

MURPHY OIL CORP /DE
Form 10-Q
August 04, 2006
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 June 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

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 June 30, 2006 was **186,840,652**.

Table of Contents

MURPHY OIL CORPORATION

TABLE OF CONTENTS

	Page
Part I <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>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	27
Part II <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	28
Item 4. <u>Submission of Matters To A Vote of Security Holders</u>	28
Item 6. <u>Exhibits and Reports on Form 8-K</u>	28
<u>Signature</u>	29

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

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars)

	(Unaudited) June 30, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 414,712	585,333
Accounts receivable, less allowance for doubtful accounts of \$14,970 in 2006 and \$14,508 in 2005	1,047,420	865,155
Inventories, at lower of cost or market		
Crude oil and blend stocks	113,238	83,265
Finished products	271,624	146,753
Materials and supplies	108,784	84,937
Prepaid expenses	149,941	33,239
Deferred income taxes	41,961	40,264
Total current assets	2,147,680	1,838,946
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$2,703,483 in 2006 and \$2,459,022 in 2005	4,784,782	4,374,229
Goodwill, net	46,025	44,206
Deferred charges and other assets	123,112	111,130
Total assets	\$ 7,101,599	6,368,511
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 4,665	4,490
Accounts payable and accrued liabilities	1,274,876	1,176,634
Income taxes payable	93,328	105,884
Total current liabilities	1,372,869	1,287,008
Notes payable	868,025	597,926
Nonrecourse debt of a subsidiary	7,468	11,648
Deferred income taxes	587,688	614,091
Asset retirement obligations	185,012	176,823
Accrued major repair costs	62,997	55,350
Deferred credits and other liabilities	171,335	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 186,926,283 shares in 2006 and 186,828,618 shares in 2005	186,926	186,829
Capital in excess of par value	429,329	437,963
Retained earnings	3,030,225	2,744,274
Accumulated other comprehensive income	201,957	131,324

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

Unamortized restricted stock awards		(16,410)
Treasury stock, 85,631 shares of Common Stock in 2006 and 881,940 shares in 2005, at cost	(2,232)	(22,990)
Total stockholders' equity	3,846,205	3,460,990
Total liabilities and stockholders' equity	\$ 7,101,599	6,368,511

See Notes to Consolidated Financial Statements, page 7.

The Exhibit Index is on page 30.

Table of Contents

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(Thousands of dollars except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2006	2005	June 30, 2006	2005
REVENUES				
Sales and other operating revenues	\$ 3,798,032	2,771,712	6,785,151	5,175,713
Gain (loss) on sale of assets	(109)	171,613	(1,373)	171,924
Interest and other income	995	6,617	6,403	17,177
Total revenues	3,798,918	2,949,942	6,790,181	5,364,814
COSTS AND EXPENSES				
Crude oil and product purchases	2,996,955	1,966,451	5,304,451	3,755,995
Operating expenses	282,830	226,787	514,994	430,430
Exploration expenses, including undeveloped lease amortization	30,273	40,010	93,436	110,305
Selling and general expenses	46,559	40,459	87,031	76,764
Depreciation, depletion and amortization	102,206	109,039	199,564	213,793
Net costs associated with hurricanes	43,051		78,773	
Accretion of asset retirement obligations	2,576	2,493	5,076	5,132
Interest expense	11,678	11,501	22,241	23,537
Interest capitalized	(9,039)	(8,755)	(18,628)	(16,322)
Total costs and expenses	3,507,089	2,387,985	6,286,938	4,599,634
Income before income taxes	291,829	561,957	503,243	765,180
Income tax expense	77,754	214,164	175,296	304,234
NET INCOME	\$ 214,075	347,793	327,947	460,946
INCOME PER COMMON SHARE				
NET INCOME BASIC	\$ 1.15	1.89	1.76	2.51
NET INCOME DILUTED	\$ 1.13	1.85	1.73	2.46
Average common shares outstanding basic	185,919,897	183,903,885	185,813,948	183,902,337
Average common shares outstanding diluted	189,101,235	187,682,605	189,047,627	187,586,344

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		Six Months Ended	
	June 30, 2006	2005	June 30, 2006	2005
Net income	\$ 214,075	347,793	327,947	460,946
Other comprehensive income (loss), net of tax				
Cash flow hedges				
Net derivative gains (losses)	2,941	(5,334)	(8,837)	(19,301)
Reclassification to income	405	(415)	8,952	(704)
Total cash flow hedges	3,346	(5,749)	115	(20,005)
Minimum pension liability adjustment			13	
Net gain (loss) from foreign currency translation	71,865	(13,653)	70,505	(14,504)
COMPREHENSIVE INCOME	\$ 289,286	328,391	398,580	426,437

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)

	Six Months Ended	
	June 30, 2006	2005
OPERATING ACTIVITIES		
Net income	\$ 327,947	460,946
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	199,564	213,793
Provisions for major repairs	15,325	19,639
Expenditures for major repairs and asset retirements	(10,624)	(27,798)
Dry hole costs	41,200	60,071
Amortization of undeveloped leases	11,030	12,107
Accretion of asset retirement obligations	5,076	5,132
Deferred and noncurrent income tax charge (benefit)	(22,104)	3,774
Pretax (gain) loss from disposition of assets	1,373	(171,924)
Net increase in noncash operating working capital	(393,669)	(102,494)
Other operating activities, net	8,932	(20,879)
Net cash provided by operating activities	184,050	452,367
INVESTING ACTIVITIES		
Property additions and dry hole costs	(610,479)	(576,402)
Proceeds from sales of assets	12,195	160,421
Proceeds from maturities of marketable securities		17,892
Other net	(6,137)	(6,259)
Net cash required by investing activities	(604,421)	(404,348)
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	269,989	(19,233)
Decrease in nonrecourse debt of a subsidiary	(4,667)	(4,193)
Proceeds from exercise of stock options and employee stock purchase plans	11,109	337
Excess tax benefits related to exercise of stock options	5,217	
Cash dividends paid	(41,996)	(41,497)
Other		(1,052)
Net cash provided by (used in) financing activities	239,652	(65,638)
Effect of exchange rate changes on cash and cash equivalents	10,098	(10,173)
Net decrease in cash and cash equivalents	(170,621)	(27,792)
Cash and cash equivalents at January 1	585,333	535,525
Cash and cash equivalents at June 30	\$ 414,712	507,733
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Cash income taxes paid, net of refunds	\$ 263,550	305,293

Interest paid, net of amounts capitalized	2,615	6,456
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)

**Six Months
Ended**

**June 30,
2006 2005**
