

MURPHY OIL CORP /DE
Form 10-Q
May 09, 2007
Table of Contents

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 March 31, 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

Edgar Filing: MURPHY OIL CORP /DE - Form 10-Q

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 March 31, 2007 was **188,126,817**.

Table of Contents

MURPHY OIL CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
<u>Part I</u> <u>Financial Information</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Income</u>	3
<u>Consolidated Statements of Comprehensive Income</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Consolidated Statements of Stockholders' Equity</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	23
Item 4. <u>Controls and Procedures</u>	23
<u>Part II</u> <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	24
Item 1A. <u>Risk Factors</u>	24
Item 6. <u>Exhibits and Reports on Form 8-K</u>	25
<u>Signature</u>	26

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars)

	(Unaudited) March 31, 2007	December 31, 2006*
ASSETS		
Current assets		
Cash and cash equivalents	\$ 609,680	543,390
Accounts receivable, less allowance for doubtful accounts of \$7,664 in 2007 and of \$10,408 in 2006	1,110,539	995,089
Inventories, at lower of cost or market		
Crude oil and blend stocks	236,335	73,696
Finished products	188,099	224,469
Materials and supplies	137,985	112,912
Prepaid expenses	102,923	136,674
Deferred income taxes	17,823	20,861
Total current assets	2,403,384	2,107,091
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$2,994,301 in 2007 and \$2,872,293 in 2006	5,323,403	5,106,282
Goodwill	44,509	44,057
Deferred charges and other assets	305,188	225,731
Total assets	\$ 8,076,484	7,483,161
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 4,512	4,466
Notes payable	3,617	2,659
Accounts payable and accrued liabilities	1,460,958	1,240,977
Income taxes payable	74,197	63,003
Total current liabilities	1,543,284	1,311,105
Notes payable	962,175	833,126
Nonrecourse debt of a subsidiary	7,222	7,149
Deferred income taxes	640,647	621,329
Asset retirement obligations	253,818	237,875
Deferred credits and other liabilities	411,295	327,964
Minority interest	23,607	23,340
Stockholders equity		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued		
Common Stock, par \$1.00, authorized 450,000,000 shares, issued 188,393,758 shares in 2007 and 187,691,508 shares in 2006	188,394	187,692
Capital in excess of par value	482,896	454,860

Edgar Filing: MURPHY OIL CORP /DE - Form 10-Q

Retained earnings	3,427,280	3,349,832
Accumulated other comprehensive income	142,824	131,999
Treasury stock, 266,941 shares of Common Stock in 2007 and 119,308 shares in 2006, at cost	(6,958)	(3,110)
Total stockholders' equity	4,234,436	4,121,273
Total liabilities and stockholders' equity	\$ 8,076,484	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.

The Exhibit Index is on page 27.

Table of Contents

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(Thousands of dollars, except per share amounts)

	Three Months Ended	
	2007	March 31, 2006*
REVENUES		
Sales and other operating revenues	\$ 3,427,586	2,987,119
Gain (loss) on sale of assets	353	(1,264)
Interest and other income	6,945	5,408
Total revenues	3,434,884	2,991,263
COSTS AND EXPENSES		
Crude oil and product purchases	2,724,384	2,307,496
Operating expenses	296,483	228,867
Exploration expenses, including undeveloped lease amortization	48,336	63,163
Selling and general expenses	52,989	40,375
Depreciation, depletion and amortization	107,987	97,358
Net costs associated with hurricanes		35,722
Accretion of asset retirement obligations	3,462	2,500
Interest expense	15,489	10,563
Interest capitalized	(14,657)	(9,589)
Minority interest	26	
Total costs and expenses	3,234,499	2,776,455
Income before income taxes	200,385	214,808
Income tax expense	89,751	98,825
NET INCOME	\$ 110,634	115,983
INCOME PER COMMON SHARE		
Net Income Basic	\$ 0.59	0.62
Net Income Diluted	\$ 0.58	0.61
Average Common shares outstanding basic	187,147,870	185,713,673
Average Common shares outstanding diluted	189,789,397	188,636,321

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

Table of Contents

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(Thousands of dollars)

	Three Months Ended	
	March 31, 2007	2006*
Net income	\$ 110,634	115,983
Other comprehensive income (loss), net of tax		
Cash flow hedges		
Net derivative losses		(11,778)
Reclassification to income		8,547
Total cash flow hedges		(3,231)
Minimum pension liability adjustment		13
Net gain (loss) from foreign currency translation	9,480	(1,318)
COMPREHENSIVE INCOME	\$ 120,114	111,447

*Adjusted to reflect adoption of FASB Staff Position No. AUG AIR-1; See Note B.

See Notes to Consolidated Financial Statements, page 7.

Table of Contents

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Thousands of dollars)

	Three Months Ended March 31,	
	2007	2006*
OPERATING ACTIVITIES		
Net income	\$ 110,634	115,983
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	107,987	97,358
Amortization of deferred major repair costs	5,550	4,271
Expenditures for asset retirements	(2,778)	(1,139)
Dry hole costs	14,447	37,081
Amortization of undeveloped leases	6,375	5,430
Accretion of asset retirement obligations	3,462	2,500
Deferred and noncurrent income tax charges	10,534	1,779
Pretax (gain) loss from disposition of assets	(353)	1,264
Net increase in noncash operating working capital	(32,445)	(79,901)
Other operating activities, net	8,591	5,382
Net cash provided by operating activities	232,004	190,008
INVESTING ACTIVITIES		
Property additions and dry hole costs	(300,276)	(279,474)
Expenditures for major repairs	(33)	(6,218)
Proceeds from sales of assets	16,726	4,732
Other - net	(2,751)	(2,738)
Net cash required by investing activities	(286,334)	(283,698)
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	129,957	(11)
Proceeds from exercise of stock options and employee stock purchase plans	12,220	6,743
Excess tax benefits related to exercise of stock options	6,732	3,792
Cash dividends paid	(28,176)	(20,993)
Net cash provided by (used in) financing activities	120,733	(10,469)
Effect of exchange rate changes on cash and cash equivalents	(113)	(269)
Net increase (decrease) in cash and cash equivalents	66,290	(104,428)
Cash and cash equivalents at January 1	543,390	585,333
Cash and cash equivalents at March 31	\$ 609,680	480,905
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Cash income taxes paid	\$ 40,286	126,046
Interest capitalized in excess of amounts paid	(9,564)	(9,353)

Edgar Filing: MURPHY OIL CORP /DE - Form 10-Q

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

Table of Contents

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (unaudited)

(Thousands of dollars)

	Three Months Ended March 31,	
	2007	2006
Cumulative Preferred Stock par \$100, authorized 400,000 shares, none issued		
Common Stock par \$1.00, authorized 450,000,000 shares, issued 188,393,758 shares at March 31, 2007 and 186,828,618 shares at March 31, 2006		
Balance at beginning of period	\$ 187,692	186,829
Exercise of stock options	669	
Issuance of time-based restricted stock	33	
Balance at end of period	188,394	186,829
Capital in Excess of Par Value		
Balance at beginning of period	454,860	437,963
Exercise of stock options, including income tax benefits	19,082	1,016
Restricted stock transactions and other	3,794	(7,433)
Amortization, forfeitures and other	5,160	5,150
Reclassification from Unamortized Restricted Stock Awards upon adoption of SFAS No. 123R		(16,410)
Balance at end of period	482,896	420,286
Retained Earnings		
Balance at beginning of period as previously reported		2,744,274
Cumulative effect of adopting FASB Staff Position No. AUG AIR-1		59,051
Balance at beginning of period as adjusted	3,349,832	2,803,325
Cumulative effect of changes in accounting principles	(5,010)	
Net income for the period	110,634	115,983
Cash dividends	(28,176)	(20,993)
Balance at end of period	3,427,280	2,898,315