Effective Tax Rates for Oil and Gas Companies

Cashing in on Special Treatment

July 2014

Table of Contents

Results in Brief

From 2009 through 2013, large U.S.-based oil and gas companies paid far less in federal income taxes than the statutory rate of 35 percent. Thanks to a variety of special tax provisions, these companies were also able to defer payment of a significant portion of the federal taxes they accrued during this period.

According to their financial statements, 20 of the largest oil and gas companies reported a total of $133.3 billion in U.S. pre-tax income from 2009 through 2013. These companies reported total federal income taxes during this period of $32.1 billion, giving them a federal effective tax rate (ETR) of 24.0 percent. Special provisions in the U.S. tax code allowed these companies to defer payment of more than half of this tax bill. This group of companies actually paid $15.6 billion in income taxes to the federal government during the last five years, equal to 11.7 percent of their U.S. pre-tax income. This measure, the amount of U.S. income tax paid regularly every tax period (i.e. not deferred), is known as the “current” tax rate.

Four of the companies in this study – ExxonMobil, ConocoPhillips, Occidental, and Chevron – account for 84 percent of all the income and paid 85 percent of all the taxes for the entire group. These four had an ETR of 24.4 percent and a current ETR of only 13.3 percent. The smaller firms paid an even smaller share of their tax liability on a current basis. When the top four companies and those with losses are excluded from the analysis, the remaining companies reported a 28.9 percent ETR on U.S. income, but only a 3.7 percent current rate. They deferred over 87 percent of their tax liability.

Many of the companies deferred more of their federal income taxes than they actually paid during the last five years. Occidental Petroleum reported a total federal income tax bill of $5.4 billion from 2009 to 2013, of which it deferred payment of $4.5 billion, or 83 percent. Continental Resources deferred $1.1 billion of its $1.2 billion in total federal income taxes. As a result, most of the companies accumulated large amounts of deferred tax liabilities during this period. The net deferred tax liability of Devon Energy more than doubled from $1.9 billion in 2009 to $4.8 billion in 2013. Apache Corporation’s net deferred tax liability grew from $2.6 billion to $7.9 billion during the last five years. In some cases, the amount of total deferred tax liabilities grew to equal a significant portion of the company’s entire net worth, as measured by its shareholder equity. At the end of 2013, ConocoPhillips reported total deferred tax liabilities of $22 billion, equal to roughly 42 percent of its total shareholder equity. Denbury Resources reported total deferred tax liabilities of $2.6 billion, equal to roughly half its reported shareholder equity of $5.3 billion in 2013.

The federal income tax of this group of companies is dramatically less than the income taxes they paid to foreign governments during the same period. Foreign income taxes totaled roughly 46.2 percent of their total foreign pre-tax income. And because the tax codes of foreign governments generally do not allow the deferral of tax payments the way the U.S. code does, these companies paid out 99 percent of the entire amount of $254.2 billion in accrued tax liabilities to foreign governments.

Discussion

The companies in this study reported relatively low federal income tax rates and were able to defer a significant amount of their U.S. tax liabilities. Deferred income taxes are the result of temporary differences between the amount of assets and liabilities a company recognizes for accounting purposes and the amounts it recognizes for tax purposes. Oil and gas companies can defer tax payments for a variety of reasons, some specific to the industry. If an independent oil and gas company constructs an asset like an oil rig, for example, it can claim a tax deduction for all of its intangible drilling costs (IDC), which include the costs of designing and fabricating drilling platforms. This allows the company to immediately deduct all of these costs from its taxable income. Normally, a taxpayer who constructs an asset would have to wait for the asset to generate income and expense these costs over time, spreading its tax deductions over 5, 10, or 20 years, depending on the useful life of the asset. Deducting the entire amount immediately allows the company to defer or delay payment of a portion of the taxes it accrued that year.

To understand how it works, assume an oil and gas company has IDCs of $1000 in order to create a well that will generate $100 of revenue every year for 10 years. In year 1, the company will deduct the full $1000 from its taxable income, sheltering $100 of income from the well and $900 of income from other activities. In subsequent years, it will have $100 of taxable income from the well but no deduction, because it has already taken it all up front. After 9 years, it will have theoretically paid back the taxes it was able to defer in year 1. If the well produces $50 a year, it would take 20 years to pay off the deferred taxes. If a well produces no income, the company will have reduced its income taxes in year 1 by an amount it will never pay back.

The principal benefit of the IDC deduction and others tax preferences like it for the oil and gas industry is the ability to defer more and more of their federal income taxes, year after year. If the company in the example above spends $1000 to drill another well in year 2, its deferred tax liabilities increase. Over time, the total amount an oil and gas company owes the federal government in deferred taxes can become significant. ExxonMobil reported total deferred tax liabilities of $54.5 billion in 2013. It pays no interest to the federal government on the amount it owes, even if it takes 20 years to pay it back.

In general, the oil and gas companies in this study have relatively low amounts of debt in the form of loans or notes. Often, in their financial statements, these companies tout how they finance their exploration and development investments with cash flow from operations. Yet, many have significant deferred tax liabilities. *In effect, these companies are financing significant parts of their business with interest-free loans from U.S. taxpayers.*

According to their financial statements, most of the deferred tax liability of the oil and gas companies in this study came from capital cost recovery (e.g. IDC deduction). Of the $8.67 billion in total deferred tax liabilities Occidental reported in 2013, for example, $8.36 billion or 96.5 percent was from "plant, property and equipment." For an explanation of some of the tax subsidies available to the oil and gas industry, see "Understanding Oil and Gas Tax Subsidies," (April 2014) at http://www.taxpayer.net/library/article/understanding-oil-and-gas-tax-subsidies.

Conclusion

Oil and gas companies may pay a lot in income taxes, but it is not to the U.S. government. Indeed, the "current" federal income tax rate of some of the largest oil and gas companies – the amount they actually paid during the last five years – was 11.7 percent. The "smaller" companies included in the study which reported positive earnings only paid 3.7 percent. Many of the tax provisions available to the oil industry are not available to other taxpayers, giving these companies a significant tax advantage.

The language the industry uses gives the impression that it pays a high federal income tax rate. The American Petroleum Institute cites an industry-wide effective tax rate of 44.3 percent. In reality, the amount oil and gas companies pay in federal income tax is considerably less than the statutory rate of 35 percent, thanks to the convoluted system of tax provisions allowing them to avoid and defer federal income taxes.

Notes

This study looks at data from the financial statements filed with the Securities and Exchange Commission (SEC) by U.S.-based oil and gas companies with large oil and gas reserves. The data are used to calculate the companies' effective federal income tax rates from 2009 through 2013.

The purpose of this study is to examine the extent to which companies that report earnings to their shareholders are paying federal income tax on those earnings. When a company reports a loss, it normally pays little, if any, current federal income tax and reduces its deferred tax liabilities. Therefore, no tax rate is calculated for companies during years in which a loss is recorded.

Because the report looks at federal subsidies for exploration, development and production, the oil and gas companies considered in this study were chosen by the total value of their oil and gas reserves, as reported by Ernst and Young in "U.S. Oil and Gas Reserves Study," 2013. The ending reserve amounts are converted to dollars. Foreign-owned U.S. oil and gas companies were excluded.

U.S. Federal Effective Tax Rates, 2009-2013

Company	Pre-tax Income (Loss) *$millions*	Income Tax Expense (Benefit) *$ millions*			Tax Rate	
		Current	Deferred	Total	Federal ETR	Federal Current
ExxonMobil	42,766	5,016	3,257	8,273	19.3%	11.7%
ConocoPhillips	20,206	3,659	1,920	5,579	27.6%	18.1%
Occidental	17,239	910	4,527	5,437	31.5%	5.3%
Chevron	31,188	5,240	2,693	7,933	25.4%	16.8%
Anadarko	(4,661)	(151)	(1,503)	(1,654)		
Chesapeake Energy	(3,056)	4	(1,189)	(1,185)		
EOG Resources	8,844	657	2,335	2,992	33.8%	7.4%
Devon Energy	1,842	279	931	1,210	65.7%	15.1%
Apache	5,930	(220)	2,111	1,891	31.9%	-3.7%
Pioneer Natural Resources	1,242	(6)	450	444	35.8%	-0.5%
Continental Resources	3,424	43	1,113	1,156	33.8%	1.3%
Marathon Oil	(650)	(449)	(889)	(1,338)		
Hess	3,188	430	(1,598)	(1,168)	-36.6%	13.5%
Range Resources	477	(1)	181	180	37.7%	-0.2%
Plains Exploration and Development*	1,338	(78)	567	489	36.5%	
SandRidge	(2,240)	(1)	(538)	(539)		
Whiting Petroleum	2,393	9	835	844	35.3%	0.4%
Denbury Resources	2,780	68	885	953	34.3%	2.5%
Noble Energy	(817)	116	(208)	(92)		
Concho Resources	1,911	45	599	644	33.7%	2.4%
Total	**133,344**	**15,571**	**16,479**	**32,050**	**24.0%**	**11.7%**

*Plains was acquired in 2013; Plains numbers above are for 2009-2012.

Foreign Effective Tax Rates, 2009-2013

Company	Pre-tax Income (Loss) *$millions*	Income Tax Expense (Benefit) *$ millions*			Tax Rate	
		Current	Deferred	Total	Foreign ETR	Foreign Current
ExxonMobil	254,664	113,537	(700)	112,837	44.3%	44.6%
ConocoPhillips	52,966	29,538	(1,063)	28,475	53.8%	55.8%
Occidental	23,441	10,174	(51)	10,123	43.2%	43.4%
Chevron	149,266	62,107	3,810	65,917	44.2%	41.6%
Anadarko	8,441	3,778	111	3,889	46.1%	44.8%
Chesapeake Energy	-	-	-	-		
EOG Resources	(936)	713	(577)	136		
Devon Energy	1,322	413	(112)	301	22.8%	31.2%
Apache	16,788	8,407	741	9,148	54.5%	50.1%
Pioneer Natural Resources	44	(14)	1	(13)	-29.9%	-31.1%
Continental Resources	-	-	-	-		
Marathon Oil	23,652	15,643	344	15,987	67.6%	66.1%
Hess	15,844	6,803	(491)	6,312	39.8%	42.9%
Range Resources	-	-	-	-		
Plains Exploration and Development*	(61)	-	-	-	0.0%	0.0%
SandRidge	-	-	-	-		
Whiting Petroleum	-	-	-	-		
Denbury Resources	-	-	-	-		
Noble Energy	4,603	656	436	1,092	23.7%	14.3%
Concho Resources	-	-	-	-		
Total	**550,033**	**251,756**	**2,449**	**254,204**	**46.2%**	**45.8%**

*Plains was acquired in 2013; Plains numbers above are for 2009-2012.

Deferred Tax Liabilities (DTL) from Property, Plant, and Equipment (PP&E) in 2012 and 2013

($ in millions, except where noted)	2012			2013		
Company	**Total DTL**	**DTL from PP&E**	**% of Total DTL**	**Total DTL**	**DTL from PP&E**	**% of Total DTL**
ExxonMobil	52,400	48,720	93.0%	54,358	50,884	93.6%
ConocoPhillips	20,910	18,826	90.0%	22,000	20,079	91.3%
Occidental	7,828	7,316	93.5%	8,670	8,363	96.5%
Chevron	26,571	24,295	91.4%	28,208	25,936	91.9%
Anadarko [1]	10,538	8,683	82.4%	10,708	8,213	76.7%
Chesapeake Energy [2]	4,283	1,999	46.7%	4,657	2,631	56.5%
EOG Resources [3]	5,476	5,300	96.8%	6,502	6,288	96.7%
Devon Energy	6,321	4,970	78.6%	6,272	5,895	94.0%
Apache	10,236	10,213	99.8%	10,253	10,224	99.7%
Pioneer Natural Resources [4]	2,968	2,323	78.3%	2,037	1,570	77.1%
Continental Resources	1,344	1,331	99.0%	1,841	1,840	100.0%
Marathon Oil	4,543	3,691	81.2%	4,879	4,018	82.4%
Hess	5,450	5,345	98.1%	5,736	5,581	97.3%
Range Resources	957	894	93.4%	1,026	1,011	98.5%
Plains Exploration and Development*	2,167	2,146	99.0%	-	-	-
SandRidge	558	198	35.6%	482	180	37.4%
Whiting Petroleum	1,720	1,555	90.4%	1,836	1,676	91.3%
Denbury Resources	2,552	2,277	89.2%	2,284	2,541	111.3%
Noble Energy	2,481	2,481	100.0%	2,615	2,615	100.0%
Concho Resources	1,251	1,229	98.2%	1,400	1,384	98.9%

*Plains was acquired in 2013; Numbers indicate notes located in Company Notes section below.

Appendix: Company Profiles

1. ExxonMobil Corporation

ExxonMobil Corporation's principal business is exploration and production of crude oil and natural gas; manufacture of petroleum products; and transportation and sale of crude oil, natural gas and petroleum products. The Irving, Texas-based firm was formed in 1999 through the merger of the Exxon and Mobil companies, both of which originated from John D. Rockefeller's Standard Oil monopoly. ExxonMobil has several divisions and hundreds of affiliates, many with names that include ExxonMobil, Exxon, Esso, Mobil or XTO.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	2,576	7,711	11,511	11,222	9,746	42,766
Foreign	32,201	45,248	61,746	67,504	47,965	254,664
U.S. Federal Income Taxes						
current	(806)	1,270	1,562	1,880	1,110	5,016
deferred	650	49	1,577	1,097	(116)	3,257
current and deferred	(156)	1,319	3,139	2,977	994	8,273
Foreign Income Taxes						
current	15,830	21,093	28,849	25,650	22,115	113,537
deferred	(665)	(1,191)	(1,417)	1,816	757	-700
current and deferred	15,165	19,902	27,432	27,466	22,872	112,837
Effective Tax Rate						
U.S. Federal	-6.1%	17.1%	27.3%	26.5%	10.2%	19.3%
U.S. Federal - Current	-31.3%	16.5%	13.6%	16.8%	11.4%	11.7%
Foreign	47.1%	44.0%	44.4%	40.7%	47.7%	44.3%

Source: Financial statements filed with SEC.

In the period from 2009 through 2013, ExxonMobil reported $42.8 billion in U.S. pre-tax income and $8.3 billion in federal income taxes, giving it a federal effective tax rate of 19.3 percent. It accrued $112.8 billion in foreign taxes on $254.7 billion of foreign income during the same period, equal to a 44.3 percent foreign income tax. The disparity between foreign and U.S. income taxes was particularly dramatic in 2013, as foreign income taxes equaled 47.7 percent of foreign income while U.S. income tax was 10.2 percent.

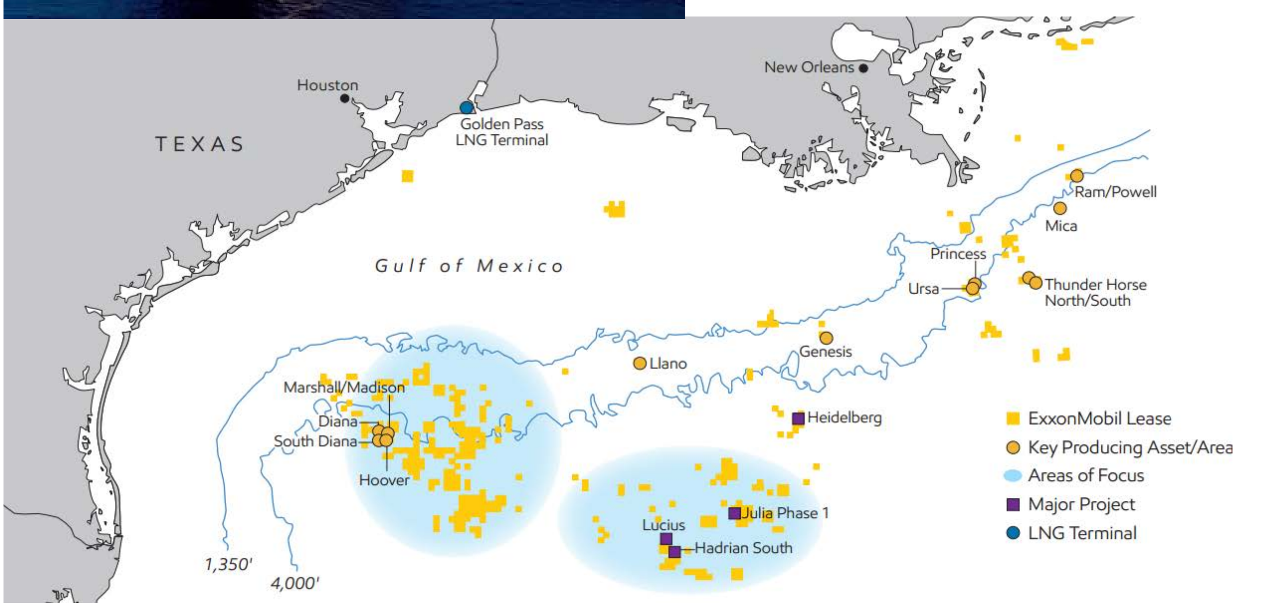
These rates, however, do not reflect what ExxonMobil actually paid in U.S. income taxes. During the 2009 through 2013 period, the oil and gas producer paid 60.6 percent of the U.S. taxes it incurred, deferring the rest. The company's deferred tax liability has grown consistently over the last five years to $54.4 billion at the end of 2013.

Domestic Production

ExxonMobil has 25.2 billion oil-equivalent barrels (GOEB) in proved reserves, and conducted development activities in over 100 fields last year. It controls a total of 15.1 million net acres, of which 2 million net acres are offshore. It was active in areas onshore and offshore in the lower 48 states and in Alaska.

ExxonMobil completed 1,080 net exploration and development wells in the lower 48 states during 2013. Its development activities focused on the Bakken oil region in North Dakota and Montana, the San Joaquin Basin of California, the Woodford and Caney Shales in the Ardmore, Marietta and Arkoma basins of Oklahoma, the Permian Basin of West Texas and New Mexico, the Marcellus Shale of Pennsylvania and West Virginia, the Haynesville Shale of Texas and Louisiana, the Barnett Shale of North Texas, and the Fayetteville Shale of Arkansas. ExxonMobil's net acreage in the Gulf of Mexico is 1.9 million acres, with 2.5 net exploration and development wells completed last year. In Alaska, it completed 17.1 net development wells last year.

ExxonMobil's Hoover platform (at left) operates in more than 4,800 feet of water and constitutes a focal point in the company's Gulf of Mexico operations (below). With interests in 339 deepwater blocks, ExxonMobil is one of the largest deepwater leaseholders in the Gulf of Mexico. In 2013, net production from the region totaled 43 thousand barrels of liquids per day and 159 million cubic feet of gas. (Graphic below taken from the company's report "Financial & Operating Review 2013," page 27.)



2. ConocoPhillips

ConocoPhillips is the world's largest independent oil and natural gas exploration and production company, based on proved reserves and production of liquids and natural gas. The Houston, Texas-based company was incorporated in Delaware on August 30, 2002 through a merger of the Phillips Petroleum Company, founded in 1917, and Conoco Inc., founded in 1875. Its total production from continuing operations for 2013, including equity affiliates, averaged 1,502 thousand barrels of oil equivalent per day. ConocoPhillips separated its refining and marketing and chemical businesses into free-standing public companies in 2012. These businesses were much smaller than the exploration and production division. It is now an almost purely an exploration and production company with operations in 27 countries.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S. pre-tax income	2,456	3,872	4,762	4,070	5,046	20,206
Foreign pre-tax income	7,576	14,003	10,634	11,353	9,400	52,966
U.S. Federal Income Taxes						
current	575	1,231	1,066	63	724	3,659
deferred	52	148	285	624	811	1,920
current and deferred	627	1,379	1,351	687	1,535	5,579
Foreign Income Taxes						
current	5,584	7,050	6,400	6,255	4,249	29,538
deferred	(1,239)	(1,120)	48	744	504	-1,063
current and deferred	4,345	5,930	6,448	6,999	4,753	28,475
Effective Tax Rate						
U.S. Federal	25.5%	35.6%	28.4%	16.9%	30.4%	27.6%
U.S. Federal - Current	23.4%	31.8%	22.4%	1.5%	14.3%	18.1%
Foreign	57.4%	42.3%	60.6%	61.6%	50.6%	53.8%

Source: Financial statements filed with SEC.

ConocoPhillips reported $20.2 billion in total U.S. pre-tax income from 2009 through 2013, on which it accrued $5.6 billion in federal income taxes, giving it an effective federal income tax rate of 27.6 percent. It deferred $1.9 billion of this amount, giving ConocoPhillips a current federal income tax rate of 18.1 percent for the period. The company reported total net deferred tax liabilities of $15.1 billion last year, which is equal to 29 percent of its $52.1 billion in shareholder equity.

Domestic Production

ConocoPhillips is the largest crude oil and natural gas producer in Alaska. It has major ownership interests in two of North America's largest oil fields located on Alaska's North Slope: Prudhoe Bay and Kuparuk. It is also one of Alaska's largest owners of state and federal exploration leases, with approximately 0.9 million net undeveloped acres, of which 0.5 million are located in the National Petroleum Reserve and 0.3 million are located in the Chukchi Sea. Last year, ConocoPhillips's Alaska operations accounted for 23 percent of its worldwide liquids production and 1 percent of its natural gas production.

ConocoPhillips holds 15.3 million net acres onshore and offshore in the Lower 48 states, which account for roughly 29 percent of its total liquids production and 38 percent of its natural gas production. It holds 13.1 million net acres of onshore acreage in the Lower 48, including:

- 620,000 net acres in the Bakken, in North Dakota and Eastern Montana, where it drilled 126 wells last year and operated 11 rigs;
- 221,000 net acres in the Eagle Ford, in South Texas, where it operated 11 drilling rigs, and drilled 164 exploration and development wells;
- 240,000 net acres in the Permian, in West Texas and southeastern New Mexico;
- 130,000 net acres in the Niobrara, in northeastern Colorado;
- 900,000 net acres in the San Juan Basin, in northwestern New Mexico and southwestern Colorado.

In the deepwater Gulf of Mexico, ConocoPhillips ranks in the top five leaseholders, holding 2.1 million acres. It reports that it will expand its Gulf of Mexico exploration program with access to two new drillships.

The Magnolia platform, operated by ConocoPhillips at a depth of 4,674 feet, is located 165 miles south of Louisiana in the Garden Banks field of the Gulf of Mexico. In 2013, ConocoPhillips produced 15 million barrels oil equivalent per day from the region.

3. Occidental Petroleum Corporation

Founded in 1920, Occidental is an oil and gas exploration and production company. Its domestic oil and gas operations are located in California, Colorado, Kansas, New Mexico, North Dakota, Oklahoma and Texas.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	2,091	3,295	4,806	2,117	4,930	17,239
Foreign	2,754	4,269	6,035	5,636	4,747	23,441
U.S. Income taxes						
current	16	614	320	(401)	361	910
deferred	606	390	1,340	1,046	1,145	4,527
current and deferred	622	1,004	1,660	645	1,506	5,437
Foreign Income taxes						
current	1,368	1,896	2,357	2,383	2,170	10,174
deferred	(136)	12	49	41	(17)	(51)
current and deferred	1,232	1,908	2,406	2,424	2,153	10,123
Effective Tax Rate						
U.S. Federal	29.7%	30.5%	34.5%	30.5%	30.5%	31.5%
U.S. Federal - Current	0.8%	18.6%	6.7%	-18.9%	7.3%	5.3%
Foreign	44.7%	44.7%	39.9%	43.0%	45.4%	43.2%

Source: Financial statements filed with SEC.

Occidental reported 42 percent of its worldwide income from domestic operations during 2009 through 2013, with $17.2 billion in U.S. pre-tax income. It reported total federal income taxes on this income of $5.4 billion, giving it an effective federal income tax rate of 31.5 percent for the period. It deferred $4.5 billion of these taxes, giving Occidental a current federal income tax rate of 5.3 percent. Occidental reported more than $7 billion in net deferred tax liabilities in 2013, equal to 16 percent of its reported shareholder equity. It has also reported $10.6 billion in funds indefinitely reinvested abroad, which will never be subject to federal taxation unless it brings this money back to the U.S.

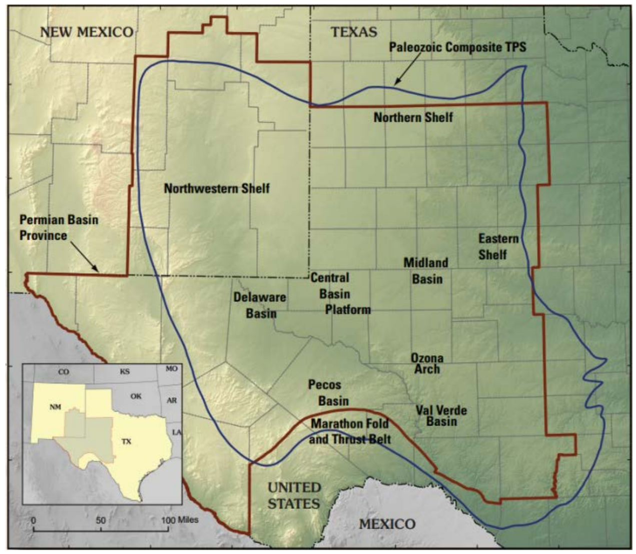
Domestic Production

Occidental is the largest operator and the largest producer of oil in the Permian Basin, which straddles the border between Texas and New Mexico. It also produces and processes natural gas and NGLs. It holds approximately 1.9 million net acres, with 9,500 gross wells. Its share of production in the region was approximately 212,000 barrels of oil equivalent per day last year.

In California, Occidental has properties in approximately 130 fields, with interests in the San Joaquin Valley, the Wilmington and other fields in the Los Angeles Basin, and the

Ventura and Sacramento Basins. It is California's largest producer of natural gas and one of the largest oil and gas producers in the state. Occidental drilled approximately 770 wells in California during 2013 and plans to drill approximately 1,050 wells in 2014.

Across Kansas, Oklahoma, Colorado, North Dakota and Texas, Occidental holds more than 2.3 million net acres, of which approximately 176,000 net acres in South Texas, including 4,000 net acres in the Eagle Ford Shale. In addition, Occidental holds approximately 335,000 net acres of oil-producing and unconventional properties across Montana and North Dakota, on the Bakken, Three Forks and Pronghorn formations in the Williston Basin. Occidental drilled approximately 175 wells last year, producing approximately 108,000 barrels of oil equivalent per day.



Occidental is the largest operator and oil producer in the Permian Basin in southeastern New Mexico and west Texas (see above).

4. Chevron Corporation

Chevron Corporation is an oil and gas exploration and production company, which also refines, markets, and transports crude oil and refined products. The company was formed in 1984 through the merger of Gulf Oil and Standard Oil Company of California. Chevron's worldwide oil-equivalent production was 2.6 million barrels per day in 2013 and it had proved reserves of 11.2 billion barrels of oil-equivalent.

Chevron reported total U.S. income for 2009 through 2013 of $31.2 billion and total federal income taxes of $7.9 billion, giving it an effective federal tax rate of 25.4 percent. It deferred $2.7 billion of its taxes and paid $5.2 billion, giving it a current rate of 16.8 percent. According to its financial statement, Chevron may not have enough future taxable income to take full advantage of its net operating loss carryforwards and foreign tax credit carryforwards, resulting in a fairly large valuation allowance against its deferred tax assets. It reported total net deferred tax liabilities of $17.6 billion in 2013, up from $8.5 billion in 2009.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	1,310	6,528	10,222	8,456	4,672	31,188
Foreign	17,218	25,527	37,412	37,876	31,233	149,266
U.S. Federal Income taxes						
current	128	1,501	1,893	1,703	15	5,240
deferred	(147)	162	877	673	1,128	2,693
current and deferred	(19)	1,663	2,770	2,376	1,143	7,933
Foreign Income taxes						
current	7,154	10,483	16,548	15,626	12,296	62,107
deferred	600	377	671	1,487	675	3,810
current and deferred	7,754	10,860	17,219	17,113	12,971	65,917
Effective Tax Rate						
U.S. Federal	-1.5%	25.5%	27.1%	28.1%	24.5%	25.4%
U.S. Federal - Current	9.8%	23.0%	18.5%	20.1%	0.3%	16.8%
Foreign	45.0%	42.5%	46.0%	45.2%	41.5%	44.2%

Source: Financial statements filed with SEC.

Domestic Production

Chevron's upstream activities in the U.S. are concentrated in California, the Gulf of Mexico, Colorado, Louisiana, Michigan, New Mexico, Ohio, Oklahoma, Pennsylvania, Texas, West Virginia and Wyoming. Its average oil-equivalent production in the U.S. last year was 657,000 barrels per day.

During 2013, net daily production for the company's combined interests in the Gulf of Mexico averaged 143,000 barrels of crude oil, 347 million cubic feet of natural gas and 15,000 barrels of natural gas liquids (NGLs). It participated in six deepwater exploratory wells last year, and it purchased eight leases from the central Gulf of Mexico lease sale held in first quarter 2013. Chevron also acquired three deepwater leases from the western Gulf of Mexico lease sale held in third quarter 2013.

At the end of 2013, Chevron was the largest leaseholder in the Gulf of Mexico with interests in 672 leases. Operations at the Jack/St. Malo and Big Foot fields are expected to drive production growth in upcoming years. (Graphic from Chevron's SEC Form 10-K, 2013 Annual Report, page 9.)

Company activities in the midcontinental United States include interests primarily in Colorado, New Mexico, Oklahoma, Texas and Wyoming. During 2013, the company's net daily production in these areas averaged 96,000 barrels of crude oil, 610 million cubic feet of natural gas and 28,000 barrels of NGLs. Chevron holds leases in the Marcellus Shale and the Utica Shale formations, located primarily in southwestern Pennsylvania, eastern Ohio, and the West Virginia panhandle; and in the Antrim Shale and Collingwood/ Utica Shale in Michigan. During 2013, the company's net daily production in these areas averaged 220 million cubic feet of natural gas.

In 2013, Chevron's net daily production in the Anterim, Utica, and Marcellus shale fields averaged 220 million cubic feet of natural gas. (Graphic from Chevron's SEC Form 10-K, 2013 Annual Report, page 11.)

5. Anadarko Petroleum Corporation

Anadarko is an independent exploration and production company in the Lower 48 states, the deepwater Gulf of Mexico, and onshore in Alaska. It was formed in 1959 as a subsidiary of the Panhandle Eastern Pipe Line Company and became an independent public company in 1986. It has approximately 2.8 billion barrels of oil equivalent of proved reserves. Its U.S. operations accounted for roughly 89 percent of total sales volumes and 90 percent of total proved reserves last year.

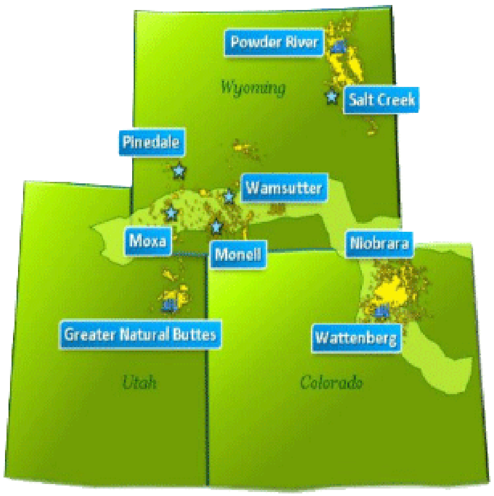
Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(660)	855	(5,416)	132	428	(4,661)
Foreign	552	786	1,992	3,433	1,678	8,441
U.S. Federal Income taxes						
current	(233)	305	(381)	45	113	(151)
deferred	(25)	(72)	(1,470)	(30)	94	(1,503)
current and deferred	(258)	233	(1,851)	15	207	(1,654)
Foreign Income taxes						
current	409	628	977	891	873	3,778
deferred	(52)	(48)	85	74	52	111
current and deferred	357	580	1,062	965	925	3,889
Effective Tax Rate						
U.S. Federal		27.3%		11.4%	48.4%	
U.S. Federal - Current		35.7%		34.1%	26.4%	
Foreign	64.7%	73.8%	53.3%	28.1%	55.1%	46.1%

Source: Financial statements filed with SEC.

Anadarko's settlement of Deepwater Horizon liabilities resulted in a significant 2011 loss and loss from its U.S. operations for the period studied. It reported a negative amount of federal income taxes, both current and deferred.

Domestic Production



Anadarko focused its capital spending in 2013 on liquids-rich areas, including the Wattenberg field in the Rocky Mountains region, where it operates 13,200 wells in total. (Graphic from Anadarko's 3Q 2013 Operations Report, page 4)

Anadarko operates approximately 13,200 wells and owns an interest in approximately 9,500 non-operated wells in the Rocky Mountains. It drilled 707 wells and completed 658 wells in the Rockies during 2013 and reports plans to increase the number of horizontal wells drilled from 350 in 2013 to approximately 400 in 2014.

Anadarko's Southern and Appalachia Region properties are primarily located in Texas, Pennsylvania, Louisiana, and Kansas. It holds an interest in approximately 4.2 million gross acres in this region. It drilled 593 horizontal wells and brought 533 wells online in 2013, and it reports plans to drill 665 horizontal wells in the Southern and Appalachia Region in 2014.

In the Gulf of Mexico, Anadarko owns an average 63 percent working interest in 444 blocks. It operates six active floating platforms, holds interests in 29 producing fields, and is in the process of delineating and developing two additional fields.

Anadarko's U.S. operations accounted for 90 percent of its total proved reserves at year-end 2013. Over the year, activities in the Southern and Appalachia Region (left) drove an overall increase in the company's natural-gas liquids production of eight thousand barrels per day. (Graphic from Anadarko's 3Q 2013 Operations Report, page 6)

6. Chesapeake Energy Corporation

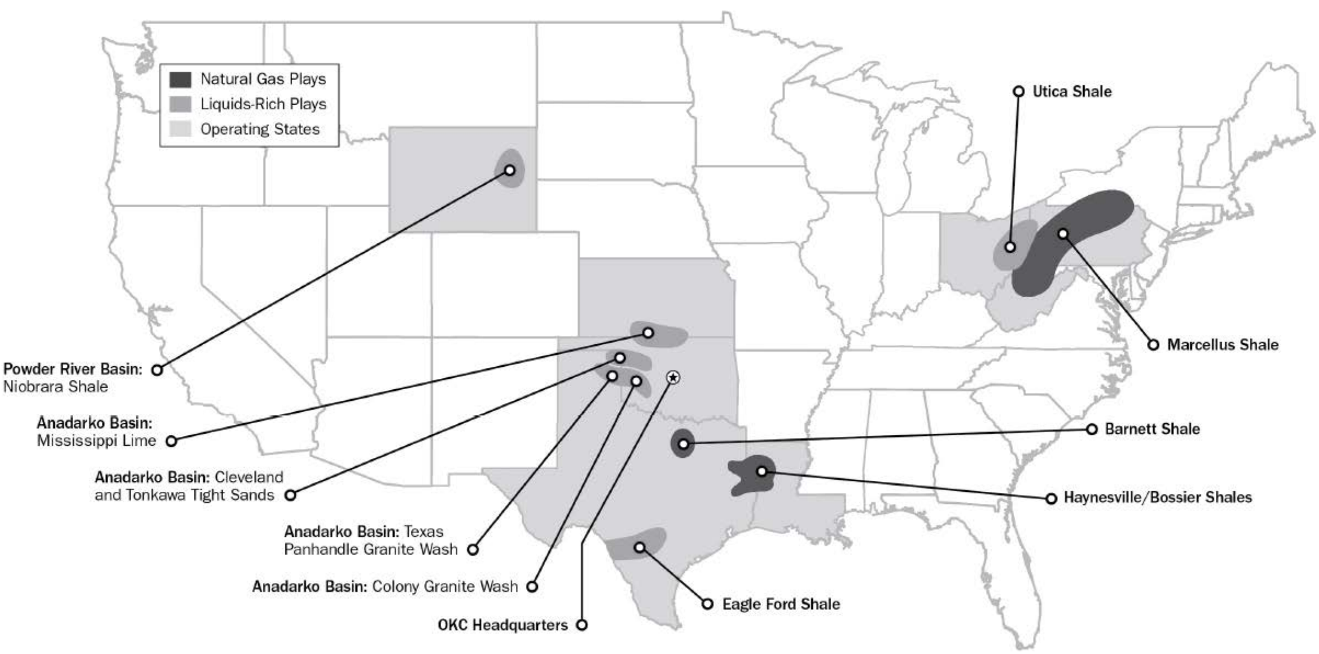
Founded in 1989, Chesapeake Energy is currently the second-largest producer of natural gas and the tenth-largest producer of petroleum and natural gas liquids in the U.S., with interests in approximately 46,800 natural gas and oil wells. It produced an average of approximately 665 million barrels of oil equivalent per day in the fourth quarter of 2013.

Income Statement Items ($ millions)

Pre-Tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(9,288)	2,884	2,880	(974)	1,442	(3,056)
U.S. Federal and State Income Taxes						
current	4	-	-	-	-	4
Deferred	(3,487)	1,110	1,044	(358)	502	(1,189)
current and deferred	(3,483)	1,110	1,044	(358)	502	(1,185)
Effective Tax Rate						
U.S. Federal		38.5%	36.3%		34.8%	
U.S. Federal - Current	(0)	-	-	-	-	

Source: Financial statements filed with SEC.

Chesapeake recorded significant impairments (a downward revaluation of fixed assets) to oil and gas properties, resulting in 2009 and 2012 losses. It reported total net deferred tax liabilities of $3.2 billion in 2013, equal to 20 percent of its shareholder equity of $16 billion.



Chesapeake's operations are focused in the Marcellus, Eagle Ford, and Barnett Shale formations which account for 25%, 19%, and 16% of the company's total proven reserves respectfully. (Graphic from the company's SEC Form 10-K, 2013 Annual Report, page 1)

Domestic Production

Chesapeake divides its production operations into two divisions. Its Northern Division includes the Utica Shale in Ohio, West Virginia and Pennsylvania, the Marcellus Shale in the northern Appalachian Basin in West Virginia and Pennsylvania, and the Niobrara Shale in the Powder River Basin in Wyoming.

Its Southern Division includes the Eagle Ford Shale in South Texas, the Granite Wash/Hogshooter, Cleveland, Tonkawa and Mississippi Lime plays in the Anadarko Basin in northwestern Oklahoma, the Texas Panhandle and southern Kansas, the Haynesville/Bossier Shale in northwestern Louisiana and East Texas, and the Barnett Shale in the Fort Worth Basin in north-central Texas.

7. EOG Resources, Inc.

Founded in 1999, EOG Resources, formerly known as Enron Oil and Gas, is a crude oil and natural gas exploration and development company operating primarily in the U.S. Its total estimated proved reserves are 2,119 million barrels of oil equivalent, 94 percent of which are located in the U.S. EOG holds approximately 2.7 million net undeveloped acres in the U.S.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	784	646	2,156	1,988	3,269	8,844
Foreign	88	(239)	(246)	(707)	168	(936)
U.S. Federal Income taxes						
current	95	17	94	243	208	657
deferred	166	191	608	454	916	2,335
current and deferred	261	208	702	697	1,124	2,992
Foreign Income taxes						
current	47	156	224	152	134	713
deferred	(23)	(175)	(149)	(162)	(68)	(577)
current and deferred	24	(19)	75	(10)	67	136
Effective Tax Rate						
U.S. Federal	33.3%	32.1%	32.6%	35.1%	34.4%	33.8%
U.S. Federal - Current	12.1%	2.7%	4.4%	12.2%	6.4%	7.4%
Foreign	27.1%				39.8%	

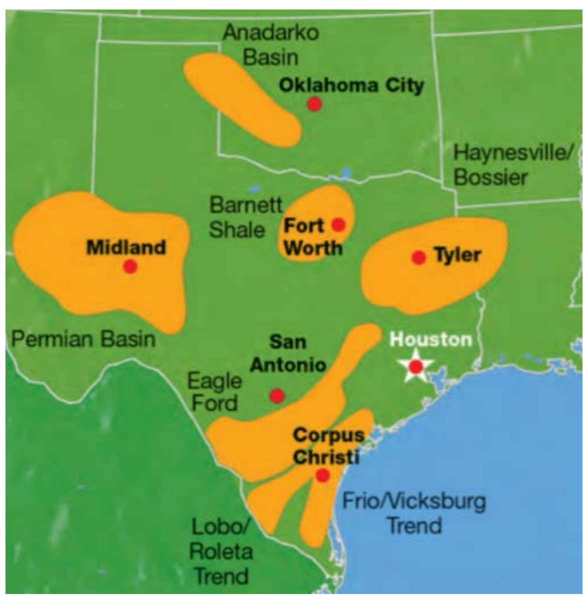
Source: Financial statements filed with SEC.

EOG reported $8.8 billion in U.S. pre-tax income during 2009 through 2013 and $3 billion in federal income taxes, giving it an effective federal income tax rate of 33.8 percent for the period. It deferred $2.3 billion of its taxes, bringing its current federal tax rate down to 7.4 percent. EOG reported $5.2 billion in total net deferred tax liabilities in 2013, equal to 34 percent of its $15.4 billion in shareholder equity. EOG also reported $2.7 billion in funds indefinitely reinvested abroad.

Domestic Production

In southern Texas, EOG is the largest oil producer in the Eagle Ford, where it controls approximately 564,000, producing approximately 142 thousand barrels per day of crude oil and natural gas condensate. It reports plans to drill approximately 520 wells in the region in 2014. In western Texas and southeastern New Mexico, EOG holds roughly 413,000 net acres throughout the Permian Basin, producing an average of 23,000 barrels per day of crude oil and condensate and NGLs. It drilled and participated in 61 net wells last year in the Permian Basin, and plans to drill approximately 65 net wells in 2014.

In 2013, EOG drilled 39 net wells in the Williston Basin Bakken and 20 net wells in the Powder River Basin in the Rocky Mountain region. It produces on average approximately 61,000 barrels per day of crude oil and condensate and NGLs in the entire Rocky Mountain area.



EOG's operations are focused on oil shale plays in the Texas area, near its headquarters in Houston, Texas. (Graphic from EOG's 2013 Annual Report, page 4)

8. Devon Energy Corporation

Devon Energy Corporation is an independent energy company formed in 1971 operating in onshore areas in the U.S. and Canada. It owns natural gas pipelines, plants and treatment facilities, producing about 2.4 billion cubic feet of natural gas per day. It holds 14 million net acres, of which roughly 60 percent are undeveloped.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(4,961)	2,943	3,477	(263)	646	1,842
Foreign	435	625	813	(54)	(497)	1,322
U.S. Federal Income Taxes						
current	45	244	(143)	60	73	279
deferred	(1,846)	781	1,986	(188)	198	931
current and deferred	(1,801)	1,025	1,843	(128)	271	1,210
Foreign Income Taxes						
current	178	256	(20)	(5)	4	413
deferred	(57)	(83)	218	(30)	(160)	(112)
current and deferred	121	173	198	(35)	(156)	301
Effective Tax Rate						
U.S. Federal		34.8%	53.0%		42.0%	65.7%
Current		8.3%	-4.1%		11.3%	15.1%
Foreign	27.8%	27.7%	24.4%			22.8%

Source: Financial statements filed with SEC.

Devon recorded federal income tax rate of 65.7 percent for the period because of its divestiture of assets located outside of North America and planned divestiture of Canadian assets. This resulted in $1 billion in taxes on amounts it had previously treated as indefinitely reinvested. It reported $1.5 billion in funds indefinitely reinvested in 2012, down from $5.5 billion in 2012. Devon deferred most of the $1.2 billion in federal taxes it accrued, giving it a current federal tax rate of 15.1 percent for the last five years.

Domestic Production

Devon is the largest leaseholder and the largest producer in the Anadarko Basin, located primarily in the Blaine, Caddo, Canadian, and Dewey counties of Oklahoma. It reports plans to drill approximately 95 wells in the region in 2014. Anadarko accounts for 12 percent of Devon's total production and 14 percent of its total proved reserves.

In 2013, Devon produced 517 million boe/day in the U.S., 75% of its total production. It also drilled 74% of its development and exploratory wells in the U.S. (Graphic from "Devon's Core & Emerging Assets" in the company's "2013 Letter to Shareholders and Form 10-K," page 5)

Devon is the largest producer in the Barnett Shale formation in northern Texas. It has drilled in excess of 5,000 wells in the region since 2002. Barnett accounts for 37 percent of Devon's total proved reserves and 33 percent of production. Devon reports plans to drill approximately 80 wells here in 2014. It also owns one of the largest processing plants in the U.S. in Bridgeport, Texas.

9. Apache Corporation

Apache Corporation, formed in 1954, is an independent oil and gas exploration and development company. Its North American operations are primarily in south-central U.S., Gulf Coast onshore and offshore areas, and in Western Canada.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(567)	1,328	2,373	1,605	1,191	5,930
Foreign	893	3,878	5,720	3,272	3,025	16,788
U.S. Federal Income Taxes						
current	(130)	25	64	(150)	(29)	(220)
deferred	(81)	431	656	596	509	2,111
current and deferred	(211)	456	720	446	480	1,891
Foreign Income Taxes						
current	974	1,193	2,197	2,349	1,694	8,407
deferred	(127)	514	573	71	(290)	741
current and deferred	847	1,707	2,770	2,420	1,404	9,148
Effective Tax Rate						
U.S. Federal		34.3%	30.3%	27.8%	40.3%	31.9%
U.S. Federal - Current		1.9%	2.7%	-9.3%	-2.4%	-3.7%
Foreign	94.8%	44.0%	48.4%	74.0%	46.4%	54.5%

Source: Financial statements filed with SEC.

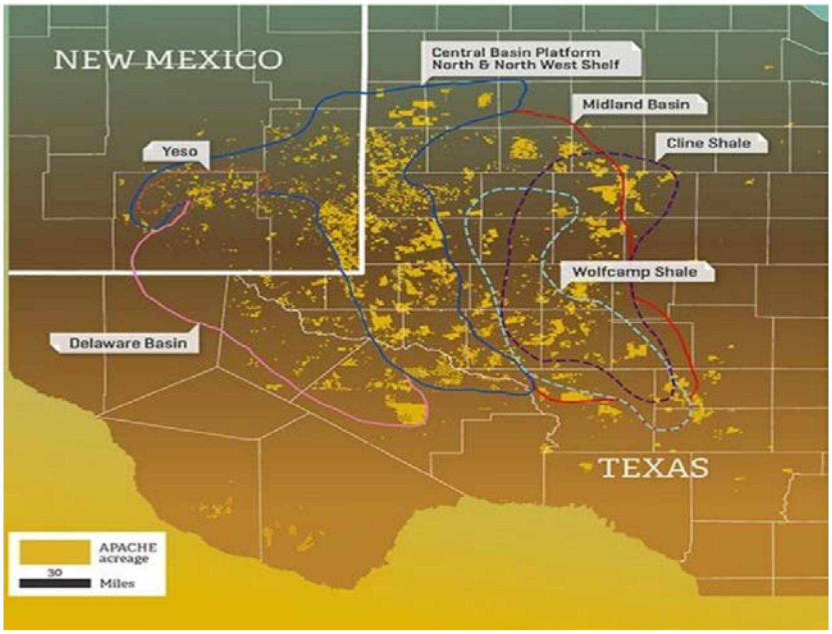
Apache reported $5.9 billion in U.S. pre-tax income from 2009-2013, and deferred all of the taxes it accrued during this period. Its net deferred tax liability in 2013 was $8.2 billion, equal to roughly one-quarter its reported shareholder equity of $33.4 billion. Apache also reported $17 billion in funds indefinitely reinvested abroad last year.

Domestic Production

In 2013, 51 percent of Apache's proven reserves and roughly 44 percent of its production was in the United States. Its U.S. operations are focused in the Anadarko Basin and the Permian Basin in western Texas and southeastern New Mexico, where it is one of the largest operators. In the Permian region, it has more than 13,500 producing wells in 155 fields and controls more than 3.3 million gross acres. Apache drilled or participated in

785 wells, of which 186 were horizontal, with an average of 42 rigs running during the year in the region.

Apache controls 1.8 million gross acres with more than 3,800 producing wells in western Oklahoma and the Texas Panhandle (its "Central Region"). It ran an average of 24 rigs during 2013 in the region and drilled or participated in drilling 322 wells. Its oil and liquids production last year was 91 thousand barrel of oil equivalent per day, with estimated proved reserves of 304 million barrels of oil equivalent.



The Permian Basin region (at left) is the focal point of Apache's U.S. operations. At 2013 year end, the company estimated its proved reserves in the Permian at 910 Million boe. (Graphic from Apache's "First Quarter 2014 Earnings Release, Operations Supplement" page 6)

10. Pioneer Natural Resources Company

Pioneer is a large independent oil and gas exploration and production company formed in 1997. Its business is conducted through numerous subsidiaries and centered around its holdings in the Spraberry/Wolfcamp oil field in West Texas.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	-234	741	549	787	-601	1,242
Foreign	44	-	-	-	-	44
U.S. Federal Income Taxes						
current	-22	0	0	6	10	-6
deferred	-64	263	180	272	-201	450
current and deferred	-86	263	180	278	-191	444
Foreign Income Taxes						
current	0.6	0	0	0	-0.2	0
deferred	0	0	0	0	0	0
current and deferred	0.6	0	0	0	-0.2	0.3
Effective Tax Rate						
U.S. Federal		35.51%	32.75%	35.31%	31.74%	35.78%
U.S. Federal - Current		0.00%	0.00%	0.71%	-1.73%	-0.46%
Foreign	1.26%	-	-	-	-	0.72%

Source: Financial statements filed with SEC.

From 2009 through 2013, Pioneer incurred a total $444 million in U.S. taxes on $1.2 billion in pretax income attributable to its controlling interests, giving it an effective tax rate of 35.8 percent. Pioneer was able to defer all of its taxes during this period. In fact, the company reported negative current income taxes during the period, meaning it received $6 million from the federal government. Over the last five years, the company's net deferred tax liability increased from $1.4 billion to $2.2 billion, equal to 39 percent of the company's total shareholder equity.

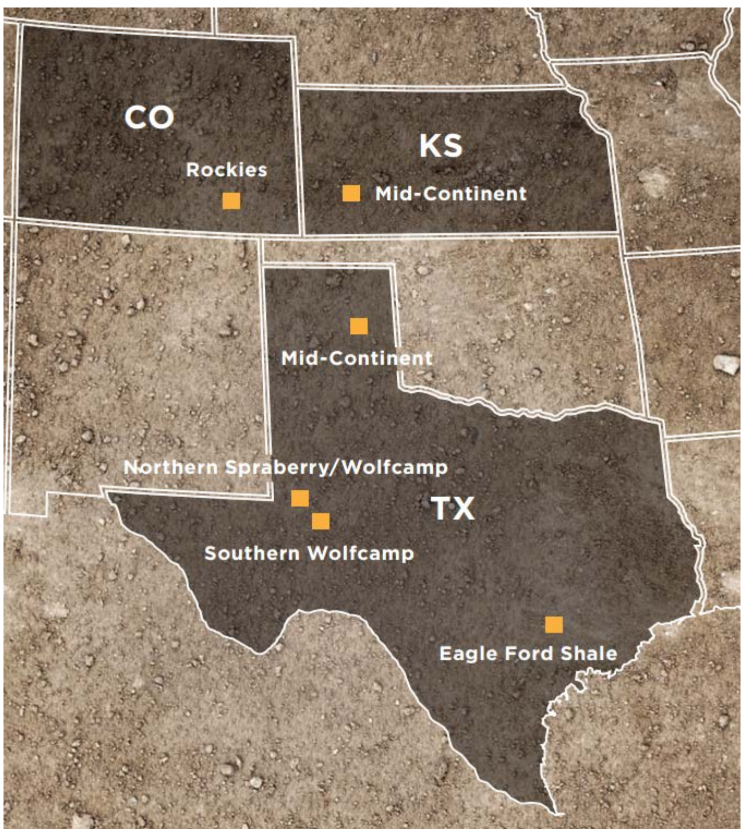
In 2011, Pioneer began divesting its assets in South Africa and Tunisia, and classified the foreign operations as discontinued at the ends of 2011 and 2010, respectively. Any income or taxes attributable to discontinued operations are not reflected here. The company's income from continuing operations before taxes in 2013 was significantly reduced by a $1.5 billion impairment loss, a decrease in the book value of its assets.

Domestic Production

At the end of 2013, 92 percent of Pioneer's proved reserves lay underneath the Spraberry/Wolfcamp oil field; the liquid-rich Eagle Ford Shale play; the Hugoton and West Panhandle fields; and the Raton gas field.

Pioneer owns approximately 717,000 net acres in the Spraberry field, which encompasses eight counties in West Texas. It has 29 rigs operating in the field, of which 11 are drilling vertical wells and 18 are drilling horizontal wells. It reports that it plans to add an additional six horizontal drilling rigs in 2014. Pioneer drilled 502 wells in this field last year, and says it expects to drill approximately 200 vertical wells and 255 horizontal wells in 2014. The field contains most of the company's proved oil and gas reserves.

In the panhandle region of Texas, Pioneer has approximately 700 wells on more than 239,000 net acres, covering more than 375 square miles. It controls 100 percent of the wells, production equipment, gathering system, and a gas processing plant in the region. In the South Texas area, it completed 132 horizontal wells in the Eagle Ford Shale formation last year.



In the Hugoton field of southwest Kansas, Pioneer's properties are located on 235,000 net acres, covering approximately 400 square miles. It has interests in approximately 1,200 wells in the field.

Pioneer owns 178,000 net acres in the center of the Raton Basin, located in the southeast portion of Colorado. It produces CBM gas from the coal seams in the Vermejo and Raton formations from approximately 2,300 wells.

Map of Pioneer's operations in 2013. (Graphic from the company's "2013 10-K and Annual Report")

11. Continental Resources, Inc.

Formed in 1967, Continental Resources is an independent crude oil and natural gas exploration and production company in the U.S.

Income Statement Items ($ millions)

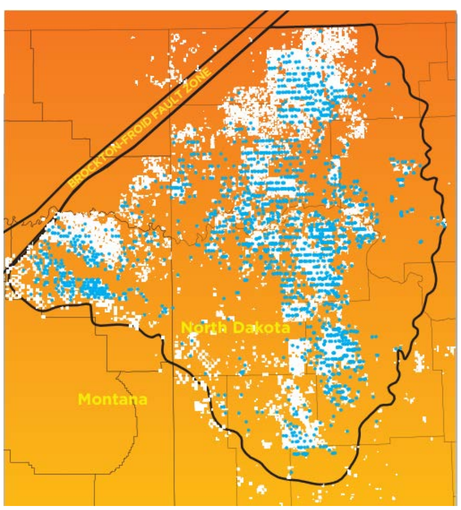
Pre-tax Income	2009	2010	2011	2012	2013	2009-2012
U.S.	110	258	687	1,155	1,213	3,424
U.S. Federal Income Taxes						
current	2	13	13	9	6	43
deferred	35	79	212	383	403	1,113
current and deferred	38	91	225	392	409	1,156
Effective Tax Rate						
U.S. Federal	34.3%	35.3%	32.8%	34.0%	33.7%	33.8%
U.S. Federal - Current	2.2%	4.9%	1.9%	0.8%	0.5%	1.3%

Source: Financial statements filed with SEC.

Continental reported $3.4 billion in total U.S. income during the last five years and $1.2 billion in total federal income taxes, giving it an effective tax rate of 33.8 percent. It was able to defer payment of $1.1 billion of its tax bill, giving it a current federal income tax rate of 1.3 percent. According to its 2013 annual report, Continental's total net deferred tax liability was more than $1.7 billion, equal to 43 percent of its shareholder equity.

Domestic Production

Continental Resources controls the largest leasehold position in the Bakken field, in North Dakota and Montana, with 1,209,821 net acres, and 20 active rigs. It has completed 1,025 net wells in the region, of which 788 are in North Dakota.



In the Garvin, Grady, Stephens, Carter, McClain, and Love counties in Oklahoma, Chesapeake held 403,854 net acres under lease and completed a total of 79 net wells last year. Its total average production in this region was 23,754 barrels of oil equivalent per day, with 18 drilling rigs operating. It reports plans to invest approximately $865 million to drill 72 net wells in the Oklahoma region in 2014, and approximately $19 million to acquire approximately 230 square miles of additional property in the region.

In 2013, Continental's activities in the Bakken field of North Dakota and Montana (at left) accounted for 64.7% of the company's total production. In the graphic, white indicates Continental leaseholds. Blue signifies Continental producers. (Graphic from the company's 2013 Annual Report, page 10)

12. Marathon Oil Corporation

Marathon Oil is an independent, international oil and natural gas exploration, production, and marketing company. The Houston, Texas-based firm was incorporated in 2001, but descends from the 1887-founded Ohio Oil Company, which was temporarily part of John D. Rockefeller's Standard Oil monopoly. In June 2011, the company spun off its downstream operations – refining, transportation, and retail sales – into the now-independently owned Marathon Petroleum Corporation.

Income Statement Items ($ millions)

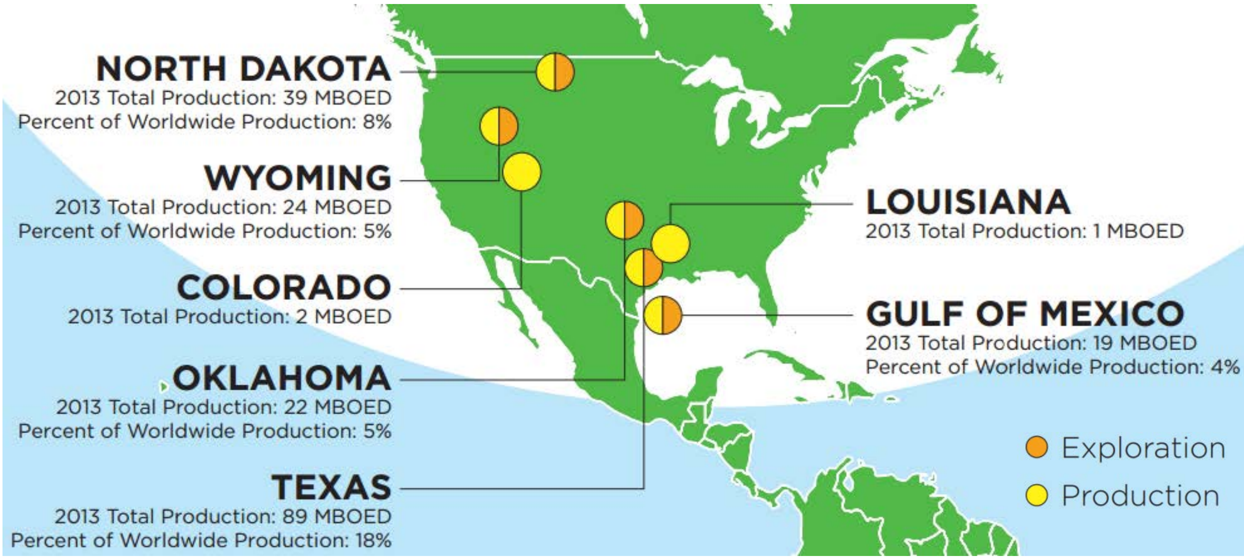
Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	494	-506	-442	-252	56	-650
Foreign	2,947	4,563	4,886	6,382	4,874	23,652
U.S. Federal Income Taxes						
current	40	-279	-193	-80	63	-449
deferred	-329	-267	-217	-30	-46	-889
current and deferred	-289	-546	-410	-110	17	-1338
Foreign Income Taxes						
current	1,480	2,941	3,088	4,844	3,290	15,643
deferred	870	-212	-58	-241	-15	344
current and deferred	2,350	2,729	3,030	4,603	3,275	15,987
Effective Tax Rate						
U.S. Federal	-58.5%				30.4%	19.3%
U.S. Federal - Current	8.1%				112.5%	11.7%
Foreign	79.7%	59.8%	62.0%	72.1%	67.2%	44.3%

Source: Financial statements filed with SEC.

Marathon Oil posted profits in every year from 2009 through 2013, but attributed little of it to its U.S. operations. Consequently, both its taxable U.S. income and federal income taxes were low throughout the period.

Domestic Production

In 2013, Marathon Oil had approximately 2.2 billion barrels of oil equivalent in proved reserves and 6,632 gross (2,568 net) productive U.S. wells. Significant areas of its U.S. operations include the Eagle Ford formation in south Texas, the Bakken shale oil play in North Dakota and eastern Montana, and the Oklahoma resource basins. As of December 2013, the company held approximately 211,000 net acres in Eagle Ford, 370,000 net acres in Bakken, and 209,000 net acres in the Oklahoma resource basins. It plans to allocate approximately 60 percent of its capital, investment and exploration spending budget to these areas in 2014. Other U.S.-based operations include 11 producing fields in the Gulf of Mexico and a 65 percent operated working interest in the Ewing Bank Block 873 platform, located 130 miles south of New Orleans, Louisiana.



Collectively, Marathon Oil's U.S. operations generated 51% of the company's worldwide production in 2013. In particular, the company focused its activities in the Eagle Ford field in south Texas where they have dedicated 39% of their capital, investment and exploration budget for 2014. (Graphic from the company's 2013 Fact Book, page 6)

13. Hess Corporation

Incorporated in 1920, Hess is an integrated U.S. oil company. Roughly half of Hess's crude oil and natural gas liquids production and 22 percent of its natural gas production are from its U.S. operations. In total, 46 percent of its proved reserves are located in the U.S.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(711)	(108)	14	3,520	473	3,188
Foreign	2,233	3,419	2,226	3,946	4,020	15,844
U.S. Federal Income Taxes						
current	39	151	202	30	8	430
deferred	(284)	(309)	(653)	(419)	67	(1,598)
current and deferred	(245)	(158)	(451)	(389)	75	(1,168)
Foreign Income Taxes						
current	1,143	1,515	1,185	2,019	941	6,803
deferred	(168)	(230)	(60)	(220)	187	(491)
current and deferred	975	1,285	1,125	1,799	1,128	6,312
Effective Tax Rate						
U.S. Federal			3221.4%	-11.1%	15.9%	-36.6%
U.S. Federal - Current			1442.9%	0.9%	1.7%	13.5%
Foreign	43.7%	37.6%	50.5%	45.6%	28.1%	39.8%

Source: Financial statements filed with SEC.

Hess reported total U.S. earnings for 2009 through 2013 of $3.2 billion and total federal income taxes of *negative* $1.2 billion, giving it an effective tax rate of *negative* 36.6 percent. It paid $430 million, giving it a current federal income tax rate of 13.5 percent for this period. Hess has significant valuation allowances, meaning it expects it will not be able to realize all the benefits of its deferred tax assets. Hess reports that it is exiting the marketing and refining aspects of the business to focus on exploration and production.

Domestic Production

In North Dakota, Hess holds approximately 645,000 net acres on the Bakken formation. During 2013, it operated 14 rigs and drilled 195 wells, bringing its total production wells to 722. Hess reports plans to operate 17 rigs and bring on production of 225 wells in 2014, averaging between 80,000 and 90,000 barrels of oil equivalent per day. Hess also owns the Tioga Gas Plant in North Dakota, has a processing capacity of approximately 110 million cubic feet per day of natural gas. It is in the process of completing an expansion of the plant which will increase total processing capacity to approximately 250 million cubic feet per day.

Hess's production offshore in the Gulf of Mexico Hess has interests in 207 blocks, of which 178 are exploration blocks comprising approximately 700,000 net undeveloped acres, with an additional 66,000 net acres held for production and development operations.

A drilling rig in the Montana Bakken field. In 2013, Hess's operations in the field produced 24% of its worldwide crude oil, 35% of its natural gas liquids, and 11% of its natural gas. The company also devoted 36% of its exploration and production expenditures to Bakken activities in 2013.

14. Range Resources Corporation

Range Resources is an independent oil and gas company operating mostly in the Appalachian and Southwestern regions of the United States. It was formed in 1998 through the merger of Lomak Petroleum, Inc. and Domain Energy Corporation.

Income Statement Items ($ millions)

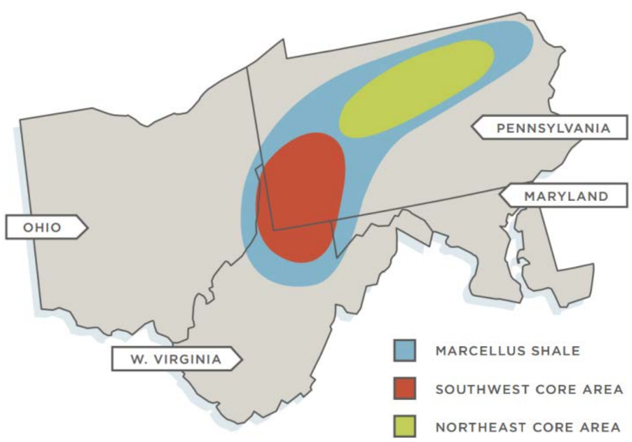
Pre-tax Income	2009	2010	2011	2012	2013	2009-2012
U.S.	85	140	78	25	150	477
U.S. Federal Income Taxes						
current	(1)	-	-	-	-	-1
deferred	29	51	30	12	59	181
current and deferred	28	51	30	12	59	180
Effective Tax Rate						
U.S. Federal	33.1%	36.7%	38.4%	47.4%	39.1%	37.7%
U.S. Federal - Current	-1.2%	0.0%	0.0%	0.0%	0.0%	-0.2%

Source: Financial statements filed with SEC.

Range Resources reported total U.S. income for 2009 through 2013 of $477 million and total federal income taxes of $180 million, giving it an effective federal income tax rate of 37.7 percent. It deferred all of its accrued taxes during this period. In its 2013 annual report, Range reported total net deferred tax liabilities of $736 million, roughly equal to 31 percent of its shareholder equity of $2.4 billion.

Domestic Production

Range owns 6,136 net producing wells principally in Pennsylvania, West Virginia and Virginia with approximately 1.3 million net acres under lease. Last year, it drilled 117.8 net development wells and 35 net exploratory wells in the region. Range began operations on the Marcellus Shale formation in Pennsylvania in 2004. It now has 586 proven drilling locations in the region. During 2013, it drilled more than 100 development wells and 35 net exploratory wells. Range says that it plans to run an average of 9 drilling rigs in the region in 2014 and drill more than 160 net wells.



The company's operations are centered around the Marcellus Shale play. At the end of 2013, 83% of the company's reserves were in the formation. In the year, Range's total production increased by 25% since 2012, driven by targeted drilling in the Marcellus region. (Graphic from the company's 2009 Annual Report, page 12)

15. Plains Exploration & Production Company

Founded in 2002, Plains was an independent oil and gas exploration and development company with operations in onshore and offshore California, the Gulf of Mexico, the Gulf Coast Region, and the Rocky Mountains. At the end of December 2012, it had estimated proved reserves of 440.4 million barrels of oil equivalent, of which 82 percent was oil.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2009-2012
U.S.	218	264	341	514	1,338
Foreign	(1)	(60)	0	0	(61)
U.S. Federal Income Taxes					
current	41	(90)	(26)	(3)	(78)
deferred	37	180	150	200	567
current and deferred	77	91	125	197	489
Effective Tax Rate					
U.S. Federal	35.3%	34.4%	36.5%	38.2%	36.5%

Source: Financial statements filed with SEC.

Plains reported $1.3 billion in U.S. pre-tax income from 2009 through 2012 and deferred all of the taxes it accrued during this period. The company's net deferred tax liability in 2012 was $1.6 billion, equal to 46 percent of its reported shareholder equity of $3.5 billion.

Domestic Production

Plains' onshore California operations encompassed the Los Angeles Basin, the San Joaquin Basin, and the Arroyo Grande Field in San Luis Obispo County. Its offshore California operations encompassed the Point Arguello Unit and the Point Pedernales Field, with average daily sales volumes of 2,300 and 5,500 barrels of oil equivalent per day, respectively, in the fourth quarter of 2012.

The company's Gulf of Mexico operations included Marlin Hub as well as the Holstein, Horn Mountain, Ram Powell, Lucius Oil and Diana and Hoover Fields. The company's average net daily sales volume for the Gulf of Mexico was 65,300 barrels of oil equivalent per day in December 2012.

The company's Gulf Coast Region operations consisted of the Eagle Ford Shale and the Haynesville Shale. It owned interests on roughly 88,000 gross acres in Eagle Ford with average daily sales volumes of 40,400 barrels of oil equivalent during the fourth quarter of 2012. It also owned rights to roughly 430,000 gross acres in Haynesville, with average daily sales volumes of 162.8 million cubic feet of gas equivalent per day.

The company's operations in the Rocky Mountains region consisted of the Wind River Basin and the Big Horn Basin, located in Wyoming. It reported ownership of a 14 percent working interest in Wind River. Plains' held leases on 125,000 gross acres in Big Horn.

16. SandRidge Energy, Inc

Founded in 1984, SandRidge Energy is an oil and natural gas company with a principal focus on exploration and production activities in the Mid-Continent region of the U.S. It has 3,246.7 net producing wells, approximately 2,438,000 net total acres under lease, and 30 drilling rigs.

Income Statement Items ($ millions)

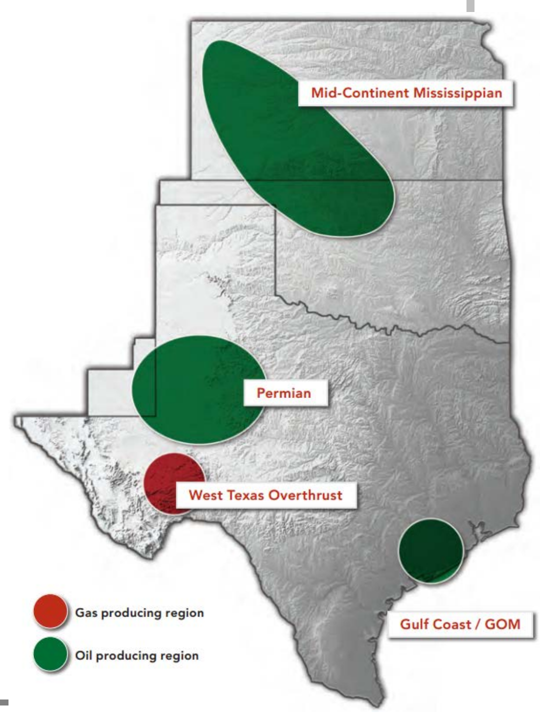
Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(1,782.0)	(251.7)	156.6	146.2	(508.8)	(2,240)
U.S. Federal Income Taxes						
current	(4.4)	(0.7)	0.6	(0.1)	3.8	(1)
deferred	-	(434.1)	(6.4)	(97.4)	-	(538)
current and deferred	(4.4)	(434.8)	(5.8)	(97.5)	3.8	(539)
Effective Tax Rate						
U.S. Federal			-3.7%	-66.7%		
U.S. Federal - Current			0.4%	0.0%		

Source: Financial statements filed with SEC.

Sand Ridge, which has a loss of $2.2 billion for the period, recorded $1.7 billion in non-cash impairments for 2009 as a result of declining prices. Additionally, the company is highly leveraged with the result that it incurred interest expense for the period in excess of $1.2 billion.

Domestic Production

In 2013, SandRidge had approximately 2,438,000 net leasehold acres and 3,246.7 net producing wells. Its business is concentrated in its operations in Oklahoma and Kansas, where it held 1,849,000 net acres and 1,038.5 net producing wells. It had 30 rigs operating in the region last year, which drilled a total of 434 horizontal wells, 49 vertical wells and 28 saltwater disposal wells.



At the end of 2013, Sandridge estimated its net proved reserves at 433.4 million boe. It reported holding 302.3 million boe in the Mid-Continent region, 74.3 billion boe in West Texas and 56.8 million boe in the Gulf Coast region. (Graphic from the company's 2011 Annual Report, page 8)

Sandridge's other operational segments in West Texas and the Gulf Coast area produced 11.9 and 24.7 thousand boe per day in 2013, 41 percent of the company's total.

17. Whiting Petroleum Corporation

Incorporated in 2003, Whiting is an independent oil and gas exploration and development company operating primarily in the Rocky Mountains and Permian Basin regions of the United States. Last year, its estimated proved reserves totaled 438.5 million barrels of oil equivalent, with average daily production 94,100 barrels of oil equivalent per day.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(163)	541	780	662	572	2,393
U.S. Federal Income Tax						
current	1	1	0	-	7	9
deferred	(56)	188	273	233	197	835
current and deferred	(55)	189	273	233	204	844
Effective Tax Rate						
U.S. Federal		35.0%	35.0%	35.3%	35.6%	35.3%
U.S. Federal - Current		0.2%	0.0%	0.0%	1.2%	0.4%

Source: Financial statements filed with SEC.

Whiting reported total U.S. income of $2.4 billion and total federal income taxes of $844 million from 2009 through 2013, giving it an effective federal tax rate of 35.3 percent. It deferred almost all of its accrued taxes, paying only 0.4 percent of its federal income taxes during this period. Whiting reported total net deferred liabilities of $1.3 billion in 2013, equal to 33 percent of its shareholder value.

Domestic Production

Whiting's operations in the Rocky Mountains include assets in North Dakota, Colorado, Montana, Wyoming, Utah and California. It holds approximately 82,400 net acres in Mountrail County and 263,400 net acres in Stark and Billings counties, North Dakota. In Richland County, Montana and McKenzie County, North Dakota, Whiting had approximately 64,300 net acres at the end of last year. It also completed the acquisition of approximately 32,100 net acres in the Weld County, Colorado portion of the DJ Basin with three drilling rigs operating in this area, and reported plans to add another rig in 2014.

Whiting operates in the Permian Basin, including approximately 60,500 net acres in Ward and Winkler counties, Texas, and approximately 40,900 net acres in Pecos, Reeves and Ward counties, Texas in the Delaware Basin.

Proved Reserves in Core Areas

Core Area	Oil	NGLs	Natural Gas	Total	% Oil
Rocky Mountains	236.6	25.7	208.8	297	80%
Permian Basin	106.4	17.8	17.6	127.1	84%
Other	4.4	1.4	51.1	14.4	31%
Total	347.4	44.9	277.5	438.5	79%

18. Denbury Resources, Inc.

Denbury Resources is a domestic oil and natural gas company primarily focused on enhanced oil recovery (EOR) utilizing CO2. Its operations are focused in two areas: (1) the Gulf Coast region in Mississippi, Texas, Louisiana and Alabama; and (2) the Rocky Mountain region in Montana, North Dakota and Wyoming. Originally founded in 1951, Denbury became a Canadian public company in 1992 and relocated its headquarters to the United States in 1999. As of 2013, it has 468.3 million barrels of oil equivalent in estimated proved oil and natural gas reserves, of which 83 percent is oil.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(122)	479	924	857	642	2,780
U.S. Federal Income Tax						
current	7	16	(13)	58	0	68
deferred	(50)	143	330	240	223	885
current and deferred	(43)	159	317	298	223	953
Effective Tax Rate						
U.S. Federal	35.5%	33.2%	34.3%	34.7%	34.7%	34.3%
U.S. Federal - Current	-5.8%	3.3%	-1.4%	6.7%	0.1%	2.5%

Source: Financial statements filed with SEC.

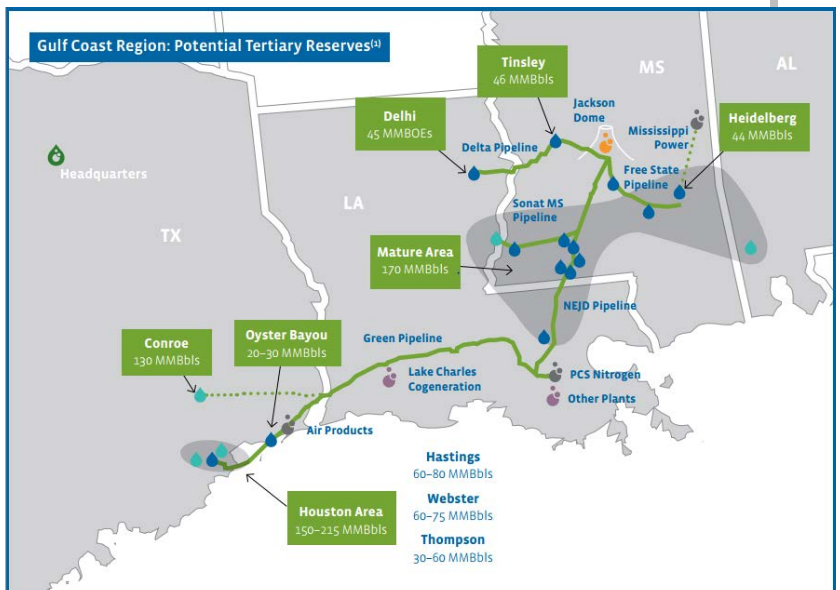
In the period from 2009 through 2013, the company reported $2.8 billion in U.S. pre-tax income and $953 million in income taxes, corresponding to an effective tax rate (ETR) of 34.3 percent. In reality, Denbury paid only 7.1 percent of the U.S. taxes it incurred, deferring the rest. By doing so, the company's deferred tax liability grew consistently over the last five years to $885 million at the end of 2013.

Domestic Production

Denbury's operations are focused in the Gulf Coast and Rocky Mountain regions, primarily using CO_2 for enhanced oil recovery (EOR). The company has been conducting and expanding EOR operations in the Gulf Coast region since 1999. It owns a significant naturally occurring source of CO2 in the region.

Denbury has invested a total of \$3.5 billion in tertiary fields and \$2.1 billion in CO_2 –producing assets and pipelines in the Gulf Coast region. The proved oil reserves in Gulf Coast tertiary oil fields have an estimated future gross revenue of \$6.1 billion.

After beginning operations in the Rocky Mountain region in 2010, Denbury completed construction of the first section of a 20-inch CO_2 pipeline in late 2012, its first pipeline in the area, and began injecting CO_2 into fields in Wyoming and Montana.



The large majority - 85% - of Denbury's tertiary reserves are in the Gulf Coast region, pictured above. (Graphic from the company's 2013 Annual Report, page 6)

19. Noble Energy, Inc.

Noble Energy was founded in 1932, incorporated in 1969, and has been publicly traded on the New York Stock Exchange since 1980. Its principal operations are located in the DJ Basin, the Marcellus Shale, the deepwater Gulf of Mexico, offshore West Africa; and offshore Eastern Mediterranean.

Noble had significant 2009 and 2011 losses from impairment to the value of oil and gas properties, giving it a net loss for the period.

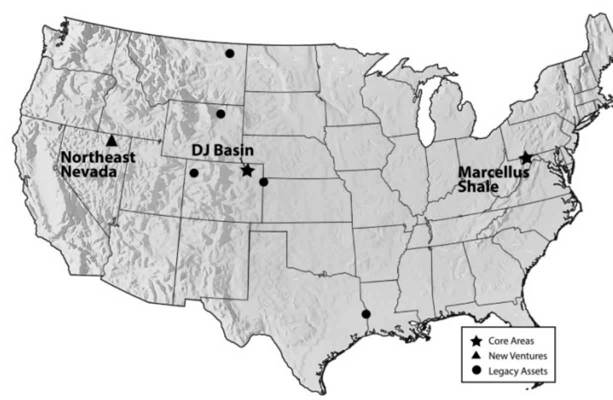
Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(808)	234	(537)	92	202	(817)
Foreign	544	614	1,039	1,264	1,142	4,603
U.S. Federal Income taxes						
current	45	25	11	14	21	116
deferred	(320)	86	(130)	60	96	(208)
current and deferred	(275)	111	(119)	74	117	(92)
Foreign Income taxes						
current	117	97	155	143	144	656
deferred	29	6	55	172	174	436
current and deferred	146	103	210	315	318	1,092
Effective Tax Rate						
U.S. Federal		47.4%		80.4%	57.9%	
U.S. Federal - Current		10.7%		15.2%	10.4%	
Foreign	26.8%	16.8%	20.2%	24.9%	27.8%	23.7%

Source: Financial statements filed with SEC.

Domestic Production

Noble's U.S. operations are focused in the DJ Basin and Marcellus Shale formation. Activities in those areas accounted for 78% of Noble's total U.S. production in 2013. (Graphic from the company's 2013 SEC Form 10-K)



Noble has been engaged in crude oil and natural gas exploration and development activities in the onshore U.S. since 1932 and in the Gulf of Mexico since 1968. Its U.S. operations account for roughly half of its total proved reserves, split 57 percent natural gas and 43 percent crude oil.

In Colorado and Wyoming, the DJ Basin is Noble's largest onshore US field, covering approximately 730,000 net acres, split between approximately 609,000 net acres in Colorado and approximately 121,000 net acres in Wyoming. Noble reports it will devote approximately 40 percent of its capital investment in the DJ Basin during 2014.

The DJ Basin contributed an average of 95 MBoe/d of sales volumes, representing approximately 36 percent of total consolidated sales volumes in 2013, with approximately 63 percent being crude oil and natural gas liquids, and represented approximately 32 percent of total proved reserves as of December 2013.

20. Concho Resources Inc.

Formed in February 2006, Concho Resources Inc. is an independent oil and natural gas company located in the Permian Basin region of Southeast New Mexico and West Texas, the largest onshore oil and natural gas basin in the U.S. In 2013, the company produced 33.6 million barrels of oil equivalent and 75.1 billion cub feet of natural gas, and drilled or participated in a total of 633 gross wells.

Income Statement Items ($ millions)

Pre-tax Income	2009	2010	2011	2012	2013	2009-2013
U.S.	(36)	249	681	659	357	1,911
U.S. Federal Income Taxes						
current	10	6	9	7	13	45
deferred	(21)	71	219	211	120	599
current and deferred	(11)	77	228	218	132	644
Effective Tax Rate						
U.S. Federal		30.8%	33.4%	33.0%	37.1%	33.7%
U.S. Federal - Current		2.3%	1.4%	1.1%	3.5%	2.3%

Source: Financial statements filed with SEC.

In the period from 2009 through 2013, Concho reported $1.9 billion in U.S. pre-tax income and $644 million in income taxes, corresponding to an effective tax rate (ETR) of 33.7 percent. In reality, the company paid only 7 percent of the U.S. federal taxes it incurred, deferring the rest. By doing so, the company's deferred tax liability grew consistently over the last five years to $599 million at the end of 2013.

Domestic Production

Concho's core operating areas are the New Mexico Shelf, the Texas Permian, and the Delaware Basin. The New Mexico Shelf represents the most significant concentration of the company's assets, accounting for 44.8 percent of its total proved reserves with 225.5 million barrels of oil equivalent and 197 wells drilled in 2013. The Texas Permian represents the second most significant concentration of Concho's assets, accounting for 27.7 percent of its total proved reserves with 139.2 million barrels of oil equivalent and 234 wells drilled in 2013.

The Delaware Basin (see below) is the company's newest and fastest growing core operating area, accounting for 27.4 percent of its total proved reserves with 138.1 million barrels of oil equivalent and 202 wells drilled in 2013. In 2013, Concho identified approximately 22,000 drilling locations across a territory of 1.2 million gross acres, with nearly half, or 10,600, of the drilling locations situated within the Delaware Basin.

Company Notes

Chesapeake Energy: Due to recent changes in the income tax disclosure section of the company's annual reports, the amount Chesapeake Energy accumulated in income taxes for the U.S. federal government specifically was available for 2011-2013, but not for 2009 and 2010. U.S. income tax data for Chesapeake in the years 2009 and 2010 reflects both federal and state taxes.

Pioneer Natural Resources: The U.S. income data for Pioneer Natural Resources represents the company's pretax income from continuing operations, less the net income attributable to noncontrolling interests. By subtracting the *net* income attributable to noncontrolling interests from the total amount of income from continuing operations rather than the *pretax* income attributable to noncontrolling interests, the income data provided by Pioneer may understate the company's taxable income, causing an overstated tax rate.

Marathon: Unlike other companies in this study, Marathon Oil did not directly report its pretax income attributable to continuing operations in the U.S. Instead, the income figures displayed here were calculated by subtracting the company's pretax income from continuing operations attributable to foreign sources (as reported directly in their SEC Form 10-Ks) from the company's total pretax income from continuing operations. Comparing the results to the income the company reported from its North American (predominantly U.S.) operations segment in the same years, the method used here seems to diminish the income attributable to Marathon's U.S. business, but a more accurate method was unavailable.

Plains Exploration & Production Company: In May 2013, Plains Exploration & Production Company was acquired by Freeport-McMoRan Copper & Gold, Inc., one of the world's largest mining companies. The data considered in this report does not include the period after its acquisition by Freeport-McMoRan.

Notes to the Deferred Tax Liabilities (DTL) from Property, Plant, & Equipment (PP&E) Table

[1] Instead of PP&E, Anadarko lists "Oil and gas exploration and development operations," this total does not include other DTL for "Mineral Operations" or "Midstream and other depreciable properties"

[2] Instead of PP&E, Chesapeake's DTL for "Natural gas and oil properties" is included, DTL for "other property and equipment" and "Volumetric Production Payments" are not

[3] Instead of PP&E, EOG lists "Oil and Gas Exploration and Development Costs Deducted for Tax Over Book Depreciation, Depletion, and Amortization"

[4] Instead of PP&E, Pioneer lists "oil and gas properties."

July 2014