



## PROFILE OF INDEPENDENT PRODUCERS | 2012-2013



## Table of Contents

Message from the President & CEO .....	1
Executive Summary .....	2
Preface .....	4
Chapter 1: Company Information .....	5
Chapter 2: Taxes & Regulation .....	7
Chapter 3: American Oil & Natural Gas Operations .....	9
Chapter 4: Marginal Wells .....	13
Chapter 5: Finance & Risk Management .....	15
Chapter 6: International .....	16
Chapter 7: Personal Information .....	17



## Message from the President & CEO



It is our pleasure to present the *2012-2013 Profile of Independent Producers* (“Profile”). In maintaining our objective to shape the national debate on energy policy by highlighting the economic importance of America’s oil and natural gas production, and more specifically the role of independent producers, this latest profile highlights the key characteristics of independent producers and the issues they face. Our last profile in 2008-2009 captured industry conditions mostly from before or during the 2007-08 financial crisis. With updated data from 2012-2013 and a changing macroeconomic and political narrative, this report analyzes the most recent trends among independent producers in order to promote awareness to IPAA members, Capitol Hill, the media and outside stakeholders and to provide an updated assessment of our industry.

In 2011, IPAA commissioned a study on the impact of independent exploration and production (“E&P”) firms on the U.S. economy. We found that our industry was responsible for 4 million direct, indirect, and induced jobs in 2010, or 3% of total U.S. employment. Moreover, in 2010, the industry contributed an estimated 4% to U.S. gross domestic product (GDP), generated \$131 billion in federal and state taxes and \$62.6 billion in capital expenditures. Our industry plays a critical role in the U.S. economy, yet these economic figures alone understate the vital role of American energy production. As the United States continues to increase energy production using efficient and sustainable methods, our industry literally fuels the U.S. economy and improves economic and national security by reducing our dependence on foreign producers.

The story of independent producers continues to be one of navigating difficult and often unpredictable economic and regulatory hurdles. However, the industry has remained strong amidst sluggish economic growth and there is reason for optimism looking forward. U.S. economic growth in 2014 is likely to be the best since the end of the recession. Among the positive drivers, a revival of global growth, a more stabilized financial sector, an improving housing market, and the continued “energy renaissance” will all support economic growth, all while headwinds from fiscal consolidation are set to diminish. Our survey results speak to the dynamic nature and continued resolve of independent producers, who are adapting to changing macroeconomic conditions and positioning themselves for the future.

The survey results show a growing utilization of hydraulic fracturing for oil and gas production, a larger prevalence of non-traditional funding (e.g. private equity) for capital formation, increasing concern over the impact of an expiration of intangible drilling costs (“IDCs”) tax deductibility, and significant concerns about government regulations impeding the pursuit of production on federal lands. In terms of business demographics and company information, the average age of respondents remained relatively consistent from past profiles – a continued sign of the challenges in attracting new talent to the E&P sector. However, there is an increasingly larger share of respondents with higher levels of education and an increasing diversity among the professional backgrounds of independent producers.

The results of this report will serve as useful information for expanding our education campaigns that promote the importance of independent petroleum producers and the need for a more balanced American energy policy. While some longer-standing legislative issues remain unresolved, there are opportunities ahead for forging balanced and optimal energy policy. We believe the information uncovered in this report will help further demonstrate the importance of American oil and natural gas production, and moreover, the importance of the independent producers in the American economy.

On behalf of the IPAA, I hope you enjoy reading this year’s report. We are grateful for the support of our members for making this publication possible and are especially thankful to those who submitted responses to this survey.

A handwritten signature in black ink, appearing to read "Barry Russell". The signature is fluid and cursive.

Barry Russell, President & CEO

## Executive Summary

IPAA represents thousands of independent oil and natural gas producers and service companies in the United States. IPAA's members are critical to the nation's overall economic vitality and energy independence. As defined by Internal Revenue Code section 613A(d), an independent producer is a producer who does not have more than \$5 million in retail sales of oil and gas in a year or who does not refine more than an average of 75,000 barrels per day of crude oil during a given year. Independent producers develop 95% of American oil and gas wells, produce 54% of American oil, and produce 85% of American natural gas, based on 2010 survey data from IHS. These companies reinvest billions of dollars back into the American economy to discover and to produce more energy in the most cost-efficient ways.

The *2012-2013 Profile of Independent Producers* provides an in-depth view of independent oil and gas E&P companies in the United States. Based on a survey of IPAA members, the profile presents data in seven key areas: (1) company characteristics, (2) views on taxes and regulations, (3) American oil & gas operations, (4) international operations, (5) marginal wells, (6) finance & risk management, and (7) personal characteristics of the industry's business leaders. The *2012-2013 Survey of Independent Producers* was in the field for approximately five months and was originally sent to more than 8,000 IPAA members at more than 4,000 companies. Among this wide group, responses were solicited only from independent E&P companies. A total of 251 responses were collected, an improvement from approximately 150 responses gathered for the *2008-2009 Profile of Independent Producers*.

The major conclusions of the survey include:

### Company Characteristics

- Independent E&P companies remain diverse in size. They vary from small one- or two-person, person private firms to large publicly traded companies with thousands of employees. Among survey respondents, the average firm size was 246 full-time employees and 15 part-time employees in 2012. These figures were skewed by several very large firms, as **the median size firm constituted 12 full-time and 2 part-time employees**.
- The typical independent is fairly well-established, having been in business for 23 years. One-third of respondents have been in business for ten or fewer years, and 15.4% of respondents have been in business for 50 years or longer.
- Similar to employee size, independents' average revenue was heavily influenced by the sector's largest companies. The median gross revenue and net taxable income for fiscal year 2012 were \$9.25 million and \$648,000, respectively. Nearly half of independents spend \$5 million or more annually on oil field services and supplies.
- One quarter of responding independents are publicly traded firms with their companies registered on the NYSE (66.7%), NASDAQ (18.8%), AMEX (2.1%), and other exchanges (12.5%).
- Independent E&Ps are typically structured as LLCs (31.3%), C Corporations (27.3%), S Corporations (23.7%), or Limited Partnerships (12.9%). Compared with 2009, the share of independent E&Ps organized as LLCs has more than tripled. In the *2000 Profile*, C Corporations represented 49% of survey respondents, 28% were S Corporations, and only 10% were LLCs.

### Taxes & Regulations

- Intangible drilling costs are overwhelmingly the most important tax issue for independent E&Ps; 57% of respondents said that IDCs were the most important tax issue for their business and another 24% said IDCs were their second or third most important tax issue. "Percentage depletion" is the second most important tax issue, followed by "depreciation rates for tangible costs".
- If IDCs were repealed, the impact on capital budgets could be significant – more than two-thirds of respondents reported that their capital budgets would decrease by 20% or more.



- On the regulatory front, Air Pollution Standards, Bureau of Land Management drilling requirements, and the Safe Drinking Water Act were ranked similarly in terms of having a significant impact on respondents' businesses. The Endangered Species Act was typically viewed as a less immediate priority.
- Overall, regulation has become more burdensome over the past five years; 48% of respondents said the administrative costs to comply with new regulations have increased slightly, while 43% reported a significant increase. Only 9% reported no change. Twenty-seven percent of respondents reported hiring a full-time Environmental Health & Safety manager.

### American Oil & Gas Operations

- Hydraulic fracturing and horizontal drilling were widely utilized in 2012. Among respondents, 59% of wells drilled in 2012 were hydraulically fractured, and 41% were horizontally drilled. Six percent of wells drilled in 2012 were completed using other means.
- Independents reported that, in 2012, an average of 52.6% of their production came from conventional oil, and 21.9% came from conventional gas. On average, 11.5% of independents' production came from "unconventional" (e.g., shale/tight) oil and 14.0% from unconventional gas. Comparatively, 67.2% of overall natural gas production and 34.7% of overall oil production was "unconventional" in the entire United States<sup>1</sup>.
- Respondents reported limited use of public resources. For respondents, an average of 9.9% of total U.S. production was on federal lands; only 5.9% operated in federal waters; and 10.6% operated in state waters. This compares with 26.2% of total crude oil and lease condensate production and 17.8% of natural gas production on federal lands in United States in FY 2012<sup>2</sup>.
- Government regulations are a significant obstruction to pursuing operations on public lands or waters, and many companies generally reported no interest in operating in federal lands or offshore.

### Other Key Conclusions

- Independents reported operating a median number of 11 gross and 8 net marginal crude oil wells, and 3 gross and 3 net marginal natural gas wells in 2012. This is a decline from 2008-2009 levels of 37 gross and 32 net marginal oil wells and 23 gross and 37 net marginal natural gas wells. The results for the 2012-2013 profile may be skewed by the sample. For example, in 2012-2013 some independents reported that they do not operate marginal wells. Among the companies that do operate marginal wells, the median is higher than in 2008-09 – 50 gross and 34 net marginal oil wells, and 43 gross and 25 net marginal natural gas wells.
- International operations have been declining since 2000. A total of 7.3% of responding firms reported participating in international operations, down from 10.8% in 2008-2009 and 11.6% in 2000. The most commonly cited reasons for not operating internationally were capital constraints (29.8%) and a lack of expertise (34.6%). These results comport with the *2008 IPAA International Activity Survey*, in which 33.3% of respondents reported not fully understanding or feeling comfortable with foreign markets, tax and fiscal regimes.
- In 2012, half of all respondents accessed external capital markets. Among these companies, more than half of their capital came from private equity (27.5%) or private debt (28.1%). About half of respondents reported no change in their ability to access financial capital compared with one year ago.
- Slightly less than half of respondents (47.0%) do not engage in risk hedging, while 32.8% actively hedge and 20.1% passively hedge their risk exposures. Besides energy prices, interest rate movements are the most common risk that is hedged by independent E&Ps (81.8%), followed by foreign currencies (13.6%), and non-energy materials prices (4.5%).
- Survey respondents reported median capital annual capital expenditures of \$30 million in 2012, with median plans to spend of \$32 million in 2013, and \$25 million in 2014.
- IPAA members, as a whole, are highly educated and technically-oriented. More than 70% of respondents were 50 years or older, nearly 97% have a bachelor's degree or higher education, more than a third have a professional background in engineering, and another 28% have training in finance or geology.

<sup>1</sup> Energy Information Administration

<sup>2</sup> Ibid.

## Preface

IPAA is dedicated to ensuring a strong, viable American oil and natural gas industry, recognizing that an adequate and secure supply of energy is essential to the national economy. IPAA represents thousands of independent oil and natural gas producers and service companies in the United States. IPAA's members are critical to the nation's overall economic vitality and energy independence. Independent producers develop 95% of American oil and gas wells, produce 54% of American oil, and produce 85% of American natural gas, based on 2010 survey data from IHS. These companies reinvest billions of dollars back into the American economy to discover and to produce more energy in the most cost-efficient ways.

The *2012-2013 Survey of Independent Producers* was conducted over a five month period from September 30, 2013 to February 28, 2014. The survey was originally sent to all IPAA members, but specifically focused on independent E&Ps only. There were a total of 251 responses submitted, a 67 percent increase from the 150 responses provided for the *2008-2009 Profile of Independent Producers*.

Throughout this report, the percentages shown are based on the valid non-missing responses for each question (rather than the total sample size of 251). Due to rounding, totals may not sum to 100%.



# Chapter 1: Company Information

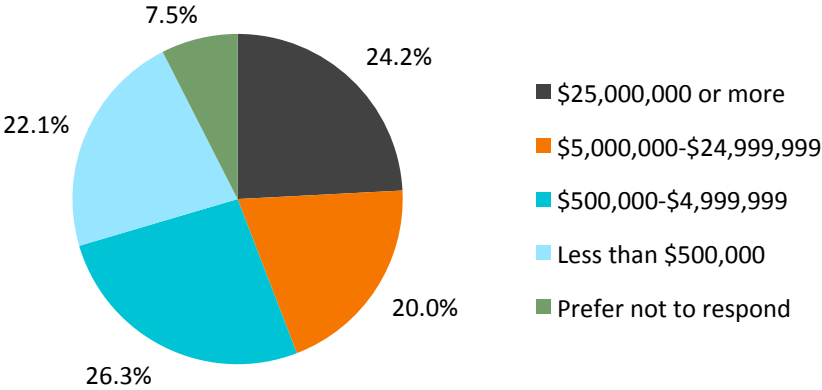
Independent E&P companies remain diverse in size. They vary from small one- or two-person, private firms to large publicly traded companies with thousands of employees. Among survey respondents, the average firm size was 246 full-time employees and 15 part-time employees in 2012. These figures were skewed by several very large firms, as the median size firm was 12 full-time and two part-time employees. The typical independent is fairly well-established, having been in business for 23 years (mean 27 years). One-third of responding independent E&Ps have been in business for 10 or fewer years, and 15.4% of respondents have been in business for 50 years or longer. Approximately one-quarter (25.3%) of companies reported that the average employee age at their company was between 45-59 years. Figure 1 below displays key company information from 2012-2013 relative to past two profiles.

Figure 1. Independent E&P Company Profiles in 2000, 2008-2009, and 2012-2013

Company Profile	2000	2008-2009	2012-2013
Median Firm Age	23 ½ years	26 years	23 years
Median Gross Revenues	\$4,599,000	\$7,851,000	\$9,250,000
Median Taxable Net Income	\$650,603	\$1,242,315	\$648,000
Median Employment	12 full-time, 2-part time	11 full-time, 3 part-time	12 full-time, 2 part-time

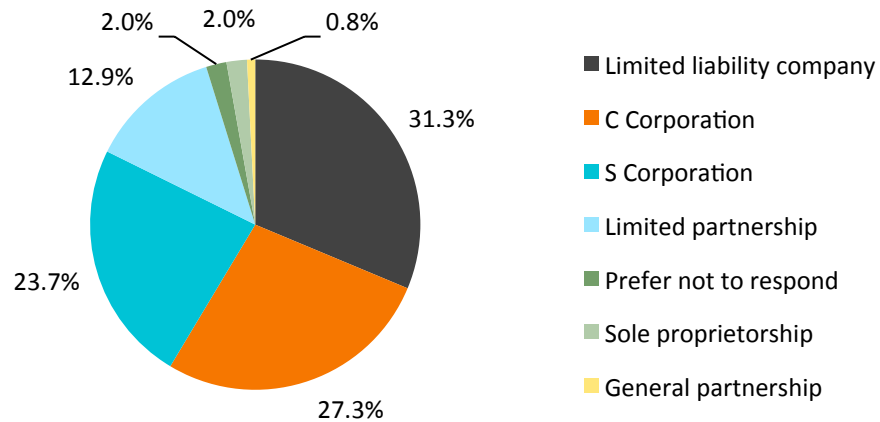
Similar to employee size, independents’ average revenue was heavily influenced by the sector’s largest companies. The average E&P company reported gross revenues of \$336.5 million and a net taxable income of \$77.6 million in fiscal year 2012, while the median company had gross revenues of \$9.3 million and a net taxable income of \$648,000. As shown in Figure 2 below, 26.3% of companies reported annual oil field services and expenditures of between \$500,000 and \$4,999,999. Overall, more than 60 percent of companies reported annual oil field services and expenditures of over \$500,000.

Figure 2. Annual Oil Field Services and Expenditures



E&P companies also provided their form of business organization, of which a full distribution is displayed in Figure 3 below. The largest percentage of E&P companies are organized as a limited liability corporation (31.3%), while 27.3% and 23.7% of independent producers are organized as C Corporations and S Corporations, respectively. Of all respondents, 20% reported being publicly-traded. Compared to the 2008-2009 profile, this is a substantially higher amount than the 14.7% reported, yet slightly below the 21.1% in 2000. Of the publicly-traded companies, 66.7% are traded on the NYSE. All but six of the remaining publicly-traded companies were registered on either the NASDAQ (18.8%) or the AMEX (2.1%) exchanges.

**Figure 3. Form of Business Organization**

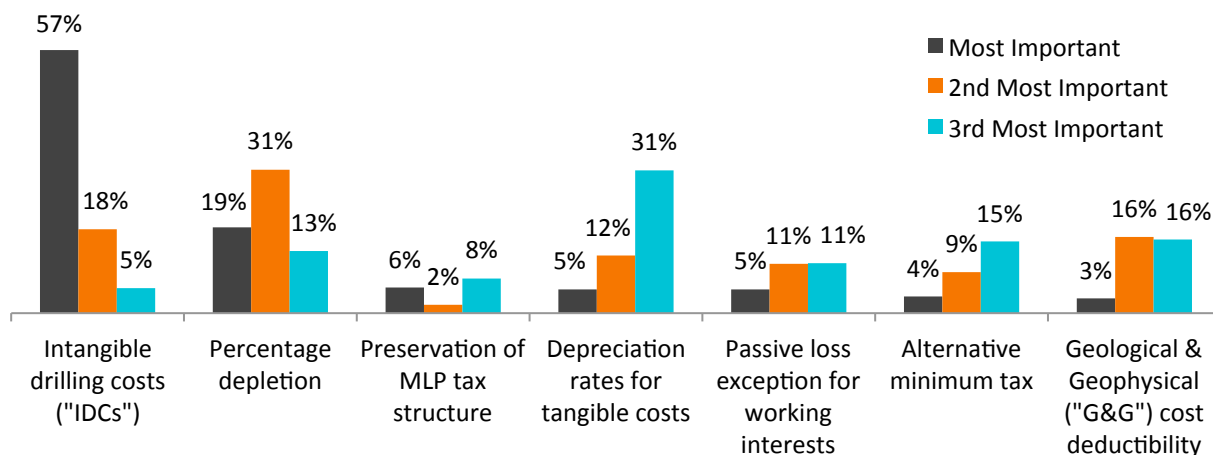




## Chapter 2: Taxes & Regulation

In an increasingly complex tax environment, independent E&P companies face a number of considerations that can materially impact their business operations. Profile respondents were asked to rank their three most important tax considerations for their business. Figure 4 below displays the full results.

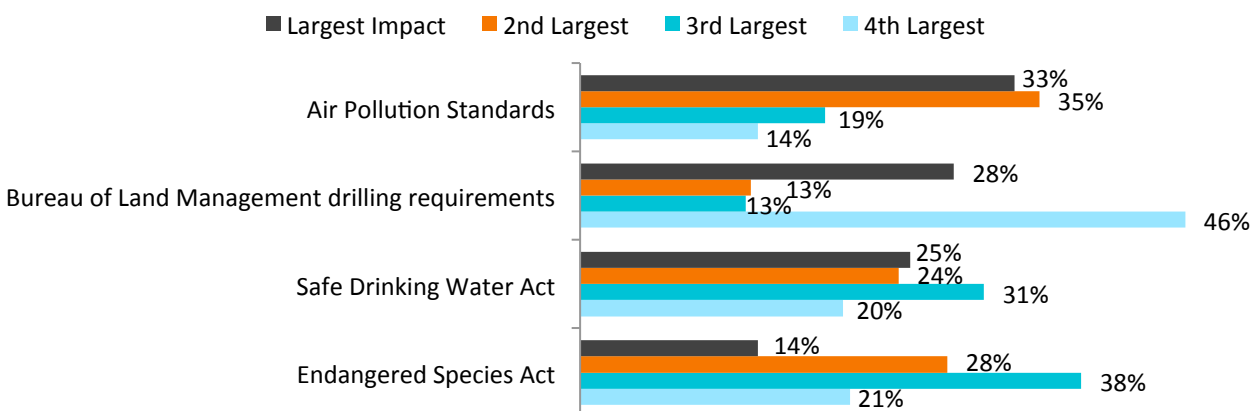
Figure 4. Tax Considerations



By a large margin, E&P companies indicated that the deductibility of IDCs is their most important tax consideration for their business operations. The highest-ranked second consideration was percentage depletion, and the highest-ranked third consideration was depreciation rates for tangible costs. Separately, companies were asked to estimate the reduction to their capital budgets if IDC deductibility were to be eliminated. Most importantly, a total of 62% of respondents reported that **repealing IDCs would reduce their capital budgets by 20% or more**.

Additional survey questions in this chapter focused on the impact of regulation on business operations. Profile respondents were asked to rank four different regulations and order them based on the extent to which they impact their business. A summary of the responses are displayed in Figure 5 below. Although the survey results are not as conclusive as the ranking of tax considerations, a clear result is that Air Pollution Standards is a significant concern to E&Ps.

Figure 5. Regulatory Considerations

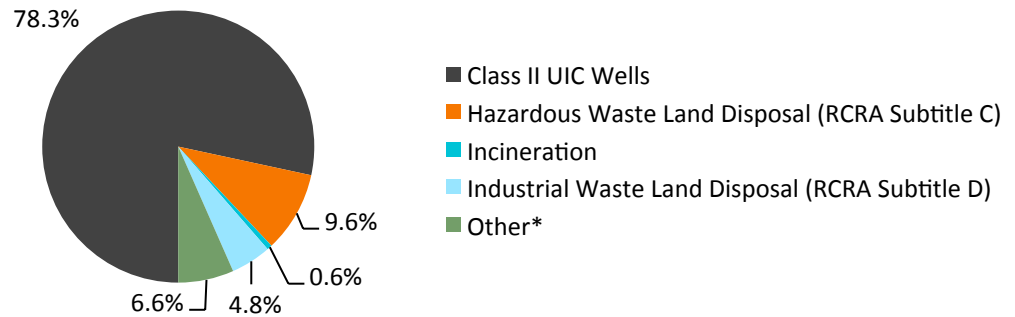


Compliance with new regulation often introduces new costs to businesses. Accordingly, 48% of companies indicated that their administrative costs have increased slightly due to regulation, while 43% indicated that there has

been a significant increase – a clear sign of the increasing cost of regulation for independent E&P companies. Moreover, complying with regulation includes hiring additional full-time employees. As such, 27% of respondents reported hiring a full-time Environmental Health & Safety (“EHS”) Manager.

Lastly, E&P companies reported utilizing various technologies in order to manage production wastes, including drilling fluids, produced water, and recycled water concentrates. Figure 6 below displays the various percentages of technologies that companies reported using in order to manage production wastes.

**Figure 6. Technologies Used to Manage Production Wastes**



\*Other includes Approved SWD Wells, Disposal Barges, Disposal Wells, Grind and Inject, Land Farm Non-Toxic Mud, Solid Waste Landfill, and Water Disposal Wells.

## Chapter 3: American Oil & Natural Gas Operations

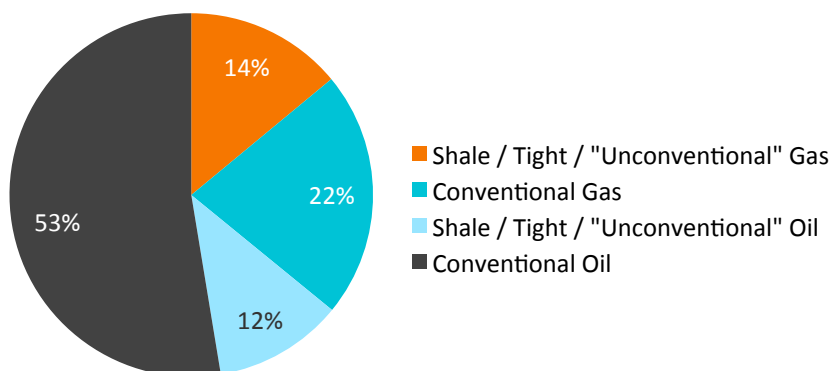
In 2012, the median annual gross production amounts of crude oil, natural gas, and natural gas liquids were 263 thousand barrels (“MBbls”), 1.5 billion cubic feet (“Bcf”), and 383 MBbls, respectively; and median net production amounts were 200 MBbls, 916 Bcf, and 100 MBbls, respectively. Figure 7 below shows historical daily production levels from the past few profiles.

**Figure 7. Historical Oil & Gas Production**

Median	2000	2008-2009	2012-2013
Gross Crude Oil Production (Bbls/day)	350	300	721
Net Crude Oil Production (Bbls/day)	270	160	548
Gross Natural Gas Production (Mcf/day)	3,700	2,000	4,110
Net Natural Gas Production (Mcf/day)	3,400	1,500	2,508

At year-end, average reserves were 2,014 million barrels (“MMBbls”) of crude oil, 641,651 million cubic feet (“MMcf”) of natural gas, and 41 MMBbls of natural gas liquids. The average number of gross crude oil wells operated was 4,189, while the net was 638. The average gross number of natural gas wells operated was 29,799, while the net as 724. For natural gas liquids, the average number of wells operated was five, while the net was 2. Figure 8 below displays the breakdown of average 2012 U.S. production by type of production.

**Figure 8. Average U.S. Production (% of Total)**



Overall, the median respondent reported that 52.5% of total production was through “unconventional” means, which is slightly higher than the 50% reported from the 2008-2009 profile.

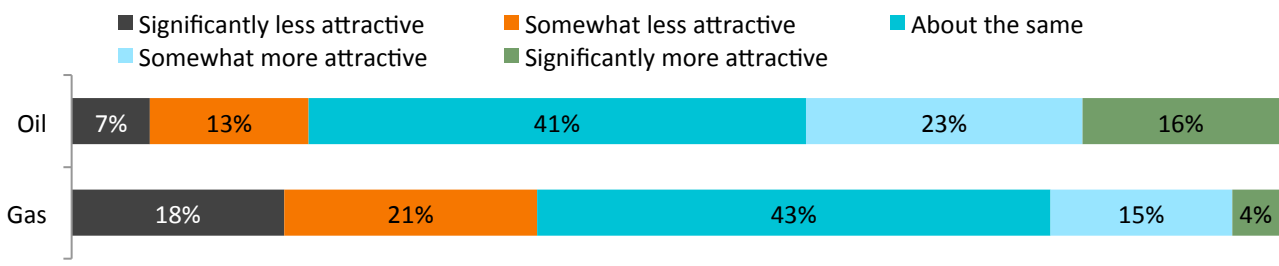
The average E&P company drilled 40 conventional oil wells in 2012, while the median company drilled 39 Shale/Tight/“Unconventional” oil wells. As for gas wells, the average E&P company drilled 10 conventional gas wells, while on average they drilled 39 Shale/Tight/“Unconventional” gas wells. Compared to the 2008-2009 profile, both oil and gas well drilling activity was up slightly, when in 2007, the typical firm drilled nine crude oil wells and 12 natural gas wells. Figure 9 below displays additional statistics on well drilling activity.

**Figure 9. Well Drilling Activity**

Well Drilling Activity	Average	Median
Oil: Multi-pad wells	9.5	0
Gas: Multi-pad wells	15.4	0
Hydraulically Fractured Wells (Oil & Gas)	58.2	5
Horizontally Drilled Wells (Oil & Gas)	40	1
Completed Using Other Means (e.g. Acid Jobs)	6.7	0

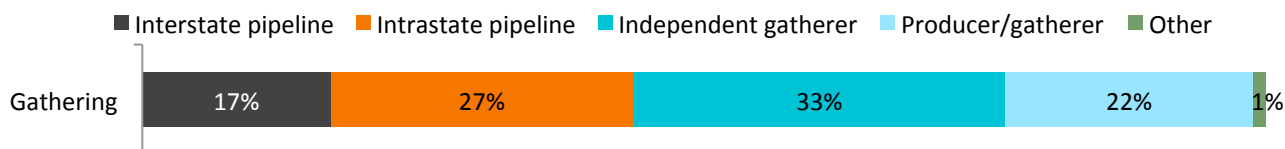
The survey also asked E&P companies whether they believe “unconventional” drilling is more or less attractive than last year. The full results for both oil and gas drilling are presented in Figure 10 below. Pluralities of respondents for both drilling types believe that the attractiveness is about the same relative to last year, although gas drillers are slightly more pessimistic. Additionally, 38% of respondents believed that the cost gap between conventional and unconventional drilling is unchanged, with 31.5% believing that it is decreasing somewhat. 8.2% believed it is increasing significantly.

**Figure 10. Attractiveness of "Unconventional" Drilling Relative to Last Year**



E&P companies were also asked about the methods they use to gather and transport natural gas. On average, 33% of natural gas gathered by E&P companies was done through an independent gatherer, while 65% of liquids were transported via trucking. The full results are displayed in Figures 11a and 11b below.

**Figure 11a. Natural Gas Gathering Methods (Averages)**



**Figure 11b. Liquids Transport Methods (Averages)**

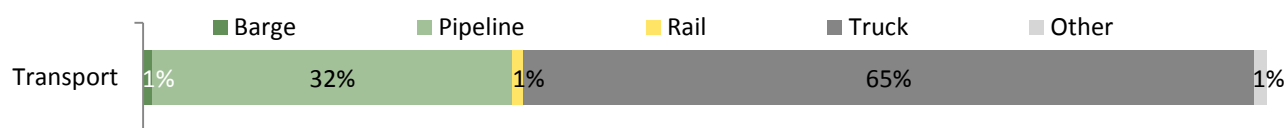
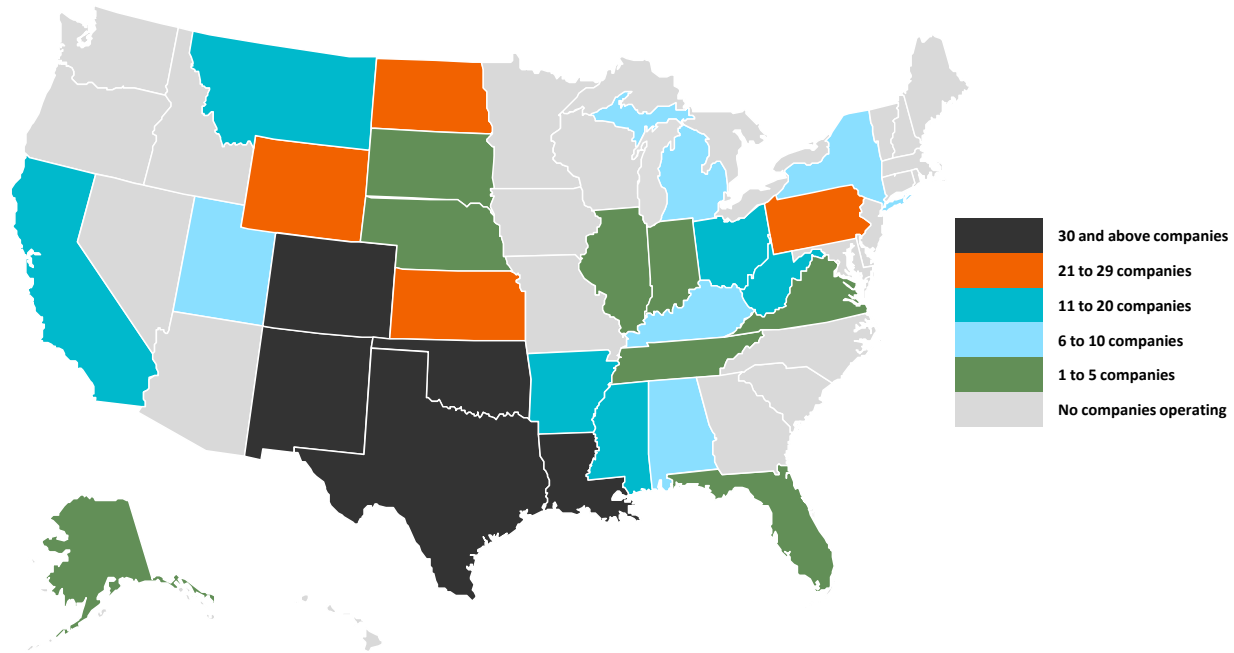


Figure 12 below displays a map of the U.S. states in which independent E&P companies operate (out of 166 company responses), and the legend depicts the density of responding producers in each state.

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**Figure 12. Independent E&P American Operations**



In terms of other geographical aspects of production, the average E&P company reported that 9.9% of its production occurs on federal lands. Only 5.9% of respondents reported operating in federal waters, while 10.6% reported operating in state waters. Both of these values have declined since the last profile, when almost 10% of responding firms reported operating in federal waters and 14.6% reported operating in state waters in 2008-2009.

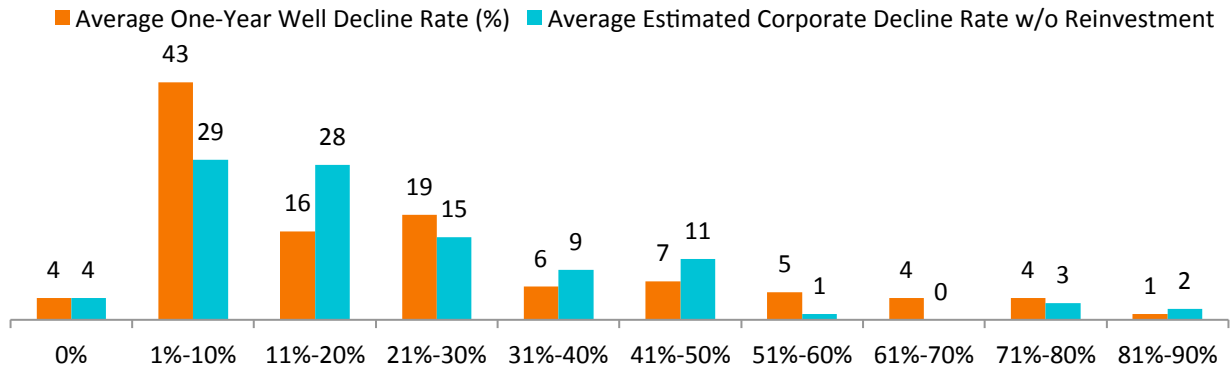
When asked about impediments to pursuing production on both federal lands and/or offshore, companies reported that government regulations (40.5%), financial constraints (6.9%), and community backlash (4.6%) were the top three reasons impeding production. However, 45.0% of respondents reported having no interest in operating on federal lands. Additionally, 83.3% of respondents had no interest in operating offshore.

The last series of questions in this chapter asked companies to provide their average well decline rates and to estimate the impact to decline rates if they were not able to reinvest in new or existing wells. The average E&P company reported that their average one year well decline rate was 24.0%, while the median decline rate was 15.0%. When asked to estimate their corporate decline rate without reinvestment in new or existing wells, the average E&P company responded that the average decline rate would be 23.7% - essentially unchanged from the current average decline rate. The median percentage, however, was higher, at 20.0%.



Breaking down the results on a more granular level, 43 E&P companies reported an average decline rate between 1% to 10%, while only 29 respondents estimated that their decline rate would remain between 1% and 10% without reinvestment. The distribution of respondents, presented in Figure 13 below, shows that there is a slight shift to higher decline rates without reinvestment, which confirms the expected result.

Figure 13. Well Decline Rates

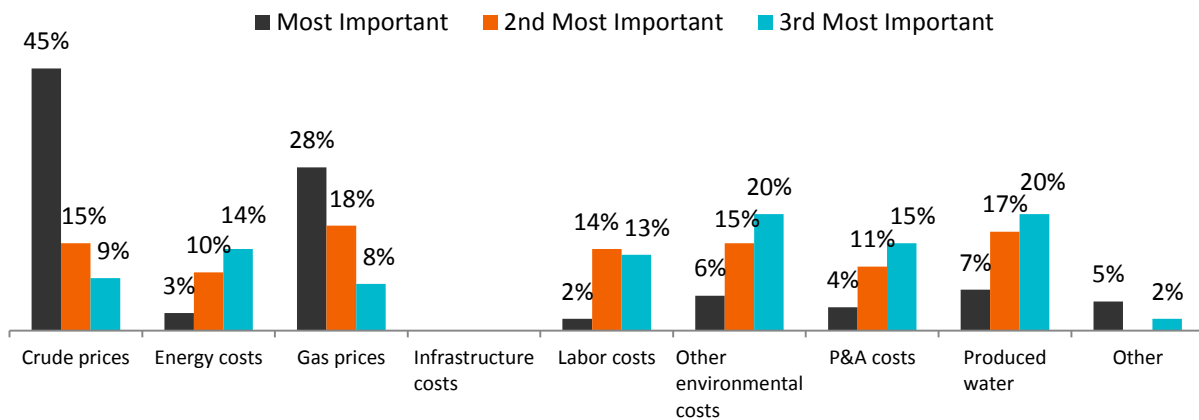


## Chapter 4: Marginal Wells

Crude oil production from marginal wells continues to account for a large portion of total production for many independent E&P companies. A marginal well is defined as a well that produces 15 barrels per day or less of crude oil or 90 thousand cubic feet per day or less of natural gas. Marginal wells – both oil and gas – represented 73% of total production, with marginal crude oil wells accounting for on average 43% of total production, while marginal gas wells accounted for on average 30% of total production. This is slightly lower than the 75% in the 2008-2009 profile, yet about level with the 2000 profile and significantly above the 1998 profile. E&P companies also reported operating a median number of 11 gross and eight net marginal crude oil wells and three gross and three net marginal natural gas wells.

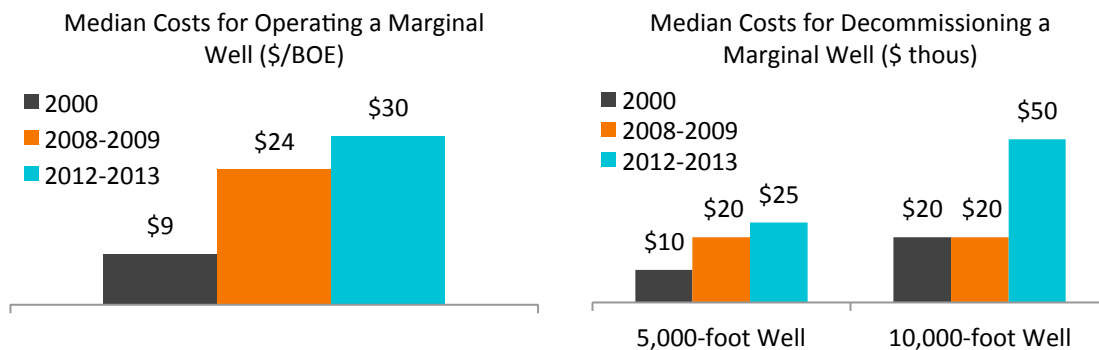
E&P companies were also asked to rank concerns as marginal well operators, and as expected, the biggest concerns for marginal well operators were the prices of crude oil and natural gas. The second highest-ranked concern was natural gas prices, yet only slightly higher than produced water, and “other environmental costs” tied for the third most important concern. The full results are displayed in Figure 14 below.

Figure 14. Marginal Well Operator Concerns



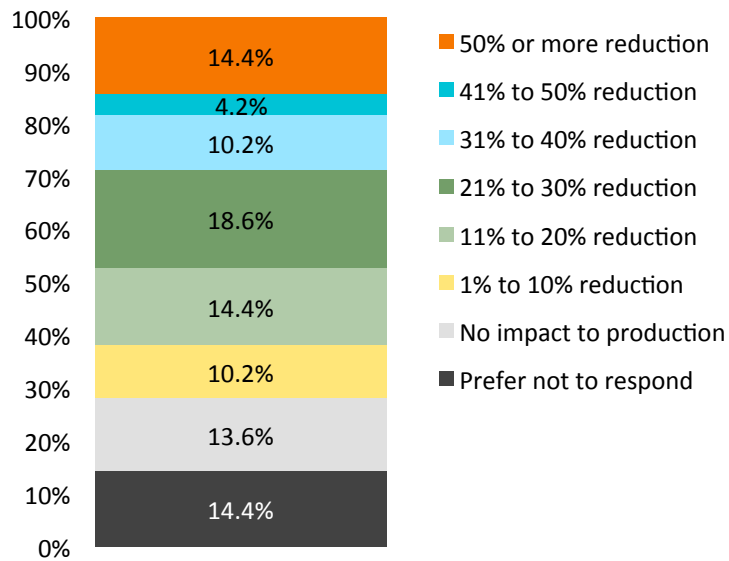
E&P companies reported a median of five wells that broke even or lost money in 2012, down from eight in 2007. The median cost to operate a marginal well was \$30 per barrel of oil equivalent (“BOE”), which was up from \$24 in the 2008-2009 profile. This year’s profile also found that the median cost for decommissioning a marginal well increased for both 5,000-foot and 10,000-foot wells, relative to the 2008-2009 profile. Below, Figure 15 displays the median costs for operating a marginal well and the median costs for decommissioning a marginal well for the past several profiles.

Figure 15. Median Well Costs



In the last question of this chapter, E&P companies were asked about the potential impact to the rate of marginal well production if the percentage depletion deduction were eliminated. Respondents reported that the effects would be significant. Almost half of respondents indicated that if this deduction were to be eliminated, it could decrease their marginal well production by 20% or more. The full results are displayed in Figure 16 below.

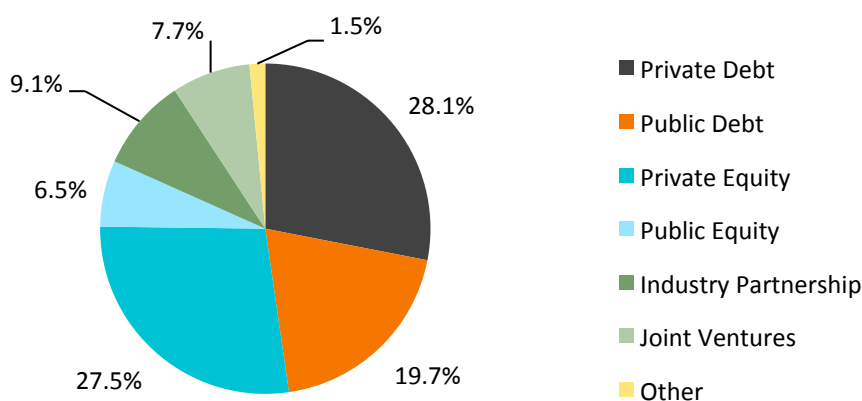
**Figure 16. Impact to Rate of Marginal Production if "Percentage Depletion Deduction" Were Eliminated**



## Chapter 5: Finance & Risk Management

Exactly half of all responding E&P companies indicated that they accessed external capital in 2012, and nearly half of respondents (49.3%) believed that relative to one year prior, their ability to access capital to finance their business expenditures was about the same, while 16.9% felt it was somewhat easier and 9.9% felt it was somewhat more difficult. Only 4.9% of respondents each indicated that accessing capital was either much more difficult or much easier relative to the previous year. The composition of external capital accessed in 2012 is displayed in Figure 17 below, and the composition reflects a changing market for sources of funds. Most notably, there has been a substantial increase in private equity sources providing capital to independent E&P companies. The largest source of capital continues to be private debt (28.1%), with private equity at a close second (27.5%). Similarly, the 2008-2009 profile reported that private debt, private equity, and industry partnerships represented the largest percentage of total funding.

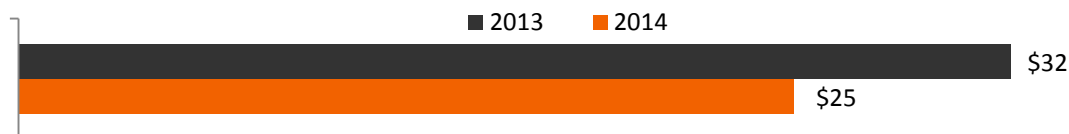
Figure 17. External Capital Sources



As financial markets have experienced varying degrees of volatility in the wake of the 2007-08 financial crisis, E&P companies reported that active or passive risk hedging programs are important for managing energy prices and other financial risks. A passive risk hedging program involves companies securing energy prices by locking into a fixed-price using a swap or a costless “collar”, while an active risk hedging program includes holding combinations of derivatives in order to maximize potential returns.<sup>3</sup> When asked about their hedging activities, 29.7% of respondents reported having an active risk hedging program, while 18.2% reported having a passive risk hedging program. Among those who hedged against factors other than energy prices, 68% reported hedging against interest rates, while 12.0% reported hedging against foreign currencies.

Lastly, E&P companies were asked about their capital expenditures for 2012 and thus far in 2013, as well as their capital budget for 2013 and for 2014. The median E&P company spent \$30 million in capital expenditures in 2012 and through three quarters of 2013 spent just over \$10 million in capital expenditures. Median capital budgets are displayed in Figure 18 below.

Figure 18. Median Capital Budget (Millions \$)

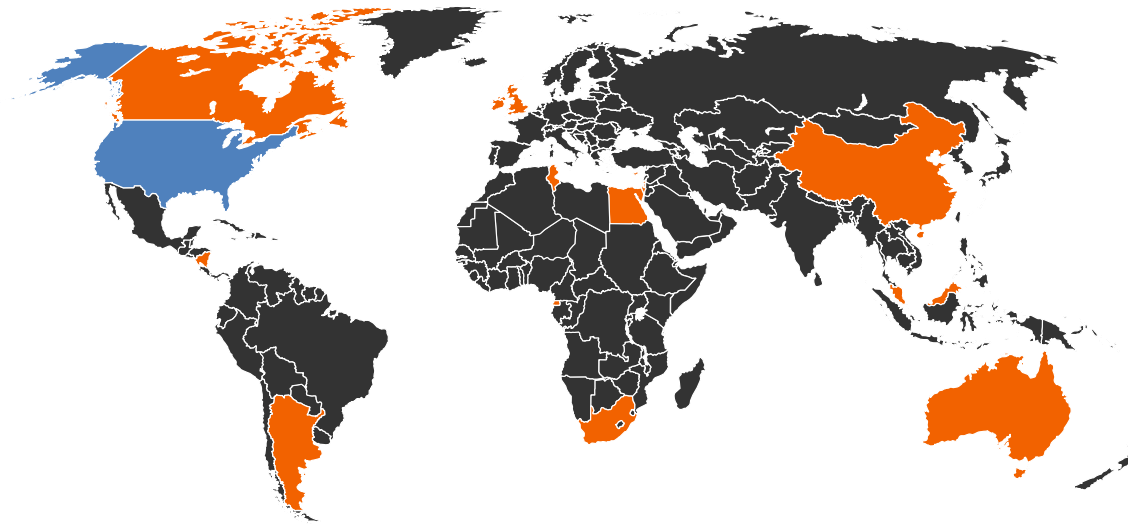


<sup>3</sup> “Energy Price Risk Management: Typical Passive or Static Hedging Strategies vs. Active or Dynamic Management of Hedge Portfolio.” Asset Risk Management LLC

## Chapter 6: International

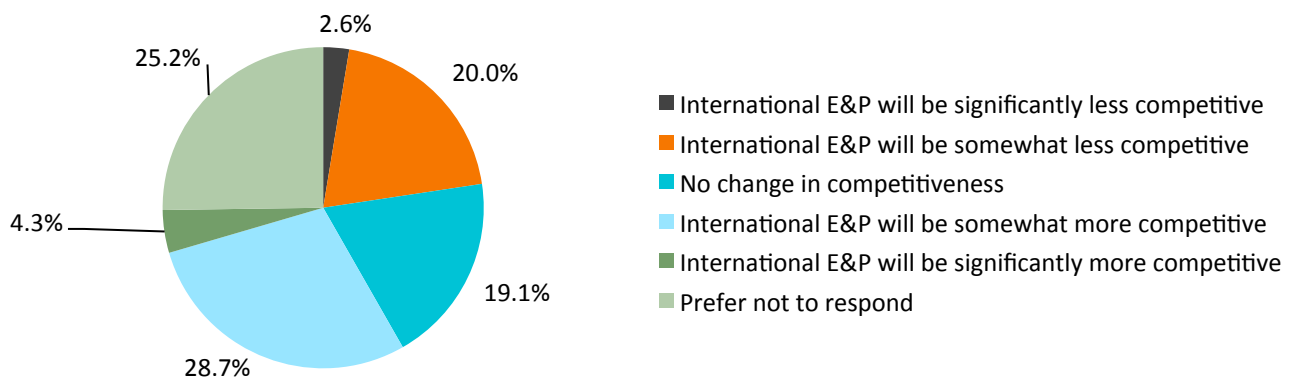
Only 11 companies (7.3%) reported operating internationally. The countries or regions in which these E&P companies operate are shaded orange in Figure 19 below and include Argentina, Australia, Canada, China, Cyprus, Egypt, Falkland Islands, Israel, Malaysia, Nicaragua, South Africa, Trinidad & Tobago, Tunisia, United Kingdom, and West Africa (Equatorial Guinea).

Figure 19. International Operations



The two most common reasons for not operating internationally were capital constraints (29.8%) and lack of certain expertise/skills (34.6%). The third most common reason was geopolitical risk (10.6%). Companies were also asked to rank the two most important factors when considering international operations. Two thirds (66.7%) of respondents ranked the most important factor as the attractiveness of international E&P opportunities, while portfolio and/or risk diversification came in at second with 22.2% of respondents. When asked to rank the second-most important factor, 38.6% of respondents listed the attractiveness, while 34.1% indicated more favorable markets for production and 27.3% indicated portfolio and/or risk diversification.

Figure 20. Competitiveness of International Exploration & Production



E&P companies were then asked whether or not they believe international E&P projects will become more or less competitive as the U.S. shale/tight oil/“unconventional” play matures over the next decade. The results are displayed in Figure 20 above. The plurality of respondents believed that international E&P will be somewhat more competitive due to maturity of the U.S. “unconventional” market.



## Chapter 7: Personal Information

The final chapter of the Profile focused on the demographic information of the profiles respondents. Figure 21 below shows the highlights of the demographic information gathered. The results show a more educated, slightly older, and more professionally diverse respondent base, relative to previous profiles.

Figure 21. IPAA Survey Respondents' Personal Information

Company Position	Percent of Total
CEO	18.8%
CFO	6.7%
COO	8.1%
Manager	10.7%
Other*	6.7%
Owner	24.8%
Partner	3.4%
President	8.1%
Vice President	12.8%

\*Other includes Chief Geologist, Commercial Analyst, Director, Geologist, Geophysicist, Investor Relations, Manager, Trustee, & Senior Specialist

Age Distribution	Percent of Total	Level of Education Completed	Percent of Total
Less than 30 years	2.0%	High School	0.7%
30 – 39 years	12.0%	Some college	2.7%
40 – 49 years	14.0%	Bachelor's degree	56.4%
50 – 59 years	34.7%	Master's degree	29.5%
60 – 69 years	26.7%	Professional degree	6.7%
More than 70	9.3%	Doctorate	4.0%
Prefer not to respond	1.3%	Prefer not to respond	0.0%

Professional Background	Percent of Total
Accounting	15.5%
Communications	4.1%
Economics	2.0%
Engineering	34.5%
Finance	14.2%
Geology	14.2%
Government Relations	2.7%
Landman	8.8%
Law	1.4%
Marketing	0.7%
Other*	2.0%
Accounting	15.5%

\*Other includes Business Administration, Geophysics, and General



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1201 15th Street, NW, Suite 300, Washington, DC 20005 | 202.857.4722 | [www.ipaa.org](http://www.ipaa.org)