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

Markets and Financial Analysis Team

June 2017
Key findings for first-quarter 2017

• Brent crude oil prices remained lower than in the 2012–14 period but significantly higher than in first-quarter 2016, which increased operating cash flow for most producers

• Liquids production increased in first-quarter 2017 after three consecutive quarters of declines

• Energy companies’ long-term debt levels were $79 billion lower than in first-quarter 2016

• Capital expenditure continued to decline despite higher oil and natural gas prices, totaling $67 billion in the first quarter of 2017
Geographic distribution of global oil and natural gas companies, first-quarter 2017

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

Source: U.S. Energy Information Administration, Evaluate Energy
Production from the global oil and natural gas companies

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

Source: U.S. Energy Information Administration, Evaluate Energy
Global liquids production increased 0.5% and natural gas production was unchanged in first-quarter 2017 from first-quarter 2016 levels.

Source: U.S. Energy Information Administration, Evaluate Energy
Operating cash flow for energy companies increased 68% from first-quarter 2016 to $85 billion in first-quarter 2017.

Source: U.S. Energy Information Administration, Evaluate Energy
Capital expenditure in first-quarter 2017 totaled $67 billion, 8% lower than first-quarter 2016

Source: U.S. Energy Information Administration, Evaluate Energy
Cash from operations in first-quarter 2017 remained above $80 billion for the third consecutive quarter.

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

Note: b=barrel
Cash from operations was $57 billion higher than capital expenditures for the four quarters ending March 31, 2017.

annualized cash flow items
billion 2017$

Source: U.S. Energy Information Administration, Evaluate Energy
Almost half of companies had a positive free cash flow and almost 90% reported positive upstream earnings in first-quarter 2017.
The long-term debt-to-equity ratio declined in recent quarters as companies paid off debt.
The increase in cash flow has reduced the ratio of debt repayments to cash flow.

annualized debt repayments to cash flow ratio

Source: U.S. Energy Information Administration, Evaluate Energy
Impairments were the lowest since second-quarter 2014

Source: U.S. Energy Information Administration, Evaluate Energy
Increasing profits contributed to an increase in production

Source: U.S. Energy Information Administration, Evaluate Energy
Upstream capital expenditure on a per-barrel basis continued to decline
upstream capital expenditure per barrel of oil 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 20% of the quarterly average crude oil price, the second lowest since 2012.

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.

Source: U.S. Energy Information Administration, Evaluate Energy
Profits for energy companies were positive for the first quarter since 2015 but remain lower than U.S. manufacturing company profits.

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
The long-term debt-to-equity ratio fell five percentage points year-over-year for the energy companies, but it increased three percentage points for U.S. manufacturing companies.

Source: U.S. Energy Information Administration, Evaluate Energy, U.S. Census Bureau
Cash from operations increased significantly compared with first-quarter 2016, but capital expenditure decreased.

cash flow items and Brent prices

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

Abraxas Petroleum Corporation
Adams Resources & Energy Inc.
Aker BP ASA
Anadarko Petroleum Corp.
Antero Resources Corporation
Apache Corporation
Approach Resources Inc
Atlon Energy Inc.
Bankers Petroleum Ltd
Baytex Energy Corp.
Berry Petroleum Co.
BG Group
Bill Barrett Corporation
Blue Ridge Mountain Resources, Inc.
BP Plc.
BPZ Resources Inc
Breitburn Energy Partners LP
California Resources Corporation
Callon Petroleum
Canacol Energy Ltd.
Canadian Natural Resources Limited
Carrizo Oil & Gas, Inc
Cenovus Energy Inc.
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
Energeen Corp
Energy XXI
Enerplus Corporation
ENI
EOG Resources
EP Energy Corporation
EPL Oil & Gas Inc
ExxonMobil
Forest Oil Corporation
Gazprom Neft
Goodrich Petroleum Corporation
Gran Tierra Energy Inc.
Gulfport Energy Corporation
Halcon Resources Corporation
Hess Corp
Houston American Energy Corp
Husky Energy Inc.
Isramco, Inc
Ithaca Energy Inc.
Jones Energy, Inc.
Kodiak Oil & Gas Corp.
Kosmos Energy
Laredo Petroleum
Legacy Reserves LP
Lilis Energy Inc.
Linn Energy
Lukoil (IFRS)
Lundin Petroleum
Marathon Oil Corp.
Matador Resources Company
Memorial Production Partners LP
Mid-Con Energy Partners, LP
Murphy Oil Corporation
Newfield Exploration Company
Noble Energy
Northern Oil & Gas, Inc
Novatek
Occidental Petroleum Corporation
OMV
Pacific Exploration and Production Corporation
Parsley Energy Inc.
PDC Energy, Inc.
PEDEVCO Corp.
Penn Virginia Corporation
Penn West Petroleum Ltd.
Petrobras (IFRS US$ Current)
PetroChina
Petrominerales Ltd.
PetroQuest Energy, Inc
Pioneer Natural Resources Company
QEP Resources Inc
Range Resources Corporation
Respol
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.
Sinopec
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
TransGlobe Energy Corporation
Triangle Petroleum Corporation
Unit Corp
Vaalco Energy Inc
Vanguard Natural Resources LLC
Vermilion Energy Inc.
W & T Offshore
Whiting Petroleum Corporation
WPX Energy, Inc.
YPF Sociedad Anonima
Yuma Energy, Inc. (Pre Davis)

Source: U.S. Energy Information Administration, Evaluate Energy
Note: Some companies merged or split before 2017. A total of 107 companies existed in first-quarter 2017.
Background

• This analysis focuses on the financial and operating trends of 107 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.

- **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* 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

- *Upstream* refers to crude oil exploration, production, and other operations prior to refining

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