Murphy Oil Announces Preliminary First Quarter 2011 Earnings and Drilling Results

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EL DORADO, Ark., May 04, 2011 (BUSINESS WIRE) --

Murphy Oil Corporation (NYSE: MUR) announced today that net income in the first quarter of 2011 was $268.9 million ($1.38 per diluted share), compared to net income of $148.9 million ($0.77 per diluted share) in the first quarter of 2010.

Net Income

(Millions of Dollars)	Three Mos. Ended March 31, 2011	2010
Exploration and Production	$ 260.4	247.0
Refining and Marketing	30.7	(29.7)
Corporate	(22.2)	(68.4)
Net income	$ 268.9	148.9
Income per diluted share	$ 1.38	0.77

The improved net income in 2011 compared to 2010 was due to a combination of a higher average realized crude oil sales price, record natural gas production volumes, improved U.S. refining margins and lower losses for transactions denominated in foreign currencies. The 2011 quarterly results were unfavorably affected by lower crude oil sales volumes, lower North American natural gas sales prices and higher exploration expenses.

Exploration and Production (E&P)

Income contribution from E&P operations was $260.4 million in the first quarter of 2011 compared to $247.0 million in the same quarter of 2010. A higher average realized sales price for crude oil was the primary driver for the improvement in 2011. The current period also benefited from record natural gas sales volumes. Unfavorable variances to the 2010 quarter included lower crude oil sales volumes, higher exploration expenses and higher workover expenses at the Kikeh field, offshore Sabah, Malaysia.

E&P Metrics

	Three Mos. Ended March 31, 2011	2010
Oil Production Volume - Bbls. per day	113,313	139,060
Natural Gas Sales Volume - MCF per day	413,034	342,995
Total BOE Production Volume - BOE per day	182,152	196,226
Average Realized Oil Sales Price - $ per Bbl.	$ 86.73	64.89
Average Realized North American Gas Sales Price - $ per MCF	$ 4.35	5.14
Average Realized Sarawak Gas Sales Price - $ per MCF	$ 5.64	4.58

The Company's worldwide crude oil, condensate and natural gas liquid sales prices averaged $86.73 per barrel for the 2011 first quarter compared to the 2010 first quarter average of $64.89 per barrel. Total crude oil, condensate and gas liquids production of 113,313 barrels per day in the first quarter of 2011 was below the 139,060 barrels per day produced in the 2010 quarter. The decline in oil production in 2011 was primarily attributable to lower gross volumes at the Kikeh field caused by wells shut-in awaiting workovers. Additionally, oil production in the Gulf of Mexico was lower in the 2011 quarter compared to 2010 due to the delay in permitting by U.S. government regulators following the Macondo incident in April 2010. Total sales volumes of crude oil, condensate and natural gas liquids averaged 112,804 barrels per day in the first quarter 2011 compared to 145,783 barrels per day in the 2010 quarter. North American natural gas sales prices averaged $4.35 per thousand cubic feet (MCF) in the 2011 first quarter compared to $5.14 per MCF in the same quarter of 2010. Natural gas produced at fields offshore Sarawak Malaysia was sold at an average of $5.64 per MCF in the 2011 quarter, up from $4.58 per MCF in the 2010 first quarter. Natural gas sales volume of 413 million cubic feet per day in the first three months of 2011 was a quarterly record for the Company, up from the 343 million cubic feet per day sold in the 2010 period. The increase in natural gas sales volume was due to start-up of natural gas production at the Tupper West area in Northeast British Columbia in February 2011, coupled with higher gas production volumes in several areas, including the Tupper Main area, offshore Malaysia blocks and the Mondo NW field in the Gulf of Mexico.

Exploration expense in the 2011 period was $96.3 million compared to $66.3 million in 2010. Dry hole expense was higher by $13.5 million in the 2011 period as unsuccessful drilling costs offshore Suriname in the current period exceeded the drilling expense offshore Sabah in the 2010 first quarter. The Aracari wildcat well offshore Suriname, drilled in the first quarter 2011, was a dry hole. Geological and geophysical expense was $5.0 million higher in 2011 compared to 2010 due to more seismic acquisition costs in the just completed quarter in the Mississippi Canyon deepwater area in the Gulf of Mexico and the Eagle Ford Shale area of South Texas. Undeveloped leasehold amortization expense in 2011 was $8.6 million more than in 2010 primarily due to amortizing our growing lease position in the Eagle Ford Shale area, plus amortization costs associated with the recently licensed Central Dohuk lease in the Kurdistan region of Iraq.

Refining and Marketing (R&M)

Murphy's R&M operations had income of $30.7 million in the 2011 first quarter compared to a loss of $29.7 million in the 2010 quarter. In 2010, the Company announced its intention to sell the U.S. refining and U.K. R&M assets in 2011. The sale activities continue to progress.

R&M Metrics

		Three Mos. Ended March 31,	
		2011	2010
Total Refinery Inputs - Bbls. per day		294,184	169,600
Total Petroleum Product Sales - Bbls. per day		564,335	478,692
U.S. Refining Unit Margin - Per Bbl.	$	2.93	(4.23)
U.S. Retail Fuel Margin - Per Gallon	$	0.091	0.081
U.K. R&M Unit Margin - Per Bbl.	$	(0.61)	(3.23)

In the United States, income from R&M operations totaled $39.4 million in 2011 compared to a loss of $14.7 million in 2010. U.S. manufacturing operations reflected a profit of $28.7 million in the 2011 quarter, an improvement of $52.3 million compared to the first quarter 2010 loss. U.S. refining margins of $2.93 per barrel were much improved in the 2011 quarter compared to very weak margins during the 2010 quarter of negative $4.23 per barrel. Additionally, throughput of crude oil and other feedstocks in the 2011 quarter for U.S. refining operations was a quarterly record of 169,217 barrels per day. A six-week shutdown of the Meraux, Louisiana, refinery for a planned turnaround during the 2010 quarter significantly curtailed crude oil throughputs at U.S. refineries during the prior year's first quarter.

U.S. marketing operations generated a profit of $10.7 million in the 2011 quarter, an increase of $1.8 million compared to the same quarter in 2010. Margins for U.S. retail marketing operations were slightly improved in the 2011 quarter compared to a year earlier. These stronger retail fuel margins, coupled with higher profits on merchandise sales, more than offset lower U.S. motor fuel sales volumes through the Company's retail stations.

Refining and marketing operations in the United Kingdom incurred a loss of $8.7 million in the first quarter 2011 compared to a loss of $15.0 million in the same quarter of 2010. The lower loss for U.K. R&M operations in 2011 was primarily due to a better refining margin in the most recent quarter. Additionally, crude oil throughput volume at the Milford Haven, Wales, refinery was a quarterly record in the 2011 period. The prior-year's quarter included lower than normal crude oil throughput volumes associated with the early stages of a plant-wide turnaround at Milford Haven that began in March 2010.

Corporate

Corporate functions had net costs of $22.2 million in the 2011 first quarter compared to net costs of $68.4 million in the 2010 first quarter. The variance in 2011 was significantly favorable to 2010 primarily due to after-tax losses of $1.1 million in the current quarter on transactions denominated in foreign currencies compared to after-tax losses of $41.3 million in the 2010 quarter. The foreign currency charges in 2010 were generated due to a combination of a strengthening of the U.S. dollar against the British pound and a weakening of the U.S. dollar against the Malaysian ringgit. The stronger U.S. dollar led to foreign currency losses on dollar based liabilities in the sterling functional U.K. downstream operations, and the stronger Malaysian ringgit led to foreign currency losses on ringgit based income tax liabilities in the dollar functional Malaysian oil and gas operations. The Company also had lower net interest expense in 2011 than in 2010 due to a combination of lower average borrowings and more interest capitalized to oil and natural gas development projects in 2011.

David Wood, Murphy's President and Chief Executive Officer, commented, "We began 2011 with a good financial performance mostly attributable to a combination of strong oil prices and better than expected refining margins during the winter season. Once again our financial results have benefited from being heavily weighted with oil production. The higher oil prices did have a dampening effect, however, on our retail gasoline margins, which coupled with the normal weak gasoline demand during the winter, led to thin profits in this U.S. business.

"We continue our oil and natural gas development work in several areas, including our primary North American resource plays at Tupper West and Eagle Ford Shale. Our enhanced oil recovery project at Seal Lake continues, and early evaluation drilling in Southern Alberta is ongoing. Additionally, oil development projects progress offshore Sarawak, with anticipated start-up of sanctioned fields at Patricia and Serendah in 2012 and 2013, respectively. Wildcat drilling in Indonesia is ongoing and drilling offshore Brunei begins in the third quarter this year. In our downstream business, we continue with the process for selling our U.S. refining and U.K. downstream. This work is on target for disposal of these assets in 2011. Construction at our ethanol plant in Hereford, Texas, was completed in the first quarter and start-up and commissioning of the plant commenced at the end of the March. Our U.S. retail gasoline station portfolio expanded further in 2011 with the addition of eleven new stations during the first quarter.

"We anticipate total worldwide production volumes of about 187,000 barrels of oil equivalent per day in the second quarter of 2011. Sales volumes of oil and natural gas are projected to average 180,000 barrels of oil equivalent per day in the second quarter 2011. We anticipate full year 2011 production volumes of 200,000 barrels of oil equivalent per day. At the current time, we expect net income in the second quarter to range between $1.50 and $1.80 per diluted share. Exploration expense should total between $75 million and $125 million during the quarter. The second quarter estimate includes projected earnings from our downstream businesses of approximately $55 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 first quarter 2011 results on Thursday, May 5, at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy's Web site at **http://www.murphyoilcorp.com/ir** or via the telephone by dialing **1-866-564-7444**. The telephone reservation number for the call is **8880163**. Replays of the call will be available through the same address on the Murphy Web site, and a recording of the call will be available through May 9 by dialing **1-888-203-1112** and referencing reservation number **8880163**. Audio downloads will be available on the Murphy Web site through June 1 and via Thomson StreetEvents for their service subscribers.

Summary financial data and operating statistics for the first quarter 2011 with comparisons to 2010 are contained in the attached tables.

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)

FIRST QUARTER	2011	2010
Revenues	$7,351,667,000	5,180,160,000
Net income	$ 268,903,000	148,891,000
Net income per Common share		
Basic	$ 1.39	0.78
Diluted	$ 1.38	0.77
Average shares outstanding		
Basic	193,092,509	191,219,265
Diluted	194,597,368	192,929,735

SOURCE: Murphy Oil Corporation

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