

MURPHY OIL CORP /DE
Form 10-Q
November 09, 2006
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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, 2006

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, 2006 was **187,057,469**.

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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, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 469,353	585,333
Accounts receivable, less allowance for doubtful accounts of \$15,109 in 2006 and \$14,508 in 2005	1,039,026	865,155
Inventories, at lower of cost or market		
Crude oil and blend stocks	188,673	83,265
Finished products	181,372	146,753
Materials and supplies	102,544	84,937
Prepaid expenses	147,918	33,239
Deferred income taxes	42,285	40,264
Total current assets	2,171,171	1,838,946
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$2,802,965 in 2006 and \$2,459,022 in 2005	4,964,362	4,374,229
Goodwill, net	45,963	44,206
Deferred charges and other assets	164,847	111,130
Total assets	\$ 7,346,343	6,368,511
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 4,659	4,490
Accounts payable and accrued liabilities	1,293,762	1,176,634
Income taxes payable	130,630	105,884
Total current liabilities	1,429,051	1,287,008
Notes payable	782,076	597,926
Nonrecourse debt of a subsidiary	7,458	11,648
Deferred income taxes	620,157	614,091
Asset retirement obligations	198,733	176,823
Accrued major repair costs	68,155	55,350
Deferred credits and other liabilities	175,929	164,675
Stockholders equity		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued		
Common Stock, par \$1.00, authorized 450,000,000 shares, issued 187,150,783 shares in 2006 and 186,828,618 shares in 2005	187,151	186,829
Capital in excess of par value	441,387	437,963
Retained earnings	3,224,940	2,744,274
Accumulated other comprehensive income	213,738	131,324

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Unamortized restricted stock awards		(16,410)
Treasury stock, 93,314 shares of Common Stock in 2006 and 881,940 shares in 2005, at cost	(2,432)	(22,990)
Total stockholders' equity	4,064,784	3,460,990
Total liabilities and stockholders' equity	\$ 7,346,343	6,368,511

See Notes to Consolidated Financial Statements on page 7.

The Exhibit Index is on page 35.

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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		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
REVENUES				
Sales and other operating revenues	\$ 4,147,706	3,311,332	10,932,857	8,487,045
Gain (loss) on sale of assets	432	6,247	(941)	178,171
Interest and other income (loss)	5,284	(660)	11,687	16,517
Total revenues	4,153,422	3,316,919	10,943,603	8,681,733
COSTS AND EXPENSES				
Crude oil and product purchases	3,275,816	2,546,896	8,580,267	6,302,891
Operating expenses	284,375	210,605	799,369	641,035
Exploration expenses, including undeveloped lease amortization	35,970	32,863	129,406	143,168
Selling and general expenses	52,251	41,091	139,282	117,855
Depreciation, depletion and amortization	87,181	93,769	286,745	307,562
Net costs associated with hurricanes	27,160	34,054	105,933	34,054
Accretion of asset retirement obligations	2,614	2,271	7,690	7,403
Interest expense	17,021	12,238	39,262	35,775
Interest capitalized	(11,284)	(10,834)	(29,912)	(27,156)
Total costs and expenses	3,771,104	2,962,953	10,058,042	7,562,587
Income from continuing operations before income taxes	382,318	353,966	885,561	1,119,146
Income tax expense	159,543	131,567	334,839	435,801
Income from continuing operations	222,775	222,399	550,722	683,345
Income from discontinued operations, net of tax		8,549		8,549
NET INCOME	\$ 222,775	230,948	550,722	691,894
INCOME PER COMMON SHARE BASIC				
Income from continuing operations	\$ 1.20	1.20	2.96	3.71
Income from discontinued operations		.05		.05
NET INCOME BASIC	\$ 1.20	1.25	2.96	3.76
INCOME PER COMMON SHARE DILUTED				
Income from continuing operations	\$ 1.18	1.18	2.91	3.64
Income from discontinued operations		.05		.05
NET INCOME DILUTED	\$ 1.18	1.23	2.91	3.69
Average common shares outstanding basic	186,211,753	184,355,365	185,948,743	184,083,392
Average common shares outstanding diluted	189,238,922	188,069,208	189,067,278	187,740,260

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, 2006	2005	September 30, 2006	2005
Net income	\$ 222,775	230,948	550,722	691,894
Other comprehensive income, net of tax				
Cash flow hedges				
Net derivative gains (losses)	3,329	(2,716)	(5,508)	(22,017)
Reclassification adjustments	6,646	(246)	15,598	(950)
Total cash flow hedges	9,975	(2,962)	10,090	(22,967)
Minimum pension liability adjustment			13	
Net gain from foreign currency translation	1,806	33,393	72,311	18,889
COMPREHENSIVE INCOME	\$ 234,556	261,379	633,136	687,816

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,	
	2006	2005*
OPERATING ACTIVITIES		
Net income	\$ 550,722	691,894
Less income from discontinued operations		8,549
Income from continuing operations	550,722	683,345
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Depreciation, depletion and amortization	286,745	307,562
Provisions for major repairs	22,296	27,310
Expenditures for major repairs and asset retirement obligations	(13,142)	(30,249)
Dry hole costs	41,885	63,992
Amortization of undeveloped leases	16,717	17,519
Accretion of asset retirement obligations	7,690	7,403
Deferred and noncurrent income tax charges	13,972	20,077
Pretax losses (gains) from disposition of assets	941	(178,171)
Net increase in noncash operating working capital	(306,331)	(150,929)
Other	(7,084)	(6,688)
Net cash provided by continuing operations	614,411	761,171
Net cash provided by discontinued operations		8,549
Net cash provided by operating activities	614,411	769,720
INVESTING ACTIVITIES		
Property additions and dry hole costs	(884,144)	(881,130)
Proceeds from sales of assets	19,796	173,629
Proceeds from maturities of marketable securities		17,892
Other net	(8,417)	(5,222)
Net cash required by investing activities	(872,765)	(694,831)
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	183,989	(29,065)
Decrease in nonrecourse debt of a subsidiary	(4,667)	(4,193)
Proceeds from exercis		