The oil and gas industry is highly competitive. With strong global demand for energy and limited exploration opportunities, there is intense competition to find and develop new sources of supply. Yet, barrels from different reservoirs around the world do not have equal value. Their value depends on the costs to find, develop and produce the oil or gas, the fiscal terms of the host regime and the price that products attract based on quality, location and marketing efforts. We captured an inventory of opportunities in our core growth areas, and our goal is to extract the maximum value from each barrel of oil equivalent so that every dollar of capital we invest generates an attractive return.

Numerous factors can affect this. Changes in crude oil and natural gas prices can significantly affect our net income and cash flow generated from operations. Consequently, these prices may also affect the carrying value of our oil and gas properties and how much we invest in oil and gas exploration and development. We attempt to reduce these impacts by investing in projects we believe will generate positive returns at relatively low commodity prices, and we maintain liquidity that provides us with the ability to sustain capital investment in high-quality projects during periods of low commodity prices.

The prices we receive for our oil and gas products are determined by global crude oil and regional natural gas markets, all of which can be volatile. With many alternative customers, the loss of any one customer is not expected to have a materially adverse effect on the price of our products or revenues. Oil and gas producing operations are generally not seasonal. However, demand for some of our products such as natural gas can fluctuate season to season, which impacts price. We manage our operations on a country-by-country basis, reflecting differences in the regulatory regime, competitive environments and risk factors associated with each country.

Presentation of our oil and gas operations is separated between conventional oil and gas activities, and oil sands activities. Our conventional operations include our oil and gas operations in the UK North Sea, North America (excluding oil sands) and other countries (Yemen, offshore West Africa, Colombia and other). Our oil sands activities are segregated between in situ oil sands operations (primarily at Long Lake) and our interest in Syncrude. Our shale gas results are included in the North America segment until they become significant.

Production, revenues, net income, capital expenditures and identifiable assets for these segments appear in Note 25 to the Consolidated Financial Statements and in our MD&A.