Murphy Oil Announces Earnings and Malaysian Well Results

February 1, 2006

EL DORADO, Ark.--(BUSINESS WIRE)--Feb. 1, 2006--Murphy Oil Corporation (NYSE: MUR) announced today that net income in the fourth quarter of 2005 was $154.6 million, $.82 per diluted share, compared to net income of $134.5 million, $.72 per diluted share, in the fourth quarter of 2004. Of the 2004 amount, income from continuing operations was $131.8 million, $.71 per share, and income from discontinued operations was $2.7 million, $.01 per share.

For the year of 2005, net income totaled $846.5 million, $4.51 per diluted share, compared to $701.3 million, $3.75 per diluted share, for 2004. Income from continuing operations was $837.9 million, $4.46 per share, in 2005 and $496.4 million, $2.65 per share, in 2004. Income from discontinued operations was $8.6 million, $.05 per share, in 2005 and $204.9 million, $1.10 per share, in 2004.

Fourth Quarter 2005 vs. Fourth Quarter 2004

The improvement in net income in the fourth quarter of 2005 compared to the same period of 2004 was mainly caused by income tax benefits of $21 million and higher oil and natural gas sales prices in 2005, but the period was unfavorably affected by hurricane-related expenses, higher exploration expenses and downtime at Gulf of Mexico production facilities. Hurricane-related expenses totaled $32.7 million and related mostly to higher insurance, repairs and other ongoing costs, primarily at the Meraux, Louisiana refinery, that are not expected to be recovered under the Company's insurance policies.

Reviewing quarterly results by type of business, the Company's income contribution from exploration and production operations was $128.7 million in the fourth quarter of 2005 compared to $152.7 million in the same quarter of 2004. Lower earnings in 2005 were primarily caused by higher exploration expense and lower tax benefits, partially offset by higher oil and natural gas sales prices and higher oil sales volumes in 2005. The Company's crude oil and gas liquids production from continuing operations averaged 91,732 barrels per day in the fourth quarter of 2005 compared to 93,632 barrels per day in the 2004 quarter, with the net decrease in 2005 primarily attributable to Gulf of Mexico production lost due to hurricanes. Hurricanes Katrina and Rita reduced U.S. production by approximately 14,800 barrels of oil per day and 40 million cubic feet of natural gas per day in the 2005 fourth quarter, mostly due to production being shut-in while processing and transportation facilities owned by others downstream of our production facilities were being repaired. The Company produced more heavy oil from the Seal area in Western Canada in the 2005 quarter following a development drilling campaign. Oil production in the United Kingdom was lower in the 2005 quarter due to downtime for maintenance. Almost all of the Company's Gulf of Mexico production is back on stream at year-end 2005. Crude oil sales volumes from continuing operations averaged 95,886 barrels per day in the fourth quarter of 2005 compared to 81,282 barrels per day in the 2004 quarter. The Company had virtually no sales from Block 16 in Ecuador in the 2004 fourth quarter while it was in the process of realigning its transportation and marketing arrangements. During the 2005 fourth quarter, the Company sold 7,213 barrels per day (663,561 barrels) for recoupment of 2004 Ecuador oil volumes owed to the Company by one of its three partners in Block 16. The Company continues to pursue recoupment of the remaining 2004 volumes (about 850,000 barrels) owed to the Company by the other two owners in Block 16. Natural gas sales volumes from continuing operations were 72 million cubic feet per day in the fourth quarter of 2005 compared to 92 million cubic feet per day in the 2004 quarter. The decline in natural gas sales volumes in the fourth quarter of 2005 was primarily due to natural gas production lost following hurricanes in the Gulf of Mexico and the sale of oil and natural gas properties on the continental shelf in the Gulf of Mexico in the second quarter of 2005. Worldwide crude oil and condensate sales prices averaged $45.78 per barrel for the 2005 fourth quarter compared to $39.51 per barrel in the 2004 quarter. North American natural gas sales prices averaged $13.56 per thousand cubic feet (MCF) in the 2005 fourth quarter compared to $7.48 per MCF in the 2004 quarter. Exploration expenses were $89.2 million in the 2005 fourth quarter compared to $21.8 million in the 2004 quarter, with the increase in 2005 mostly due to higher dry hole costs offshore Malaysia and the Republic of Congo. The fourth quarter of 2005 included dry hole costs for unsuccessful wells drilled at the Lebir, Kerian, Pergau and Pedu prospects in Blocks PM 311/312, offshore Malaysia. In addition, the 2005 quarter included higher 3-D seismic costs offshore Malaysia and Eastern Canada. The Company currently recognizes no income tax benefit for exploration expenses incurred on Peninsula Malaysia and Republic of Congo blocks. The 2005 fourth quarter included income tax benefits in the U.S. and U.K. of $6.4 million and $4.8 million, respectively, while the 2004 quarter included recognition of income tax benefits of $31.9 million related to Block K, Malaysia.

The Company's refining and marketing operations generated a profit of $31.4 million in the fourth quarter of 2005 compared to a profit of $30.1 million in the 2004 quarter. The earnings in 2005 improved slightly due to higher profits in the U.K. Murphy's downstream business incurred after-tax costs related to hurricanes of $15.9 million in the 2005 quarter ($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. The refinery is expected to be back in operation early in the second quarter of 2006.

Corporate activities resulted in after-tax costs of $5.5 million in the 2005 fourth quarter compared to costs of $51 million in the 2004 quarter. The 2005 quarter included income tax benefits of $9.7 million primarily for refund and settlement of U.S. income tax matters, while the 2004 quarter included a $27.5 million tax charge related to a 5% withholding tax on a cash dividend from a Canadian subsidiary and after-tax costs of $10 million for foreign exchange. In addition, the Company incurred less net interest expense in 2005 due to lower average debt and a higher portion of interest costs being capitalized.

Year 2005 vs. Year 2004

Income from both the exploration and production and refining and marketing businesses was significantly higher in 2005 compared to 2004, and the after-tax costs of corporate activities were lower in 2005.

The Company's exploration and production operations earned $748.1 million in 2005 and $512.3 million in 2004. The primary reasons for the improved earnings in this business in 2005 were higher oil and natural gas sales prices, higher oil sales volumes, and 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. Exploration expenses were $232.4 million in 2005 compared to

$164.3 million in 2004, with the increase mostly due to higher dry hole costs in the Republic of Congo and higher 3-D seismic costs offshore Malaysia. Both years included expenses for hurricane repairs and incremental insurance costs. Crude oil and gas liquids production from continuing operations for 2005 averaged 101,349 barrels per day compared to 93,634 barrels per day in 2004. The higher production in 2005 was primarily attributable to start-up of the Front Runner field in late 2004. Oil production also increased in Malaysia and the heavy oil area in Canada, but declined in the U.K. following sale of the "T" Block field in 2004. Oil production in the U.S. in 2005 was reduced by about 6,000 barrels per day due to downtime caused by Hurricanes Katrina and Rita. Natural gas sales from continuing operations were 90 million cubic feet per day in 2005 compared to 109 million cubic feet per day in 2004, with the decline mostly caused by temporary production curtailment after Hurricanes Katrina and Rita of about 14 million cubic feet per day and the sale of properties on the continental shelf of the Gulf of Mexico in the second quarter of 2005. Crude oil and condensate sales prices averaged $45.25 per barrel in 2005 compared to $35.92 per barrel in 2004. North American natural gas was sold for $8.44 per MCF in 2005, up from $6.34 per MCF in 2004.

The Company's refining and marketing operations generated income of $125.3 million in 2005 compared to income of $81.9 million in 2004. The improvement in 2005 was based on better margins in both the North American and U.K. businesses. The current year's results included after-tax hurricane related costs of $29.8 million. The Meraux, Louisiana refinery was shut down for the last four months of 2005 following damage caused by Hurricane Katrina.

Corporate after-tax costs were $35.5 million in 2005 compared to $97.8 million in 2004, with the improvement mostly due to a favorable variance in income taxes. In 2005, the Company settled U.S. income tax audits which generated tax benefits of $9.7 million. In 2004, a dividend from a Canadian subsidiary to Murphy Oil Corporation led to a withholding tax charge of $27.5 million. The Company had less net interest expense in 2005 due to a combination of lower average debt levels and higher interest capitalized on development projects. The 2004 period included after-tax foreign exchange charges of $18.6 million, while the effect on 2005 from foreign exchange was insignificant.

The Company sold most of its conventional oil and gas assets in Western Canada in the second quarter of 2004 for cash proceeds of $582.7 million, which generated an after-tax gain of $171.1 million. The gain on sale as well as operating results of these sold assets have been reported as discontinued operations for all periods presented. A favorable adjustment of income taxes associated with this asset sale led to income from discontinued operations of $8.6 million in 2005.

Claiborne P. Deming, President and Chief Executive Officer, commented, "On the back of very strong prices for oil and natural gas in 2005, Murphy Oil posted the largest net income in the history of the Company. But for Hurricane Katrina and its aftermath, the year's results would have been quite a bit better. The repair of the Meraux refinery and clean-up of the area affected by the oil spill caused by the hurricane continues to receive high priority within the Company. On the upstream side of the business, oil prices remain strong in early 2006 due to concern within the marketplace about continued stable worldwide production. North American natural gas prices have retreated from their high in late 2005 mostly due to warmer than normal winter weather in the United States and Canada. With the recent signing of Production Sharing Contracts covering Blocks K and P offshore Sabah, we will continue our active exploration program in Malaysia's deep waters. Downstream results in early 2006 have been hurt by much narrower margins in both the refining and retail areas in the U.S. and U.K. We anticipate total worldwide production in the first quarter 2006 of 115,000 barrels of oil equivalent per day, and we currently expect earnings in the first quarter to be in the range of $.50 to $.90 per diluted share, including estimated expenses for repair costs at the Meraux refinery that are unlikely to be recovered from insurance. Results could vary based on commodity prices, drilling results, timing of oil sales, and timing and amount of hurricane-related costs."

The public is invited to access the Company's conference call to discuss fourth quarter 2005 results on Thursday, February 2 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 1-800-218-8862. The telephone reservation number for the call is 11050887. 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 6 by calling 1-800-405-2236.

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
(2005 Unaudited)

FOURTH QUARTER		2005	2004
Revenues	$	3,195,418,000	2,300,965,000
Income from continuing operations	$	154,558,000	131,791,000
Net income	$	154,558,000	134,480,000
Income from continuing operations per Common share			
Basic	$	.83	.72
Diluted	$	.82	.71
Net income per Common share			
Basic	$	.83	.73
Diluted	$	.82	.72
Average shares outstanding			

Basic	185,198,043	184,053,330
Diluted	188,348,460	187,302,668

YEAR

Revenues	$ 11,877,151,000	8,359,839,000
Income from continuing operations	$837,903,000(a)	496,395,000
Net income	$846,452,000(a)	701,315,000
Income from continuing operations per Common share		
Basic	$4.54(a)	2.70
Diluted	$4.46(a)	2.65
Net income per Common share		
Basic	$4.59(a)	3.81
Diluted	$4.51(a)	3.75
Average shares outstanding		
Basic	184,354,552	183,972,642
Diluted	187,889,378	186,887,022

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

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SOURCE: Murphy Oil Corporation