

Upstream Financial Review of the Global Oil and Natural Gas Industry 2013



Markets and Financial Analysis Team

July 2014

Overview

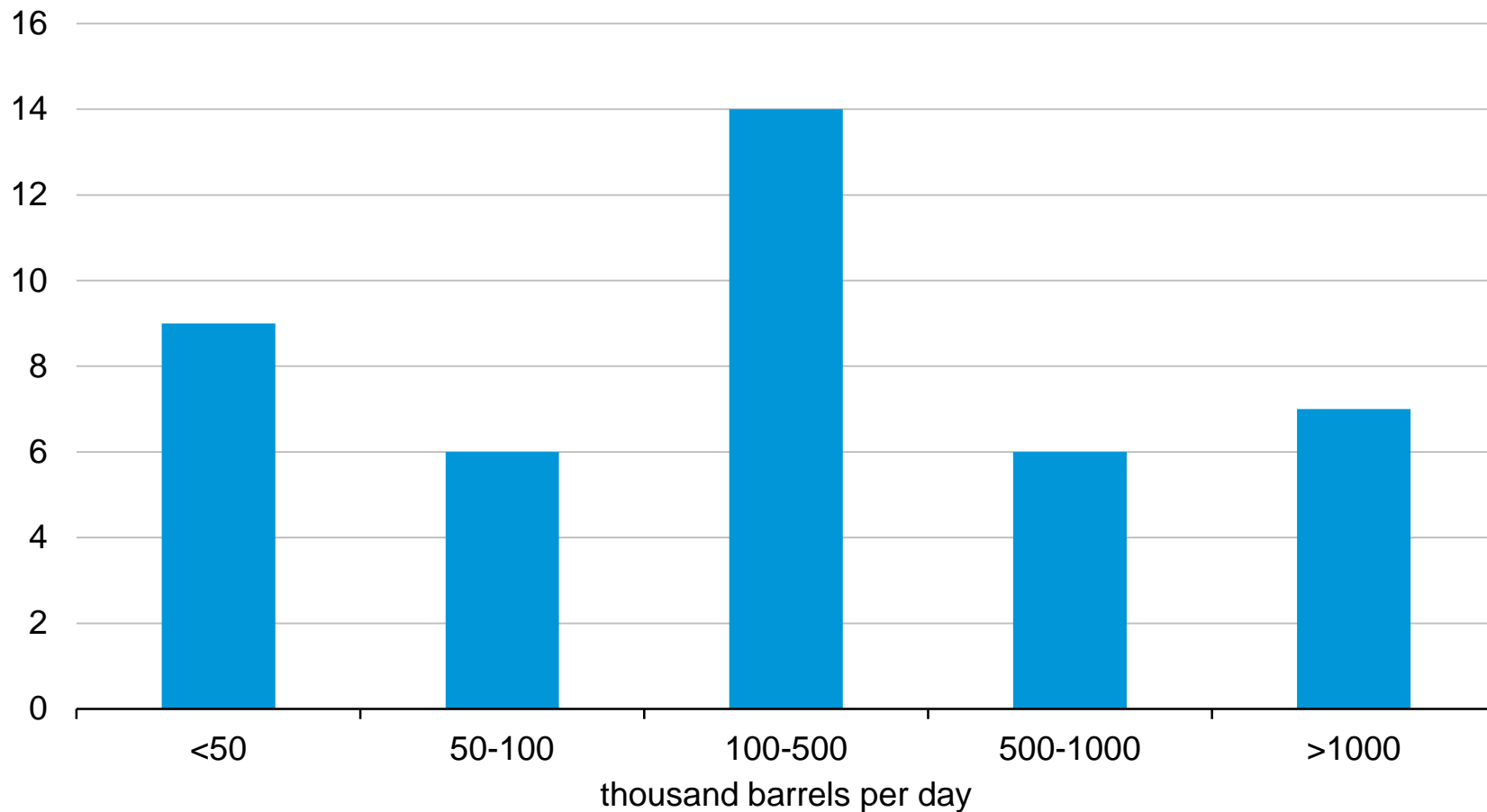
- This analysis focuses on financial and operating trends of the oil and natural gas production business segment, often referred to as upstream operations, of 42 global oil and natural gas producing companies (the upstream group).
- The data come from public financial statements each company submits to the U.S. Securities and Exchange Commission, which a data service, Evaluate Energy, aggregates for ease of data analysis.
- Some of the larger companies also have integrated (downstream, chemical, etc.) operations that are included in the company totals, as not all companies separate their sources of income or costs.
- For consistency, EIA included 2000-05 data for Norsk Hydro and Statoil pre-merger and XTO from 2000-09 to smooth out the effect of large mergers and acquisitions.

Brief description of terms

- Cash from operations is a measure of income.
- Capital expenditures represent cash used for property, plant, and equipment (investing activities).
- Financing activities measure inflows/outflows in debt or equity markets including dividends, share issuance or repurchases, and debt issuance or repayments.
- Finding costs include exploration, development, and unproved property acquisition expenditures.
- Lifting costs are the production costs to get the oil and gas out of the ground.

Global liquids production distribution for the 42 producing companies in 2013

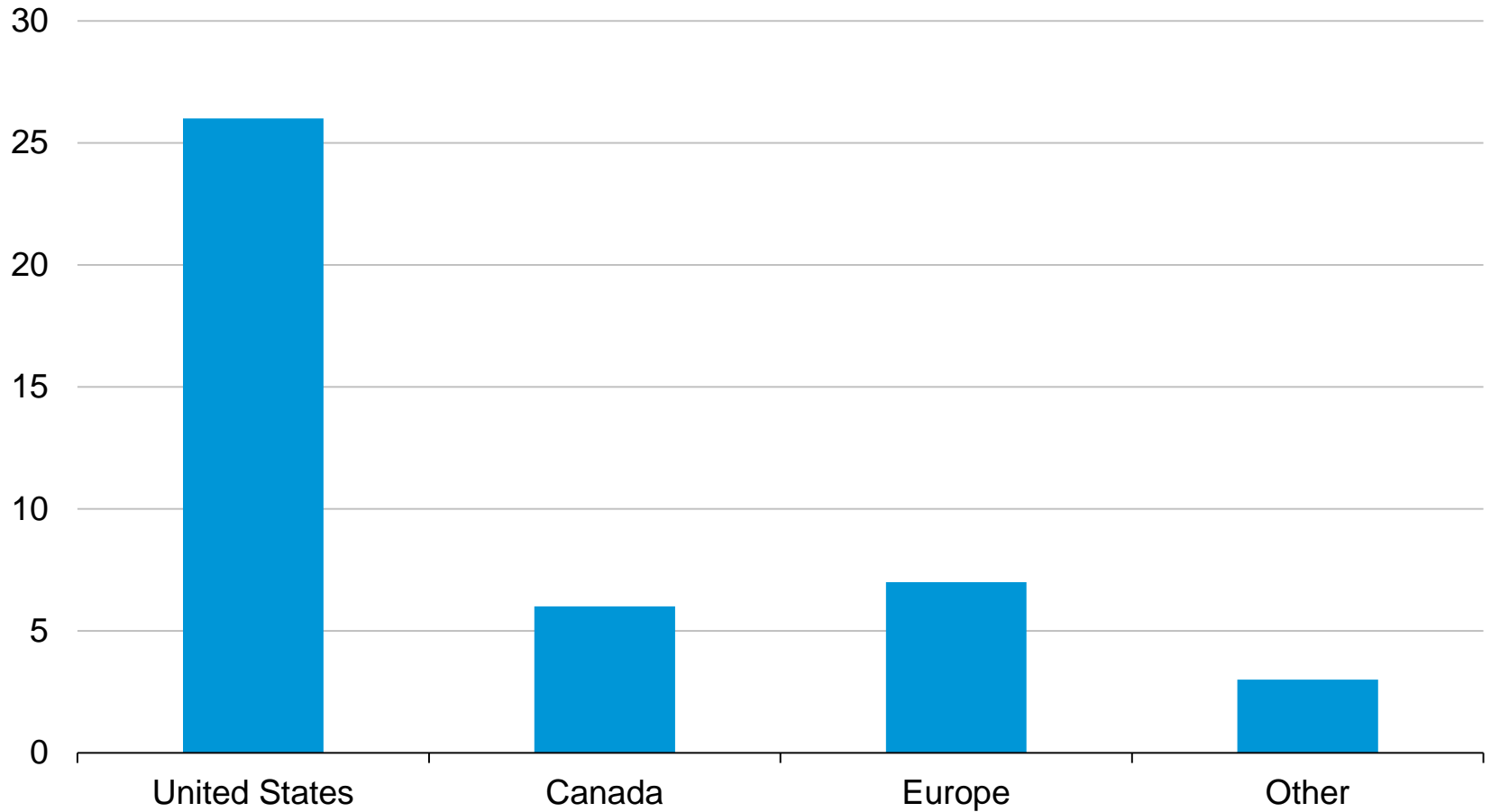
number of companies



Source: U.S. Energy Information Administration, based on Evaluate Energy database

Most companies are based in North America

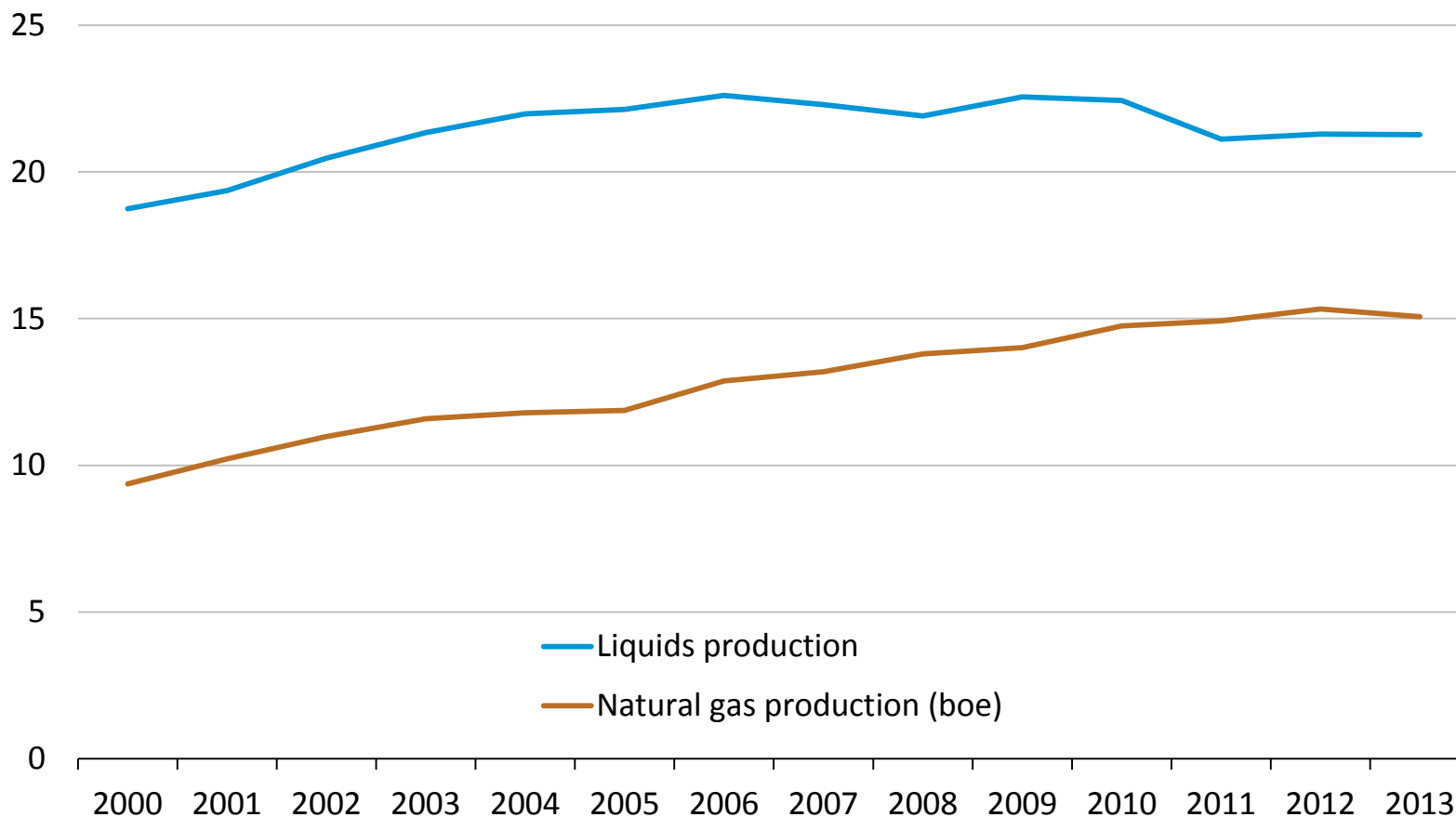
number of companies



Source: U.S. Energy Information Administration, based on Evaluate Energy database

The upstream group's liquids production represents 39% of non-OPEC production

million barrels per day

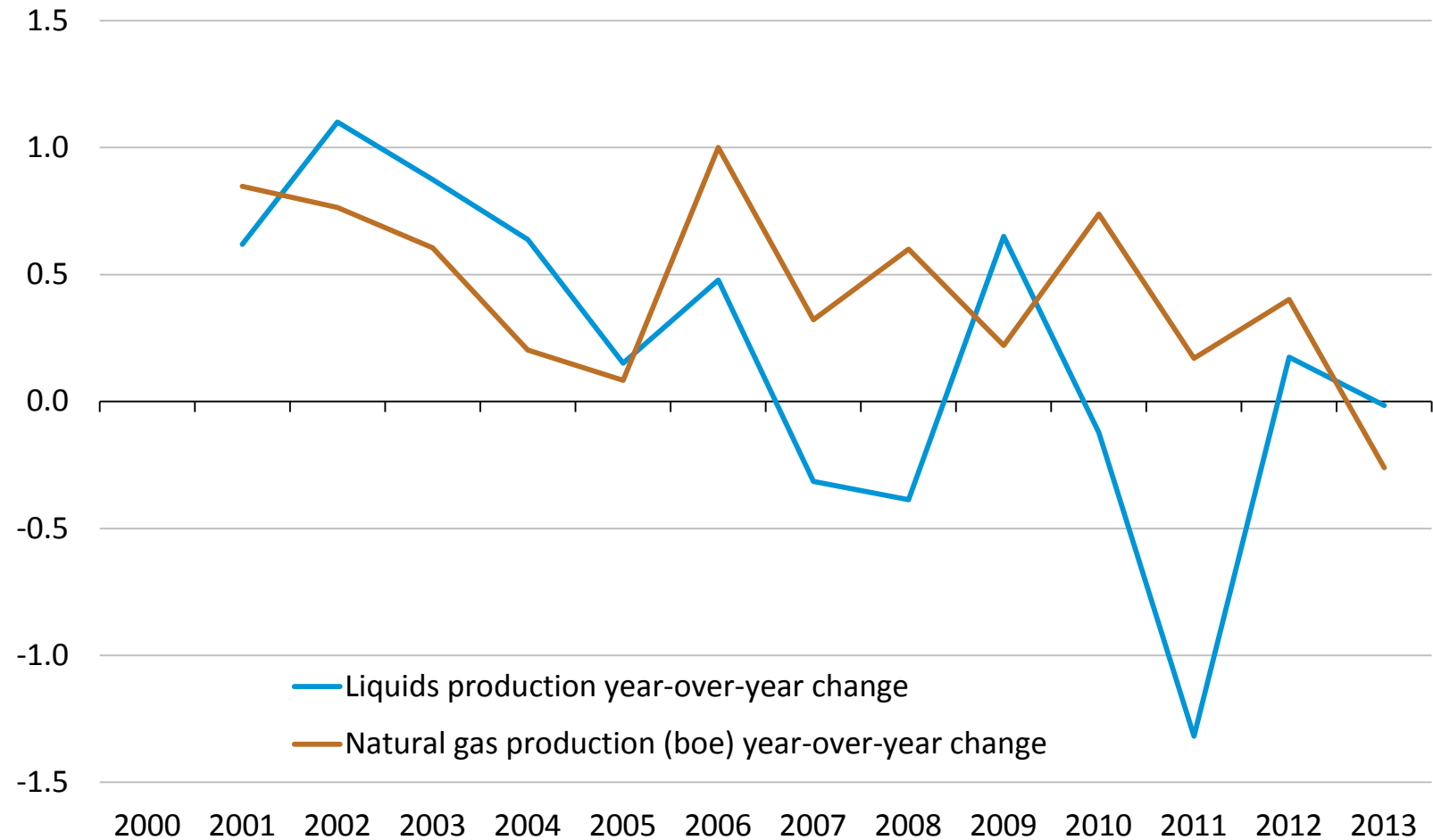


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Note: boe=barrels of oil equivalent

These companies' liquids and natural gas production both declined year-on-year in 2013 for the first time

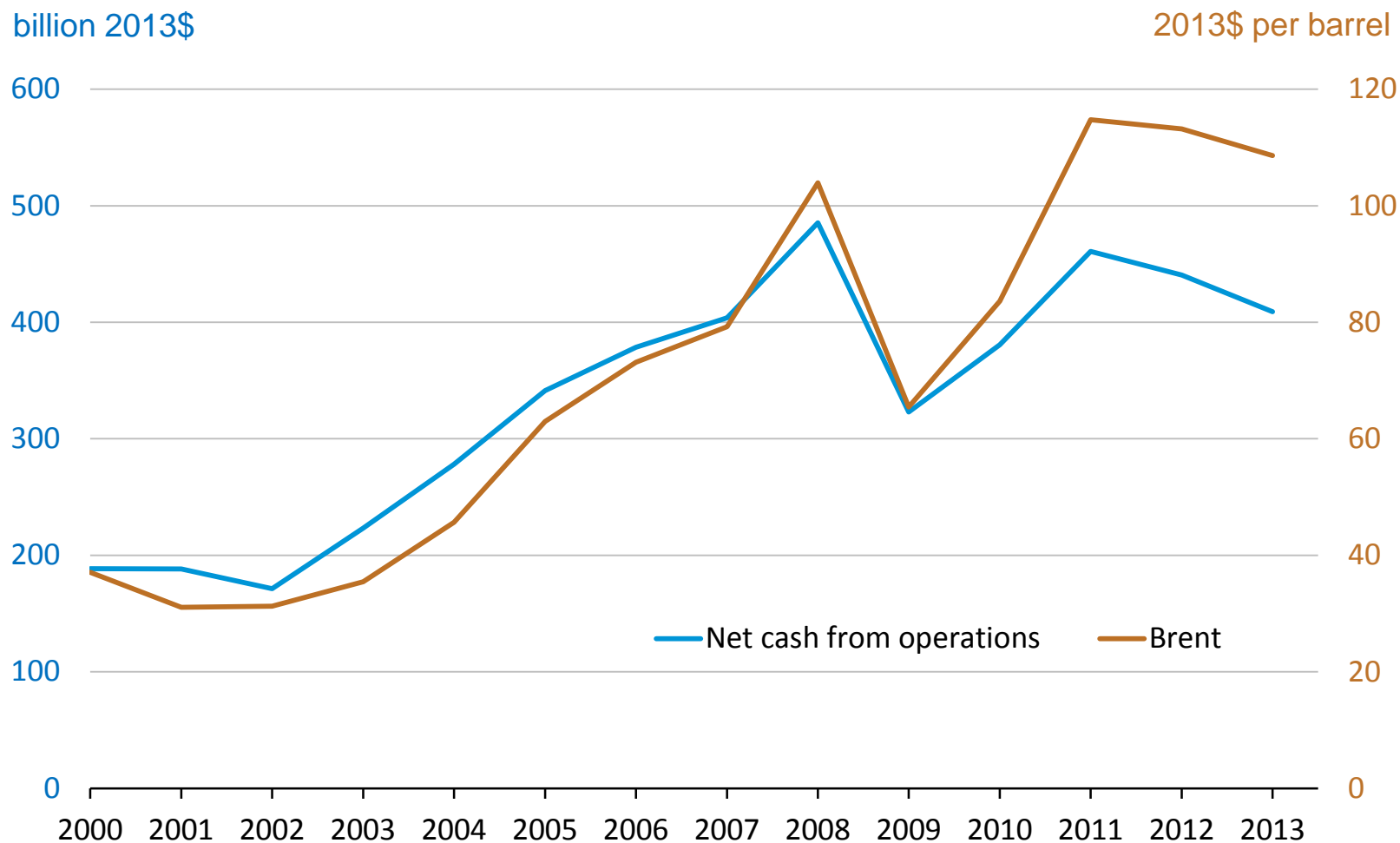
million barrels per day



Source: U.S. Energy Information Administration, based on Evaluate Energy database

Note: boe=barrels of oil equivalent

Cash flow declined since 2011 as crude oil prices fell

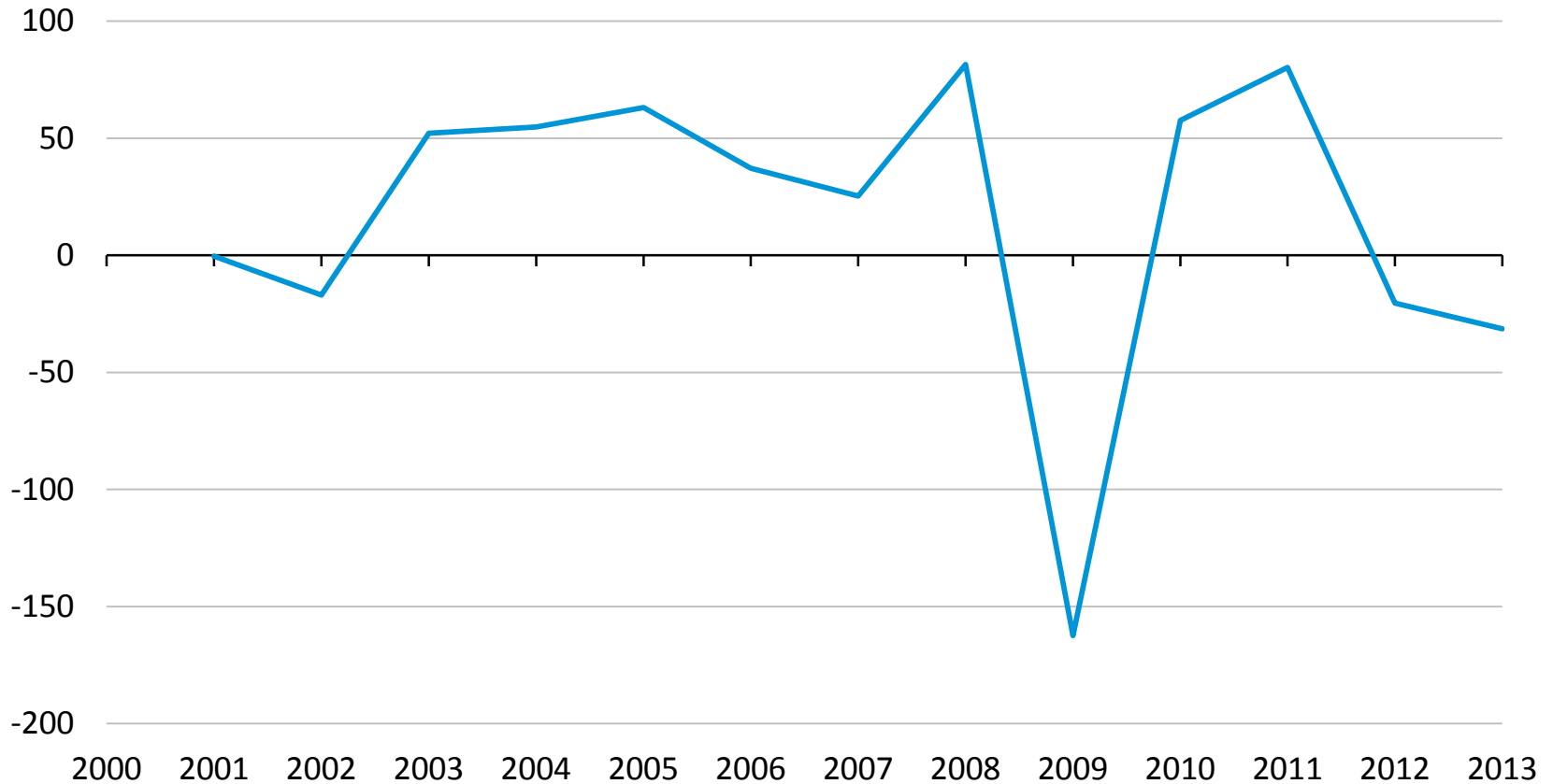


Sources: Thomson Reuters; and U.S. Energy Information Administration, based on Evaluate Energy database

2013 was the second year in a row net cash flow decreased

billion 2013\$

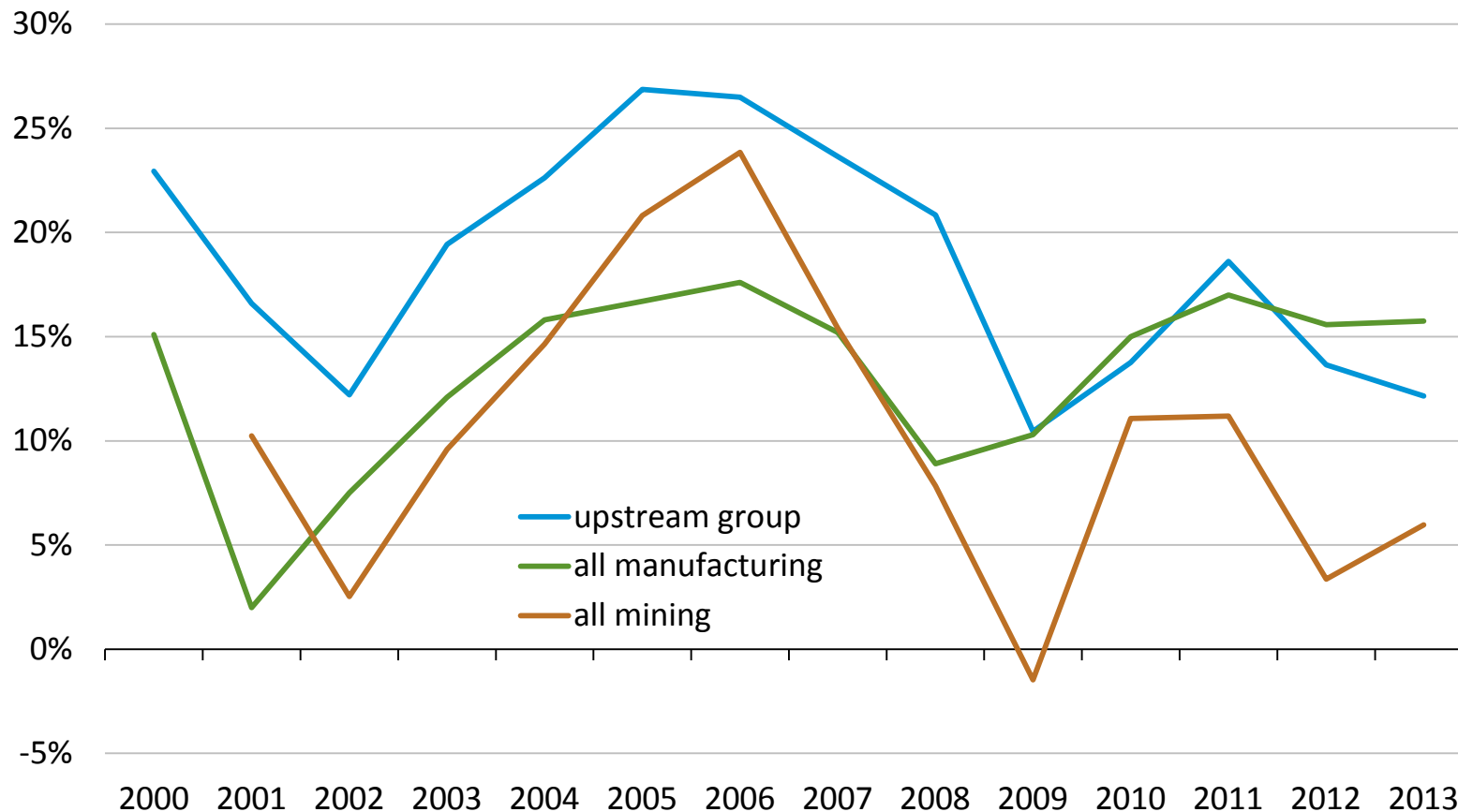
net cash from operations year-over-year change



Source: U.S. Energy Information Administration, based on Evaluate Energy database

The upstream group outperformed the manufacturing sector until 2009, but has had comparable returns since then

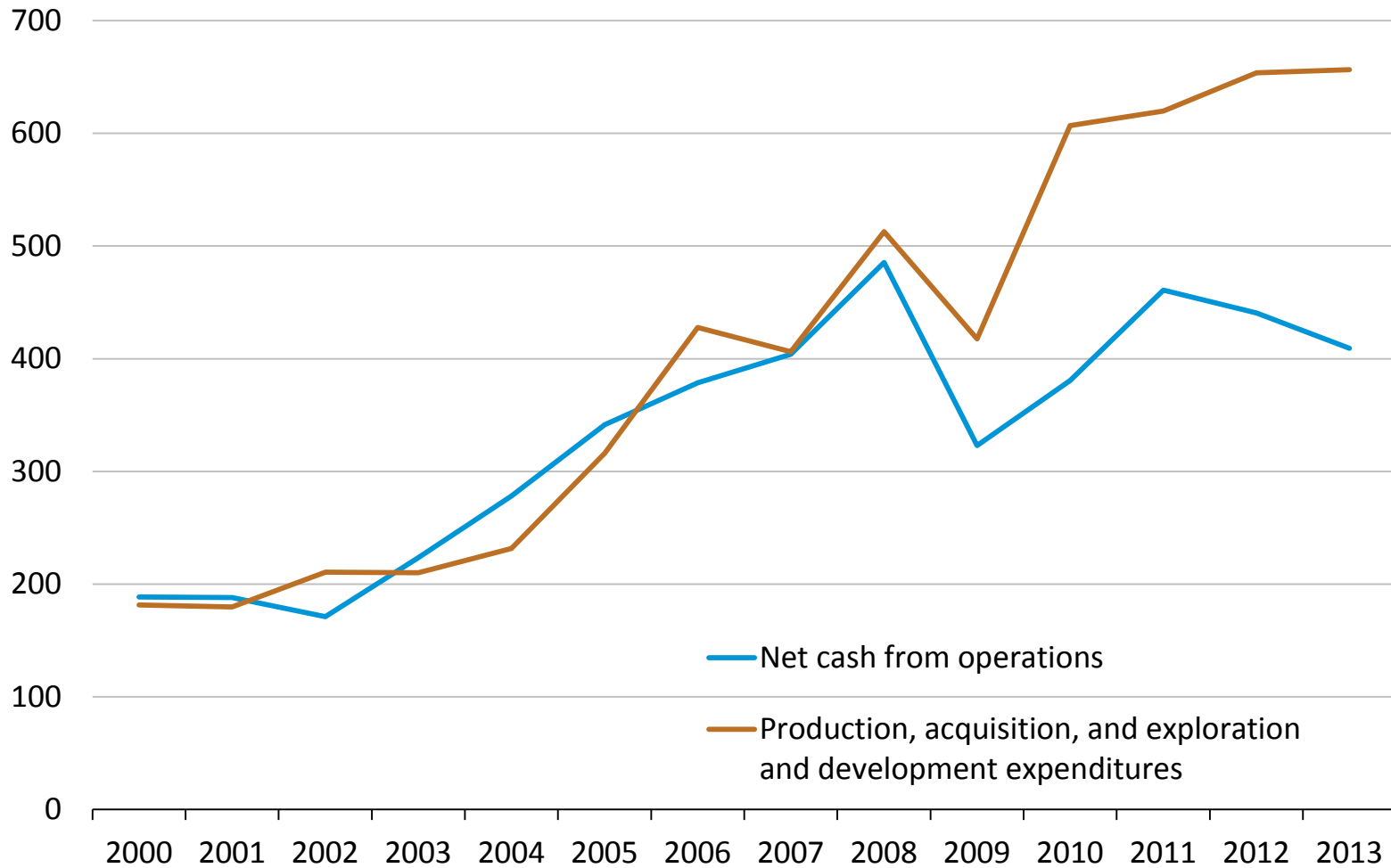
return on equity



Sources: Census Bureau, Economic Report of the President; and U.S. Energy Information Administration, based on Evaluate Energy database

Total expenditures have outpaced cash flow since 2009

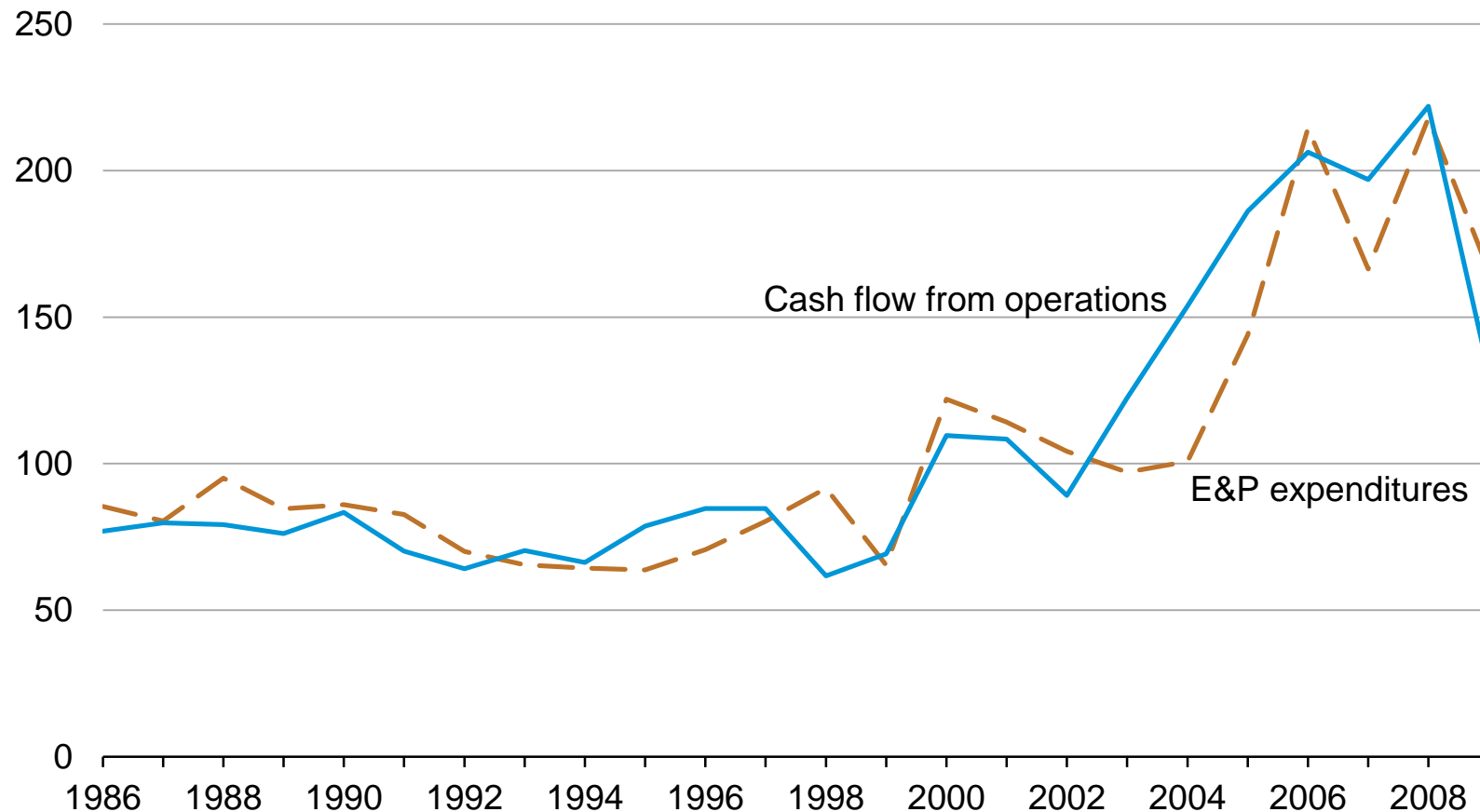
billion 2013\$



Source: U.S. Energy Information Administration, based on Evaluate Energy database

From 1986 to 2009, total expenditures tended to track closely with cash flow from operations

billion 2009\$

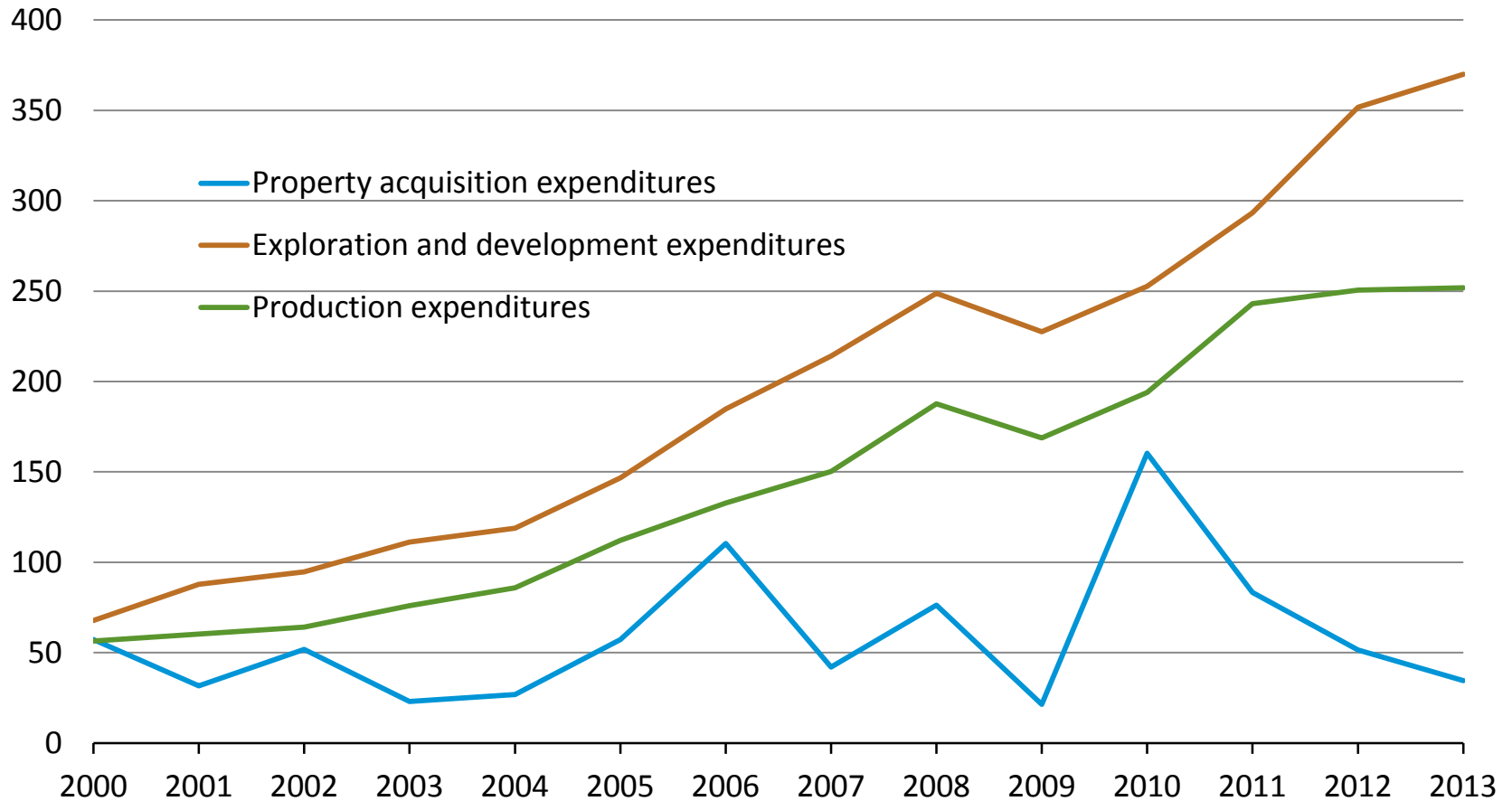


Note: E&P expenditures includes exploration, development, production, unproved acreage, and proved acreage expenditures

Source: U.S. Energy Information Administration, Form EIA-28 (Financial Reporting System)

Upstream expenditures by category

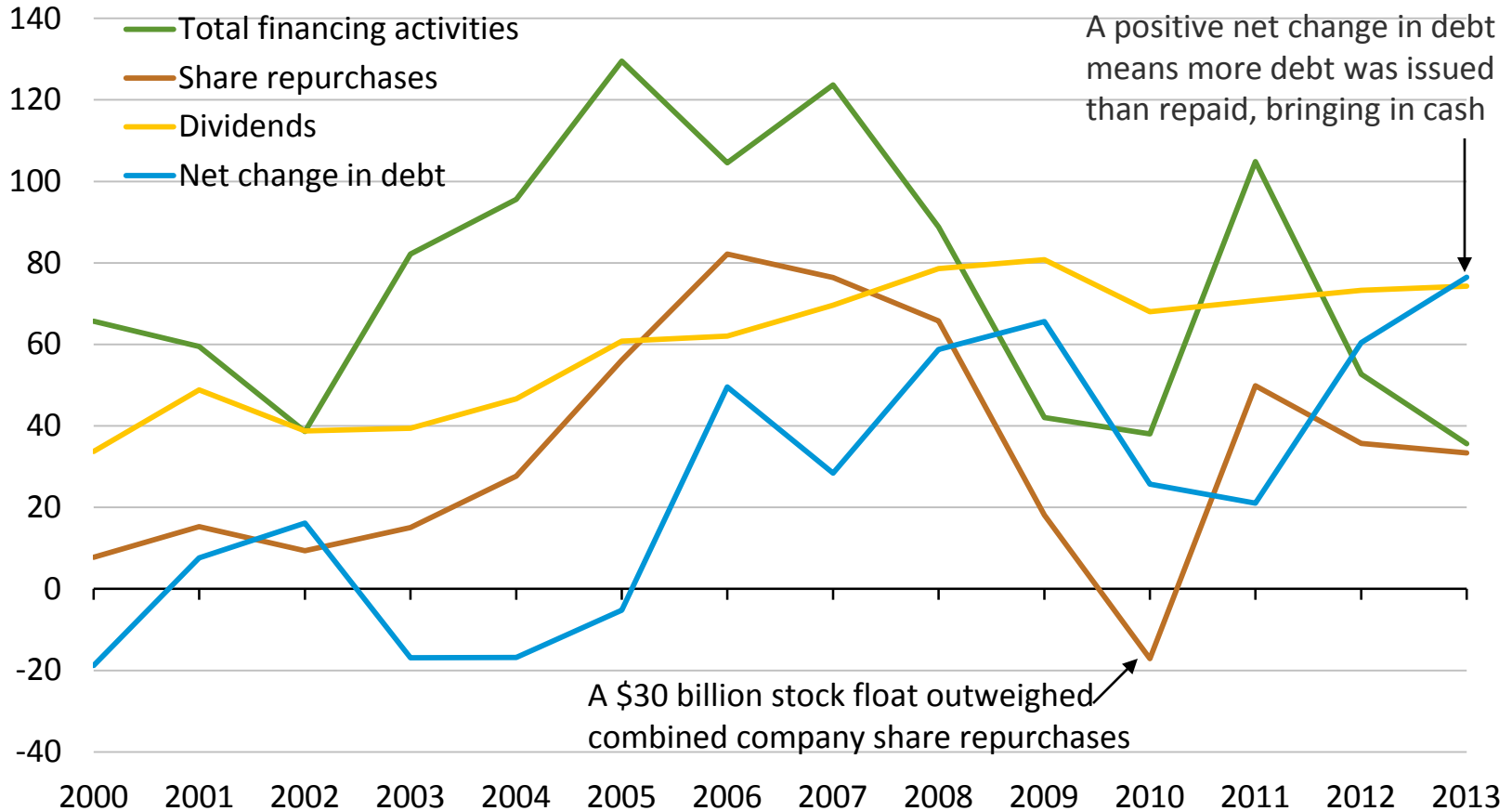
billion 2013\$



Source: U.S. Energy Information Administration, based on Evaluate Energy database

The upstream group has increased dividends and debt since 2000

billion 2013\$

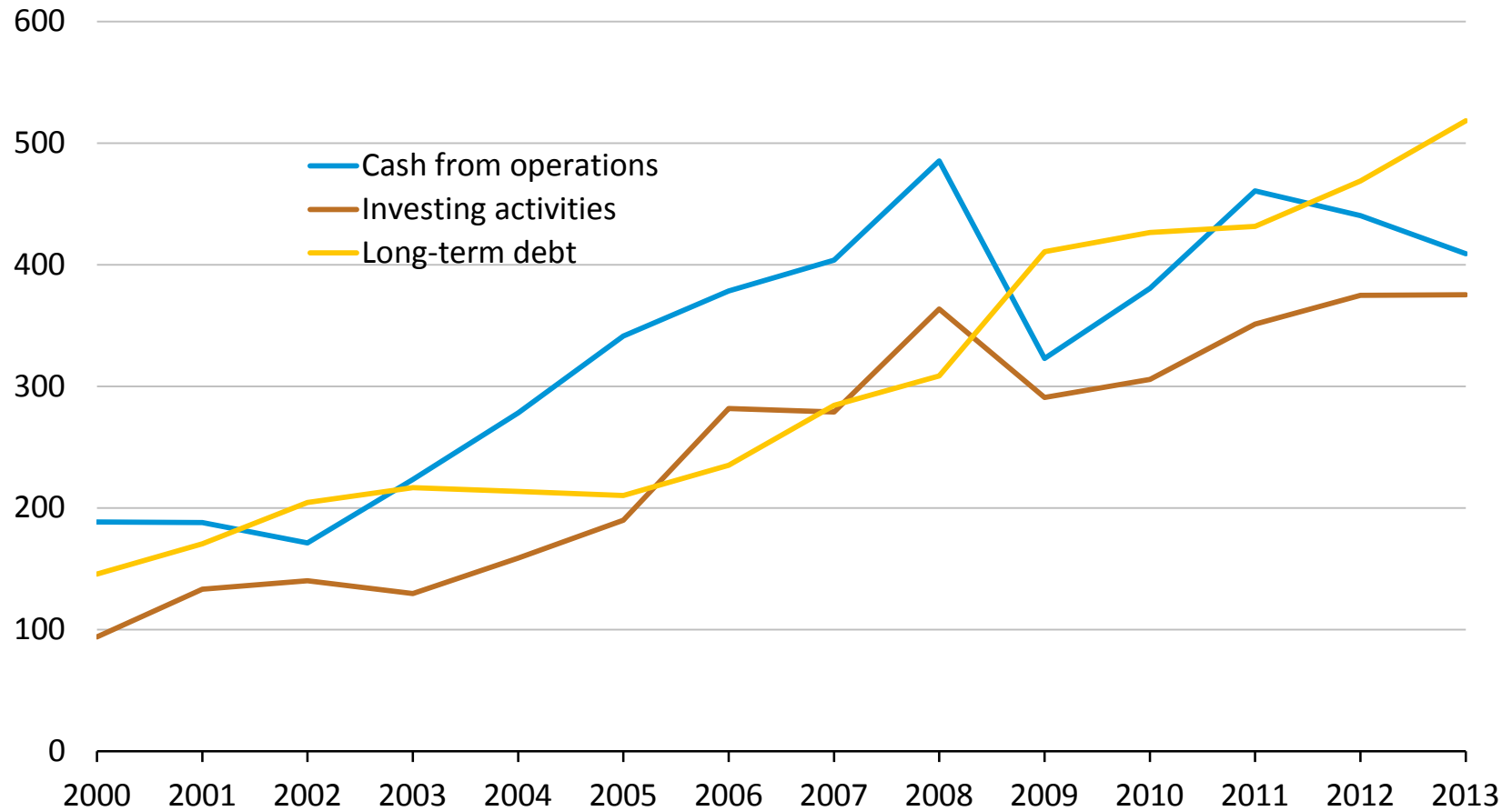


Note: Share repurchases + dividends - net change in debt ≈ Total financing activities

Source: U.S. Energy Information Administration, based on Evaluate Energy database

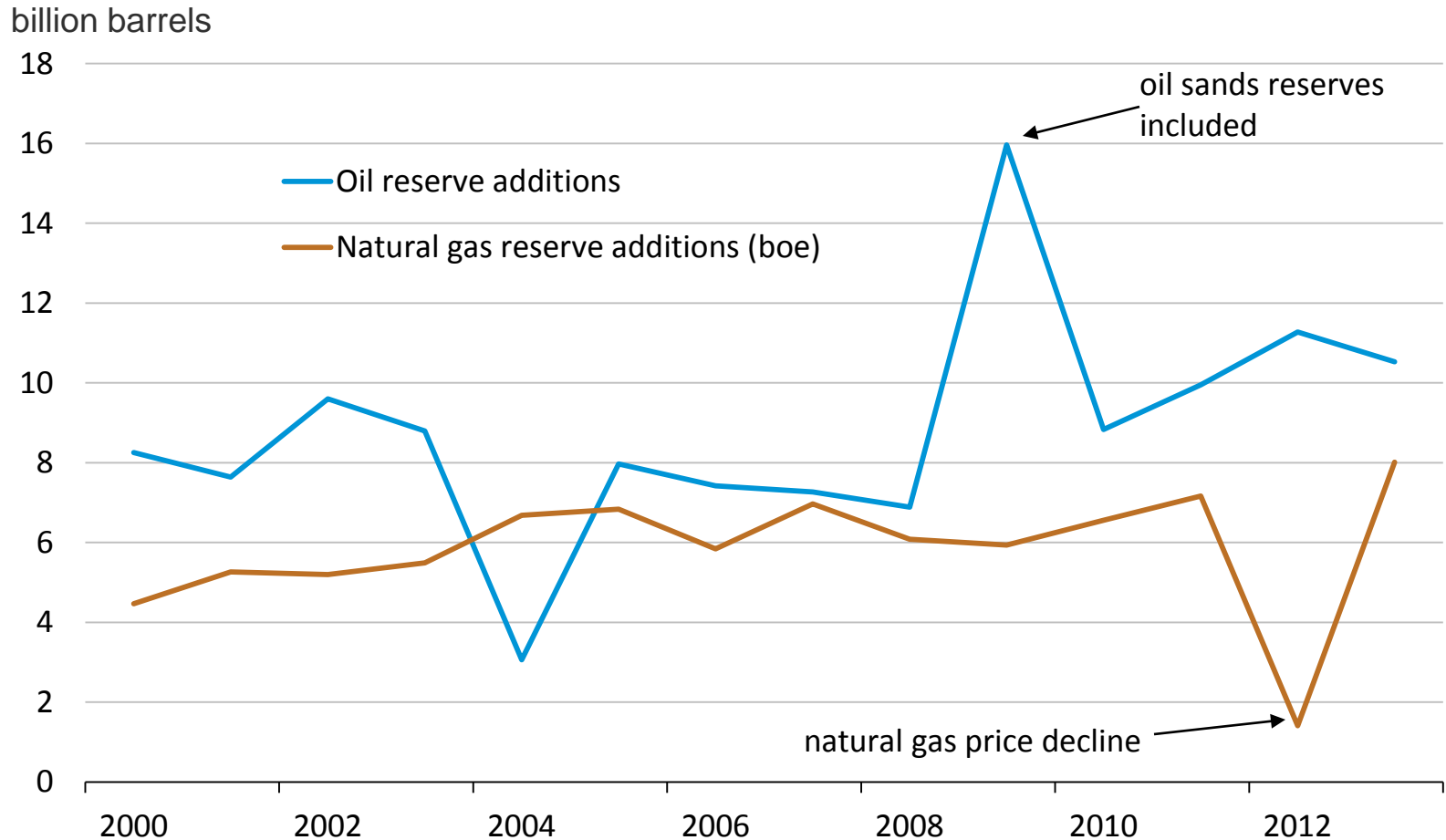
These companies have increased long-term debt every year since 2006

billion 2013\$



Source: U.S. Energy Information Administration, based on Evaluate Energy database

Oil reserve additions exceeded 10 billion barrels in both 2012 and 2013

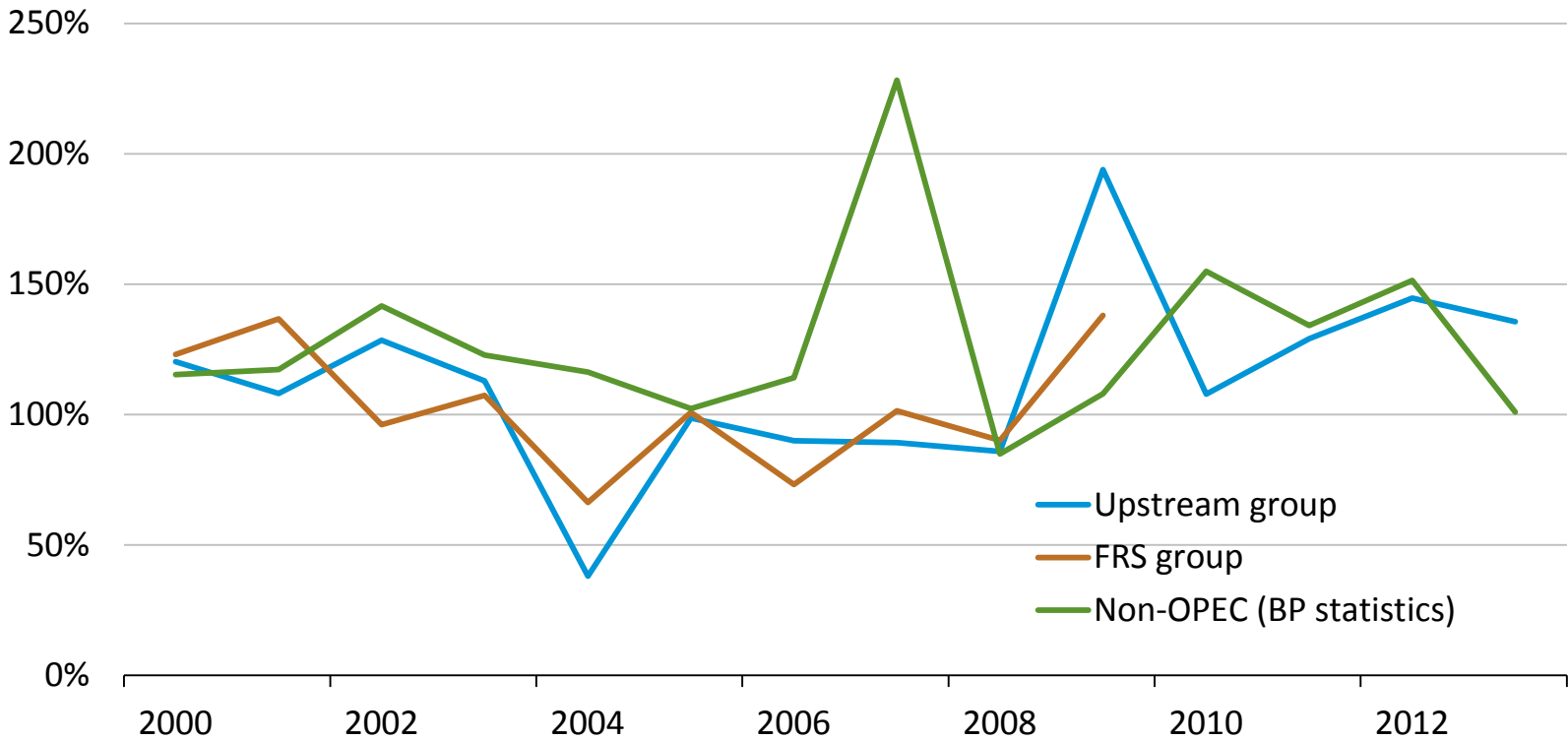


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Note: boe=barrels of oil equivalent

Increased finding of reserves and flat production led to reserve replacement ratios of over 100% since 2008

oil reserve replacement ratio

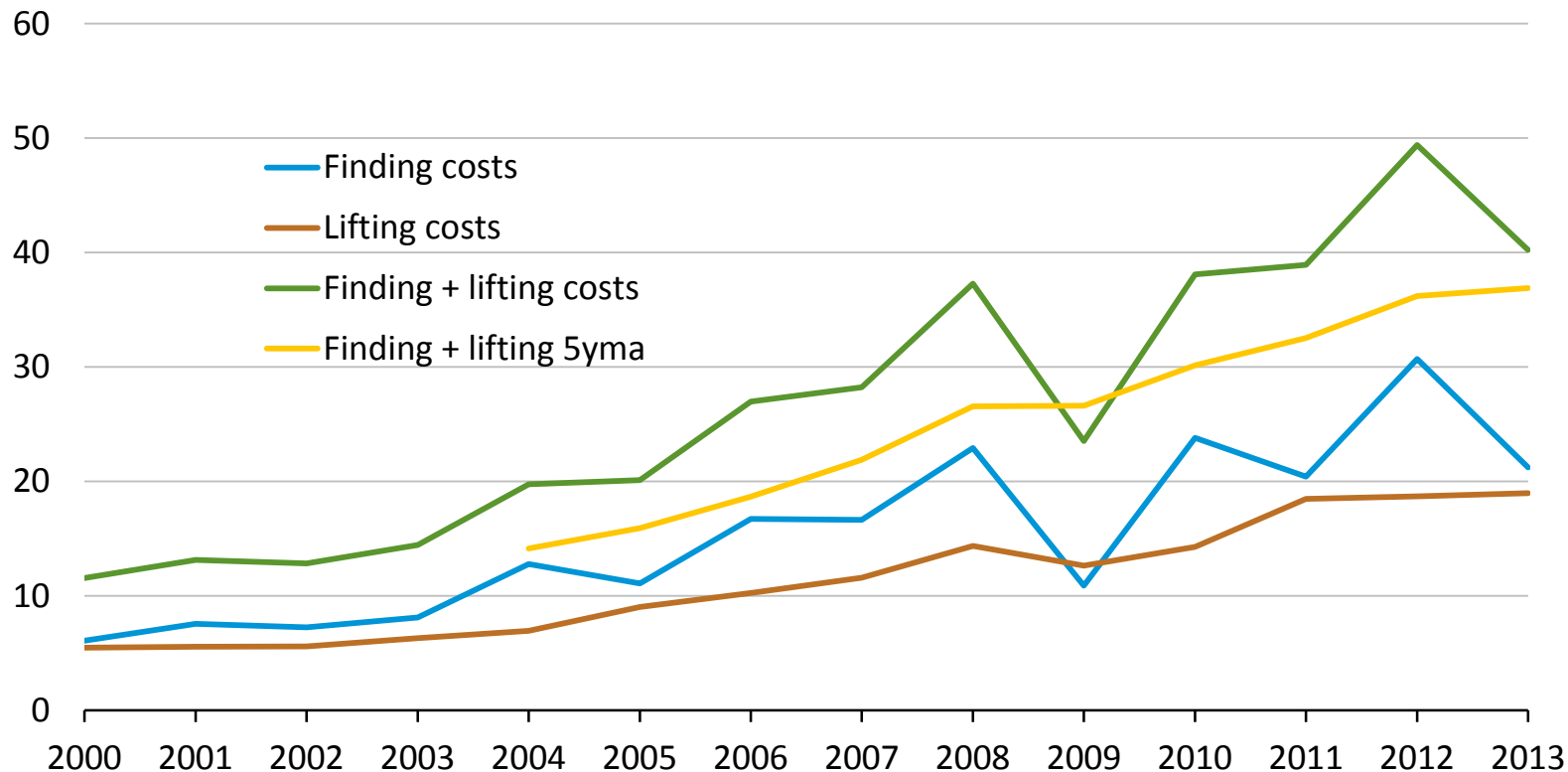


Note: The reserve replacement ratio indicates whether the company added sufficient reserves to replace the amount produced in a given year

Sources: Upstream group: U.S. Energy Information Administration, based on Evaluate Energy database; FRS group: U.S. Energy Information Administration, Form EIA-28 (Financial Reporting System); Non-OPEC: BP Statistical Review of World Energy June 2014

Exploration and development costs have driven up the total per-barrel cost

2013\$ per barrel of oil equivalent



Note: Finding costs are the ratio of unproved property acquisition and exploration and development expenditures to reserve additions. Lifting costs are the ratio of production expenditures to the amount of oil/gas produced.

5yma=five-year moving average

Source: U.S. Energy Information Administration, based on Evaluate Energy database

Appendix: List of companies included in this analysis

Anadarko Petroleum Corp.	Devon Energy Corporation	Murphy Oil Corporation	Southwestern Energy Co.
Apache Corporation	Encana Corporation	Newfield Exploration Company	Statoil ASA
BHP Billiton	ENI	Noble Energy	Stone Energy
BP	EOG Resources	Norsk Hydro	Suncor Energy Inc.
Cabot Oil & Gas Corp.	ExxonMobil	Occidental	Swift Energy Co
Callon Petroleum	Forest Oil Corporation	Petrobras (IFRS US\$)	Talisman Energy Inc.
Canadian Natural Resources Limited	Hess Corp	Pioneer Natural Resources Company	Total
Chesapeake Energy Corp.	Husky Energy Inc.	Quicksilver Resources Inc	Ultra Petroleum Corporation
Chevron	Imperial Oil Limited	Royal Dutch Shell	Unit Corp
ConocoPhillips	Lukoil (US GAAP)	Sinopec	Wintershall
Denbury Resources Inc.	Marathon Oil Corp.	SM Energy Company	XTO

Note: Norsk Hydro and XTO data only included in years before their respective mergers

Source: U.S. Energy Information Administration, based on Evaluate Energy database