Marathon Petroleum $23.3 bn buy forms US refining giant

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The combined refining capacity of Marathon Petroleum and Andeavor will be more than three million barrels a day and will broaden Marathon's geographic footprint

Marathon Petroleum announced Monday that it will acquire Andeavor for $23.3 billion to form the largest oil refining company in the United

States by capacity.

The transaction will vastly broaden Marathon's geographic footprint in the world's leading petroleum market by adding refineries in California, the Pacific Northwest and Rocky Mountain region.

Marathon's refining plants are focused in the Midwest and Gulf Coast. Oil refineries use heating and chemical processes to transform crude oil into gasoline and other petroleum products.

The two companies will have a combined refining capacity of more than three million barrels a day, more than any other independent refiners and larger than the downstream divisions of integrated oil giants such as ExxonMobil and Royal Dutch Shell, which also pump oil out of the ground.

"This transaction combines two strong, complementary companies to create a leading US refining, marketing, and midstream company, building a platform that is well-positioned for long-term growth and shareholder value creation," said Marathon chief executive Gary Heminger.

Shareholders of Andeavor, formerly Tesoro, will have the opportunity to receive cash or Marathon shares with a premium of 24.4 percent compared with Friday's closing stock price.

The companies said the deal would enable more than $1 billion in annual cost savings and that the combined company would be well positioned in terms of the marketing of gasoline and the "midstream" oil and gas business, which concerns pipelines and storage.

Shares of Andeavor surged 17.0 percent to $143.19 in early trading, while Maratahon dipped 3.3% to $78.72.

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