Murphy Oil Announces Preliminary Quarterly Earnings

July 25, 2007

EL DORADO, Ark.--(BUSINESS WIRE)--July 25, 2007--Murphy Oil Corporation (NYSE: MUR) announced today that net income in the second quarter of 2007 was $250.3 million ($1.32 per diluted share) compared to net income of $216.2 million ($1.14 per diluted share) in the second quarter of 2006. Net income in the second quarter 2007 included after-tax costs of $24.0 million ($0.13 per diluted share) for closure of 55 retail gasoline stations in the U.S. and Canada. Both periods included non-cash income tax benefits related to enacted Canadian income tax rate reductions, and these amounted to $4.8 million ($0.03 per diluted share) in the 2007 period and $37.5 million ($0.20 per diluted share) in the 2006 period. The 2006 second quarter 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 second quarter 2006 increased by $2.2 million ($0.01 per diluted share) for this change in accounting principle.

For the first six months of 2007, net income totaled $360.9 million ($1.90 per diluted share) compared to net income of $332.2 million ($1.76 per diluted share) for the same period in 2006. The higher six-month income in 2007 compared to 2006 was primarily caused by strong earnings in the 2007 period for the North American refining and marketing segment, while results in the 2006 period reflected losses in this segment as the Meraux refinery was not operating for a portion of the quarter following Hurricane Katrina and was incurring repair costs that exceeded available insurance recoveries.

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Second Quarter 2007 vs. Second Quarter 2006

Exploration and Production (E&P)
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The Company's income from exploration and production operations was $149.3 million in the second quarter of 2007 compared to $245.1 million in the same quarter of 2006. Income in both 2007 and 2006 included Canadian income tax benefits, which amounted to $4.8 million and $37.5 million, respectively. Income in the 2007 quarter was unfavorably affected by lower crude oil and natural gas sales volumes compared to 2006, but benefited from higher oil and natural gas sales prices. Total crude oil and gas liquids production was 79,949 barrels per day in the second quarter of 2007 compared to 90,695 barrels per day in the 2006 quarter, with the decrease primarily attributable to lower production at fields in the deepwater Gulf of Mexico, the heavy oil area of Western Canada, offshore the United Kingdom and at the West Patricia field offshore Sarawak, Malaysia. Oil production improved in 2007 offshore Eastern Canada at the Terra Nova field, which was shut down for about half the 2006 second quarter following mechanical equipment failure. Crude oil sales volumes averaged 83,629 barrels per day in the second quarter of 2007 compared to 103,360 barrels per day in the 2006 period. The second quarter 2006 included a sale of crude oil production volumes previously withheld from the Company in Ecuador, and this added sales volume of 9,375 barrels per day in the period. The Company's worldwide crude oil and condensate sales prices averaged $57.19 per barrel for the second quarter of 2007 compared to $54.10 per barrel in the second quarter of 2006. Natural gas sales volumes decreased from 87 million cubic feet per day in the second quarter of 2006 to 56 million cubic feet per day in the 2007 quarter, primarily due to production declines at fields in the Gulf of Mexico and onshore South Louisiana. North American natural gas sales prices averaged $8.02 per thousand cubic feet (MCF) in the 2007 quarter compared to $7.10 per MCF in the same quarter of 2006. Exploration expenses were $30.1 million in the second quarter of 2007 compared to $30.2 million in the same period of 2006 as higher dry hole costs were offset by lower geological and geophysical costs.

Refining and Marketing (R&M)

The Company's refining and marketing operations generated income of $124.2 million in the second quarter 2007 compared to a loss of $11.1 million in the same quarter of 2006. North American refining and marketing margins were strong in the second quarter 2007, and the Meraux refinery operated throughout the just completed quarter. The 2007 quarter included $24.0 million of after-tax charges associated with closure of 55 retail gasoline stations in the U.S. and Canada. The Meraux refinery was down for repairs following Hurricane Katrina for a portion of the 2006 second quarter prior to restarting in May 2006 and the prior-year quarter included $26.5 million of unrecoverable Hurricane Katrina-related repair costs at this refinery. Income for the United Kingdom R&M business also improved in the 2007 second quarter compared to the same period in 2006 mostly due to stronger refining margins at the Company's jointly-owned Milford Haven, Wales refinery.

Corporate

The after-tax costs of the corporate function were $23.2 million in the 2007 quarter compared to costs of $17.8 million in the 2006 quarter with the increase due to higher foreign currency losses and higher administrative expenses in 2007, but these were partially offset by lower net interest expense after capitalization to development projects.

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First Six Months 2007 vs. First Six Months 2006

Exploration and Production (E&P)
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The Company's E&P business earned $238.1 million in the first six months of 2007 compared to $407.0 million in the same period of 2006. Earnings in 2007 were unfavorably affected by lower oil and natural gas sales volumes and lower North American natural gas sales prices, but benefited from slightly higher realized oil prices. Both six-month periods included Canadian income tax benefits, including $4.8 million in 2007 and $37.5 million in 2006, and the 2006 period included $15.7 million of pretax income from insurance proceeds related to Gulf of Mexico production lost in the fourth quarter 2005 following Hurricane Katrina. Crude oil and gas liquids production for the first six months of 2007 averaged 82,241 barrels per day compared to 94,365 barrels per day in 2006. The production decrease in 2007 was mostly caused by lower volumes produced at fields in the deepwater Gulf of Mexico, the heavy oil area of Western Canada, and at West Patricia, offshore Malaysia. Oil production volumes were higher at Terra Nova and Hibernia, offshore Eastern Canada, due to less downtime at these fields in 2007. Natural gas sales volumes were 59 million cubic feet per day in 2007 down from 86 million cubic feet per day in 2006, with the decrease mostly resulting from production declines at deepwater Gulf of Mexico and onshore South Louisiana fields. Crude oil and condensate sales prices averaged $52.45 per barrel in the 2007 period compared to $51.67 per barrel in 2006. North American natural gas was sold at an average of $7.64 per MCF in 2007, down from $8.17 per MCF in 2006. Exploration expenses were $78.5 million in 2007 compared to $93.4 million in 2006, with the reduction in the 2007 period primarily the result of lower dry hole and seismic costs in the current period.

Refining and Marketing (R&M)

The Company's refining and marketing operations had earnings of $159.9 million in the first six months of 2007, compared to a loss of $46.7 million in the same 2006 period. The 2007 period included stronger results in the North American R&M business compared to a year ago, but the 2007 period included an after-tax charge of $24.0 million related to closing 55 retail gasoline stations in the U.S. and Canada. The prior year result was unfavorably affected by downtime and repair costs at the Meraux refinery following Hurricane Katrina. Meraux expensed $39.5 million of repair costs in 2006 which were not expected to be recoverable from insurance. Income from R&M operations in the U.K. improved in 2007 compared to 2006 due to better margins for both refining and marketing operations.

Corporate and Other

Corporate after-tax costs were $37.1 million in the first six months of 2007 compared to costs of $28.1 million in the 2006 period. The additional net costs in 2007 were caused by higher foreign currency losses and higher administrative expenses, but partially offset by lower net interest expense after capitalization to development projects.

Claiborne P. Deming, President and Chief Executive Officer, commented, "Strong operating results in the just completed quarter were achieved due to simultaneously high oil prices and healthy worldwide refining margins. Although oil prices have strengthened more in the early days of the third quarter, refining margins have softened considerably. Looking forward in our E&P business, production start-up at the Kikeh field in Block K, offshore Malaysia, is on track for the third quarter with final field hook-up and commissioning underway. In Canada, we acquired a natural gas asset, known as Tupper, in British Columbia, Canada, at a cost of $146.2 million. We will acquire more seismic data and continue with field development during the second half of 2007 at Tupper, with first production currently slated for 2008. In downstream operations, we have announced an agreement with Wal-Mart to purchase the real estate underlying most of our present U.S. retail gasoline locations, and these site acquisitions are expected to occur in tranches through mid-2008. Total production volumes in the third quarter 2007 should average 92,000 barrels of oil equivalent per day, but sales volumes are expected to be less than production by about 7,000 barrels per day during the quarter. We currently expect earnings in the third quarter to be between $0.80 and $0.95 per diluted share. This earnings projection includes a contribution from our refining and marketing business ranging from $45 million to $55 million, and total exploration expense ranging from $40 million to $60 million. Projected results for the third quarter could be affected by commodity prices, drilling results, timing of oil sales and refining and marketing margins."

The public is invited to access the Company's conference call to discuss second quarter 2007 results on Thursday, July 26, at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy Oil's website at http://www.murphyoilcorp.com/ir or via telephone by dialing 1-800-240-4186. The telephone reservation number for the call is 11092667. 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 August 1 by calling 1-800-405-2236. Audio downloads of the conference will be available on Murphy's website through August 31, 2007.

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)

SECOND QUARTER	2007	2006
Revenues	$4,613,627,000	$3,798,918,000
Net income	$ 250,242,000	$ 216,174,000 (a)
Net income per Common share		
Basic	$1.33	$1.16 (a)
Diluted	$1.32	$1.14 (a)
Average shares outstanding		
Basic	187,615,633	185,919,897
Diluted	190,160,989	189,101,235
FIRST SIX MONTHS		
Revenues	$8,048,511,000	$6,790,181,000
Net income	$ 360,876,000	$ 332,157,000 (a)
Net income per Common share		

Basic	$1.93	$1.79 (a)
Diluted	$1.90	$1.76 (a)
Average shares outstanding		
Basic	187,361,136	185,813,948
Diluted	189,954,414	189,047,627

(a) The second quarter and first six months of 2006 have been adjusted to reflect a change in accounting principle.

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SOURCE: Murphy Oil Corporation