Murphy Oil Announces First Quarter 2009 Earnings

May 6, 2009

EL DORADO, Ark., May 06, 2009 (BUSINESS WIRE) -- Murphy Oil Corporation (NYSE: MUR) announced today that net income in the first quarter of 2009 was $171.1 million ($0.89 per diluted share), compared to net income of $409.0 million ($2.14 per diluted share) in the first quarter of 2008. The 2009 net income includes income from discontinued operations of $99.9 million ($0.52 per diluted share) associated with Ecuador operations that were sold in March at an after-tax gain of $104.0 million. In the 2008 quarter, income from discontinued operations was $0.8 million, $0.01 per diluted share.

The smaller profit from continuing operations in 2009 compared to 2008 was primarily due to significantly lower worldwide crude oil and North American natural gas sales prices, which led to much lower earnings in the Company's exploration and production business. The first quarter 2008 also included a $39.9 million after-tax gain on sale of Berkana Energy in Canada. Earnings in the Company's refining and marketing business in the 2009 first quarter were about even with the prior year as improved U.S. refining margins were mostly offset by much tighter U.S. retail marketing margins and lower margins for operations in the U.K.

Exploration and Production

Murphy's income contribution from continuing exploration and production operations was $50.3 million in the first quarter of 2009 compared to $427.2 million in the same quarter of 2008. Lower realized sales prices for crude oil and natural gas and higher exploration expenses were the primary reasons for weaker earnings in the 2009 period. In addition, the 2008 first quarter included the aforementioned gain on sale of Berkana Energy.

The Company's worldwide crude oil, condensate and natural gas liquid sales prices averaged $43.15 per barrel for the 2009 first quarter compared to $89.51 per barrel in the 2008 first quarter. Total crude oil, condensate and gas liquids production of 139,318 barrels per day in the first quarter of 2009 was a quarterly record, 23% higher than the 113,339 barrels per day produced in the 2008 quarter. The increase in crude oil production volumes in 2009 was mostly attributable to ramp-up at the Kikeh field in Block K Malaysia. Oil volumes improved at Kikeh as additional production wells were drilled and put on stream during 2008. Despite higher Kikeh oil production in 2009, oil production volumes declined at several other areas. Heavy oil production in Western Canada declined primarily due to the sale of the Lloydminster field in the second quarter of 2008. Production volumes were also lower at Terra Nova offshore Eastern Canada where field decline continued coupled with a higher royalty rate, and at Schiehallion offshore the United Kingdom where more downtime for equipment repairs occurred in the 2009 quarter. North American natural gas sales prices averaged $4.66 per thousand cubic feet (MCF) in the 2009 first quarter compared to $8.40 per MCF in the same quarter of 2008. Natural gas sales volumes were 111 million cubic feet per day in the first quarter of 2009 compared to 69 million cubic feet per day in the 2008 period, with the increase primarily due to the December 2008 start-up of the Tupper field in British Columbia and ramp-up of natural gas production at the Kikeh field that also started up in December 2008.

Exploration expense in the 2009 period was $111.1 million compared to $66.5 million in 2008. Dry hole expense was higher by $67.3 million in the 2009 period mostly due to unsuccessful drilling of the Abalone Deep #1 prospect offshore Western Australia, plus unsuccessful wells in Block P offshore Malaysia and in the United States. Geological and geophysical expense was $20.2 million lower in 2009 compared to 2008 due to less seismic work in the Gulf of Mexico, at the Tupper area in Canada, and in Block P, offshore Malaysia, but these reductions were partially offset by higher 3-D seismic activities in Block 37, offshore Suriname.

Refining and Marketing

Murphy's refining and marketing operations generated income of $10.8 million in the 2009 first quarter compared to income of $10.2 million in the 2008 quarter. In North America, downstream earnings were $14.6 million in 2009 compared to earnings of $1.0 million in 2008. North American results were improved in 2009 mostly due to significantly better refining margins, which benefited from lower prices for crude oil feedstocks. Margins for U.S. retail marketing operations were much weaker in the 2009 quarter as the demand for motor vehicle fuel fell amidst the economic downturn. Refining and marketing operations in the United Kingdom incurred a loss of $3.8 million in the first quarter of 2009, compared to income of $9.2 million in the same quarter of 2008, with the decline primarily due to weaker refining results in the most recent quarter, which was partially caused by downtime associated with the fluid catalytic cracking unit during the period.

Corporate

Corporate functions had net benefits of $10.1 million in the 2009 first quarter compared to net costs of $29.2 million in the 2008 quarter. A benefit occurred in 2009 compared to net charges in 2008 due to significantly favorable results on foreign currency exchange in the 2009 period. The benefit arose mostly from a stronger U.S. dollar compared to the Malaysian ringgit, which in turn led to foreign currency exchange gains on Malaysian income tax liabilities. Total net after-tax income on foreign exchange was $26.1 million in the 2009 quarter compared to a $4.8 million loss after taxes in 2008. The Company had lower net interest expense in 2009 than in 2008 due to a combination of lower average borrowings, lower interest rates and a larger portion of interest capitalized to ongoing oil and natural gas development projects in 2009.

David M. Wood, President and Chief Executive Officer, commented, "Quite naturally, lower oil and natural gas prices in early 2009 led to reduced net income for our Company and the oil industry in the first quarter. We are pleased with our quarter over quarter oil and natural gas production increases of 23% and 61%, respectively. We have three projects set to start up in the next two quarters that will further add to our production volumes in the second half of the year. These new fields include Thunder Hawk in the Gulf of Mexico, Azurite offshore the Republic of Congo and Sarawak natural gas offshore Malaysia. Thunder Hawk and Azurite are expected to be producing by the end of the second quarter, and Sarawak natural gas should be on line in the third quarter. Additionally, natural gas production at Tupper in British Columbia continues to grow as ongoing development work progresses. We completed the sale of our Ecuador operations in the first quarter 2009 and will reinvest the proceeds into more meaningful opportunities for our shareholders. In exploration activities, the Samurai prospect in Green Canyon Block 432 is currently drilling at intermediate depth, and two wildcat wells in the MPS block offshore the Republic of the Congo and deepwater wells in Malaysia and the Eastern Gulf of Mexico are planned for later in the year. Although downstream margins were less than stellar in quarter one, we are poised to take advantage of better results when the oversupply of finished products reverses course.

"Total worldwide production of about 144,000 barrels of oil equivalent per day is anticipated in the second quarter of 2009. This volume is down from the first quarter due to sale of our Ecuador operations, downtime associated with oil and natural gas production and handling operations at the Kikeh field, spring breakup in the heavy oil area of Canada, a turnaround at Syncrude, and maintenance at the Hibernia and Schiehallion fields. Sales volumes of oil and natural gas are projected to average 140,000 barrels of oil equivalent per day in the second quarter. At the current time, we expect consolidated earnings in the second quarter to range between $0.40 and $0.60 per diluted share. Exploration expense should total between $33 million and $96 million during the quarter. Results could vary based on commodity prices, drilling results and timing of crude oil and natural gas sales."

The public is invited to access the Company's conference call to discuss first quarter 2009 results on Thursday, May 7, at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy's website at **http://www.murphyoilcorp.com/ir** or via the telephone by dialing 1-800-240-2134. The telephone reservation number for the call is 11130213. Replays of the call will be available through the same address on the Murphy website, and a recording of the call will be available through May 11 by dialing 1-800-405-2236. Audio downloads will be available on the Murphy website through June 1 and via Thomson StreetEvents for their service subscribers.

The forward-looking statements reflected in this release are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. No assurance can be given that the results discussed herein will be attained, and certain important factors that may cause actual results to differ materially are contained in Murphy's January 15, 1997 Form 8-K report on file with the U.S. Securities and Exchange Commission.

MURPHY OIL CORPORATION
CONSOLIDATED FINANCIAL DATA SUMMARY
(Unaudited)

FIRST QUARTER	**2009**	**2008**
Revenues	$3,445,552,000	$6,509,525,000
Income from continuing operations	$ 71,240,000	$ 408,206,000
Net income	$ 171,104,000	$ 408,992,000
Income from continuing operations per Common share		
Basic	$ 0.37	$ 2.16
Diluted	$ 0.37	$ 2.13
Net income per Common share		
Basic	$ 0.90	$ 2.16
Diluted	$ 0.89	$ 2.14
Average shares outstanding		
Basic	190,545,771	189,150,647
Diluted	192,281,803	191,550,683

SOURCE: Murphy Oil Corporation

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