

MARATHON OIL CORP

FORM 8-K (Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 31, 2017

Marathon Oil Corporation

(Exact name of registrant as specified in its charter)

Delaware

1-5153

25-0996816

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

5555 San Felipe Street, Houston, Texas

77056-2723

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (713) 629-6600

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01 Completion of Acquisition or Disposition of Assets.

On May 31, 2017, Marathon Oil Corporation (the "Corporation") completed the sale of its shares in its wholly owned subsidiary Marathon Oil Corporation Canada (the "Canadian business"), which includes the Corporation's 20 percent non-operated interest in the Athabasca Oil Sands Project, to 10084751 Canada Limited ("Shell"), an affiliate of Shell Canada Limited, and Canadian Natural Resources Limited ("CNRL" and, together with Shell, the "Purchasers") for proceeds of approximately \$2.5 billion, before closing adjustments. Under the terms of the share purchase agreement, approximately \$1.75 billion was paid to the Corporation upon closing and the remaining \$750 million in proceeds will be paid in the first quarter of 2018. The effective date of the transaction is January 1, 2017. Full-year 2016 net synthetic crude oil production in the Canadian business averaged approximately 48,000 net barrels per day. Marathon Oil Corporation Canada and Shell Canada Limited are both party to the Athabasca Oil Sands Project joint venture and related agreements.

Item 7.01 Regulation FD Disclosure.

On June 1, 2017, Marathon Oil Corporation announced that it had completed the sale of the Canadian business. A copy of the press release is furnished as Exhibit 99.2 hereto. The information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2 furnished herewith, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and will not be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933, as amended, unless specifically identified as such.

Item 9.01 Financial Statements and Exhibits .**(b) Pro Forma Information**

The unaudited pro forma consolidated balance sheet of Marathon Oil Corporation as of March 31, 2017, and the unaudited pro forma consolidated statements of income of Marathon Oil Corporation for the years ended December 31, 2016, 2015 and 2014 are included as Exhibit 99.1 to this report and are incorporated into this Item 9.01 by reference. As our Form 10-Q for the quarterly period ended March 31, 2017 reflected the Canadian business as discontinued operations in the consolidated statements of income, interim period pro forma consolidated statements of income are not included.

(d) Exhibits:

Number	Exhibit
99.1	Unaudited Pro Forma Consolidated Financial Statements of Marathon Oil Corporation
99.2	Press Release issued by Marathon Oil Corporation, dated June 1, 2017

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 5, 2017

MARATHON OIL CORPORATION

By: /s/ Gary E. Wilson
Name: Gary E. Wilson
Title: Vice President, Controller and Chief Accounting Officer

EXHIBIT INDEX

Number	Exhibit
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99.2	Press Release issued by Marathon Oil Corporation, dated June 1, 2017

MARATHON OIL CORPORATION
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

On May 31, 2017, Marathon Oil Corporation (the "Corporation") completed the sale of its shares in its wholly owned subsidiary Marathon Oil Corporation Canada (the "Canadian business"), which includes the Corporation's 20 percent non-operated interest in the Athabasca Oil Sands Project, to 10084751 Canada Limited ("Shell"), an affiliate of Shell Canada Limited, and Canadian Natural Resources Limited ("CNRL" and, together with Shell, the "Purchasers") for proceeds of approximately \$2.5 billion, before closing adjustments. Under the terms of the share purchase agreement, approximately \$1.75 billion was paid to the Corporation upon closing and the remaining \$750 million in proceeds will be paid in the first quarter of 2018. The effective date of the transaction is January 1, 2017. Full-year 2016 net synthetic crude oil production in the Canadian business averaged approximately 48,000 net barrels per day. Marathon Oil Corporation Canada and Shell Canada Limited are both party to the Athabasca Oil Sands Project joint venture and related agreements.

Our Form 10-Q for the quarterly period ended March 31, 2017 reflected the Canadian business as discontinued operations for all periods presented in the consolidated statements of income and reflected the Canadian assets and liabilities as held for sale in the March 31, 2017 consolidated balance sheet for all periods presented.

Our unaudited pro forma consolidated financial data was derived from our historical consolidated financial statements. The unaudited pro forma consolidated balance sheet assumes the disposition of the Canadian business occurred on March 31, 2017. The unaudited pro forma consolidated statements of income give effect to the disposition of the Canadian business as if the disposition occurred on January 1, 2014. The following unaudited pro forma consolidated financial information should be read in conjunction with our historical financial statements and notes, and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

The pro forma adjustments are based on the best information available and assumptions that management believes are factually supportable and reasonable; however, such adjustments are subject to change. In addition, such adjustments are estimates. The unaudited pro forma consolidated information is for illustrative and informational purposes only and is not intended to reflect what our consolidated financial position and results of operations would have been had the disposition occurred on the dates indicated and is not necessarily indicative of our future consolidated financial position and results of operations.

The pro forma adjustments remove all of the Canadian business' assets, liabilities and results of operations, and give effect to an adjustment to reflect the net cash proceeds and loss from the sale of the Canadian business.

MARATHON OIL CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the Year ended December 31, 2016

(In millions, except per share data)

	Historical	Disposition (a)	Pro Forma
Revenues and other income:			
Sales and other operating revenues, including related party	\$ 3,753	\$ (823)	\$ 2,930
Marketing revenues	278	(38)	240
Income from equity method investments	175	—	175
Net gain on disposal of assets	389	—	389
Other income	55	(2)	53
Total revenues and other income	4,650	(863)	3,787
Costs and expenses:			
Production	1,313	(601)	712
Marketing, including purchases from related parties	282	(37)	245
Other operating	511	(27)	484
Exploration	330	(7)	323
Depreciation, depletion and amortization	2,395	(239)	2,156
Impairments	67	—	67
Taxes other than income	168	(17)	151
General and administrative	484	(3)	481
Total costs and expenses	5,550	(931)	4,619
Loss from operations	(900)	68	(832)
Net interest and other	(335)	3	(332)
Loss from continuing operations before income taxes	(1,235)	71	(1,164)
Provision for income taxes	905	18	923
Loss from continuing operations	\$ (2,140)	\$ 53	\$ (2,087)
Per Share Data			
Loss from continuing operations			
Basic	\$ (2.61)		\$ (2.55)
Diluted	\$ (2.61)		\$ (2.55)
Weighted average shares			
Basic	819		819
Diluted	819		819

See accompanying notes to the unaudited pro forma consolidated financial statements.

MARATHON OIL CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the Year ended December 31, 2015

(In millions, except per share data)

	Historical	Disposition (a)	Pro Forma
Revenues and other income:			
Sales and other operating revenues, including related party	\$ 4,951	\$ (815)	\$ 4,136
Marketing revenues	571	(72)	499
Income from equity method investments	145	—	145
Net gain on disposal of assets	120	—	120
Other income	74	(21)	53
Total revenues and other income	5,861	(908)	4,953
Costs and expenses:			
Production	1,694	(715)	979
Marketing, including purchases from related parties	569	(69)	500
Other operating	438	(28)	410
Exploration	1,318	(347)	971
Depreciation, depletion and amortization	2,957	(236)	2,721
Impairments	752	(31)	721
Taxes other than income	234	(18)	216
General and administrative	590	(2)	588
Total costs and expenses	8,552	(1,446)	7,106
Loss from operations	(2,691)	538	(2,153)
Net interest and other	(267)	(19)	(286)
Loss from continuing operations before income taxes	(2,958)	519	(2,439)
Provision (benefit) for income taxes	(754)	16 ^(b)	(738)
Loss from continuing operations	\$ (2,204)	\$ 503	\$ (1,701)
Per Share Data			
Loss from continuing operations			
Basic	\$ (3.26)		\$ (2.51)
Diluted	\$ (3.26)		\$ (2.51)
Weighted average shares			
Basic	677		677
Diluted	677		677

See accompanying notes to the unaudited pro forma consolidated financial statements.

MARATHON OIL CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the Year ended December 31, 2014

(In millions, except per share data)

	Historical	Disposition (a)	Pro Forma
Revenues and other income:			
Sales and other operating revenues, including related party	\$ 8,736	\$ (1,556)	\$ 7,180
Marketing revenues	2,110	(52)	2,058
Income from equity method investments	424	—	424
Net loss on disposal of assets	(90)	—	(90)
Other income	78	(4)	74
Total revenues and other income	11,258	(1,612)	9,646
Costs and expenses:			
Production	2,246	(968)	1,278
Marketing, including purchases from related parties	2,105	(52)	2,053
Other operating	462	(40)	422
Exploration	793	(1)	792
Depreciation, depletion and amortization	2,861	(206)	2,655
Impairments	132	—	132
Taxes other than income	406	(20)	386
General and administrative	654	(3)	651
Total costs and expenses	9,659	(1,290)	8,369
Income from operations	1,599	(322)	1,277
Net interest and other	(238)	(18)	(256)
Income from continuing operations before income taxes	1,361	(340)	1,021
Provision for income taxes	392	(81)	311
Income from continuing operations	\$ 969	\$ (259)	\$ 710
Per Share Data			
Income from continuing operations			
Basic	\$ 1.42		\$ 1.04
Diluted	\$ 1.42		\$ 1.04
Weighted average shares			
Basic	680		680
Diluted	683		683

See accompanying notes to the unaudited pro forma consolidated financial statements.

MARATHON OIL CORPORATION

PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)

As of March 31, 2017

(In millions, except per share data)

	Historical	Disposition	Pro Forma
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,490	\$ 1,822 ^(c)	\$ 4,312
Receivables, less reserve of \$5	751	741 ^(d)	1,492
Inventories	145	—	145
Other current assets	134	—	134
Current assets held for sale	223	(222) ^(e)	1
Total current assets	3,743	2,341	6,084
Equity method investments	906	—	906
Property, plant and equipment less accumulated depreciation, depletion and amortization of \$20,692	16,533	—	16,533
Goodwill	115	—	115
Other noncurrent assets	698	—	698
Noncurrent assets held for sale	2,542	(2,541) ^(e)	1
Total assets	\$ 24,537	\$ (200)	\$ 24,337
Liabilities			
Current Liabilities:			
Accounts payable	\$ 1,081	\$ —	\$ 1,081
Payroll and benefits payable	70	—	70
Accrued taxes	81	—	81
Other current liabilities	222	—	222
Long-term debt due within one year	1,541	—	1,541
Current liabilities held for sale	104	(104) ^(e)	—
Total current liabilities	3,099	(104)	2,995
Long-term debt	5,723	—	5,723
Deferred tax liabilities	800	—	800
Defined benefit postretirement plan obligations	365	—	365
Asset retirement obligations	1,622	—	1,622
Deferred credits and other liabilities	221	—	221
Noncurrent liabilities held for sale	123	(116) ^(e)	7
Total liabilities	11,953	(220)	11,733
Commitments and contingencies			
Stockholders' Equity			
Preferred Stock - no shares issued and outstanding (no par value, 26 million shares authorized)	—	—	—
Common stock:			
Issued - 937 million shares (par value \$1 per share, 1.1 billion shares authorized)	937	—	937
Securities exchangeable into common stock - no shares issued or outstanding (no par value, 29 million shares authorized)	—	—	—
Held in treasury, at cost - 87 million shares	(3,314)	—	(3,314)
Additional paid-in-capital	7,336	—	7,336
Retained earnings	7,673	20 ^(f)	7,693
Accumulated other comprehensive loss	(48)	—	(48)
Total stockholders' equity	12,584	20	12,604
Total liabilities and stockholders' equity	\$ 24,537	\$ (200)	\$ 24,337

See accompanying notes to the unaudited pro forma consolidated financial statements.



MARATHON OIL CORPORATION
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

- (a) Amounts reflect the pro forma effect of eliminating the results of operations of our Canadian business for the years ended December 31, 2016, 2015 and 2014 from the presentation of continuing operations in the unaudited pro forma consolidated statements of income.
- (b) Includes \$135 million of deferred tax expense related to Alberta provincial corporate tax rate increase.
- (c) Represents net cash proceeds received at closing from the sale of our Canadian business, including \$72 million related to closing adjustments.
- (d) Represents the estimated fair value of the remaining net cash proceeds from the sale of our Canadian business to be received in the first quarter of 2018.
- (e) Represents the removal of the assets and liabilities held for sale from the balance sheet.
- (f) Represents the non-recurring estimated loss on sale that would have been recorded if we had completed the Canadian business sale on March 31, 2017.

**Marathon Oil Closes Acquisition of Northern Delaware Acreage and
Sale of Canadian Business
Completes Latest Strategic Portfolio Shift to U.S. Resource Plays**

HOUSTON, June 1, 2017 - Marathon Oil Corporation (NYSE: MRO) announced today it has closed the acquisition of approximately 21,000 net surface acres in the Northern Delaware basin of New Mexico from Black Mountain Oil & Gas and other private sellers for \$700 million, excluding closing adjustments. The effective date of this transaction is March 1, 2017. Combined with the acquisition from BC Operating, which closed May 1, Marathon Oil's total position in the Permian Basin is 91,000 net surface acres.

On May 31, the Company closed on the sale of its Canadian subsidiary to Shell and Canadian Natural Resources Limited for a total transaction value of \$2.5 billion in cash, excluding closing adjustments. Marathon Oil received proceeds of approximately \$1.75 billion, with the remaining proceeds to be paid in first quarter 2018. The effective date of the transaction is Jan. 1, 2017. The Canadian sale includes the Company's 20 percent non-operated interest in the Athabasca Oil Sands Project (AOSP).

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This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, including statements regarding the payment of the remaining proceeds, are forward-looking statements. While the Company believes its assumptions concerning future events are reasonable, certain factors could cause actual results to differ from those projected. Except as required by law, the Company undertakes no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise.

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