

# Financial Review: Third-quarter 2015



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*Markets and Financial Analysis Team*

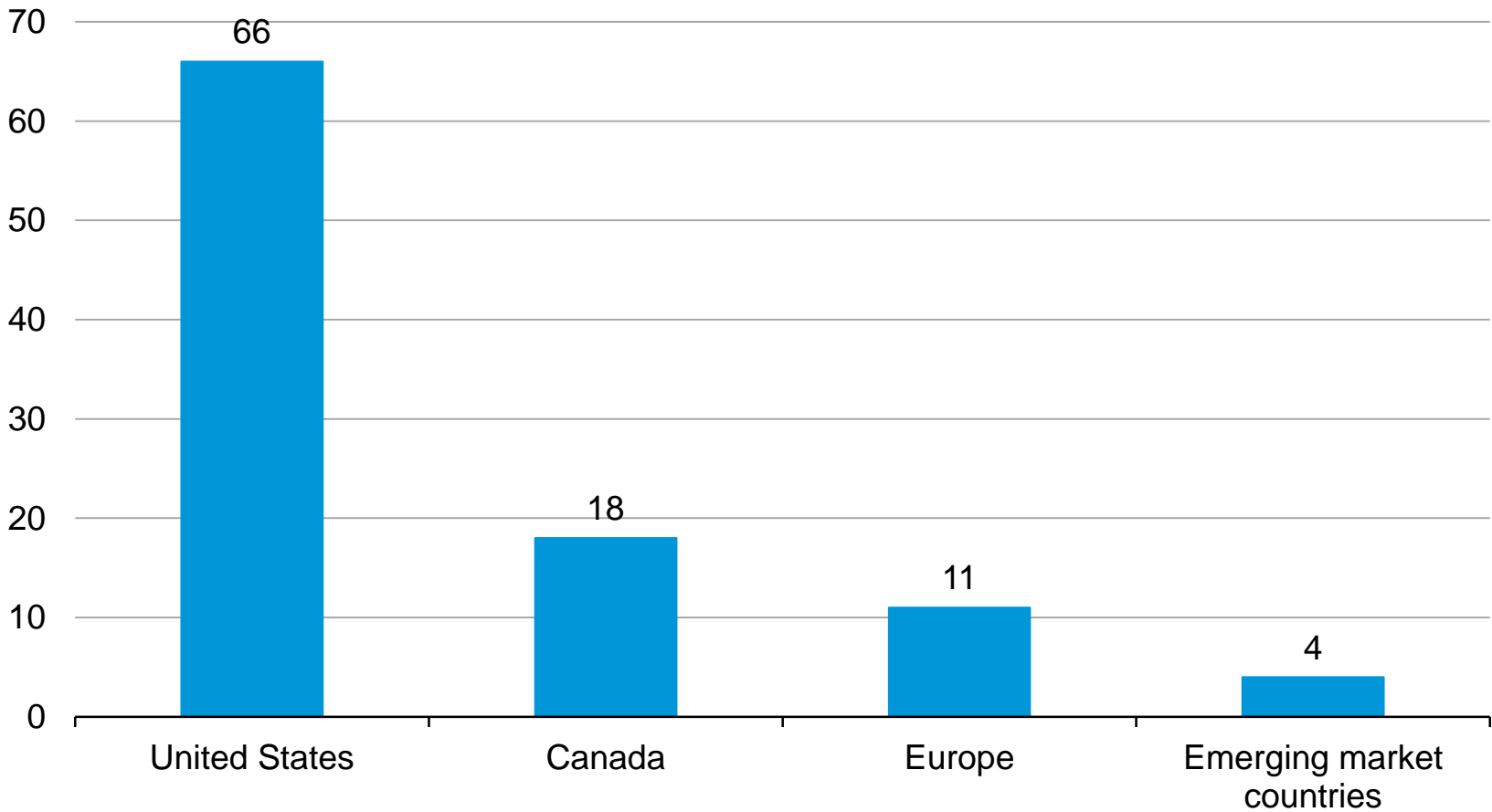
*December 8, 2015*

# Key findings for third-quarter 2015

- Crude oil prices decreased 19% from the second quarter, 51% lower than third-quarter 2014.
- Impairment charges increased, contributing to continued declines in profits.
- Capital expenditure per barrel produced was the lowest for this set of companies since at least 2010.
- Fourth-quarter crude oil prices remain low compared to year-ago levels, which could continue to pressure profits, cash flow, and investment.

# Geographic distribution of global oil and natural gas companies, third-quarter 2015

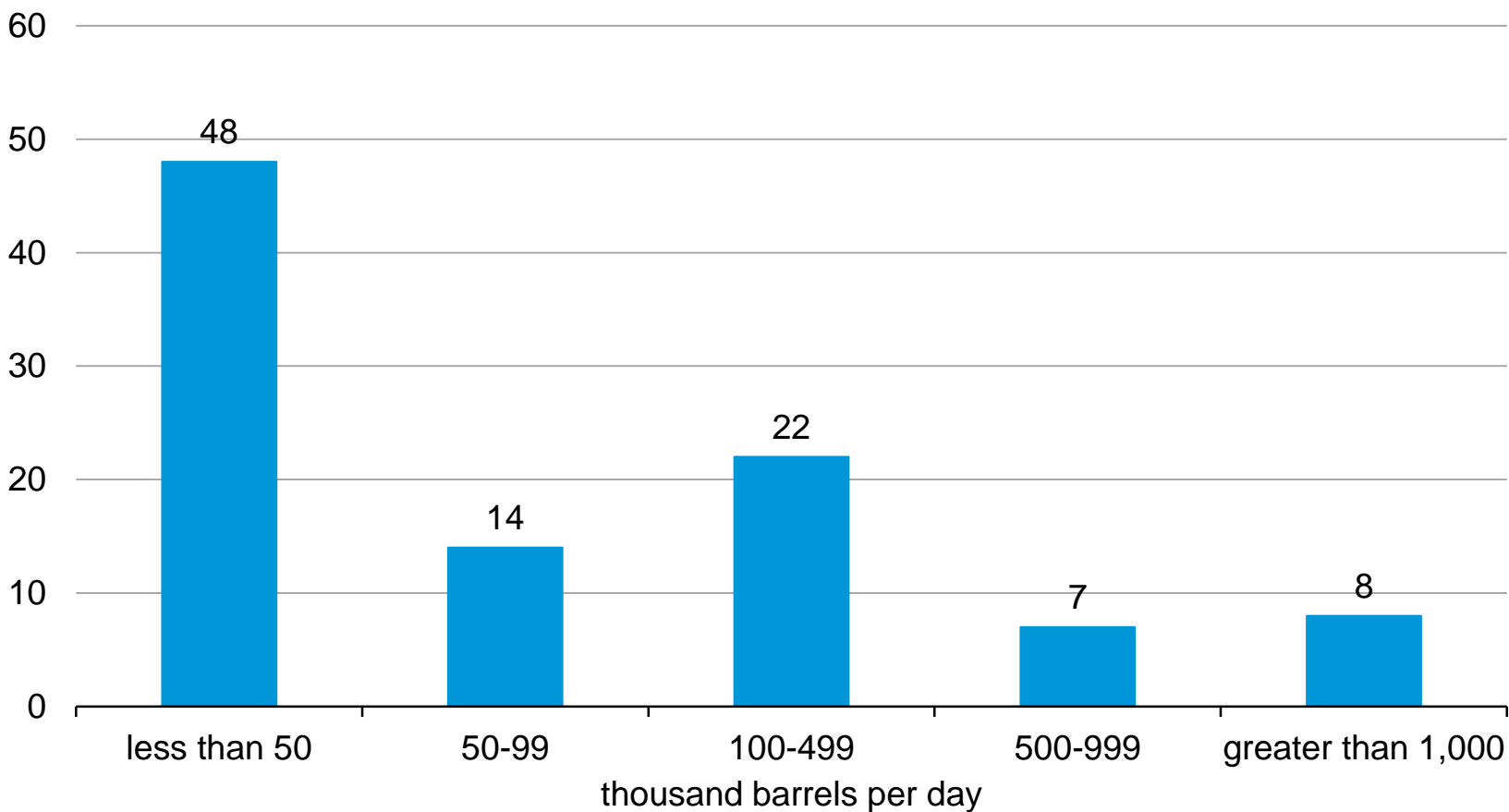
number of companies



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

# Distribution of global companies by production of petroleum liquids, third-quarter 2015

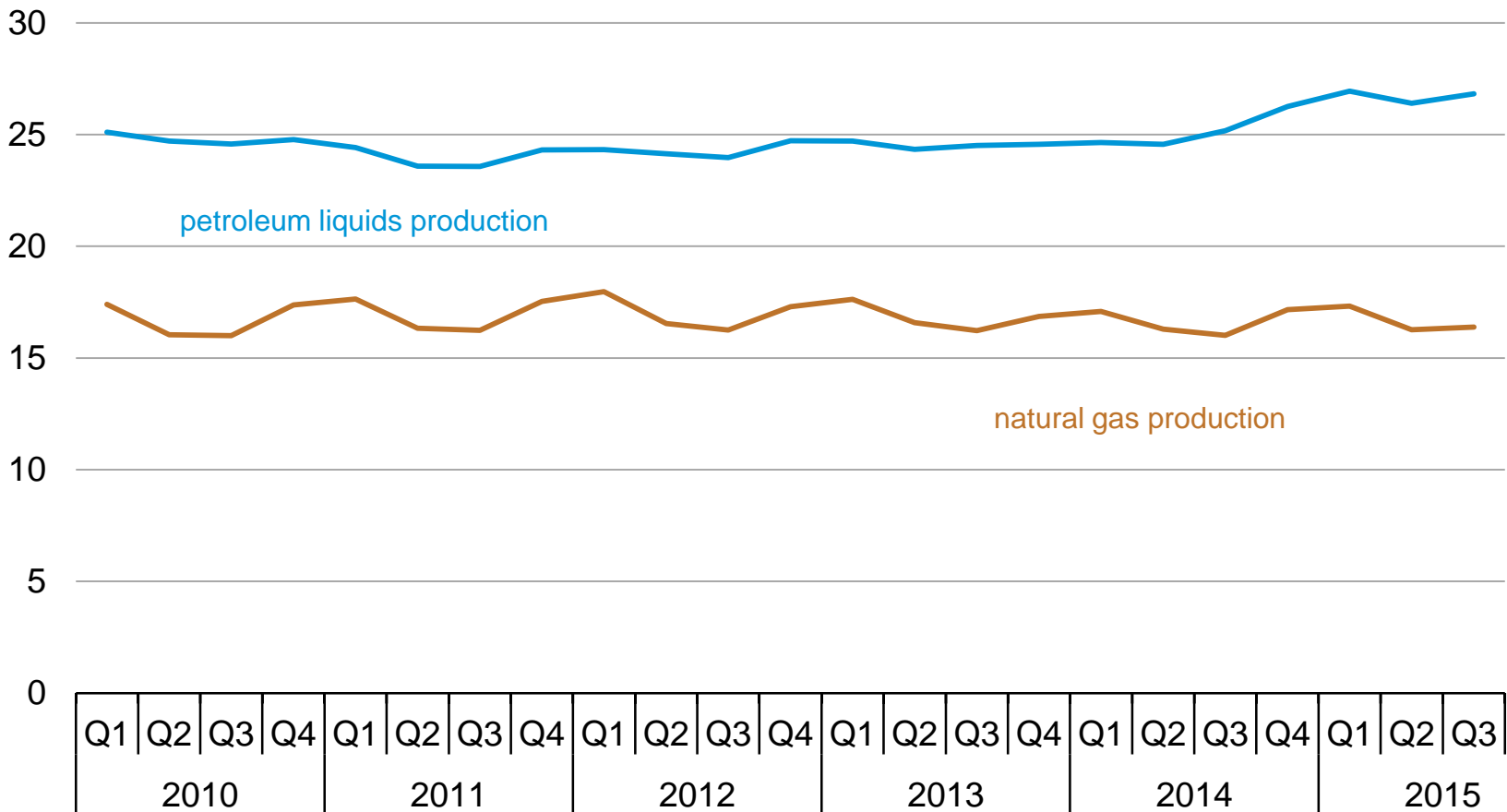
number of companies



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

# Oil and natural gas production for the combined companies

million barrels of oil equivalent per day

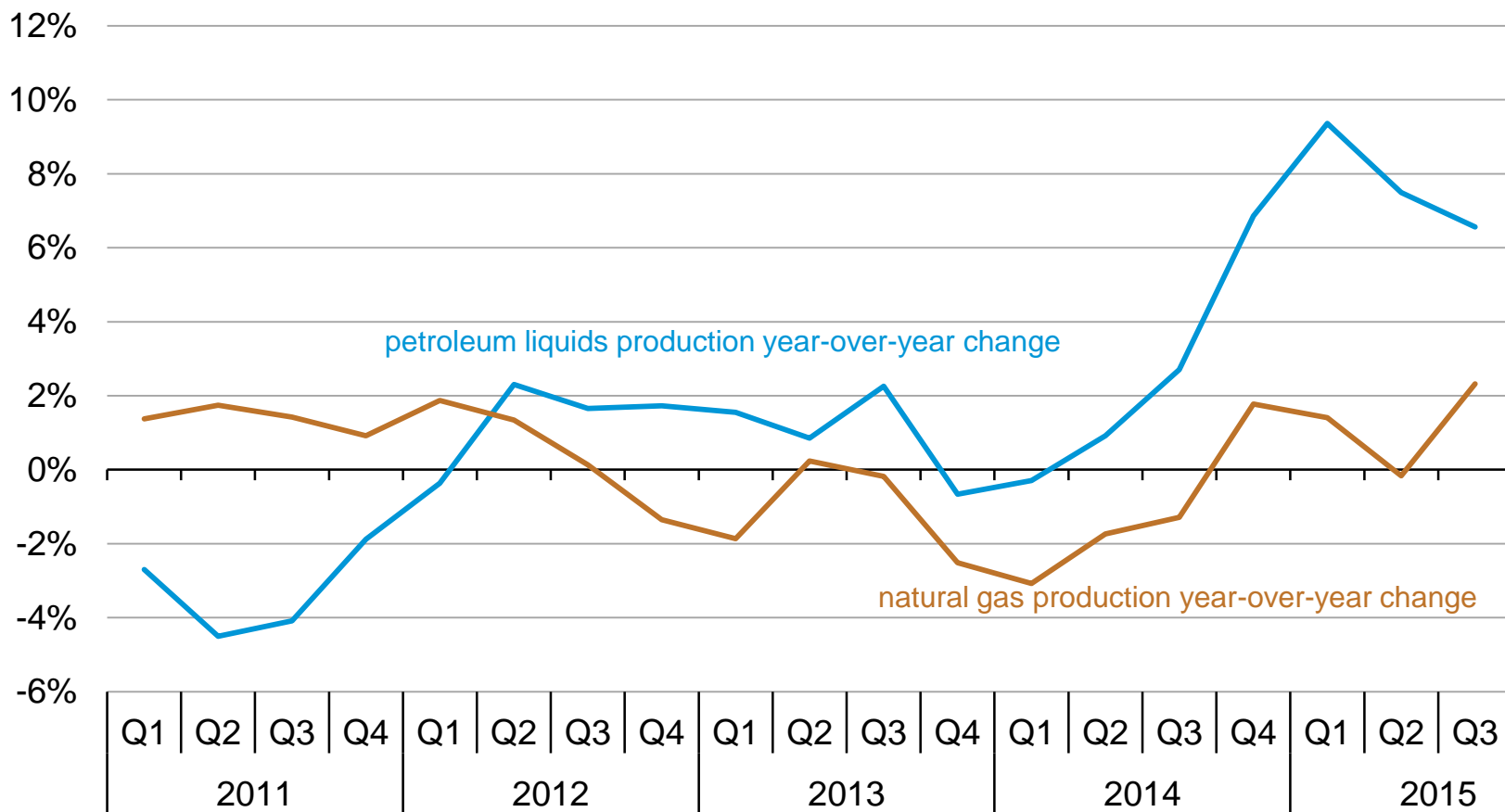


Source: U.S. Energy Information Administration, Evaluate Energy

Note: liquids include crude oil and hydrocarbon gas liquids

# Third-quarter 2015 production levels of petroleum and natural gas were 7% and 2%, respectively, above third-quarter 2014

year-over-year change

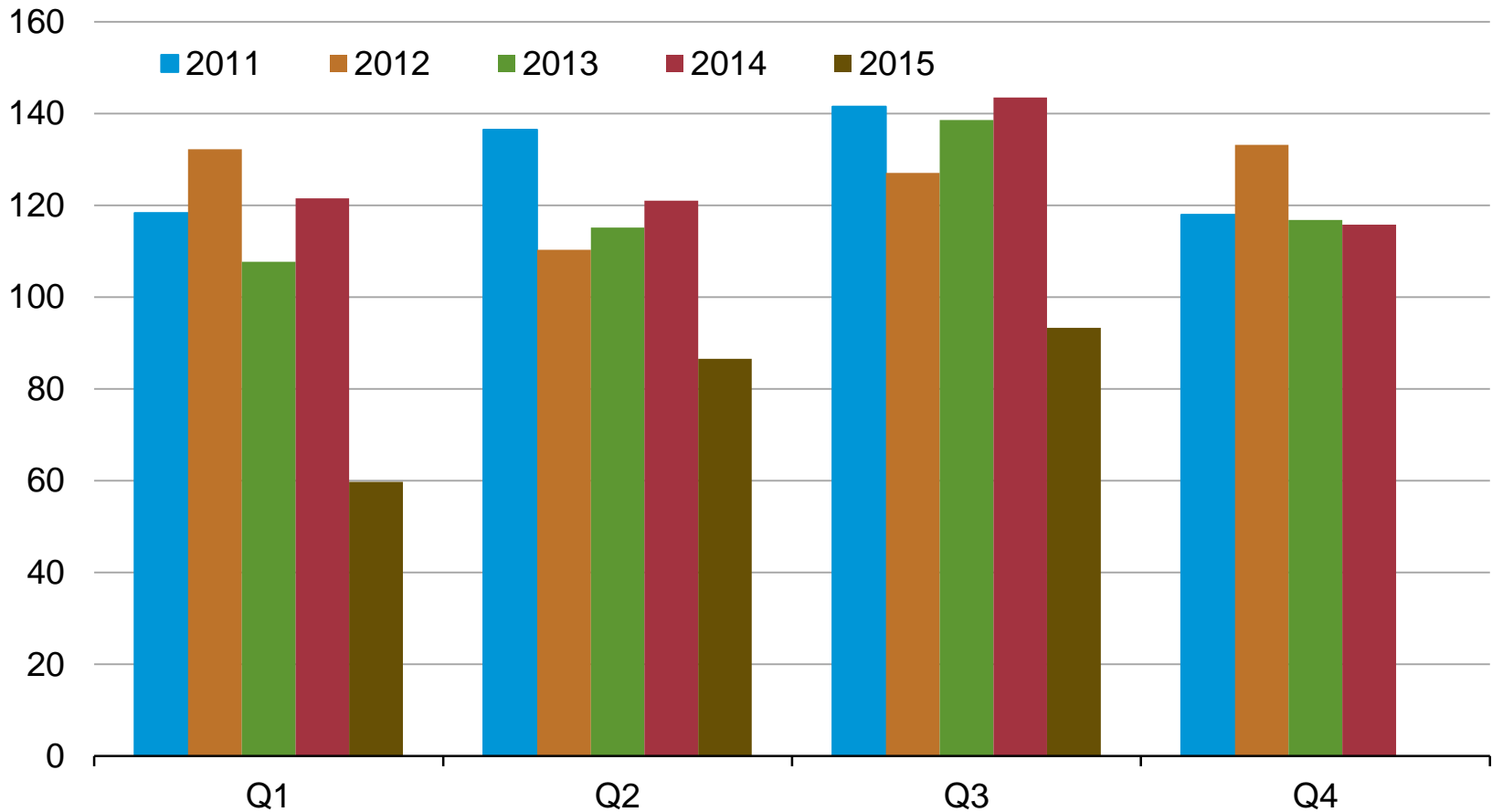


Source: U.S. Energy Information Administration, Evaluate Energy

Note: liquids include crude oil and hydrocarbon gas liquids.

# Operating cash flow in third-quarter 2015 increased \$7 billion since the second quarter, totaling \$93 billion

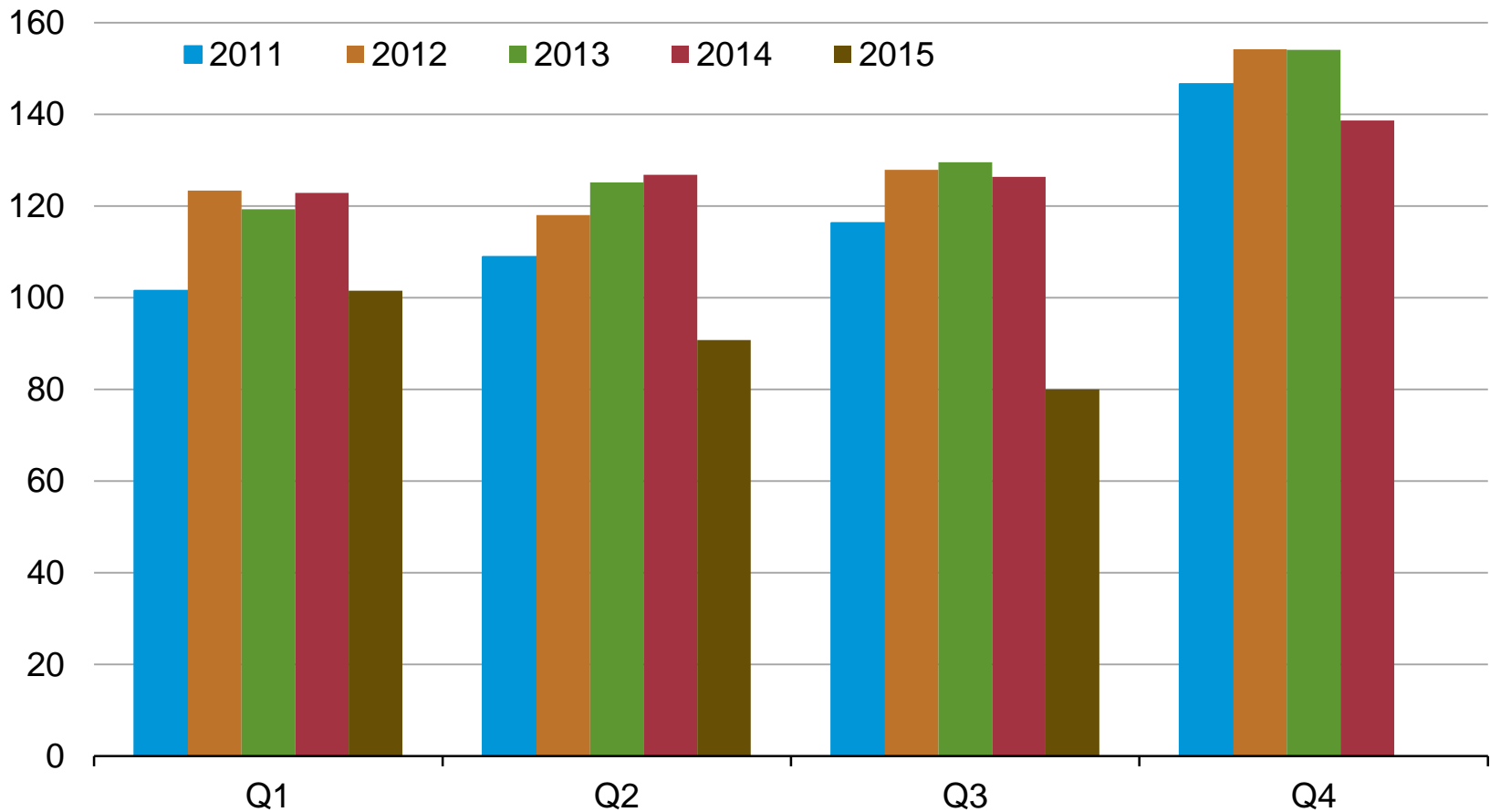
cash from operations  
billion 2015\$



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

# Capital expenditure decreased \$11 billion since second-quarter 2015, totaling \$80 billion

capital expenditure  
billion 2015\$

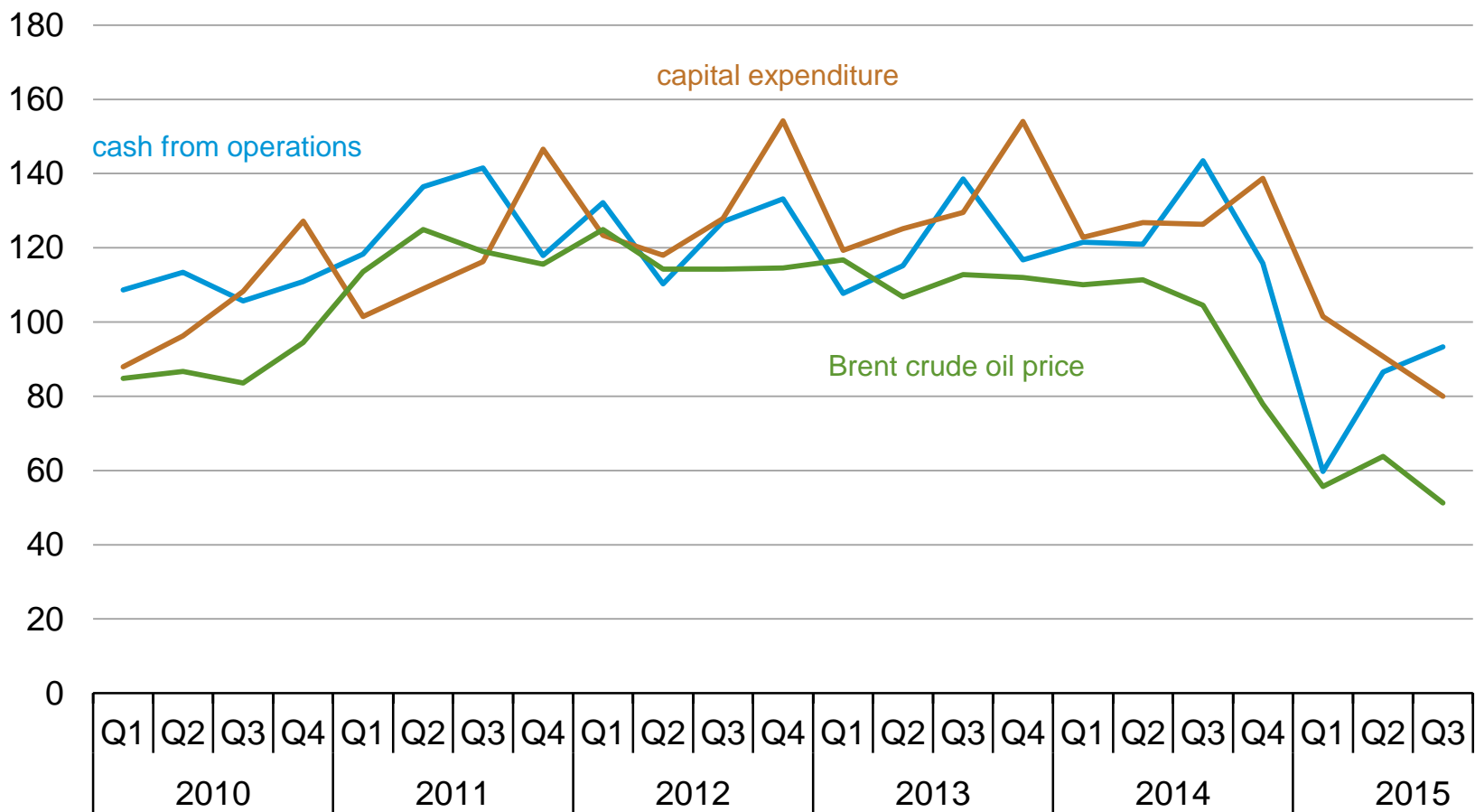


Source: U.S. Energy Information Administration, Evaluate Energy



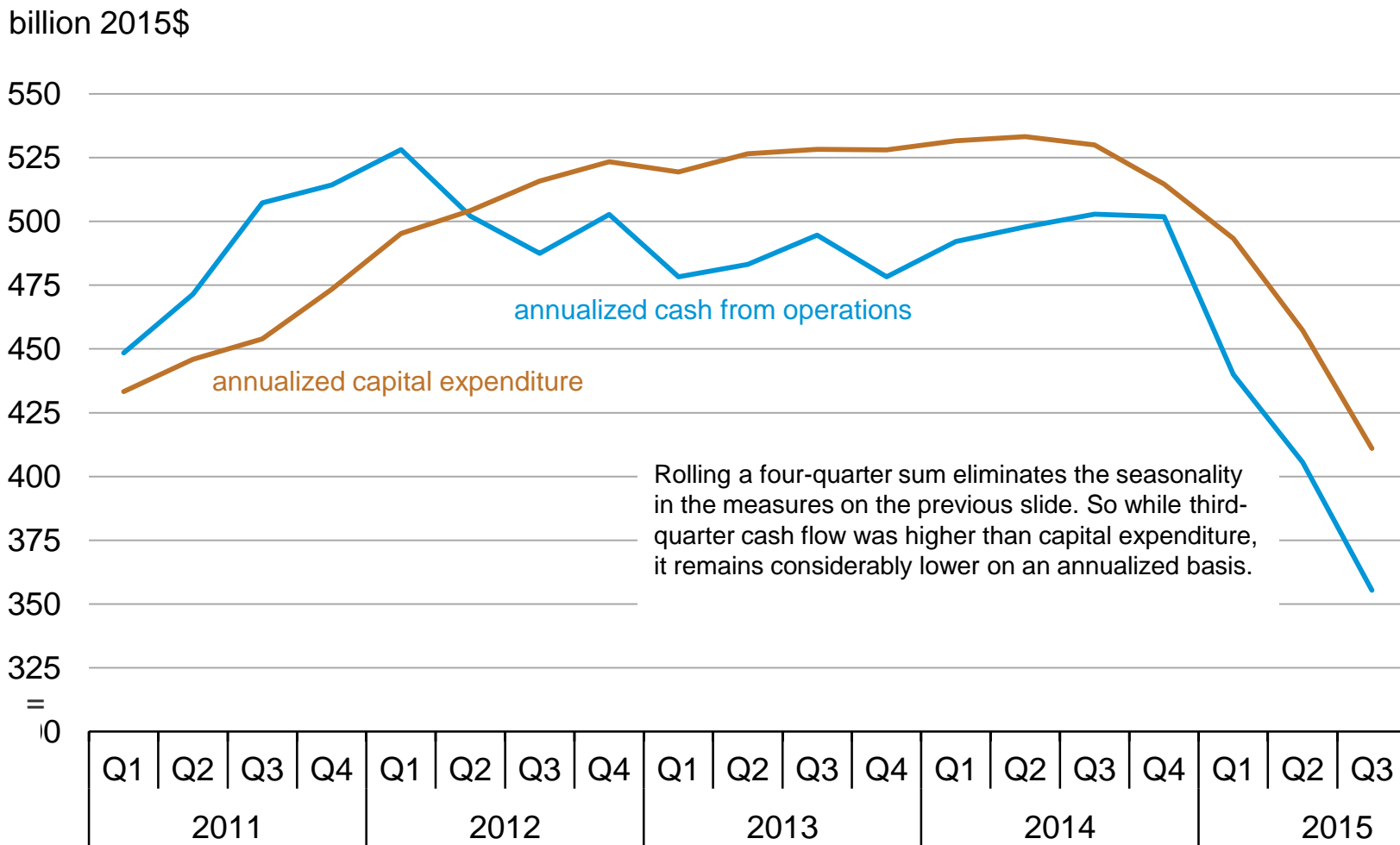
# Cash from operations was larger than capital spending for the first time in a year

billion 2015\$; Brent in 2015\$/barrel



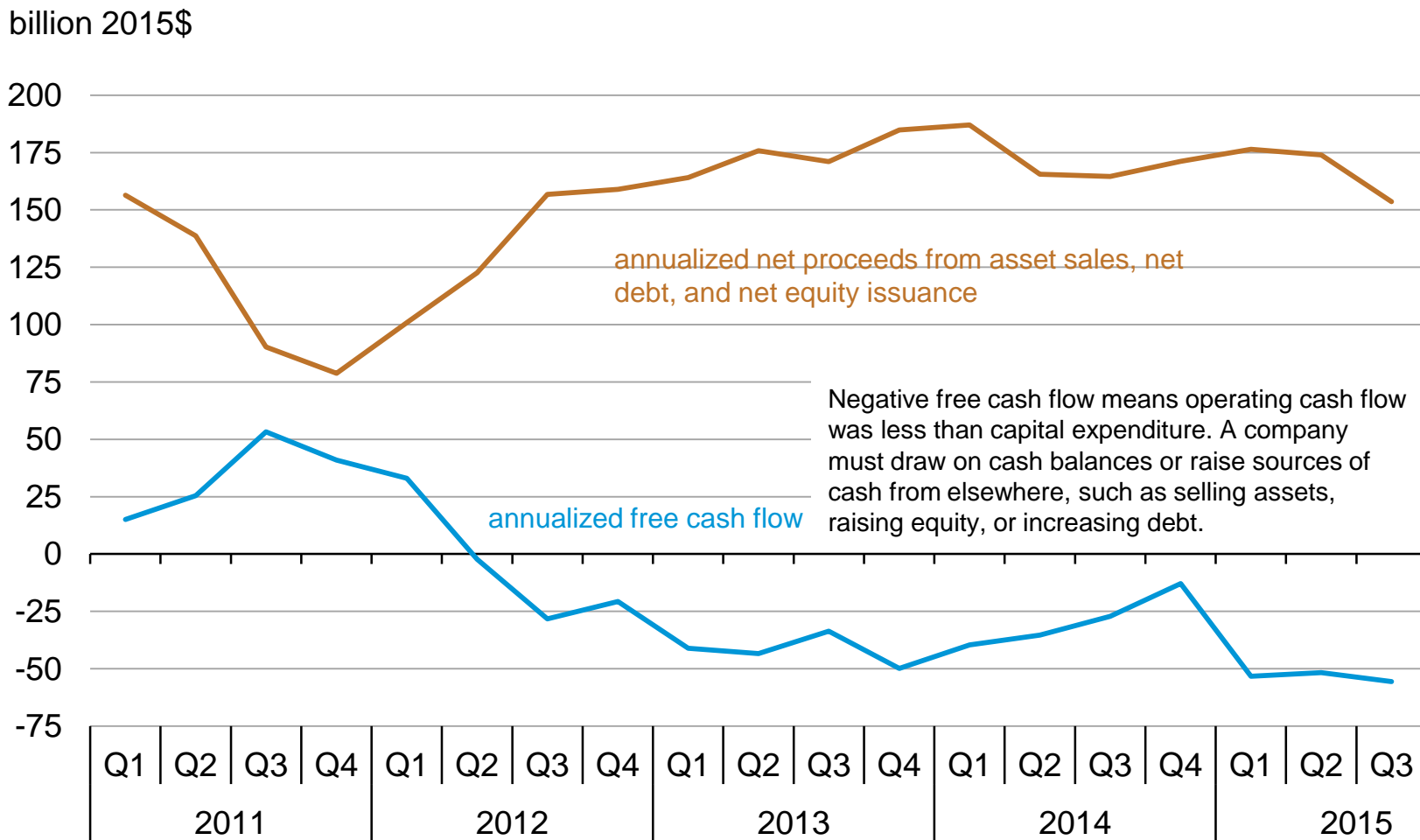
Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg

# The difference between cash flow and capital expenditure was the largest since at least 2010



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

# Sources of cash from asset sales, debt, and equity markets over the past four quarters was the lowest since 2012

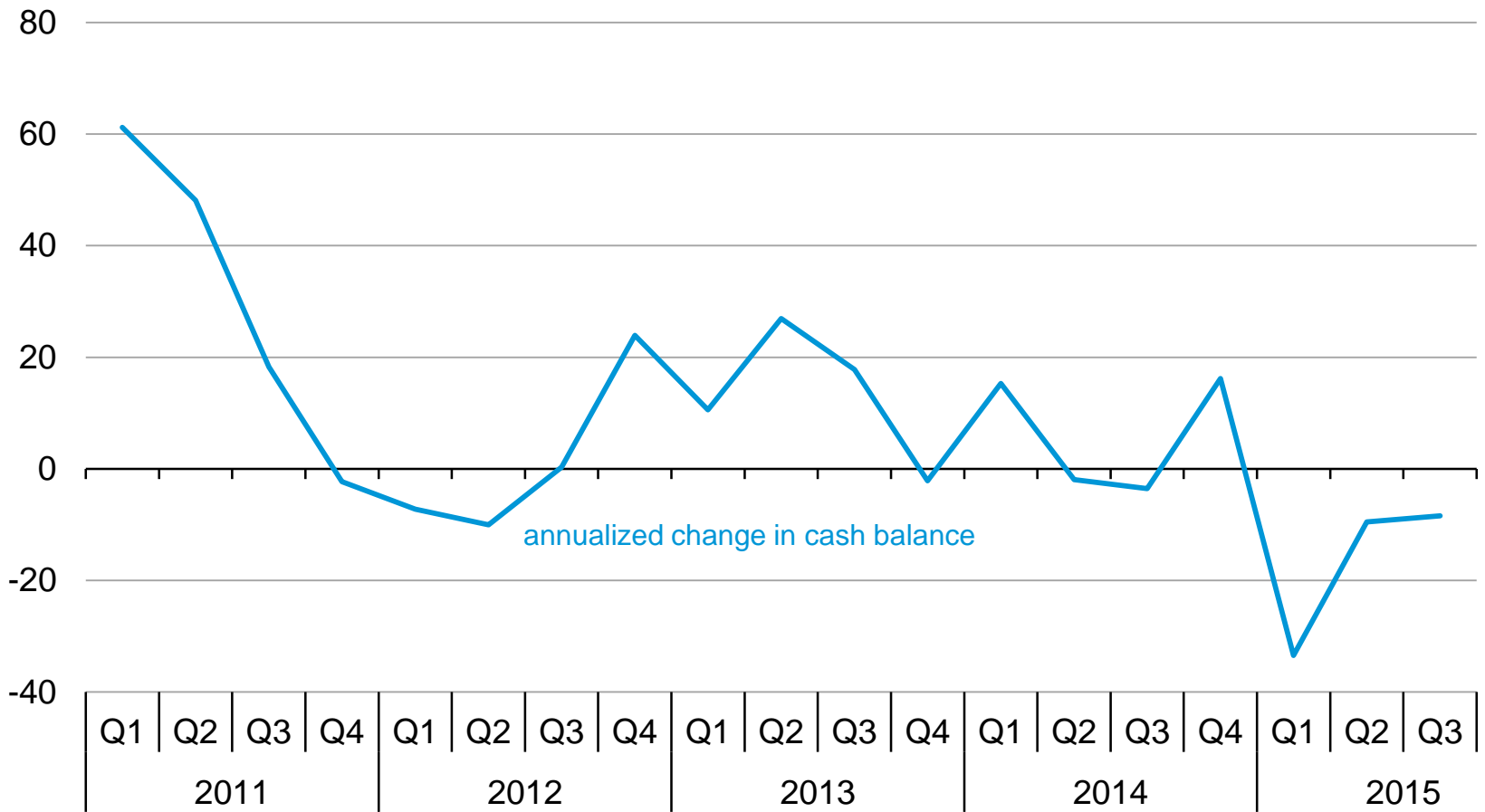


Source: U.S. Energy Information Administration, Evaluate Energy

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

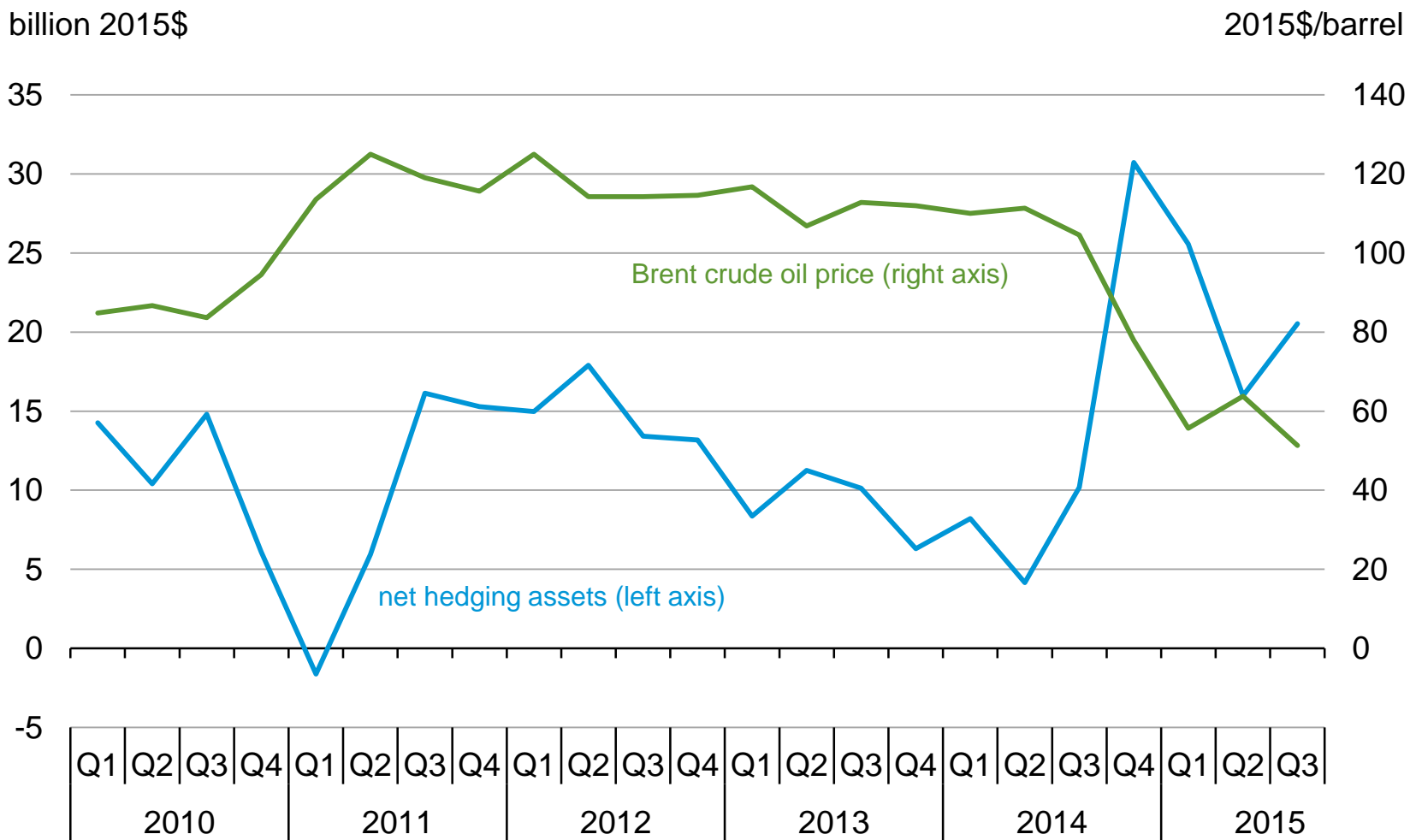
# Cash balances declined more than \$8 billion for the four quarters ending September 30, 2015

billion 2015\$



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

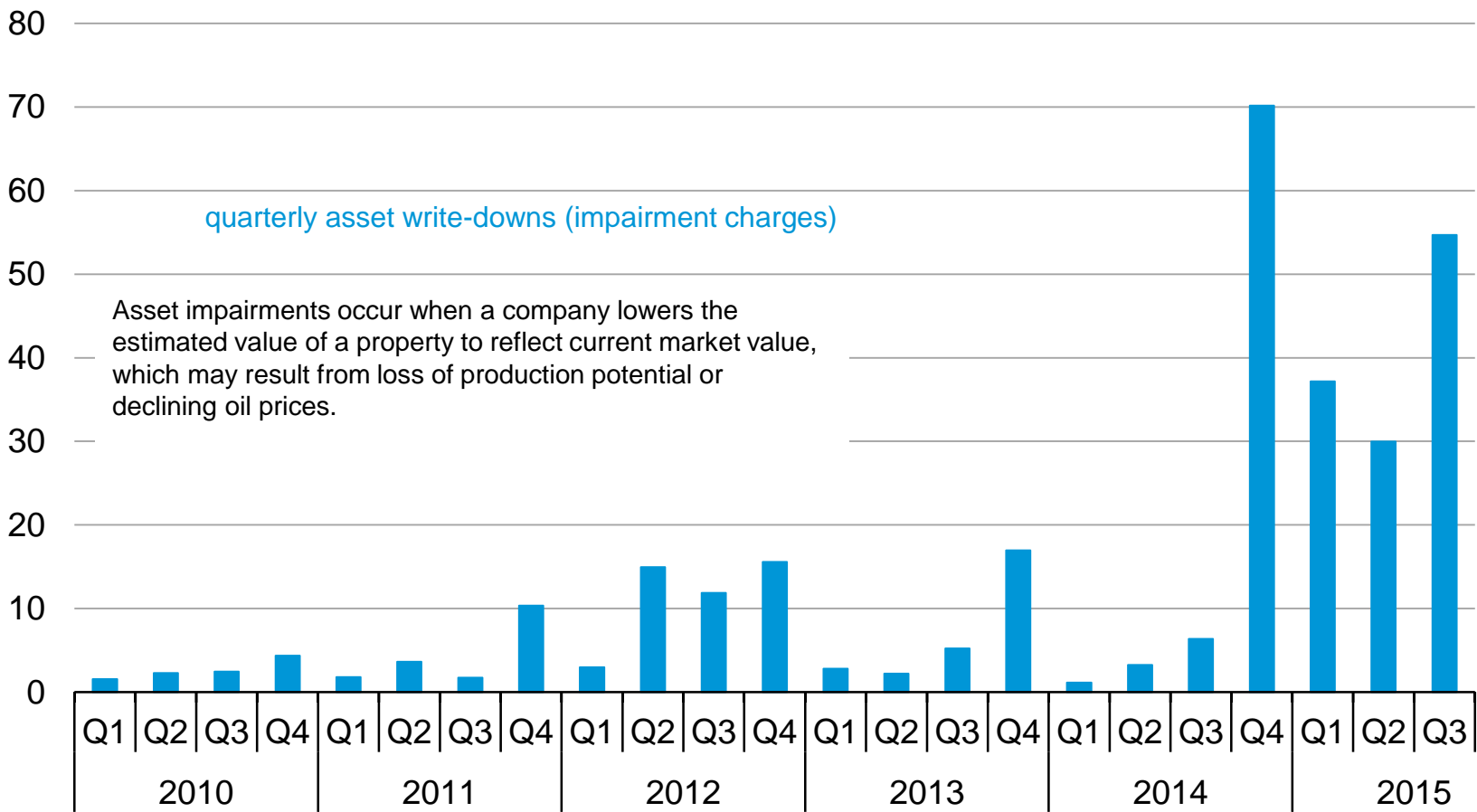
# Net hedging assets, which tend to increase in value when prices decline, increased \$4.5 billion since second-quarter 2015



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

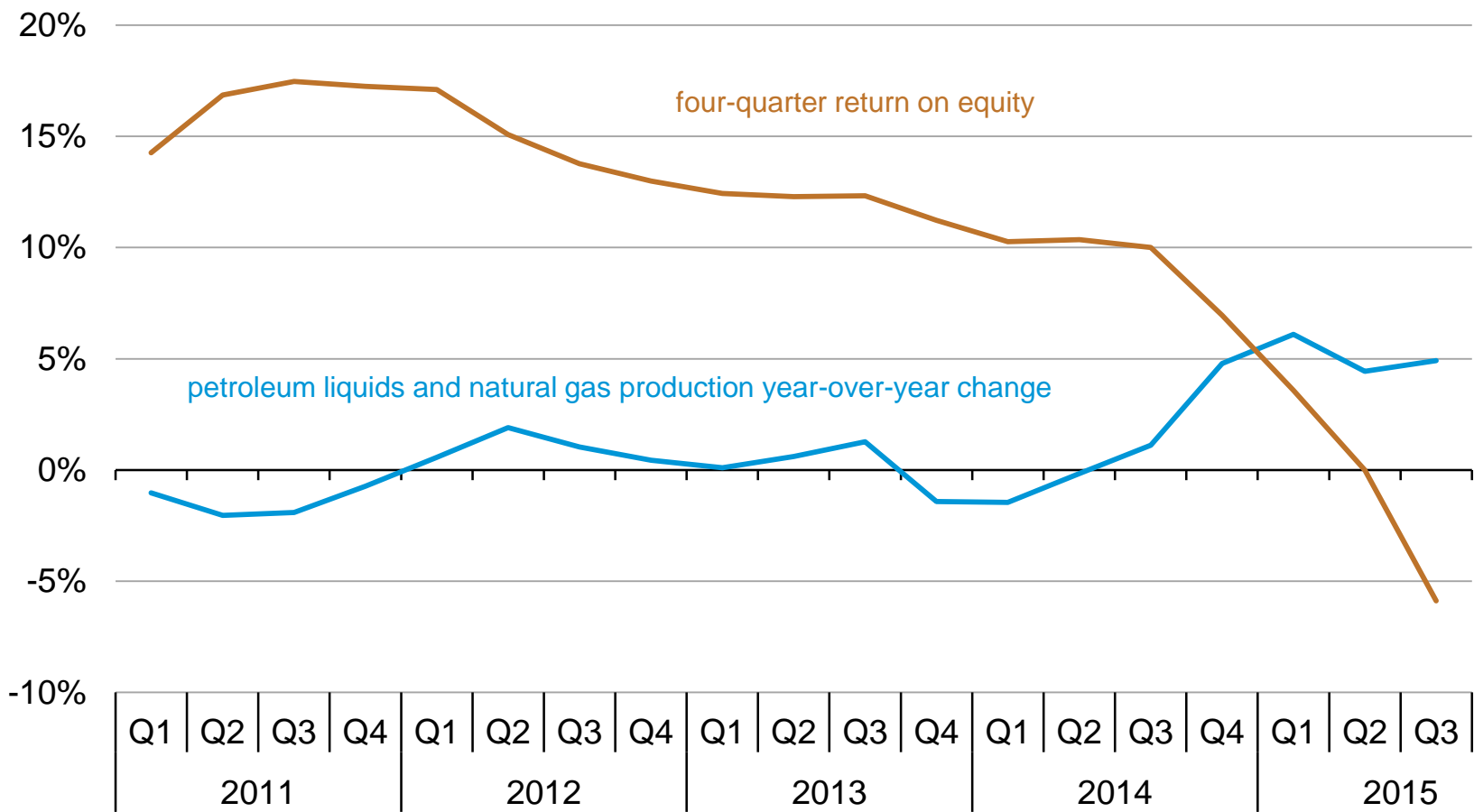
# The total value of asset write-downs increased to \$57 billion, almost twice the amount in second-quarter 2015

billion 2015\$



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

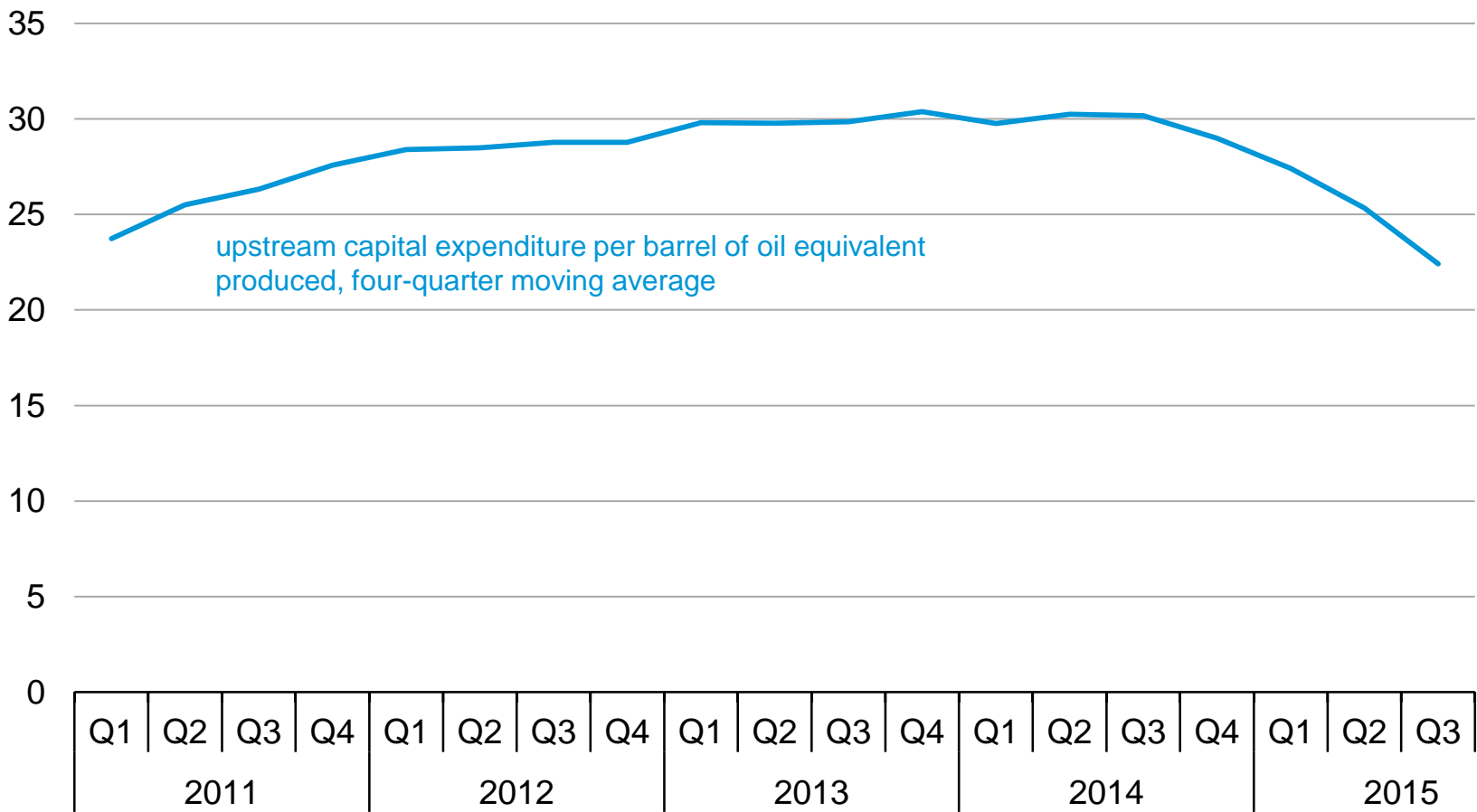
# Past investment contributed to increased current production, while low prices contributed to negative profitability



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

# Higher production and falling capital expenditure led to the lowest average spending per barrel since at least 2010

2015\$/barrel of oil equivalent

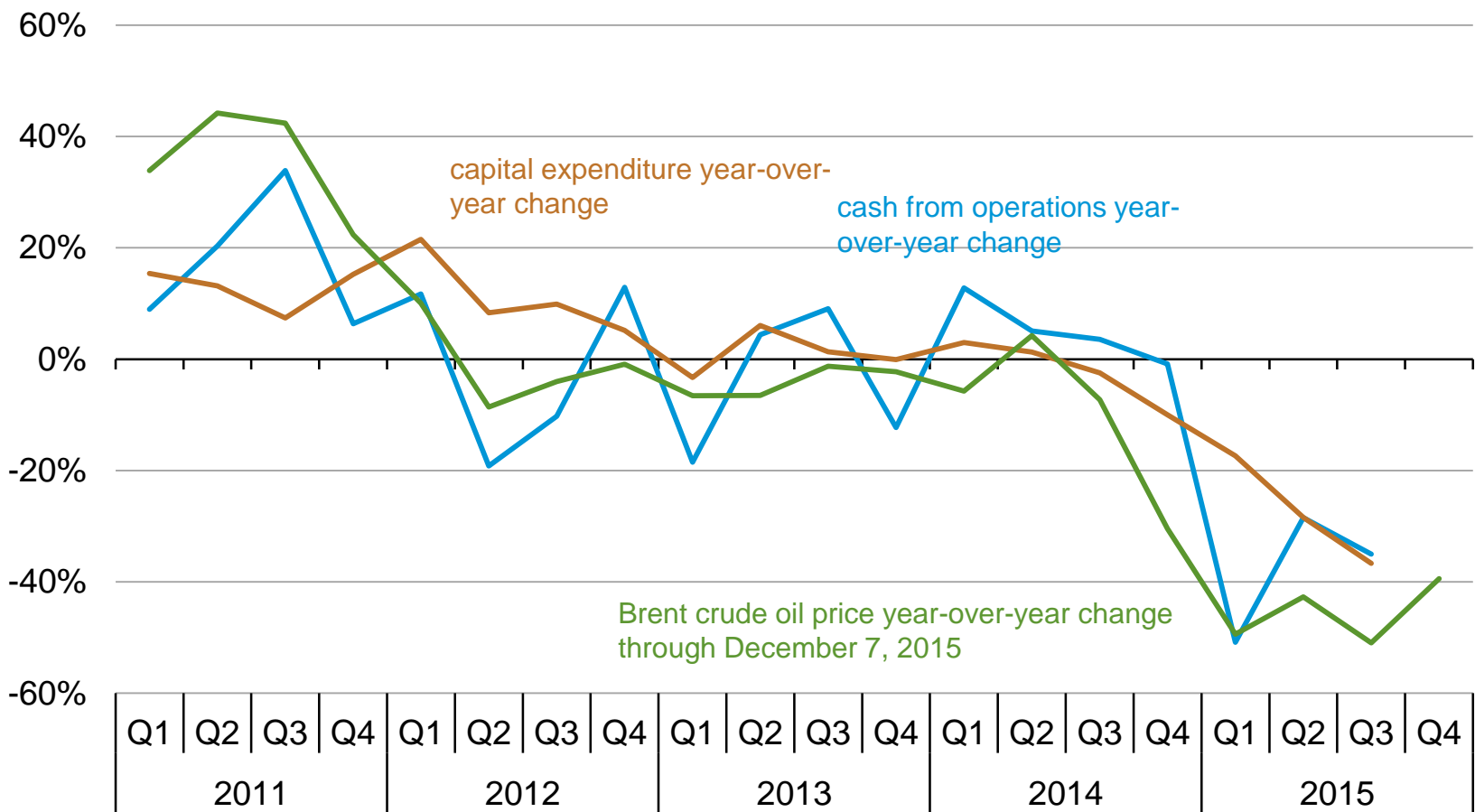


Source: U.S. Energy Information Administration, Evaluate Energy, Bloomberg



# Crude oil prices remain low compared to year-ago levels, which could continue to pressure cash flow and investment

year-over-year change



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

## Appendix: List of companies

Anadarko Petroleum Corp.	California Resources Corporation	Det Norske	Forest Oil Corporation	Lundin Petroleum	Parsley Energy Inc.	Rosetta Resources Inc.	Thunderbird Resources Equity Inc.
Apache Corporation	Callon Petroleum	Devon Energy Corporation	Gazprom Neft	Magnum Hunter Resources	PDC Energy	Royal Dutch Shell	Total
Approach Resources Inc	Canacol Energy Ltd.	Diamondback Energy Inc.	Goodrich Petroleum Corp	Marathon Oil Corp.	Penn Virginia	RSP Permian Inc	TransAtlantic Petroleum Ltd.
Athlon Energy Inc.	Canadian Natural Resources Limited	Dong Energy	Gran Tierra Energy Inc.	Mariner Energy	Penn West Petroleum Ltd.	Sabine Oil & Gas Corporation	TransGlobe Energy Corporation
ATP Oil & Gas Corp.	Carrizo Oil & Gas, Inc	Ecopetrol	Gulfport Energy Corporation	Matador Resources Company	Petrobras (IFRS US\$ Current)	Sanchez Energy Corp	Triangle Petroleum Corporation
Bankers Petroleum Ltd	Cenovus Energy Inc.	Encana Corporation	Halcon Resources Corporation	MDU Resources Group	PetroChina	SandRidge Energy	Unit Corp
Baytex Energy Corp.	Chesapeake Energy Corp.	Endeavour International Corp	Hess Corp	Memorial Production Partners LP	Petrolifera Petroleum Ltd.	Sherritt International Corp	Vaalco Energy Inc
Berry Petroleum Co.	Chevron Corporation	Energen Corp	Husky Energy Inc.	Murphy Oil Corporation	PetroMagdalena Energy Corp.	SM Energy Company	Vermilion Energy Inc.
BG Group	Cimarex Energy Co.	Energy XXI	Imperial Oil Limited	Newfield Exploration Company	Petrominerales Ltd.	Sonde Resources Corp.	W & T Offshore
Bill Barrett Corporation	Clayton Williams Energy	Enerplus Corporation	Ithaca Energy Inc.	Noble Energy	PetroQuest Energy, Inc	Statoil ASA	Whiting Petroleum Corporation
Black Hills Corp	Comstock Resources	ENI	Jones Energy, Inc.	Northern Oil & Gas, Inc	Pioneer Natural Resources Company	Stone Energy	WPX Energy
BP Plc.	Concho Resources Inc	EOG Resources	Kodiak Oil & Gas Corp.	Oasis Petroleum Inc.	QEP Resources Inc	Suncor Energy Inc.	XTO
BPZ Resources Inc	ConocoPhillips	EP Energy Corporation	Kosmos Energy	Occidental Petroleum Corporation	Range Resources Corp	Swift Energy Co	
Breitbart Energy Partners	Continental Resources	EPL Oil & Gas Inc	Laredo Petroleum	OMV	Repsol	Synergy Resources Corporation	
Brigham Exploration Company	Denbury Resources Inc.	ExxonMobil	Linn Energy	Pacific Exploration and Production Corporation	Resolute Energy Corporation	Talisman Energy Inc.	

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

Note: Some companies listed merged or split before 2015. A total of 99 companies existed in third-quarter 2015

# Background

- This analysis focuses on the financial and operating trends of 99 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.
- For consistency, a company's assets that were acquired by another company in the group after first-quarter 2010 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 (earnings) 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.
- The term upstream refers to crude oil exploration, production, and other operations prior to refining. The term downstream refers to refinery operations, product sales, and marketing at the wholesale and retail level.