eia.doe.gov
Energy Finance

Financial News for Major Energy Companies, Third Quarter 2009

Third Quarter 2009 Key Findings	
Net Income	$13.8 billion
Revenues	$246.2 billion
Highlights	Eighteen major energy companies reported a 71-percent decrease in net income relative to the third quarter of 2008 (Q308). Further, this represents a 54-percent decrease relative to the third-quarter average for 2004-2008.
	The effects of lower oil and natural gas prices, worldwide refinery throughput, and domestic and European refining margins overwhelmed the effects of higher worldwide production of crude oil and natural gas and higher Asia/Pacific refining margins and led to lower revenues and net income. Domestic and foreign oil and natural gas production continued to rise despite much lower prices and earnings. Upstream capital expenditures by these companies declined but by much less than the fall in net income, while capital expenditures for refining/marketing decreased slightly despite a significant decline in net income.

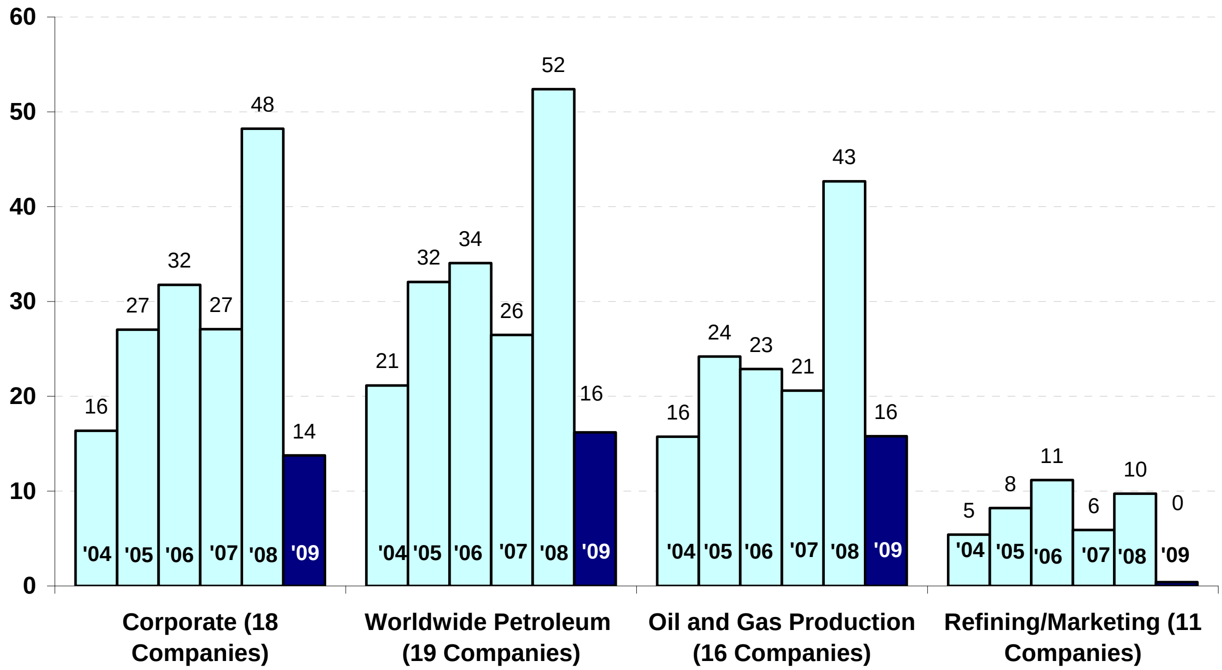
NOTES:
The "Financial News for Major Energy Companies" is issued quarterly to report recent trends in the financial performance of the major energy companies. These include the respondents to Form EIA-28 (Financial Reporting System (FRS)), with the exception of the FRS companies that do not issue quarterly 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 third-quarter 2009 dollars.

Third Quarter Corporate and Petroleum Earnings, 2004-2009

(Billions of Q309 Dollars)



Sources: Company quarterly earnings releases.

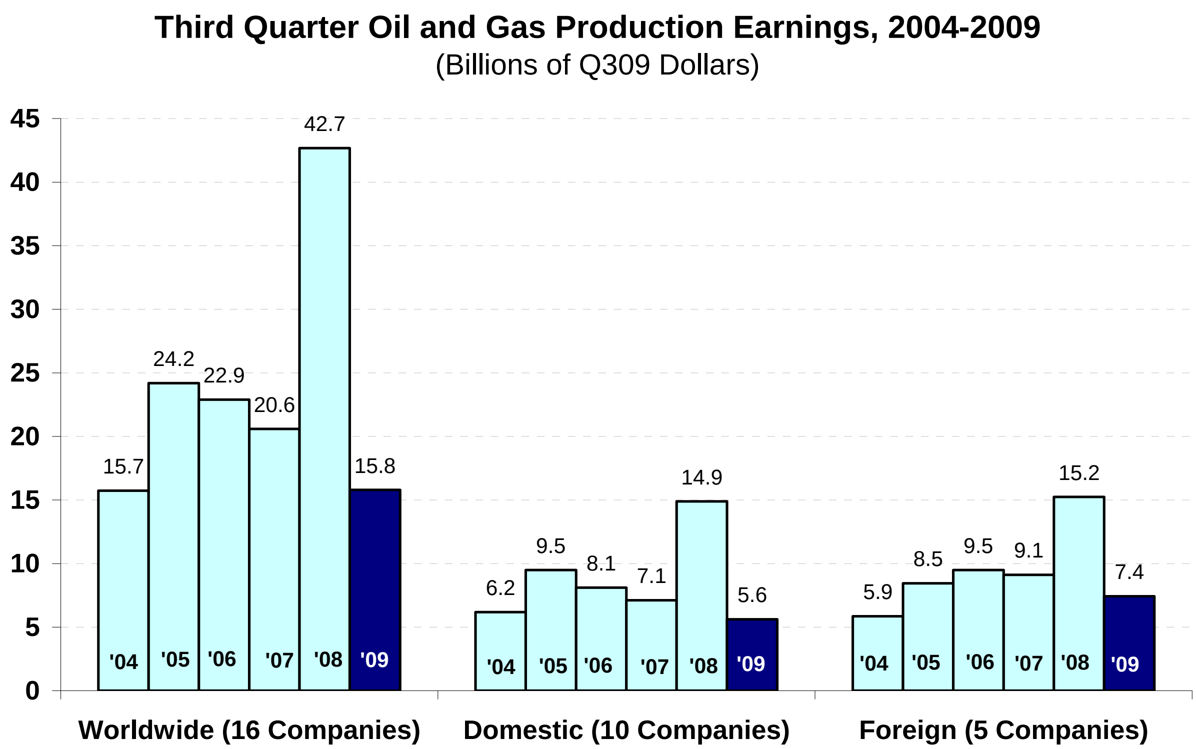
- Eighteen major energy companies[1] reported a 71-percent decrease in net income relative to third quarter of 2008. Further, this represents a 54-percent decrease relative to the third-quarter average for 2004-2008.

- Overall, the petroleum line of business (which includes both oil and natural gas production and petroleum refining/marketing) in Q309 saw net income decline 69 percent from the level of Q308, falling more than $36 billion.

- A $26.9-billion (63 percent) decrease in worldwide oil and natural gas production net income was exacerbated by a 9.3-billion (96 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 Q309 than in Q308.

- 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: Worldwide considerably exceeds the sum of domestic and foreign because some companies do not provide a breakdown of domestic and foreign.
Sources: Company quarterly earnings releases.

Worldwide

- Worldwide oil and gas production income fell 63 percent ($26.9 billion) relative to Q308 as a decline in foreign returns was magnified by an even greater decline in income from domestic operations. The decline relative to the third quarter average for 2004-2008 was a slightly more modest 37 percent.

Domestic

- Domestic oil and gas production operations generated 62 percent less income than a year earlier (39 percent less than the average for the third quarter of 2004-2008).

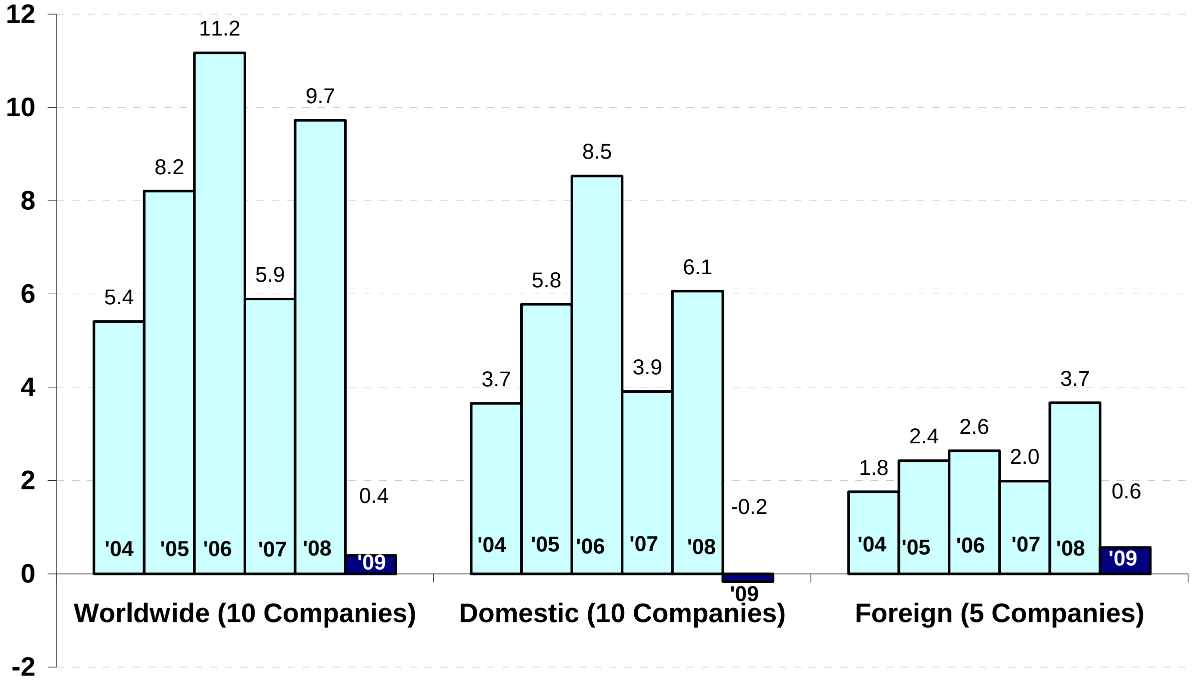
- Eight of the ten included companies reported lower earnings than a year ago, noting in their press releases that the effects of dramatically lower prices received overwhelmed the effects of higher production levels (due to the absence of hurricane effects and bringing new fields on-line) and lower operating costs.

Foreign

- Income from foreign oil and gas production fell 51 percent compared to Q308 (23 percent relative to the third quarter average for 2004-2008).

- All 5 of the included companies reporting foreign production financial results reported lower earnings than a year ago as the effects of dramatically lower prices received more than offset the effects of higher production levels, according to company press releases.

Third Quarter Refining/Marketing Earnings, 2004-2009
(Billions of Q309 Dollars)



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

Worldwide

- Income from worldwide refining/marketing operations declined 96 percent ($9.3 billion) relative to Q308 as a large decline in domestic returns was magnified by a much smaller decline in income from foreign operations. The decline relative to the third quarter average for 2004-2008 was similar, 95 percent.

Domestic

- Domestic refining/marketing operations generated a loss of 166 million, which was 103 percent less than both Q308 and the average for the third quarter of 2004-2008.

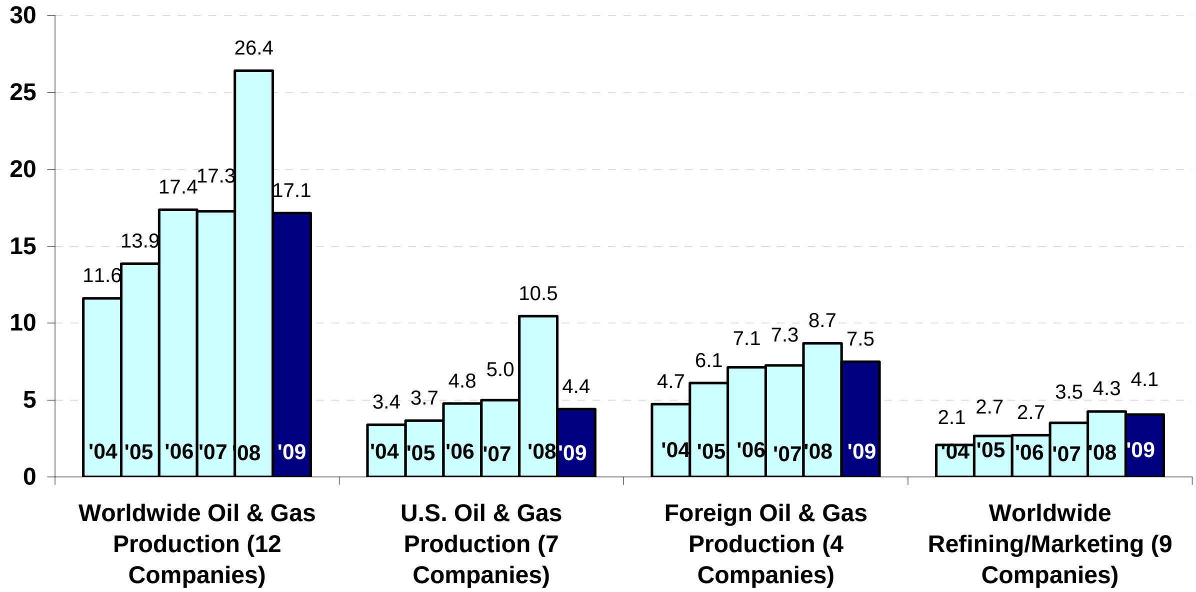
- Nine of the ten included companies reported lower earnings than a year ago, with four reporting a loss. Lower refining and retailing margins, lower throughput due to planned down-time and divestitures, and derivative losses were among reasons given for lower earnings in company press releases.

Foreign

- Income from foreign refining/marketing fell 85 percent compared to Q308 (77 percent relative to the third quarter average for 2004-2008).

- All five of the included companies reported lower earnings than a year ago (with 2 reporting a loss) in an industry environment with lower European margins and diminished throughput. Additionally, the companies reported lower margins and diminished product sales (due to divestitures) in their press releases.

Third Quarter Petroleum Capital Expenditures, 2004-2009
(Billions of Q309 Dollars)



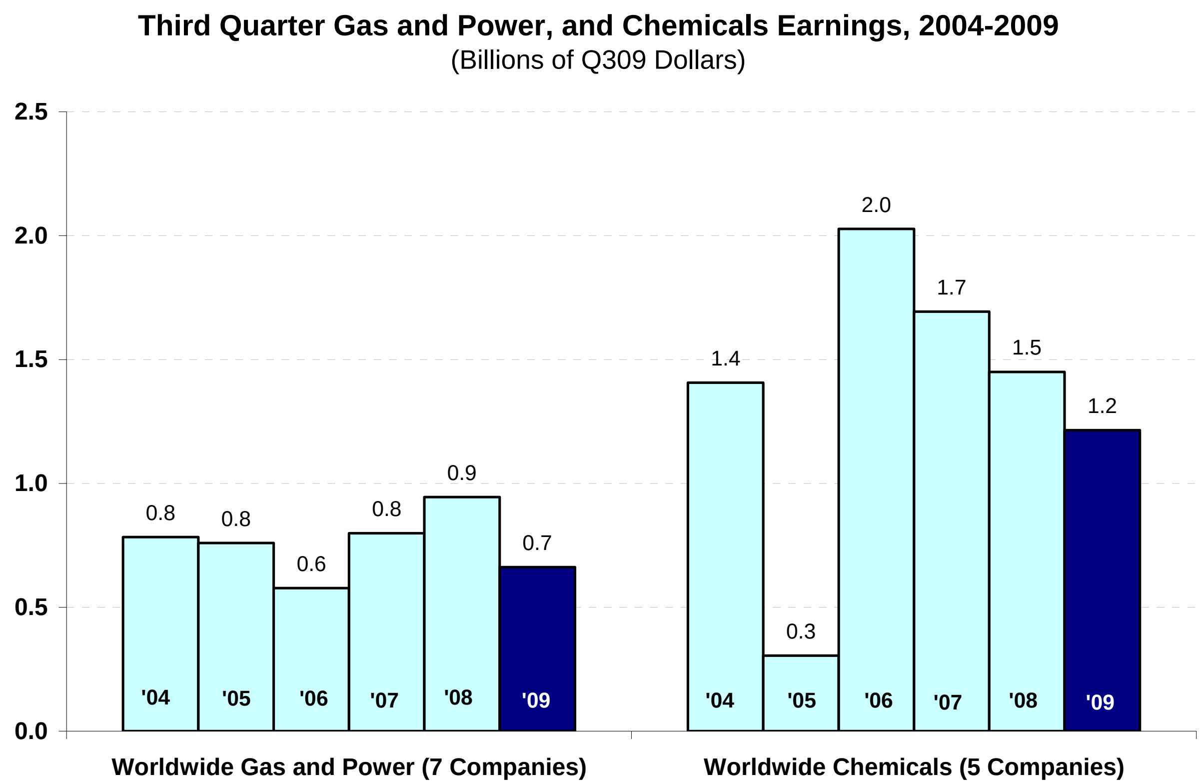
Note: Worldwide considerably exceeds the sum of domestic and foreign because some companies do not provide a breakdown of domestic and foreign.
Sources: Company quarterly earnings releases.

- The majors' upstream capital expenditures (capex) declined relative to Q308, but by one-third of the decline in net income for worldwide upstream, and was essentially the same as the third quarter average for 2004-2008. In particular, worldwide oil and gas production capital expenditures fell 35 percent relative to Q308, but was about 1 percent lower than the third quarter average for 2004-2008.

- The majors' investment in their U.S. oil and gas production operations declined 58 percent relative to Q308, but was only 19 percent lower than the third quarter average for the last five years (i.e., 2004-2008).

- Capital expenditures in foreign oil and gas production operations fell 14 percent in Q309 compared to Q308, but increased 11 percent relative to the third quarter average for 2004-2008.

- Despite the $9 billion decline in net income, worldwide refining/marketing investment by the majors only declined $196 million, in Q309 relative to Q308, but was 39 percent higher than the third quarter average for 2004-2008.



Sources: Company quarterly earnings releases.

<u>Gas and Power</u>

- Net income from the majors' gas and power operations fell 30 percent relative to Q308 (14 percent relative to the third quarter average for 2004-2008).

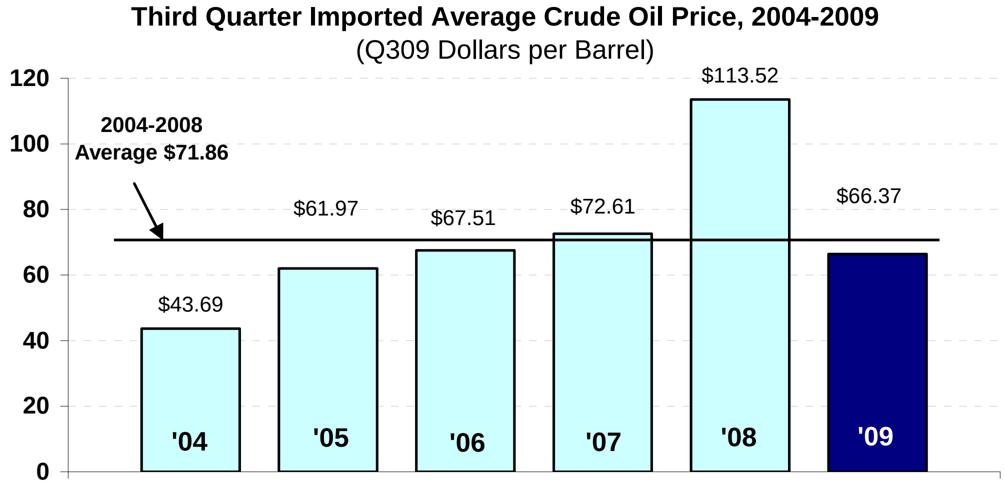
- Four of the six companies reporting earnings generated lower earnings. Factors such as lower sales prices, mark-to-market write-downs, and increased pipeline operating and maintenance costs were reported in company press releases.

<u>Chemicals</u>

- Worldwide chemical operations generated 16 percent less for the majors in Q309 than in Q308 (12 percent less than the third quarter average for 2004-2008).

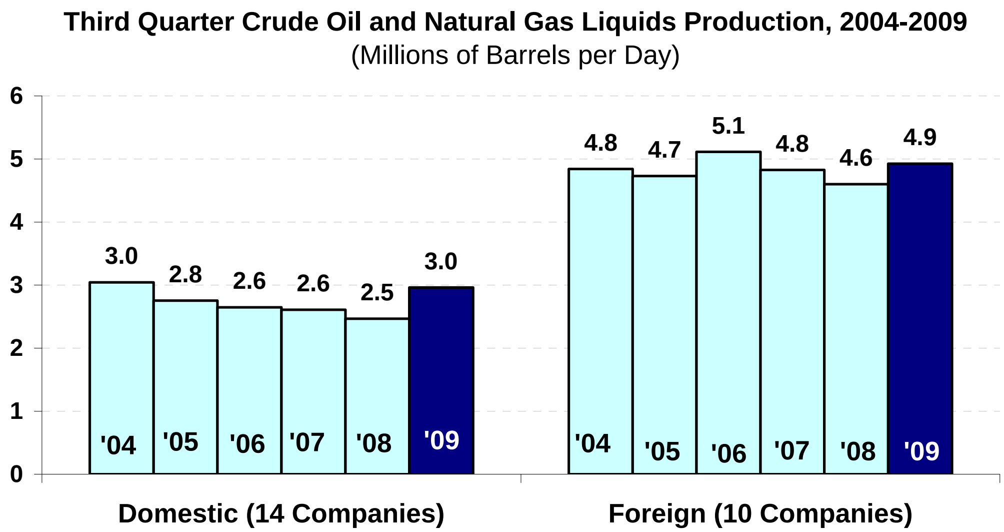
- Three of the five companies reporting chemical results reported lower earnings with one reporting a loss. These companies overwhelmingly attributed lower earnings to lower margins and, to a lesser extent, lower sales, in company press releases. The companies reporting higher earnings are partners in a chemical joint-venture and reported reduced utility costs, which more than offset lower margins.

Supplemental Figures:



Source: Energy Information Administration, *Short-Term Energy Outlook* , (December 8, 2009), Table 2.

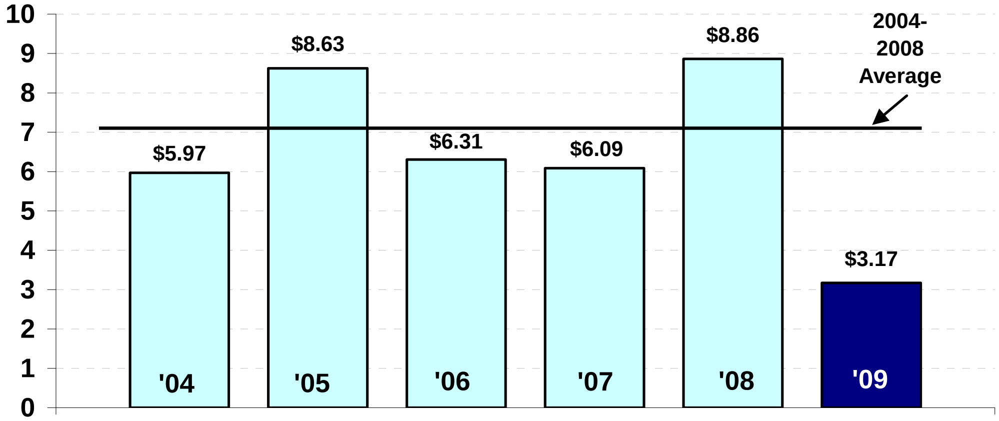
- Crude oil prices in Q309 were 42 percent lower than in Q308 and 8 percent less than the average for the third quarter of 2004-2008 (in Q309 dollars).



Sources: Company quarterly earnings releases.

- U.S. crude and NGL production increased 20 percent compared to Q308 due to new fields starting operations and the absence of hurricane effects, which significantly reduced production in Q308. Further, the level of Q309 was 10 percent higher than the third quarter average for 2004-2008.
- Foreign crude oil and NGL production increased 7 percent compared to Q308 due to both entitlement effects of production-sharing agreements and newly opened fields. The level of Q309 was 2 percent higher than the third quarter average for 2004-2008.

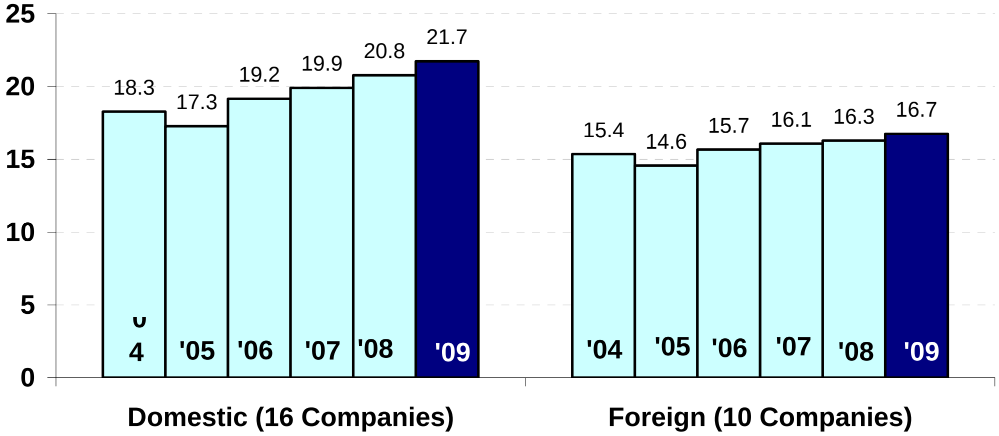
Third Quarter Average Wellhead Natural Gas Price, 2004-2009
(Q309 Dollars per Thousand Cubic Feet)



Source: Energy Information Administration, *Short-Term Energy Outlook* , (December 8, 2009), Table 2.

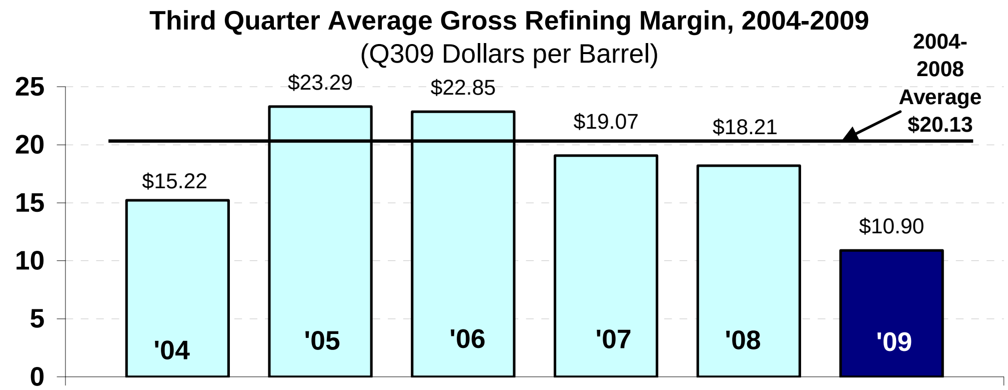
- Natural gas prices of Q309 were 64 percent lower than in Q308 and 56 percent lower than the third quarter average for 2004-2008 (measured in Q309 dollars).

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



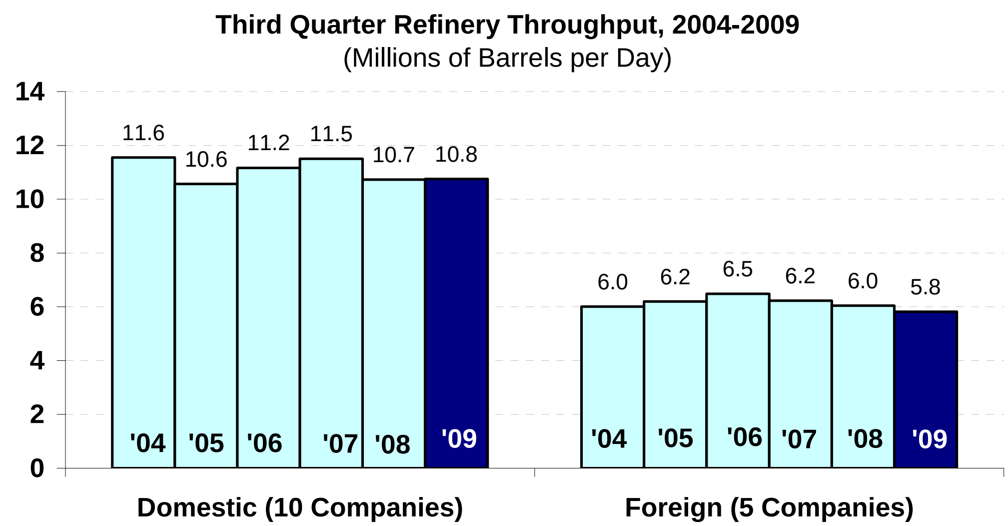
Sources: Company quarterly earnings releases.

- U.S. gas production by the majors increased 5 percent relative to a year earlier and was 14 percent higher than the average for the third quarter of 2004-2008.
- Foreign gas production by the majors increased 3 percent relative to a year earlier and was 7 percent higher than the third-quarter average for 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 Q309 was 40 percent lower relative to Q308 and 46 percent lower than the third-quarter average for 2004-2008 (in Q309 dollars).



Sources: Company quarterly earnings releases.

- Domestic refinery throughput was essentially unchanged relative to Q208, rising 0.2 percent, and was 3 percent lower than the average for the third quarter of 2004-2008.
- Foreign refinery throughput decreased 4 percent relative to Q308 and was 6 percent lower than the third 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)

	Q308	Q309	Percent Change[b]	Year to Date 2008	Year to Date 2009	Percent Change
Financial Data						
	(Millions of Q309 Dollars)		(%)	(Millions of Q309 Dollars)		(%)
Corporate						
Revenue (18)[c]	429,004	246,231	-42.6	1,209,289	658,900	-45.5
Net Income (18)	48,225	13,772	-71.4	107,149	17,762	-83.4
Worldwide Net Income						
Petroleum (19)	52,405	16,188	-69.1	117,113	28,878	-75.3
Oil and Natural Gas Production (16)	42,681	15,791	-63.0	102,821	24,647	-76.0
Refining/Marketing (10)	9,725	397	-95.9	14,292	4,231	-70.4
Natural Gas and Power (7)	945	662	-29.9	3,228	1,871	-42.0
Chemicals (5)	1,451	1,215	-16.2	3,708	2,460	-33.6
Domestic Net Income						
Oil and Natural Gas Production (10)	14,892	5,612	-62.3	33,253	8,505	-74.4
Refining/Marketing (10)	6,059	-166	-102.7	8,213	1,891	-77.0
Foreign Net Income						
Oil and Natural Gas Production (5)	15,240	7,424	-51.3	45,515	17,985	-60.5
Refining/Marketing (5)	3,666	563	-84.6	6,080	2,340	-61.5
Worldwide Capital Expenditures						
U.S. Oil and Natural Gas Production (7)	10,465	4,412	-57.8	22,902	14,454	-36.9
Foreign Oil and Natural Gas Production (4)	8,689	7,493	-13.8	24,611	23,938	-2.7
Worldwide[d] Oil and Natural Gas Production (12)	26,421	17,146	-35.1	68,499	53,924	-21.3
Worldwide Refining/Marketing (9)	4,261	4,065	-4.6	13,649	11,923	-12.6
Operating Data						
Oil Production	(Thousands of Barrels/Day)		(%)	(Thousands of Barrels/Day)		(%)
Domestic (14)	2,468	2,963	20.1	2,623	2,903	10.7
Foreign (10)	4,601	4,927	7.1	4,688	5,046	7.7
Natural Gas Production	(Million Cubic Feet/Day)		(%)	(Million Cubic Feet/Day)		(%)
Domestic (16)	20,780	21,737	4.6	20,803	21,947	5.5
Foreign (10)	16,284	16,749	2.9	17,445	17,721	1.6
Refinery Throughput	(Thousands of Barrels/Day)		(%)	(Thousands of Barrels/Day)		(%)
Domestic (10)	10,728	10,752	0.2	10,923	10,631	-2.7
Foreign (5)	6,046	5,819	-3.8	6,041	5,771	-4.5

[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 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. The reporting practices of Royal Dutch Shell changed effective Q309, precluding continued inclusion of the company in this compilation (and removal of their historic data to maintain comparability).

[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 operatioı 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

	Q308	Q309	Percent Change
U.S. Energy Prices[a]			
Imported Average Crude Oil Price (Q309$/barrel)	113.52	66.37	-41.5
Natural Gas Wellhead Price (Q309$/thousand cubic feet)	8.86	3.17	-64.2
U.S. Gross Refining Margin (Q309$/barrel)[b]	18.21	10.90	-40.1

[a] Energy Information Administration, *Short-Term Energy Outlook* , (December 8, 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 is included. Hence, the number of companies reporting petroleum operations is 19, rather than 18.

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