

2014 Second-Quarter Financial Review



Markets and Financial Analysis Team

October 2, 2014

Overview

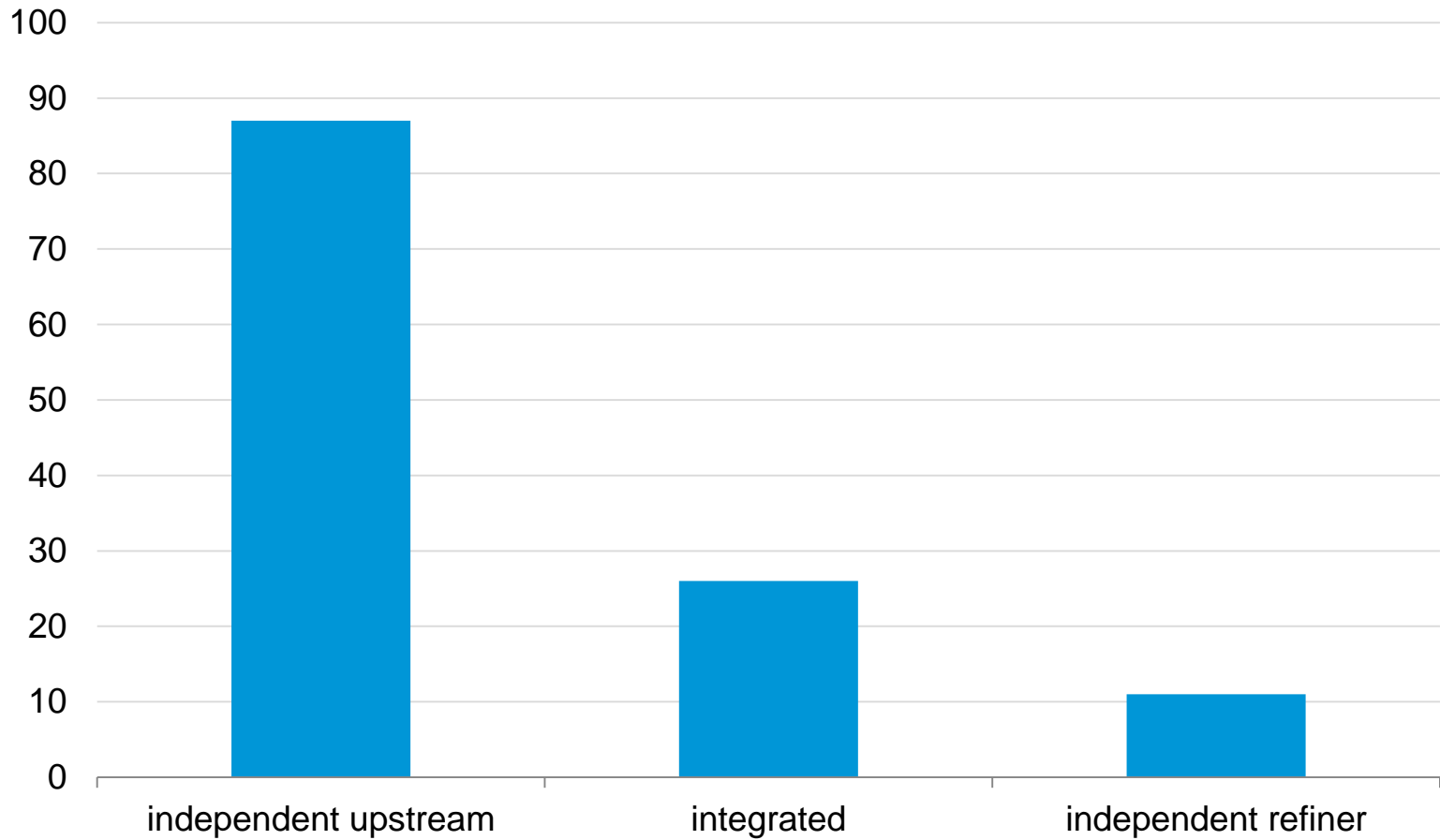
- This analysis focuses on the financial and operating trends of 124 oil and natural gas companies (“energy companies”).
- The data come from public financial statements each company submits to the U.S. Securities and Exchange Commission, which a data service, Evaluate Energy, aggregates for ease of data analysis.
- For consistency, companies that were later acquired by another company in the group were kept in the prior year data. For example, Frontier Oil and Holly Corporation’s individual numbers were kept through 2011, and afterwards became HollyFrontier Corporation.
- A slide that represents a figure on an annualized basis means it is the sum of the four quarters ending for that time period. The purpose of this is to smooth volatility and seasonality.
- Cash flow statements list various sources and uses of cash; this analysis focuses on three main sources (operations; net debt; and sales of property, plant, and equipment) and three main uses (capital expenditure, dividends to shareholders, and net share issuance).

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.
- 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.
- Net income or earnings represent profit after taxes and depreciation.

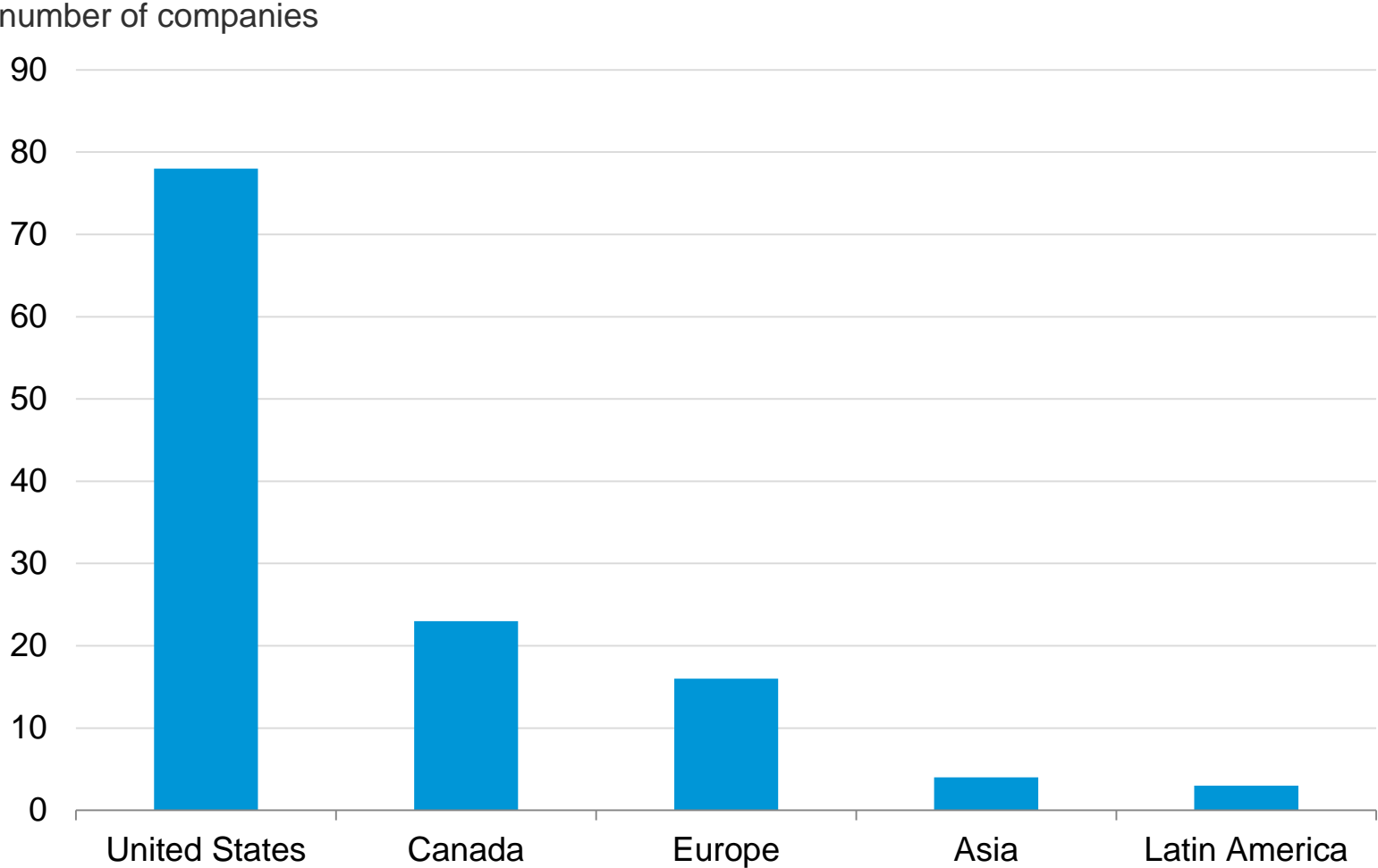
Distribution of the 124 companies by type

number of companies



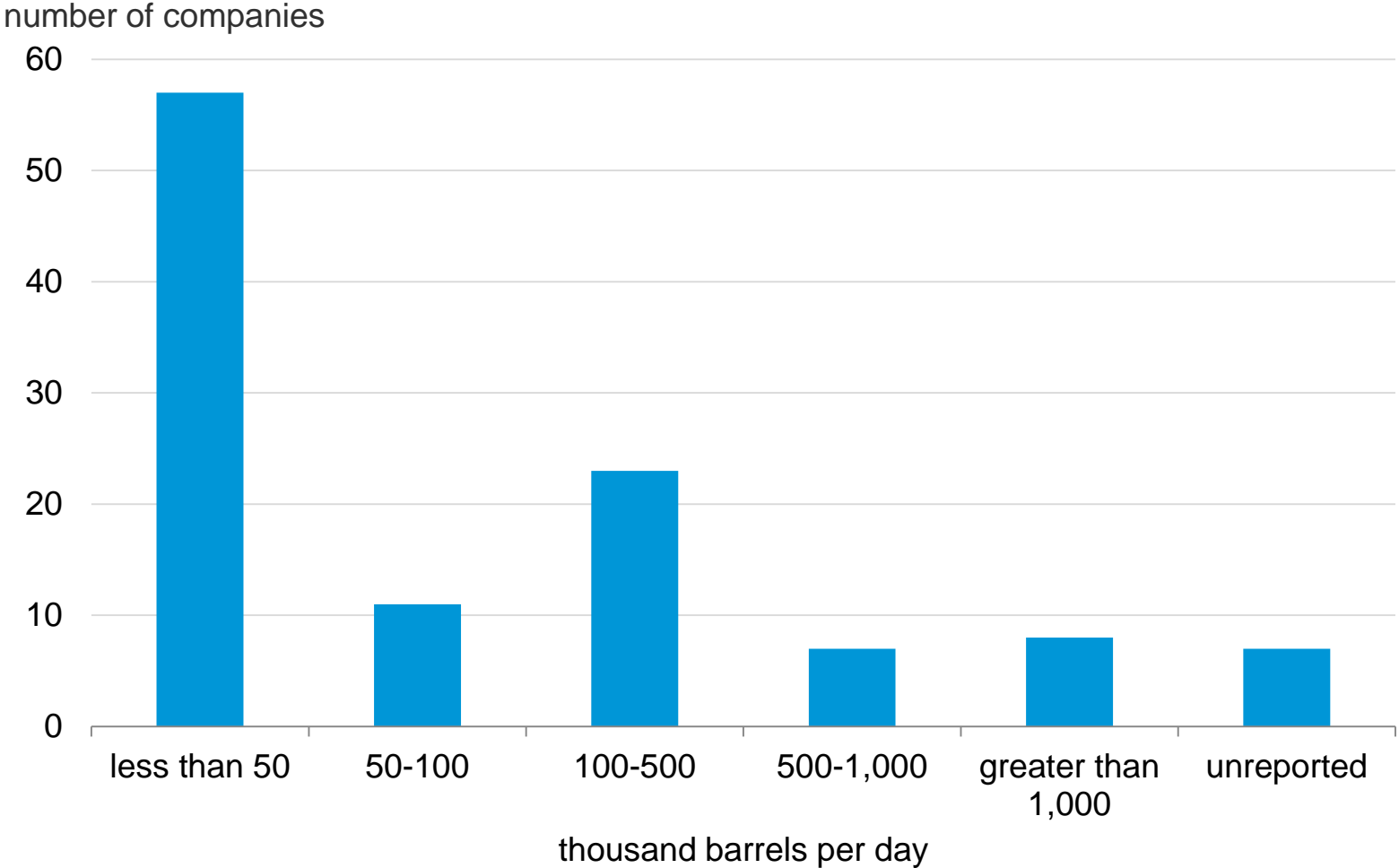
Source: U.S. Energy Information Administration, based on Evaluate Energy database

Most companies are based in North America



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

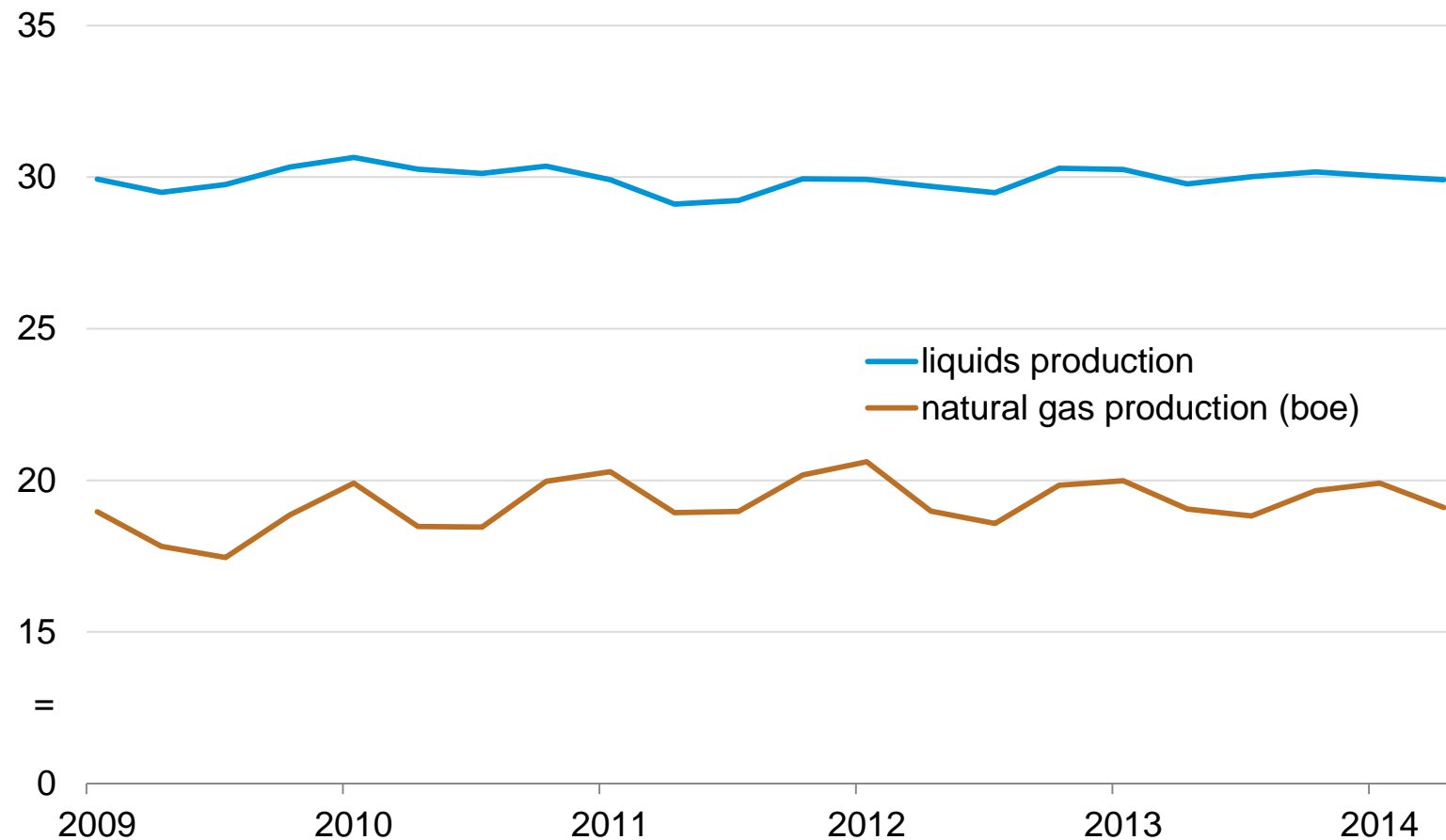
Liquids distribution for producing companies



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

The energy companies produced 30 million barrels per day of liquids in the second quarter

million barrels per day

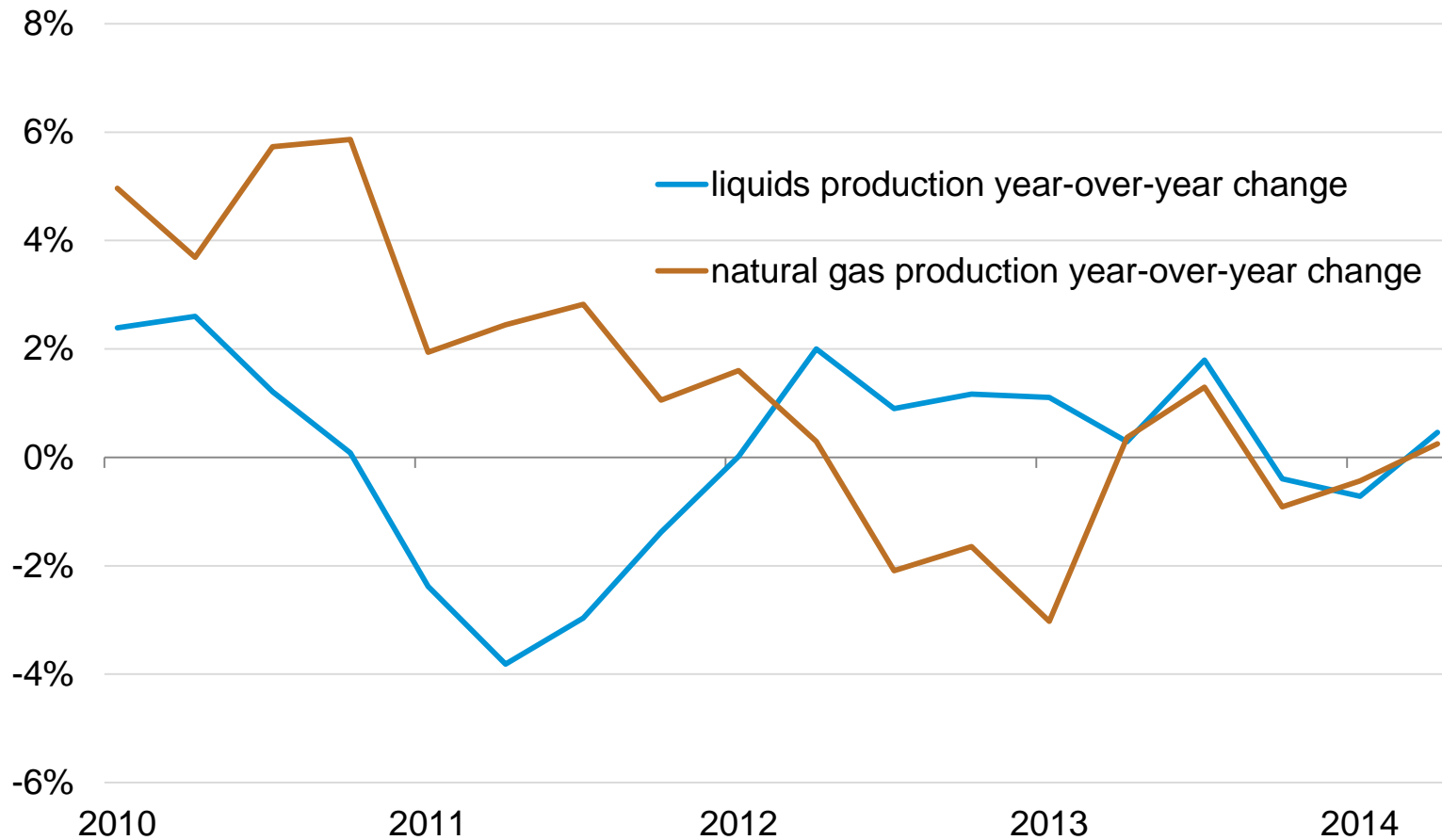


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Note: boe=barrels of oil equivalent

Second-quarter 2014 liquids and natural gas production increased slightly over second-quarter 2013

year-over-year change

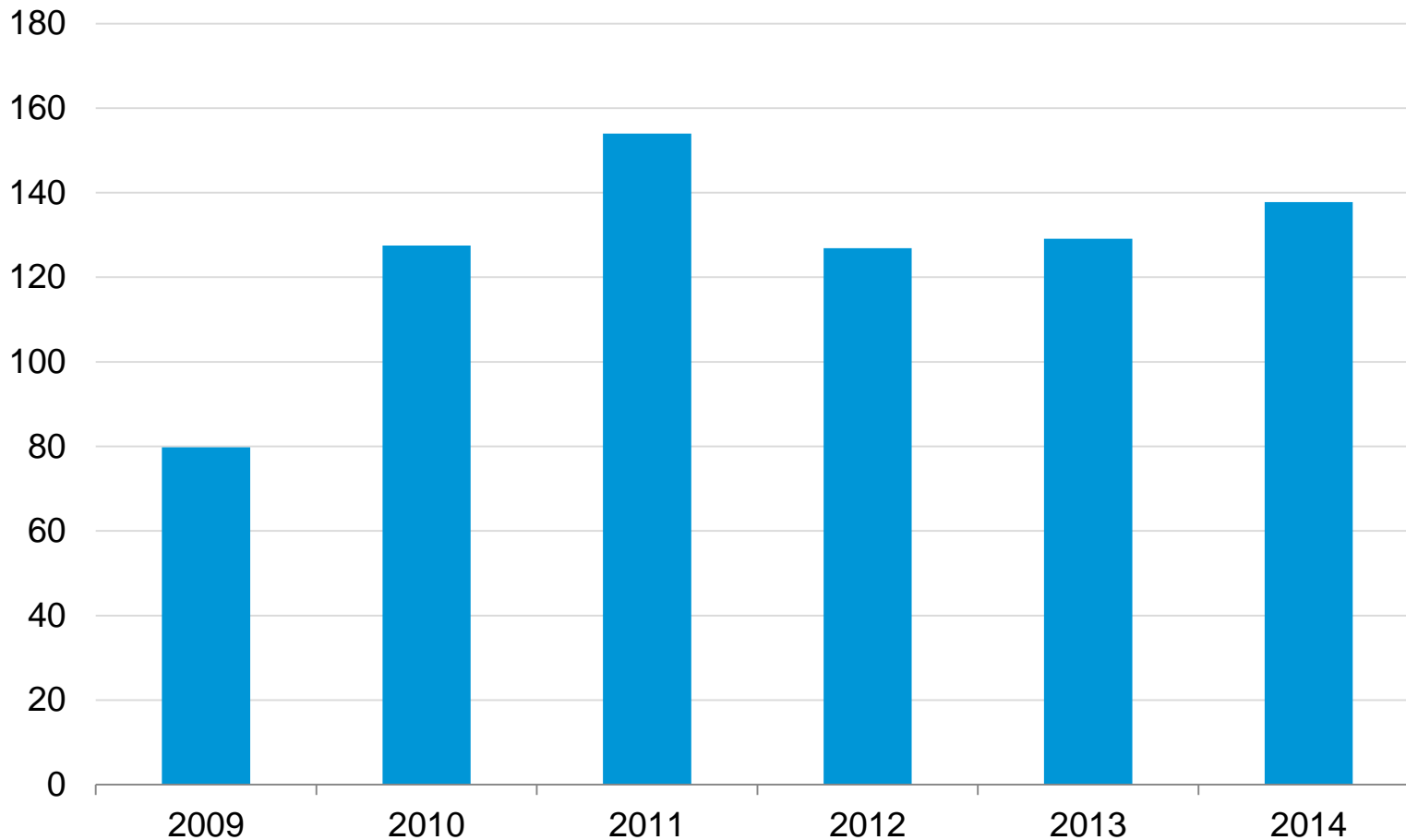


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Cash from operations was 6.7% higher than the same quarter last year and the highest since 2011

second quarter cash from operations

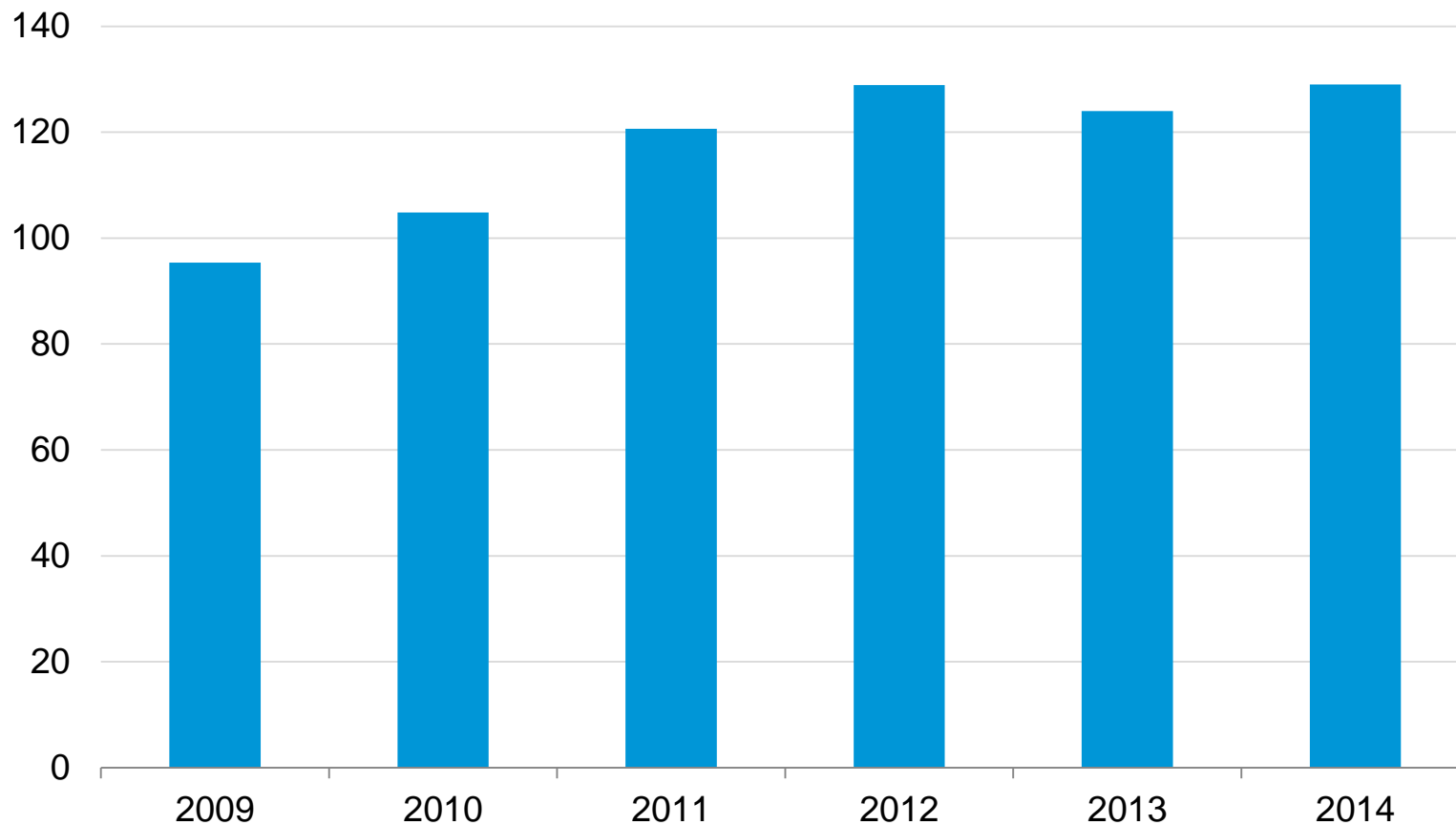
billion 2014\$



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

Second-quarter 2014 capital expenditure was comparable to second-quarter 2012 levels, at \$129 billion

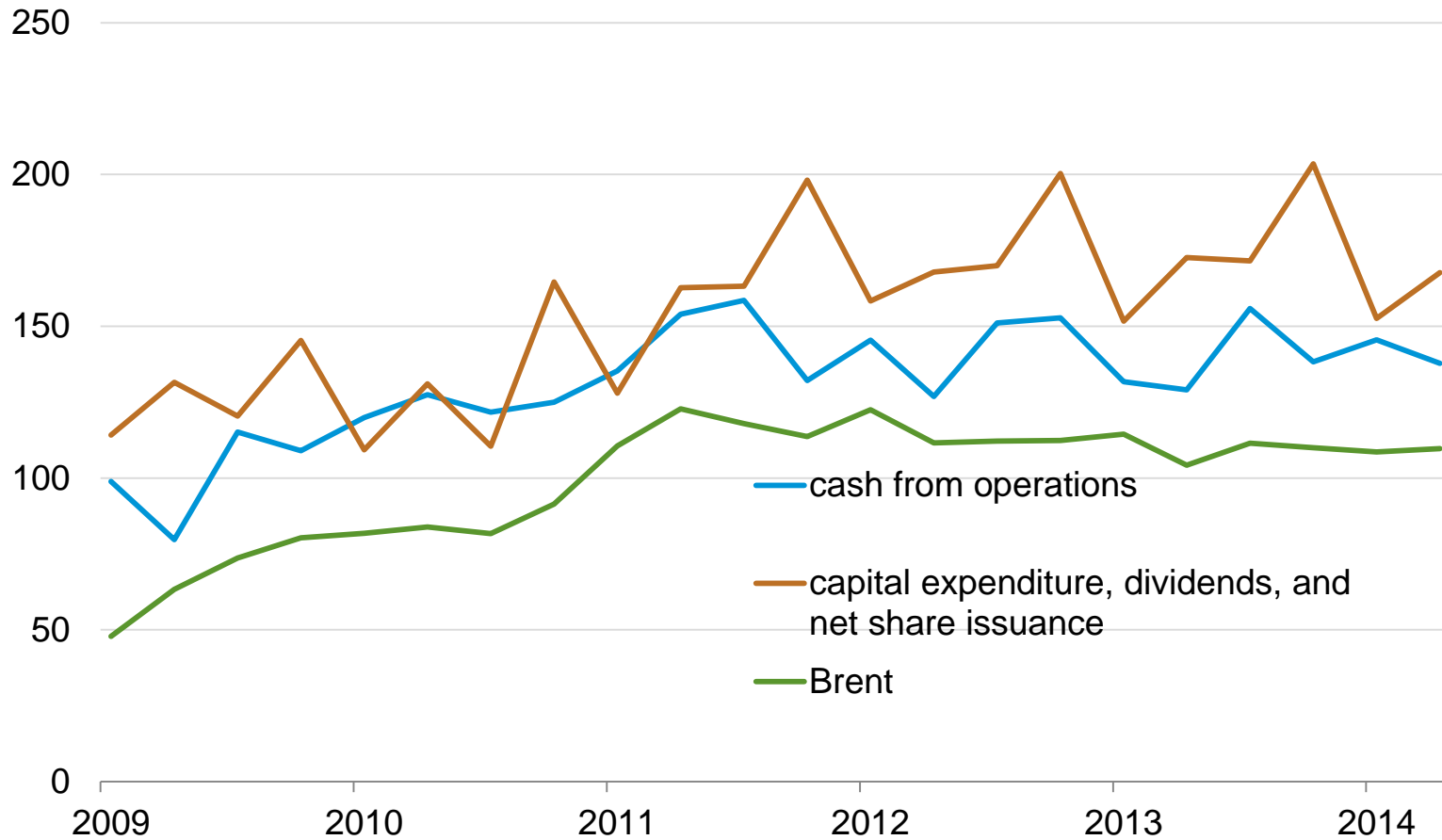
second quarter capital expenditure
billion 2014\$



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

Cash from operations was in a \$32 billion range since 2011, as crude prices ranged between \$104-\$122 per barrel

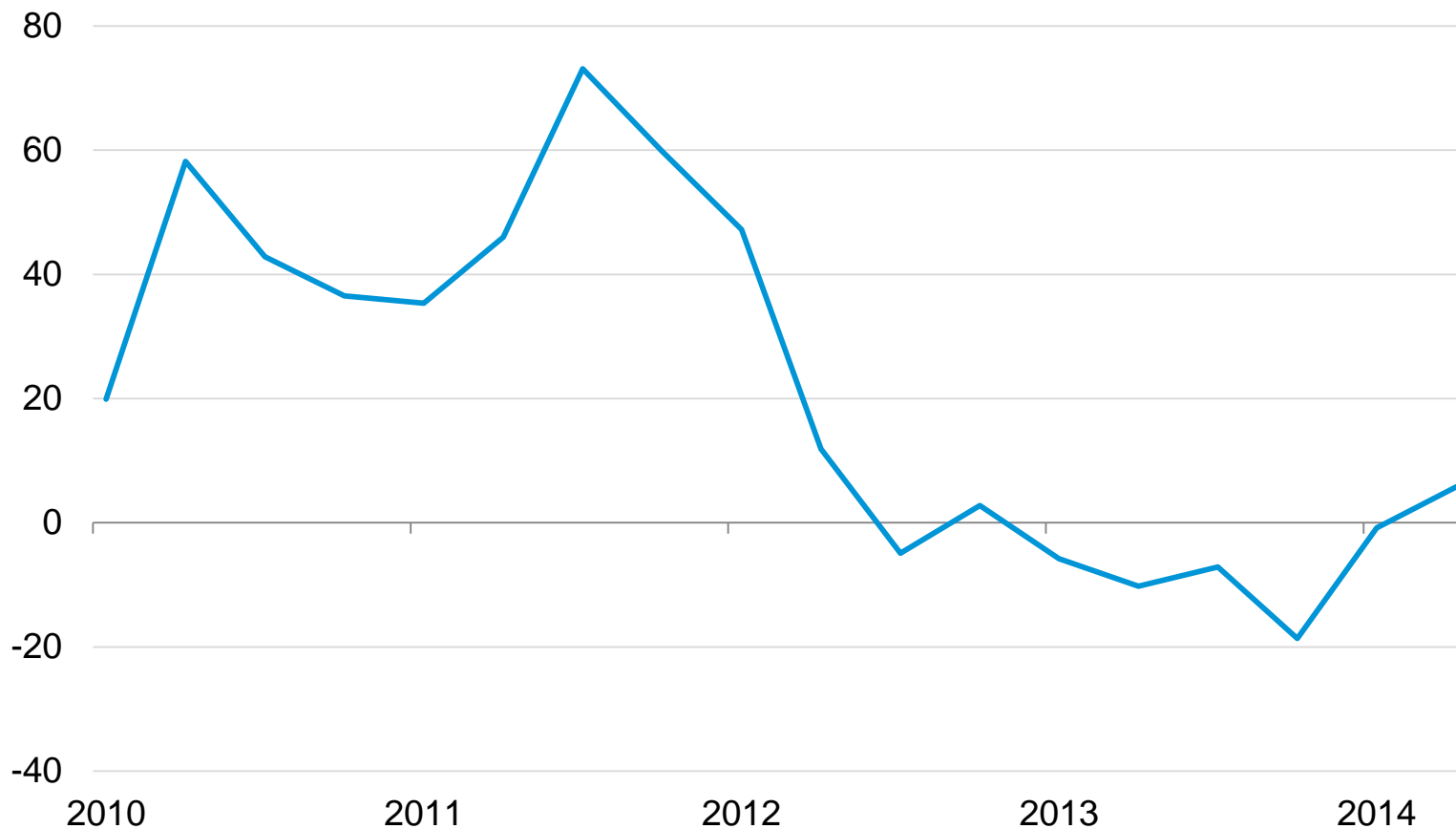
billion 2014\$, Brent in 2014\$/barrel



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

As cash from operations outpaced capital expenditure in recent quarters, the energy companies' free cash flow increased

annualized free cash flow
billion 2014\$

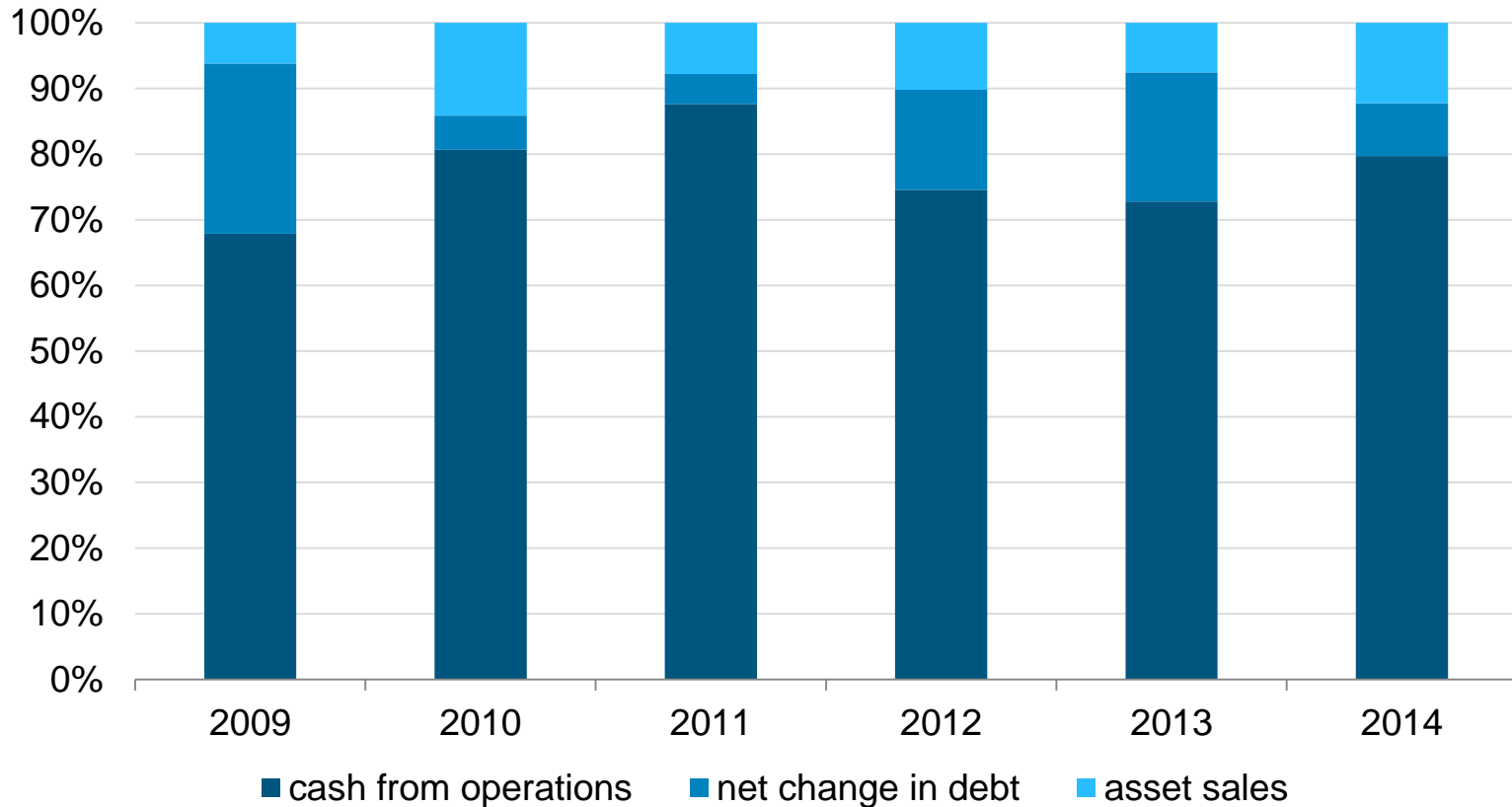


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Note: Free cash flow=Cash from operations minus Capital expenditure

Proceeds from asset sales accounted for 12% of cash sources, the largest since 2010

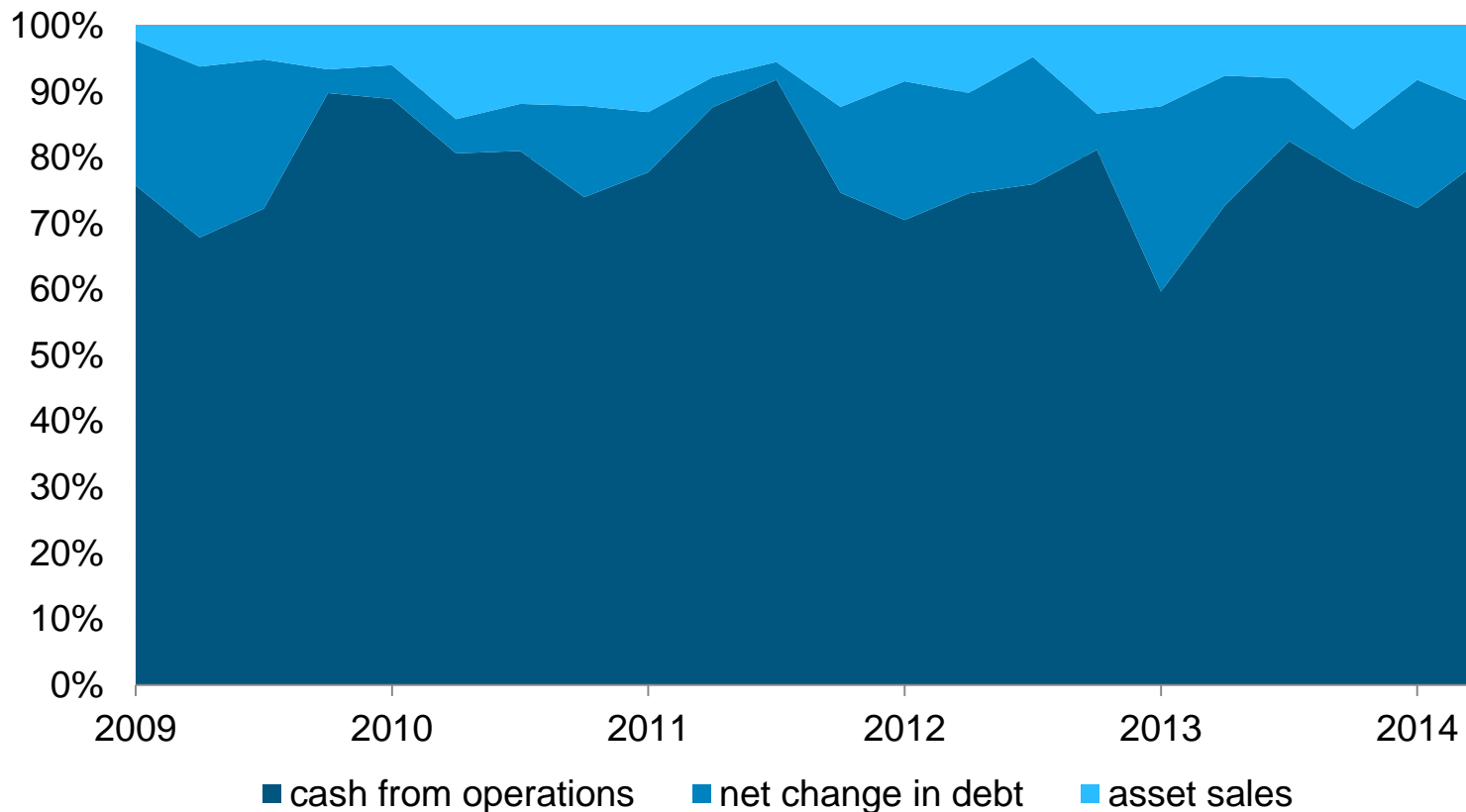
second quarter sources of cash



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

Debt and asset sales accounted for 25.4% of cash since 2012 on average, up from the 2009-11 average of 19.8%

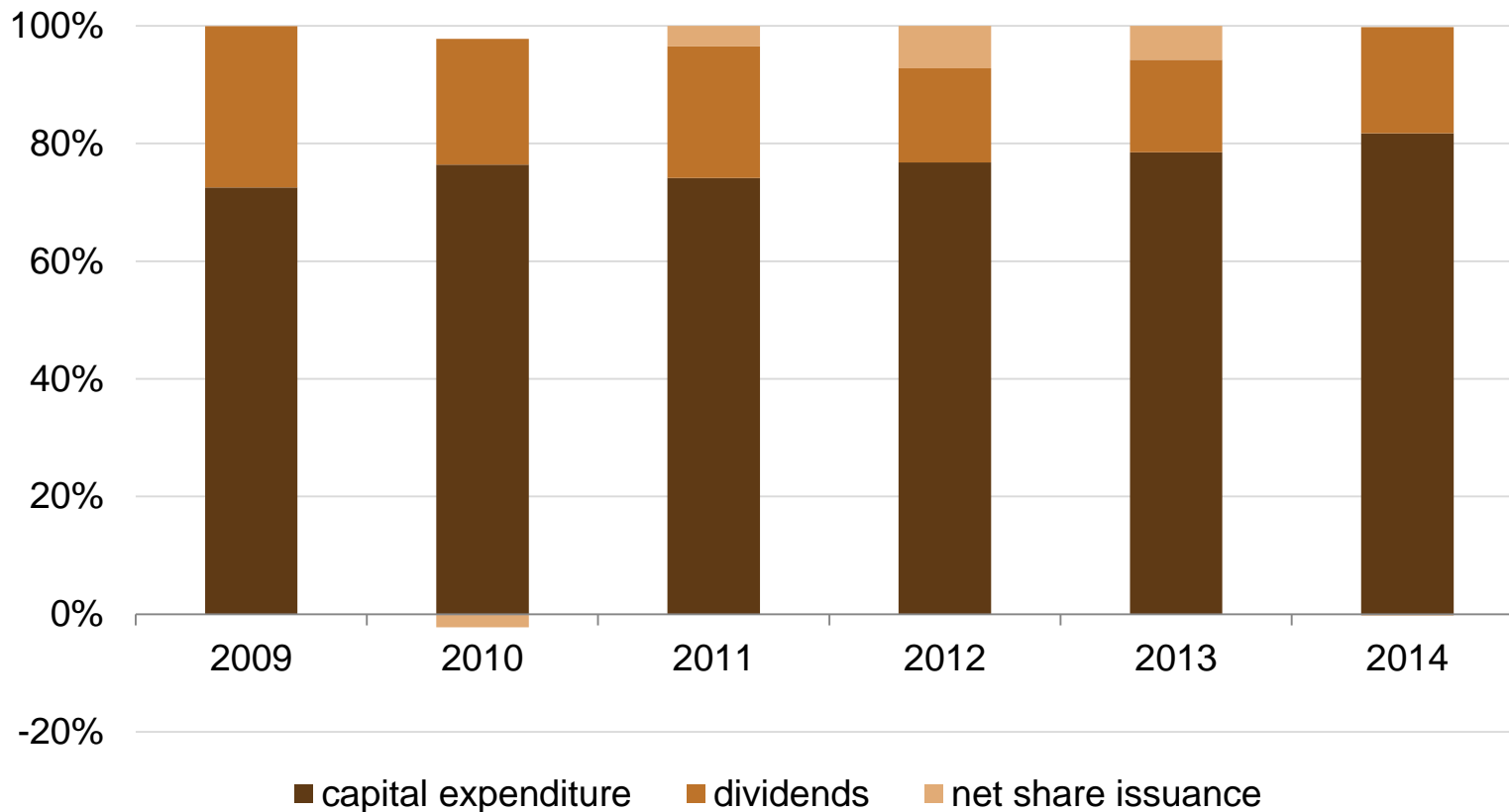
sources of cash



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

Net share issuance served as a source of cash instead of a use of cash in the second quarter, the first time since 2010

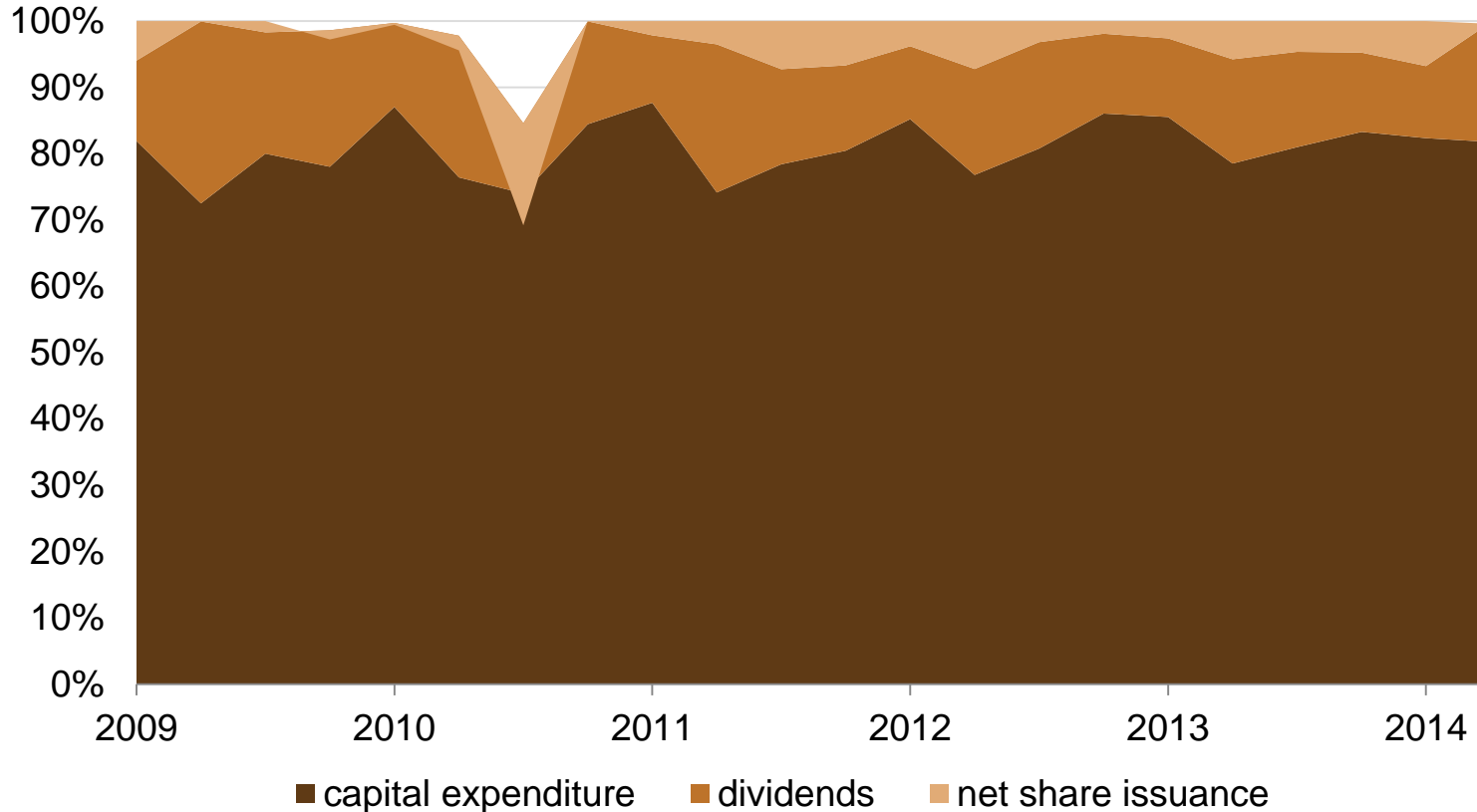
second quarter uses of cash



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

Expenditures increased \$24 billion on average from 2009-11 to 2012-14. The share devoted to investment was constant at 82%

uses of cash

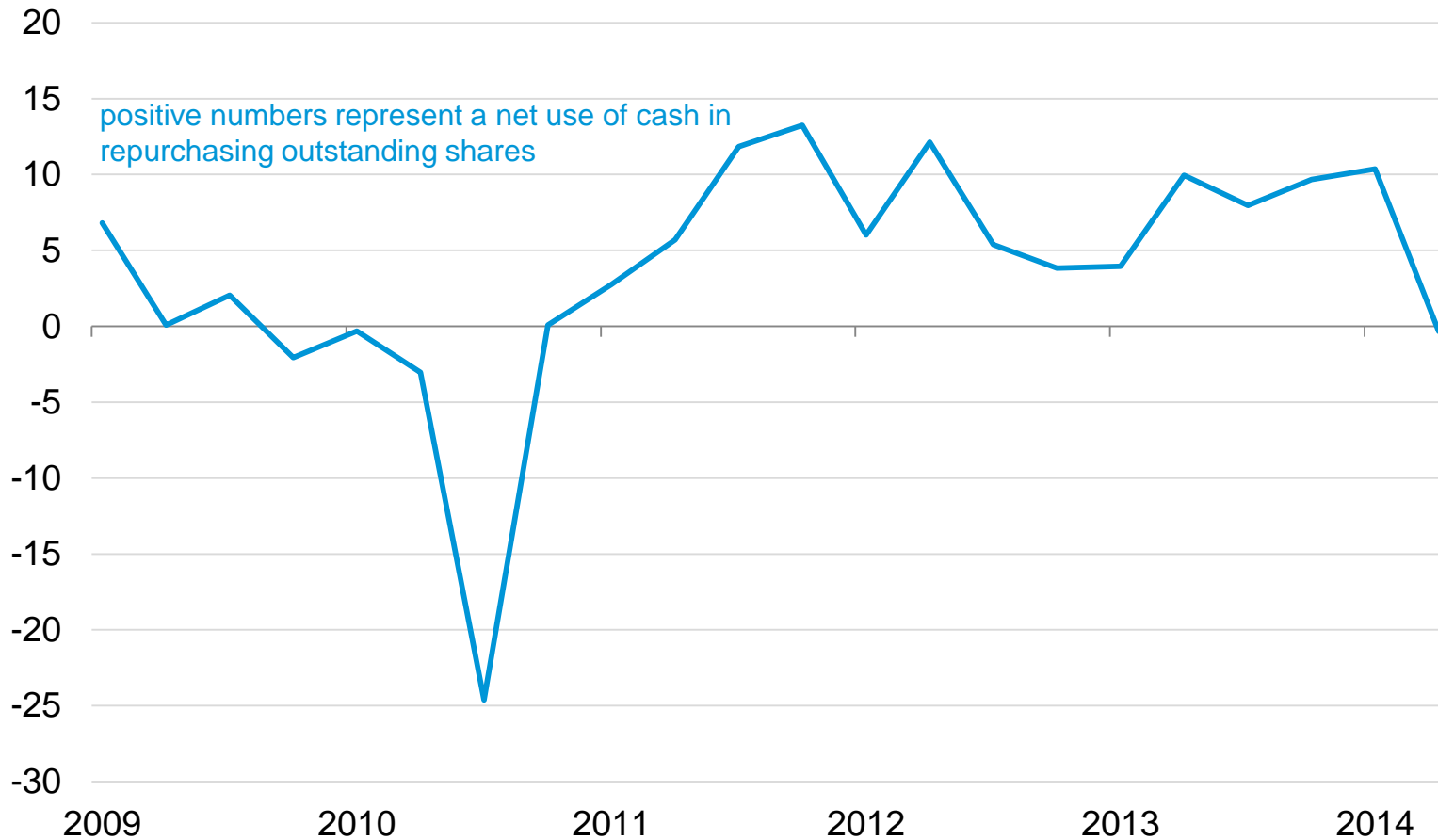


Source: U.S. Energy Information Administration, based on Evaluate Energy database

A \$3.4 billion and \$1.3 billion share float outweighed many companies' repurchases of common stock

net share issuance

billion 2014\$

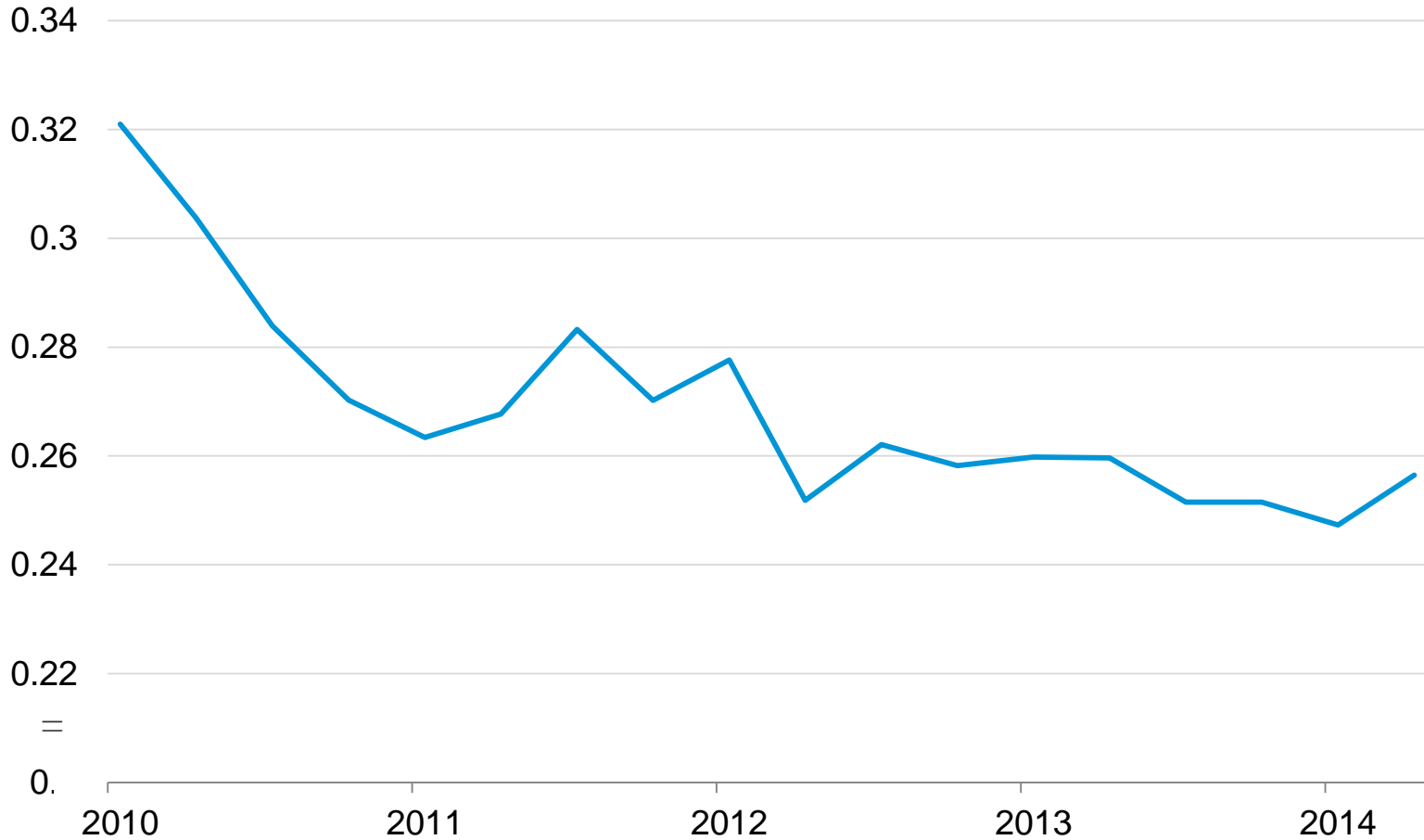


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Dividend payouts stayed flat, but repurchases of common stock since 2013 increased dividends per share

annualized dividends per share

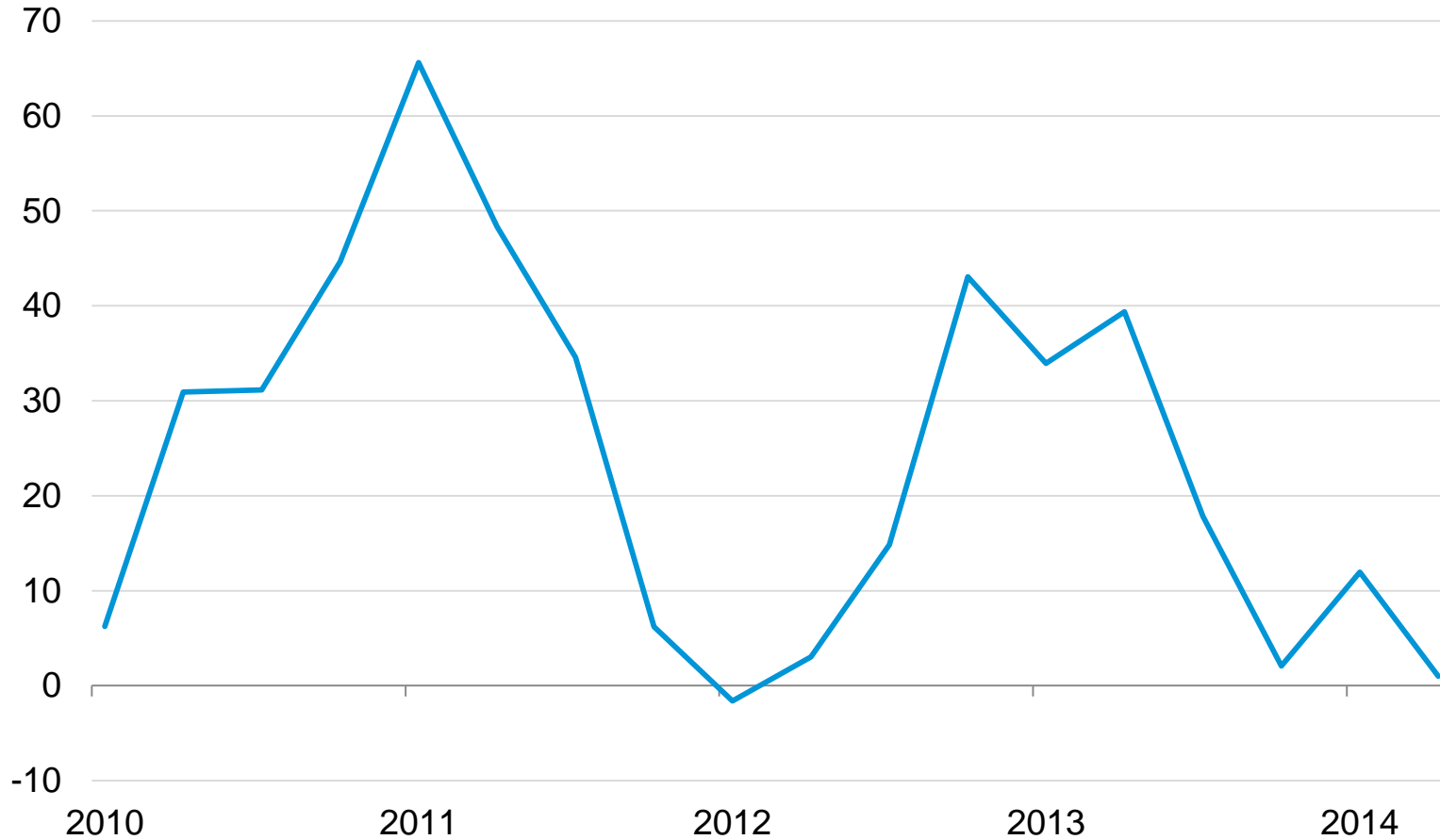
2014\$



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

Cash balance growth has fallen to less than \$1 billion on an annualized basis

annualized net increase (decrease) in cash
billion 2014\$

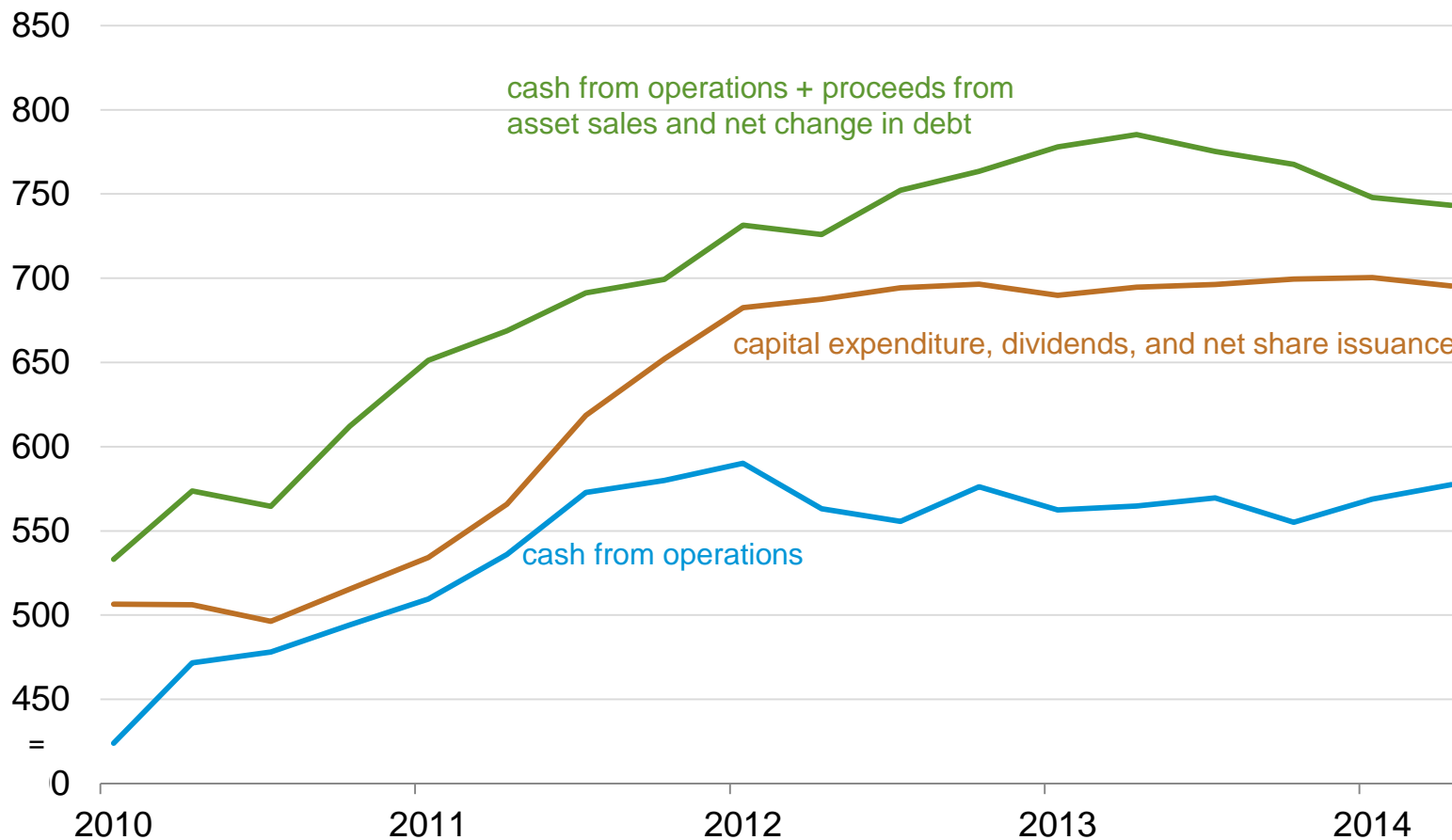


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Annualized, debt and asset sales increased \$166 billion per year to meet investment and financing activity expenditures

annualized major sources and uses of cash

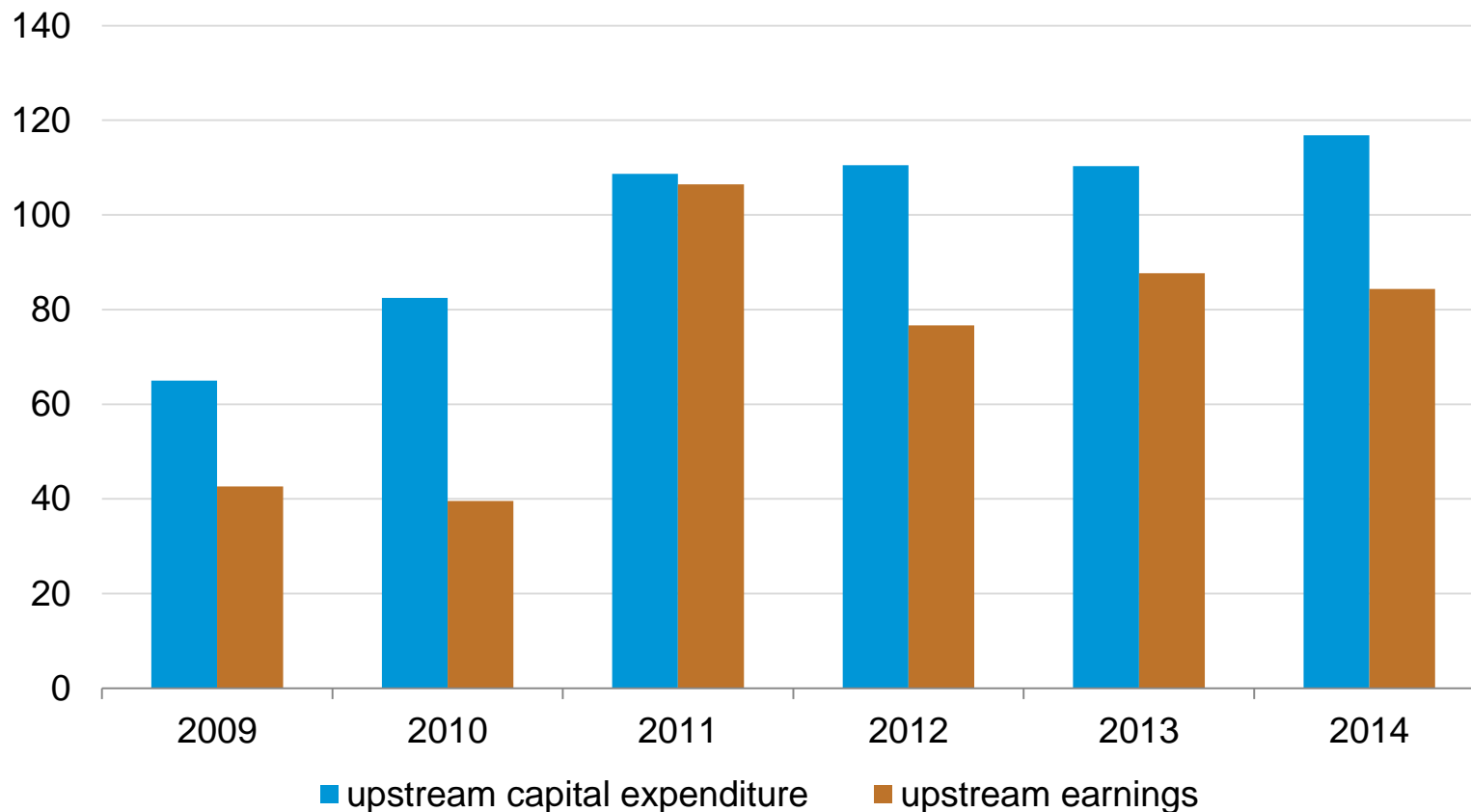
billion 2014\$



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

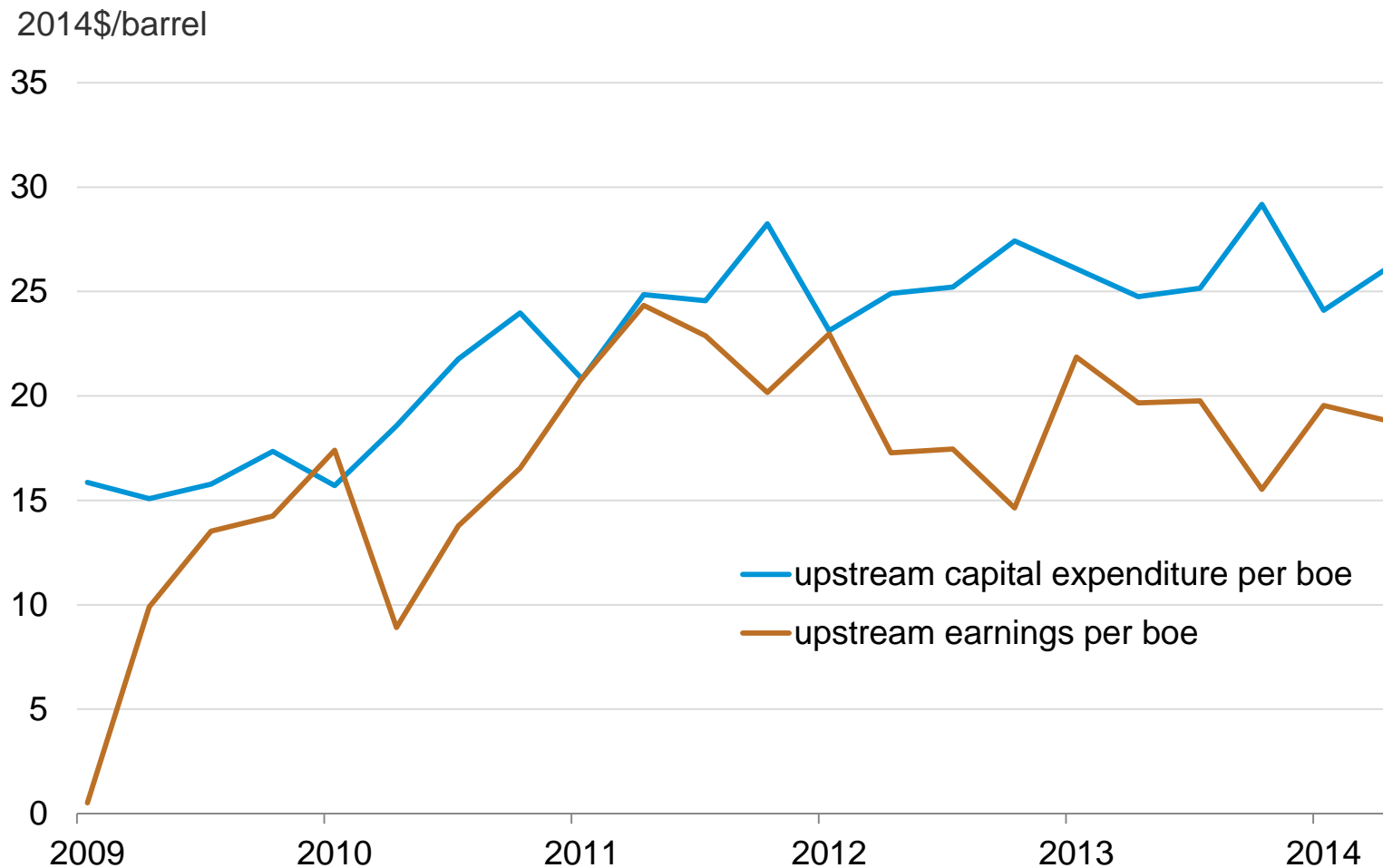
Upstream capital expenditure increased 5.9% over 2013 in second-quarter 2014, while upstream earnings decreased 3.8%

second quarter upstream capital expenditure and earnings
billion 2014\$



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

Since 2012, capital expenditure ranged between \$24-\$29/boe and earnings ranged between \$15-\$22/boe

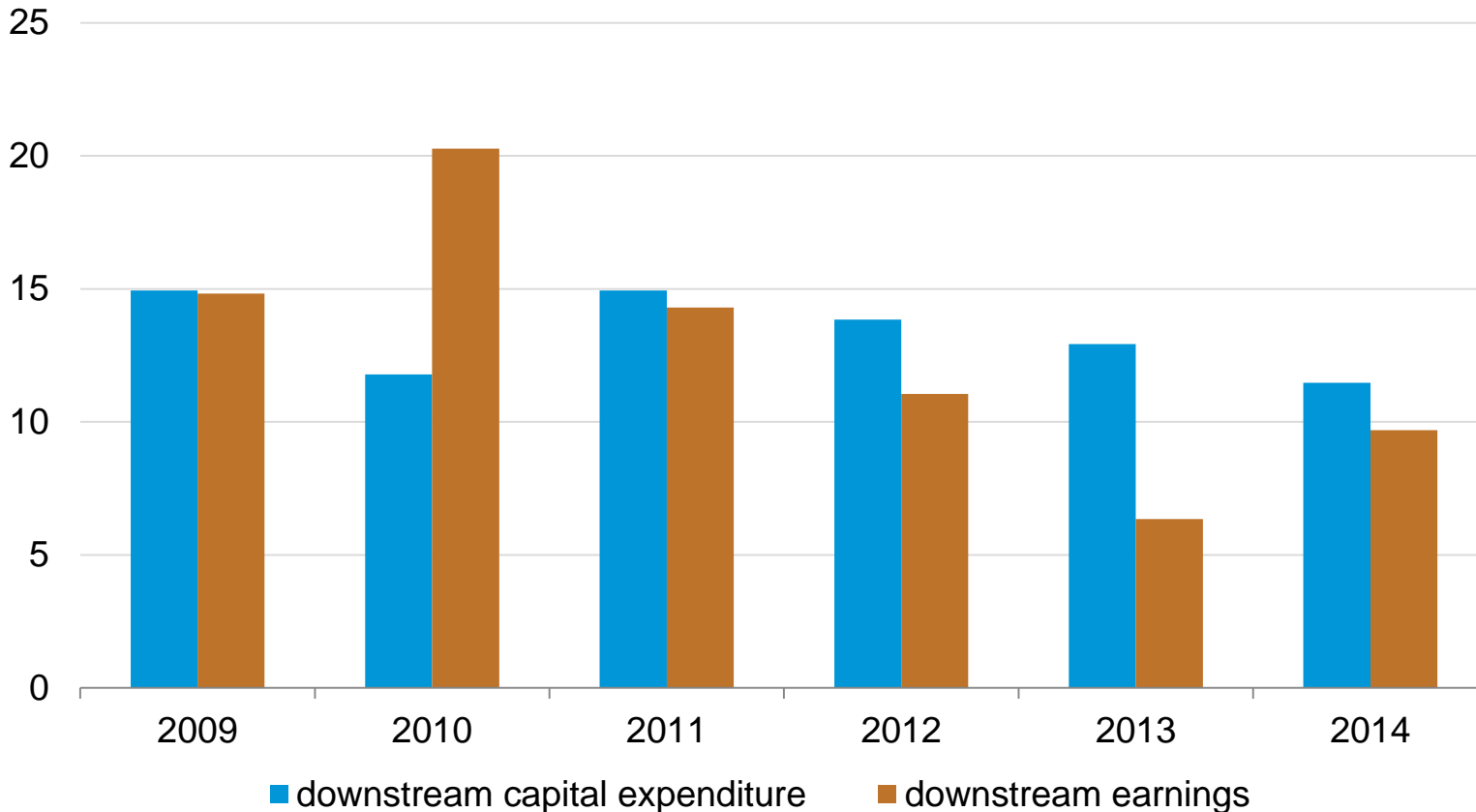


Source: U.S. Energy Information Administration, based on Evaluate Energy database

Note: boe=barrels of oil equivalent

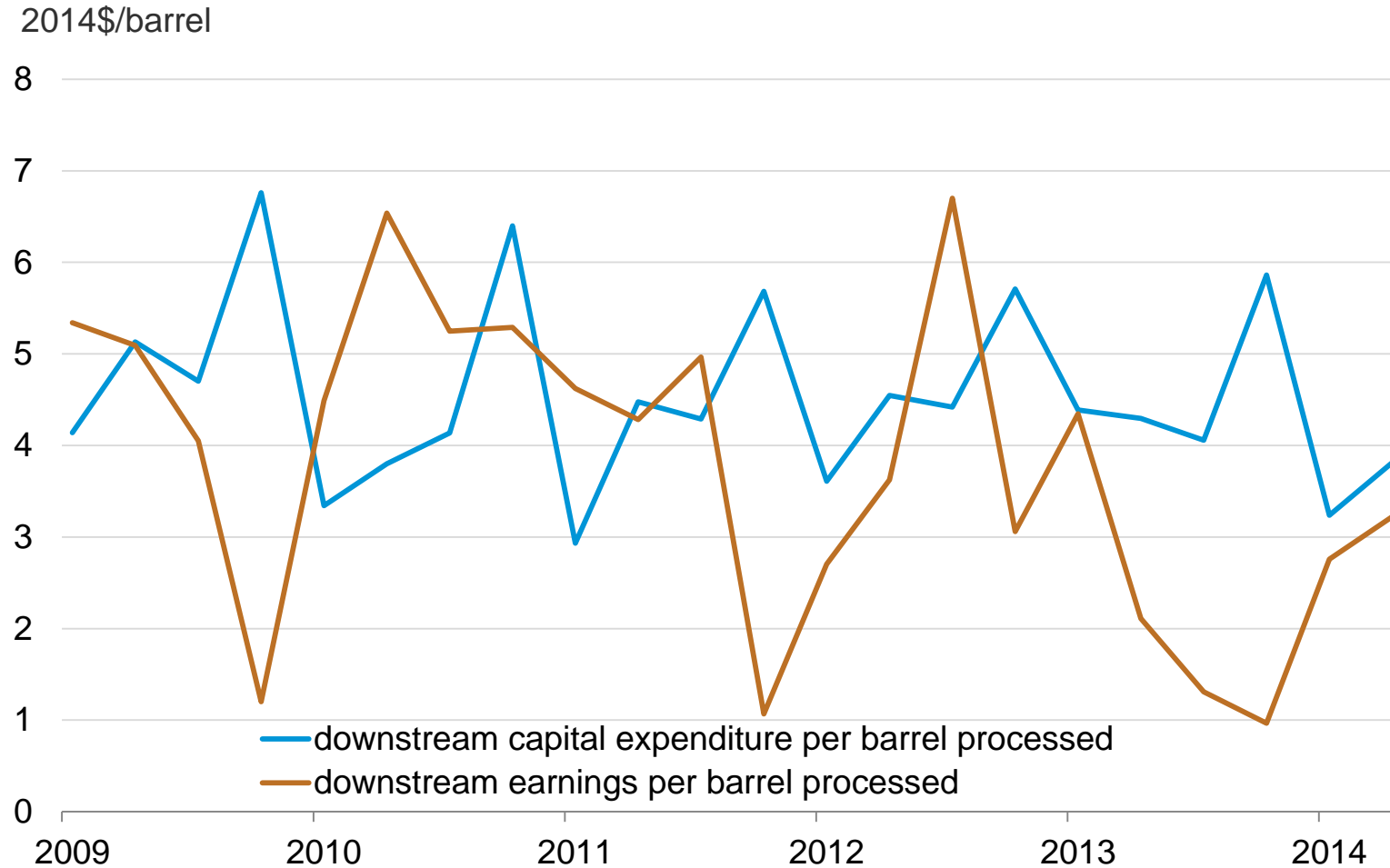
In the downstream, earnings increased from 2013 level but remain below the 2009-12 average by more than \$5 billion

second quarter downstream capital expenditure
and earnings
billion 2014\$



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

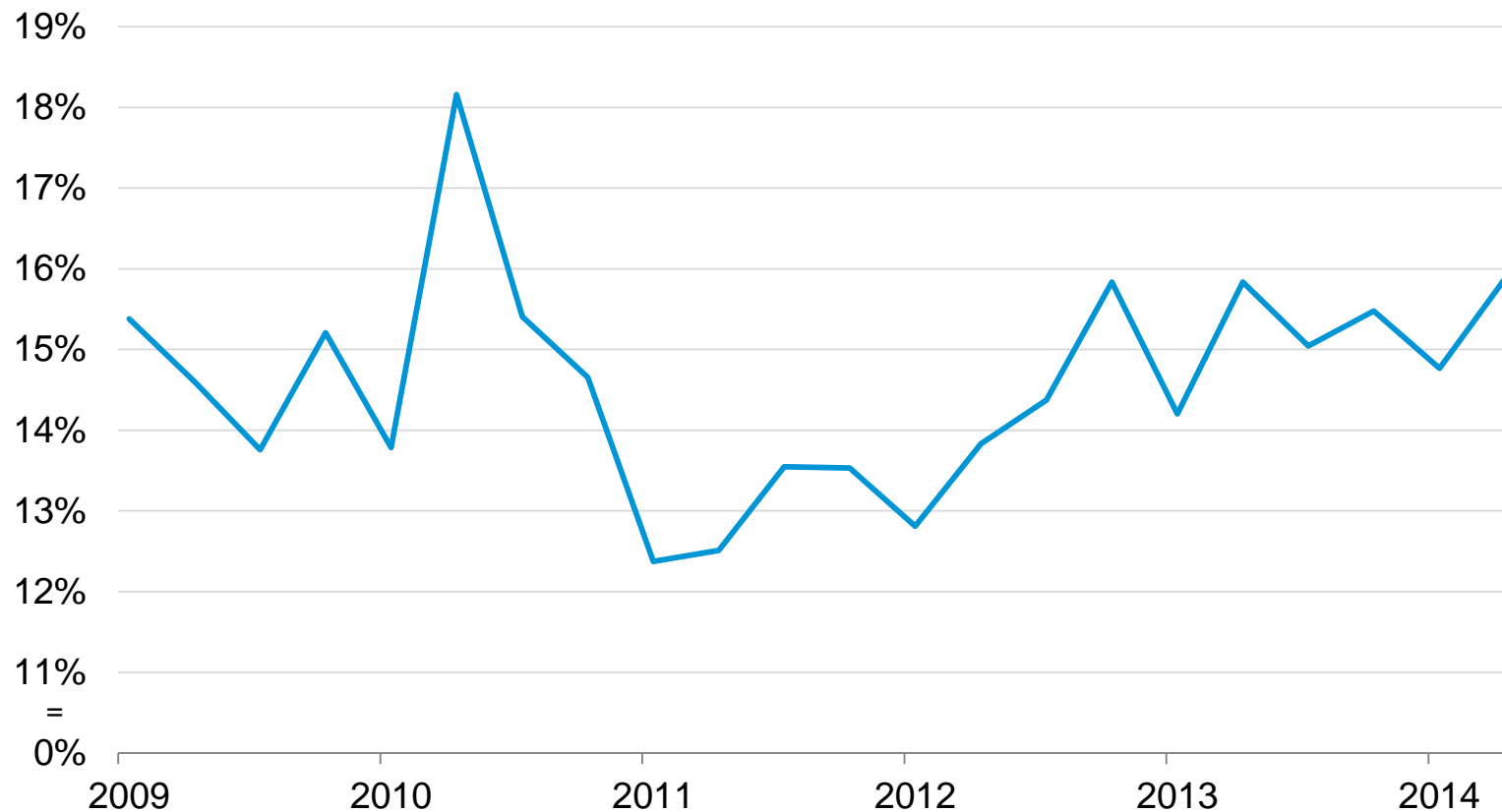
Since 2012, earnings in the downstream averaged \$1.10 per barrel less than the 2009-11 average



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

Operating expenses stabilized near 15% of revenue since the low point in 2011

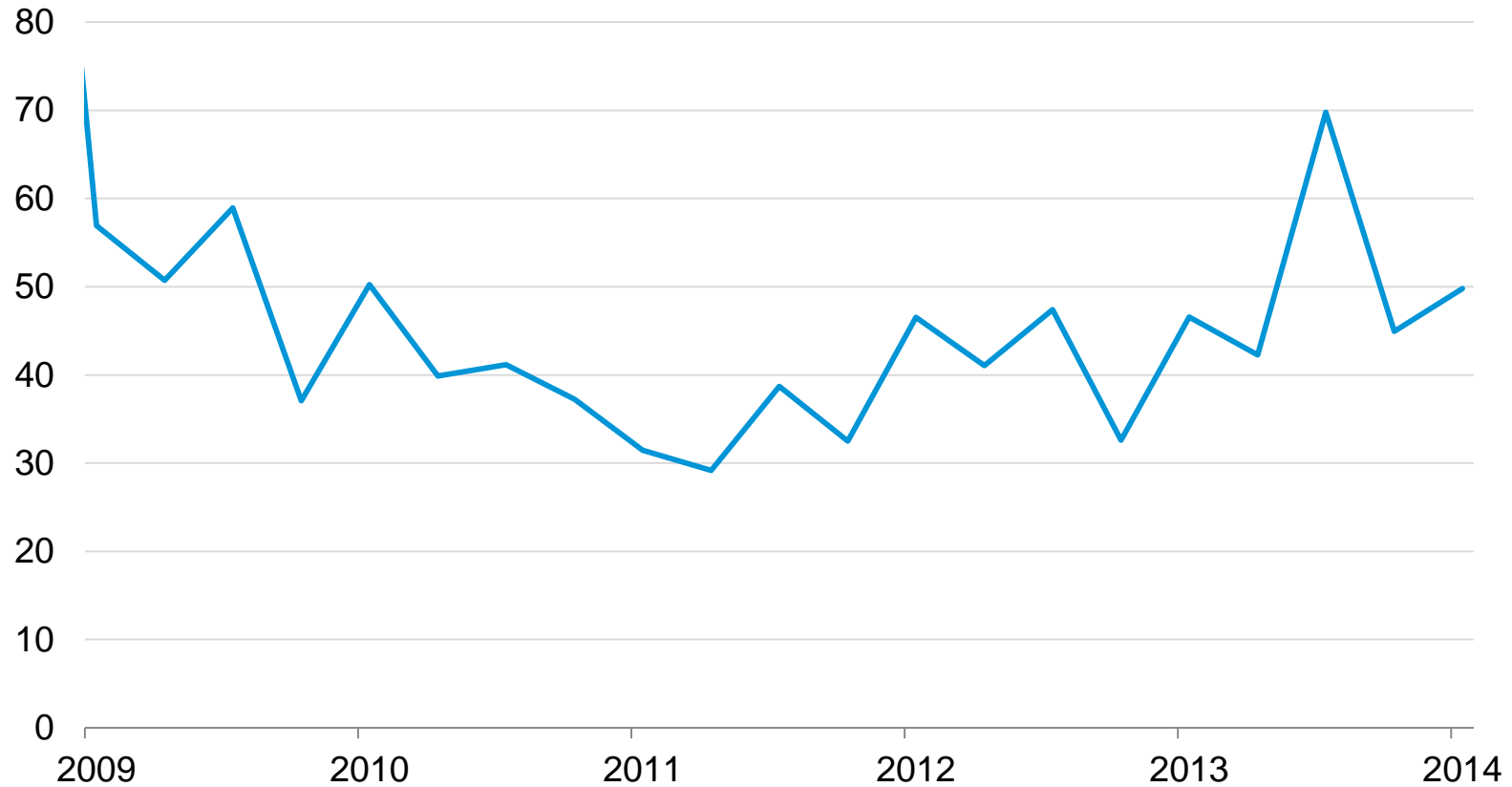
operating expenses share of revenue



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

The ratio of market capitalization to net income, a measure of share prices relative to earnings, increased since a 2011 low

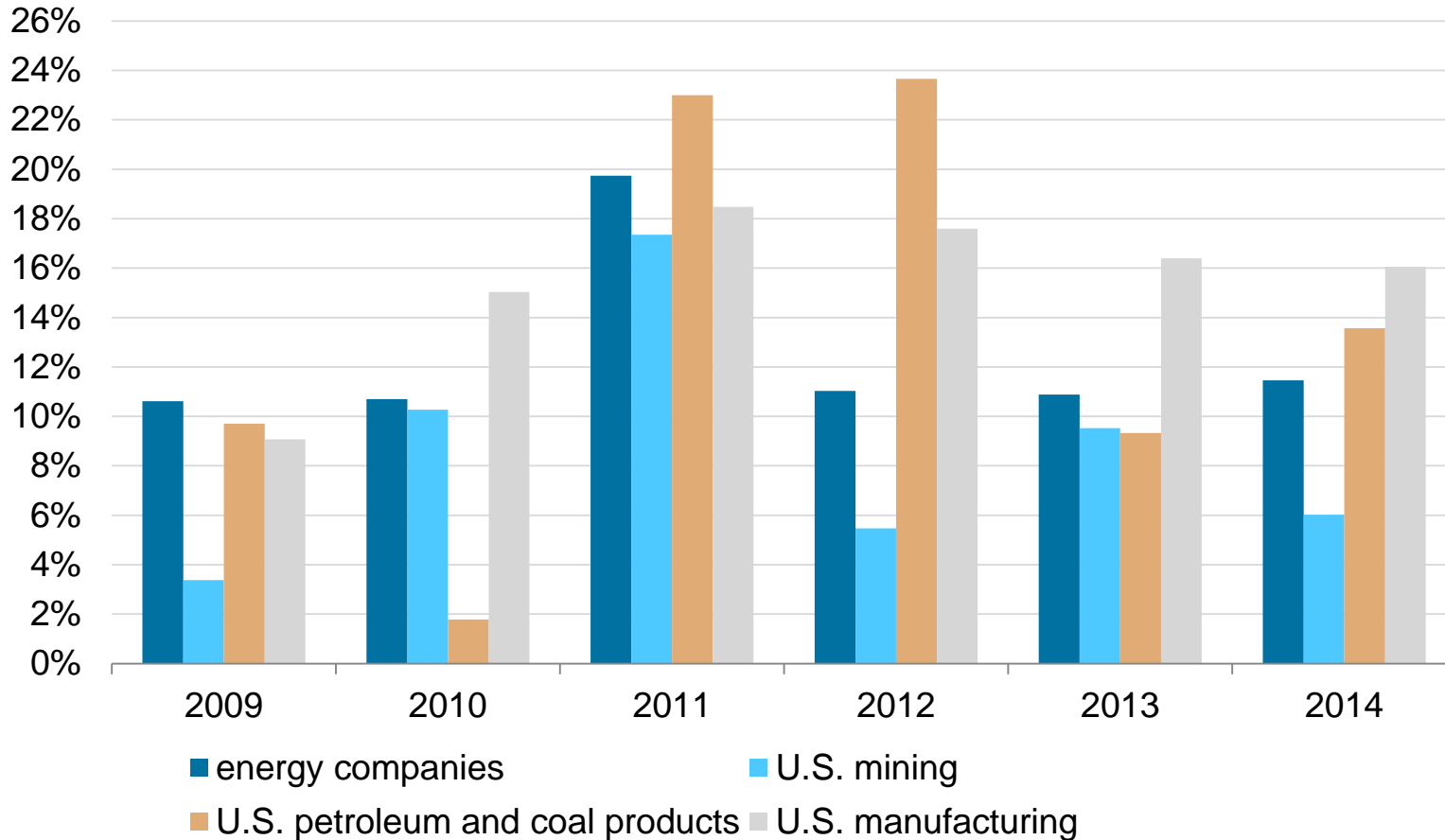
market capitalization to net income ratio



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

U.S. manufacturing companies were more profitable in aggregate than the energy companies for a third year

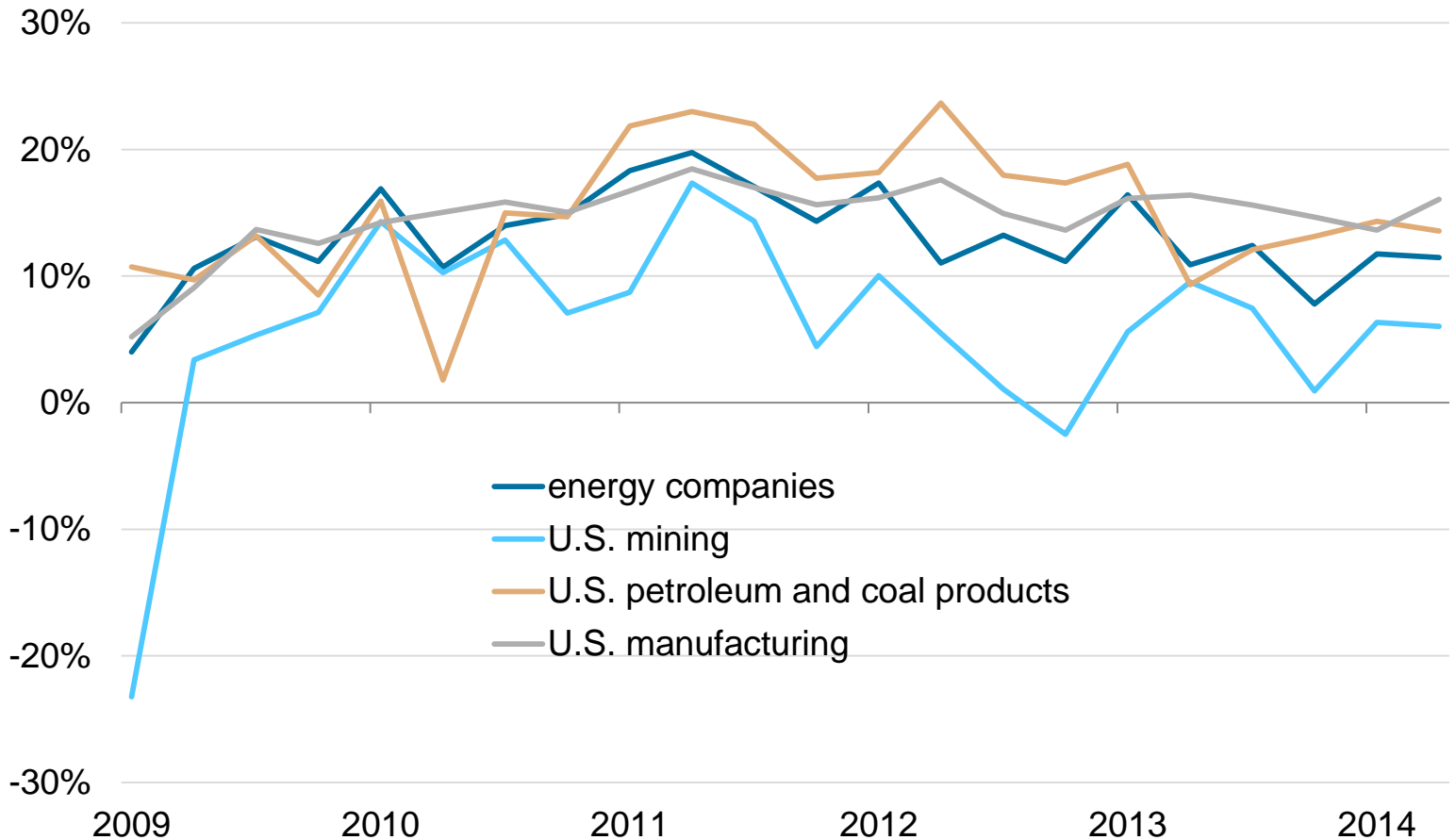
second quarter return on equity



Source: U.S. Energy Information Administration, based on Evaluate Energy database; U.S. Census Bureau, *Quarterly Financial Report*.

U.S. petroleum and coal companies were more profitable than these global energy companies

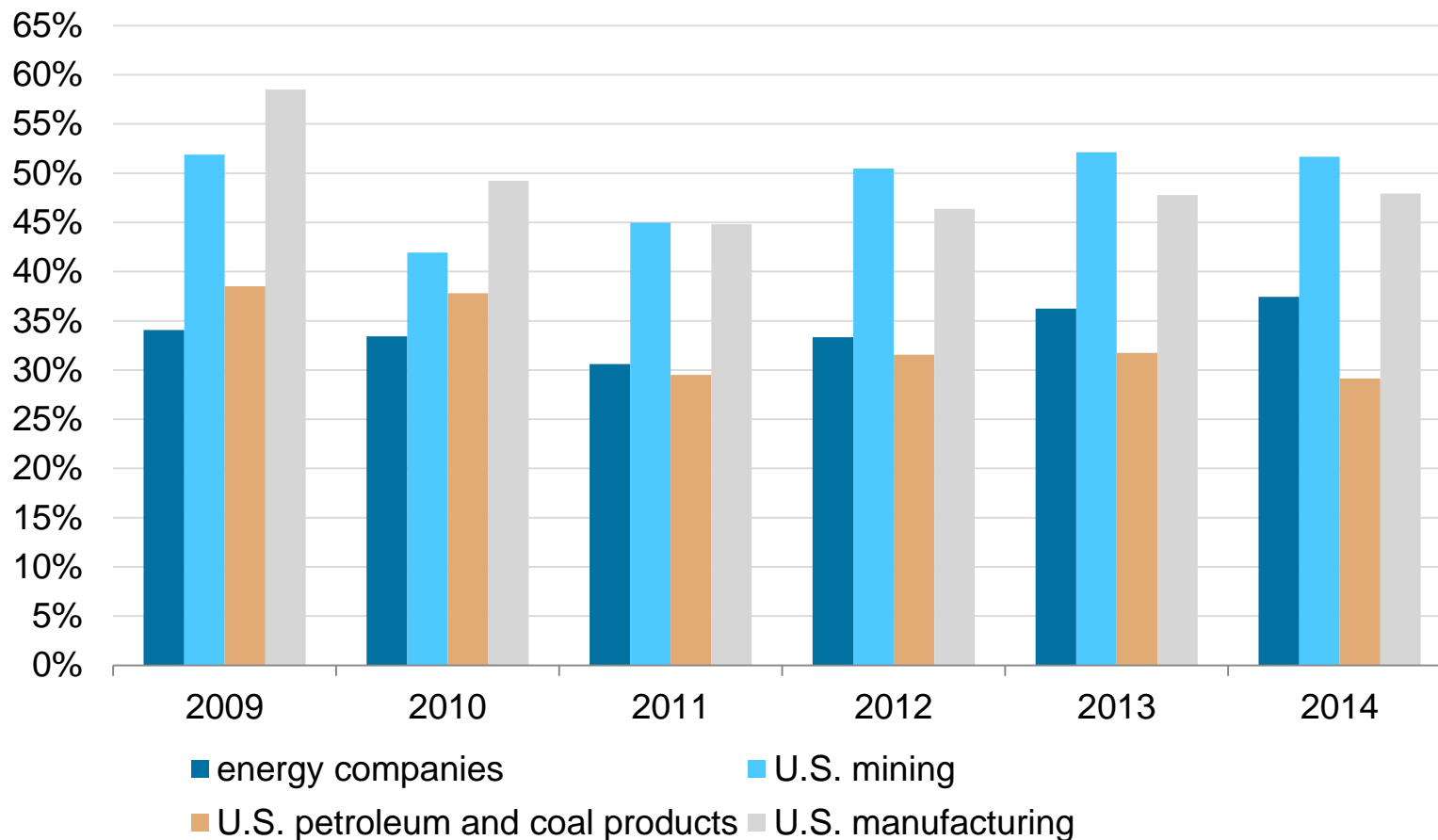
return on equity



Source: U.S. Energy Information Administration, based on Evaluate Energy database; U.S. Census Bureau, *Quarterly Financial Report*.

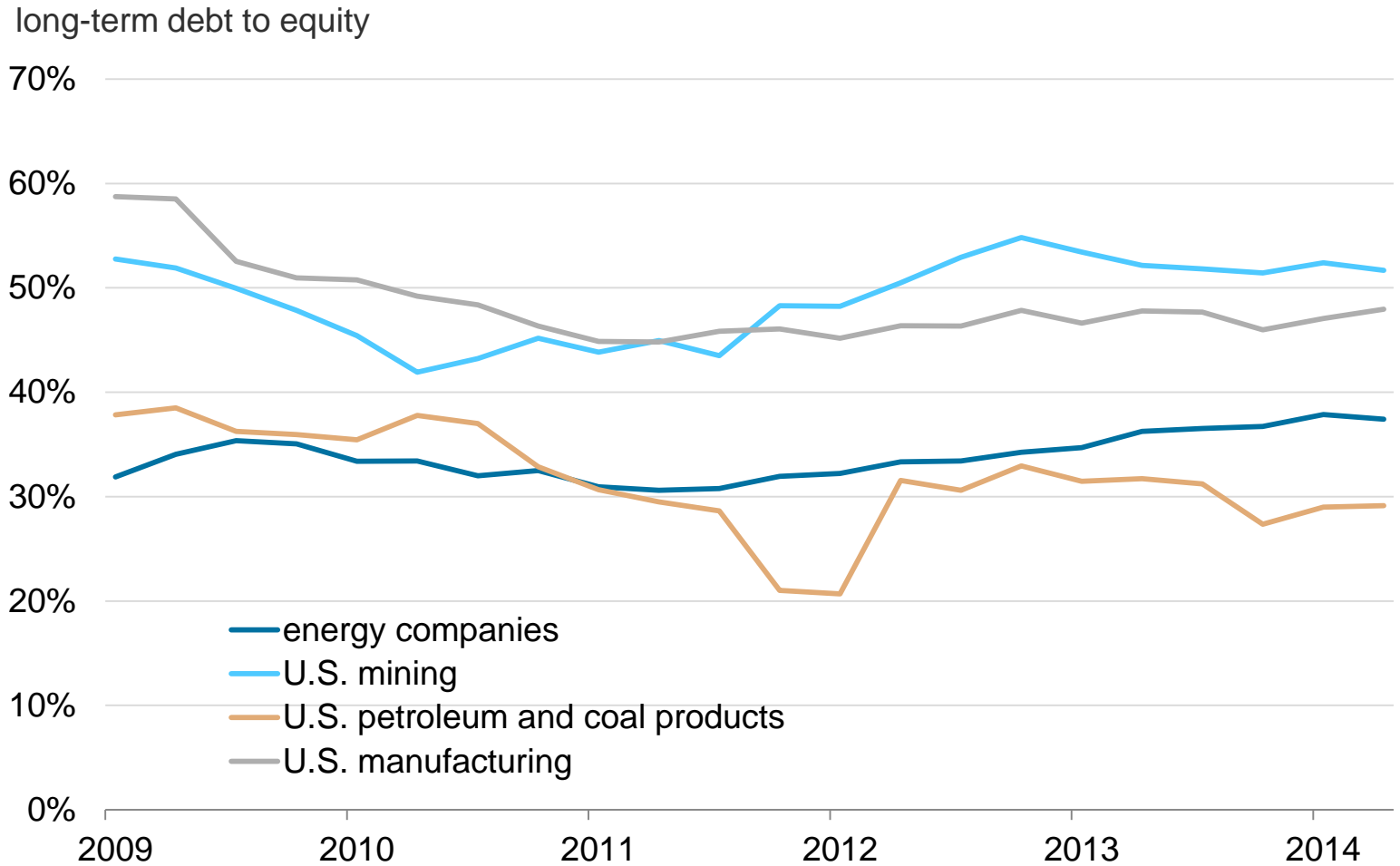
The energy companies were the only group that increased long-term debt to equity over second-quarter 2013

second quarter long-term debt to equity



Source: U.S. Energy Information Administration, based on Evaluate Energy database; U.S. Census Bureau, *Quarterly Financial Report*.

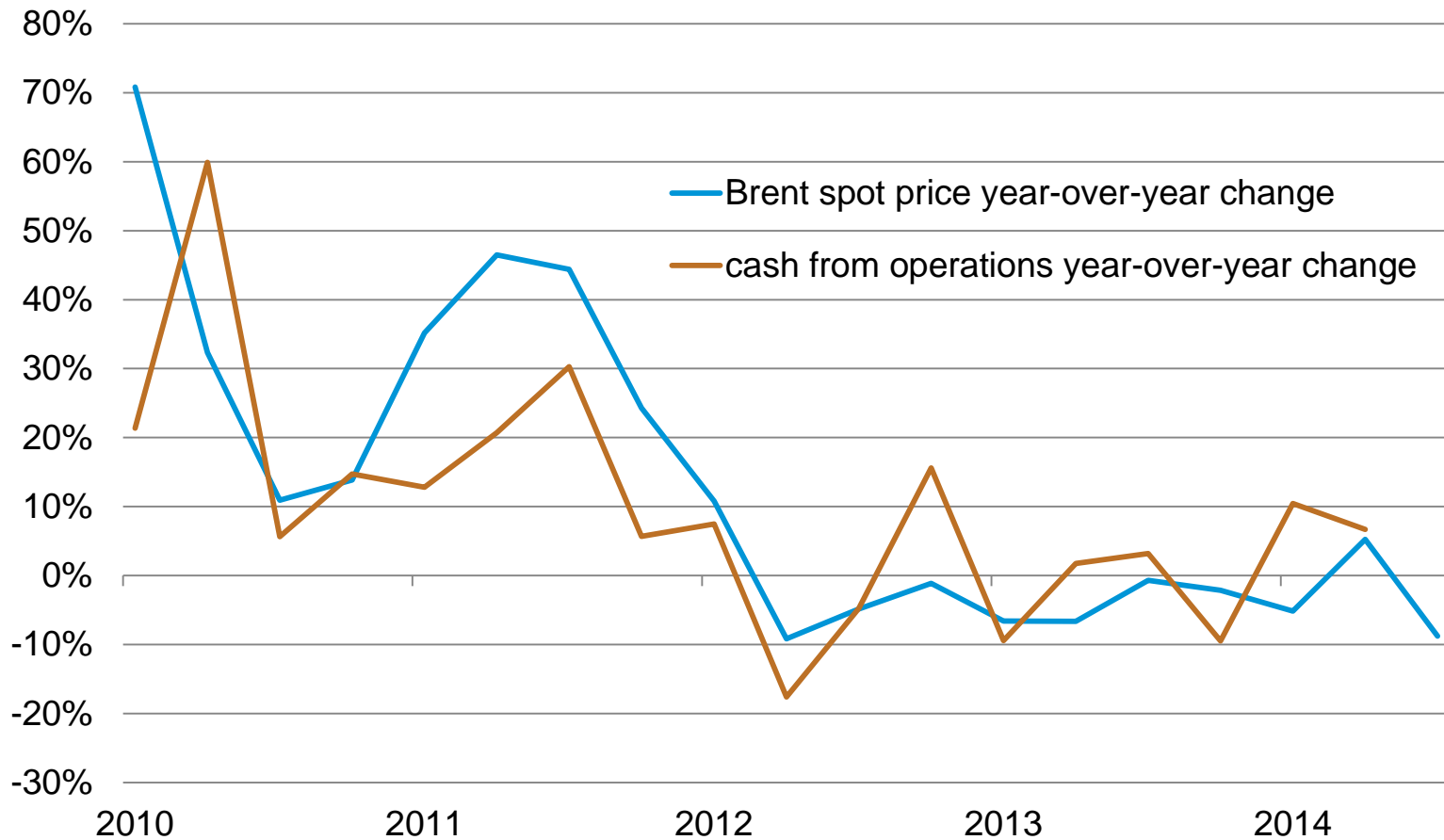
Since 2012, all sectors display an increase in long-term debt to equity



Source: U.S. Energy Information Administration, based on Evaluate Energy database; U.S. Census Bureau, *Quarterly Financial Report*.

Third-quarter results will be released in November, 2014. In the third quarter, Brent prices averaged 9% lower than third-quarter 2013

year-over-year change



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

Appendix: List of companies included in this analysis

Petrobras (IFRS US\$)	PetroChina	ENI	Statoil ASA
Marathon Oil Corp.	XTO	Repsol	Occidental
EOG Resources	El Paso Corp	Hess Corp	Petro-Canada
Murphy Oil Corporation	Petrohawk Energy Corp	Kinder Morgan Energy Partners, L.P.	Questar
Sherritt International Corp	YPF Sociedad Anonima	PKN Orlen	Ultra Petroleum Corporation
Continental Resources	EXCO Resources	Penn West Petroleum Ltd.	Bill Barrett Corporation
Lundin Petroleum	Tesoro Petroleum Corp.	Niko Resources Ltd.	Goodrich Petroleum Corp
HollyFrontier Corp	Energy XXI	PDC Energy	GMX Resources Inc
Sojitz Corp	Paramount Resources Ltd.	Western Refining	Vermilion Energy Inc.
Endeavour International Corp	EPL Oil & Gas Inc	Callon Petroleum	PetroQuest Energy, Inc
Oasis Petroleum Inc.	Gulfport Energy Corporation	Ithaca Energy Inc.	Northern Oil & Gas, Inc
Apco Oil and Gas International Inc	Petro Vista Energy Corp.	Canacol Energy Ltd.	Dorchester Minerals LP
Royal Dutch Shell	BP	Total	Chesapeake Energy Corp.
Encana Corporation	Ecopetrol	BG Group	Apache Corporation
Suncor Energy Inc.	TNK-BP International Ltd	Talisman Energy Inc.	Denbury Resources Inc.
Williams Companies	Dong Energy	Newfield Exploration Company	SandRidge Energy
Imperial Oil Limited	Quicksilver Resources Inc	ATP Oil & Gas Corp.	Whiting Petroleum Corporation
Cimarex Energy Co.	Cabot Oil & Gas Corp.	MDU Resources Group	SM Energy Company
W & T Offshore	Energen Corp	Novatek	Comstock Resources
Delek US Holdings	National Fuel Gas	Black Hills Corp	Petrominerales Ltd.
Berry Petroleum Co.	Alon USA Energy	Vaalco Energy Inc	Det Norske
McMoRan Exploration Co.	Gran Tierra Energy Inc.	PT Energi Mega Persada Tbk	Sonde Resources Corp.
Cobalt International Energy, Inc.	DNO International ASA	Breitbart Energy Partners	Calumet Specialty Products Partners
Kodiak Oil & Gas Corp.	Antrim Energy Inc.	PetroMagdalena Energy Corp.	Phillips 66
Chevron	ExxonMobil	ConocoPhillips	Devon Energy Corporation
Lukoil (US GAAP)	Rosneft	Anadarko Petroleum Corp.	Canadian Natural Resources Limited
OMV	Valero Energy	Husky Energy Inc.	Cenovus Energy Inc.
Southwestern Energy Co.	Plains Exploration & Production	Noble Energy	QEP Resources Inc
Forest Oil Corporation	Range Resources Corp	Sunoco	EQT Corp
Mariner Energy	Pioneer Natural Resources Company	Penn Virginia	Concho Resources Inc
Stone Energy	Unit Corp	Swift Energy Co	Pacific Rubiales Energy Corp.
Medco Energi International tbk PT	Enerplus Corporation	Linn Energy	Carrizo Oil & Gas, Inc
Rosetta Resources Inc.	Clayton Williams Energy	Baytex Energy Corp.	Frontier Oil Corp
Brigham Exploration Company	Petrolifera Petroleum Ltd.	BPZ Resources Inc	CVR Energy
Approach Resources Inc	TransAtlantic Petroleum Ltd.	TransGlobe Energy Corporation	Magnum Hunter Resources
Bankers Petroleum Ltd	CGX Energy Inc.	Africa Oil Corp	Marathon Petroleum Corporation

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

Note: Certain companies appear that merged or were acquired by another company before second quarter 2014.