eia.doe.gov

Energy Finance

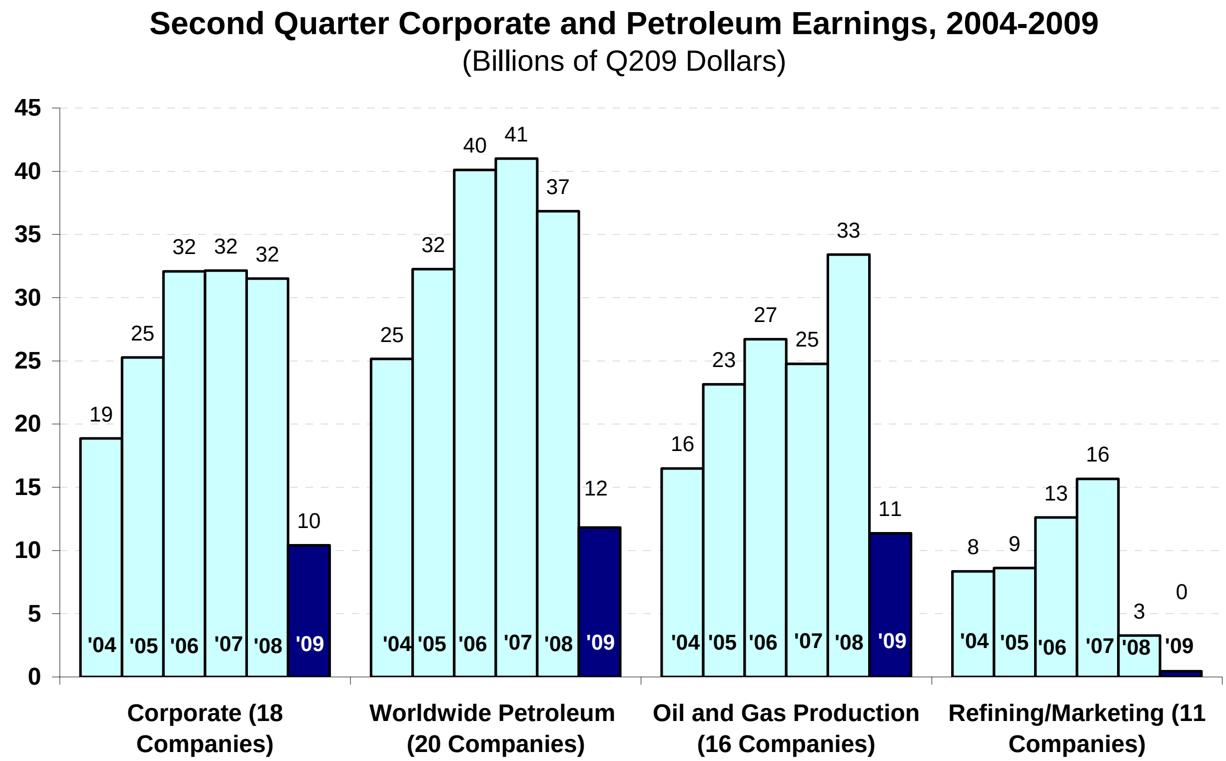
# Financial News for Major Energy Companies, Second Quarter 2009

| Second Quarter 2009 Key Findings | |
|---|---|
| Net Income | $10.4 billion |
| Revenues | $221.9 billion |
| Highlights | Eighteen major energy companies reported a 67-percent decrease in net income relative to second quarter of 2008. Further, this represents a 62-percent decrease relative to the second-quarter average for 2004-2008.<br><br>Return on sales (net income ÷ revenue) decreased from 7.3 percent in the second quarter of 2008 to 4.7 percent in the second quarter of 2009 due to the 67 percent decrease in net income. |
| | The effects of higher worldwide oil and gas production from these companies and European and Asia/Pacific refining margins were overwhelmed by the effects of lower oil and natural gas prices and worldwide refinery throughput.<br><br>Upstream capital expenditures by these companies declined but by much less than the fall in net income, while capital expenditures for refining/marketing increased slightly. |

- The "Financial News for Major Energy Companies" is issued quarterly to report recent trends in the financial performance of the major energy companies. These include the respondents to Form EIA-28 (Financial Reporting System (FRS)), with the exception of the FRS companies that do not issue quarterly earnings releases or do not provide separate information for the company's U.S. operations.

- While the composition of the companies in this report changes from time to time, all company information presented here pertain to a consistent set of companies, i.e., all companies are present for all time periods.

- All dollar figures and comparisons are in constant second-quarter 2009 dollars.




Sources: Company quarterly earnings releases.

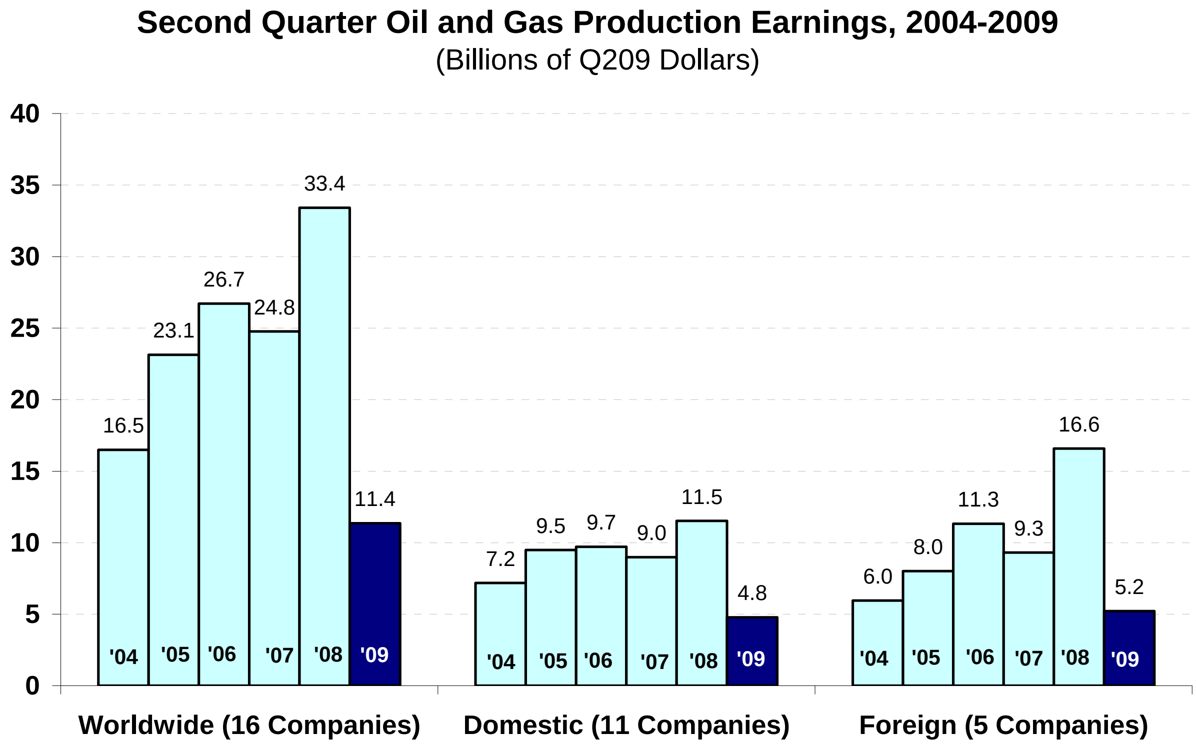
- Eighteen major energy companies[1] reported a 67-percent decrease in net income relative to second quarter of 2008. Further, this represents a 62-percent decrease relative to the second-quarter average for 2004-2008.

- Overall, the petroleum line of business (which includes both oil and natural gas production and petroleum refining/marketing) in Q209 saw net income decline 68 percent from the level of Q208, falling almost $25 billion.

- A $22.1-billion (66 percent) decrease in worldwide oil and natural gas production net income was exacerbated by a 2.8-billion (86 percent) decrease in worldwide refining/marketing net income.

- All of the lines of business (i.e., domestic and foreign oil and gas production, domestic and foreign refining/marketing operations, worldwide gas and power operations, and worldwide chemical operations) generated lower earnings in Q209 than in Q208.

- Note: corporate net income and the total net income of the lines of business differ because (1) some items in corporate net income are nontraceable, such as interest expense, and are not allocated to lines of business, and (2) the number of companies reporting line-of-business net income varies.




Note: Company reporting practices prevent worldwide from being the sum of domestic and foreign; worldwide considerably exceeds the sum of domestic and foreign.
Sources: Company quarterly earnings releases.

Worldwide

- Worldwide oil and gas production earnings fell 66 percent ($22 billion) relative to Q208 as a decline in domestic returns was magnified by an even greater decline in income from foreign operations. The decline relative to the second quarter average for 2004-2008 was slightly lower at 54 percent.

Domestic

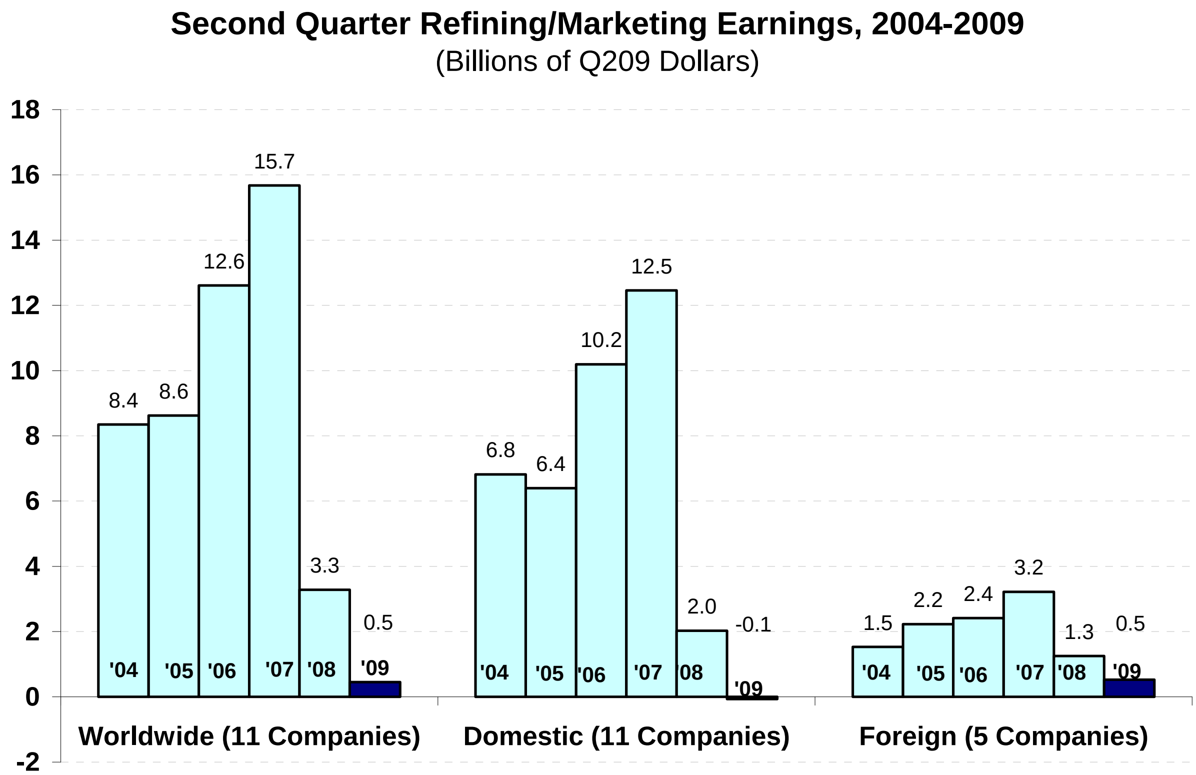
- Domestic oil and gas production operations generated 59 percent less income than a year earlier (49 percent less than the average for the second quarter of 2004-2008).

- Ten of the 11 included companies reported lower earnings than a year ago, noting in their press releases that the effects of dramatically lower prices and asset impairments overwhelmed the effects of higher production levels and lower operating costs.

Foreign

- Income from foreign oil and gas production fell 69 percent compared to Q208 (49 percent relative to the second quarter average for 2004-2008, as with domestic operations).

- All 5 of the included companies reported lower earnings than a year ago as the effects of dramatically lower prices and lower exchange rates more than offset the effects of higher production levels according to company press releases.




Note: Worldwide is equal to the sum of Domestic and Foreign.
Sources: Company quarterly earnings releases.

Worldwide

- Income from worldwide refining/marketing operations declined 86 percent ($2.8 billion) relative to Q208 as a decline in foreign returns was magnified by an even greater decline in income from domestic operations. The decline relative to the second quarter average for 2004-2008 was even greater at 95 percent.

Domestic

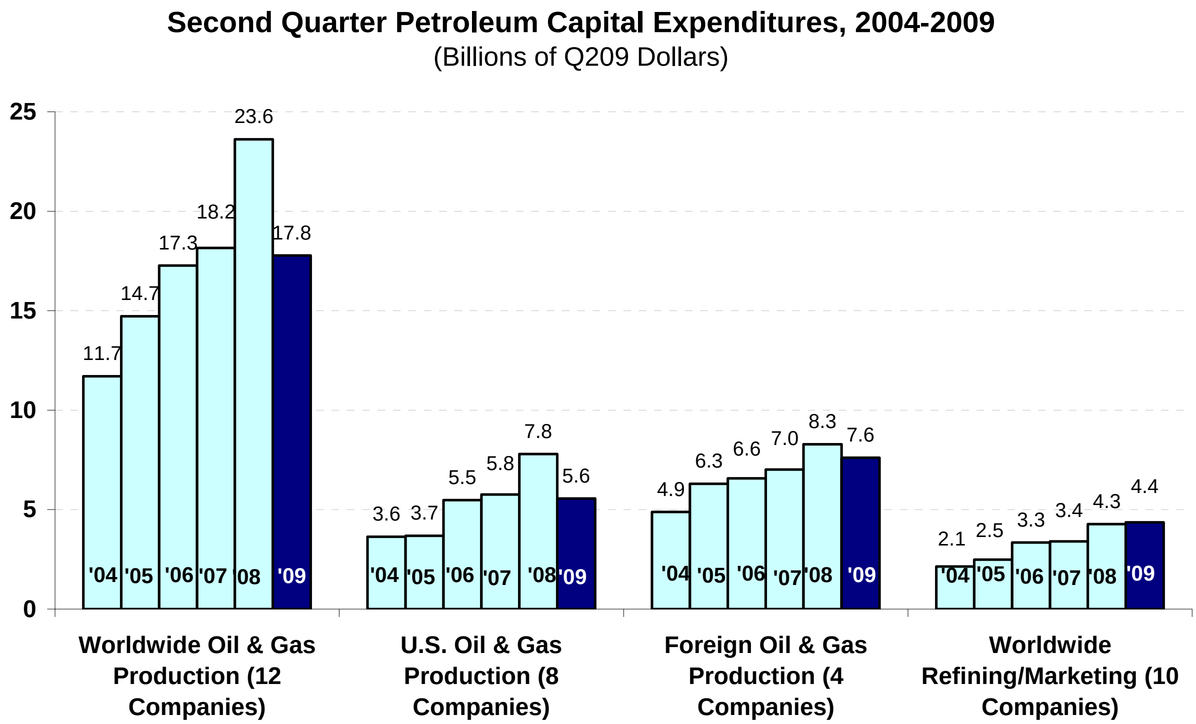
- Domestic refining/marketing operations generated a loss of 72 million, which was 104 percent less than a year earlier and 101 percent less than the average for the second quarter of 2004-2008.

- Seven of the 11 included companies reported lower earnings than a year ago, with 5 of the 11 reporting a loss. Lower refining margins, smaller light-heavy/sweet-sour crude oil price differentials, and asset write-downs were among reasons given for lower earnings in company press releases, in addition to lower refinery throughput.

Foreign

- Income from foreign refining/marketing fell 58 percent compared to Q208 (75 percent relative to the second quarter average for 2004-2008), despite higher industry refining margins in both Europe and Asia/Pacific.

- Four of the 5 of the included companies reported lower earnings than a year ago (with 3 reporting a loss) as the effects of lower refining margins and reduced throughput (due to asset sales, shut-downs, and turn-arounds) more than offset lower raw materials and operating costs, according to company press releases.




Note: Company reporting practices prevent worldwide from being the sum of domestic and foreign; worldwide considerably exceeds the sum of domestic and foreign.
Sources: Company quarterly earnings releases.

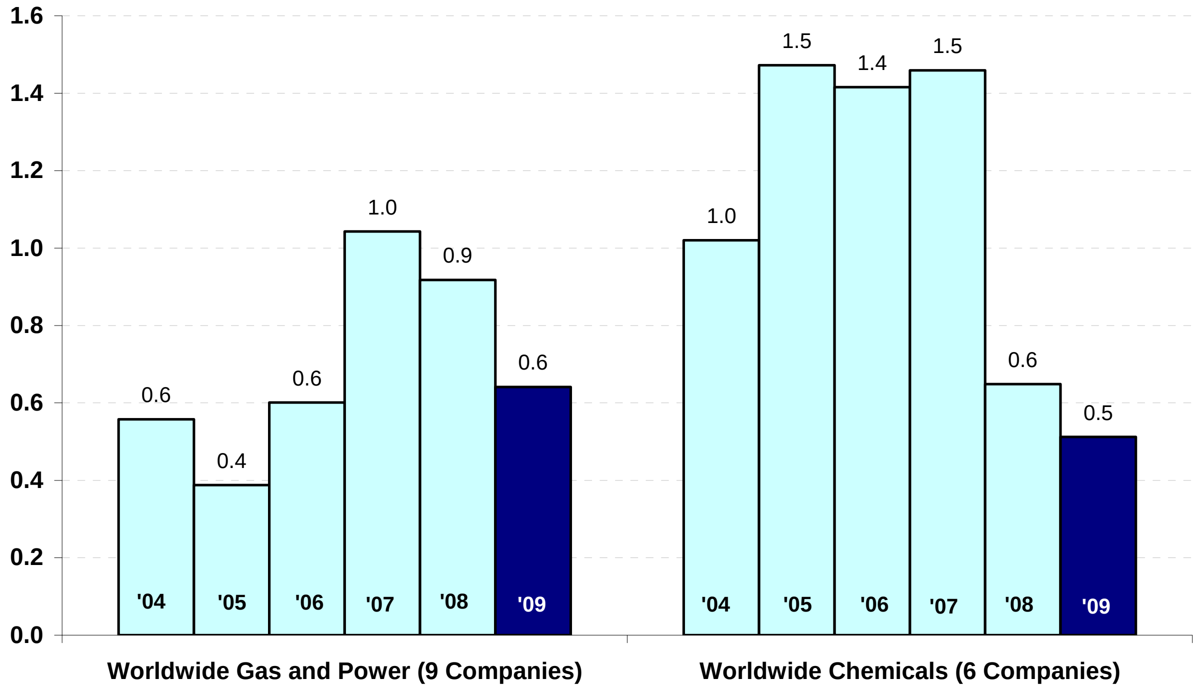
- The majors' upstream capital expenditures declined relative to Q208 but by much less than the fall in net income, and remained above the second quarter average for 2004-2008. In particular, worldwide oil and gas production capital expenditures fell 25 percent relative to Q208, but increased 4 percent relative to the second quarter average for 2004-2008.

- The majors' investment in their U.S. oil and gas production operations declined 29 percent relative to Q208, but was 6 percent higher than the second quarter over the last five years (i.e., 2004-2008).

- Capital expenditures in foreign oil and gas production operations fell 8 percent in Q209 compared to Q208, but increased 15 percent relative to the second quarter average for 2004-2008.

- Despite the decline in net income, worldwide refining/marketing investment by the majors rose slightly, by 2 percent, in Q209 relative to Q208, but dramatically (39 percent) relative to the second quarter average for 2004-2008.

**Second Quarter Gas and Power, and Chemicals Earnings, 2004-2009**
(Billions of Q209 Dollars)




Sources: Company quarterly earnings releases.

<u>Gas and Power</u>

- Earnings from the majors' gas and power operations fell 30 percent relative to Q208 (9 percent relative to the second quarter average for 2004-2008).

- Seven of the 9 companies reporting earnings generated lower earnings due to factors such as lower sales prices and volumes, and higher operating costs, according to press release information.

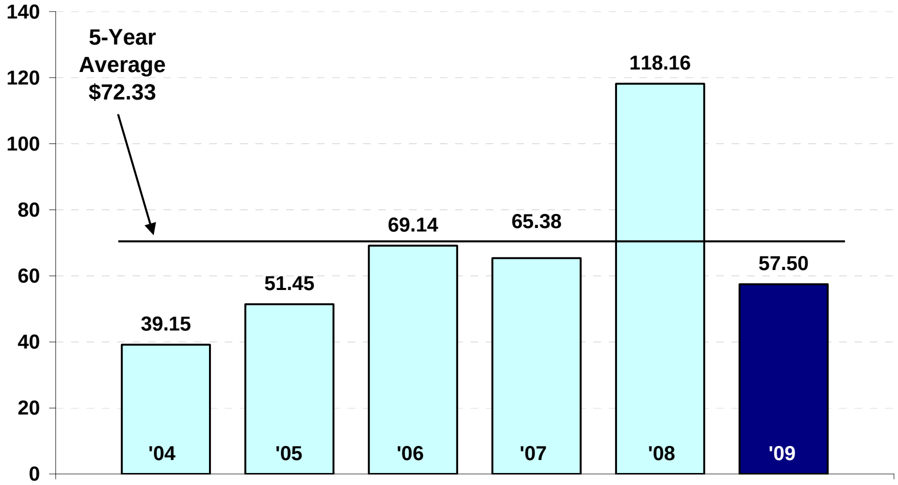
<u>Chemicals</u>

- Worldwide chemical operations generated 21 percent less for the majors in Q209 than in Q208 (57 percent less than the second quarter average for 2004-2008).

- Half of the companies (3) reported a decline in earnings relative to Q208, and an additional company reported a smaller loss than a year earlier. The results were driven by lower margins, sales, and low exchange rates, according to company press releases.

## Supplemental Figures:

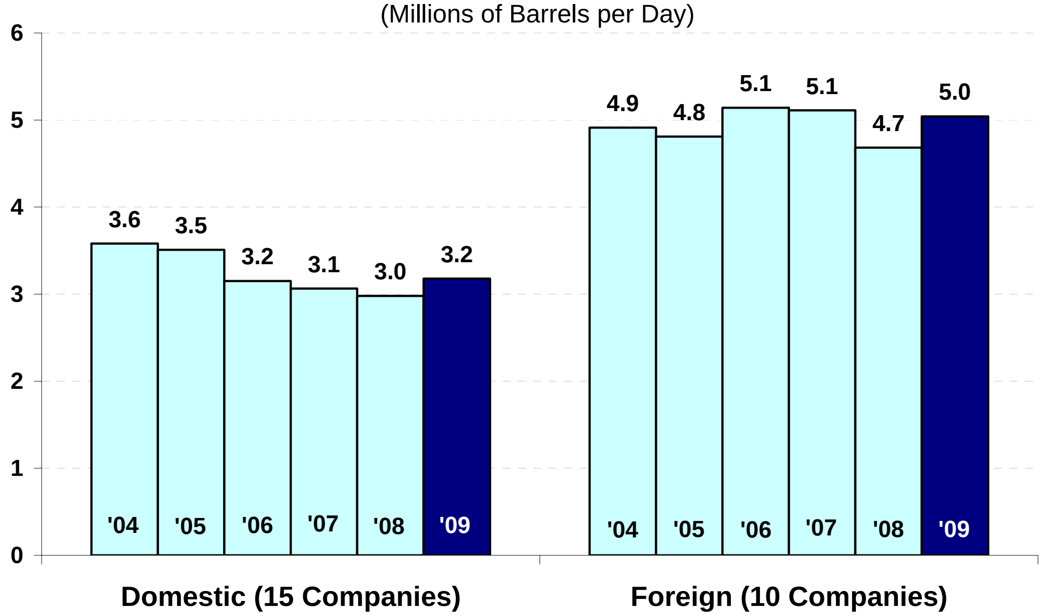
**Second Quarter Imported Average Crude Oil Price, 2004-2009**
(Q209 Dollars per Barrel)




Source: Energy Information Administration, *Short-Term Energy Outlook* , (September 9, 2009), Table 2.

- Crude oil prices fell 51 percent relative to Q208 and were 21 percent less than the average for the second quarter of 2004-2008 (in Q209 dollars).

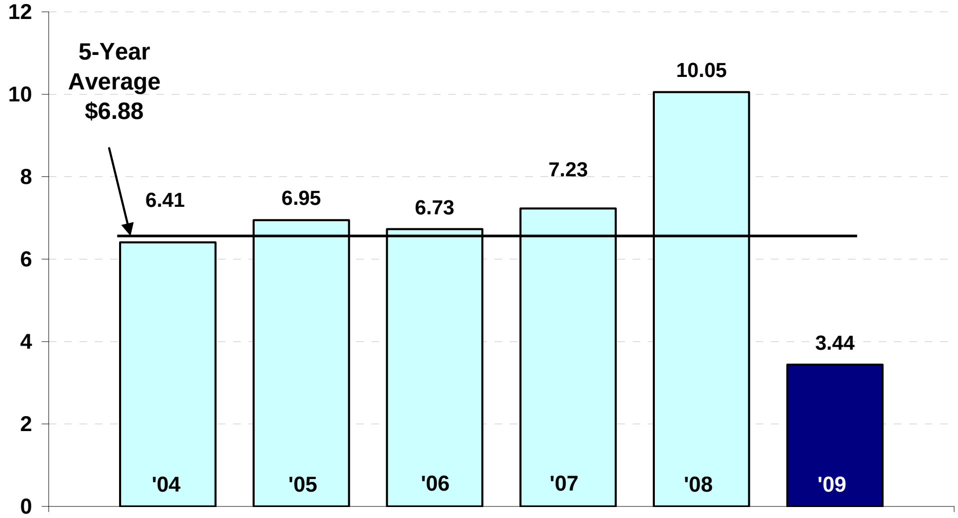
**Second Quarter Crude Oil and Natural Gas Liquids Production, 2004-2009**
(Millions of Barrels per Day)




Sources: Company quarterly earnings releases.

- U.S. crude oil and NGL production increased 7 percent compared to Q208, but was 2 percent lower than the second quarter average for 2004-2008.
- Foreign crude oil and NGL production increased 8 percent compared to Q208 and was 2 percent higher than the second quarter average for 2004-2008.

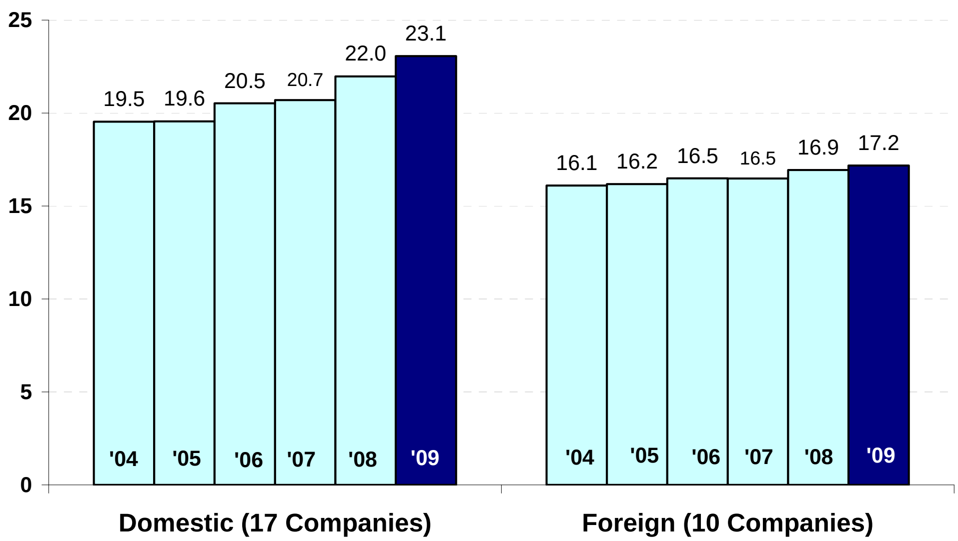
**Second Quarter Average Wellhead Natural Gas Price, 2004-2009**
(Q209 Dollars per Thousand Cubic Feet)




Source: Energy Information Administration, *Short-Term Energy Outlook* , (September 9, 2009), Table 2.

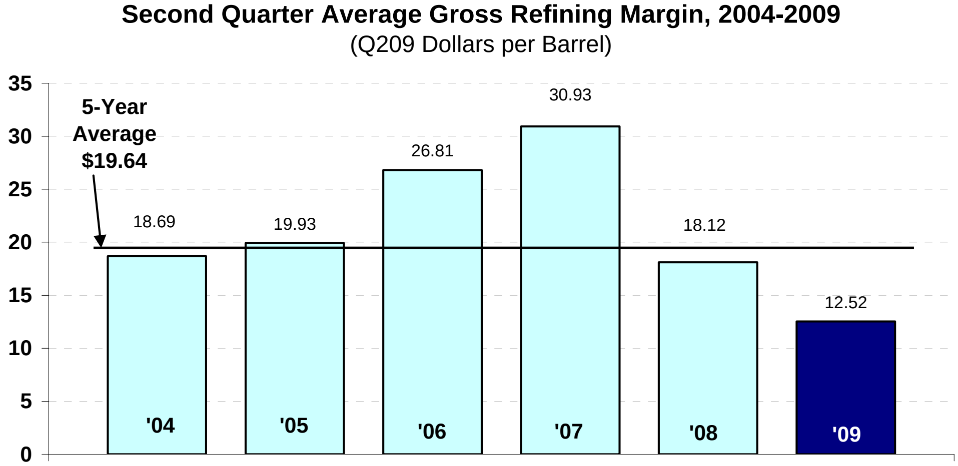
- Natural gas prices declined 66 percent from Q208 and 50 percent compared to the second quarters for 2004-2008 (measured in Q209 dollars).

**Second Quarter Natural Gas Production, 2004-2009**
(Billions of Cubic Feet per Day)



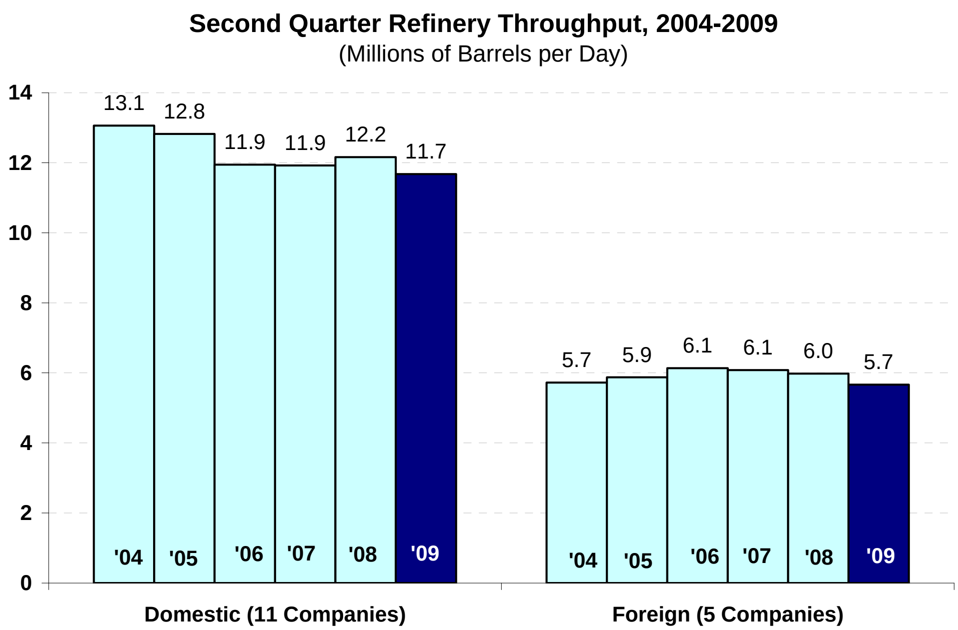

Sources: Company quarterly earnings releases.

- U.S. gas production by the majors increased 5 percent relative to a year earlier and was 13 percent higher than the average for the second quarter of 2004-2008.
- Foreign gas production by the majors increased 1 percent relative to a year earlier and was 5 percent higher than the average for the second quarter of 2004-2008.




Sources: Compiled from data in Energy Information Administration, *Petroleum Marketing Monthly*, DOE/EIA-380 (Washington, DC), Table 1, Table 4 and Table 5; and Energy Information Administration, *Monthly Energy Review*, DOE/EIA-0035, (Washington, DC) Table 3.2.
Note: The U.S. Gross Refining Margin is the difference between the composite wholesale product price and the composite refiner acquisition cost of crude oil.

- The gross refining margin for Q209 was 31 percent lower than a year earlier and 36 percent lower than the average for the second quarter for 2004-2008 (in Q209 dollars).




Sources: Company quarterly earnings releases.

- Domestic refinery throughput decreased 4 percent relative to Q208 and was 6 percent lower than the second quarter average for 2004-2008.
- Foreign refinery throughput decreased 5 percent relative to Q208 and was 5 percent lower than the second quarter average for 2004-2008.

## Corporate Revenue and Net Income[a], Net Income by Lines of Business and Functional Petroleum Segments, and Operating Information for Major Energy Companies

(Number of companies reporting given in parentheses)

| | Q208 | Q209 | Percent Change[b] | Year to Date 2008 | Year to Date 2009 | Percent Change |
|---|---|---|---|---|---|---|
| **Financial Data** | | | | | | |
| | (Millions of Q209 Dollars) | | (%) | (Millions of Q209 Dollars) | | (%) |
| **Corporate** | | | | | | |
| Revenue (18)[c] | 429,473 | 221,883 | -48.3 | 778,925 | 411,919 | -47.1 |
| Net Income (18) | 31,380 | 10,414 | -66.8 | 59,102 | 4,373 | -92.6 |
| **Worldwide Net Income** | | | | | | |
| Petroleum (20) | 36,685 | 11,810 | -67.8 | 69,527 | 13,767 | -80.2 |
| Oil and Natural Gas Production (16) | 33,408 | 11,357 | -66.0 | 64,433 | 9,877 | -84.7 |
| Refining/Marketing (11) | 3,278 | 453 | -86.2 | 5,095 | 3,890 | -23.6 |
| Natural Gas and Power (9) | 918 | 641 | -30.1 | 2,129 | 1,204 | -43.4 |
| Chemicals (6) | 649 | 512 | -21.1 | 1,890 | 915 | -51.6 |
| **Domestic Net Income** | | | | | | |
| Oil and Natural Gas Production (11) | 11,522 | 4,782 | -58.5 | 22,726 | 4,141 | -81.8 |
| Refining/Marketing (11) | 2,024 | -72 | -103.6 | 2,685 | 2,116 | -21.2 |
| **Foreign Net Income** | | | | | | |
| Oil and Natural Gas Production (5) | 16,583 | 5,220 | -68.5 | 30,222 | 10,542 | -65.1 |
| Refining/Marketing (5) | 1,254 | 525 | -58.1 | 2,410 | 1,774 | -26.4 |
| **Worldwide Capital Expenditures** | | | | | | |
| U.S. Oil and Natural Gas Production (8) | 7,797 | 5,561 | -28.7 | 15,927 | 13,175 | -17.3 |
| Foreign Oil and Natural Gas Production (4) | 8,288 | 7,613 | -8.1 | 15,895 | 16,415 | 3.3 |
| Worldwide[d] Oil and Natural Gas Production (12) | 23,617 | 17,777 | -24.7 | 45,516 | 39,667 | -12.9 |
| Worldwide Refining/Marketing (10) | 4,273 | 4,361 | 2.1 | 9,503 | 8,199 | -13.7 |
| **Operating Data** | | | | | | |
| **Oil Production** | (Thousands of Barrels/Day) | | (%) | (Thousands of Barrels/Day) | | (%) |
| Domestic (15) | 2,979 | 3,179 | 6.7 | 2,999 | 3,148 | 5.0 |
| Foreign (10) | 4,684 | 5,043 | 7.7 | 4,732 | 5,107 | 7.9 |
| **Natural Gas Production** | (Million Cubic Feet/Day) | | (%) | (Million Cubic Feet/Day) | | (%) |
| Domestic (17) | 21,967 | 23,062 | 5.0 | 21,915 | 23,136 | 5.6 |
| Foreign (11) | 16,935 | 17,171 | 1.4 | 18,035 | 18,215 | 1.0 |
| **Refinery Throughput** | (Thousands of Barrels/Day) | | (%) | (Thousands of Barrels/Day) | | (%) |
| Domestic (11) | 12,160 | 11,680 | -3.9 | 11,882 | 11,443 | -3.7 |
| Foreign (5) | 5,978 | 5,665 | -5.2 | 6,039 | 5,747 | -4.8 |

[a] Net income excludes unusual items. Because consolidated net income includes corporate nontraceables and eliminations, it is not equal to the sum of the lines of business net income.

[b] Percent changes are calculated from unrounded data.

[c] The number of companies reporting net income from petroleum operations is greater than the number reporting corporate revenue and corporate net income because the U.S. operations of BP and Royal Dutch/Shell are included in the results of the U.S. lines of business, but not in the foreign or corporate results because the companies are foreign based.

[d] U.S. and foreign oil and natural gas capital expenditures do not necessarily sum to the worldwide total due to the manner in which these data are disclosed (i.e., some companies fail to separate their capital spending into domestic and foreign, but simply provide a worldwide total).

**Note**: Both the worldwide oil and natural gas production and refining/marketing lines of business include companies that reported domestic and foreign operations separately and those that do not separate domestic and foreign results. Thus, the number of companies with worldwide oil and natural gas production operations is greater than the sum of the companies reporting domestic results and those reporting foreign results.
The same is also true for refining/marketing operations.

**Sources**: Compiled from companies' quarterly reports to stockholders.

## U.S. Energy Prices and the U.S. Gross Refining Margin

| | Q208 | Q209 | Percent Change |
|---|---|---|---|
| **U.S. Energy Prices[a]** | | | |
| Imported Average Crude Oil Price (Q209$/barrel) | 118.16 | 57.50 | -51.3 |
| Natural Gas Wellhead Price (Q209$/thousand cubic feet) | 10.05 | 3.44 | -65.8 |
| **U.S. Gross Refining Margin (Q209$/barrel)[b]** | 18.12 | 12.52 | -30.9 |

[a] Energy Information Administration, *Short-Term Energy Outlook* , (September 9, 2009), Table 2.
[b] Compiled from data in Energy Information Administration, *Petroleum Marketing Monthly* , DOE/EIA-380 (Washington, DC), Table 1, Table 4 and Table 5; and Energy Information Administration, *Monthly Energy Review* , DOE/EIA-0035, (Washington, DC) Table 3.2.
**Note**: The U.S. Gross Refining Margin is the difference between the composite wholesale product price and the composite refiner acquisition cost of crude oil.

**About this Report**
The "Financial News for Major Energy Companies" is issued quarterly to report recent trends in the financial performance of the major energy companies. These include the respondents to Form EIA-28 (Financial Reporting System (FRS)), with the exception of the FRS companies that do not issue quarterly earnings releases or do not provide separate information for the company's U.S. operations.

To be automatically notified via e-mail of updates to this report and to other Energy Finance products, **go to the sign-up page**, next click on the button "Join fia," enter your e-mail address, and then choose "Save." You will then be notified within an hour of the release of any updates.

---

[1]The eighteen companies are Anadarko Petroleum Corporation, Apache Corporation, Chesapeake Energy Corporation, Chevron Corporation, ConocoPhillips Inc., Devon Energy Corporation, EnCana Corporation (U.S. operations only), EOG Resources, Inc., EQT Corporation (formerly Equitable Resources Inc.), Exxon Mobil Corporation, Hess Corporation, Marathon Oil Corporation, Occidental Petroleum Corporation, Sunoco, Inc., Tesoro Corporation, Valero Energy Corporation, Williams Companies, and XTO Corporation. Additionally, the results from the U.S. lines of business (e.g., U.S. oil and gas exploration and production) of BP, plc and Royal Dutch Shell are included. Hence, the number of companies reporting petroleum operations is 20, rather than 18.

**Contact:**
**Neal Davis**
**neal.davis@eia.doe.gov**
**Fax: (202) 586-9753**