

# Glossary of Energy and Financial Terms

## Energy Terms

**Additives** Chemicals to control engine deposits and improve lubricating performance.

**Barrels of oil-equivalent** (BOE) A measure to quantify crude oil, natural gas liquids and natural gas amounts using the same basis. Natural gas volumes are converted to barrels on the basis of energy content. See *oil-equivalent gas* and *production*.

**Biofuel** Any fuel that is derived from biomass – recently living organisms or their metabolic byproducts – from sources such as farming, forestry, and biodegradable industrial and municipal waste. See *renewables*.

**Condensate** Hydrocarbons that are in a gaseous state at reservoir conditions but condense into liquid as they travel up the wellbore and reach surface conditions.

**Development** Drilling, construction and related activities following discovery that are necessary to begin production of crude oil and natural gas.

**Enhanced recovery** Techniques used to increase or prolong production from crude oil and natural gas fields.

**Exploration** Searching for crude oil and/or natural gas by utilizing geologic and topographical studies, geophysical and seismic surveys, and drilling of wells.

**Gas-to-liquids** (GTL) A process that converts natural gas into high-quality transportation fuels and other products.

**Greenhouse gases** Gases that trap heat in the Earth's atmosphere (e.g., water vapor, ozone, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride).

**Integrated energy company** A company engaged in all aspects of the energy industry: exploring for and producing crude oil and natural gas (*upstream*); refining, marketing and transporting crude oil, natural gas and refined products (*downstream*); manufacturing and distributing petrochemicals (*chemicals*); and generating power.

**Liquefied natural gas** (LNG) Natural gas that is liquefied under extremely cold temperatures to facilitate storage or transportation in specially designed vessels.

**Liquefied petroleum gas** (LPG) Light gases, such as butane and propane, that can be maintained as liquids while under pressure.

**Natural gas liquids** (NGL) Separated from natural gas, these include ethane, propane, butane and natural gasoline.

**Oil-equivalent gas** (OEG) The volume of natural gas needed to generate the equivalent amount of heat as a barrel of crude oil. Approximately 6,000 cubic feet of natural gas is equivalent to one barrel of crude oil.

**Oil sands** Naturally occurring mixture of bitumen (a heavy, viscous form of crude oil), water, sand and clay. Using hydroprocessing technology, bitumen can be refined to yield *synthetic crude oil*.

**Petrochemicals** Chemicals derived from petroleum; used principally for the manufacture of chemicals, plastics and resins, synthetic fibers, detergents, adhesives, and synthetic motor oils.

**Production** *Total production* refers to all the crude oil, natural gas liquids and natural gas produced from a property. *Gross production* is the company's share of total production before deducting both royalties paid to landowners and a government's agreed-upon share of production under a *production-sharing contract*. *Net production* is gross production minus both royalties paid to landowners and a government's agreed-upon share of production under a *production-sharing contract*. *Oil-equivalent production* is the sum of the barrels of liquids and the oil-equivalent barrels of natural gas produced. See *barrels of oil-equivalent* and *oil-equivalent gas*.

**Production-sharing contract** (PSC) An agreement between a government and a contractor (generally an oil and gas company) where production is shared between the parties in a pre-arranged manner. The contractor typically incurs all exploration, development and production costs that are subsequently recoverable out of an agreed-upon share of any future PSC production, referred to as cost recovery oil and/or gas. Any remaining production, referred to as profit oil and/or gas, is shared between the parties on an agreed-upon basis as stipulated in the PSC. The government also may retain a share of PSC

production as a royalty payment, and the contractor may owe income taxes on its portion of the profit oil and/or gas. The contractor's share of PSC oil and/or gas production and reserves varies over time as it is dependent on prices, costs and on specific PSC terms.

**Renewables** Energy resources that are not depleted when consumed or converted into other forms of energy (e.g., solar, geothermal, ocean and tide, wind, hydroelectric power, and biofuels).

**Reserves** Crude oil, natural gas liquids and natural gas contained in underground rock formations called reservoirs. *Proved reserves* are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Estimates change as additional information becomes available. *Oil-equivalent reserves* are the sum of the liquids reserves and the oil-equivalent gas reserves. See *barrels of oil-equivalent* and *oil-equivalent gas*.

The rules of the United States Securities and Exchange Commission (SEC) permit oil and gas companies to disclose in their filings with the SEC only proved reserves. Certain terms, such as "probable" or "possible" reserves, "potentially recoverable" volumes, or "resources," among others, may be used to describe certain oil and gas properties in sections of this document that are not filed with the SEC. We use these other terms, which are not approved for use in SEC filings, because they are commonly used in the industry, are measures considered by management to be important in making capital investment and operating decisions, and provide some indication to our stockholders of the potential ultimate recovery of oil and gas from properties in which we have an interest. In that regard, potentially recoverable volumes are those that can be produced using all known primary and enhanced recovery methods.

**Synthetic crude oil** A marketable and transportable hydrocarbon liquid, resembling crude oil, that is produced by upgrading highly viscous or solid hydrocarbons, such as extra-heavy crude oil or *oil sands*.

## Financial Terms

**Cash flow from operating activities** Cash generated from the company's businesses; an indicator of a company's ability to pay dividends and fund capital and common stock repurchase programs. Excludes cash flows related to the company's financing and investing activities.

**Cumulative effect of change in accounting principle** The effect in the financial statements in the period of change of a retroactive application of a new accounting principle.

**Goodwill** The excess of the purchase price of an acquired entity over the total fair value assigned to assets acquired and liabilities assumed.

**Margin** The difference between the cost of purchasing, producing and/or marketing a product and its sales price.

**Net income** The primary earnings measure for a company, as determined under United States Generally Accepted Accounting Principles (GAAP), and detailed on a separate financial statement.

**Return on capital employed** (ROCE) Ratio calculated by dividing *net income* (adjusted for after-tax interest expense and minority interest) by the average of total debt, minority interest and *stockholders' equity* for the year.

**Stockholders' equity** The owners' share of the company; the difference between total assets and total liabilities.

**Total stockholder return** (TSR) The return to stockholders as measured by stock price appreciation and reinvested dividends for a period of time.