# Murphy Oil Announces Preliminary Quarterly and Annual Earnings

January 30, 2008

EL DORADO, Ark.--(BUSINESS WIRE)--Jan. 30, 2008--Murphy Oil Corporation (NYSE: MUR) announced today that net income in the fourth quarter of 2007, which included several unusual items that in combination reduced net income by $40.1 million ($0.21 per diluted share), was $206.1 million ($1.07 per diluted share). Net income in the fourth quarter 2006 was $88.4 million ($0.47 per diluted share). The unusual items in the 2007 period included a $59.5 million non-cash charge, net of taxes, to reduce the carrying value of certain refining and marketing inventories built during 2007 (associated with the December 1 acquisition of the remaining 70% of the Milford Haven, Wales refinery) to first of year prices under the Company's last-in first-out (LIFO) accounting method, a $14.5 million after-tax charge to settle work commitments on two properties offshore Eastern Canada, and a $33.9 million income tax benefit in Canada related to an enacted Federal tax rate reduction. The fourth quarter of 2006 included an after-tax charge of $25.1 million for an educational assistance contribution commitment, which was mostly offset by income tax benefits, primarily associated with settlement of prior year matters, of approximately $12.0 million, and after-tax income of $10.2 million associated with a favorable Canadian court ruling.

For the year of 2007, net income totaled $766.5 million, $4.01 per diluted share, compared to $644.7 million, $3.41 per diluted share, for 2006.

The 2006 fourth quarter and full year results have been adjusted to reflect the adoption, as of January 1, 2007, of FASB Staff Position No. AUG AIR-1, Accounting for Planned Major Maintenance Activities. Net income in the fourth quarter and year of 2006 increased by $0.8 million and $6.4 million, respectively, for this change in accounting principle.

Fourth Quarter 2007 vs. Fourth Quarter 2006

The net income improvement in the fourth quarter of 2007 compared to the same period of 2006 was caused by much higher earnings for the Company's exploration and production operations mostly attributable to both higher oil and natural gas sales prices and production levels. The exploration and production improvement was partially offset by unfavorable refining and marketing results and higher net costs of corporate activities.

Reviewing quarterly results by type of business, the Company's income contribution from exploration and production operations was $268.2 million in the fourth quarter of 2007 compared to $91.1 million in the same quarter of 2006. Better earnings in 2007 were primarily caused by higher oil and natural gas sales prices and higher hydrocarbon sales volumes compared to 2006. In addition, in 2007 the Company had lower exploration expenses and a $33.9 million income tax benefit due to a reduction in the Canadian Federal tax rate.

The Company's crude oil and gas liquids production averaged 113,341 barrels per day in the fourth quarter of 2007 compared to 83,105 barrels per day in the 2006 quarter. The 36% production improvement in the just completed quarter was primarily attributable to Kikeh oil production, offshore Sabah Malaysia, which started up in the third quarter 2007. Partially offsetting Kikeh was lower allocated oil production in the 2007 period at West Patricia, offshore Sarawak, Malaysia, plus lower volumes in the Gulf of Mexico, the United Kingdom, Hibernia and Terra Nova. Crude oil sales volumes averaged 103,498 barrels per day in the fourth quarter of 2007 compared to 84,066 barrels per day in the 2006 quarter. Natural gas sales volumes were 71 million cubic feet per day in the 2007 fourth quarter compared to 56 million cubic feet per day in the 2006 quarter. Higher natural gas sales volumes in the fourth quarter 2007 were primarily due to improved Gulf of Mexico production, including the addition of the Mondo NW field which came onstream in July 2007.

Worldwide crude oil, condensate and natural gas liquids sales prices averaged $76.11 per barrel for the 2007 fourth quarter compared to $46.24 per barrel in the 2006 quarter. North American natural gas sales prices averaged $7.27 per thousand cubic feet (MCF) in the 2007 fourth quarter compared to $6.71 per MCF in the 2006 quarter. Exploration expenses were $82.1 million in the 2007 fourth quarter compared to $89.8 million in the 2006 quarter. The lower exploratory costs in the 2007 quarter were mostly caused by lower dry holes in the U.S., but this was partially offset by settlement of work commitments for the Cortland and Empire leases on the Scotian Shelf, offshore Canada, and higher geophysical costs offshore Malaysia. Dry holes during the fourth quarter 2007 included Robusto in the Gulf of Mexico and Tomani in Block H Malaysia. Production and depreciation expenses were up in 2007 compared to 2006 mostly due to Kikeh production and higher average costs in most producing areas.

Including the aforementioned after-tax LIFO charge of $59.5 million, the Company's refining and marketing operations generated a loss of $27.4 million in the fourth quarter of 2007 compared to a profit of $29.3 million in the 2006 quarter. Excluding the LIFO charge, earnings in the 2007 period were slightly above 2006 levels.

Corporate activities resulted in after-tax costs of $34.7 million in the 2007 fourth quarter compared to costs of $32.0 million in the 2006 quarter. The 2007 period had higher foreign exchange losses and higher net interest expense, with the latter variance related to both higher average outstanding debt and lower levels of interest capitalized to development projects. In addition, the 2007 period included lower costs for an educational assistance program known as the El Dorado Promise. Foreign exchange losses after taxes were $6.5 million in the 2007 period compared to $2.3 million in the same period of 2006.

Year 2007 vs. Year 2006

Income from the Company's exploration and production and the refining and marketing businesses was higher for the full-year 2007 compared to the same period in 2006, but these improvements were partially offset by higher after-tax costs of corporate activities in 2007.

The Company's exploration and production operations earned $657.1 million in 2007 and $616.8 million in 2006. The improved earnings in this business in 2007 were attributable to higher oil and natural gas sales prices, lower exploration expenses and a $33.9 million income tax benefit caused by a Canadian Federal rate reduction, partially offset by lower oil and natural gas sales volumes and higher expenses associated with production and depreciation. Exploration expenses of $203.1 million in 2007 were down from $219.2 million in 2006, with the reduction mostly due to lower charges in the current year for dry hole and geophysical expenses in Malaysia, but partially offset by higher costs in Canada for dry holes, seismic, lease amortization and work commitments.

Crude oil and gas liquids production averaged 91,522 barrels per day in 2007 compared to 87,817 barrels per day in 2006. The Kikeh field, offshore Sabah Malaysia, commenced production in August 2007, more than one month ahead of schedule and the field averaged 11,658 net barrels per day for the full year. Net production at Kikeh was about 40,000 barrels per day in December. Lower U.S. oil production in 2007 was primarily due to volume declines at the Medusa and Front Runner fields in the Gulf of Mexico. Oil production offshore Canada was higher in 2007 due to approximately six months of downtime for repairs at the Terra Nova field in 2006. Although oil production volumes increased in 2007, oil sales volumes were 2,640 barrels per day lower in the current year due to timing of oil sales transactions. Natural gas sales were 61 million cubic feet per day in 2007 compared to 75 million cubic feet per day in 2006. The gas sales volume decline in 2007 was primarily caused by lower natural gas production for fields onshore south Louisiana and in the Gulf of Mexico. Oil sales prices averaged $62.05 per barrel in 2007 compared to $51.62 per barrel in 2006. North American natural gas was sold for $7.19 per MCF in 2007, down from $7.57 per MCF in 2006.

The Company's refining and marketing operations generated record annual income of $205.7 million in 2007, up from $110.6 million in 2006. The improved results in 2007 were caused mostly by lower hurricane-related costs in 2007 at the Meraux, Louisiana refinery, plus the beneficial effects of an operational Meraux refinery throughout 2007 (the refinery was shut down for the first five months of 2006 as a result of damage caused by Hurricane Katrina in August 2005). Partially offsetting these impacts was a $59.5 million after-tax non-cash LIFO charge in the U.K. in the fourth quarter 2007, and a $24.0 million after-tax charge related to closing 55 retail gasoline stations in the U.S. and Canada.

Corporate after-tax costs were $96.3 million in 2007 compared to $82.7 million in 2006. Costs were higher in 2007 than 2006 mostly due to higher net interest expense and higher foreign exchange losses, partially offset by lower costs in the current year associated with an educational assistance program. The 2007 period included an after-tax foreign exchange charge of $13.8 million, while the effect on 2006 from foreign exchange was a charge of $7.9 million, as both periods were adversely affected by a weaker U.S. dollar compared to other foreign currencies.

Claiborne P. Deming, President and Chief Executive Officer, commented, "Murphy has recently completed several important transactions. First, we acquired the remaining 70% interest in the Milford Haven, Wales refinery on December 1, which provided a significant boost to the size and strength of our refining operations. This acquisition allows us to now fully control this meaningful U.K. operating asset. Additionally, we acquired over 41,700 acres in British Columbia in an area known as Tupper. This acreage adds mass to our existing natural gas-bearing holdings in the area, and we are actively developing the first phase of Tupper, with first production scheduled in the last quarter of this year. In the OCS lease sale in October, we obtained 26 blocks in the De Soto Canyon and Lloyd Ridge areas, which will become a focal point in future Gulf of Mexico exploration plans. Also in November, we announced the acquisition of acreage in the Browse Basin offshore Northwestern Australia, which builds nicely on our presence in Southeast Asia. During the quarter we drilled a natural gas discovery at Biris in Block H Malaysia. This discovery adds to the resource base in that area and moves us closer to a critical commercial development. We have also completed the sale of all our Berkana Energy shares with a gain of about $45 million to be recorded in the first quarter 2008.

"Crude oil prices have eased a bit in January and we have experienced very tight refining margins into the new year. We anticipate total worldwide production in the first quarter 2008 of 125,000 barrels of oil equivalent per day, and sales volumes during the quarter should average 142,000 barrels of oil equivalent per day. We currently expect earnings in the first quarter to be in the range of $1.80 to $2.00 per diluted share, including the gain on sale of Berkana. Total exploration expenses are expected to range between $70 million and $80 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 fourth quarter 2007 results on Thursday, January 31 at 12:00 p.m. CT 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 1-800-240-5318. The telephone reservation number for the call is 11106097. Replays of the call will be available through the same address on Murphy Oil's website, and a recording of the call will be available through February 5 by calling 1-800-405-2236. Audio downloads of the conference will be available on Murphy's website through February 29, 2008.

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
(2007 Unaudited)

| FOURTH QUARTER | | 2007 | 2006 |
|---|---|---|---|
| Revenues | $ | 5,609,608,000 | 3,363,784,000 |
| Net income | $ | 206,118,000 | 88,370,000(a) |
| Net income per Common share | | | |
| Basic | $ | 1.09 | 0.47(a) |
| Diluted | $ | 1.07 | 0.47(a) |
| Average shares outstanding | | | |
| Basic | | 188,969,697 | 186,541,166 |
| Diluted | | 192,094,311 | 189,426,369 |

YEAR

| | | |
|---|---|---|
| Revenues | $18,438,851,000 | 14,307,387,000 |
| Net income | $ 766,529,000 | 644,669,000(a) |
| Net income per Common share | | |
| Basic | $ 4.08 | 3.46(a) |
| Diluted | $ 4.01 | 3.41(a) |
| Average shares outstanding | | |
| Basic | 188,027,557 | 186,105,086 |
| Diluted | 191,140,737 | 189,158,411 |

(a) The fourth quarter and year of 2006 have been adjusted to reflect a change in accounting principle.

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SOURCE: Murphy Oil Corporation