Murphy Oil Announces Quarterly and Annual Earnings

January 31, 2007

EL DORADO, Ark.--(BUSINESS WIRE)--Jan. 31, 2007--Murphy Oil Corporation (NYSE: MUR) announced today that net income in the fourth quarter of 2006 was $87.6 million, $0.46 per diluted share, compared to net income of $154.6 million, $0.82 per diluted share, in the fourth quarter of 2005.

For the year of 2006, net income totaled $638.3 million, $3.37 per diluted share, compared to $846.5 million, $4.51 per diluted share, for 2005. The 2005 period included a $104.5 million after-tax gain on the sale of mature oil and gas properties on the continental shelf of the Gulf of Mexico.

Fourth Quarter 2006 vs. Fourth Quarter 2005

The reduction in net income in the fourth quarter of 2006 compared to the same period of 2005 was caused by lower earnings for the Company's exploration and production and refining and marketing operations and higher costs for corporate activities.

The fourth quarter of 2006 included an after-tax charge of $25.1 million for an educational assistance contribution commitment, partially offset by income tax benefits, primarily associated with settlement of prior year matters, of approximately $12.0 million. The fourth quarter of 2005 included income tax benefits of $21.0 million, offset by hurricane-related expenses of $32.7 million mostly for higher insurance, repairs and other ongoing costs, primarily at the Meraux, Louisiana refinery.

Reviewing quarterly results by type of business, the Company's income contribution from exploration and production operations was $90.5 million in the fourth quarter of 2006 compared to $128.7 million in the same quarter of 2005. Lower earnings in 2006 were primarily caused by lower oil and natural gas sales volumes compared to 2005. In addition, in 2006 natural gas sales prices were lower and production and administrative expenses were higher, but this quarter benefited from lower after-tax exploration expenses, lower hurricane-related expenses and higher income tax benefits for exploration and production operations. As previously announced the Canadian courts ruled in favor of the Company in the Predator case and in the fourth quarter 2006 the Company recorded after-tax income of $10.2 million associated with this ruling.

The Company's crude oil and gas liquids production averaged 83,105 barrels per day in the fourth quarter of 2006 compared to 91,732 barrels per day in the 2005 quarter. The Terra Nova field, offshore Nova Scotia, was off-line for repairs for the first half of the 2006 quarter. Canadian heavy oil production was lower in 2006 due to reduced volumes caused by downtime for nonoperated field-level equipment and a sales pipeline. Oil production in the U.S. was lower due to field decline and wells shut-in pending workovers, while oil volumes in Malaysia were down due to lower production at the West Patricia field, offshore Sarawak. Crude oil sales volumes averaged 84,066 barrels per day in the fourth quarter of 2006 compared to 95,886 barrels per day in the 2005 quarter. Natural gas sales volumes were 56 million cubic feet per day in the fourth quarter of 2006 compared to 72 million cubic feet per day in the 2005 quarter. The reduction in natural gas sales volumes in the fourth quarter 2006 was primarily due to production decline for certain fields in the Gulf of Mexico and wells in this basin that were shut-in awaiting workovers. Gas sales volume in the U.K. North Sea was also lower in the 2006 quarter primarily due to make-up volumes at the Amethyst field in the 2005 fourth quarter. Worldwide crude oil and condensate sales prices averaged $46.23 per barrel for the 2006 fourth quarter compared to $45.78 per barrel in the 2005 quarter. North American natural gas sales prices averaged $6.71 per thousand cubic feet (MCF) in the 2006 fourth quarter compared to $13.56 per MCF in the 2005 quarter. Exploration expenses were $89.8 million in the 2006 fourth quarter compared to $89.2 million in the 2005 quarter. Dry hole costs in the 2006 fourth quarter were higher in the U.S. but lower in Malaysia and the Republic of Congo. The 2006 fourth quarter also included lower 3-D seismic costs in the U.S., offshore Eastern Canada and Malaysia. Although exploration expense in the 2006 quarter was slightly higher than in the 2005 quarter, the current period benefited from more income tax relief mostly due to higher charges in 2006 in the U.S., where tax relief is available, versus the 2005 costs in the Republic of Congo and certain areas of Malaysia, where no income tax benefits are being recognized at this time. Production expense was higher in 2006 than 2005 mostly due to more costs in the current period for field maintenance, workovers and insurance.

The Company's refining and marketing operations generated a profit of $29.0 million in the fourth quarter of 2006 compared to a profit of $31.4 million in the 2005 quarter. The earnings in 2006 were slightly below 2005 due to lower profits in North America and the U.K. In the 2005 quarter, Murphy's downstream business incurred after-tax costs related to hurricanes of $15.9 million ($25.4 million before income taxes). The Company's Meraux, Louisiana, refinery experienced flooding following Hurricane Katrina and was shut down for the entire 2005 fourth quarter.

Corporate activities resulted in after-tax costs of $31.9 million in the 2006 fourth quarter compared to costs of $5.5 million in the 2005 quarter. The higher net costs in 2006 were caused by an educational assistance contribution and lower income tax benefits in the current quarter, mostly offset by lower other administrative expense primarily related to less incentive compensation costs. The 2005 quarter included income tax benefits of $9.7 million primarily for refund and settlement of U.S. income tax matters.

Year 2006 vs. Year 2005

Income from both the exploration and production and refining and marketing businesses was lower and the after-tax cost of corporate activities was higher for the full-year 2006 compared to the same period in 2005.

The Company's exploration and production operations earned $615.9 million in 2006 and $748.1 million in 2005. The reduced earnings in this business in 2006 were attributable to several factors, including in 2006 lower oil and natural gas sales volumes, lower natural gas sales prices in North America, and higher production and administrative expenses, and in 2005 a $104.5 million after-tax gain from the sale of mature oil and gas properties on the continental shelf of the Gulf of Mexico. Earnings in this operation were favorably impacted in 2006 by higher oil sales prices compared to 2005. In addition, exploration expenses of $219.2 million in 2006 were down from $232.4 million in 2005, with the reduction mostly due to lower charges in the current year for dry holes in the Republic of Congo, but partially offset by higher costs in the U.S. for dry holes and seismic.

Crude oil and gas liquids production averaged 87,817 barrels per day in 2006 compared to 101,349 barrels per day in 2005. Lower U.S. oil production in 2006 was due to volume declines at the Front Runner and Habanero fields in the Gulf of Mexico. Oil production offshore Canada was down in 2006 due to approximately six months of downtime for repairs at the Terra Nova field. Oil production also declined at the West Patricia field offshore Sarawak, Malaysia, due to a lower sharing percentage allocable to the Company as the field matures. Natural gas sales were 75 million cubic feet per day in 2006 compared to 90 million cubic feet per day in 2005. About nine million cubic feet per day of the 2006 decline in natural gas sales volume related to production in 2005 for properties on the continental shelf of the Gulf of Mexico that were sold in mid-2005. Most of the remaining gas sales volume decline in 2006 was caused by lower natural gas production for fields onshore south Louisiana. Crude oil and condensate sales prices averaged $51.63 per barrel in 2006 compared to $45.25 per barrel in 2005. North American natural gas was sold for $7.57 per MCF in 2006, down from $8.44 per MCF in 2005.

The Company's refining and marketing operations generated income of $105.1 million in 2006 compared to income of $125.3 million in 2005. The lower results in 2006 were caused by weaker margins in both the North American and U.K. businesses, plus higher current year hurricane-related costs at the Meraux, Louisiana refinery, which was shut down for the last four months of 2005 and the first five months of 2006 as a result of damage caused by Hurricane Katrina.

Corporate after-tax costs were $82.7 million in 2006 compared to $35.5 million in 2005, with the higher costs mostly due to an educational assistance contribution, unfavorable foreign exchange effects in 2006 caused by a weaker U.S. dollar compared to other foreign currencies, and lower income tax benefits from settlement of tax matters in 2006. The 2006 period included after-tax foreign exchange charges of $7.9 million, while the effect on 2005 from foreign exchange was insignificant. In 2005, the Company settled U.S. income tax audits which generated tax benefits of $9.7 million.

Claiborne P. Deming, President and Chief Executive Officer, commented, "Operationally, 2007 has gotten off to a great start with the announcement of a natural gas discovery at Rotan offshore Sabah, Malaysia, as well as continued progress in our major developments underway worldwide, including the Kikeh field, also in Malaysia.

"Kikeh, which is expected to be placed onstream in the second half of the year, will provide 80,000 barrels per day net to the Company when it ramps up to its plateau production level during 2008. Kikeh production when combined with other developments currently underway will transform the Company from a 100,000 barrels of oil equivalent per day producer to one producing upward of 200,000 barrels per day within the next few years.

"We anticipate capital spending for the year to be $1.9 billion, which includes continued funding for Kikeh and initial capital for new developments at Thunder Hawk in the deepwater Gulf of Mexico, Azurite offshore Congo, and natural gas from multiple discoveries offshore Sarawak.

"In the downstream side of our business, optimization of operations at the Meraux refinery continues and the Murphy USA program is running well with almost 1,000 stations in operation. Importantly, this high-volume, low-cost retail gasoline model is ideally suited to perform well in a declining oil price environment. Concerning the oil spill litigation, the judge approved in his written ruling of January 30 our $330 million settlement, previously announced in September. The Company expects this matter to be mostly covered by insurance.

"We anticipate total worldwide production in the first quarter 2007 of 93,000 barrels of oil equivalent per day, and sales volumes during the quarter should average 91,000 barrels of oil equivalent per day. We currently expect earnings in the first quarter to be in the range of $0.40 to $0.50 per diluted share. 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 2006 results on Thursday, February 1 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 1-800-219-6110. The telephone reservation number for the call is 11080910. 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 28, 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
(2006 Unaudited)

FOURTH QUARTER	2006	2005
Revenues	$ 3,363,784,000	3,195,418,000
Net income	$ 87,557,000	154,558,000
Net income per Common share		
Basic	$ 0.47	0.83
Diluted	$ 0.46	0.82
Average shares outstanding		
Basic	186,541,166	185,198,043
Diluted	189,426,369	188,348,460
YEAR		
Revenues	$14,307,387,000	11,877,151,000

Income from continuing operations	$	638,279,000	837,903,000 (a)
Net income	$	638,279,000	846,452,000 (a)
Income from continuing operations per Common share			
Basic	$	3.43	4.54 (a)
Diluted	$	3.37	4.46 (a)
Net income per Common share			
Basic	$	3.43	4.59 (a)
Diluted	$	3.37	4.51 (a)
Average shares outstanding			
Basic		186,105,086	184,354,552
Diluted		189,158,411	187,889,378

(a) Includes after-tax gain of $104,525,000 ($.56 per diluted share) on sale of mature oil and gas properties on the continental shelf of the Gulf of Mexico in the year ended December 31, 2005.

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SOURCE: Murphy Oil Corporation