

Big Oil's Profits + Ownership

• BY JOHN PORRETTO AMENDED FOR MED EXPO

Chevron and Total wrapped up a string of gargantuan, record-breaking earnings reports from oil companies on Friday, a stretch in which six of the major international oil companies topped \$50 billion in combined profit for the first time.



While the profits of unparalleled size have brought withering criticism from Washington and disgust from consumers across the country, very few were surprised. Crude prices during the second quarter were nearly double what they were a year ago.

Chevron CVX said Friday its second-quarter profit rose 11% to a record \$5.98 billion, despite losing money on the refining side of the business.

The San Ramon, Calif.-based company said net income for the three months ended June 30 amounted to \$2.90 a share, versus income of \$5.38 billion, or \$2.52 a share, a year earlier.

Revenue rose significantly to \$82.9 billion from \$56.1 billion a year ago.

But results for the second-largest U.S. oil company missed Wall Street forecasts and shares fell slightly in afternoon trading. Analysts surveyed by Thomson Financial expected a profit of \$3.03 per share on revenue of \$92.41 billion.

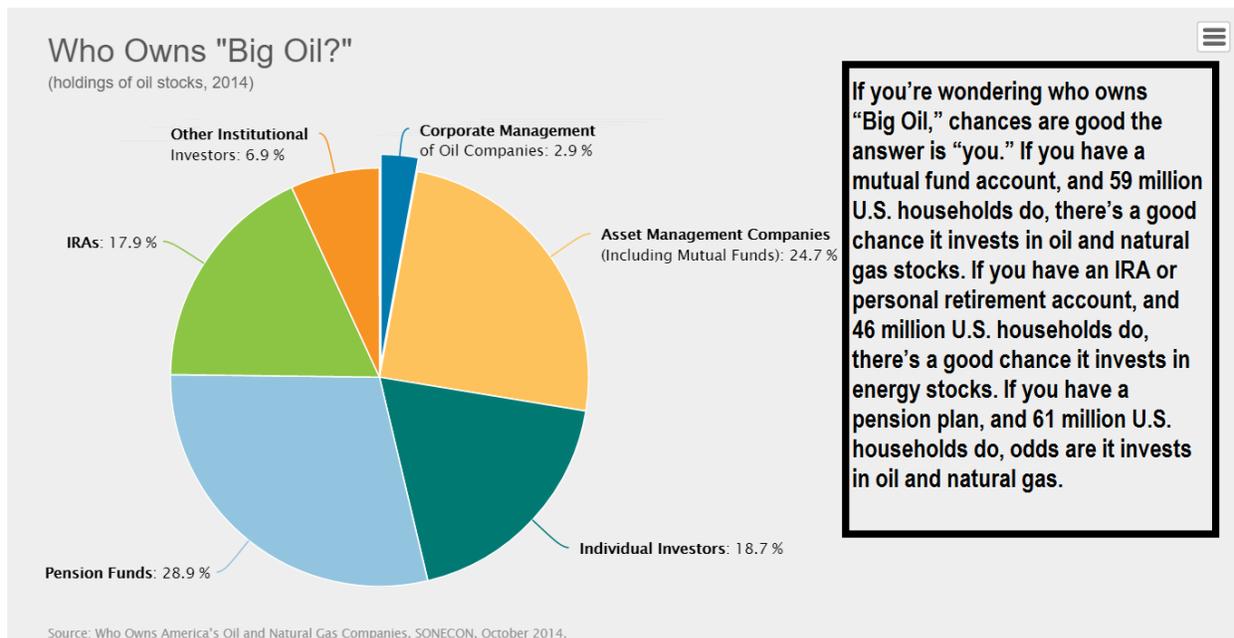
Like its competitors, Chevron made the bulk of its money at its exploration and production arm, also known as the upstream, where income nearly doubled from a year ago to \$7.25 billion.

Chevron said the average sales price for crude and natural gas liquids was \$109 a barrel in the quarter, up from \$57 a barrel in the year-earlier period.

In addition to Chevron, soaring commodity prices led to record quarters for ExxonMobil, ConocoPhillips, BP and Royal Dutch Shell.

ExxonMobil stood apart even from this crowd, logging the [largest ever quarterly operating profit for a U.S. company](#). Barring companies that made huge profits on one-time gains like bankruptcy settlements and spinoffs, ExxonMobil holds the top 10 records for biggest U.S. quarterly earnings.

French energy company Total said Friday its profit climbed 38.7% in the second quarter to \$7.38 billion. Quarterly sales rose 23% to \$75.25 billion.



Altogether, the profits of the six companies jumped more than 40% in the second quarter to \$51.5 billion, the first-time big Western oil companies have ever reached that level.

Total's earnings were at the top end of analysts' expectations.

Unlike some other oil majors, Total reported production growth of 1.3% in the second quarter.

Also Friday, Norway's state-controlled StatoilHydro reported a 37% rise in second-quarter net profits to \$3.7 billion.

At Chevron, the company division that refines and sells gasoline actually swung to a loss of \$734 million in the quarter after earning \$1.3 billion a year ago. The culprit: those same crude prices that lifted upstream earnings.

Like its peers, Chevron doesn't produce enough oil on its own to feed its refineries, forcing it to buy some on the open market. And it wasn't able to raise the price of gasoline and other products fast enough to recover its own rising costs for oil.



Chevron also said that planned downtime at some refineries contributed to the loss.

"The higher cost of crude oil used in the refining process was not fully recovered in the price of gasoline and other refined products," said Chairman and CEO Dave O'Reilly. "As a result, our downstream operations incurred a loss in the second quarter, with most of the loss taking place in the United States."

Chevron said overall production in the quarter fell about 3% from a year ago, hurt in part by production-sharing contracts. However, on a conference call with analysts Friday, company officials said project start-ups will increase production in the second half of 2008 and the company should meet or exceed its full-year volume target.

Chevron shares slipped 71 cents in afternoon trading to \$83.85. They've traded in a range of \$76.40 to \$104.63 in the past year.

Total shares fell 1.2% to 48.79 euros (\$75.95) in Paris.