MURPHY OIL CORPORATION

Murphy Oil Announces Preliminary Quarterly and Annual Financial Results

January 25, 2012

EL DORADO, Ark.--(BUSINESS WIRE)--Jan. 25, 2012-- Murphy Oil Corporation (NYSE: MUR) announced today that its results of operations in the fourth quarter of 2011 was a loss of $113.9 million ($0.59 per diluted share) compared to net income of $174.1 million ($0.90 per diluted share) in the fourth quarter of 2010. Net income in the fourth quarter of 2011 included a loss from discontinued operations of $0.6 million (nil per diluted share), while the 2010 fourth quarter included income from discontinued operations of $24.6 million ($0.13 per diluted share). Excluding discontinued operating results, the loss from continuing operations was $113.3 million ($0.59 per diluted share) in the fourth quarter of 2011 compared to income of $149.5 million ($0.77 per diluted share) in the same quarter of 2010. Results in the fourth quarter 2011 were significantly below 2010 primarily due to a $368.6 million impairment charge for the Azurite field in the Republic of the Congo. The impairment had no income tax effect. Declining well performance at Azurite led to a cut in proved reserves at this field at year-end 2011. Despite the reserve cut at Azurite, the Company expects to report a net overall reserve replacement ratio of greater than 200% for 2011. Higher sales prices for crude oil production in the 2011 quarter compared to a year ago somewhat tempered the overall impact of the impairment on total results.

For the year of 2011, net income totaled $872.7 million ($4.49 per diluted share) compared to $798.1 million ($4.13 per diluted share) in 2010. Net income included income from discontinued operations of $131.8 million ($0.68 per diluted share) in the 2011 period and $18.5 million ($0.10 per diluted share) in 2010. Income from continuing operations for the years of 2011 and 2010 totaled $740.9 million ($3.81 per diluted share) and $779.6 million ($4.03 per diluted share), respectively.

Net Income (Loss)

	Three Mos. Ended December 31,		Years Ended December 31,	
	2011	2010	2011	2010
(Millions of Dollars except per share)				
Exploration and Production	$ (139.9)	154.1	625.7	806.9
Refining and Marketing	61.0	19.8	190.3	130.6
Corporate	(34.4)	(24.4)	(75.1)	(157.9)
Income (loss) from continuing operations	(113.3)	149.5	740.9	779.6
Income (loss) from discontinued operations	(0.6)	24.6	131.8	18.5
Net income (loss)	$ (113.9)	174.1	872.7	798.1
Income (loss) per Common share - Diluted:				
Income (loss) from continuing operations	$ (0.59)	0.77	3.81	4.03
Net income (loss)	$ (0.59)	0.90	4.49	4.13

Fourth quarter 2011 vs. Fourth quarter 2010

Exploration and Production (E&P)

The Company’s E&P operations reported a loss of $139.9 million in the fourth quarter of 2011 compared to income of $154.1 million in the same quarter of 2010. The $294.0 million decline in results in the 2011 quarter compared to 2010 was primarily attributable to the aforementioned $368.6 million impairment charge at the Azurite field. The 2011 quarter included higher realized sales prices for worldwide crude oil and Sarawak natural gas.

E&P Metrics

	Three Mos. Ended December 31,		Years Ended December 31,	
	2011	2010	2011	2010
Oil Production Volume – Bbls. per day	108,771	117,084	103,160	126,927
Natural Gas Sales Volume – MCF per day	487,991	365,000	457,365	356,801
Total BOE Production Volume – BOE per day	190,103	177,917	179,388	186,394
Average Realized Oil Sales Price – $ per Bbl.	$ 96.90	73.60	94.54	67.11
Average Realized North American Natural Gas Sales Price – $ per MCF	$ 3.67	3.95	4.08	4.34
Average Realized Sarawak Natural Gas Sales Price – $ per MCF	$ 7.85	5.57	7.10	5.31

Exploration expenses totaled $185.4 million in the fourth quarter 2011, up from $110.8 million in the 2010 quarter. The increase was primarily attributable to higher dry hole costs in Brunei and southern Alberta, which were partially offset by lower dry hole costs in Republic of the Congo.

Worldwide production totaled 190,103 barrels of oil equivalent per day in the 2011 fourth quarter, an increase from the 177,917 barrels of oil equivalent per day produced in the 2010 quarter. Crude oil, condensate and gas liquids production was 108,771 barrels per day in the 2011 quarter compared to 117,084 barrels per day in 2010. The reduction in oil volumes produced in the 2011 quarter was mostly attributable to the Kikeh field, offshore Sabah, Malaysia, and decline at wells offshore Republic of the Congo. Certain wells at Kikeh were shut-in or curtailed due to mechanical issues. Natural gas sales volumes averaged 488 million cubic feet per day in quarter four 2011, up from 365 million cubic feet per day in the prior year's quarter. The 2011 increase was primarily attributable to higher gas volumes produced at Tupper West in British Columbia and offshore Sarawak, Malaysia. Gas production commenced at Tupper West during the first quarter 2011. Natural gas production in 2011 in the U.S. was below 2010 levels due to a delay in development drilling at the Thunder Hawk field subsequent to the Macondo incident in 2010.

The average sales price for the Company's crude oil, condensate and gas liquids was $96.90 per barrel in 2011 fourth quarter, up from $73.60 per barrel in the 2010 quarter. Natural gas sales prices in North America averaged $3.67 per thousand cubic feet (MCF) in the 2011 quarter, down from $3.95 per MCF in the 2010 quarter. Natural gas sold from fields offshore Sarawak, Malaysia, averaged $7.85 per MCF in the 2011 quarter compared to $5.57 per MCF in the 2010 quarter.

Refining and Marketing (R&M)

The Company's refining and marketing business generated a quarterly profit from continuing operations of $61.0 million in the fourth quarter 2011 compared to a profit of $19.8 million in the 2010 fourth quarter. The Company sold its two U.S. refineries and certain associated marketing assets near the end of the third quarter of 2011. The Company now presents the financial results of these assets sold as discontinued operations. Those results are excluded from the R&M results of continuing operations above. The U.S. R&M segment now includes retail marketing operations, two ethanol production facilities and wholesale marketing and trading operations retained after the sale of U.S. refining operations. U.S. R&M continuing operations generated earnings of $50.7 million in the fourth quarter of 2011 compared to earnings of $30.1 million in the 2010 quarter. The earnings increase for this business in 2011 was principally a result of stronger retail marketing margins compared to the prior year. U.S. retail marketing margins averaged 13.0 cents per gallon in the 2011 quarter compared to 7.4 cents per gallon in the 2010 quarter. The U.K. R&M operations posted a net profit of $10.3 million in the 2011 quarter based on improved margins in the current period compared to the 2010 quarter. The comparative fourth quarter 2010 net loss was $10.3 million in the U.K.

R&M Metrics

	Three Mos. Ended December 31,		Years Ended December 31,	
	2011	2010	2011	2010
U.S. Retail Fuel Margin – Per Gallon	$ 0.130	0.074	0.156	0.114
U.S. Retail Merchandise sales per store per month	$157,425	155,443	158,144	153,530
U.K. Refinery Inputs – Bbls. per day	138,492	110,572	135,391	84,163
U.K. R&M Unit Margin – Per Bbl.	$ 1.38	(0.90)	(0.67)	(1.47)
Total Petroleum Product Sales – Bbls. per day*	465,946	574,339	556,434	536,757
U.S. Refining Unit Margin – Per Bbl.*	$ –	2.46	3.45	0.23

*Includes discontinued operations associated with sold U.S. refineries.

Corporate

Corporate function results were after-tax costs of $34.4 million in the fourth quarter of 2011, unfavorable to net costs of $24.4 million in the 2010 quarter. The higher net costs in 2011 were primarily related to the unfavorable effects of transactions denominated in foreign currencies. The 2011 quarter included an after-tax charge from foreign currencies of $11.6 million, compared to a minimal after-tax effect in the 2010 quarter. The current period foreign currency charge was primarily attributable to a slightly stronger exchange rate for the Malaysian ringgit against the U.S. dollar, which led to higher income tax liabilities that are to be paid in the local currency. The Company also had higher net interest expense in the 2011 quarter, which was associated with both higher interest for tax and other settlements and lower amounts of interest capitalized to oil and natural gas development projects.

Discontinued Operations

Loss from discontinued operations was $0.6 million (nil per diluted share) in the fourth quarter 2011, compared to income of $24.6 million ($0.13 per diluted share) in the 2010 fourth quarter. The 2011 quarterly results of discontinued operations primarily included final adjustments associated with the sales of the Superior, Wisconsin refinery (sold September 30, 2011) and the Meraux, Louisiana refinery (sold October 1, 2011). The Company used the proceeds of the refinery sales to repay approximately $725.0 million of outstanding debt in October 2011. The 2010 income from discontinued operations included operating results of the two refineries and associated marketing assets for the last three months of 2010.

Year 2011 vs. Year 2010

Exploration and Production (E&P)

The Company's E&P operations earned $625.7 million for the full year 2011 compared to $806.9 million in 2010. The reduction in 2011 earnings versus 2010 was primarily attributable to a $368.6 million impairment charge to reduce the carrying value of the Azurite field to fair value. The current year benefited from higher crude oil sales prices and higher natural gas sales volumes and prices at fields offshore Sarawak. The 2011 period also included a $13.1 million after-tax gain on sale of gas storage assets in Spain. Unfavorable effects in 2011 included lower crude oil sales volumes and higher extraction and exploration expenses. Extraction expenses rose in 2011 due to well workover expenses at the Kikeh field and higher production at onshore fields in the Eagle Ford Shale area in the U.S. and the Montney area of Western Canada.

Total exploration expense was $489.9 million in 2011, up from $292.3 million in 2010. The higher current-year costs were principally associated with unsuccessful wildcat drilling in Brunei, Indonesia, Suriname and southern Alberta, plus higher geophysical and lease amortization costs for the Baranan and Central Dohuk licenses in the Kurdistan region of Iraq. These were partially offset by lower 2011 exploration costs in Republic of the Congo, the U.K. and Malaysia.

Total worldwide production in 2011 was 179,388 barrels of oil equivalent per day, down from 186,394 barrel equivalents in 2010. Total crude oil, condensate and gas liquids production averaged 103,160 barrels per day in 2011, compared to 126,927 barrels per day in 2010. The decline was mostly attributable to lower gross production at Kikeh, where several wells were shut-in or curtailed due to mechanical issues. Oil volumes were also lower in 2011 in the U.S. primarily due to a delay in development drilling at Thunder Hawk in the Gulf of Mexico. Natural gas sales volumes increased from 357 million cubic feet per day in 2010 to 457 million cubic feet per day in 2011. The 2011 increase was primarily attributable to start-up of gas production at Tupper West during the first quarter 2011. In addition, gas sales volumes increased in 2011 at fields offshore Sarawak, Malaysia, although lower-value gas sales volumes at Kikeh were below 2010 levels during 2011.

The average sales price for crude oil and other liquids was $94.54 per barrel in 2011, compared to $67.11 per barrel in 2010. North American natural gas was sold at an average price of $4.08 per MCF in 2011, below the 2010 average of $4.34 per MCF. However, natural gas volumes produced offshore Sarawak were sold for $7.10 per MCF in 2011, up from $5.31 per MCF in the prior year.

Refining and Marketing (R&M)

The Company's refining and marketing continuing operations generated a profit of $190.3 million in the year of 2011 compared to a profit of $130.6 million in 2010. U.S. profits from continuing operations were $223.6 million in 2011 compared to $165.3 million in 2010. Operating results for the U.S. R&M business improved in 2011 versus the prior year due to better retail marketing margins. Per gallon margins for retail operations were 15.6 cents in 2011 compared to 11.4 cents in 2010. The U.K. R&M business had a net loss of $33.3 million in 2011 compared to a net loss of $34.7 million in 2010.

Corporate

Corporate after-tax costs were $75.1 million in the year of 2011 compared to costs of $157.9 million in the 2010 period. The significant favorable variance in 2011 compared to 2010 was mostly associated with improved effects of transactions denominated in foreign currencies in the current period. The after-tax benefits from transactions denominated in foreign currencies were $20.7 million in 2011 compared to after-tax costs of $58.1 million in 2010. The 2011 period had higher administrative costs compared to 2010, primarily associated with more employee compensation expense in the later period. Additionally, net interest expense was higher in 2011 than 2010 due to a combination of interest on tax assessments and lower capitalization of interest to oil and gas development projects in the latter year.

Discontinued Operations

Income from discontinued operations associated with the two U.S. refineries sold in 2011 was a profit of $131.8 million in 2011 compared to a profit of $18.5 million in 2010. The improvement in 2011 results was primarily due to significantly improved refining margins coupled with higher crude oil throughputs at the U.S. refineries in the 2011 period. The 2011 income included an $18.7 million net gain on sale of the refineries and associated marketing assets. The gain on sale benefited from inventories sold at fair value, which greatly exceeded the carrying value of such inventories under the historical last-in first-out valuation basis.

David M. Wood, President and Chief Executive Officer, commented, "The year 2011 was an important year for Murphy Oil. The sale of our two U.S. refineries was a key step in our strategy to reposition the Company and we are now focused on the divestiture of the U.K. downstream assets. Activity in our North American resource plays ramped up as we accelerated oil developments in the Eagle Ford Shale of South Texas and the Seal heavy oil project in northern Alberta. We also brought Tupper West in British Columbia onstream ahead of schedule in late February and have recently achieved full plant capacity. Additionally, we acquired exploration rights in several highly prospective areas around the globe, including Kurdistan Iraq, Cameroon and Suriname. Activity in the Gulf of Mexico continues to feel the impact of the new permitting and operating framework established for the industry. We received permits for two sidetracks at Front Runner and a new development well at Thunder Hawk to be drilled in 2012. This year will be important as we evaluate the future potential of our business in the Gulf of Mexico. Of course 2011 was not without its challenges. We achieved lower than expected production levels during the year, primarily related to shut-in or curtailed production caused by the sand/fines migration issue at Kikeh and poorer than expected performance from the Azurite field, offshore Republic of the Congo. The delay in permitting in the Gulf of Mexico also impacted production.

"In 2012, we will build upon the improvements seen in 2011 and currently anticipate total worldwide production volumes of 195,000 barrels of oil equivalent per day in the first quarter of the year. Sales volumes of oil and natural gas are projected to average 193,000 barrels of oil equivalent per day in the first quarter 2012. We anticipate a full-year 2012 production rate of about 200,000 barrel equivalents per day. At the present time, we expect net income in the first quarter to range between $1.30 and $1.40 per diluted share. The first quarter estimate includes projected exploration expense ranging between $60 million and $80 million during the quarter, and earnings from our continuing downstream businesses of approximately $22 million. Results could vary based on commodity prices, drilling results, timing of crude oil and natural gas sales, refining and marketing margins, and foreign exchange movements."

The public is invited to access the Company's conference call to discuss fourth quarter 2011 results on Thursday, January 26 at 12:00 p.m. CST either via the Internet through the Investor Relations section of Murphy Oil's Web site at **http://www.murphyoilcorp.com/ir** or via the telephone by dialing **1-888-437-9364**. The telephone reservation number for the call is **8951684**. Replays of the call will be available through the same address on Murphy Oil's Web site, and a recording of the call will be available through Monday, January 30 by calling 1-888-203-1112 and referencing reservation number 8951684. Audio downloads will also be available on the Murphy Web site through March 1 and via Thomson StreetEvents for their service subscribers.

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, are subject to inherent risks and uncertainties. Factors that could cause *actual results to differ materially from those expressed or implied in our forward-looking statements include, but are not limited to, the volatility and level of crude oil and natural gas prices, the level and success rate of our exploration programs, our ability to maintain production rates and replace reserves, customer demand for our products, political and regulatory instability, and uncontrollable natural hazards. For further discussion of risk factors, see Murphy's 2010 Annual Report on Form 10-K on file with the U.S. Securities and Exchange Commission. Murphy undertakes no duty to publicly update or revise any forward-looking statements.*

MURPHY OIL CORPORATION
CONSOLIDATED FINANCIAL DATA SUMMARY
(Unaudited)

FOURTH QUARTER	2011	2010*
Revenues	$ 6,817,508,000	5,564,075,000
Income (loss) from continuing operations	$ (113,267,000)	149,481,000
Net income (loss)	$ (113,928,000)	174,069,000
Income (loss) from continuing operations per Common share		
Basic	$ (0.59)	0.77
Diluted	(0.59)	0.77
Net income (loss) per Common share		
Basic	$ (0.59)	0.90
Diluted	(0.59)	0.90
Average shares outstanding		
Basic	193,604,685	192,592,306
Diluted	194,485,708	193,941,968
YEAR		
Revenues	$27,745,549,000	20,169,718,000
Income from continuing operations	$ 740,932,000	779,559,000
Net income	$ 872,702,000	798,081,000
Income from continuing operations per Common share		
Basic	$ 3.83	4.06
Diluted	3.81	4.03
Net income per Common share		
Basic	$ 4.51	4.16
Diluted	4.49	4.13
Average shares outstanding		
Basic	193,409,621	191,830,357
Diluted	194,512,402	193,157,814

*Reclassified to conform to current presentation.

Source: Murphy Oil Corporation

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