

MURPHY OIL CORP /DE
Form 10-Q
November 07, 2008
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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, 2008

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

71-0361522
(I.R.S. Employer
Identification Number)

200 Peach Street

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

71731-7000
(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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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, 2008 was **190,484,694**.

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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, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 828,100	673,707
Canadian government securities with maturities greater than 90 days at the date of acquisition	611,110	
Accounts receivable, less allowance for doubtful accounts of \$7,379 in 2008 and \$7,484 in 2007	1,431,346	1,420,601
Inventories, at lower of cost or market		
Crude oil and blend stocks	189,237	159,379
Finished products	253,289	315,977
Materials and supplies	178,638	151,291
Prepaid expenses	77,721	79,585
Deferred income taxes	68,436	86,252
Total current assets	3,637,877	2,886,792
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$3,799,516 in 2008 and \$3,516,338 in 2007	7,628,956	7,109,822
Goodwill	42,805	51,450
Deferred charges and other assets	521,132	487,785
Total assets	\$ 11,830,770	10,535,849
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 2,946	5,208
Notes payable		7,561
Accounts payable and accrued liabilities	1,834,319	1,987,710
Income taxes payable	471,835	108,783
Total current liabilities	2,309,100	2,109,262
Notes payable	1,066,170	1,513,015
Nonrecourse debt of a subsidiary		3,141
Deferred income taxes	1,023,270	916,910
Asset retirement obligations	363,759	336,107
Deferred credits and other liabilities	548,966	564,374
Minority interest		26,866
Stockholders equity		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued		
Common Stock, par \$1.00, authorized 450,000,000 shares, issued 191,022,032 shares in 2008 and 189,972,970 shares in 2007	191,022	189,973

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Capital in excess of par value	618,579	547,185
Retained earnings	5,477,781	3,983,998
Accumulated other comprehensive income	246,130	351,765
Treasury stock, 537,338 shares of Common Stock in 2008 and 258,821 shares in 2007, at cost	(14,007)	(6,747)
Total stockholders' equity	6,519,505	5,066,174
Total liabilities and stockholders' equity	\$ 11,830,770	10,535,849

See Notes to Consolidated Financial Statements, page 7.

The Exhibit Index is on page 30.

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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,	
	2008	2007	2008	2007
REVENUES				
Sales and other operating revenues	\$ 8,203,293	4,773,039	22,961,306	12,815,223
Gain on sale of assets	336	224	134,582	1,032
Interest and other income	(17,596)	7,469	(13,974)	12,988
Total revenues	8,186,033	4,780,732	23,081,914	12,829,243
COSTS AND EXPENSES				
Crude oil and product purchases	6,495,942	3,909,009	18,312,432	10,288,096
Operating expenses	440,697	320,037	1,272,782	926,472
Exploration expenses, including undeveloped lease amortization	83,440	42,531	210,336	121,035
Selling and general expenses	56,552	65,591	171,009	173,309
Depreciation, depletion and amortization	174,635	114,289	512,729	337,016
Impairment of long-lived assets				40,708
Accretion of asset retirement obligations	5,346	4,197	15,630	11,461
Interest expense	16,622	19,837	59,326	52,447
Interest capitalized	(7,292)	(12,419)	(20,236)	(43,664)
Minority interest		(448)	298	(424)
Total costs and expenses	7,265,942	4,462,624	20,534,306	11,906,456
Income before income taxes	920,091	318,108	2,547,608	922,787
Income tax expense	335,669	118,573	934,990	362,376
NET INCOME	\$ 584,422	199,535	1,612,618	560,411
NET INCOME PER COMMON SHARE				
BASIC	\$ 3.08	1.06	8.51	2.99
DILUTED	3.04	1.04	8.39	2.94
Average common shares outstanding basic	189,787,636	188,239,267	189,499,657	187,716,385
Average common shares outstanding diluted	192,243,448	191,193,266	192,219,610	190,764,460

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,		September 30,	
	2008	2007	2008	2007
Net income	\$ 584,422	199,535	1,612,618	560,411
Other comprehensive income (loss), net of tax				
Foreign currency translation	(93,818)	102,088	(105,852)	211,845
Retirement and postretirement benefit plan adjustments	822	1,461	217	7,089
COMPREHENSIVE INCOME	\$ 491,426	303,084	1,506,983	779,345

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,	
	2008	2007
OPERATING ACTIVITIES		
Net income	\$ 1,612,618	560,411
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	512,729	337,016
Impairment of long-lived assets		40,708
Amortization of deferred major repair costs	20,551	15,894
Expenditures for asset retirements	(7,213)	(4,642)
Dry hole costs	53,883	37,570
Amortization of undeveloped leases	85,428	20,811
Accretion of asset retirement obligations	15,630	11,461
Deferred and noncurrent income tax charges	217,347	31,599
Pretax gains from disposition of assets	(134,582)	(1,032)
Net (increase) decrease in noncash operating working capital	184,478	(199,639)
Other	35,795	64,867
Net cash provided by operating activities	2,596,664	915,024
INVESTING ACTIVITIES		
Property additions and dry hole costs	(1,560,146)	(1,279,470)
Proceeds from sales of assets	361,339	18,751
Purchases of marketable securities	(611,110)	(59,821)
Expenditures for major repairs	(38,665)	(9,304)
Other net	(13,690)	(9,069)
Net cash required by investing activities	(1,862,272)	(1,338,913)
FINANCING ACTIVITIES		
Increase in notes payable		668,323
Reductions in notes payable	(447,195)	
Decrease in nonrecourse debt of a subsidiary	(5,235)	(4,886)
Proceeds from exercise of stock options and employee stock purchase plans	21,463	33,837
Excess tax benefits related to exercise of stock options	18,667	21,069
Cash dividends paid	(118,835)	(91,802)
Other		(759)
Net cash (required by) provided by financing activities	(531,135)	625,782
Effect of exchange rate changes on cash and cash equivalents	(48,864)	44,382
Net increase in cash and cash equivalents	154,393	246,275
Cash and cash equivalents at January 1	673,707	543,390
Cash and cash equivalents at September 30	\$ 828,100	789,665

SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES

Cash income taxes paid, net of refunds	\$ 254,138	249,057
Interest paid in excess of interest capitalized	30,542	5,090

See Notes to Consolidated Financial Statements on page 7.

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Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (unaudited)

(Thousands of dollars)

	Nine Months Ended September 30,	
	2008	2007
Cumulative Preferred Stock par \$100, authorized 400,000 shares, none issued		
Common Stock par \$1.00, authorized 450,000,000 shares, issued 191,022,032 shares in 2008 and 189,522,070 shares in 2007		
Balance at beginning of period	\$ 189,973	1