Murphy Oil Announces Preliminary Quarterly and Annual Earnings and Drilling Results

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EL DORADO, Ark., Jan 26, 2011 (BUSINESS WIRE) --

Murphy Oil Corporation (NYSE: MUR) announced today that net income in the fourth quarter of 2010 was $174.1 million ($0.90 per diluted share), compared to net income of $318.8 million ($1.65 per diluted share) in the fourth quarter 2009. Although there were no significant unusual items in the fourth quarter of 2010, the 2009 fourth quarter was affected by several unusual items, including a $185.3 million after-tax benefit (with associated interest thereon) related to a recovery of deepwater federal royalties previously paid for certain oil and gas properties in the deepwater Gulf of Mexico. The 2009 fourth quarter also included a $31.3 million after-tax charge for reduction of the Company's working interest in the Terra Nova field, offshore Eastern Canada. In the second quarter 2009, the Company recognized a charge at Terra Nova assuming a working interest reduction from the original 12.0% to approximately 11.5%. The charge recorded in the fourth quarter 2009 further reduced the Company's anticipated working interest to 10.475%. Excluding these two items, income for the fourth quarter 2009 was $164.8 million.

For the year of 2010, net income totaled $798.1 million ($4.13 per diluted share), compared to net income of $837.6 million ($4.35 per diluted share) in 2009. The 2009 results included income from discontinued operations of $97.1 million ($0.50 per diluted share), which arose primarily from a gain on sale of the Company's operations in Ecuador in March 2009. The 2009 period also benefited by $185.3 million after taxes from a recovery of federal royalties and associated interest, but the prior period included after-tax costs of $58.4 million for a 1.525% working interest reduction at the Terra Nova field. Excluding these unusual items noted above, 2009 net income was $613.6 million.

Fourth Quarter 2010 vs. Fourth Quarter 2009

Exploration and Production (E&P)

The Company's income contribution from exploration and production operations was $154.1 million in the fourth quarter of 2010 compared to $339.1 million in the same quarter of 2009. Lower earnings in 2010 were primarily attributable to the previously mentioned benefit for recovery of federal royalties in 2009, plus higher exploration expenses in the 2010 fourth quarter. Additionally, the 2009 period was unfavorably affected by the aforementioned $31.3 million after-tax charge related to a reduction in the Company's working interest in the Terra Nova field.

The Company's crude oil, condensate and gas liquids production averaged 117,084 barrels per day in the fourth quarter of 2010 compared to 138,269 barrels per day in the 2009 quarter. The decline in crude oil production in 2010 was primarily attributable to lower volumes produced at the Kikeh field, offshore Malaysia, where downtime occurred in the 2010 quarter for well maintenance and weather delays during installation of drilling equipment on the production facility. Oil sales volumes from continuing operations averaged 117,581 barrels per day in the fourth quarter of 2010 compared to 130,386 barrels per day in the 2009 quarter. Natural gas sales volumes were 365 million cubic feet per day in the 2010 fourth quarter, up from 306 million cubic feet per day in the 2009 quarter. Natural gas sales volumes in the fourth quarter 2010 were above 2009 levels, primarily due to higher natural gas production offshore Sarawak, Malaysia, and at the Tupper area in Western Canada.

Worldwide crude oil, condensate and gas liquids sales prices averaged $73.60 per barrel for the 2010 fourth quarter compared to $67.59 per barrel in the 2009 quarter. North American natural gas sales prices averaged $3.95 per thousand cubic feet (MCF) in the 2010 fourth quarter compared to $4.17 per MCF in the 2009 quarter. The average sales prices for Sarawak natural gas were $5.57 per MCF and $4.04 per MCF in the fourth quarters of 2010 and 2009, respectively. Exploration expenses were $110.8 million in the 2010 fourth quarter compared to $81.2 million in the 2009 quarter. The increase in exploration expense in the 2010 quarter was attributable to higher dry hole costs, primarily related to unsuccessful drilling offshore Republic of the Congo and Suriname, and higher amortization of undeveloped leases in the U.S. and Western Canada. However, dry hole expense in Malaysia was significantly lower in 2010 due to recent successful delineation drilling results and a reversal of overestimated prior-year costs associated with unsuccessful exploration drilling. Production expense increased in 2010 compared to 2009 mostly due to well workover costs at the Kikeh field in the current period.

Refining and Marketing (R&M)

The Company's refining and marketing operations had income of $44.4 million in the fourth quarter of 2010 compared to a loss of $4.1 million in the 2009 quarter. The favorable variance in results in the 2010 quarter compared to 2009 was primarily attributable to stronger U.S. refining margins and higher profits on resale of merchandise in retail marketing operations in the later quarter. U.S. operations included after-tax profit of $13 million from sales of low-cost finished products and crude oil inventories valued under the last in-first out cost method.

Corporate

Corporate activities resulted in after-tax costs of $24.4 million in the 2010 fourth quarter compared to costs of $15.5 million in the 2009 quarter. The 2009 quarter included interest income after taxes of $27.0 million associated with a federal royalty recovery on certain Gulf of Mexico leases. The 2010 period had lower foreign exchange losses and lower net interest expense. Foreign exchange effects after taxes were minimal in the 2010 period compared to losses of $9.3 million in the same period of 2009. Net interest expense in 2010 was less than 2009 due to lower levels of borrowings and higher amounts capitalized to oil and gas development projects.

Year 2010 vs. Year 2009

Income from the Company's exploration and production and refining and marketing businesses was higher for the full-year 2010 compared to 2009, but these favorable variances were partially offset by higher after-tax costs of corporate activities and no repeat of the prior year's income from discontinued operations in Ecuador.

Exploration and Production (E&P)

The Company's exploration and production continuing operations earned $806.9 million in 2010 compared to $691.8 million in 2009. The earnings improvement in this business in 2010 was mostly attributable to higher oil and natural gas sales prices in the current year. The 2009 period included certain unusual items that did not repeat in 2010, including a $103.6 million gain on sale of discontinued operations in Ecuador, a $185.3 million benefit for recovery of certain previously paid federal royalties in the Gulf of Mexico, and an after-tax charge of $58.4 million attributable to a reduction of the Company's working interest at Terra Nova from 12.0% to 10.475%. Production and depreciation expenses were higher in 2010 than 2009 primarily caused by increased sales volumes and higher extraction costs for various fields in 2010. Exploration expenses of $292.3 million in 2010 were higher than the $265.2 million in 2009, with the most significant current-year increases due to higher undeveloped leasehold amortization at Eagle Ford Shale leases in South Texas, higher seismic acquisition costs in the U.S., Indonesia and Republic of the Congo, and higher unsuccessful exploratory drilling costs in Republic of the Congo and Suriname. These were partially offset by lower exploration costs associated with dry holes in the U.S., Malaysia and Australia, and lower seismic costs in Suriname.

Crude oil, condensate and gas liquids production from continuing operations averaged 126,927 barrels per day in 2010 compared to 130,522 barrels per day in 2009. The reduction in crude oil produced in 2010 was primarily attributable to lower volumes at the Kikeh field, partially offset by higher crude oil production at the Azurite field, offshore Republic of the Congo, and the Thunder Hawk field in the Gulf of Mexico. Crude oil and gas liquids sales volumes from continuing operations were 129,341 barrels per day in the current year compared to 125,187 barrels per day in 2009. Natural gas sales were approximately 357 million cubic feet per day in 2010 compared to 187 million cubic feet per day in 2009. The significant growth in natural gas sales volume in 2010 was primarily caused by higher gas production offshore Sarawak, Malaysia, and at the Tupper area in Western Canada. Oil sales prices averaged $67.11 per barrel in 2010 compared to $56.41 per barrel in 2009. North American natural gas was sold for an average of $4.34 per MCF in 2010, up from $3.57 per MCF in 2009. Natural gas produced offshore Sarawak was sold at an average price of $5.31 per MCF in 2010 compared to $4.05 per MCF during 2009.

Refining and Marketing (R&M)

The Company's refining and marketing operations generated income of $149.1 million in 2010, compared to income of $71.7 million in 2009. The higher 2010 profits were caused mostly by stronger U.S. retail gasoline sales margins in 2010, partially offset by a larger net loss for U.K. refining operations in the current year.

Corporate

Corporate after-tax costs were $157.9 million in 2010 compared to $23.0 million in 2009. Net corporate costs were higher in 2010 compared to 2009 primarily due to foreign exchange losses in 2010 compared to foreign exchange gains during 2009. The 2009 period included interest income after taxes of $27.0 million on a Gulf of Mexico federal royalty recovery.

After-tax foreign exchange losses were $58.1 million in 2010, while 2009 had after-tax gains from foreign exchange of $33.3 million. Interest expense was higher in 2010 compared to 2009 mostly due to lower interest capitalized on oil and natural gas development projects during the current year.

David M. Wood, President and Chief Executive Officer, commented, "We will look back on 2010 as a productive year for the Company. Our oil-weighted production portfolio benefited from higher than anticipated oil prices during the year. We grew our production levels, primarily due to new gas wells at Tupper in Western Canada and higher gas demand under our Malaysian sales contract offshore Sarawak. The process of offering for sale our refinery assets in the U.S. and U.K. continues as planned. Our U.S. retail station network showed good performance during the year and will further expand its asset base in 2011. Our North Dakota ethanol plant performed well with profitable operating results, and we acquired an unfinished ethanol plant in Texas that should be completed and operational by the end of the first quarter 2011. We made significant investments in assets during the year, yet we reduced debt balances by more than $400 million in 2010.

"In the fourth quarter, we signed for new acreage at a 30% working interest in Block CA-2 offshore Brunei and we added acreage in Kurdistan with a 50% interest in the Central Dohuk block. Development activities in our North American resource plays continued with our Board sanctioning the Karnes development area in the Eagle Ford shale. Tupper West area gas production is set to come on stream in the first quarter 2011. As previously announced, our recent drilling program in Republic of the Congo was unsuccessful, and of late, our first wildcat well offshore Suriname was a dry hole. We will now move on to our second well in Suriname following weather delays and finish our first well in Indonesia that is currently drilling at intermediate depth in the Semai II block.

"Thus far in January, WTI prices have continued to hold strong at an average price of just about $90.00 per barrel, and cold weather throughout the northern and eastern United States have buoyed natural gas prices. We expect production to average 185,000 barrels of oil equivalent per day in the first quarter 2011, while sales volumes are expected to average approximately 171,000 barrels per day. Due to the impending start-up of Tupper West gas production, coupled with near-term completion of workovers at Kikeh, average production is projected to improve in subsequent quarters. For the full year, we believe that average production will range between 200,000 and 210,000 barrels of oil equivalent per day. We currently expect earnings in the first quarter to range between $0.55 and $0.95 per diluted share. These estimates include exploration expense of between $70 million and $160 million and downstream earnings of approximately $8 million during the period."

The public is invited to access the Company's conference call to discuss fourth quarter 2010 results on Thursday, January 27 at 12:00 p.m. CST either via the Internet through the Investor Relations section of Murphy Oil's website at **http://www.murphyoilcorp.com/ir** or via the telephone by dialing **1-800-575-5790**. The telephone reservation number for the call is **2241073**. 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 January 31 by calling **1-888-203-1112.** Audio downloads of the conference will be available on Murphy's 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 2009 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
(2010 Unaudited)

FOURTH QUARTER	2010	2009
Revenues	$ 6,509,197,000	5,827,237,000
Income from continuing operations	$ 174,069,000	319,556,000
Net income	$ 174,069,000	318,870,000
Income from continuing operations per Common share		
Basic	$ 0.90	1.67
Diluted	0.90	1.65
Net income per Common share		
Basic	$ 0.90	1.67
Diluted	0.90	1.65
Average shares outstanding		
Basic	192,592,306	190,982,786
Diluted	193,941,968	192,839,877
YEAR		
Revenues	$23,345,071,000	19,012,392,000
Income from continuing operations	$ 798,081,000	740,517,000
Net income	$ 798,081,000	837,621,000
Income from continuing operations per Common share		
Basic	$ 4.16	3.88
Diluted	4.13	3.85
Net income per Common share		
Basic	$ 4.16	4.39
Diluted	4.13	4.35
Average shares outstanding		
Basic	191,830,357	190,767,077
Diluted	193,157,814	192,468,450

SOURCE: Murphy Oil Corporation

Murphy Oil Corporation
Barry Jeffery, 870-864-6501