

MARATHON OIL CORP  
Form 10-Q  
November 04, 2011

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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, 2011

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 1-5153

Marathon Oil Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

25-0996816  
(I.R.S. Employer Identification No.)

5555 San Felipe Road, Houston, TX 77056-2723  
(Address of principal executive offices)

(713) 629-6600  
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of

Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the

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registrant was required to submit and post such files). 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  (Do not check if a 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

There were 703,721,720 shares of Marathon Oil Corporation common stock outstanding as of October 31, 2011.

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MARATHON OIL CORPORATION  
Form 10-Q  
Quarter Ended September 30, 2011

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Unless the context otherwise indicates, references in this Form 10-Q to "Marathon Oil," "we," "our," or "us" are references to Marathon Oil Corporation, including its wholly-owned and majority-owned subsidiaries, and its ownership interests in equity method investees (corporate entities, partnerships, limited liability companies and other ventures over which Marathon Oil exerts significant influence by virtue of its ownership interest). Any reference to "Marathon" indicates Marathon Oil Corporation as it existed prior to the June 30, 2011 spin-off of the downstream business.

Part I - Financial Information  
Item 1. Financial Statements

MARATHON OIL CORPORATION  
Consolidated Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues and other income:				
Sales and other operating revenues	\$ 3,633	\$ 2,839	\$ 10,969	\$ 8,287
Sales to related parties	16	15	45	41
Income from equity method investments	123	77	360	245
Net gain on disposal of assets	13	-	63	822
Other income	14	24	36	52
<b>Total revenues and other income</b>	<b>3,799</b>	<b>2,955</b>	<b>11,473</b>	<b>9,447</b>
Costs and expenses:				
Cost of revenues (excludes items below)	1,600	1,107	4,671	3,384
Purchases from related parties	57	57	184	132
Depreciation, depletion and amortization	517	530	1,716	1,376
Impairments	-	-	307	439
General and administrative expenses	104	108	371	328
Other taxes	59	44	170	145
Exploration expenses	129	59	504	282
<b>Total costs and expenses</b>	<b>2,466</b>	<b>1,905</b>	<b>7,923</b>	<b>6,086</b>
<b>Income from operations</b>	<b>1,333</b>	<b>1,050</b>	<b>3,550</b>	<b>3,361</b>
Net interest and other	(30 )	(16 )	(62 )	(53 )
Loss on early extinguishment of debt	-	-	(279 )	(92 )
<b>Income from continuing operations before income taxes</b>	<b>1,303</b>	<b>1,034</b>	<b>3,209</b>	<b>3,216</b>
Provision for income taxes	898	567	2,051	1,758
<b>Income from continuing operations</b>	<b>405</b>	<b>467</b>	<b>1,158</b>	<b>1,458</b>
Discontinued operations	-	229	1,239	404
<b>Net income</b>	<b>\$ 405</b>	<b>\$ 696</b>	<b>\$ 2,397</b>	<b>\$ 1,862</b>
Per Share Data				
Basic:				
Income from continuing operations	\$ 0.57	\$ 0.66	\$ 1.63	\$ 2.06

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Discontinued operations	\$ -	\$ 0.32	\$ 1.74	\$ 0.57
Net income per share	\$ 0.57	\$ 0.98	\$ 3.37	\$ 2.63
Diluted:				
Income from continuing operations	\$ 0.57	\$ 0.66	\$ 1.62	\$ 2.05
Discontinued operations	\$ -	\$ 0.32	\$ 1.73	\$ 0.57
Net income per share	\$ 0.57	\$ 0.98	\$ 3.35	\$ 2.62
Dividends paid	\$ 0.15	\$ 0.25	\$ 0.65	\$ 0.74
Weighted average shares:				
Basic	711	710	712	709
Diluted	714	712	716	711

The accompanying notes are an integral part of these consolidated financial statements.

MARATHON OIL CORPORATION  
Consolidated Statements of Comprehensive Income (Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Net income	\$ 405	\$ 696	\$ 2,397	\$ 1,862
Other comprehensive income				
Post-retirement and post-employment plans				
Change in actuarial gain (loss)	13	(24 )	110	134
Spin-off downstream business	-	-	968	-
Income tax benefit (provision) on post-retirement and post-employment plans	6	10	(409 )	(73 )
Post-retirement and post-employment plans, net of tax	19	(14 )	669	61
Derivative hedges				
Net unrecognized gain (loss)	(1 )	1	9	5
Spin-off downstream business	-	-	(7 )	-
Income tax benefit (provision) on derivatives	-	0	(1 )	-
Derivative hedges, net of tax	(1 )	1	1	5
Foreign currency translation and other				
Unrealized gain (loss)	-	(1 )	(1 )	(1 )
Income tax provision on foreign currency translation and other	-	1		