

# Financial Review of the Global Oil and Natural Gas Industry: Third-Quarter 2018



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*Markets and Financial Analysis Team*

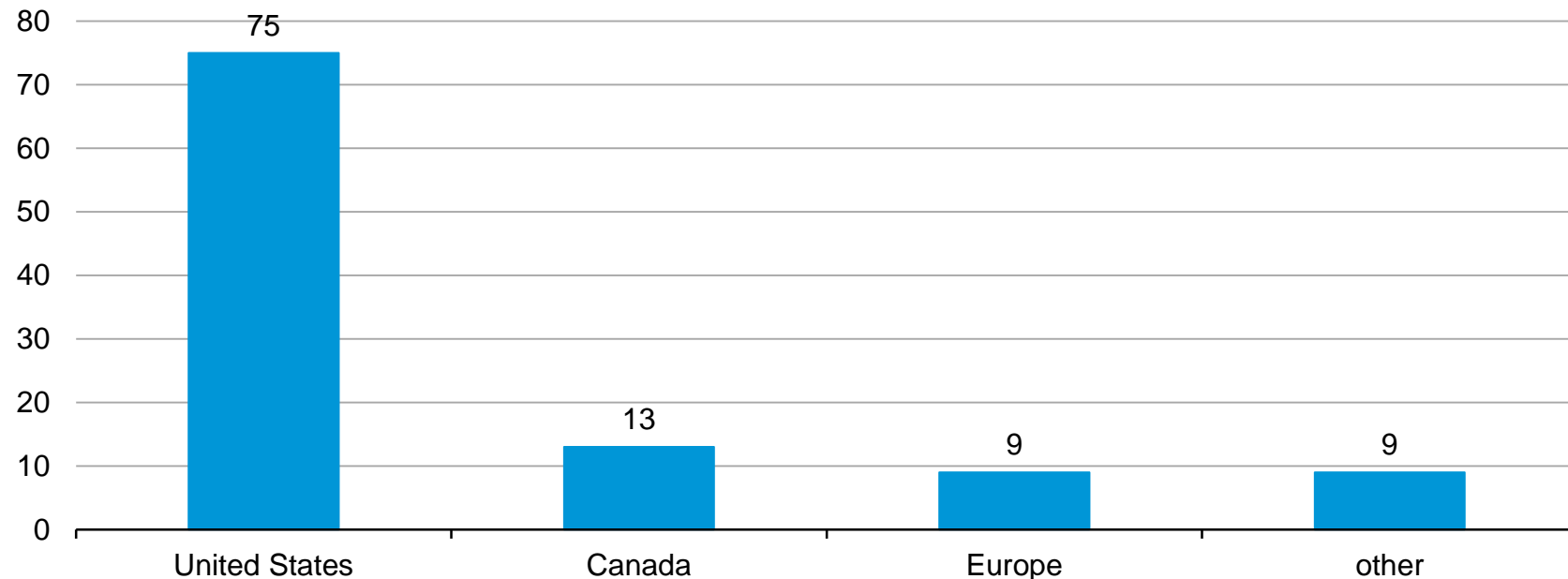
*December 2018*

## Key findings for third-quarter 2018

- Brent crude oil prices were 45% higher in third-quarter 2018 than in third-quarter 2017 and averaged \$76 per barrel, the highest since fourth-quarter 2014.
- Liquids production increased 2.7% in third-quarter 2018 from third-quarter 2017, and natural gas production increased 3.9% during the same period.
- Energy companies' free cash flow—the difference between cash from operations and capital expenditure—was \$149 billion for the four quarters ending September 30, 2018, the largest four-quarter sum during 2013–18.
- Companies reduced debt for eight consecutive quarters, contributing to the lowest long-term debt-to-equity ratio since third-quarter 2014.

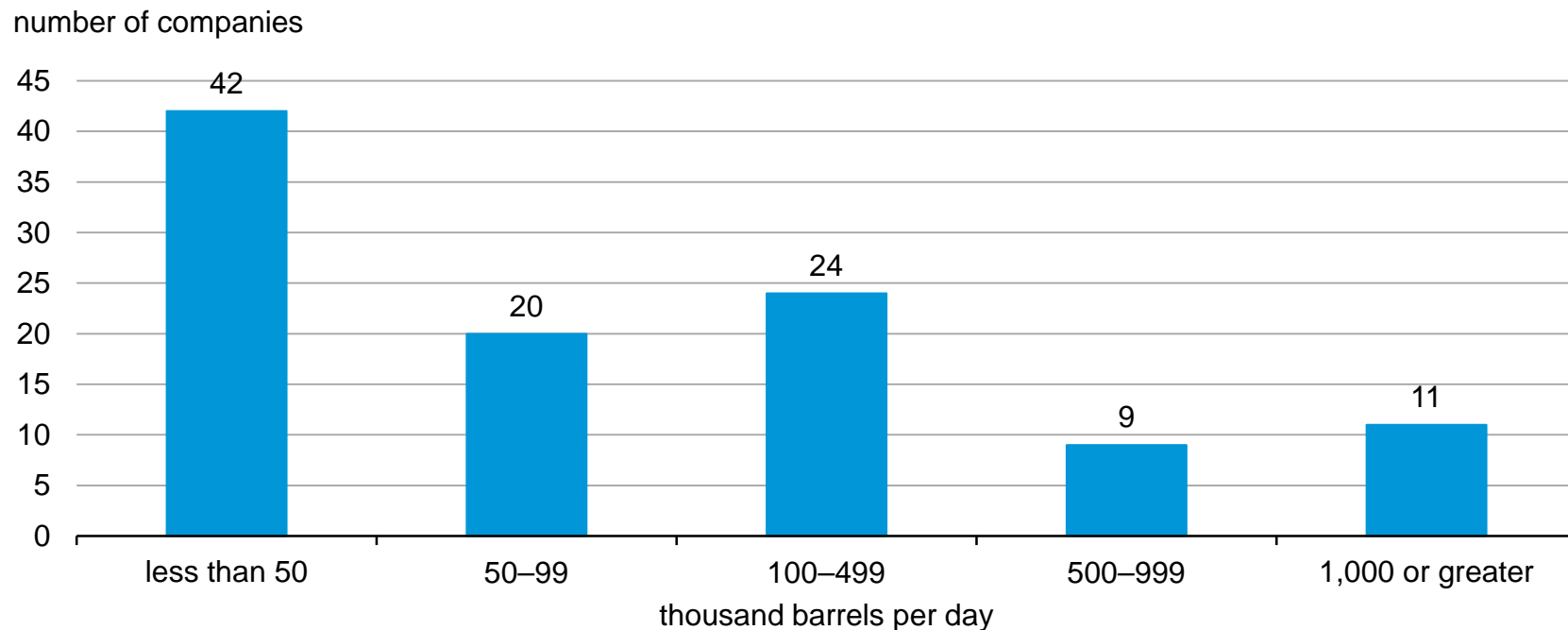
# Geographic distribution of global oil and natural gas companies, third-quarter 2018

number of companies



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

# Distribution of global energy companies by production of petroleum liquids, third-quarter 2018

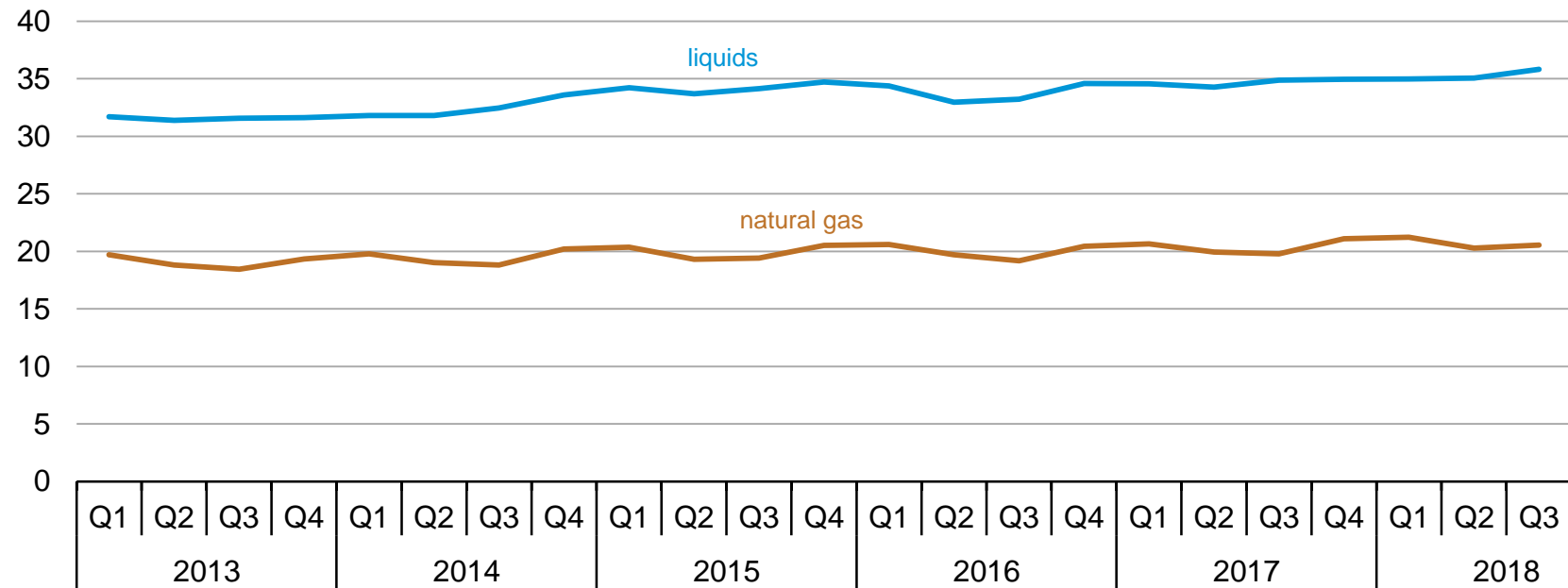


Source: U.S. Energy Information Administration, *Evaluate Energy*

# Liquids and natural gas production was 36 million barrels per day and 21 million barrels of oil equivalent per day, respectively, in third-quarter 2018

liquids and natural gas production

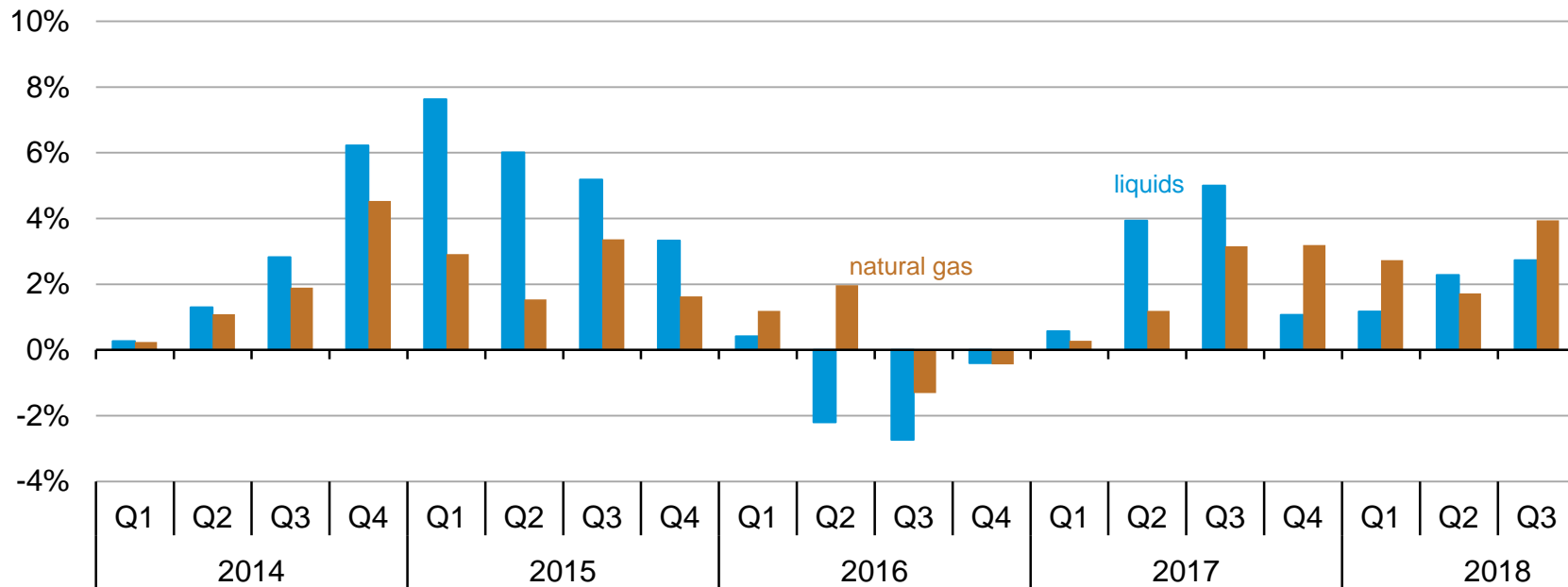
million barrels of oil equivalent per day



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

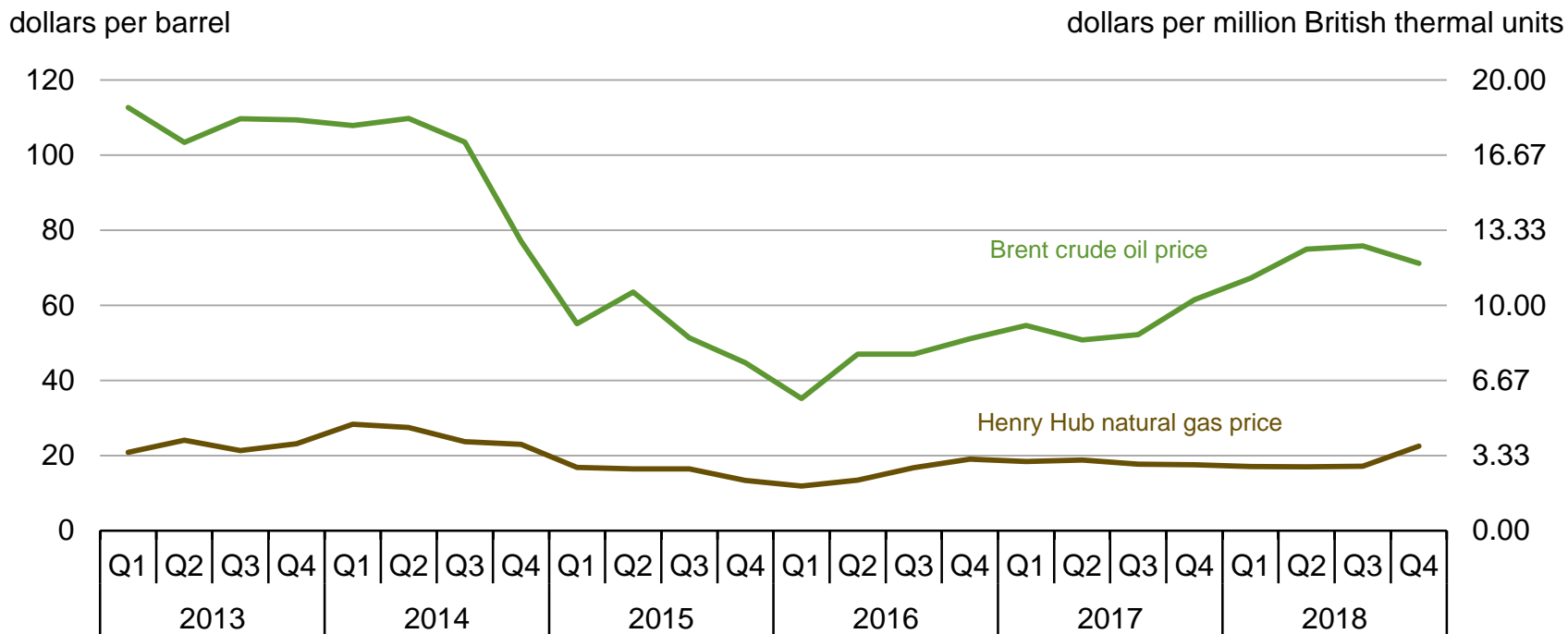
# Global liquids production increased 2.7% and natural gas production increased 3.9% year over year in third-quarter 2018

liquids and natural gas production  
year-over-year change



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

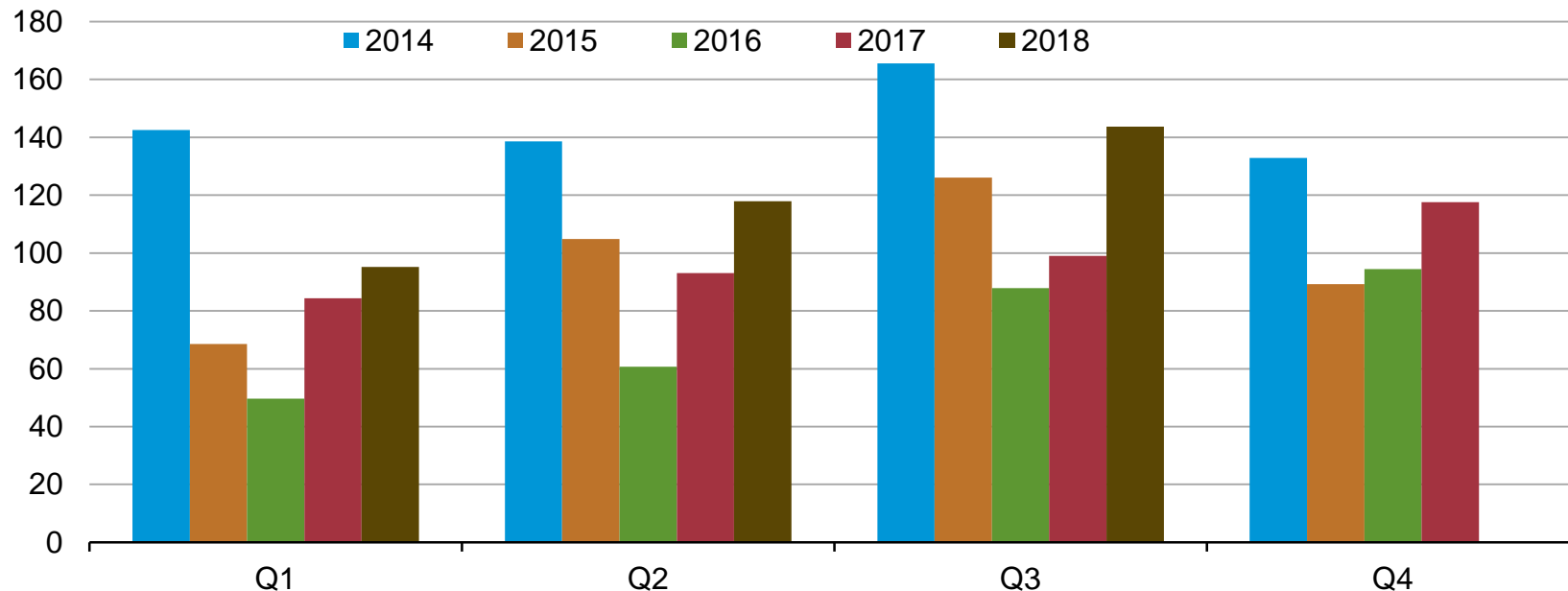
## Third-quarter 2018 crude oil prices were 45% higher than in third-quarter 2017, and natural gas prices declined 3% during the same period



Source: Bloomberg

# Cash from operations in second-quarter 2018 was \$144 billion, a 45% increase from third-quarter 2017

cash from operations  
billion dollars

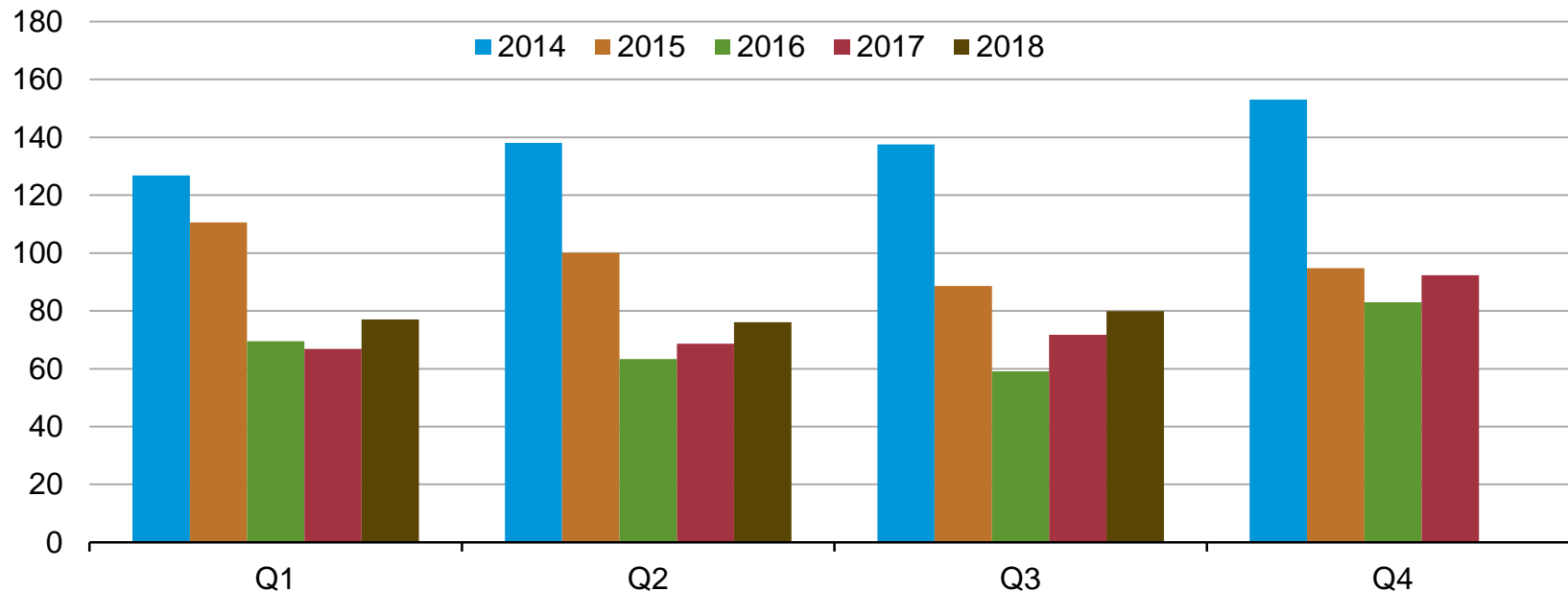


Source: U.S. Energy Information Administration, *Evaluate Energy*



# Capital expenditure in second-quarter 2018 was \$80 billion, 11% higher than in third-quarter 2017

capital expenditure  
billion dollars

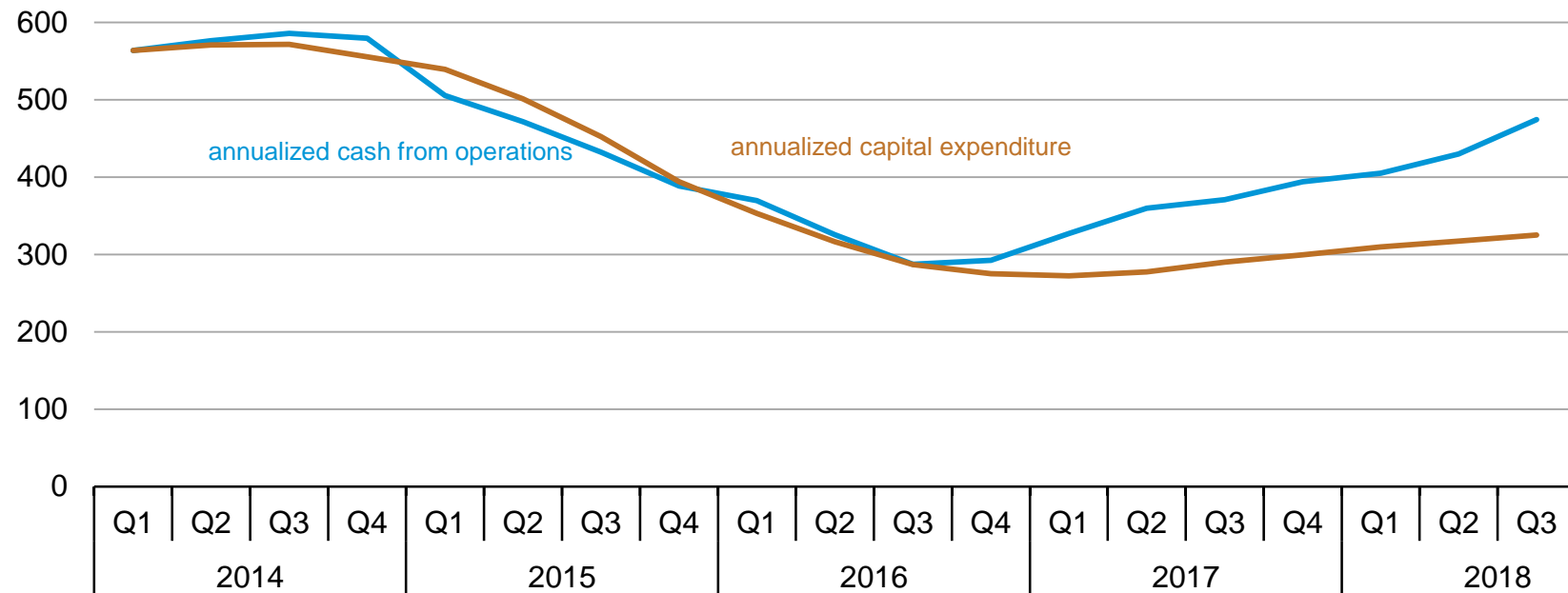


Source: U.S. Energy Information Administration, *Evaluate Energy*

# Cash from operations was \$149 billion higher than capital expenditures for the sum of the four quarters ending September 30, 2018

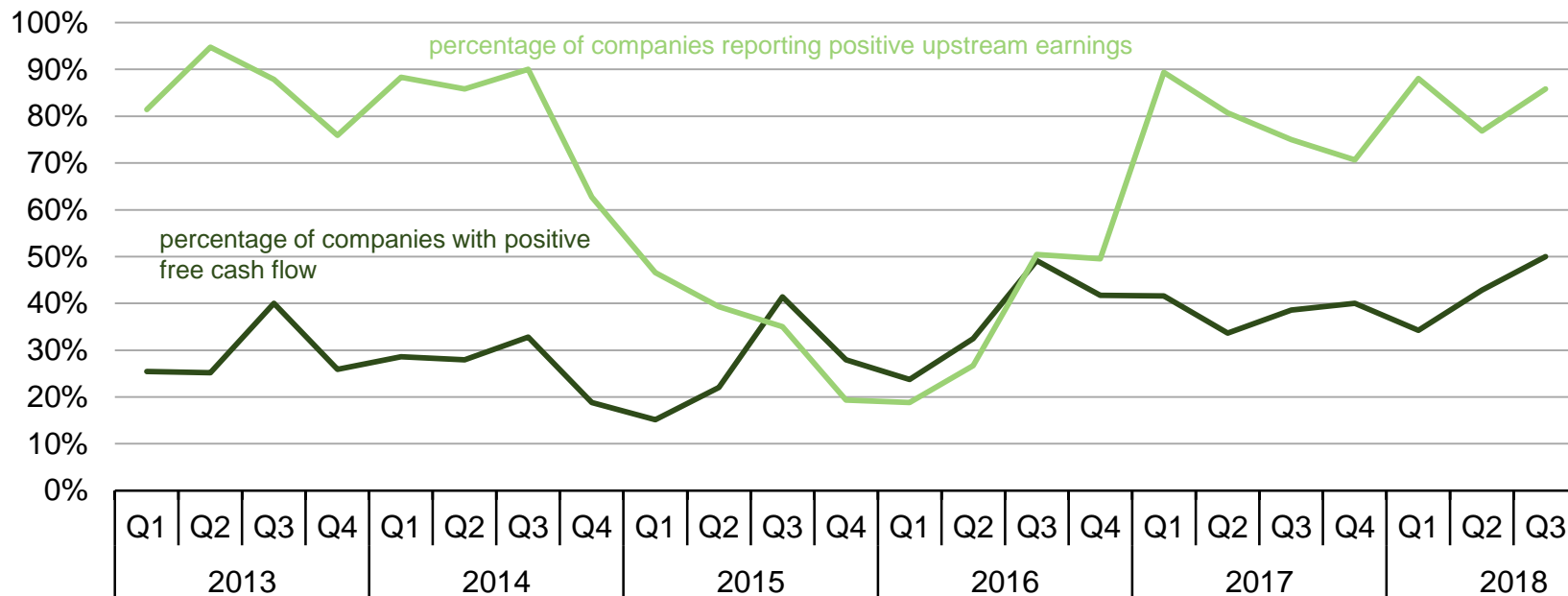
annualized cash flow items

billion dollars



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

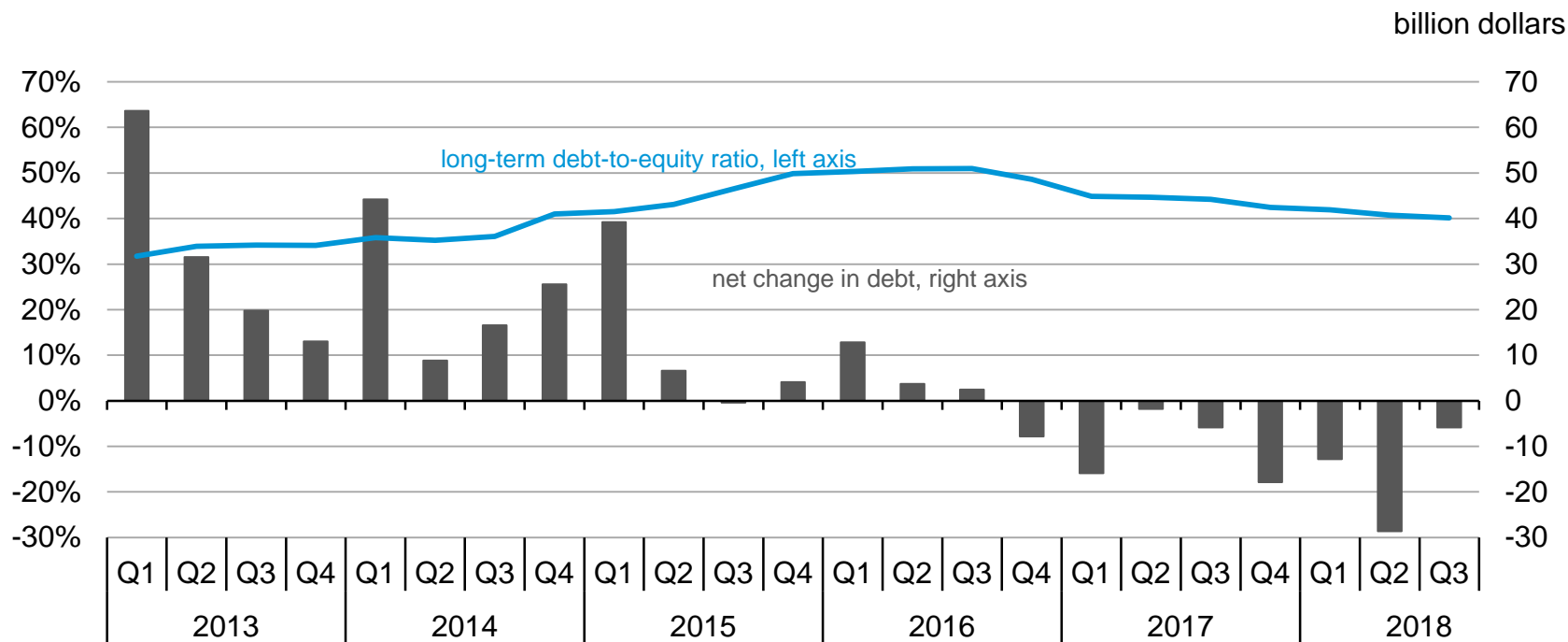
# Half of companies had positive free cash flow, and 86% reported positive upstream earnings in third-quarter 2018



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

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

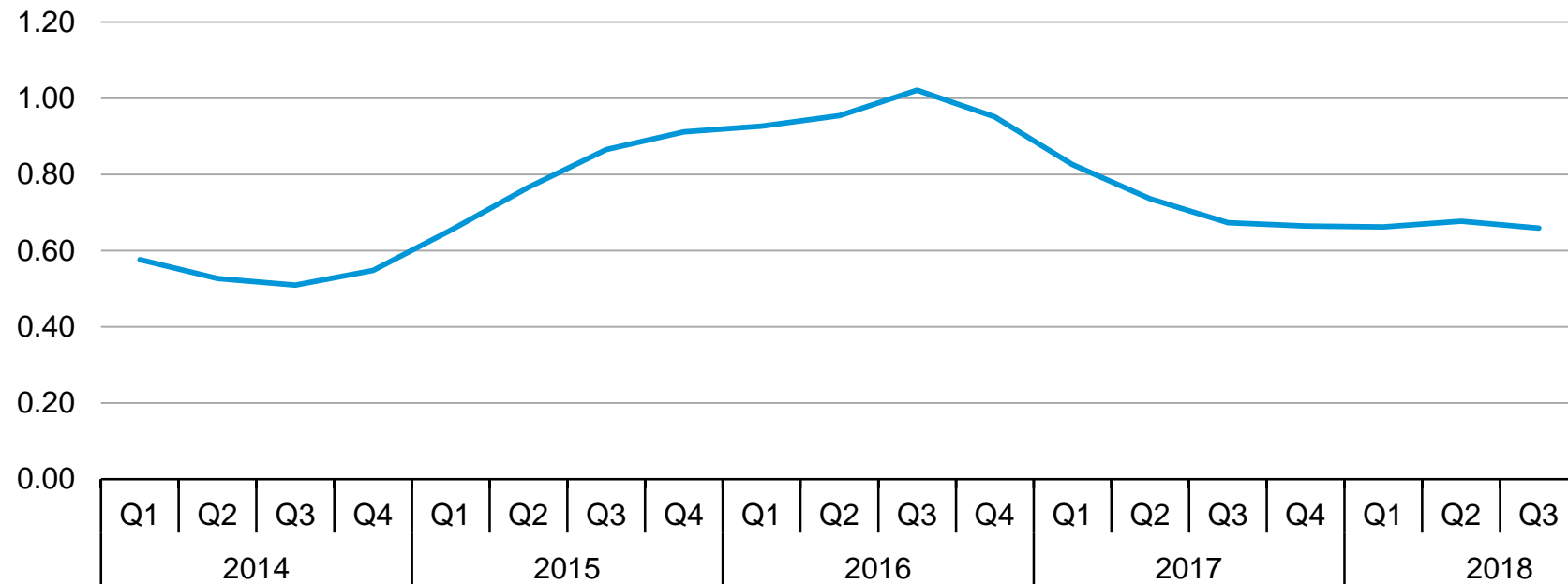
## Companies reduced debt for eight consecutive quarters, contributing to the lowest long-term debt-to-equity ratio since third-quarter 2014



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

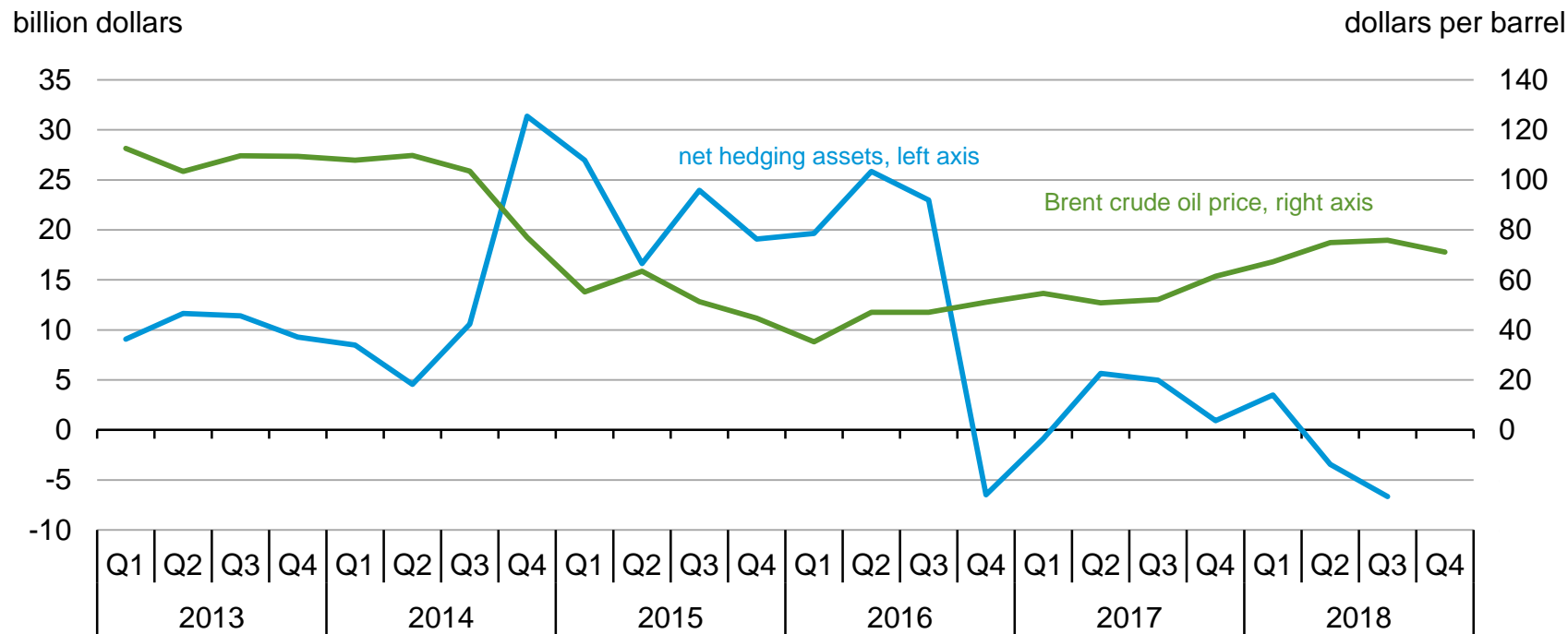
# Higher cash flow and debt repayments reduced the ratio of debt repayments to cash flow in third-quarter 2018

annualized debt repayments to cash flow  
ratio



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

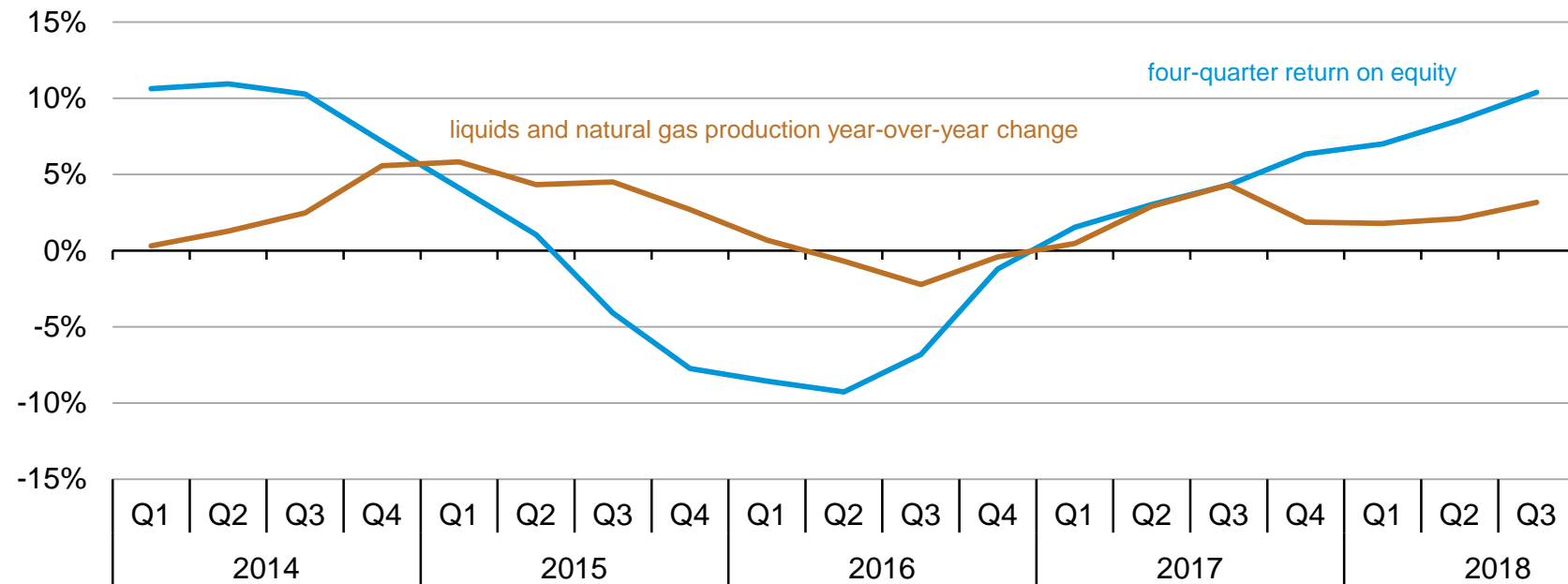
# Hedging and derivative assets declined in value in third-quarter 2018 as crude oil prices increased



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

# The energy companies' return on equity increased to 10% in third-quarter 2018, the highest level since second-quarter 2014

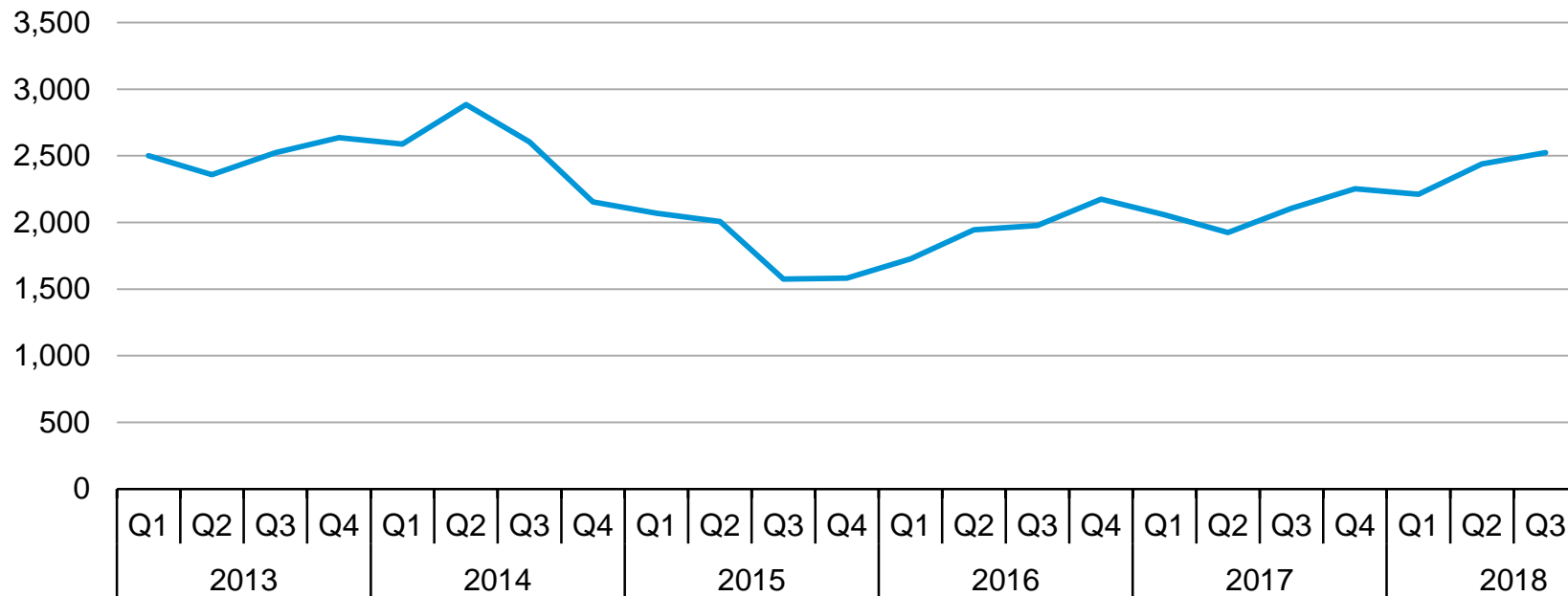
return on equity and production



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

# The energy companies' combined market capitalization increased 20% from third-quarter 2017 to third-quarter 2018

combined market capitalization  
billion dollars

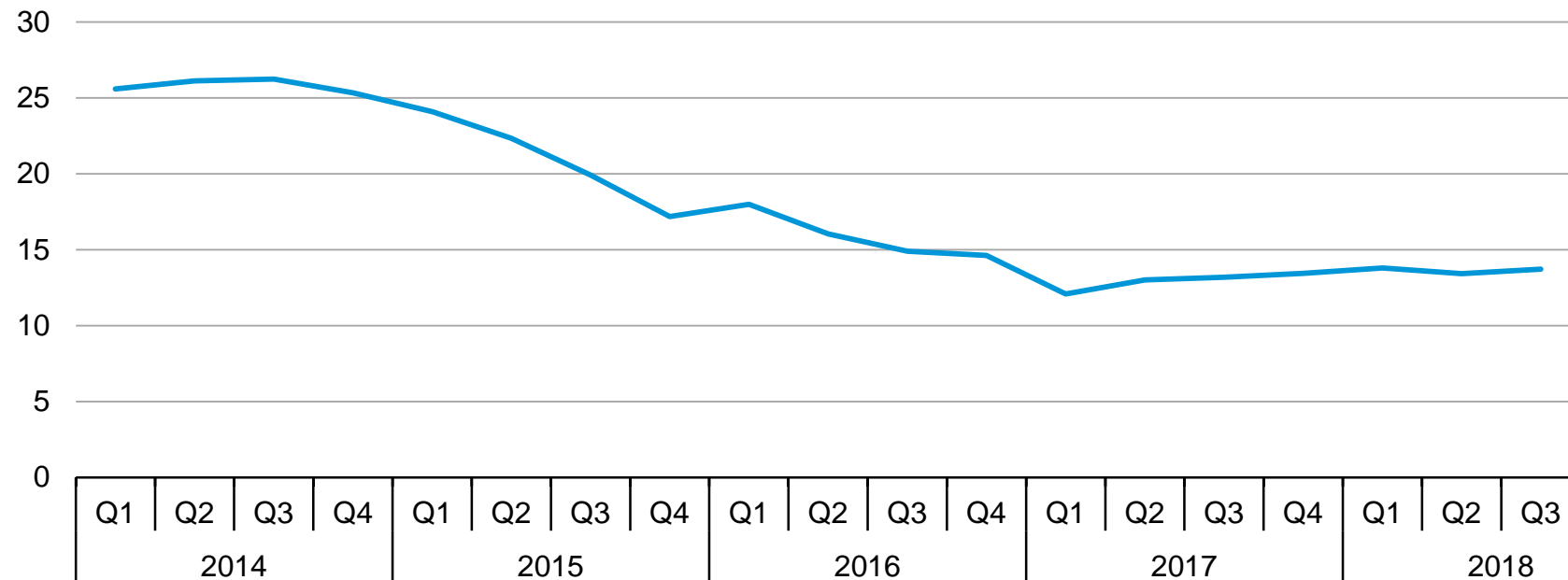


Source: U.S. Energy Information Administration, *Evaluate Energy*



## Average upstream capital expenditures on a per-barrel basis increased 53 cents per barrel of oil equivalent from third-quarter 2017 to third-quarter 2018

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

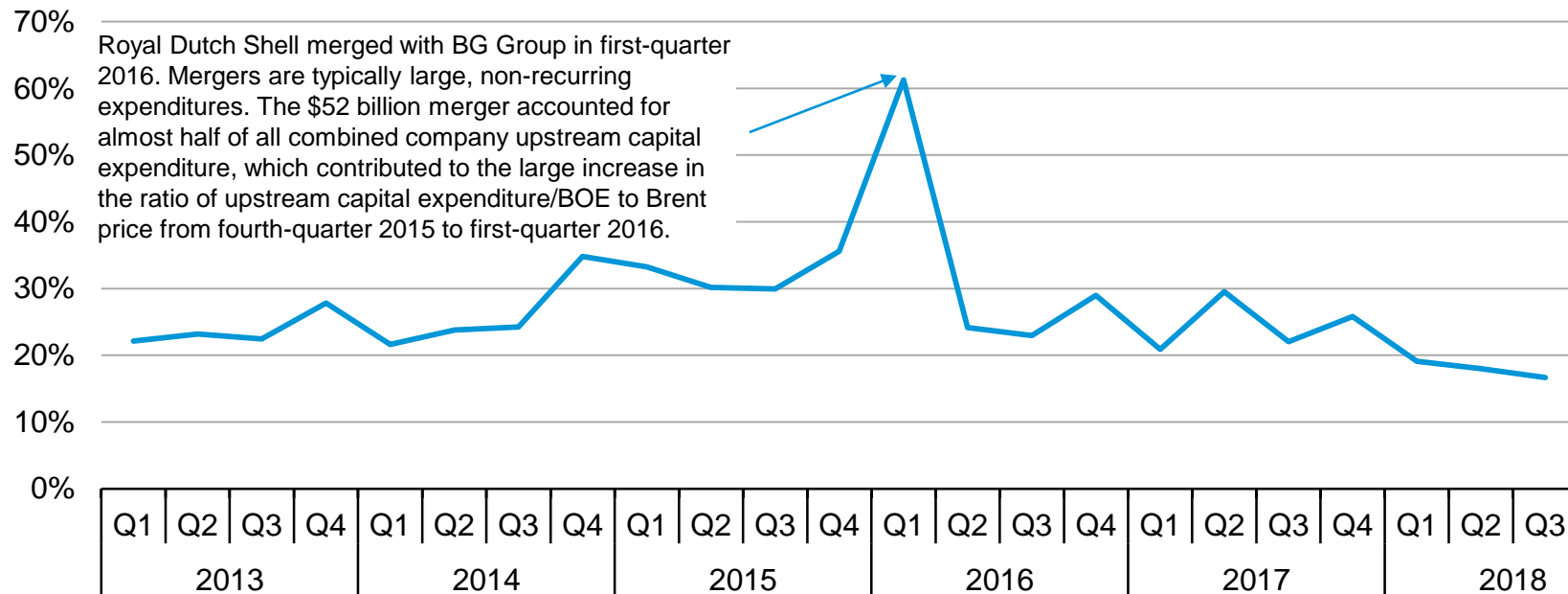


Source: U.S. Energy Information Administration, Evaluate Energy

Note: BOE=barrel of oil equivalent

# Upstream capital expenditures per barrel of oil equivalent were 17% of crude oil prices, the lowest share in the 2013–18 period

ratio of upstream capital expenditure/BOE to Brent price

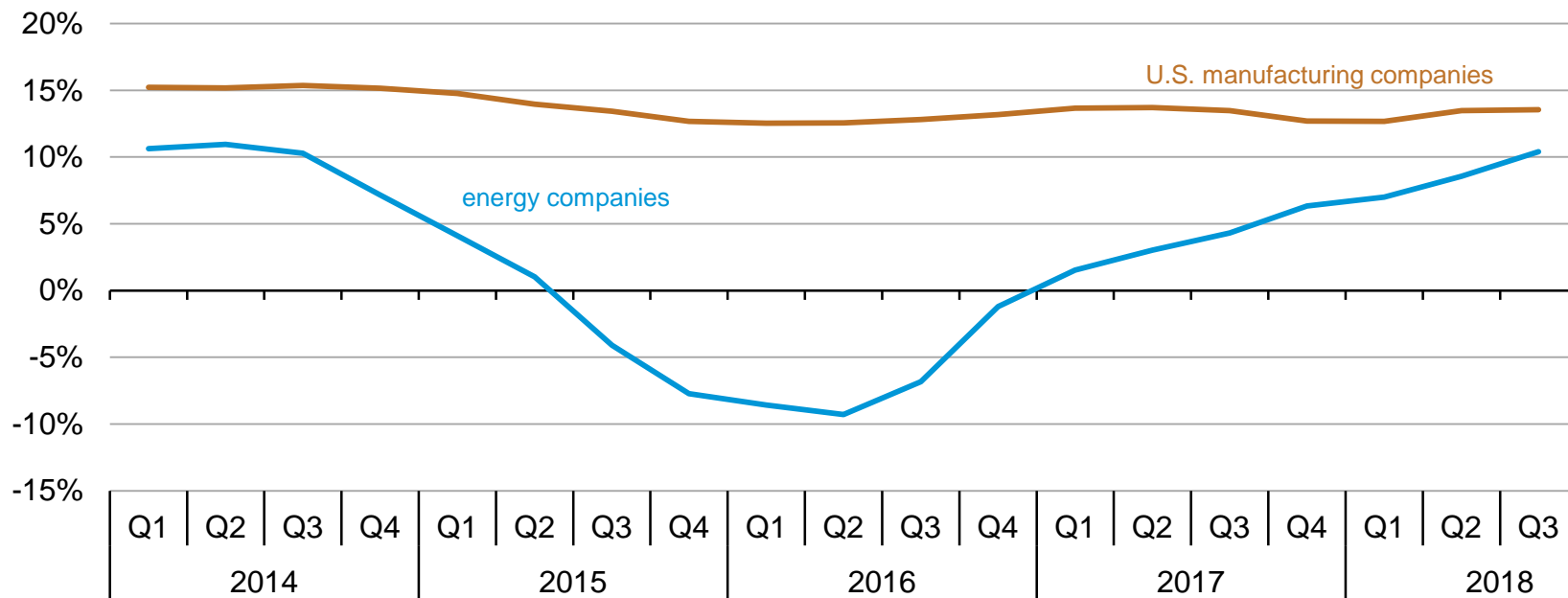


Source: U.S. Energy Information Administration, *Evaluate Energy*

Note: BOE=barrel of oil equivalent

## The return on equity for energy companies was the highest since second-quarter 2014 but remains lower than U.S. manufacturing company returns

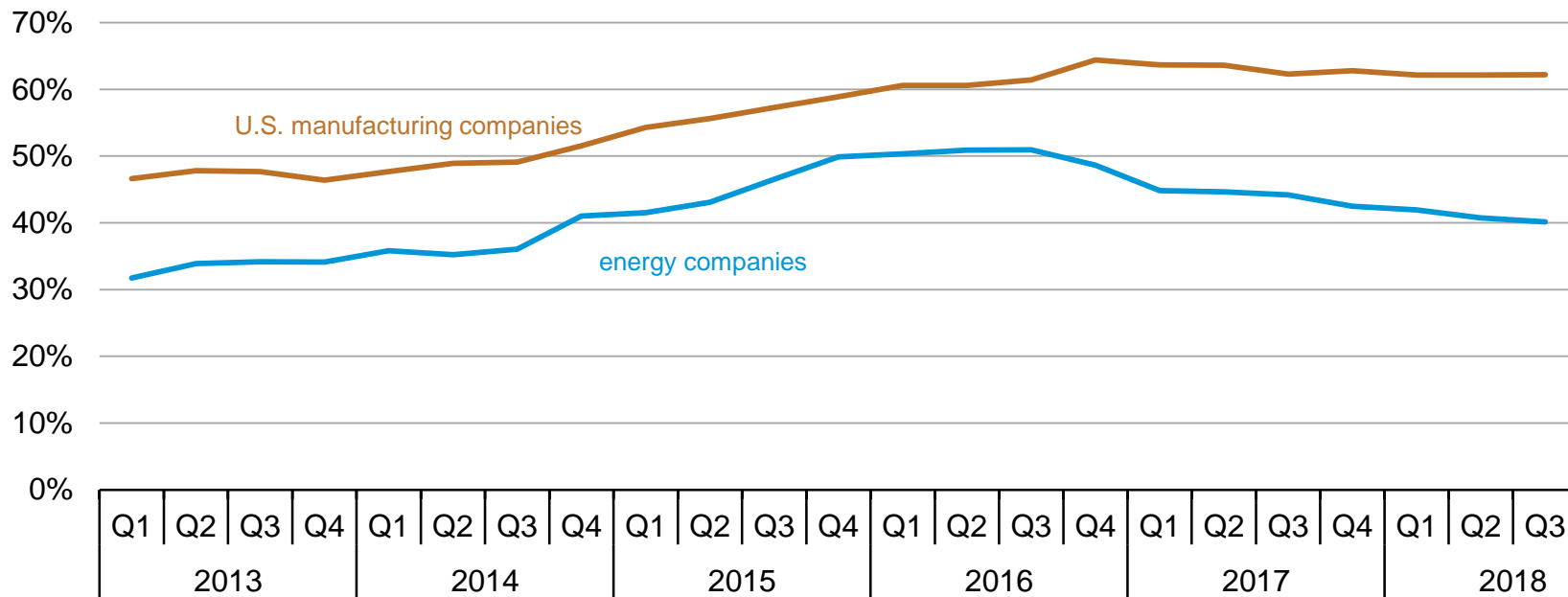
four-quarter return on equity



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

# The long-term debt-to-equity ratio for energy companies declined to 40% in third-quarter 2018

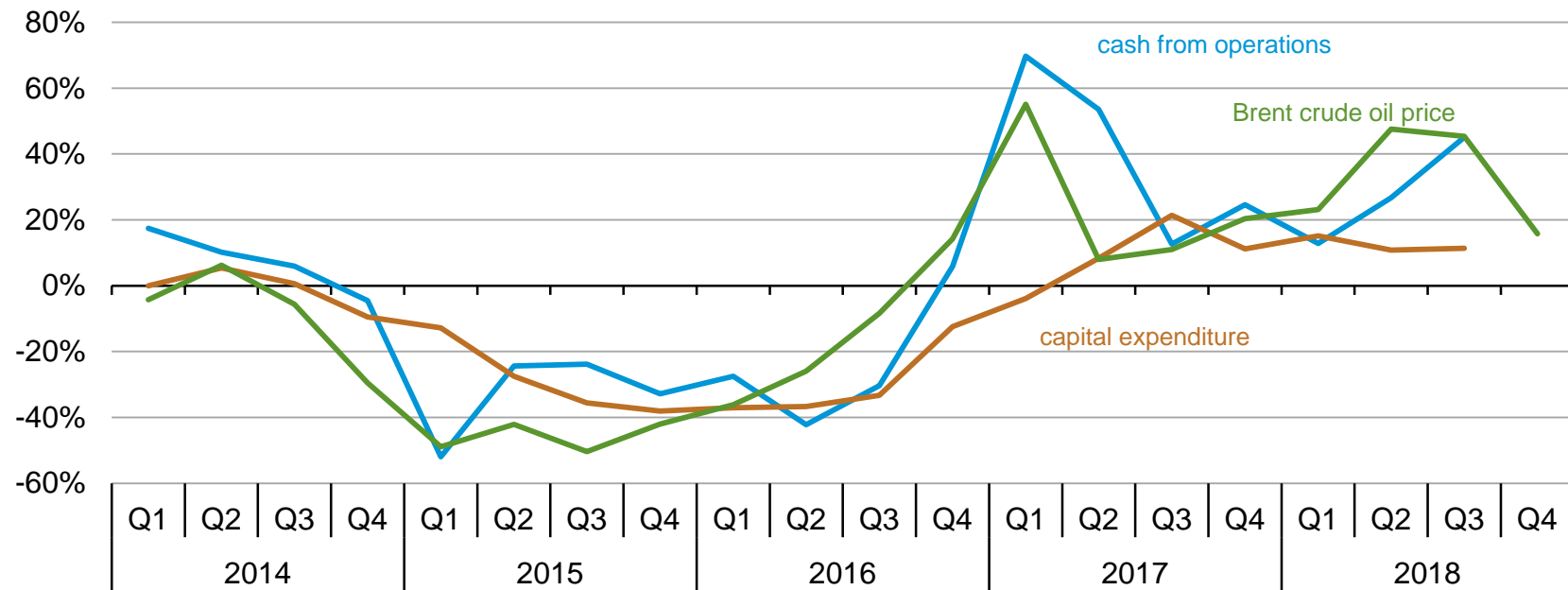
long-term debt-to-equity ratio



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

# Year-over-year crude oil price growth in fourth-quarter 2018 could contribute to increases in cash from operations and capital expenditures

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

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

**Note:** Some companies merged, split, or de-listed before 2018. A total of 106 companies existed in third-quarter 2018.

## Background

- This analysis focuses on the financial and operating trends of 106 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.
- A company's assets that were acquired by another company in the group after first-quarter 2013 were kept in the previous-year data.
- Several charts show comparisons between energy companies and the U.S. manufacturing industry, published in 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.