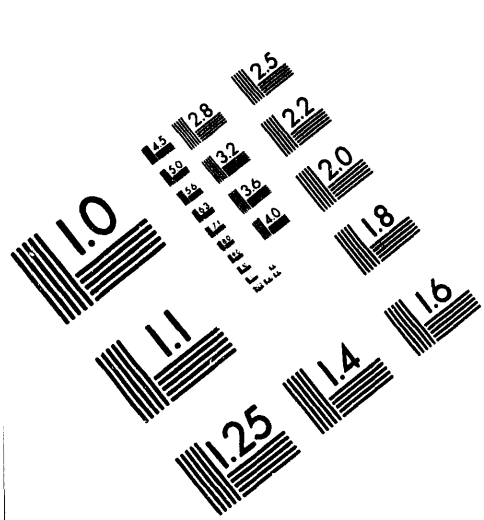

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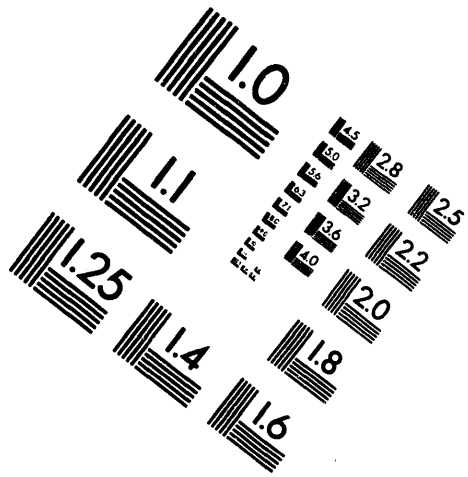

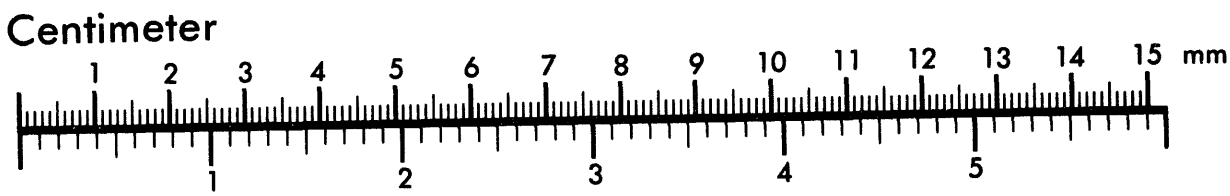

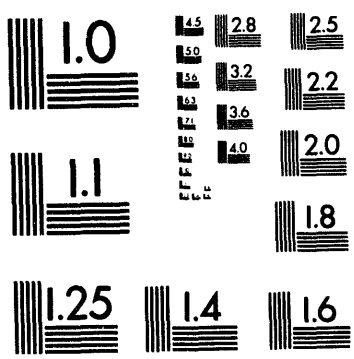

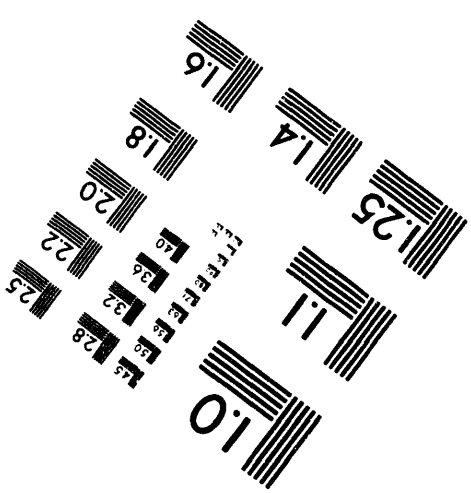

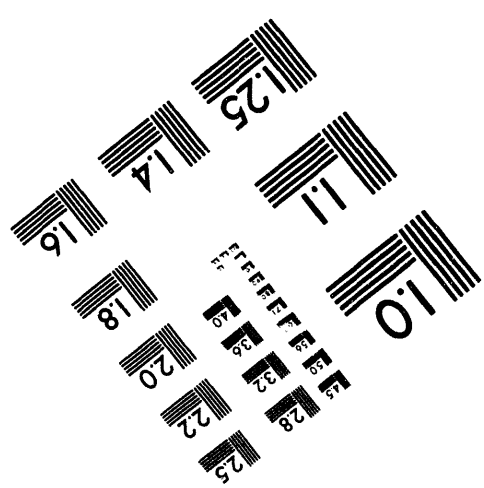

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DOE/EIA-0543(94/1Q)
Distribution Category UC-950

U.S. Energy Industry Financial Developments 1994 First Quarter

June 1994

Energy Information Administration
Office of Energy Markets and End Use
U.S. Department of Energy
Washington, DC 20585

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Contents

Tables

Figures

Executive Summary

Based on information provided in 1994 first quarter financial disclosures, the net income for 147 petroleum companies--including 19 majors--rose 5 percent between the first quarter of 1993 and the first quarter of 1994. A 25-percent decline in crude oil prices resulted in a deterioration of upstream (oil and gas production operations) financial performance during the first quarter of 1994. The negative impact low crude oil prices had on upstream earnings was partially offset by a 19-percent increase in natural gas wellhead prices and a 2-percent increase in natural gas consumption, since an unusually cold winter caused a sharp rise in residential natural gas usage. Downstream, however, prices for refined products fell much less than crude oil prices, resulting in higher refined product margins and earnings. A substantial increase in refined product sales volume also contributed to the rise in downstream income.

The following points highlight first-quarter energy industry financial developments:

- **Lower Crude Oil Prices Reduce Upstream Earnings.** Sharply lower crude oil prices led to a substantial reduction in income from upstream operations. Income from the majors' domestic oil and gas production operations fell 21 percent between the first quarter of 1993 and the first quarter of 1994. Over the same period, the majors' foreign upstream income fell by 19 percent. Independent oil and gas producers reported a 42-percent drop in income.

- **Refined Product Demand and Margins Raise Downstream Earnings.** Petroleum product consumption rose 3 percent between the first quarter of 1993 and the first quarter of 1994. Although petroleum product prices declined in the most recent reporting period, they did not fall as much as crude oil input prices. As a consequence, refined product margins widened, leading to a substantial improvement in the financial performance of downstream petroleum operations. Income from the majors' domestic downstream operations was up 82 percent, while U.S. independent refiners reported more than a doubling of income from the year-earlier quarter. For their overseas refining/marketing operations, the majors reported a 34-percent rise in earnings.

- **Increased North American Exploratory Activity Benefits Drillers.** Drilling company income rose 18 percent between the first quarter of 1993 and the first quarter of 1994. Despite the sharp decline in crude oil prices, both the United States and Canada experienced a stepped-up pace of drilling activity from the year-ago quarter. Most other world petroleum-producing regions saw a decline in drilling activity over the same period. Between the first quarter of 1993 and the first quarter of 1994, the weekly average crude oil rig count, at 337 rigs in operation, was up 6 percent in the United States, while the natural gas rig count, at 352, was up 17 percent. Total Canadian activity (both oil and gas) has also shown a substantial increase in recent quarters.

1. Introduction

This report traces key financial trends in the U.S. energy industry for the first quarter of 1994. Financial data (only available for publicly-traded U.S. companies) are included in two broad groups--fossil fuel production and rate-regulated electric utilities. All financial data are taken from public sources such as energy industry corporate reports and press releases, energy trade publications, and *The Wall Street Journal's* Earnings Digest. Return on equity is calculated from data available from Standard and Poor's Compustat data service. Since several major petroleum companies disclose their income by lines of business and geographic area, these data are also presented in this report. Although the disaggregated income concept varies by company and is not strictly comparable to corporate income, relative movements in income by lines of business and geographic area are summarized as useful indicators of short-term changes in the underlying profitability of these operations.[1]

Each company is assigned to a particular functional activity based on segment revenue. Companies in each industry grouping include only the publicly-traded companies whose financial data were available in time for publication. As a result, the number of companies included in this report varies slightly from quarter to quarter due to the variability in company reporting dates. To demonstrate the degree to which these industry groupings represent shares of industry activity, shares for the domestic industry segments were calculated for the companies included in this report against their respective total industry grouping. These shares were:

- for U.S. crude oil production (as a percent of 1992 total U.S. crude production), the 9 majors that reported financial results for U.S. oil and gas production operations, and the 74 independents included in this report, represented about 42 percent and 2 percent, respectively, of industry activity;
- for U.S. natural gas production (as a percent of 1992 total U.S. natural gas production), these same 9 majors and 74 independents represented about 27 percent and 8 percent, respectively, of industry activity;
- for domestic refining (as a percent of 1992 total U.S. crude oil distillation capacity), 16 majors and 13 independents represented about 56 percent and 11 percent, respectively, of industry activity;
- for U.S. coal production (as a percent of 1992 total U.S. coal production), 3 majors, 5 independents, and 4 other producers of coal represented about 26 percent of domestic industry production;
- for U.S. oil field drilling (as a percent of 1992 total U.S. oil field company revenue), 41 U.S. oil field companies represented about 91 percent of industry activity;
- for U.S. chemical operations (as a percent of 1992 total U.S. chemical industry sales), 12 majors represented about 12 percent of industry activity;
- for U.S. natural gas transmission and distribution (as a percent of 1992 total U.S. natural gas revenue), 56 U.S. companies represented about 81 percent of industry activity;
- for electricity (as a percent of 1992 total revenue for publicly-held U.S. electric companies), 91 U.S. utilities represented about 85 percent of industry revenue.

An effort is made to assure that period-to-period comparisons reflect actual operating results rather than unusual items. Unusual items are composed of gains and losses recognized in a company's income statement which are of a non-recurring nature and generally unrelated to current operations. These items include litigation

[1]Major petroleum companies are vertically integrated. The independent oil and gas producers include publicly-owned oil and gas production companies not classified as majors. The primary Standard Industrial Classification (SIC) code for the independent oil and gas producers is 1311. Similarly, the independent refiners include those publicly-owned downstream petroleum companies not classified as majors. The primary SIC code for the independent refiners is 2911. Oil field companies include those petroleum companies involved in drilling oil and gas wells, providing exploration and oil and gas field services. Oil field companies are generally classified with the SIC codes 1381, 1384, and 1389. Coal companies correspond to SIC code 12. Natural gas transmission companies belong to SIC code 4922, and natural gas distribution companies to SIC code 4924. Companies involved in both the transmission and distribution of natural gas (SIC code 4923) are either classified as transmission companies or distribution companies, depending on which activity is the greater generator of revenue. Electric utilities correspond to those publicly-held electric utility companies classified under SIC code 4911.

settlements, gains and losses from large divestitures of assets, provisions for the cost of restructuring, and provisions of reserves for future liabilities. Thus, the corporate income measure shown in this report is net income from continuing operations, adjusted to eliminate the effects of unusual items.

The 19 major petroleum companies reported total unusual items that, on balance, decreased net income by $100 million in the first quarter of 1994 compared with unusual items that decreased net income by $105 million in the first quarter of 1993. Including the effect of unusual items, the major petroleum companies' net income was $4.1 billion in the first quarter of 1994 compared with $4.0 billion in the first quarter of 1993, an increase of 3.2 percent. After adjusting for the effects of unusual items, the major petroleum companies' net income registered a 3.0-percent increase between the first quarter of 1993 and the first quarter of 1994.[2] The reporting of quarterly financial data is based on financial standards for interim reporting, as specified by the Financial Accounting Standards Board:[3]

> Each interim period shall be viewed primarily as an integral part of an annual period. The results for each interim period shall be based on the accounting principles and practices used by an enterprise in preparation of its latest annual financial statements unless a change in an accounting practice or policy has been adopted in the current year. However, certain accounting principles and practices followed for annual reporting purposes may require modification at interim reporting dates so that the reported results for the interim period may better relate to the results for the annual period.

As an example of such modification, quarterly reports incorporate a company's estimate of its tax expense. In addition, if a company expects to replace its inventory drawdowns by the end of its fiscal year, recognition of inventory gains or losses can be deferred until the preparation of the annual financial statement. Also, unlike annual financial statements, quarterly financial reports are not audited and certified by an outside public accounting firm. However, quarterly financial reports must be prepared in accordance with generally accepted accounting principles and are subject to review by the Securities and Exchange Commission.

[2]Percent changes were calculated from unrounded data.

[3]Financial Accounting Standards Board, *Accounting Standards*, Current Text (Stamford, CT, 1990).

2. Financial and Energy Overview

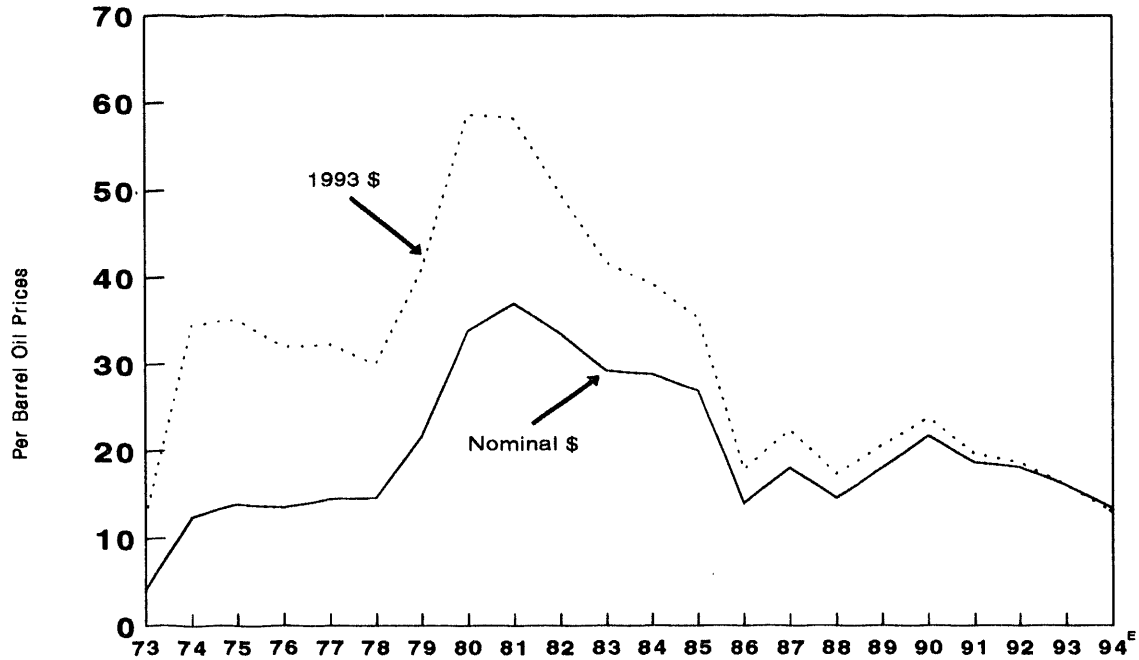
Crude oil prices averaged $13 per barrel during the first quarter of 1994 (Q194), a 25-percent drop from the first quarter of 1993 (Q193). In nominal dollars, crude oil prices during Q194 were at the lowest level since the oil price collapse in 1986 (Figure 1). Adjusted for inflation, crude oil prices reached levels unseen since 1973. As reported in the Energy Information Administration's *Short-Term Energy Outlook 1994 Second Quarter*, OPEC excess production continued to haunt world oil markets. Further, above-normal world crude oil inventory levels, sustained Russian oil exports, and stepped-up North Sea production also worked to reduce crude oil prices. Although lower during Q194, the decline in refined product prices failed to keep pace with the fall in crude oil prices, resulting in higher margins during Q194. An expanding U.S. economy and an exceptionally cold winter also boosted the demand for all fossil fuels during the first quarter of 1994. United States economic activity, as measured by real Gross Domestic Product (GDP), grew 3.6 percent between Q193 and Q194 (Figure 2), while the number of heating degree days was 3 percent above normal.

Outside the United States, economies showed a disparate performance during Q194, with some nations well established on the expansionary phase of the business cycle while other nations remained mired in recession. Although, on the one hand, the growing economies of the United States, Canada, and most of Asia saw an increase in domestic oil consumption, a reduced level of economic activity in many other industrialized nations continued to depress demand for petroleum, contributing to a surplus of world crude oil supplies.

On balance, overall energy company earnings were up 4 percent (Table 1) and their 12-percent return on equity was the highest since the first quarter of 1991 (Figure 3). Income gains were widespread with only oil producers and coal companies reporting income declines. Other industrial companies did even better, registering a 29-percent increase in income between Q193 and Q194 and a 22-percent return on equity. Both groups of companies were positively affected by the expanding U.S. economy. Robust automobile sales have been driving the economic expansion and the continued improvement in corporate earnings. The heightened pace of auto sales enabled U.S. auto makers to report positive income of $3.5 billion for Q194 versus the $1.6 billion reported for Q193.[4]

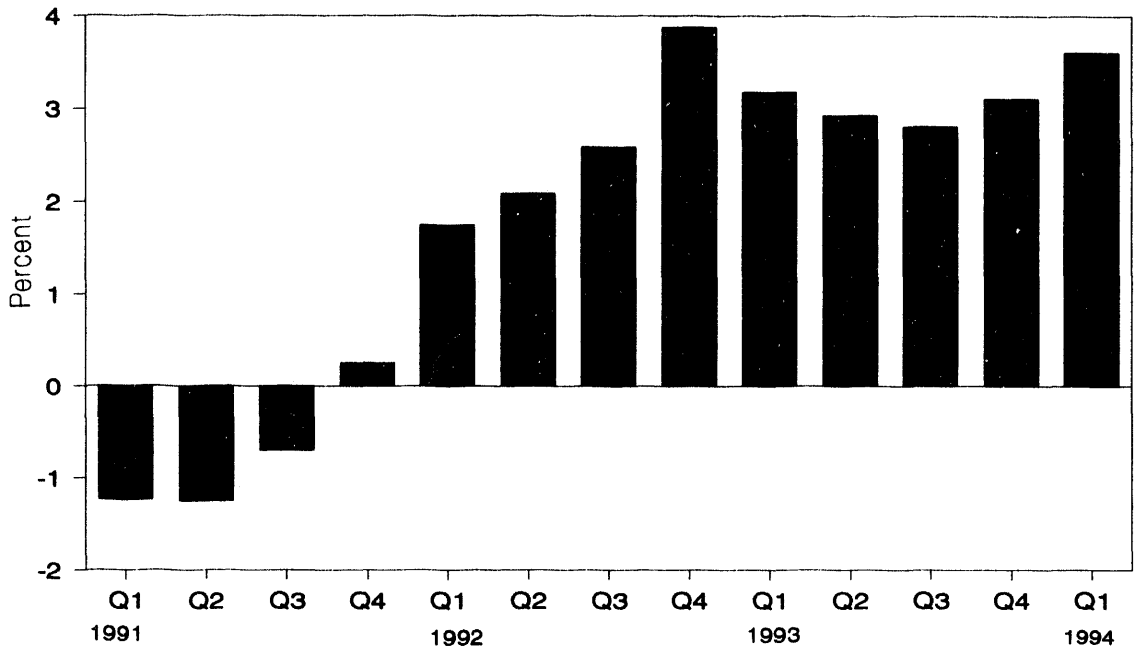
[4]*The Wall Street Journal*, February 22, 1994, p. A11. The U.S. automobile companies include Chrysler, Ford, and General Motors.

Figure 1. Crude Oil Prices, 1973-1994



Sources: Historical data: Energy Information Administration, *Monthly Energy Review,*DOE/EIA-0035(94/03) (Washington, DC, March, 1994), Table 9.1, and, Energy Information Administration, *Annual Energy Review, 1992*, DOE/EIA-00384(92)(Washington DC, June 1993), Table 5.20. Real crude oil prices were calculated using the Gross Domestic Product price deflator, DRI/McGraw-Hill data item, PGDP. 1994 forecasted crude oil prices were obtained from: Energy Information Administration, *Short-Term Energy Outlook Second Quarter, 1994* DOE/EIA-0202(94/2Q)(Washington DC, May 1994).

Figure 2. Year-over-Year Percent Change in Gross Domestic Product by Quarters, 1991-1994



Source: DRI/McGraw-Hill, *U.S. Central Data Base*, Data Item GDP87$, May 3, 1994. The above figure represents each quarter's percent growth in real GDP relative to the corresponding quarter one year prior. For example, during Q194 real GDP was 3.6 percent higher than in Q193.

Table 1. Revenue and Income Summaries

(Million Dollars)

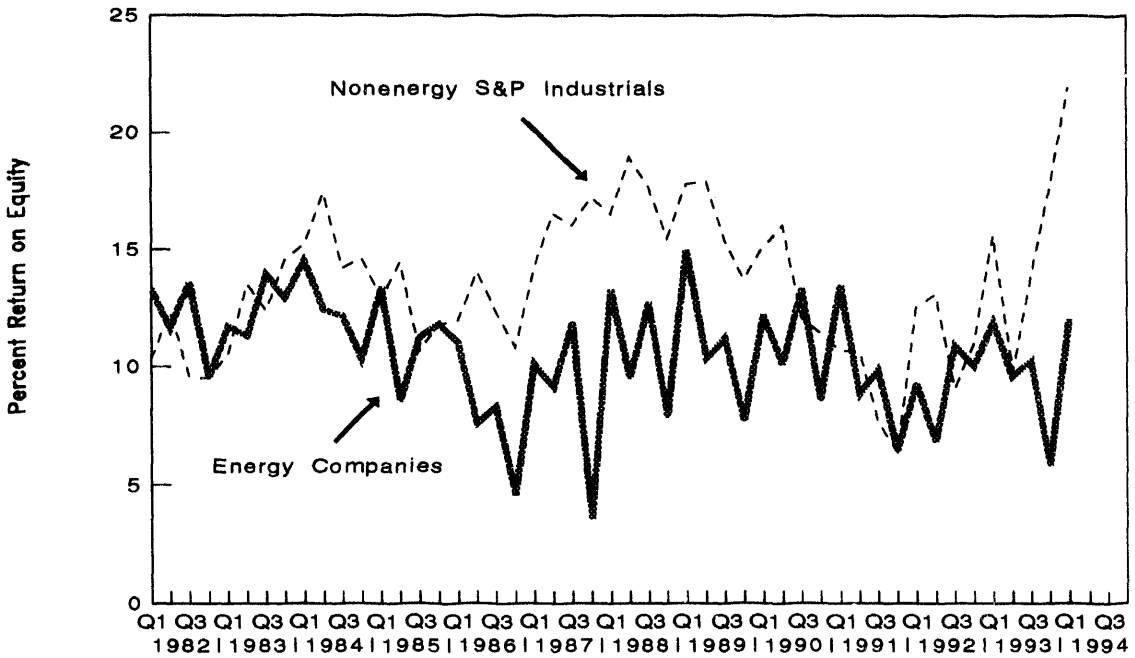
Energy Industries[a]	First Quarter 1994	First Quarter 1993	Percent Change
Fossil Fuel Industries			
Revenue			
Major Petroleum Companies (19)	93,102	97,674	-4.7
Independent Oil and Gas Producers (74)	2,999	2,782	7.8
Independent Refiners (13)	8,365	7,604	10.0
Oil Field Companies (41)	5,569	5,475	1.7
Petroleum Subtotal (147)	110,034	113,535	-3.1
Independent Coal Producers (5)	917	921	-0.4
Fossil Fuel Subtotal (152)	110,952	114,456	-3.1
Income			
Major Petroleum Companies	4,174	4,040	3.3
Independent Oil and Gas Producers	86	149	-42.2
Independent Refiners	229	106	115.3
Oil Field Companies	207	176	17.7
Petroleum Subtotal	4,696	4,471	5.0
Independent Coal Producers	1	16	-94.1
Fossil Fuel Subtotal	4,697	4,487	4.7
Rate-Regulated Energy Industries			
Revenue			
Natural Gas Transmission (20)	10,928	9,956	9.8
Natural Gas Distribution (36)	8,445	7,555	11.8
Electric Utilities (91)	48,416	45,395	6.7
Rate-Regulated Subtotal (147)	67,789	62,906	7.8
Income			
Natural Gas Transmission	832	828	0.5
Natural Gas Distribution	772	722	7.0
Electric Utilities	4,720	4,551	3.7
Rate-Regulated Subtotal	6,324	6,100	3.7
Total Energy Industry Revenue (299)	178,741	177,362	0.8
Total Energy Industry Net Income	11,021	10,587	4.1
Nonenergy Industrial Companies' Net Income (285)	23,393	18,077	29.4

[a]The number of companies is reported in parenthesis. The petroleum companies are listed in the Appendix. Percent change was calculated from unrounded data.

Notes: The income data presented here have been adjusted to exclude the effects of unusual items. Totals may not equal sum of components due to independent rounding.

Sources: Compiled from companies' quarterly reports to stockholders and "Earnings Digest," *The Wall Street Journal*, various issues, April and May, 1994. The nonenergy industrials are based on data presented in *The Wall Street Journal*, May 2, 1994, p. A5. *The Wall Street Journal* group is adjusted to exclude energy and financial companies.

Figure 3. Quarterly Return on Equity for Energy and Nonenergy Companies, 1982-1994



Notes: Data for the first quarter of 1994 were estimated. The return on equity is calculated on an annualized basis.

Sources: Companies' reports to stockholders; "Earnings Digest," *The Wall Street Journal* (various issues, April, May, and June, 1994); and Standard and Poor's Compustat Services, Inc., *Compustat II*, Quarterly Data Item 8 (Income before Extraordinary Items) and Data Item 60 (Stockholders' Equity), May 24, 1994.

3. Fossil Fuel Industries

Overall income for companies involved in fossil fuel production and processing was 5 percent higher in Q194 (Table 1). While downstream earnings benefitted from increased refined product demand and margins, the drop in crude oil prices led to a large reduction in upstream earnings. In their Q194 press releases, petroleum companies continue to cite lower operating costs as having a positive effect on both upstream and downstream earnings and express the intention to continue to reduce operating costs in 1994.

Oil and Gas Production Operations

Largely due to the 25-percent decline in crude oil prices (Table 2), income for the major petroleum companies' U.S. oil and gas production segment fell 21 percent between Q193 and Q194 (Table 3). Profits of independent oil and gas producers fell by 42 percent (Table 1). Lower domestic crude oil production also depressed earnings during Q194. Overall U.S. crude oil production fell by 3 percent between Q193 and Q194 (Table 2). For all of 1993, U.S. crude oil production reached its lowest level since 1958.[5] A 19-percent rise in natural gas prices, along with a 2-percent increase in natural gas consumption, partly offset the negative effects of both falling crude oil prices and production. Although a rise in their foreign crude oil production helped offset the adverse effects of lower crude oil prices, the majors reported a 19-percent decline in foreign oil and gas production income (Table 3).

Refining/Marketing Operations

Improved refined product demand and higher product margins led to an increase in refining/marketing earnings for the majors and for independent refiners. Between Q193 and Q194, the majors' U.S. refining/marketing earnings rose 82 percent (Table 3) and independent refiners realized a doubling in income from the low levels of Q193 (Table 1). In Q194, U.S. refined product demand reached its highest first-quarter level since 1980.[6] This was largely weather-related as an exceptionally cold January and February boosted the demand for space heating fuels. Demand for distillate fuels rose 10 percent between Q193 and Q194, to its highest first quarter level since 1977.[7] Refined product prices fell less than crude oil prices, resulting in widening refined product margins (Figure 4).

The foreign refining/marketing operations of the major petroleum companies also reported improved financial performance for Q194 (Table 3). Income from the majors' overseas refining/marketing operations rose 34 percent between Q193 and Q194 (Table 3). Chevron, Exxon, Mobil, and Texaco account for 89 percent of all of the U.S. majors' overseas refined product sales.[8] These companies reported uniformly improved financial results from their downstream operations in the Far East and in Latin America and mixed results for their European operations.

[5]Energy Information Administration, *Monthly Energy Review, February 1994*, DOE/EIA-0035(94/02)(Washington, DC, February 1994), Table 3.2a; and *Annual Energy Review 1992*, DOE/EIA-0384(92)(Washington, DC, June 1993), Table 5.1.

[6]Energy Information Administration, *Monthly Energy Review, February 1994*, DOE/EIA-0035(94/02)(Washington DC, February 1994), Table 3.1a; *Monthly Energy Review, January 1991*, DOE/EIA-0035(91/01)(Washington DC, January 1991), Table 3.1a; and, *Historical Monthly Energy Review, 1973-1988*, DOE/EIA-0035(73-88)(Washington DC, September 1991), Table 3.1a.

[7]Energy Information Administration, *Monthly Energy Review, February 1994*, DOE/EIA-0035(94/02)(Washington, DC, February 1994), Table 3.1a; *Monthly Energy Review, January 1991*, DOE/EIA-0035(91/01)(Washington DC, January 1991), Table 3.1a; and *Historical Monthly Energy Review, 1973-1988*, DOE/EIA-0035(73-88)(Washington DC, September 1991), Table 3.1a.

[8]Energy Information Administration, Form EIA-28, 1992.

Table 2. Preliminary Energy Statistics

Supply and Prices[a]	First Quarter 1994	First Quarter 1993	Percent Change
Energy Quantities			
Crude Oil Production (million b/d)	6.7	7.0	-3.4
Net Crude Oil Imports (million b/d)[b]	6.0	6.2	-2.4
Crude Oil Inputs to Refineries (million b/d)	13.1	13.1	0.3
Refined Product Supplied (million b/d)	17.7	17.1	3.0
Product Exports (million b/d)	1.0	0.9	10.0
Product Imports (million b/d)	2.0	1.8	15.3
Net Product Imports (million b/d)	1.0	0.9	20.9
Natural Gas Consumption (trillion cubic feet)	6.8	6.6	2.3
Natural Gas Production (trillion cubic feet)	4.6	4.6	-0.6
Net Imports (trillion cubic feet)	0.6	0.5	5.7
Coal Consumption (million short tons)	244	229	6.2
Coal Production (million short tons)	258	242	6.6
Total Electricity Sales (billion Kwh)	745	706	5.6
Residential Electricity Sales (billion Kwh)	260	279	7.3
Energy Prices			
Refiner Acquisition Cost of Imported Crude Oil (dollars per barrel)	13.00	17.34	-25.0
Gasoline, Retail (dollars per gallon)	1.11	1.17	-5.1
No. 2 Heating Oil, Retail (dollars per gallon)	0.92	0.95	-3.2
Electricity, Residential (cents per Kwh)	7.90	7.80	1.3
Natural Gas, Residential (dollars per thousand cf).	6.00	5.69	5.4
Natural Gas, Wellhead (dollars per thousand cf)	2.22	1.86	19.4
Coal, Electric Utility (dollars per million Btu)	1.39	1.38	0.7

[a]Data for the most recent period are preliminary estimates. Percent change calculated from data presented in the cited source.

[b]Includes imports for the Strategic Petroleum Reserve.

Source: Energy Information Administration, *Short-Term Energy Outlook, Quarterly Projections,* Second Quarter 1994, DOE/EIA-0202(94/2Q)(Washington, DC, May 1994).

Table 3. Income and Expenditures for Major Petroleum Companies (Million Dollars)

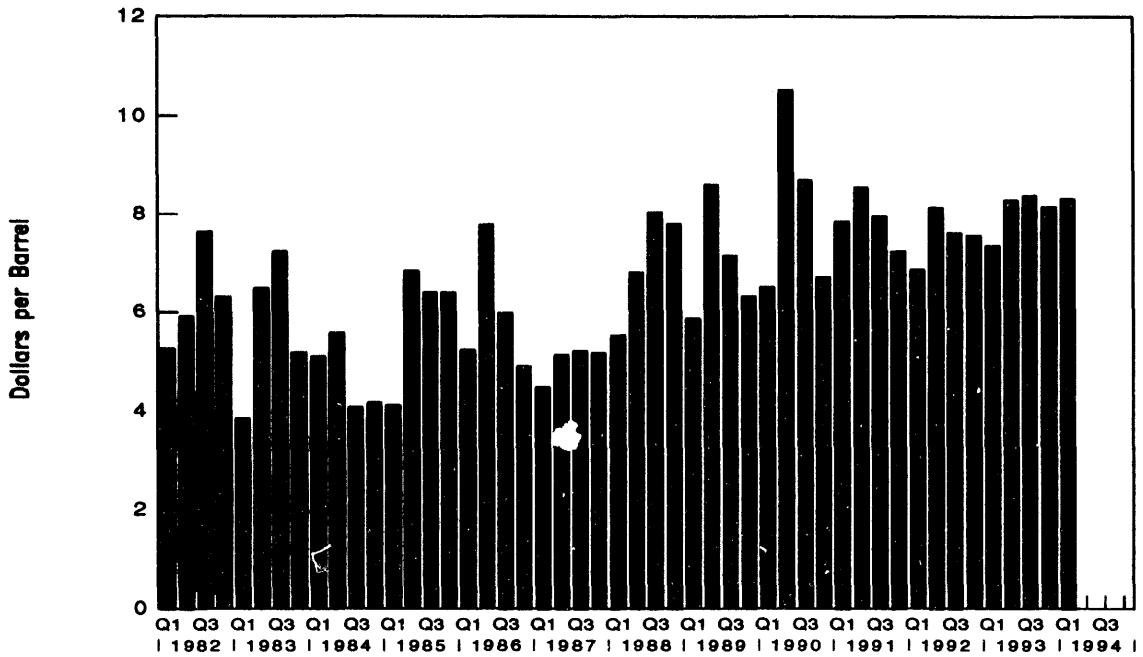
Category[a]	First Quarter 1994	First Quarter 1993	Percent Change
Line-of-Business Income			
Petroleum (19)	4,420	4,458	-0.9
Chemicals (12)	884	686	29.0
Coal (3)	53	63	-16.4
Other Businesses (12)	514	478	7.5
Petroleum Income by Geographic Sector			
Domestic (10)	1,360	1,398	-2.7
Foreign (10)	2,074	2,171	-4.4
Domestic Income by Function			
Oil and Gas Production (9)	858	1,088	-21.2
Refining/Marketing (16)	913	502	82.0
Foreign Income by Function			
Oil and Gas Production (10)	1,289	1,584	-18.7
Refining/Marketing (6)	785	586	34.0
Capital and Exploratory Expenditures			
Domestic Oil and Gas Production (6)	971	848	14.5
Foreign Oil and Gas Production (6)	1,918	1,750	9.6
Refining/Marketing (8)	1,413	1,410	0.2
Other Functions (10)	1,148	1,247	8.0
Unallocated (12)	1,375	1,306	5.3
Total Capital and Exploratory Expenditures (12)	6,825	6,562	4.0

[a]The number of companies is reported in parentheses. Percent change was calculated from unrounded data.

Notes: The income data presented here have been adjusted to exclude the effects of unusual items. Totals may not equal sum of components due to independent rounding.

Sources: Compiled from companies' quarterly reports to stockholders. Segmental income and capital expenditure data are presented for those companies who reported these items separately in their Q194 press releases.

Figure 4. Gross U.S. Refining Margin by Quarter, 1982-1994



Note: Data for Q194 were estimated. The gross refining margin is the difference between the composite wholesale product price and the composite refiner acquisition cost of crude oil.

Source: Energy Information Administration, *Petroleum Marketing Monthly, March 1994*, DOE/EIA-0380(94/03) (Washington, DC, March 1994), Tables 1, 4, and 5.

Chemical Operations

After petroleum operations, chemical operations are the largest source of income for the major petroleum companies. Income from the majors' chemical operations increased 29 percent between Q193 and Q194 (Table 3). Many of the majors attributed this improvement to higher sales volumes of higher margin products, lower feedstock costs for commodity chemicals, and lower operating expenses. Chemical sales were stimulated in the first quarter by the improvement in U. S. economic activity. Lower chemical feedstock costs reflected a decline in oil prices. Nonpetroleum chemical companies also realized an increase in earnings. Commodity chemical manufacturers reported a 45-percent increase in income between Q193 and Q194, and specialty chemical manufacturers reported a 66-percent increase in income.[9]

Capital Expenditures

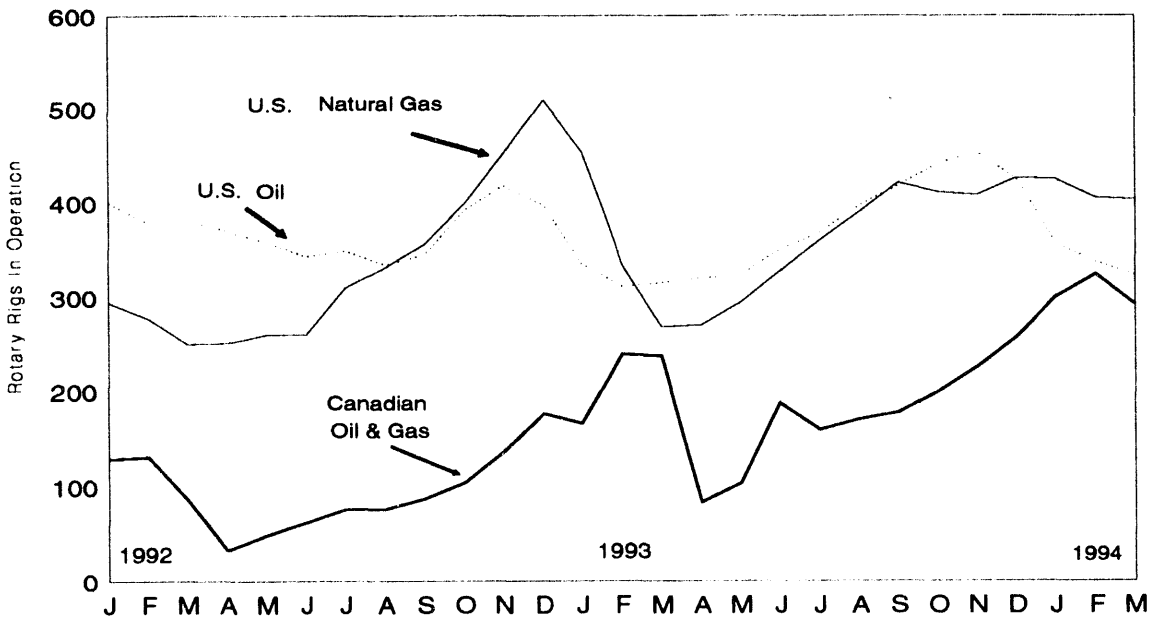
For the majors reporting domestic upstream capital expenditures, U.S. exploration and development spending rose 15 percent between Q193 and Q194, marking the fourth straight quarterly increase (Table 3).[10] Upstream capital spending also increased abroad, but by a lesser 10 percent. Part of the rise in U.S. upstream capital spending is traceable to higher domestic natural gas wellhead prices, and is evident in recent increases in the natural gas rig count (Figure 5). Another motive for the majors increasing their U.S. upstream capital expenditures in the face of low crude oil prices is that recent restructuring within the U.S. oil and gas sector has

[9]*The Wall Street Journal*, May 2, 1994 p. A 5. Note: Du Pont has been removed from the *Wall Street Journal's* total of commodity chemical company earnings, as Du Pont is classified as a petroleum company in this report.

[10]Energy Information Administration, *U.S. Energy Industry Financial Developments*, DOE/EIA-0543 (Washington, DC) various issues.

done much to improve the economics of U.S. upstream operations relative to their foreign upstream operations. In recent years, the gaps between U.S. and foreign upstream profitability (Figure 6) and exploration and development expenditures (Figure 7) have narrowed considerably. Because of improved technology and prospect highgrading, the major companies have been successful in reducing the cost of finding oil and gas reserves in the United States. Average finding costs are now little different in the United States than overseas, while per-barrel production costs for the U.S. majors were lower than their foreign per-barrel production costs for the first time since 1981.[11] In 1992, the finding costs in the United States for the majors were lower than in Canada and Europe.

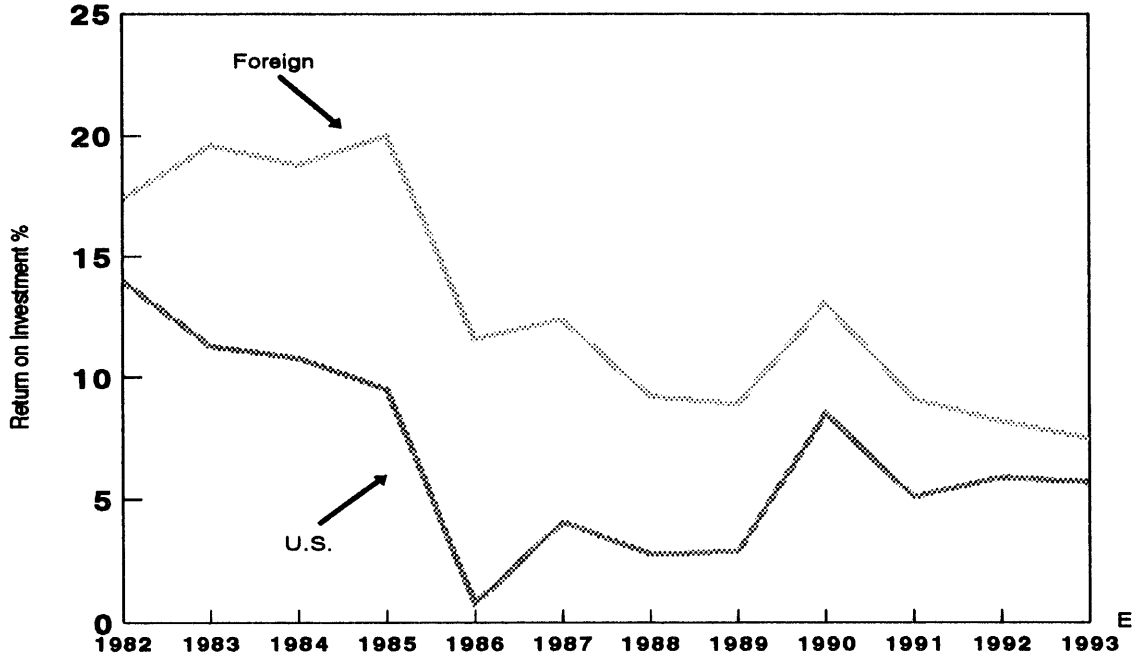
Figure 5. Rotary Rigs in Operation by Month, 1992-1994



Source: Baker Hughes, Inc.

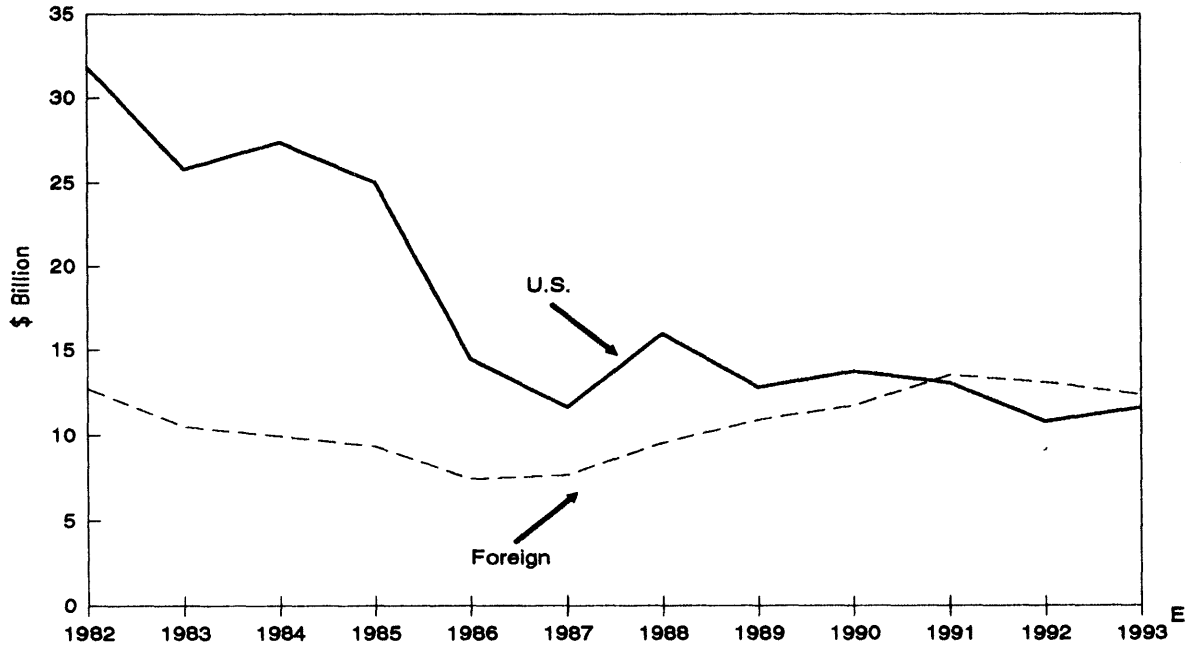
[11]Energy Information Administration, *Performance Profiles of Major Energy Producers, 1992*, DOE/EIA-0206(92)(Washington, DC, January 1994).

Figure 6. Return on Oil and Gas Production Investment for 25 Major Energy Companies, 1982-1993



Source: 1982-1992 data, Energy Information Administration, *Performance Profiles of Major Energy Producers, 1992*, DOE/EIA-0206(92) (Washington, DC, January 1994). 1993 data were estimated from information in company quarterly earnings press releases for Q493.

Figure 7. Exploration and Development Expenditures for 25 Major Energy Companies, 1982-1993



Source: 1982-1992 data, Energy Information Administration, *Performance Profiles of Major Energy Producers, 1992*, DOE/EIA-0206(92) (Washington, DC, January 1994). 1993 data were estimated from information in company quarterly earnings press releases for Q493.

Oil Field Companies

Net income for oil field companies rose 18 percent between Q193 and Q194 (Table 1). The improvement in financial performance was largely due to an upswing in U.S. exploration and development activity. The quarterly average natural gas rig count increased 17 percent between Q193 and Q194 (Figure 5). Over the same period, the U.S. crude oil rig count increased 6 percent.[12] In Canada, an increasingly important supplier of natural gas to the United States, rig counts almost doubled between Q193 and Q194[13] in response to higher natural gas prices.[14] Elsewhere, drilling activity in most regions outside of North America decreased from the year-ago period.[15]

[12]Energy Information Administration, *Monthly Energy Review*, DOE/EIA-0035(94/04)(Washington DC, April 1994), p. 84.

[13]*Oil and Gas Journal*, February 21, 1994; March 21, 1994, p. 111; April 18, 1994, p. 79.

[14]Canadian Petroleum Industry, "1993 Monitoring Report First Nine Months", February 1994, p. 8.

[15]*Oil and Gas Journal*, February 21, 1994; March 21, 1994, p. 111; April 18, 1994, p. 79.

Coal Producers

Colder winter weather in Q194 had a double-edged effect on U.S. coal operations. Frigid temperatures in much of the country increased the demand for coal. Electric utilities consumed 7 percent more coal in Q194 than in Q193[16] and overall coal consumption was up 6 percent (Table 2). However, unusually cold weather and above-normal precipitation, particularly in the Appalachian coal fields, interfered with mining operations. For example, three independent coal producers, Ashland Coal, Pittston Coal, and Westmoreland Coal, all reported a decrease in production related to the severe winter weather.[17] Cyprus Amax, a company whose sales primarily stem from mining operations and other businesses, also experienced similar reductions due to the weather.[18]

Despite the increased demand for coal in Q194, coal prices were unchanged from Q193 levels (Table 2). Higher levels of coal production and consumption were insufficient to offset the effects of weather-related impairments on coal producers' financial performance. Twelve coal producers, in total, reported a 17-percent decline in income from coal operations in Q194 compared with Q193 (Table 4).

Table 4. U.S. Coal Industry, Income and Production Summary

Company Type	Income First Quarter 1994 (million dollars)	Percent Change From First Quarter 1993	Percent of U.S. Production 1992[c]
Major Petroleum Companies(3)[a]	53	-16.4	7
Independent Coal Producers(5)	1	-94.1	7
Other Coal Producers(4)[a][b]	52	5.5	12
Total	106	-17.3	26

[a]Only includes income derived from coal operations.
[b]Includes companies whose primary business is other than coal production.
[c]Source: The National Coal Association, *Coal Data 1993 Edition*, p. II-34.
Notes: Totals may not equal sum of components due to independent rounding.

[16]Energy Information Administration, *Short-Term Energy Outlook Quarterly Projections, Second Quarter 1994*, DOE/EIA-0202(94/2Q) (Washington DC, May 1994), Table 12.

[17]*News from Ashland Coal Inc.*, April 21, 1994, p. 1; *Pittston Press Release*, April 22. 1994, p. 1.; *Westmoreland Coal Company News Release*, May 13, 1994.

[18]*Cyprus Amax Minerals Company News*, April 26, 1994, pp. 3, 4.

4. Rate-Regulated Energy Industries

Natural Gas

The demand for natural gas is strongly weather-related and both natural gas transmission companies and natural gas distribution companies usually generate most of their revenue during the cooler months of the first and fourth quarters. The number of heating degree days increased 2 percent between Q193 and Q194, and was 3 percent above normal due to frigid temperatures in Q194.[19] Residential natural gas consumption rose 13 percent between Q193 and Q194.[20]

Natural gas distribution companies reported a 7-percent increase in income on revenue growth of 12 percent (Table 1). Natural gas transmission companies realized a 10-percent increase in revenue but net income hardly changed (Table 1). Income growth was restrained largely due to the financial performances of 3 companies. These companies attributed their lower net income to the implementation of straight fixed variable rates required by FERC Order 636, and to lower natural gas liquids margins.[21] Excluding these companies, net income increased 5 percent.

Electric Utilities

Electricity sales increased 6 percent between Q193 and Q194 (Table 2), helping to improve the financial performance of electric utilities. For residential consumers, the biggest users of electricity, sales increased 7 percent.[22] Commercial and industrial consumers increased their electricity usage due to the growth of the economy.[23] Electric utilities' income rose by 4 percent between Q193 and Q194, on a 7-percent rise in revenue (Table 5). However, financial performance varied across regions. The biggest income gains were along the Eastern seaboard where abnormally cold winter weather was experienced.

[19]Energy Information Administration, *Short-Term Energy Outlook, Quarterly Projections*, Second Quarter 1994, DOE/EIA-0202(94/2Q)(Washington, DC, May 1994), Table 2.

[20]Energy Information Administration, *Short-Term Energy Outlook, Quarterly Projections*, Second Quarter 1994, DOE/EIA-0202(94/2Q)(Washington, DC, May 1994), Table 11.

[21]*News, The Williams Companies, Inc.* April 20, 1994, p.2.; *Valero Energy Corporation News Release*, April 21, 1994, p. 1.

[22]Energy Information Administration, *Short-Term Energy Outlook, Quarterly Projections*, Second Quarter 1994, DOE/EIA-0202(94/2Q)(Washington, DC, May 1994), Table 13.

[23]Energy Information Administration, *Short-Term Energy Outlook, Quarterly Projections*, Second Quarter 1994, DOE/EIA-0202(94/2Q)(Washington, DC, May 1994), Table 13.

Table 5. U.S. Electric Utility Revenue and Income by Region (Million Dollars)

Region*	First Quarter 1994	First Quarter 1993	Percent Change
Revenue			
New England (10)	2,809	2,727	3.0
Mid-Atlantic (14)	10,453	9,587	9.0
South Atlantic (11)	6,880	6,339	8.5
E. North Central (20)	10,245	9,556	7.2
E. South Central (3)	2,343	2,233	4.9
W. North Central (12)	2,431	2,408	1.0
W. South Central (8)	5,292	4,554	16.2
Mountain (6)	1,603	1,575	1.7
Pacific (7)	6,360	6,416	-0.9
Total (91)	48,416	45,395	6.7
Income			
New England	261	211	23.8
Mid-Atlantic	1,280	1,140	12.2
South Atlantic	755	668	13.1
E. North Central	954	930	2.5
E. South Central	195	221	-11.7
W. North Central	220	239	-8.1
W. South Central	275	317	-13.1
Mountain	118	122	-3.0
Pacific	662	703	-5.8
Total	4,720	4,551	3.7

*The number of companies is reported in parenthesis. Percent change was calculated from unrounded data.

Notes: The income data presented here have been adjusted to exclude the effects of unusual items. Totals may not equal sum of components due to independent rounding.

Sources: Compiled from companies' quarterly reports to stockholders and "Earnings Digest," *The Wall Street Journal*, various issues, April and May, 1994.

Appendix

The 147 Petroleum Companies Included in Table 1

Major Petroleum Companies(19)	Independent Oil and Gas Producers(74)	Independent Refiners(13)	Oil Field Companies(41)
Amerada Hess Corp	Alamco Inc	Ashland Oil	American Oil & Gas Corp
Amoco Corp	Alexander Energy	Castle Energy Corporation	Atwood Oceanics
Atlantic Richfield Co	Allegheny & Western	Crown Central Petroleum	Baker Hughes
Chevron Corp	American Exploration	Diamond Shamrock R&M	BJ Services
Coastal Corp	Anadarko Petroleum	Horsham Corp	Chiles Offshore Corp
E.I. du Pont de Nemours	Apache Corp	Louisiana Land & Exploration	Cliffs Drilling Co
Exxon Corp	Associated Natural Gas	Mapco Corp	Daniel Industries
Fina Corp	Barnwell Industries	Quaker State Petroleum	Dawson Geophysical Co
Kerr-McGee	Barrett Resources	Tesoro Petroleum	Dual Drilling Co
Mobil Corp	Basin Exploration	Tosco Corp	Energy Service
Murphy Corp	Belden & Blake Energy	Total Petroleum	Energy Ventures
Occidental Petroleum	Berry Petroleum	Ultramar Corp	Enterra Corp
Pennzoil Co	Blue Dolphin	Witco Corp	Galveston Houston
Phillips Petroleum Co	Brock Exploration		Global Marine
Shell Oil Co.	Burlington Resources		H & H Oil Tool
Sun Co	Cabot Oil & Gas		Halliburton
Texaco Inc	Cairn Energy		Helmerich & Payne
Unocal Corp	Chesapeake Energy		Hornbeck Offshore
USX Corp	Clayton Williams Energy		Kaneb Services
	Coda Energy		Key Energy Group
	Columbus Energy		Marine Drilling
	Comstock Resources		Nabors Industries
	Convest Energy Corp		Newpark Resources
	Crystal Oil		Nobel Drilling
	Dekalb Energy		Pool Energy Services
	Delta Petroleum Corp		Pride Petroleum Services
	Devon Energy		Production Operators
	Enex Resources		Reading & Bates
	Equity Oil		Red Eagle Resources
	Forest Oil		Rowan Cos
	Fortune Petroleum Corp		RPC Energy
	Garnet Resources Corp		Schlumberger
	Gerrity Oil & Gas		Smith International
	Global Natural Resources		Sundowner Offshore Services
	Hallwood Consol. Res.		Tidewater Inc.
	Hampton Resources		Tuboscope Corp
	Harken Energy		Uti Energy
	Hawkins Energy Corp		Varco International
	Howell Corp		Weatherford International
	HS Resources		Western Co of No America
	Hugoton Energy		Zapata
	Lomak Petroleum Inc		
	Magellan Petroleum		
	Maxus Energy		
	Mesa Inc		
	Midland Resources		
	Newfield Exploration		
	Noble Affiliates		
	Nuevo Energy Co		
	Oryx Energy		

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