



EXCERPTS OF RECENT MEDIA COVERAGE

# NATURAL RESOURCES PRACTICE

## A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q4 2014

### ► CFO MAGAZINE

#### LOW PRICES NO TONIC FOR OIL AND GAS CFOs

By Matthew Heller

Low gas prices may be a tonic for U.S. motorists, but they're spooking energy executives...

Consulting firm BDO USA also reported in its **2015 Energy Outlook Survey** that the number of CFOs citing price declines as the main obstacle inhibiting energy industry growth has grown by about 68% over last year...



"The past six months have seen the oil markets return to the volatility that has historically characterized the industry," **Charles Dewhurst, partner and**

**leader of the natural resources practice at BDO...**

"However...U.S. companies have been preparing for a return to fluctuations and are well-equipped to navigate through this transitional period," he added.

### ► E&P MAGAZINE

#### INDEPENDENCE DAY

By Rhonda Duey

In late September a tanker loaded with crude oil set sail from Valdez, Alaska, en route to South Korea...

This is just the latest indication that the energy picture in North America has shifted drastically in the last few years...

While there is a general consensus that lifting the ban would be good for operators and not so great for refiners, views differ as to the real short- and long-term consequences of such an executive action. "In the short term, we would expect the price of crude to temporarily increase," said **Charles Dewhurst, leader of the natural resources practice at BDO USA**. "Pricing differentials in other markets would likely disappear amid an easing of the existing U.S. refining backlog and a consequent amelioration of bottlenecks in pricing and storage."

Longer term, he said, there could be increased pressure for transportation solutions such as the Keystone XL pipeline. "In addition, the harmonizing of global oil prices and free trade principles would allow the U.S. economy to grow even stronger."



BDO's Natural Resources industry practice provides assurance, tax and advisory services to emerging and established businesses in the United States and all over the world who are involved in both the traditional and alternative energy industries. BDO's extensive industry knowledge is supported by a global network of more than 1,328 offices in 152 countries.

## ► HOUSTON BUSINESS JOURNAL

### HOUSTON COMPANIES STAGGER IN WAKE OF LOW OIL PRICES

By Jordon Blum

Crude oil prices in Texas have dipped below \$65 a barrel, and major exploration and production companies...have already started scaling back budgets and jobs for 2015...

#### \$1 billion

How much London-based BP, one of Houston's top employers, plans to spend in "restructuring charges" through 2015 to implement hundreds of job cuts and structural changes...

#### 45 percent

The percentage of surveyed CFOs who expect low oil and gas prices to be their greatest financial challenge in the upcoming year, a 55 percent increase over the number expressing similar sentiments in last year's study, according to the **BDO 2015 Energy Outlook Survey**. Only 37 percent expect global demand to increase in 2015, a 43 percent decrease from last year.

## ► OIL & GAS FINANCIAL JOURNAL

### BDO SURVEY: DECLINING OIL PRICES RATTLE INDUSTRY

The global oil and gas market has US energy executives cautious as they plan for 2015. According to **BDO USA LLP's** annual survey of 100 US oil and gas CFOs, 45% of these CFOs expect low oil and gas prices to be their greatest financial challenge in the upcoming year...

BDO says that 2014 saw a year of robust US production...However, demand has not kept pace, causing oil prices to recently dip...And CFOs are not optimistic that this trend will abate in the coming year: Only 37% expect global demand to increase in 2015, a 43% decrease in the number of CFOs expressing similar sentiments last year. Amid this ongoing commodity price volatility, US companies are looking to guard themselves against future fluctuations...

"The past six months have seen the oil markets return to the volatility that has historically characterized the industry," said **Charles Dewhurst, partner and leader of the Natural Resources practice at BDO**.

"However, while headlines may be saying these price declines herald the end of the shale boom, US companies have been preparing for a return to fluctuations and are well-equipped to navigate through this transitional period."

The survey also found that CFOs are more optimistic about natural gas, but remain wary. CFOs, in general, expect natural gas production to grow in 2015...However, all of these projections are less optimistic than those contained in last year's study, suggesting that depressed natural gas prices and difficulties accessing the global markets continue to decelerate growth.

The survey shows that executives are proactively focusing on environmental regulation to reduce risks. In the face of growing pressure from policymakers and the public over drilling techniques and their associated environmental impact, CFOs are looking to proactively address the environmental risks associated with their operations....

Industry executives continue to experience uncertainty surrounding pending legislation in Washington, DC...Taxes also remain a perennial concern...

"Legislative and regulatory changes will always be top of mind for industry executives, as the oil and gas industry is one of the most heavily-regulated in the country," said **Clark Sackschewsky, partner with BDO's Natural Resources practice**. "Taxes will always be a particular concern, as incentives like the IDC are instrumental in fostering industry growth and, by extension, economic growth."



## ► ENERGY & MINING INTERNATIONAL BLOG

### GRASS SHOOTS EMERGE IN A BEATEN-UP SECTOR

By **James Mooney**

In this post, we present the fifth BDO Explorer Quarterly Cash Update, a BDO Australia research report providing commentary on both the quarterly and annual cash flow data for Australian-listed mining, and oil and gas exploration entities...

Our report continues to show challenging times for junior explorers. For the first time since we started this analysis in September 2013, more than 10 percent of exploration companies did not partake in any exploration activities in the June quarter of 2014...Investing in exploration companies has always been a riskier use of capital than investing in more stable businesses, but for companies that are not exploring...there is no possibility of any reward to investors.

Nevertheless, we are observing a few good omens for the industry. First, exploration expenditure for the year has totalled \$3.27 billion thus far, indicating that plenty of activity is still under way despite the second quarter slowdown...

One of the more interesting findings... has been the number of backdoor listings involving explorers over the past 12 months. In the year to June 2014, a large portion of the companies that were the target of backdoor listings were mining- and energy-related, with mergers proving to be an increasingly popular method for these companies to enter the public markets. Of the 26 mining and energy companies targeted for backdoor listings that we identified in our sample, half had merged with other mining-related companies, eight had merged with and became IT companies, and the remaining five had merged with other entity types.

Fundraising also appears to be gaining momentum...Of note, 14 of the 19 companies with net fundraising greater than \$10 million have major exploration projects outside Australia, while only eight had domestic projects. This continues a trend that we have been observing for some time now: Funding can still be found for good-quality projects being developed by well-run companies...

While uncertainty remains for the Australian natural resources industry, our latest analysis certainly suggests that things may be stabilising—if not starting to turn around.

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