Murphy Oil Announces Preliminary Second Quarter Earnings and Drilling Results

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EL DORADO, Ark., Jul 27, 2011 (BUSINESS WIRE) --

Murphy Oil Corporation (NYSE: MUR) announced today that net income in the second quarter of 2011 was $311.6 million ($1.60 per diluted share) compared to net income of $272.3 million ($1.41 per diluted share) in the second quarter of 2010. Income improved in 2011 in both the upstream and downstream businesses of the Company. Upstream earnings improved primarily due to higher crude oil sales prices, while downstream earnings improved due to stronger U.S. refining and retail marketing margins.

For the first six months of 2011, net income totaled $580.5 million ($2.98 per diluted share) compared to net income of $421.2 million ($2.18 per diluted share) for the same period in 2010.

Net Income

	Three Mos. Ended June 30		Six Mos. Ended June 30	
	2011	2010	2011	2010
(Millions of Dollars)				
Exploration and Production	$ 243.3	219.1	503.7	466.1
Refining and Marketing	91.7	83.8	122.4	54.1
Corporate	(23.4)	(30.6)	(45.6)	(99.0)
Net income	$ 311.6	272.3	580.5	421.2
Income per diluted share	1.60	1.41	2.98	2.18

Second Quarter 2011 vs. Second Quarter 2010

Exploration and Production (E&P)

The Company's income from exploration and production operations was $243.3 million in the second quarter of 2011 compared to $219.1 million in the same quarter of 2010. Income in the 2011 quarter exceeded 2010 primarily due to higher crude oil sales prices in the current period. Additionally, the Company generated an after-tax gain of $13.1 million in the 2011 quarter from sale of natural gas storage assets in Spain. Exploration expenses were $122.5 million in the second quarter of 2011 compared to $53.2 million in the same period of 2010, with the increase mainly attributable to a dry hole expensed in the 2011 quarter in Indonesia at the Lengkuas prospect in the Semai II area.

Worldwide production totaled 170,457 barrels of oil equivalent per day in the second quarter 2011, compared to 189,951 barrels of oil equivalent per day in the same quarter in 2010. Total crude oil and gas liquids production was 94,242 barrels per day in the second quarter of 2011 compared to 131,983 barrels per day in the 2010 quarter, with the decrease primarily attributable to lower gross production at the Kikeh field, offshore Sabah, where several high-rate wells were shut-in awaiting rig workovers. The first well workover at Kikeh was successfully completed in July 2011. Additionally, oil production in the Seal area and at Syncrude in Western Canada was adversely affected in the 2011 quarter by severe forest fires in Northern Alberta. Crude oil production at Terra Nova, offshore Eastern Canada, was lower in the 2011 quarter primarily due to curtailment associated with equipment constraints on the production facility. In addition, 2011 crude oil production in the Gulf of Mexico was below year ago levels primarily due to the delay in permitting of drilling operations by U.S. government regulators following the Macondo incident in April 2010. Crude oil and gas liquids sales volumes averaged 90,004 barrels per day in the second quarter of 2011 compared to 131,810 barrels per day in the 2010 quarter. Natural gas sales volumes averaged a Company record 457 million cubic feet per day in the second quarter of 2011 compared to 348 million cubic feet per day in the 2010 quarter. The increase in natural gas sales volumes in 2011 included continued ramp-up of gas production volumes at the Tupper West area in British Columbia, Canada, where production commenced in the first quarter 2011, and higher production from fields offshore Sarawak, Malaysia. The Company's worldwide crude oil and condensate sales prices averaged $99.37 per barrel for the second quarter of 2011 compared to $64.68 per barrel in the second quarter 2010. North American natural gas sales prices averaged $4.26 per thousand cubic feet (MCF) in the 2011 quarter compared to $4.16 per MCF in the same quarter of 2010. Natural gas produced offshore Sarawak, Malaysia was sold at an average price of $6.40 per MCF during the second quarter 2011 compared to an average price of $5.10 per MCF in the second quarter 2010.

E&P Metrics

	Three Mos. Ended June 30	Six Mos. Ended June 30

	2011	2010	2011	2010
Oil Production Volume - Bbls. per day	94,242	131,983	103,725	135,502
Natural gas Sales Volume - MCF per day	457,288	347,806	435,283	345,414
Total BOE Production Volume - BOE per day	170,457	189,951	176,272	193,071
Average Realized Oil Sales Price - $ per Bbl.	$ 99.37	64.68	93.04	64.59
Average Realized North American Gas Sales Price - $ per MCF	$ 4.26	4.16	4.30	4.61
Average Realized Sarawak Gas Sales Price - $ per MCF	$ 6.40	5.10	6.15	4.87

Refining and Marketing (R&M)

The Company previously announced its intent to sell its U.S. refining and U.K. R&M assets. On July 25, we signed an agreement to sell the Superior, Wisconsin refinery for $214 million plus the value of hydrocarbon inventories. Ongoing sale activities related to the other refining and marketing assets offered for sale continue to progress.

The Company's refining and marketing operations generated income of $91.7 million in the second quarter 2011 compared to income of $83.8 million in the same quarter of 2010. The R&M earnings improvement in the 2011 second quarter occurred in the United States, where quarterly earnings were $107.5 million in 2011 compared to $79.4 million in 2010. U.S. manufacturing income of $27.3 million in the 2011 quarter exceeded income of $9.8 million in the 2010 quarter primarily due to improved U.S. refining margins, which averaged $2.54 per barrel in 2011 compared to $0.69 per barrel in 2010. Additionally, the refineries ran well during the 2011 quarter processing a record 170,475 barrels of crude oil per day.

U.S. marketing operations generated a profit of $80.2 million in the 2011 quarter compared to $69.6 million in the 2010 quarter. The 2011 quarter had average retail marketing margins of $0.199 per gallon, up from $0.162 per gallon in the prior year. Fuel sales volume per store was about 10% below 2010 levels, while merchandise sales per store were up 2% in the 2011 quarter compared to the prior year quarter.

The United Kingdom R&M business had an after-tax loss of $15.8 million in the 2011 second quarter compared to a profit of $4.4 million in the 2010 second quarter. The unfavorable result in the U.K. in 2011 compared to 2010 was primarily due to significantly weaker refining margins at the Milford Haven, Wales refinery. In addition, marketing operations had lower average product margins in the 2011 quarter due to weak motor fuel demand. Milford Haven processed a record quarterly volume of crude oil, achieving 136,428 barrels per day during the 2011 quarter. Throughput for the 2010 quarter was adversely affected by a turnaround at Milford Haven early in the period and the refinery was slow to return to normal operations upon restart. The 2010 quarter included a $6.0 million benefit for U.K. income tax adjustments.

R&M Metrics

	Three Mos. Ended June 30		Six Mos. Ended June 30	
	2011	2010	2011	2010
Total Refinery Inputs - Bbls. per day	314,388	207,186	304,342	188,497
Total Petroleum Product Sales - Bbls. per day	601,498	508,117	583,019	493,486
U.S. Refining Unit Margin - Per Bbl.	$ 2.54	0.69	2.73	(1.23)
U.S. Retail Fuel Margin - Per Gallon	$ 0.199	0.162	0.146	0.123
U.K. R&M Unit Margin - Per Bbl.	$ (1.76)	0.52	(1.22)	(1.65)

Corporate

Corporate functions incurred net costs of $23.4 million in the 2011 second quarter compared to net costs of $30.6 million in the 2010 second quarter, with the improved result in 2011 primarily related to favorable impacts on transactions denominated in foreign currencies. After-tax foreign currency effects were a gain of $4.9 million in the 2011 quarter compared to a loss of $1.6 million in the 2010 quarter.

<u>First Six Months 2011 vs. First Six Months 2010</u>

Exploration and Production (E&P)

The Company's E&P business earned $503.7 million in the first six months of 2011 compared to earnings of $466.1 million in the same period of 2010. Earnings in 2011 were favorably affected by higher sales prices for crude oil and Sarawak natural gas compared to a year ago. The Company also benefited from higher natural gas sales volumes in 2011 compared to 2010, while crude oil sales volumes in 2011 were well below prior year levels. Exploration expenses were $218.8 million in 2011 compared to $119.5 million in 2010, with the higher costs in the 2011 period primarily from unsuccessful wildcat drilling offshore Indonesia and Suriname. The 2011 period included a $13.1 million after-tax gain on sale of gas storage assets in Spain.

Worldwide production amounted to 176,272 barrels of oil equivalents per day during the first six months of 2011 compared to 193,071 barrel equivalents per day in the same period a year ago. Crude oil and gas liquids production for the first six months of 2011 averaged 103,725 barrels per day compared to 135,502 barrels per day in 2010. The oil production decrease in 2011 was mostly caused by lower gross crude oil volumes produced at the Kikeh field, offshore Sabah, Malaysia. Other unfavorable crude oil production variances in 2011 included the Gulf of Mexico, Terra Nova and the United Kingdom. Natural gas sales volumes were 435 million cubic feet per day in 2011 compared to 345 million cubic feet per day in 2010, with the increase primarily resulting from new volumes produced at Tupper West in British Columbia, following start-up in February 2011, and higher gas volumes at Tupper Main and offshore Sarawak, Malaysia. Crude oil and condensate sales prices averaged $93.04 per barrel in the 2011 period compared to $64.59 per barrel in 2010. North American natural gas was sold at an average price of $4.30 per MCF in 2011, compared to $4.61 per MCF in 2010. Sarawak natural gas production was sold at an average of $6.15 per MCF during the first six months of 2011 compared to $4.87 per MCF during 2010.

Refining and Marketing (R&M)

The Company's refining and marketing earnings were $122.4 million in the first six months of 2011, compared to earnings of $54.1 million in the same 2010 period. U.S. manufacturing results improved from a loss of $13.8 million in the 2010 period to a profit of $56.0 million in 2011 due to significantly better refining margins in 2011, coupled with the favorable effect of significantly higher crude oil throughput volumes at the Meraux, Louisiana, refinery. The 2010 period was unfavorably impacted by downtime for a plant-wide four-week turnaround at Meraux. Refining margins in the U.S. averaged $2.73 per barrel in the 2011 six months compared to a loss of $1.23 per barrel in 2010.

U.S. marketing operations had income of $90.9 million in the first six months of 2011, well above the $78.5 million of income in the same period in 2010. U.S. retail marketing margins averaged $0.146 per gallon in 2011 six-month period compared to $0.123 per gallon in 2010. Fuel sales per store month in 2011 were about 9% lower than in 2010. Merchandise sales per store increased 4% in 2011 compared to 2010, with the current period including more than a 5% higher margin on sales.

R&M operations in the U.K. showed a six-month 2011 loss of $24.5 million, compared to a loss of $10.6 million in the prior year, as the operation continued to experience weak refining margins at the Milford Haven, Wales, refinery as well as weaker margins across the marketing network in 2011. The Milford Haven refinery processed significantly higher crude oil volumes in the 2011 period compared to 2010. The prior year six-month period included a full-plant turnaround. The increase in crude oil processed during 2011 led to higher product sales volumes into the unprofitable U.K. product market.

Corporate and Other

Corporate after-tax costs were $45.6 million in the first six months of 2011 compared to after-tax costs of $99.0 million in the 2010 period. The 2011 results included $3.9 million of after-tax gains on transactions denominated in foreign currencies compared to after-tax losses of $42.9 million in 2010. Additionally, lower net interest expense in 2011 compared to 2010 was attributable to a combination of lower average interest rates on borrowed funds and higher amounts of interest capitalized to ongoing oil and natural gas development projects in the current period.

David M. Wood, President and Chief Executive Officer, commented, "While we are disappointed in the results of the Lengkaus well in Indonesia, we are using this data to reevaluate other prospects on this and surrounding blocks. Our next exploration wells will be on the Deep Blue prospect in the Gulf of Mexico and our first well offshore Brunei in the third quarter. Our Eagle Ford Shale presence and production volumes continue to grow. We had a record production day of 7,200 barrels of oil equivalent in this area in July and we added over 20,000 acres in the heart of the play in the second quarter. We are proud to partner with Walmart U.S. to offer a 10-cent per gallon discount opportunity to retail customers at the majority of our gasoline stations beginning in July and continuing through September 30. Our ethanol production facility in Hereford, Texas, has essentially lined out its operations following start-up near the end of the first quarter this year. Consistent with our repositioning strategy previously announced, on July 25 we signed an agreement to sell our Superior, Wisconsin refinery. The sale process for the Meraux, Louisiana refinery and U.K. downstream assets continues to progress.

"We anticipate total worldwide production volumes of about 173,000 barrels of oil equivalent per day in the third quarter of 2011. Sales volumes of oil and natural gas are projected to average 171,500 barrels of oil equivalent per day in the third quarter 2011. We anticipate full year 2011 production volumes of 185,000 barrels of oil equivalent per day, with an expected 2011 year-end exit rate of 220,000 barrel equivalents per day. At the current time, we expect net income in the third quarter to range between $1.05 and $1.15 per diluted share. The earnings projection includes approximately $15 million of income tax charges associated with a 12% higher tax rate recently enacted on oil and gas profits in the U.K. Exploration expense should total between $100 million and $130 million during the quarter. The third quarter estimate includes projected earnings from our downstream businesses of approximately $60 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 second quarter 2011 results on Thursday, July 28, at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy Oil's Web site at http://www.murphyoilcorp.com/ir or via telephone by dialing 1-800-967-7141**.** The telephone reservation number for the call is 9943385. 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 August 1 by calling 1-888-203-1112 and using the same reservation number shown above. Audio downloads of the conference will be available on Murphy's Web site through September 1, 2011 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)

SECOND QUARTER	2011	2010
Revenues	$ 8,721,491,000	$ 5,591,931,000
Net income	$ 311,613,000	$ 272,289,000
Net income per Common share		
Basic	$ 1.61	$ 1.42
Diluted	$ 1.60	$ 1.41
Average shares outstanding		
Basic	193,481,601	191,585,996
Diluted	194,916,194	193,169,099
FIRST SIX MONTHS		
Revenues	$16,073,158,000	$10,772,091,000
Net income	$ 580,516,000	$ 421,180,000
Net income per Common share		
Basic	$ 3.00	$ 2.20
Diluted	$ 2.98	$ 2.18
Average shares outstanding		
Basic	193,267,154	191,394,728
Diluted	194,642,191	192,821,487

SOURCE: Murphy Oil Corporation

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