Murphy Oil Announces Quarterly Earnings

October 25, 2005

EL DORADO, Ark.--(BUSINESS WIRE)--Oct. 25, 2005--Murphy Oil Corporation (NYSE: MUR) announced today that net income in the third quarter of 2005 was $231 million, $1.23 per diluted share, compared to net income of $118.7 million, $.63 per diluted share, in the third quarter of 2004. Net income in the current period included income from discontinued operations of $8.6 million, $.05 per share, related to an adjustment of prior-year income taxes associated with the gain on the sale of most of the Company's conventional oil and gas assets in Western Canada in the second quarter 2004. Income from discontinued operations in the third quarter of 2004 was $2.9 million, $.01 per share.

Income from continuing operations in the 2005 third quarter was $222.4 million, $1.18 per diluted share, compared to $115.8 million, $.62 per diluted share, in the same period of 2004, which included a $24.6 million after-tax gain on sale of the "T" Block field in the U.K. North Sea. The 2005 period's income from continuing operations included pretax costs of $34.1 million ($21.3 million after taxes) associated with hurricanes that occurred in the U.S. during the just completed quarter. These costs are net of anticipated insurance recoveries. The components of these costs include $13.8 million for incremental insurance expenses; $3.0 million for uninsured losses within the Company's insurance deductibles; $8.9 million of voluntary costs for Company donations and additional employee salaries; $5.1 million for depreciation and salaries for the temporarily idled Meraux refinery; and $3.3 million for other incremental expenses incurred that are not covered by insurance policies. The Company anticipates that additional costs related to Hurricane Katrina will be recorded in future periods.

For the nine months of 2005, net income totaled $691.9 million, $3.69 per diluted share, compared to $566.8 million, $3.04 per diluted share, for the 2004 period. Continuing operations earned $683.3 million, $3.64 per diluted share, in 2005 and $364.6 million, $1.95 per diluted share, in 2004. Income from discontinued operations was $8.6 million, $.05 per diluted share, in the nine months of 2005, while the same period in 2004 totaled $202.2 million, $1.09 per diluted share. Income from discontinued operations in 2004 included a $169.2 million after-tax gain on sale of assets in Western Canada.

Third Quarter 2005 vs. Third Quarter 2004

Reviewing quarterly results by type of business, the Company's income contribution from continuing exploration and production operations was $204.6 million in the third quarter of 2005 compared to $118.6 million in the same quarter of 2004. The earnings improvement in 2005 was primarily caused by higher oil and natural gas sales prices, higher oil sales volumes, lower dry hole costs, and business interruption insurance recoveries of $4.9 million after taxes related to prior-year hurricanes. These were partly offset by lower natural gas sales volumes, higher hurricane-related costs in 2005 of $9 million ($11.6 million in 2005 compared to $2.6 million in 2004) and an after-tax gain of $24.6 million in the 2004 period from sale of the "T" Block field in the U.K. North Sea.

The Company's worldwide crude oil and condensate sales prices averaged $53.15 per barrel for the current quarter compared to $40.12 per barrel in the third quarter of 2004. Total crude oil and gas liquids production from continuing operations was 94,151 barrels per day in the third quarter of 2005 compared to 88,445 barrels per day in the 2004 quarter, with the net increase primarily attributable to production at the Front Runner field in the deepwater Gulf of Mexico, which began in the fourth quarter of 2004, and higher heavy oil production from the Seal area in Western Canada. Oil production in the United Kingdom and offshore Eastern Canada was lower in the 2005 period due to downtime for maintenance. Hurricanes Katrina and Rita and tropical storms reduced U.S. production by approximately 11,800 barrels of oil per day and 21 million cubic feet of natural gas per day in the 2005 third quarter, while Hurricane Ivan and other tropical storms reduced U.S. production by about 3,600 barrels of oil per day and eight million cubic feet of natural gas per day in the third quarter 2004. Crude oil sales volumes from continuing operations averaged 93,910 barrels per day in the third quarter of 2005 compared to 81,927 barrels per day in the 2004 period. Virtually no sales occurred in Ecuador in the 2004 third quarter while the Company was in the process of realigning its transportation and marketing arrangements. While sales have occurred in Ecuador in 2005, the Company continues to pursue settlement of its under sold position from the 2004 period with the other owners in Block 16. North American natural gas sales prices averaged $8.54 per thousand cubic feet (MCF) in the 2005 third quarter compared to $6.00 per MCF in the same quarter of 2004. Natural gas sales volumes from continuing operations were 70 million cubic feet per day in the third quarter 2005 compared to 99 million cubic feet per day in the third quarter of 2004. The decline in natural gas sales volumes was primarily due to the sale of properties on the continental shelf in the Gulf of Mexico in the second quarter 2005, and more natural gas production lost from hurricanes in the Gulf of Mexico in the third quarter 2005 compared to the 2004 period.

Exploration expenses were $32.9 million in the 2005 quarter compared to $70.2 million in the same period of 2004, with the decline primarily due to less dry hole costs offshore Malaysia and Eastern Canada in the 2005 period. This was partially offset by higher 3-D seismic costs offshore Malaysia in 2005.

The Company's refining and marketing operations generated a profit of $32 million in the most recent quarter compared to a profit of $18.7 million in the 2004 quarter. The earnings improved due to higher profits in the U.K in the 2005 period, partially offset by lower profits in North America. Murphy's downstream business incurred after-tax costs related to hurricanes of $13.9 million in the just completed quarter ($22.1 million before income taxes). The Company's Meraux, Louisiana, refinery experienced flooding during Hurricane Katrina and was shut down for the last 34 days of the quarter. This refinery was also shut down most of the third quarter in 2004 for turnaround.

The after-tax costs of the corporate functions were $14.2 million in the 2005 quarter compared to costs of $21.5 million in the 2004 quarter. The 2005 period included after-tax costs for foreign exchange of $2.7 million, while the 2004 period included costs of $8.2 million for foreign exchange. In addition, the Company incurred less net interest expense due to lower average debt and a higher portion of interest costs being capitalized in the 2005 period. Higher administrative expenses in 2005 partially offset lower net foreign exchange and interest expenses.

First Nine Months 2005 vs. First Nine Months 2004

Income from both the exploration and production and refining and marketing businesses was significantly higher in the first nine months of 2005 compared to the same period in 2004. The Company's exploration and production continuing operations earned $619.4 million in the nine months of 2005 and $359.6 million in the same period of 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 $106.8 million after-tax gain on sale of mature oil and gas properties on the continental shelf of the Gulf of Mexico. After-tax costs associated with hurricanes were $5.6 million higher in the 2005 period compared to 2004. Exploration expenses were $143.2 million in 2005 compared to $142.5 million in 2004. Crude oil and gas liquids production from continuing operations for the nine months of 2005 averaged 104,588 barrels per day compared to 93,632 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. Natural gas sales from continuing operations were 96 million cubic feet per day in 2005 compared to 115 million cubic feet per day in 2004, with the decline mostly caused by the sale of properties on the continental shelf of the Gulf of Mexico in the second quarter 2005. Crude oil and condensate sales prices averaged $45.15 per barrel in the 2005 period compared to $34.84 per barrel in 2004. North American natural gas was sold for $7.37 per MCF in 2005, up from $6.04 per MCF in 2004.

The Company's refining and marketing operations generated a profit of $93.9 million in the first nine months of 2005 compared to a profit of $51.8 million in 2004. The improved current year result was based on better margins in both the North American and U.K. businesses in 2005. The 2005 results included net-of-tax hurricane related costs of $13.9 million. Both nine month periods were affected by some third quarter downtime at the Meraux refinery, with 2005 related to damages caused by Hurricane Katrina and 2004 related to a turnaround.

Corporate after-tax costs were $30.0 million in the first nine months of 2005 compared to $46.8 million in the 2004 period. The Company had lower net interest expense in the 2005 period due to a combination of lower average debt levels and higher interest capitalized on development projects. The 2005 period included after-tax foreign exchange charges of $2.4 million, while 2004 included after-tax foreign exchange charges of $7.8 million. Higher administrative expenses in 2005, primarily related to employee compensation costs, partially offset lower interest and foreign exchange expenses.

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 included in discontinued operations of $169.2 million. The operating results of these sold assets have also been reported as discontinued operations for all periods presented.

Claiborne P. Deming, President and Chief Executive Officer, commented, "Although we continued to benefit from strong crude oil, natural gas and finished product prices, the third quarter 2005 proved to be quite a challenge. Hurricane Katrina in particular took a toll on our business and our people. The Meraux refinery suffered extensive flooding following the levee breaks near New Orleans and, as a result, a crude oil tank leaked into areas surrounding the refinery. We have essentially completed clean-up of public lands and we will now turn our attention to cleaning private properties. It appears that the refinery will remain shut down for repairs through the first quarter of next year. In the Gulf of Mexico we still have widespread shut-ins due to extensive damage to various pipelines used to carry both oil and natural gas to shore. We anticipate all of these fields to start back up in the fourth quarter. Although we have been through a difficult time, I am extremely grateful to our employees for generously giving their time to help others, including many in our company, who were displaced by the hurricane. In addition, the level of commitment and effort exhibited by our employees since the hurricane makes me very proud to work for this company. We anticipate total worldwide production in the fourth quarter 2005 of 101,000 barrels of oil equivalent per day. This production estimate reflects lost volumes projected at 23,000 barrels of oil equivalent per day in the quarter while hurricane repairs to third party infrastructure are completed in the Gulf of Mexico. We currently expect earnings in the fourth quarter to be in the range of $.70 to $1.00 per diluted share. 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 third quarter 2005 results on Wednesday, October 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 the telephone by dialing 1-800-257-6607. The telephone reservation number for the call is 11041913. 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 October 30 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
(Unaudited)

THIRD QUARTER	2005	2004
Revenues	$3,316,919,000	2,293,455,000
Income from continuing operations	$ 222,399,000	115,773,000
Net income	$ 230,948,000	118,723,000
Income from continuing operations per Common share		
Basic	$1.20	.63
Diluted	$1.18	.62
Net income per Common share		
Basic	$1.25	.65
Diluted	$1.23	.63

Average shares outstanding		
Basic	184,355,365	184,011,626
Diluted	188,069,208	187,136,842

FIRST NINE MONTHS

Revenues	$8,681,733,000	6,058,874,000
Income from continuing operations	$ 683,345,000(1)	364,604,000
Net income	$ 691,894,000(1)	566,835,000
Income from continuing operations per Common share		
Basic	$3.71(1)	1.98
Diluted	$3.64(1)	1.95
Net income per Common share		
Basic	$3.76(1)	3.08
Diluted	$3.69(1)	3.04
Average shares outstanding		
Basic	184,083,392	183,944,854
Diluted	187,740,260	186,731,094

(1) Includes after-tax gain on sale of mature oil and gas properties on the continental shelf of the Gulf of Mexico of $106,764,000 ($.57 per diluted share) in the nine months ended September 30, 2005.

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SOURCE: Murphy Oil Corporation