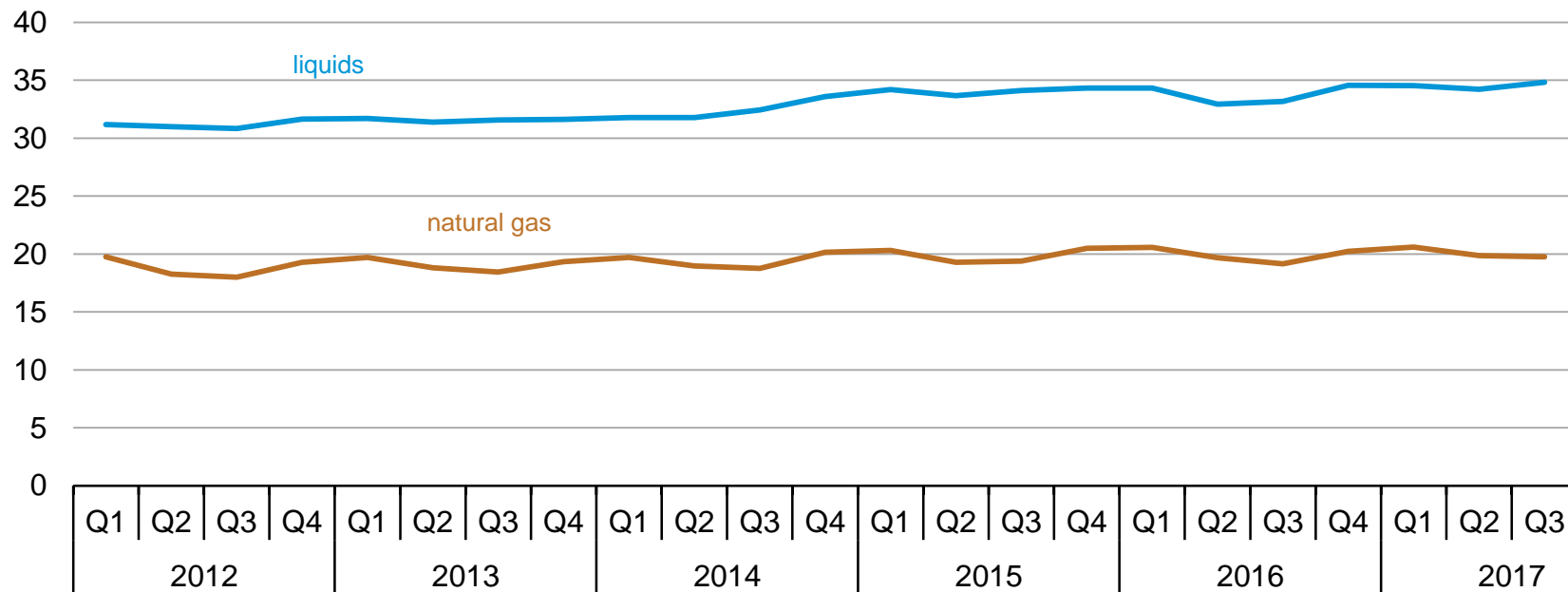
Distribution of global energy companies by production of petroleum liquids, third-quarter 2017



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

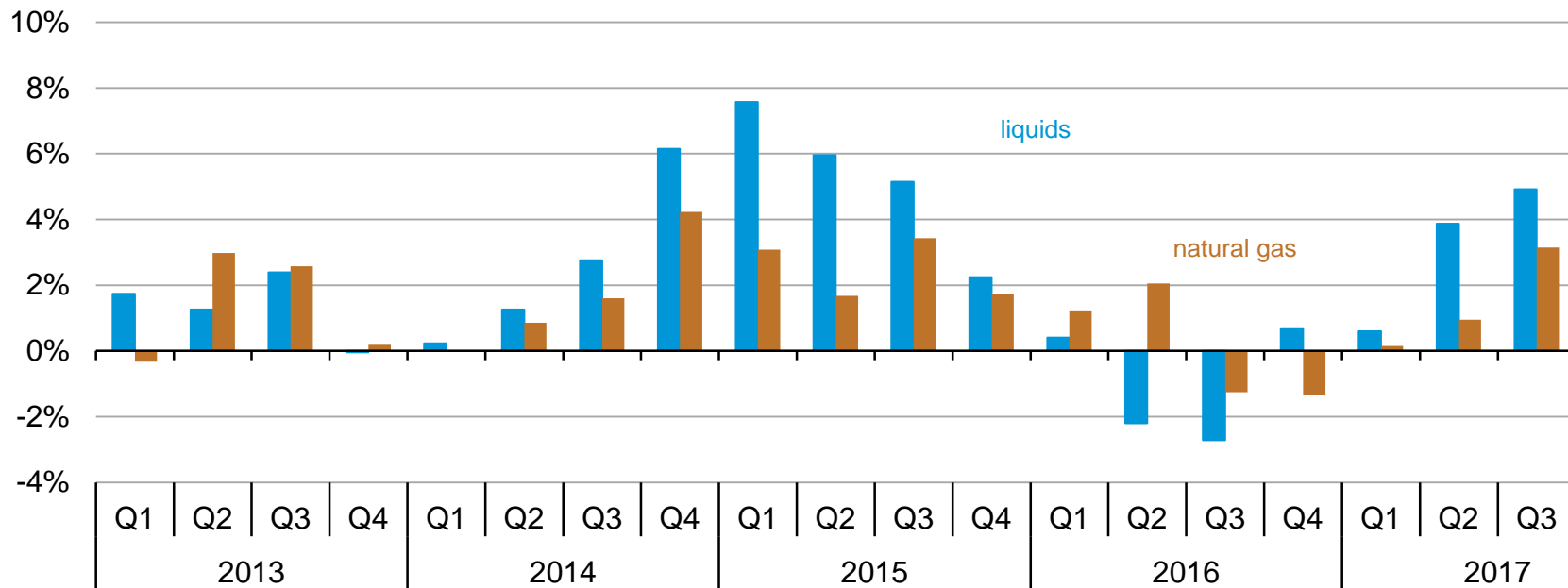
liquids and natural gas production
million barrels of oil equivalent per day



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

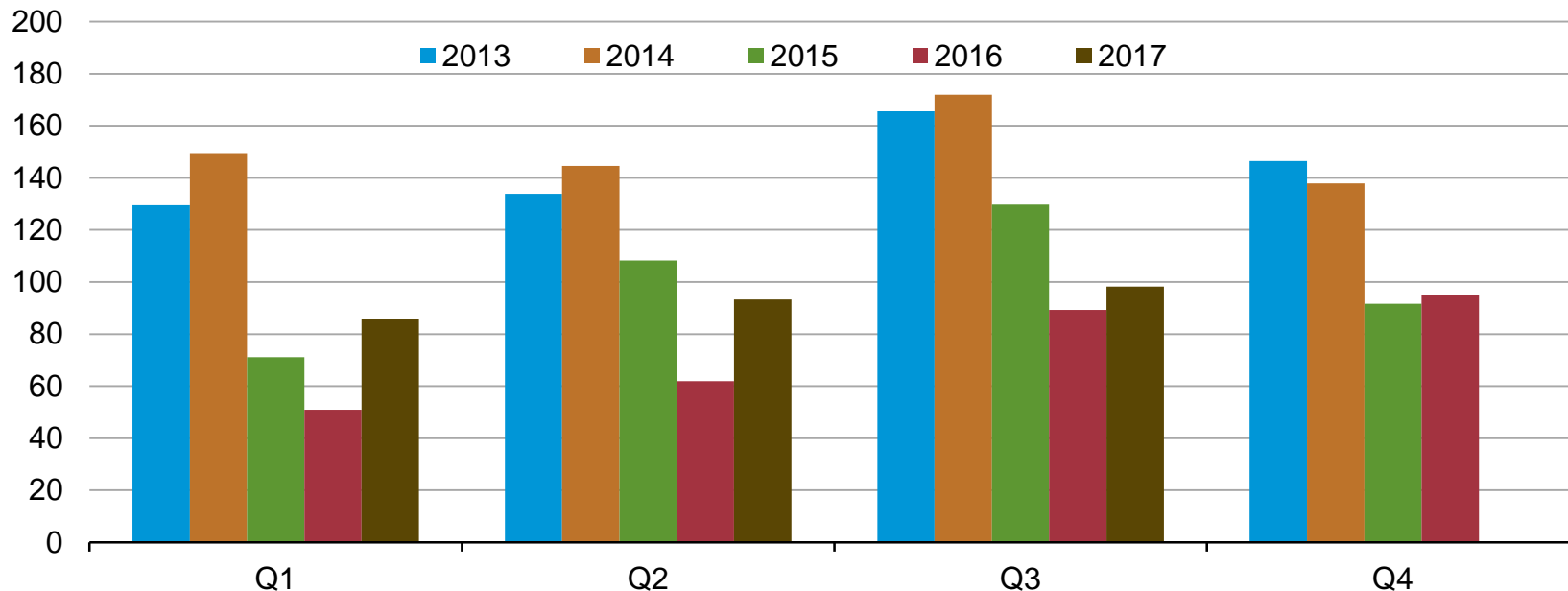
liquids and natural gas production
year-over-year change



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

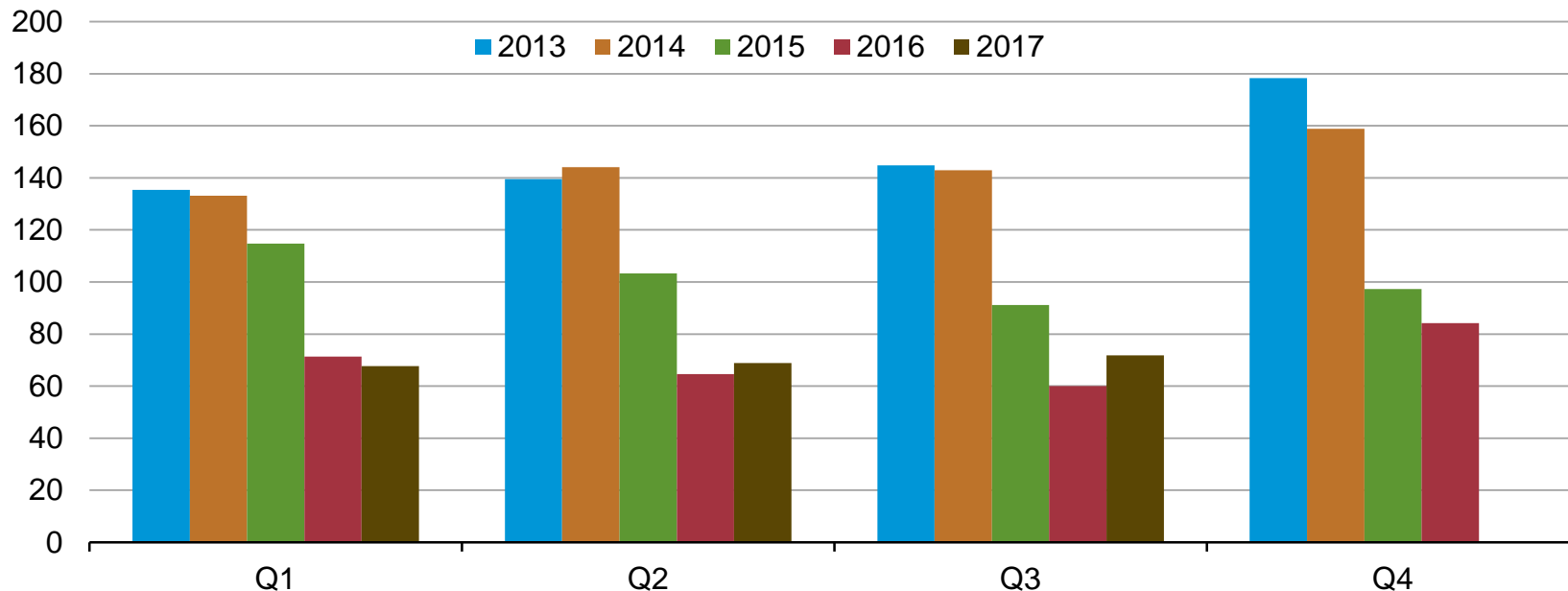
cash from operations
billion 2017\$



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

Capital expenditure in third-quarter 2017 was \$67 billion, 20% higher than in third-quarter 2016

capital expenditure
billion 2017\$

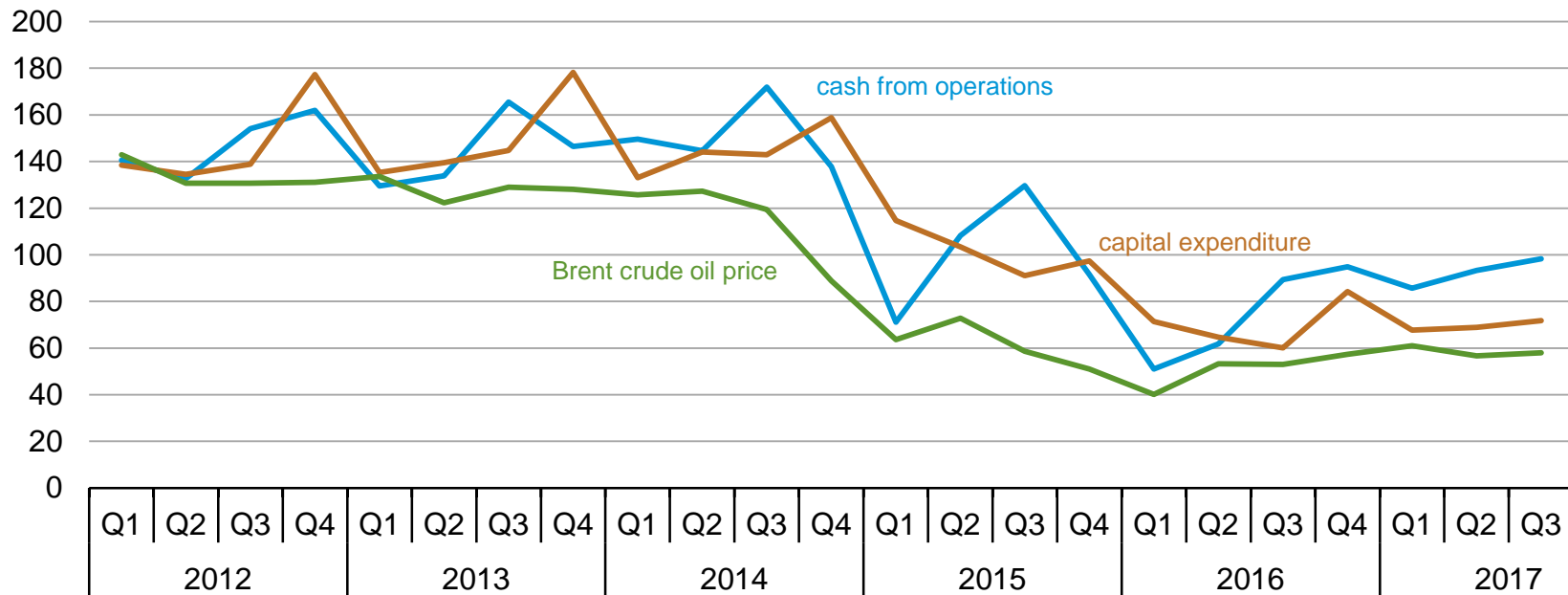


Source: U.S. Energy Information Administration, Evaluate Energy

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

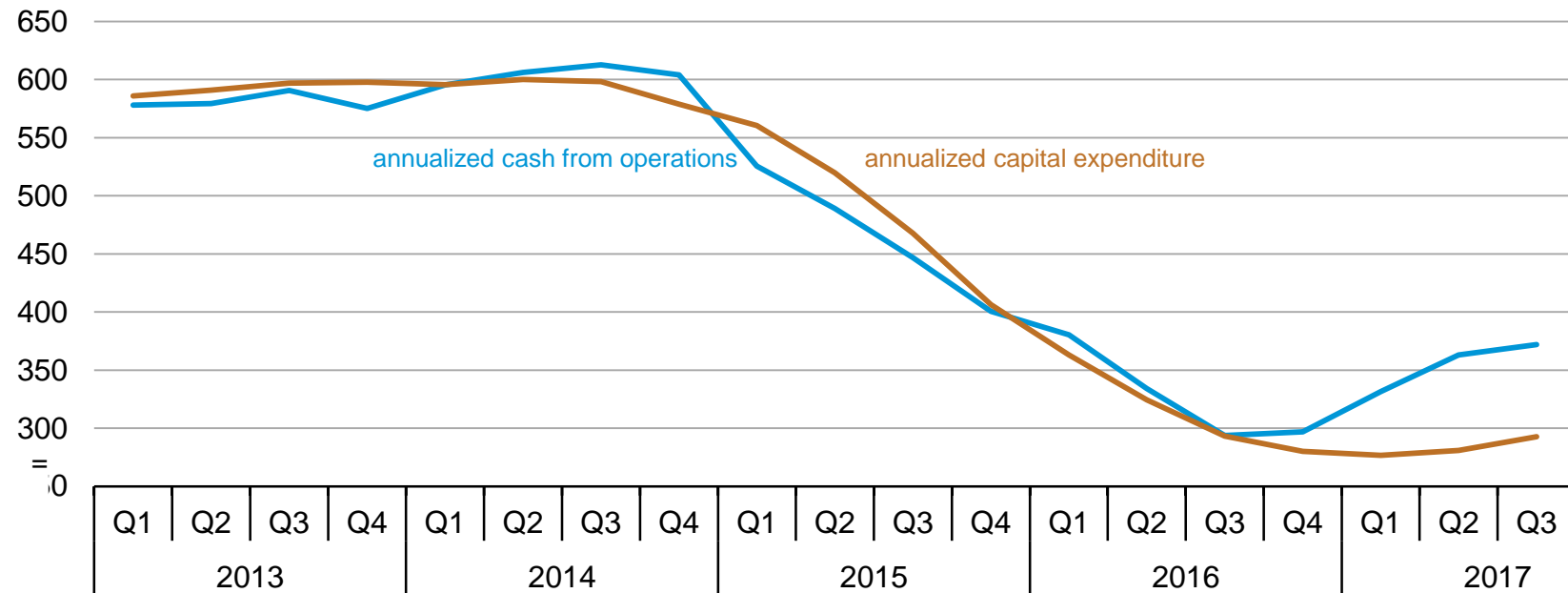


Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg

Cash from operations was \$79 billion higher than capital expenditure for the four quarters ending September 30, 2017

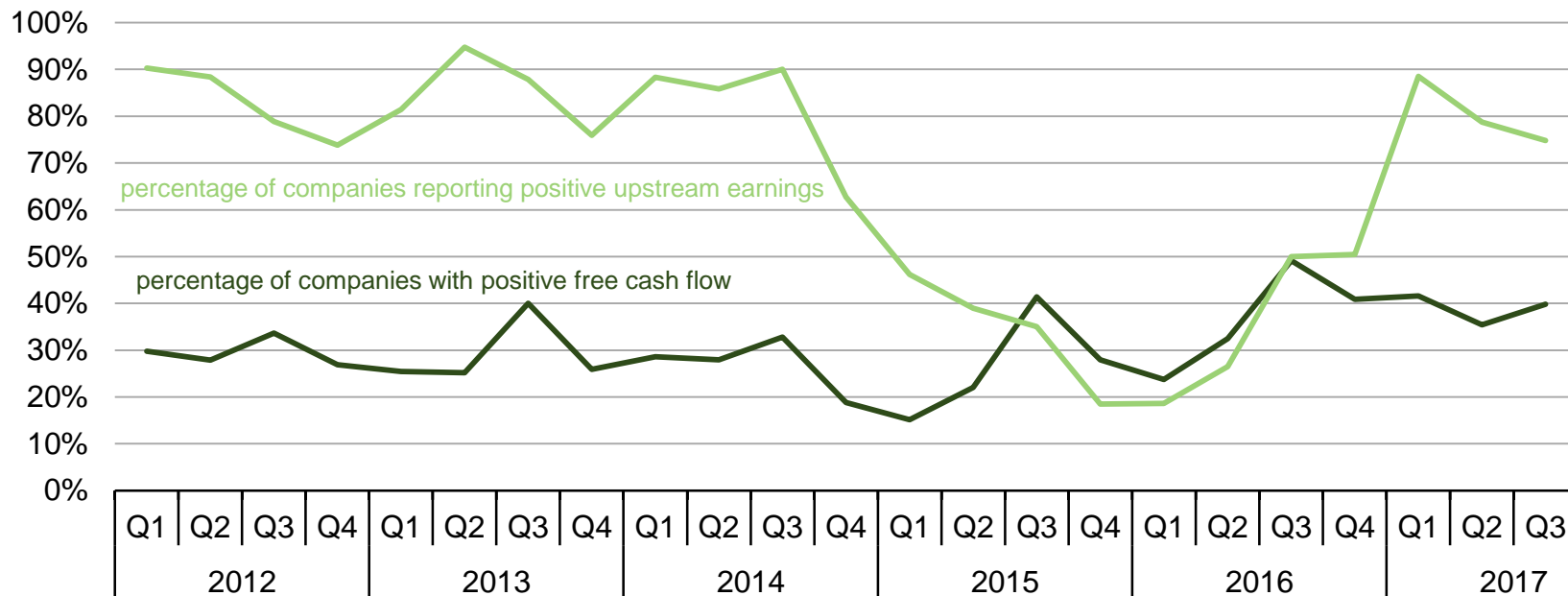
annualized cash flow items

billion 2017\$



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

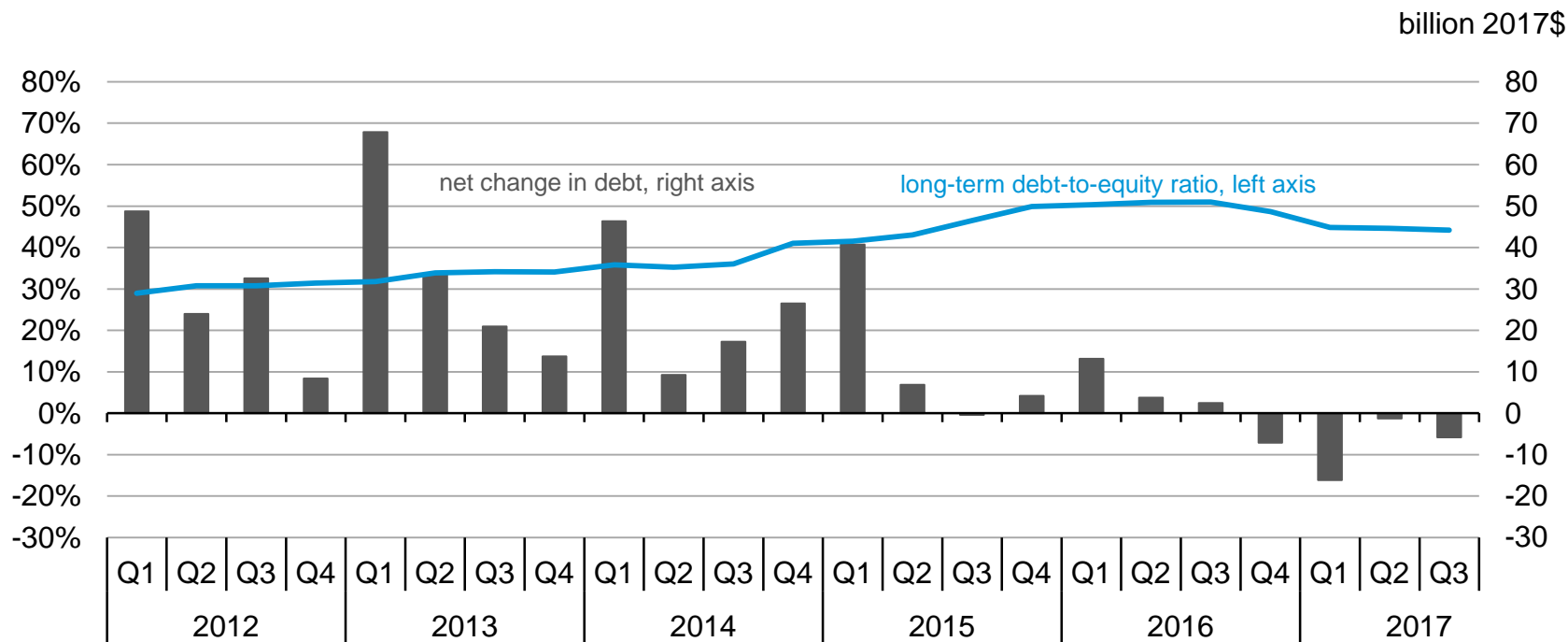
Almost 40% of companies had a positive free cash flow, and 75% reported positive upstream earnings in third-quarter 2017



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

Note: free cash flow=cash from operations minus capital expenditure

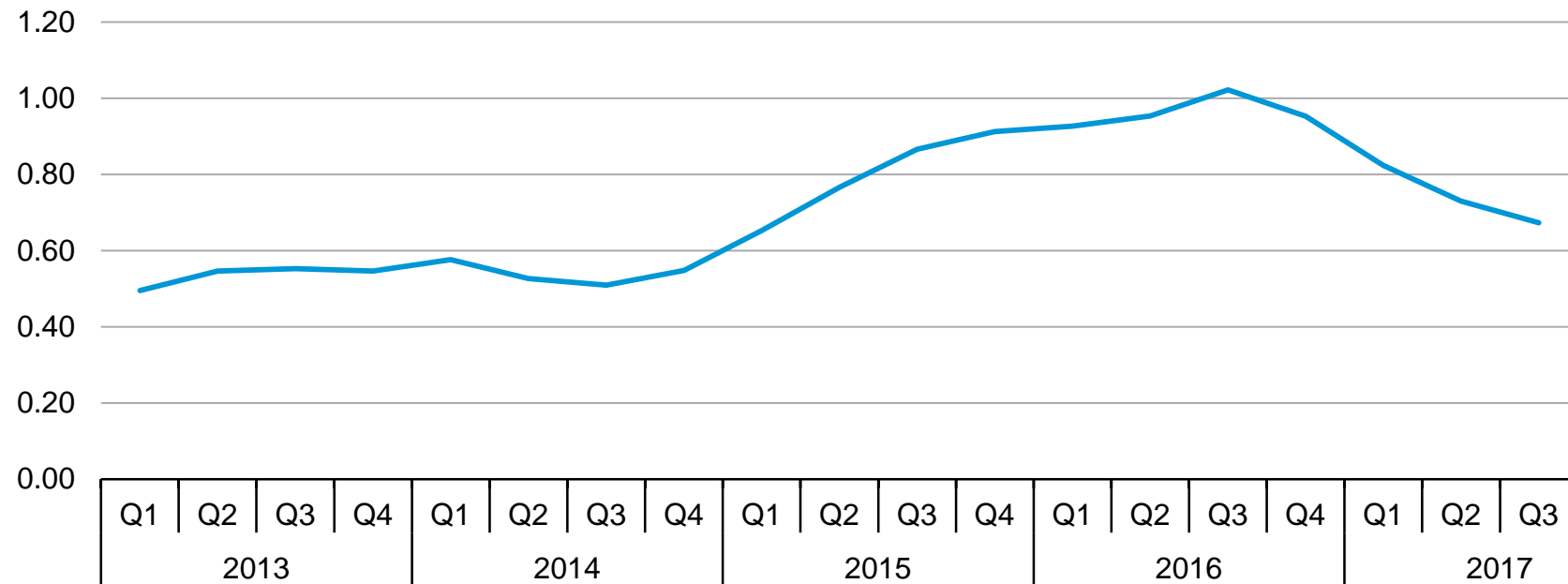
The long-term debt-to-equity ratio declined for the fourth consecutive quarter in third-quarter 2017 as companies paid off debt



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

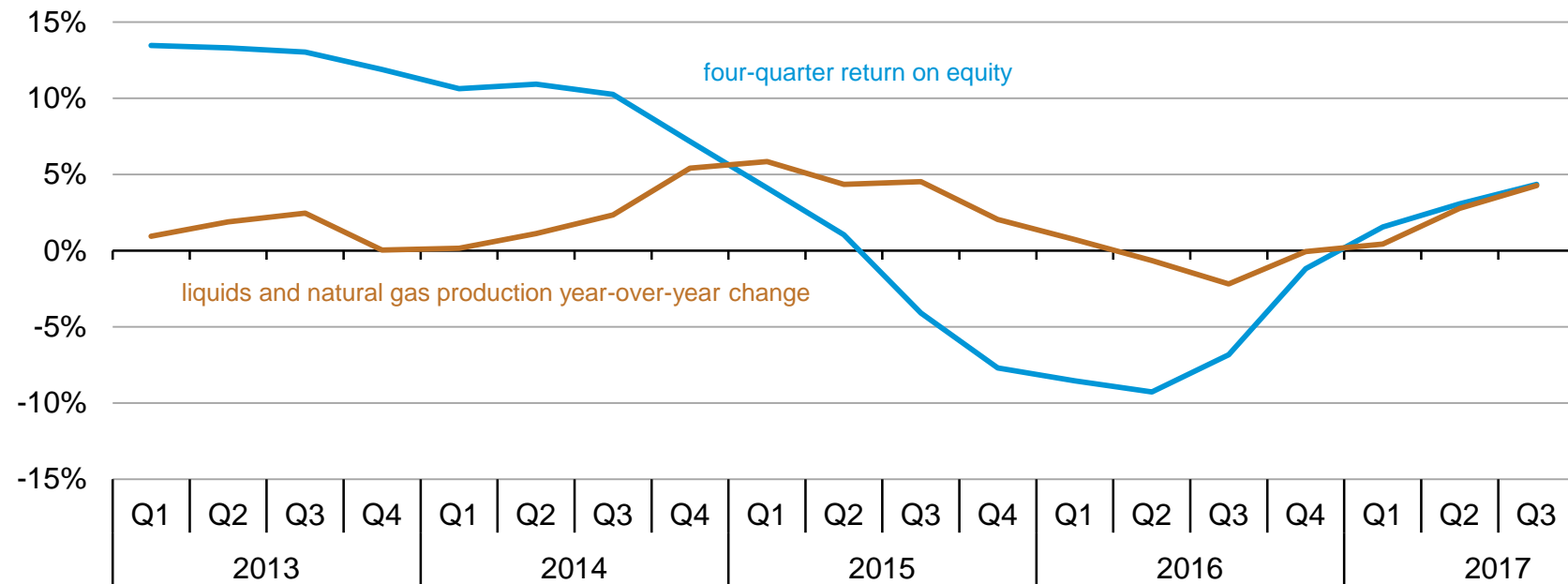
annualized debt repayments to cash flow
ratio



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

The energy companies' return on equity increased to more than 4% in third-quarter 2017

return on equity and production

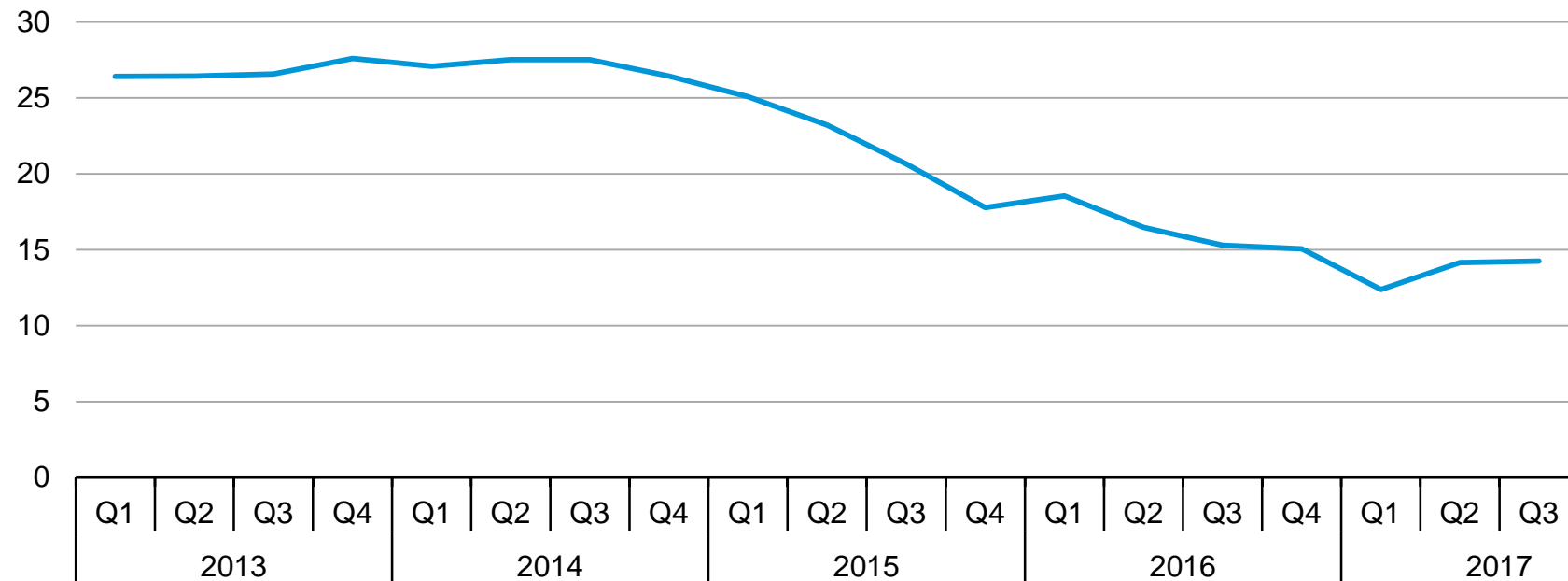


Source: U.S. Energy Information Administration, *Evaluate Energy*

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

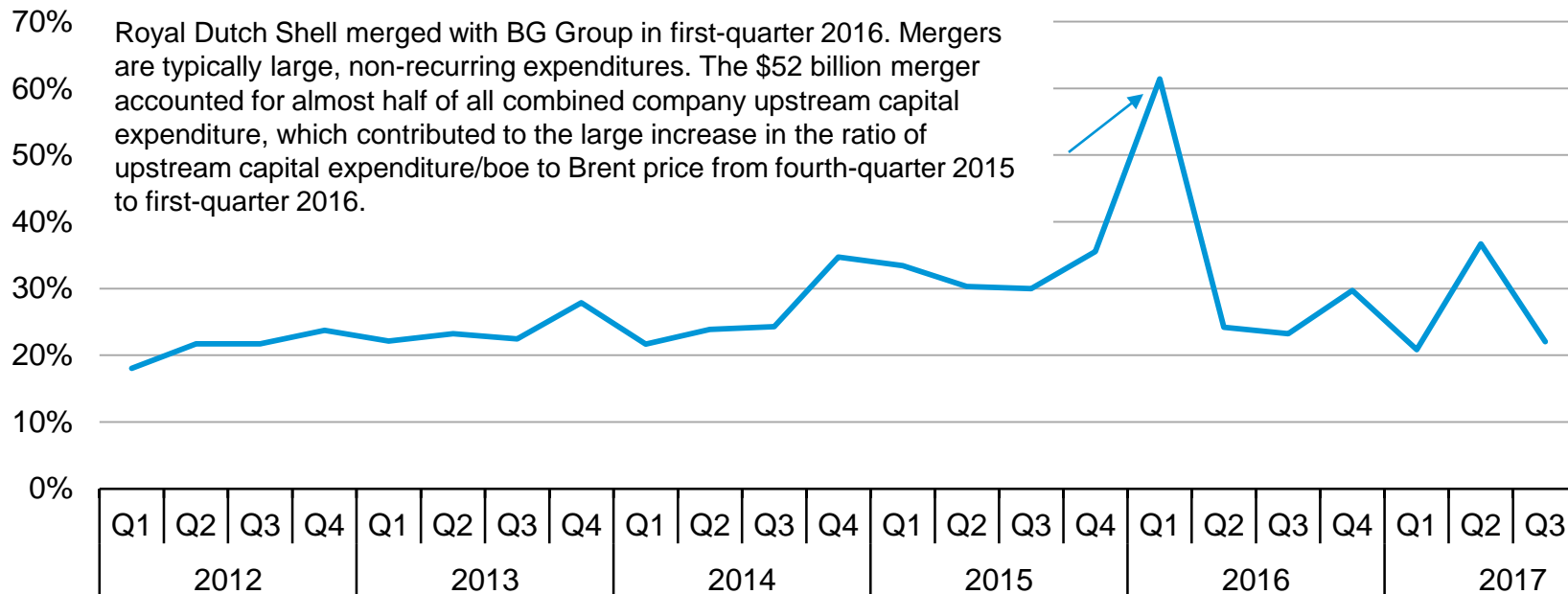


Source: U.S. Energy Information Administration, Evaluate Energy

Note: boe=barrel of oil equivalent

Upstream capital expenditures per barrel of oil equivalent were 22% of the quarterly average crude oil price

ratio of upstream capital expenditure/boe to Brent price

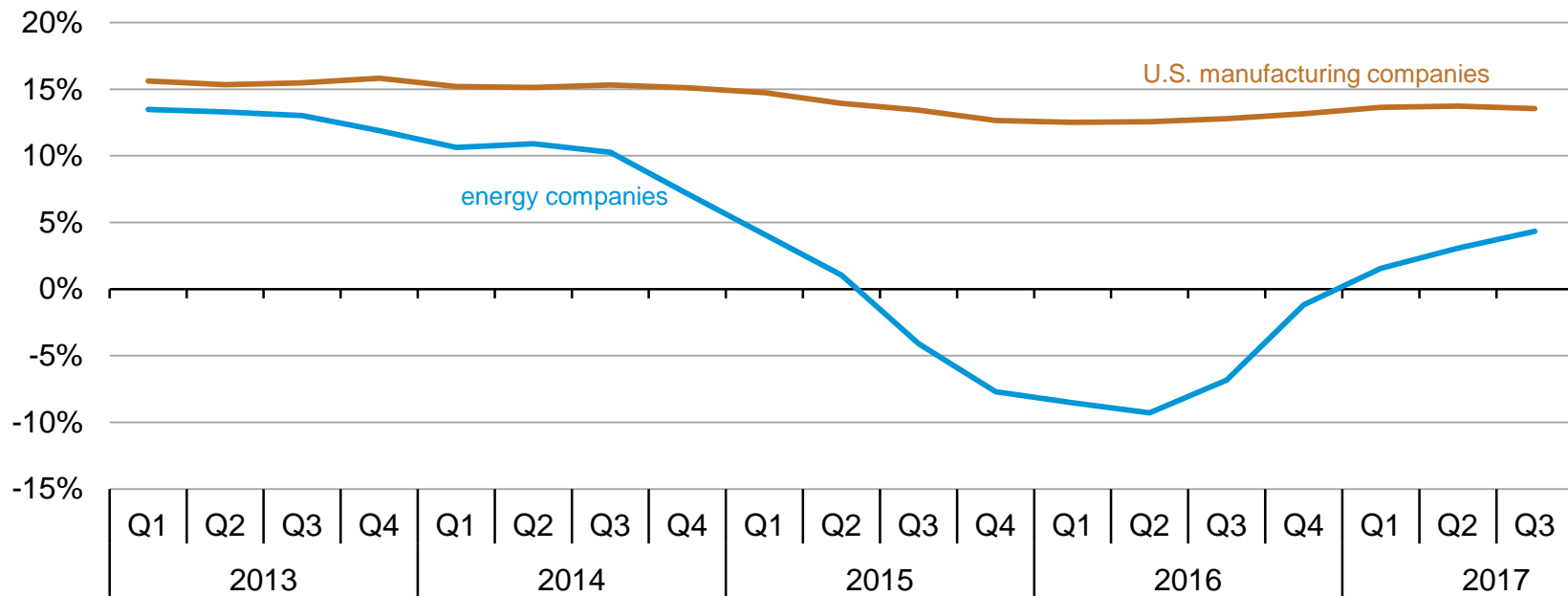


Source: U.S. Energy Information Administration, Evaluate Energy

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

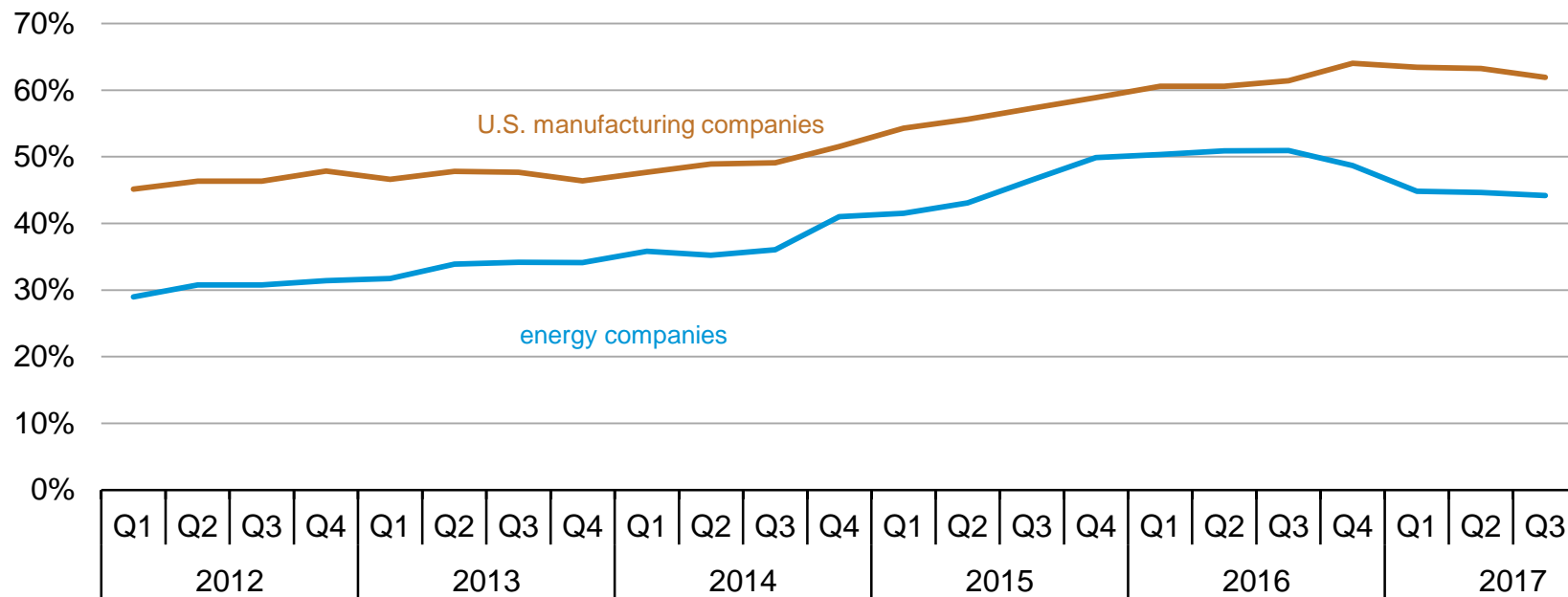
four-quarter return on equity



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

The long-term debt-to-equity ratios for both sectors declined one percentage point from the second quarter to the third quarter of 2017

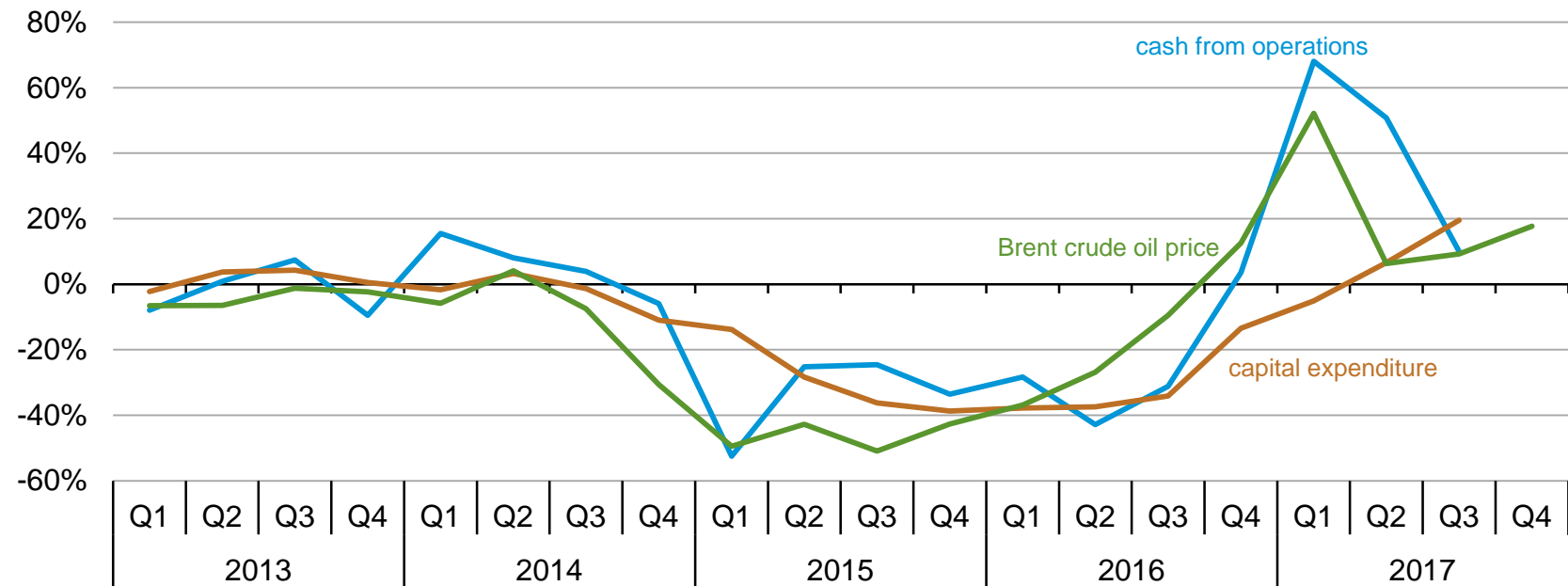
long-term debt-to-equity ratio



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

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