

MURPHY OIL CORP /DE
Form 10-Q
November 07, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-8590

MURPHY OIL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

200 Peach Street

71-0361522
(I.R.S. Employer

Identification Number)

71731-7000

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P.O. Box 7000, El Dorado, Arkansas
(Address of principal executive offices)

(Zip Code)

(870) 862-6411

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and larger accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of Common Stock, \$1.00 par value, outstanding at September 30, 2007 was **189,257,665**.

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MURPHY OIL CORPORATION

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Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars)

	(Unaudited)	
	September 30,	December 31,
	2007	2006*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 789,665	543,390
Short-term investments in marketable securities	59,821	
Accounts receivable, less allowance for doubtful accounts of \$7,834 in 2007 and \$10,408 in 2006	1,079,609	995,089
Inventories, at lower of cost or market		
Crude oil and blend stocks	276,101	73,696
Finished products	254,146	224,469
Materials and supplies	132,354	112,912
Prepaid expenses	80,347	136,674
Deferred income taxes	24,544	20,861
Total current assets	2,696,587	2,107,091
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$3,375,953 in 2007 and \$2,872,293 in 2006	6,336,567	5,106,282
Goodwill	51,758	44,057
Deferred charges and other assets	446,032	225,731
Total assets	\$ 9,530,944	7,483,161
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 5,246	4,466
Notes payable	10,982	2,659
Accounts payable and accrued liabilities	1,424,374	1,240,977
Income taxes payable	79,079	63,003
Total current liabilities	1,519,681	1,311,105
Notes payable	1,493,275	833,126
Nonrecourse debt of a subsidiary	3,159	7,149
Deferred income taxes	779,467	621,329
Asset retirement obligations	293,988	237,875
Deferred credits and other liabilities	533,683	327,964
Minority interest	27,116	23,340
Stockholders equity		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued		

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Common Stock, par \$1.00, authorized 450,000,000 shares, issued 189,522,070 shares in 2007 and 187,691,508 shares in 2006	189,522	187,692
Capital in excess of par value	532,236	454,860
Retained earnings	3,813,431	3,349,832
Accumulated other comprehensive income	352,278	131,999
Treasury stock, 264,405 shares of Common Stock in 2007 and 119,308 shares in 2006, at cost	(6,892)	(3,110)
Total stockholders' equity	4,880,575	4,121,273
Total liabilities and stockholders' equity	\$ 9,530,944	7,483,161

* Adjusted to reflect adoption of FASB Staff Position No. AUG AIR-1; See Note B.
See Notes to Consolidated Financial Statements, page 7.

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Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(Thousands of dollars except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006*	2007	2006*
REVENUES				
Sales and other operating revenues	\$ 4,773,039	4,147,706	12,815,223	10,932,857
Gain (loss) on sale of assets	224	432	1,032	(941)
Interest and other income	7,469	5,284	12,988	11,687
Total revenues	4,780,732	4,153,422	12,829,243	10,943,603
COSTS AND EXPENSES				
Crude oil and product purchases	3,909,009	3,275,816	10,288,096	8,580,267
Operating expenses	320,037	282,251	926,472	790,660
Exploration expenses, including undeveloped lease amortization	42,531	35,970	121,035	129,406
Selling and general expenses	65,591	52,237	173,309	139,160
Depreciation, depletion and amortization	114,289	87,181	337,016	286,745
Impairment of long-lived assets			40,708	
Accretion of asset retirement obligations	4,197	2,614	11,461	7,690
Net costs associated with hurricanes		27,160		105,933
Interest expense	19,837	17,021	52,447	39,262
Interest capitalized	(12,419)	(11,284)	(43,664)	(29,912)
Minority interest	(448)		(424)	
Total costs and expenses	4,462,624	3,768,966	11,906,456	10,049,211
Income before income taxes	318,108	384,456	922,787	894,392
Income tax expense	118,573	160,314	362,376	338,093
NET INCOME	\$ 199,535	224,142	560,411	556,299
NET INCOME PER COMMON SHARE				
BASIC	\$ 1.06	1.20	2.99	2.99
DILUTED	1.04	1.18	2.94	2.94
Average common shares outstanding basic	188,239,267	186,211,753	187,716,385	185,948,743
Average common shares outstanding diluted	191,193,266	189,238,922	190,764,460	189,067,278

* Adjusted to reflect adoption of FASB Staff Position No. AUG AIR-1; See Note B.
See Notes to Consolidated Financial Statements on page 7.

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Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(Thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2007	2006*	September 30, 2007	2006*
Net income	\$ 199,535	224,142	560,411	556,299
Other comprehensive income, net of tax				
Cash flow hedges				
Net derivative gains (losses)		3,329		(5,508)
Reclassification adjustments		6,646		15,598
Total cash flow hedges		9,975		10,090
Net gain from foreign currency translation	102,088	1,985	211,845	73,514
Retirement and postretirement benefit plan adjustments	1,461		7,089	13
COMPREHENSIVE INCOME	\$ 303,084	236,102	779,345	639,916

* Adjusted to reflect adoption of FASB Staff Position No. AUG AIR-1; See Note B.
See Notes to Consolidated Financial Statements on page 7.

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Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Thousands of dollars)

	Nine Months Ended September 30,	
	2007	2006*
OPERATING ACTIVITIES		
Net income	\$ 560,411	556,299
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	337,016	286,745
Impairment of long-lived assets	40,708	
Amortization of deferred major repair costs	15,894	13,465
Expenditures for asset retirements	(4,642)	(3,137)
Dry hole costs	37,570	41,885
Amortization of undeveloped leases	20,811	16,717
Accretion of asset retirement obligations	11,461	7,690
Deferred and noncurrent income tax charges	31,599	17,226
Pretax losses (gains) from disposition of assets	(1,032)	941
Net increase in noncash operating working capital	(199,639)	(306,331)
Other	64,867	(7,084)
Net cash provided by operating activities	915,024	624,416
INVESTING ACTIVITIES		
Property additions and dry hole costs	(1,279,470)	(884,144)
Proceeds from sales of assets	18,751	19,796
Purchases of marketable securities	(59,821)	
Expenditures for major repairs	(9,304)	(10,005)
Other net	(9,069)	(8,417)
Net cash required by investing activities	(1,338,913)	(882,770)
FINANCING ACTIVITIES		
Increase in notes payable	668,323	183,989
Decrease in nonrecourse debt of a subsidiary	(4,886)	(4,667)
Proceeds from exercise of stock options and employee stock purchase plans	33,837	15,354
Excess tax benefits related to exercise of stock options	21,069	7,057
Cash dividends paid	(91,802)	(70,056)
Other	(759)	
Net cash provided by financing activities	625,782	131,677
Effect of exchange rate changes on cash and cash equivalents	44,382	10,697
Net increase (decrease) in cash and cash equivalents	246,275	(115,980)
Cash and cash equivalents at January 1	543,390	585,333
Cash and cash equivalents at September 30	\$ 789,665	