



Evaluate Energy

Oil & Gas Review Q2 2010

BP Horizon Woes Undermine Group Earnings

Reported net income for the Evaluate Energy Group of global oil and gas companies suffered a 41% fall on Q1 '10 levels, as the huge \$32 billion provision required by BP to meet the cost of the Horizon oil spill, dampened an otherwise steady quarter of earnings.

Normalised net income, which excludes BP's provision fell slightly by 9%, with lower gas prices tempering strong results from a high average WTI oil price of \$78 for the quarter and improved R&M earnings.

Capex and debt. Upstream capex witnessed a resurgence, with a combination of improved confidence in future oil prices and signs of more countries emerging from recession during the quarter. Upstream capex reached \$70 billion for the quarter, up 15% over Q1 '10. In the downstream segment, companies are still tentative to over commit investment and refinery construction projects are largely limited to NOC's and emerging economies, with much of North America and Western Europe facing a contraction in refining capacity.

Debt levels rose slightly on Q1 '10 levels but remain virtually unchanged when the increase in debt from the largest company in the group, ExxonMobil, is taken out of the calculation. ExxonMobil doubled their debt level after assuming the debt owed by XTO Energy as part of their \$41 billion acquisition.

Upstream earnings were aided by strong increases in oil and gas production but were not enough to counter the effects of lower gas prices, particularly in North America. Gas production for the group increased by 5% since Q1 '10, whilst the gas price represented by Henry Hub dropped 15%. Oil production was marginally up and oil prices were largely unchanged since Q1 '10.

Downstream earnings carried the momentum of Q1 '10 to improve further via a combination of operating and cost efficiencies and improved global refining and marketing margins. Looking forward the outlook is still not positive and many integrated companies are still looking at exit strategies for certain downstream operations. In particular Murphy Oil are looking to exit their United Kingdom refining and marketing operations and Total are rumoured to be selling off their Lindsey refinery in the United Kingdom and their 500 service stations.

Shale Gas Surge Bolsters M&A Activity
Subdued US gas prices did not put off investors in the US shale gas sector during the quarter as a flurry of deals pushed total spending to \$42 billion. US Shale gas deals alone accounted for over a quarter of this value with non-US companies in particular keen to gather the extraction skills built up over several years in the US, via farm-in agreements with existing operators.

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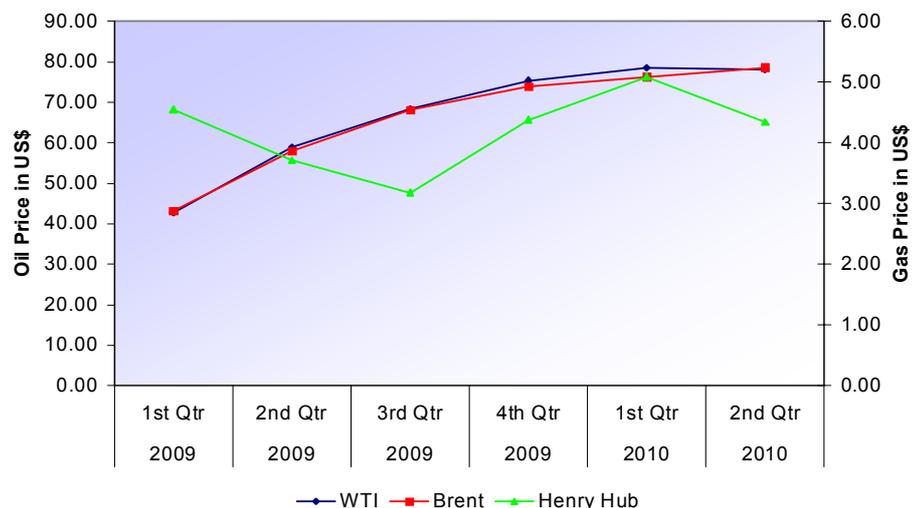
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Oil & Gas Prices





Second Quarter Oil & Gas Deals Top \$42 Billion as Companies Pile into Shale

The pace of M&A activity in the global E&P sector sustained the momentum of the first quarter with \$42 billion of E&P deals announced in the second quarter of 2010. Evaluate Energy only includes officially announced deals in its analysis and excludes rumoured deals.

US Shale Gas Attracts Global Attention

The total value for the quarter is the second largest in the past three years (the biggest being Q4 2009, a quarter dominated by ExxonMobil's \$41 billion acquisition of XTO Energy) and has been strongly driven by increasing interest in the US shale sector from domestic and international companies alike. In total \$12 billion worth of US shale gas deals were announced which represented over one quarter of global E&P deals.

The shale gas sector accounted for the largest deal announced during the quarter with Royal Dutch Shell making their initial foray into the sector with its giant \$4.7 billion acquisition of Marcellus shale gas specialists, East Resources, Inc.. Shell will instantly own over a million acres of prospective shale gas lands from this transaction, owning a shale gas portfolio that can only be bettered amongst the super-majors by ExxonMobil.

Another company making a bold entrance to into the US shale scene was Indian conglomerate, Reliance Industries who farmed into two shale plays, the Marcellus shale in Pennsylvania with Atlas Energy, and the Eagle Ford shale in Texas with Pioneer Natural Resources. In total, Reliance has committed to spend \$2.8 billion in cash payments and cost

carry for their partners and will team up with two companies with significant experience in shale gas extraction.

A major part of the motivation for Reliance for the deals is for the company to gain experience in extracting gas from shale, with the US being far and away the leader in this field. Reliance's home country, India, is estimated to contain abundant shale resources which have the potential to contain reserves in excess of the country's conventional resources. Due to government imposed restrictions, unconventional resources in India have so far been substantially untapped with little exploration or development taking place. However on the back of the success of the US shale gas plays, the government has recently declared that policy will be in place for companies to take advantage of the resource within a year. At that time Reliance will aim to have a clear advantage over its domestic peers. Already in Q3 2010 rumours are circulating that Reliance has lined up a third billion dollar US shale gas farm in.

Shale Gas Buzz Reflected in Lease Sales

The buzz of the shale sector also extended to government lease auctions with sales within shale areas attracting record bids. This was evident in the latest Michigan lease sale in the Collingwood shale which reaped \$178 million, a record for the state and just under the \$190 million raised in the past 81 years combined. The June 2010 British Columbia lease sale that focused on the Montney shale play attracted C\$404 million dollars of high bids whilst Alberta's latest lease sale in the Duvernay shale announced in early July grossed C\$451 million of bids.

Top 20 Deals in Q2 2010

Rank	Acquirer	Target Company	Total Acquisition Cost (000)	Target Country	Target Business Segment	Resource Type	Cost per boe/d of Production	Cost per boe of 1P Reserves
1	Royal Dutch Shell	East Resources, Inc	4,700,000	United States	E&P	Shale Gas	470,000	-
2	Sinopec	ConocoPhillips	4,650,000	Canada	E&P	Oil Sands	153,259	19.67
3	Apache Corp.	Mariner Energy	3,868,341	United States	E&P	Various	61,402	21.35
4	Sinochem Corporation	Statoil ASA	3,070,000	Brazil	E&P	Offshore - Shallow Water	-	-
5	Reliance Industries Limited	Atlas Energy Inc	1,700,000	United States	E&P	Shale Gas	-	-
6	SandRidge Energy	Arena Resources, Inc.	1,629,356	United States	E&P	Onshore Conventional	200,496	23.53
7	Reliance Industries Limited	Pioneer Natural Resources	1,145,000	United States	E&P	Shale Gas	545,238	-
8	Crescent Point Energy Corp	Shelter Bay Energy Inc.	1,075,513	Canada	E&P	Onshore Conventional	183,974	60.78
9	Apache Corp.	Devon Energy Corp.	1,050,000	United States	E&P	Offshore - Shallow Water	54,310	26.92
10	BG Group	EXCO Resources	985,200	United States	E&P	Shale Gas	337,783	44.61
11	Canadian Natural Resources	Unspecified	956,961	Canada	E&P	Onshore Conventional	34,177	-
12	Northern Blizzard Resources Inc	Nexen	933,037	Canada	E&P	Onshore Conventional	62,202	23.92
13	Kinder Morgan Energy Partners, L.P.	Petrohawk Energy	921,000	United States	Midstream	Pipelines	-	-
14	Quantum Resource Management, LLC	Denbury	889,000	United States	E&P	Onshore Conventional	68,385	16.46
15	ACON Investments LLC	Marathon Oil Corp	800,000	United States	R&M	Refining	-	-
16	China Investment Corporation	Penn West Energy Trust	781,837	Canada	E&P	Oil Sands	643,487	-
17	MISC Berhad	VTTI B.V.	735,000	Various	Midstream	Storage	-	-
18	ARC Energy Trust	Storm Exploration Inc	691,371	Canada	E&P	Shale Gas	70,147	23.92
19	Pilot Travel Centers	CFJ Properties	626,000	United States	R&M	Marketing	-	-
20	Legacy Oil + Gas Inc	CanEra Resources Inc	557,812	Canada	E&P	Onshore Conventional	113,839	-



Second Quarter Oil & Gas Deals Top \$42 Billion as Companies Pile into Shale

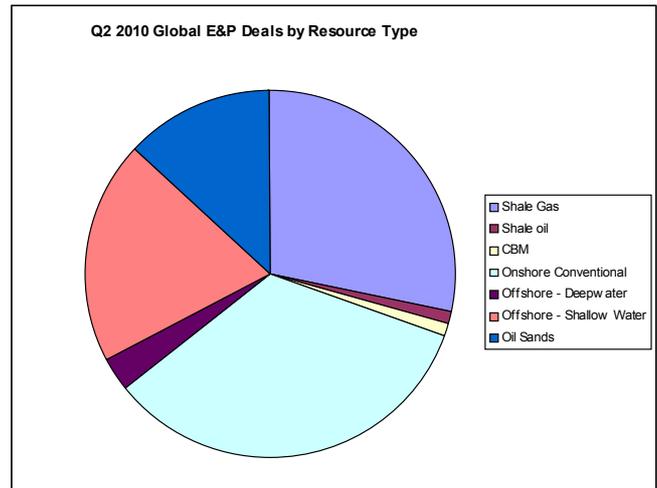
Oil Sands Attracts Chinese Investment

The Canadian oil sands sector attracted US\$5.5 billion worth of deals during the quarter. The vast majority of this value came from two deals, with Sinopec acquiring ConocoPhillips' 9% interest in Syncrude for \$4.65 billion and China Investment Corp acquiring a 45% interest in Penn West Energy Trust's Peace River assets for \$780 million. After CNOOC's failed acquisition of Unocal in 2005 due to strong public and political opposition, government-backed Chinese companies have been developing a portfolio of global assets via more low-key acquisitions of a variety of non-controlling and partial interests. Within Canada the focus of the assets deals from Chinese companies have been on Oil Sands projects with four significant acquisitions taking place since 2009.

Horizon Fallout Threatens Offshore Asset Deals

Offshore assets attracted \$9.4 billion worth of deals during the quarter with two companies accounting for over two thirds of the value. Sinochem acquired a 40% interest in the Peregrino field offshore Brazil for \$3 billion and Apache acquired Gulf of Mexico assets for \$1.05 billion from Devon and agreed to acquire Mariner Energy for \$3.9 billion (of which approximately 65% of the value is attributable to Gulf of Mexico assets). Both of the Apache acquisitions were negotiated and announced before the deepwater Horizon oil rig explosion and subsequent leak of 4 million barrels of oil. The fallout of the leak put the safety merits of deepwater Gulf of Mexico exploration onto the political agenda and led to a suspension of deepwater drilling while new safety measure were devised. The acquisition of Devon's assets closed in June despite these measures due to the assets lying in shallow waters.

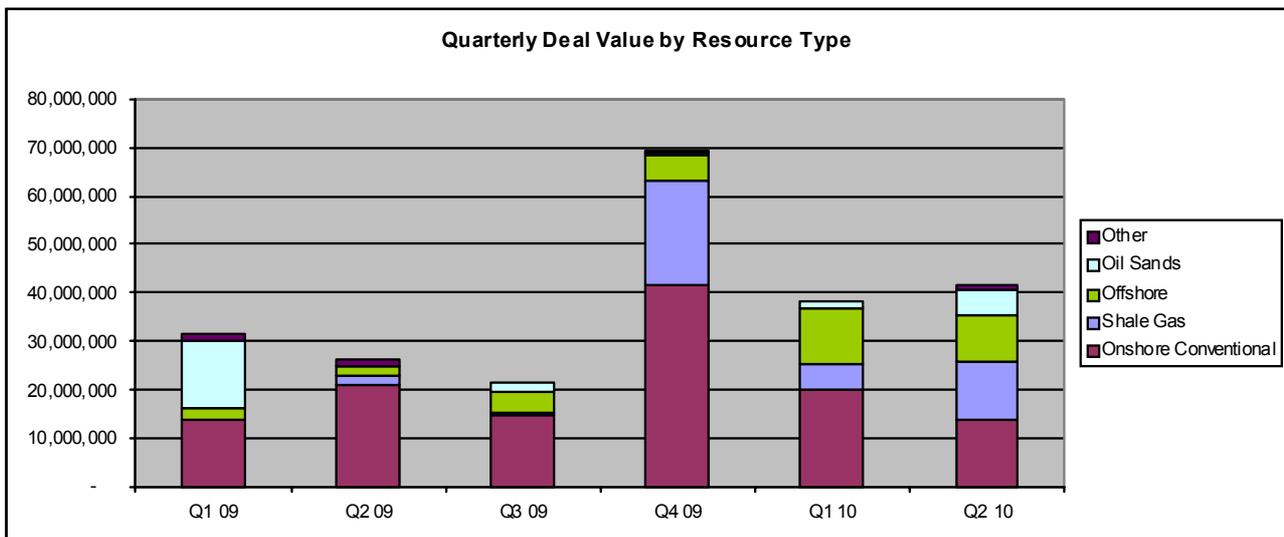
The acquisition of Mariner Energy which includes deepwater assets has not yet closed and Mariner Energy is still trading below Apache's offer price. This is indicative of the apprehension in the market that the deal may be scuppered by new regulations, possibly increasing operating costs and decreasing drilling opportuni-



ties. A further setback occurred in September 2010 when a Gulf of Mexico rig caught fire echoing the recent BP Horizon oil rig disaster. The incident however, which involved no fatalities was far smaller in comparison and there has been no announcement from Apache as yet indicating that the deal may be in jeopardy.

Divestiture Plans Promise Lucrative Exit to 2010

With BP and ConocoPhillips both announcing that they plan to shore up their balance sheets via large divestitures, deal value for the remainder of 2010 should remain strong. BP have indicated that they will be divesting \$30 billion of assets in order to cover costs related to the Gulf of Mexico oil spill with a large variety of regional assets rumoured to be up for sale. ConocoPhillips have also announced plans to divest \$10 billion of assets during 2010. \$4.65 billion of this target was realised when they sold their 9% stake in syncrude to Sinopec during Q2 '10. In addition to the \$10 billion sale ConocoPhillips has reported that they intend to divest their investment in Lukoil, worth an estimated \$US 9 billion.

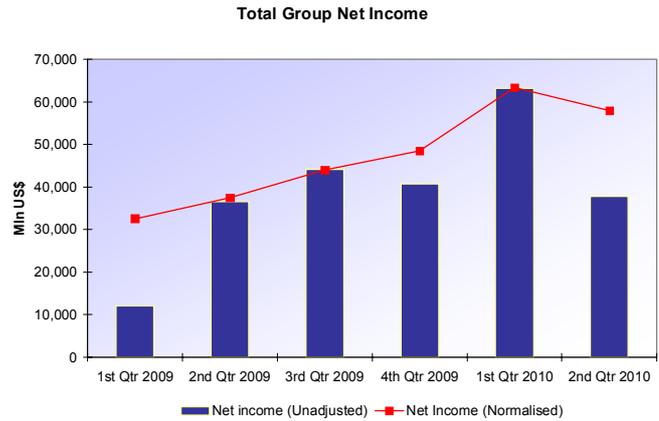


*For corporate deals involving various resource types, Evaluate Energy has estimated the deal value for each segment.



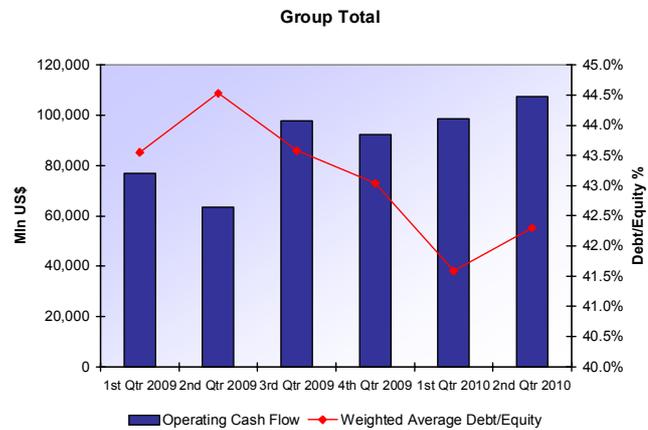
Net Income Hit by Record Loss for BP

Net income for the Evaluate Energy group of oil and gas companies dropped by 41% on Q1 '10 levels, with the fall-out from the BP's deepwater Horizon explosion dominating the income drop. BP reported a company record loss in Q2 '10 after recognising a \$32 billion pre-tax charge (\$22 billion post-tax) to cover costs incurred so far, and future expected costs arising from the Gulf of Mexico oil spill. Negating exceptional items, normalised net income dropped marginally by 9% since Q1 '10, as lower gas prices tempered the continued strong returns from oil sales and improved returns from refining and marketing. Quarter-on-quarter net income was up by 31% due to higher oil and gas realisations and considerably higher earnings from the downstream segment.



ExxonMobil Single-Handedly Pushes Up Debt Level

Cash flow from operating activities increased by 69% quarter-on-quarter and 8% since Q1 '10. Despite the increased cash earnings the weighted average debt-to-equity level has crept up by 0.7 of a percentage point since Q1 '10. The debt levels for the group would have remained on par with Q1 '10 levels had ExxonMobil's debt level been excluded as the company reported a double digit debt-to-equity level for the first time since 2004. ExxonMobil concluded their acquisition of XTO Energy during Q2 '10 which although funded with equity, Exxon also assumed XTO Energy's debt, which stood at \$10.2 billion at the time of the acquisition. Chesapeake Energy improved their debt-to-equity level more than any other company in the group since Q1 '10, after divesting various stakes in their US shale assets to strengthen their balance sheet.



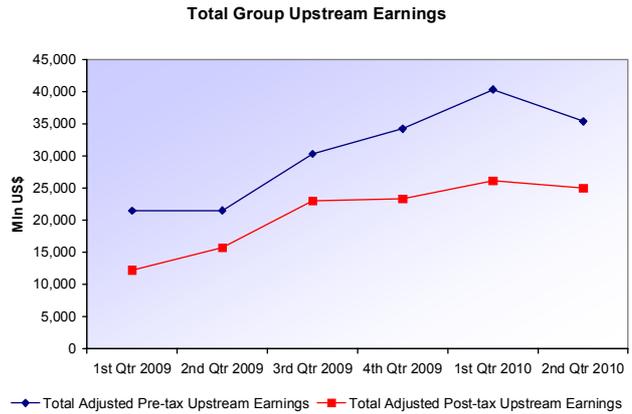
Trends in Net Income & Cash Flow

Company	Net Income (\$m)			% Chg 2010 vs Q2 09	% Chg 2010 vs Q1 10	Operating Cash Flow (\$m)			% Chg 2010 vs Q2 09	% Chg 2010 vs Q1 10
	2009 2nd Qtr	2010 1st Qtr	2010 2nd Qtr			2009 2nd Qtr	2010 1st Qtr	2010 2nd Qtr		
Anadarko Petroleum	-226	716	-40	NM	NM	1228	1317	1566	28%	19%
Apache Corp.	443	705	860	94%	22%	824	1153	1932	135%	68%
BG Group	761	960	602	-21%	-37%	1029	1958	1864	81%	-5%
BP	4385	6079	-17150	NM	NM	6757	7693	6753	0%	-12%
Canadian Natural Resources	141	828	644	357%	-22%	1088	1301	1737	60%	34%
Cenovus Energy Inc.	49	418	291	497%	-30%	689	784	455	-34%	-42%
Chesapeake Energy Corp.	237	732	235	-1%	-68%	737	1183	1795	144%	52%
Chevron	1745	4552	5409	210%	19%	3284	7517	7603	132%	1%
ConocoPhillips	859	2098	4164	385%	98%	2567	3040	3475	35%	14%
Devon Energy Corp.	314	1192	706	125%	-41%	1030	1495	1397	36%	-7%
Ecopetrol	307	1014	911	197%	-10%	-160	1826	2952	NM	62%
EnCana	239	1477	-505	NM	NM	1961	-772	893	-54%	NM
ENI	1149	3034	2293	100%	-24%	3007	6217	5764	92%	-7%
EOG Resources	-17	118	60	NM	-49%	671	620	981	1%	10%
ExxonMobil	3950	6300	7560	91%	20%	2197	13046	9235	320%	-29%
Gazprom Neft	1195	727	747	-37%	3%	994	881	1483	49%	68%
Hess Corp	100	538	375	275%	-30%	616	825	981	59%	19%
Lukoil (US GAAP)	2324	2053	1949	-16%	-5%	1195	849	1278	7%	51%
Marathon	413	457	709	72%	55%	132	829	618	367%	-25%
Murphy Oil	159	149	272	71%	83%	95	763	492	420%	-35%
Nexen	17	177	246	1316%	39%	313	588	256	-18%	-56%
Noble Energy	-57	237	204	NM	-14%	266	420	209	-21%	-50%
Novatek	226	377	235	4%	-38%	1421	2210	2067	45%	-6%
Occidental	682	1064	1063	56%	0%	492	1020	962	96%	-6%
OMV	199	472	424	113%	-10%	10399	10742	10898	5%	1%
Petrobras (USGAAP)	3991	4317	4246	6%	-2%	3869	5625	7914	105%	43%
PetroChina	4612	4764	4821	5%	1%	1001	1679	2122	112%	26%
Repsol-YPF	599	939	817	36%	-13%	2376	2287	4895	106%	114%
Rosneft	1612	2431	2476	54%	2%	919	4782	8096	781%	69%
Royal Dutch Shell	3822	5481	4393	15%	-20%	266	418	391	47%	-6%
Southwestern Energy Co.	121	172	122	1%	-29%	4725	4130	3725	-21%	-10%
Statoil ASA	12	1873	576	4732%	-69%	132	254	1769	1239%	596%
Suncor	-44	684	463	NM	-32%	1000	1079	872	-13%	-19%
Talisman Energy	55	218	582	963%	167%	2677	7181	6213	132%	-13%
Total	2994	3567	3898	30%	9%	626	982	788	26%	-20%
Valero Energy	-254	-113	583	NM	NM	622	617	680	9%	10%
Sub \$10 bln Market Cap Group	-557	2342	2222	NM	-5%	3551	5239	4551	28%	-13%
Group Total	36557	63150	37465	2%	-41%	64595	101680	109362	69%	8%



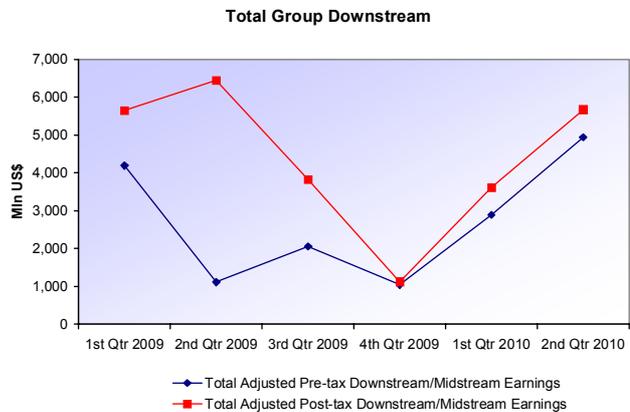
Upstream: Gas Realisations Drag Down Earnings

Upstream earnings for the group dropped slightly on Q1 '10 levels, decreasing by 9% but were up by 61% quarter-on-quarter. An average oil price as per the WTI benchmark was in line with Q1 '10 at \$78 per barrel whilst the gas price measured by Henry Hub, decreased by 15%. The struggling gas price in the US resulting from strong gas supply and a slow rebound in the North American economy, led to a drop in upstream earnings despite increased production for the group. The US gas price is not expected to increase significantly this year, with unconventional gas development adding a further boost to 2010 production. With LNG facilities in the country focused on regasification rather than liquefaction, finding a market outside of North America for any overcapacity in the gas supply in the short to medium-term will not be feasible.



Downstream: Earnings Rebound Continues

Refining and marketing earnings continued its recovery in Q2 '10, rising 43% quarter-on-quarter and 63% on Q1 '10 levels. The increasing earnings are a result of improved margins, with refining margins doubling quarter-on-quarter for ConocoPhillips and Valero. Companies such as Sunoco and Valero also benefited from drives in previous quarters to improve efficiency when it became evident that the US refining sector would face a prolonged period of overcapacity due to suppressed demand. Valero and Sunoco chose to mothball or divest at a large discount to historic prices, refineries which were deemed surplus to requirements until demand recovered to pre-recession levels.



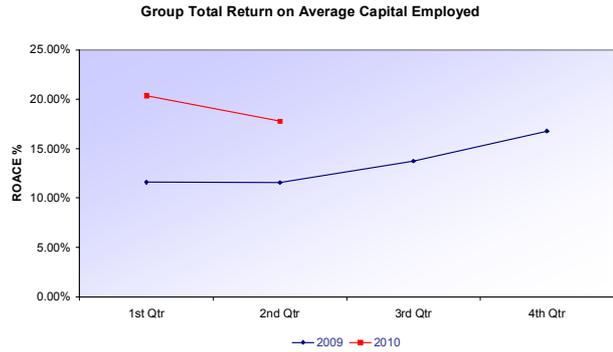
Trends in Upstream & Downstream Earnings

Company	Upstream (\$m)		% Chg Refining & Marketing (\$ m)			% Chg 2010	Tax Reporting Status	Notes
	2009	2010	2009	2009	2010			
	2nd Qtr	2nd Qtr	vs Q2 09	2nd Qtr	2nd Qtr	vs Q2 09		
Anadarko Petroleum	-92	654	NM	n/a	n/a	NM	Pre	Higher commodity prices
Apache Corp.	920	1538	67%	n/a	n/a	NM	Pre	Record production levels, 10% up quarter on quarter
BG Group	746	499	-33%	n/a	n/a	NM	Pre	
BP	4539	6183	36%	846	1843	118%	Pre	Higher oil realisations
Canadian Natural Resources	906	1098	21%	n/a	n/a	NM	Pre	Ramped-up production from the Horizon Oil Sands project
Cenovus Energy Inc.	590	410	-30%	108	-70	NM	Pre	Cenovus spun off in late 2009
Chesapeake Energy Corp.	547	553	1%	n/a	n/a	NM	Pre	
Chevron	1857	4542	145%	-9	975	NM	Post	Higher oil realisations, improved refinery margins
ConocoPhillips	1056	1909	81%	20	713	3465%	Post	Improved oil and gas realisations
Devon Energy Corp.	545	862	58%	n/a	n/a	NM	Pre	Higher realisations
Ecopetrol	n/a	n/a	NM	n/a	n/a	NM	Pre	
EnCana	1569	491	-69%	-1	2	NM	Pre	Swing in unrealised hedging from a large gain to a loss
ENI	2849	4327	52%	210	318	52%	Pre	Higher oil realisations and refining margins
EOG Resources	106	286	170%	n/a	n/a	NM	Post	Lower downstream sales and realisations
ExxonMobil	3812	5336	40%	512	1220	138%	Pre	Higher upstream production and realisations
Gazprom Neft	1134	568	-50%	-573	982	NM	Post	Higher liquids realisations
Hess Corp.	246	488	98%	-30	-19	NM	Post	Higher realisations
Lukoil (US GAAP)	1545	1534	-1%	907	690	-24%	Post	
Marathon	210	372	77%	165	421	155%	Pre	Higher upstream realisations and refinery margins
Murphy Oil	143	224	57%	28	84	201%	Pre	Higher realisations
Nexen	304	504	66%	44	6	-87%	Pre	
Noble Energy	136	320	135%	n/a	n/a	NM	Pre	
Novatek	n/a	n/a	NM	n/a	n/a	NM	Pre	
Occidental	1083	1859	72%	n/a	n/a	NM	Post	Higher oil realisations
OMV	381	704	85%	47	255	445%	Pre	Higher upstream realisations and downstream margins
Petrobras (USGAAP)	2642	4571	73%	2744	-187	NM	Pre	Higher production and oil realisations
Repsol-YPF	237	465	96%	453	673	49%	Post	Increased sales and realisations
Rosneft	1081	3247	200%	4702	6762	44%	Pre	Large portion of upstream netback is included in R&M for Rosneft
Royal Dutch Shell	2206	3260	48%	1942	1018	-48%	Pre	Higher upstream realisations
Southwestern Energy Co.	174	162	-7%	n/a	n/a	NM	Pre	
Statoil ASA	3854	5579	45%	-216	-232	NM	Pre	Higher oil realisations
Suncor	-438	1003	NM	144	183	27%	Post	Merged with Petro-Canada in Q3 09
Talisman Energy	-324	601	NM	n/a	n/a	NM	Pre	
Total	2003	2769	38%	215	607	182%	Pre	
Valero Energy	n/a	n/a	NM	41	1032	2417%	Pre	Higher refining margins
Sub \$10 bln Market Cap Group	537	2900	440%	-6	292	NM		
Group Total	37105	59819	61%	12293	17567	43%		Please note the total sums pre and post tax earnings



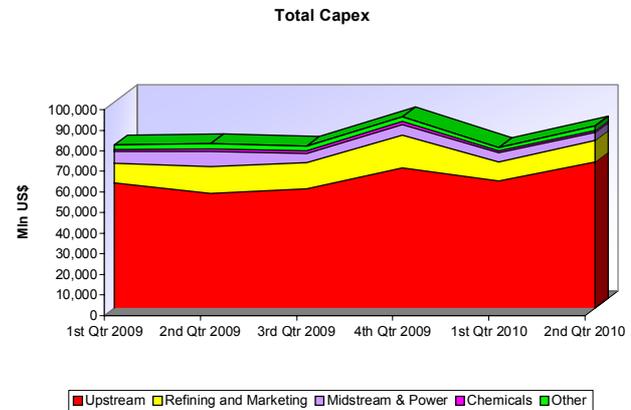
Return on Capital Slips from Lower Gas Returns

ROACE (post tax, post non-recurring items) on an annualised basis decreased by 2.5 percentage points from Q1 '10 and increased by 6 percentage points quarter-on-quarter. ROACE levels for the group had been steadily increasing in 2009 and Q1 '10 along with the rejuvenated oil price. In Q2 '10 with the oil price stagnating and the gas price as per Henry Hub suffering a dip, the returns for the group also declined. Offsetting the decreased returns from the gas price were better results from the refining and marketing segment, with Valero Energy posting a net profit after 4 previous quarters of reporting a loss. The US based super-majors (Chevron, ConocoPhillips and ExxonMobil) out-performed their peers with average annualised ROACE of 33% for the quarter.



Capital Expenditures Rise on Oil Price Confidence

Capital spending increased by 13% compared with Q1 '10 and by 10% quarter-on-quarter to reach \$88.1 billion in total for the group. The upstream segment accounted for the largest increase, rising 27% quarter-on-quarter. The upstream sector was still in a state of uncertainty in Q2 '09 due to the low oil price, but with three consecutive quarters of a price over \$75 per barrel leading up to Q2 '10, the increased confidence is reflected in the group's upstream spending levels. Refining and marketing has continued to attract a comparatively low level of investment. Although Q2 '10 saw an upturn in earnings from refining and marketing, the outlook for demand for oil products in North America and Europe is still not strong enough to warrant significant investments in capacity.



Trends in ROACE & Capex

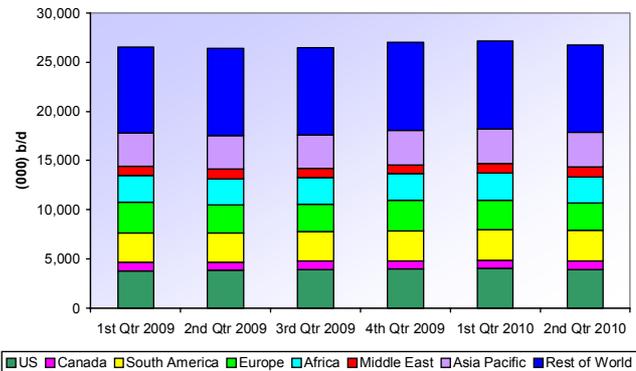
Company	ROACE			CAPEX (\$m ln)							
	2009		2010	2nd Q tr 2009				2nd Q tr 2010			
	2nd Q tr	1st Q tr	2nd Q tr	E & P	R & M	Other	Total	E & P	R & M	Other	Total
Anadarko Petroleum	-4%	12%	6%	828	n/a	86	914	1254	n/a	113	1367
Apache Corp.	17%	25%	27%	1042	n/a	52	1095	2286	n/a	141	2427
BG Group	23%	31%	13%	1347	n/a	414	1761	2433	n/a	337	2770
BP	16%	26%	22%	3566	838	414	4818	5196	925	91	6212
Canadian Natural Resou	8%	15%	14%	409	n/a	3	411	1461	n/a	n/a	1461
Conoqus Energy Inc.	n/a	n/a	n/a	193	230	2	425	286	162	13	461
Chesapeake Energy Cor	8%	20%	7%	1074	n/a	n/a	1074	1711	n/a	n/a	1711
Chevron	14%	30%	33%	3710	1091	148	4949	4422	549	72	5043
ConocoPhillips	8%	20%	29%	2059	523	90	2672	1745	226	38	2009
Devon Energy Corp.	6%	20%	14%	1059	n/a	n/a	1059	2072	n/a	n/a	2072
EnCana	4%	26%	-2%	899	n/a	14	913	1210	1	12	1223
ENI	15%	26%	22%	3809	182	1113	5104	4005	187	1248	5441
EOG Resources	1%	10%	6%	611	n/a	87	698	1225	n/a	54	1279
ExxonMobil	25%	40%	36%	4905	817	840	6562	5342	584	593	6519
Gazprom Neft	8%	18%	16%	399	319	n/a	718	555	180	n/a	735
Hess Corp	6%	23%	17%	670	15	n/a	685	868	33	n/a	901
Lukoil (US GAAP)	20%	17%	17%	1123	304	147	1574	1273	304	145	1722
Marathon	14%	13%	19%	929	713	8	1650	828	256	14	1098
Murphy Oil	11%	17%	21%	494	54	1	548	465	109	1	575
Nexen	7%	12%	13%	549	3	70	622	721	7	61	789
Noble Energy	4%	10%	11%	294	n/a	29	323	481	n/a	38	519
Novatek	21%	33%	23%	151	n/a	0	151	196	n/a	3	199
Occidental	16%	24%	23%	631	n/a	200	831	709	n/a	159	868
OMV	8%	20%	19%	679	120	145	944	265	96	263	624
PetroChina	17%	16%	16%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Petrobras (US GAAP)	24%	20%	18%	4129	2237	1575	7941	4963	3425	1216	9604
Repsol-YPF	7%	14%	12%	467	595	3922	4984	288	602	696	1586
Rosneft	15%	19%	20%	1669	241	245	2155	1684	420	10	2094
Royal Dutch Shell	11%	21%	18%	5497	2492	64	8053	5768	1018	12	6798
Southwestern Energy Co	31%	36%	24%	402	n/a	54	456	441	n/a	102	544
Statoil ASA	36%	54%	40%	2739	285	163	3187	2679	135	130	2943
Suncor	-8%	6%	12%	518	23	n/a	541	1180	171	74	1425
Talisman Energy	-1%	12%	12%	754	n/a	n/a	754	1278	n/a	n/a	1278
Total	18%	24%	25%	3678	1139	200	5017	3423	706	202	4332
Valero Energy	-2%	0%	16%	n/a	616	n/a	616	n/a	403	n/a	403
Williams Companies	8%	12%	9%	229	n/a	352	581	269	n/a	250	519
Sub \$10 bin Market Cap	5%	11%	11%	4018	253	683	4953	7619	199	696	8514
Group Total				55528	13089	11121	79738	70580	10698	6786	88064



Oil Production Creeps Higher

Crude oil and NGL production increased by 2% quarter-on-quarter but decreased by 1% on Q1 '10 levels. There were significant organic increases in production from BHP Billiton and Chesapeake Energy. BHP Billiton has been steadily ramping up oil production over the past 3 years. With various Gulf of Mexico projects coming onstream in that time, BHP's liquids production stands 30% higher than Q2 '09. Chesapeake Energy's liquids production has come as a byproduct of the increase in production from their gas focused assets. Offsetting the increases in production was BP's result which reported a decrease of 143,000 b/d of production quarter-on-quarter due mainly to the impact of the Gulf of Mexico oil spill.

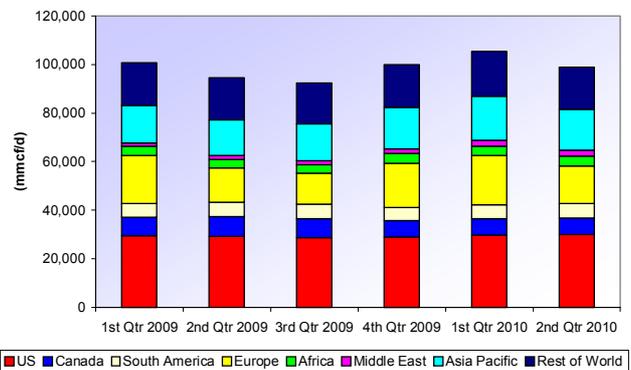
Group Oil/NGL Production



Gas Production Makes Large Leap Quarter-on-Quarter

Reported natural gas production increased by 5% quarter-on-quarter but decreased by 6% on Q1 '10, a quarter with seasonally high demand due to colder weather. The most significant rise in production came from ExxonMobil, who completed the acquisition of XTO Energy during the quarter to become the largest gas producer in the United States. Large increases also came from Royal Dutch Shell and Total who have both been significantly ramping up production since Q2 '09, especially within integrated LNG projects. Shell had a production boost from their Sakhalin II and Nigeria LNG projects, whilst Total benefited from the start up of the second liquefaction Train in their Yemen LNG project.

Group Gas Production



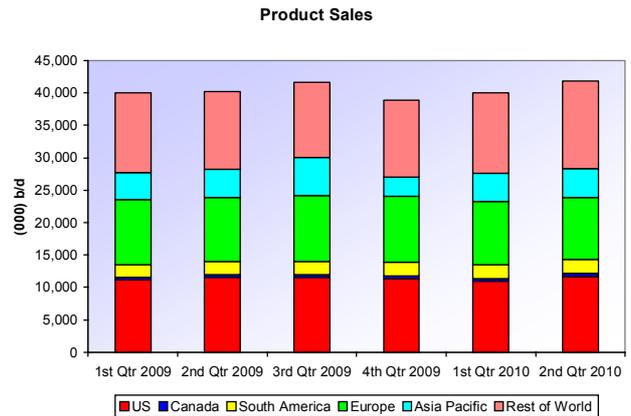
Trends in Oil & Gas Production

Company	Oil Production 000 b/d			Gas Production mmcf/d			Notes
	2009		% Chg 2010	2009		% Chg 2010	
	2nd Qtr	2nd Qtr		2nd Qtr	2nd Qtr		
Anadarko Petroleum	228	264	16%	2336	2324	-1%	Sales 6% up quarter on quarter
Apache Corp.	290	348	20%	1770	1792	1%	Six fold increase in output in Australia
BHP Billiton	197	257	30%	981	991	1%	Company has June year-end.
BG Group	191	175	-8%	2712	2730	1%	Ramp up of Tunisian production
BP	2526	2383	-6%	8580	8484	-1%	Decreased production in the Gulf of Mexico
Canadian Natural Resources	327	391	20%	1341	1166	-13%	Production increases from Horizon Oil Sands
Cenovus Energy Inc.	106	129	21%	864	751	-13%	Considerably ramped up production from Foster Creek
Chesapeake Energy Corp.	35	48	40%	2245	2497	11%	
Chevron	1839	1910	4%	4988	5016	1%	Production ramp ups mainly in the US
ConocoPhillips	1603	1548	-3%	5348	4909	-8%	Natural field decline
Devon Energy Corp.	253	239	-5%	2792	2617	-6%	Portfolio divestitures
Ecopetrol	424	497	17%	570	583	2%	
EnCana	136	24	-83%	3788	3202	-15%	Cenovus assets were spun-off in late 2009
ENI	986	980	-1%	4290	4319	1%	
EOG Resources	72	98	36%	1645	1629	-1%	Production growth in the Bakken and Fort Worth basins
ExxonMobil	2346	2325	-1%	8041	10025	25%	Project ramp ups in Qatar and higher demand in Europe
Gazprom Neft	921	996	8%	287	334	16%	
Hess Corp	288	302	5%	711	679	-5%	
Lukoil (US GAAP)	1974	1940	-2%	1374	1752	28%	Increased production from major Nakhodkinskoe gas field
Marathon	303	266	-12%	958	840	-12%	Turnaround of production facilities in Equatorial Guinea
Murphy Oil	118	132	12%	147	348	136%	Mostly attributable to the ramp up of Kikeh, Malaysia
Nexen	174	179	2%	201	240	19%	
Noble Energy	81	87	7%	754	793	5%	
Novatek	69	80	16%	2934	3210	9%	
Occidental	550	548	0%	1002	1333	33%	Ramp up in production in Bahrain
OMV	168	174	3%	823	809	-2%	
PetroChina	2330	2358	1%	5469	5969	9%	
Petrobras (USGAAP)	2094	2156	3%	2520	2538	1%	
Repsol-YPF	441	448	2%	2785	2516	-10%	Start up of production from the Shenzi field, Gulf of Mexico and higher Libyan production
Rosneft	2127	2315	9%	1137	1148	1%	
Royal Dutch Shell	1648	1655	0%	7544	8440	12%	Ramp ups in Russia and Brazil
Southwestern Energy Co.	0	1	47%	815	1077	32%	Increased production from Fayetteville Shale play
Statoil ASA	1032	981	-5%	4182	4704	12%	
Suncor	304	532	75%	192	613	219%	Completed acquisition of Petro-Canada in Q3 09
Talisman Energy	186	150	-19%	1107	1200	8%	Asset divestiture
Total	1328	1327	0%	4686	5549	18%	Ramp-up in production from LNG projects
Williams Companies	n/a	n/a	NM	1233	1168	-5%	
Sub \$10 bln Market Cap Group	437	504	15%	7377	7468	1%	
Group Total	28131	28746	2%	100529	105760	5%	



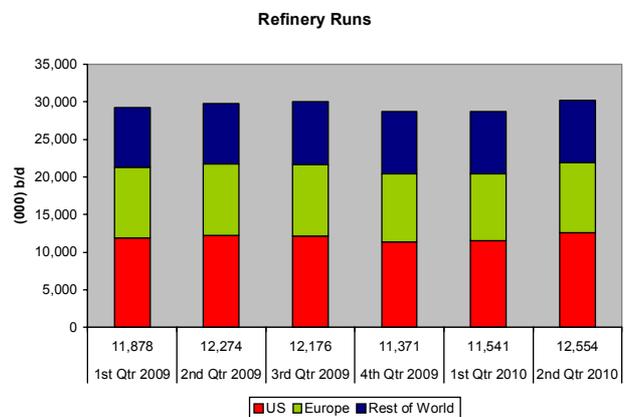
Product Sales Boosted by North American Demand

Refined product sales increased by 5% since Q1 '10 and by 5% quarter-on-quarter. The improved demand in the United States was largely responsible for the rise with a 7% increase in sales since Q1 '10 for the group in the US alone. The forecast for demand is still poor however and unless there is a major improvement in the US economy the independent downstream companies are not expected to return to the high levels of profits experienced between 2005 and 2007 in the near future. This is reflected in the share prices of Valero, Tesoro and Western Refining which are all trading at heavy discounts to their 2007 trading prices. Oil product inventories, the widely used barometer of underlying refining economics have risen higher than the level experienced in the US in Q2 '09.



Refinery Runs Rebound

Refinery runs for the group increased by 2% quarter-on-quarter and by 5% since Q1 '10. The bulk of the increase came from the US operations of the group, where refinery runs increased by 9% on the back of an upturn in demand. The most significant increase in refinery throughput was recorded by Marathon who benefited from a full quarter of operation from their expanded Garyville refinery in Louisiana. The \$3 billion construction project was approved prior to the global recession when the outlook for refining margins was still strong and added 180,000 b/d when completed at the start of 2010. Since the demand crash in 2009 there have been no major refinery projects sanctioned in the US with a widespread medium-term forecast of refinery oversupply in the US.



Trends in Product Sales & Refinery Runs

Company	Oil Product Sales 000 b/d			% Chg 2010 vs Q2 09	% Chg 2010 vs Q1 10	Refinery Runs 000 b/d			% Chg 2010 vs Q2 09	% Chg 2010 vs Q1 10
	2009 2nd Qtr	2010 1st Qtr	2010 2nd Qtr			2009 2nd Qtr	2010 1st Qtr	2010 2nd Qtr		
Anadarko Petroleum	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Apache Corp.	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
BHP Billiton	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
BG Group	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
BP	5750	6097	5944	3%	-3%	2269	2428	2429	7%	0%
Canadian Natural Resources	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Cenovus Energy Inc.	n/a	n/a	n/a	NM	NM	202	178	190	-6%	7%
Chesapeake Energy Corp.	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Chevron	3262	3074	3182	-2%	4%	1893	1881	1871	-1%	-1%
ConocoPhillips	3112	2809	3044	-2%	8%	2568	2312	2523	-2%	9%
Devon Energy Corp.	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Ecopetrol	n/a	n/a	n/a	NM	NM	292	294	297	1%	1%
EnCana	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
ENI	920	906	970	5%	7%	670	663	703	5%	6%
EOG Resources	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
ExxonMobil	6487	6144	6241	-4%	2%	5290	5156	5192	-2%	1%
Gazprom Neft	663	712	723	9%	2%	645	730	700	8%	-4%
Hess Corp.	455	514	435	-4%	-15%	286	250	231	-19%	-8%
Marathon	1371	1355	1610	17%	19%	959	1003	1229	28%	23%
Murphy Oil	539	479	508	-6%	6%	248	170	207	-17%	22%
Nexen	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Noble Energy	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Novatek	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Occidental	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
OMV	440	448	497	13%	11%	454	417	385	-15%	-8%
PetroChina	1499	1569	1612	8%	3%	2241	2393	2458	10%	3%
Petrobras (US GAAP)	2460	3169	3319	35%	5%	n/a	n/a	n/a	NM	NM
Repsol-YPF	1228	1156	1175	-4%	2%	1039	961	991	-5%	3%
Rosneft	963	953	930	-3%	-2%	n/a	n/a	n/a	NM	NM
Royal Dutch Shell	6174	6163	6615	7%	7%	3136	2998	3296	5%	10%
Statoil ASA	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Suncor	207	503	542	162%	8%	172	406	392	127%	-3%
Talisman Energy	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Total	3652	3517	3986	9%	13%	2175	1993	2141	-2%	7%
Valero Energy	n/a	n/a	n/a	NM	NM	2392	2095	2337	-2%	12%
Williams Companies	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	NM	NM
Lukoil (US GAAP)	2144	1980	2246	5%	13%	1364	1246	1366	0%	10%
CVR Energy	125	n/a	124	-1%	NM	n/a	n/a	n/a	NM	NM
Group Total	41009	41099	43207	5%	5%	28297	27573	28937	2%	5%