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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Murphy Oil Corporation Third Quarter 2020 Earnings Call. (Operator Instructions)

I would now like to turn the conference over to Kelly Whitley, Vice President, Investor Relations and Communications. Please go ahead.

Kelly L. Whitley - *Murphy Oil Corporation - VP of IR & Communications*

Thank you. Good morning, everyone, and thank you for joining us on our third quarter earnings call today. Joining us is Roger Jenkins, President and Chief Executive Officer; along with David Looney, Executive Vice President and Chief Financial Officer; and Eric Hambly, Executive Vice President, Operations.

Please refer to the information on slides we placed on the Investor Relations section of our website as you follow along our webcast today. Throughout today's call, production numbers, reserves and financial amounts are adjusted to exclude noncontrolling interest in the Gulf of Mexico.

Please keep in mind that some of the comments made during this call will be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. As such, no assurance can be given that these events will occur or that the projections will be attained. A variety of factors exist that may cause actual results to differ. For further discussion of Risk Factors, see Murphy's 2019 annual report on Form 10-K on file with the SEC. Murphy takes no duty to publicly update or revise any forward-looking statements.

I will now turn the call over to Roger.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Thank you, Kelly. Good morning, everyone, and thanks for listening to our call today. We continue to successfully execute our focused strategy, and Murphy remain steadfast with the goal of keeping a strong balance sheet through the commodity price cycles and plan to allocate free cash

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flow to reduce overall debt levels and an oil price recovery. Despite the record-breaking hurricane season this quarter, we still achieved free cash flow above our dividend.

Our third quarter results were helped by the flexibility and strength of a multi-basin portfolio as production from our oil-weighted offshore and onshore plays continue to see higher margins driven by lower cost structure. We know that to remain in business over the long term, we must operate in a conscientious manner, protecting and supporting not only our employees but the areas in which we work.

As disclosed in our recent 2020 sustainability report, I'm proud to say we have proactively established a greenhouse gas emission intensity reduction target of 15% to 20% by 2030. We're further advancing our diversity and inclusion programs and practices. Our multi-basin portfolio provides additional risk reduction and flexibility. We remain committed to our focused exploration portfolio and our partners, as we see it, as the ability to deliver company making resource upside to our shareholders.

On to Slide 3. Looking back on the quarter, Murphy produced 153,000 barrel equivalents per day with 86,000 barrels of oil per day. Production was significantly impacted by historical Gulf of Mexico storm season, resulting in 12,000 barrels equivalents per day shut in compared to our guidance of just under 5,000 barrels equivalent per day. This impact was partially offset with stronger performance in our onshore business. We spent approximately $120 million of accrued CapEx in the quarter, including $19 million for the construction of the King's Quay floating facility.

Our various oil pricing points traded closer to WTI in the quarter than usual due, again, to the unique storm season. This led to a realized oil price of nearly $40 per barrel on par with WTI. Our realized natural gas price continues to improve at $1.78 per thousand cubic feet in U.S. Further, in the Tupper Montney, the AECO, Henry Hub basis differentials have reduced and tightened due to improving market access from infrastructure build-outs and less capital spent in the region by our peers.

I'll now turn over to discuss the financials with our CFO, David Looney.

David R. Looney - *Murphy Oil Corporation - Executive VP & CFO*

Thank you, Roger, and good morning. Slide 4. Like our peers, ongoing low oil prices continued to affect our business, resulting in a net loss of $244 million or negative $1.59 per diluted share for the third quarter. Several noncash charges impacted earnings for the quarter, including after tax impairments of $146 million, primarily related to the Cascade and Chinook field in the Gulf of Mexico. Noncash mark-to-market loss on crude oil derivatives and contingent consideration of $66 million and restructuring expenses and unutilized rig charges of $8 million. After backing out these items, Murphy had an adjusted net loss of $24 million or negative $0.15 per diluted share.

Slide 5. With oil prices off their record lows, our net cash provided by continuing operations improved to $209 million in the third quarter, including a cash outflow of $28 million due to a working capital increase. When combined with property additions and dry hill cost of $134 million, including $23 million for King's Quay, we had positive free cash flow of $74 million in the quarter. Excluding the working capital change, we would have achieved free cash flow of $102 million.

Following our budget changes and cost-cutting measures taken earlier this year, we have maintained strong liquidity of $1.6 billion, including $220 million of cash as of September 30. Our G&A expenses continue to trend in the right direction, and we remain on track for achieving approximately $100 million in total G&A reductions between 2019 and 2020. Lastly, Murphy has taken additional action to protect its future cash flow with additional 2021 crude oil hedges as well as fixed price forward sales contracts for a portion of our Tupper Montney production through 2024.

Slide 6. Liquidity is a key tenet of our business, and we have maintained a strong balance sheet with $1.4 billion available under our $1.6 billion senior unsecured credit facility as well as $220 million of cash and equivalents as of quarter end. Murphy remains focused on reducing our total debt level with excess cash flow, including our next maturity in mid-2022. This will give the company even further resilience in commodity price cycles. As stated last quarter, our goal remains to have at year-end, nearly the same level of liquidity as we did at the beginning of the year.

With that, I will turn it back over to Roger.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Thank you, David. On Slide 8, Murphy has a long history of protecting our environment, employees and all of our stakeholders, achieved in part through our strong corporate governance processes. We continue to achieve low spill and recordable incident metrics while also reducing our environmental impact with flaring reductions and increased water recycling. We've also expanded our internal diversity and inclusion practices and programs and maintain a program to aid impacted employees in times of need through our disaster relief foundation, which is taking placing now as we're impacted by hurricanes, our employees on the Gulf Coast.

Our operations team has made ongoing efforts to reduce our environmental impact while lowering costs due to changes, such as electrification of our frac fleet and open a remote operating center for managing all onshore Canadian operations. Overall, these small changes add up to a larger, longer impact by reducing downtime and costs and improving the efficiency of our field employees. Additionally, we utilized biofuel hydraulic frac spreads for all well completions in Canada this year, which resulted in considerable CO2 emissions reductions.

On Slide 9, we recently released our 2020 sustainability report, which features expanded disclosures and metrics and more closely aligns to various reporting frameworks, including TCFD and SASB. A key highlight of our goal is reducing greenhouse gas emissions intensity by 15% to 20% by 2030 from 2019 levels. This report also outlines diversity disclosures, workforce development and employee engagement programs. Murphy has also expanded our HSE Board Committee to include the oversight of corporate responsibility. We formed an ESG Executive Management Committee and created a new Director of Sustainability role. We will continue to evolve and advance our sustainability efforts.

On Slide 11, like most peers, Murphy is taking deliberate actions to have a sustainable business in the new energy landscape. Prior to COVID, we streamlined our portfolio to high-margin oil-weighted assets to accretive deals. We refinanced certain bonds last year, and are maintaining our liquidity with manageable debt structure. Post-COVID, we continue streamlining and reducing costs with adjustments in capital and dividends. We maintain operations in multiple basins with focused exploration opportunities in certain countries outside the United States, providing us with portfolio diversification for long-term resilience.

Slide 13, looking at our Eagle Ford Shale business. The asset produced nearly 35,000 barrels equivalent a day in the quarter, which is ahead of our guidance. We continue to see improvements in our base well performance, and have established low decline rates. We're utilizing our remote operation center and operating model to lower downtime in wells and facilities while optimizing artificial lift performance.

Production from the wells brought online prior to 2019 delivered over 20,000 barrels equivalent per day in this quarter and demonstrated less than 14% decline over the prior 12-month period. We anticipate 2021 base decline of just 22% for our Eagle Ford asset, and this is a significant improvement in base decline for the Eagle Ford.

On Slide 14. Murphy produced 13,000 barrels equivalents per day in the Kaybob in the quarter with 4 wells online. This asset continues to show strong well performance with tightening differentials and is achieving higher cash flow metrics. Our team has done a tremendous job improving the efficiencies across our onshore business. Our new remote operating center in Fox Creek Canada manages all onshore Canada production activity and well performance, which will enable us to reduce downtime and costs through more expedient repairs.

Slide 15. Our Tupper Montney wells produced $235 million per day in the quarter and continued to generate positive free cash for the year. Since our last earnings call, Murphy has added fixed price forward sale contracts in AECO and at the Malin hub through 2024, locking in further price protection. As stated earlier, we have seen improving basis differentials and higher prices, coupled with higher EURs and strong execution ability.

Slide 17 in the Gulf. Murphy produced 59,000 barrels equivalent per day in the Gulf of Mexico this quarter, which is negatively impacted by record-breaking storm downtime of 12,000 barrels equivalent per day. It's also caused a delay in achieving first oil at Calliope, which is now scheduled to produce in the second quarter of '21.

The nonoperated Kodiak and Lucius wells remain on schedule with Kodiak executing later this year. Lucius drilling is ongoing with strong results in the first well of the program.

Slide 18 on our long-term projects. Our Khaleesi, Mormont and Samurai projects and nonoperated St. Malo waterflood development remain on schedule. Construction in King's Quay floating production system has advanced and is approximately 77% complete, with mid-'22 remaining as a target for first oil. At this time, we've submitted all permits for the Khaleesi, Mormont and Samurai projects. We're excited to launch the drilling campaign in the second quarter in '21 and take the next step toward first oil. Two rigs are presently drilling at the St. Malo waterflood project and the first producer well has shown results to plan.

Exploration on Slide 20, we continue to progress our various exploration projects as we maintain optionality across our diversified portfolio. This quarter, our operating partner sped the Highgarden well in the Gulf of Mexico and has encountered delays in drilling due to the significant storm season. Our Vietnam plans to move forward with partners signing the joint and operating agreement on Block 15-2. We remain excited for the opportunities ahead with more than 900 million barrels of oil equivalent of net risk resources across our exploration portfolio.

On 22, on our future plans. For the fourth quarter, we anticipate production in the range of 146,000 to 154,000 equivalents per day. Guidance is impacted by two factors, actual storm downtime earlier this quarter of 8,000 barrels equivalents per day and a planned downtime of some 6,000 equivalents per day as well. We maintain our full year 2020 capital expenditure guidance of $680 million to $720 million, and note that $649 million has been spent through the third quarter.

Additionally, we're on track to reduce full year G&A expenses by $100 million in 2020 and improve our liquidity position by paying down our revolving balance. We maintain a deep-rooted safety culture at Murphy, leading to strong HSE performance throughout 2020, including safety protocols established early in the year to protect our employees and contractors from COVID-19. Murphy has made significant progress on our long-term Gulf of Mexico projects this year. This time, all permits submitted for approval in advance of our campaign launching next year. Meanwhile our onshore team is preparing to launch our 2021 Eagle Ford drilling program.

Going forward, as previously stated, we plan to maintain a flatter production profile of 150,000 to 160,000 barrel equivalent range with CapEx in line with 2020 spending for 2021. Our focus remains on cash flow CapEx parity after dividend with debt reduction in a price recovery. As noted in our 2020 sustainability report, we're even more focused on having sustainable and transparent operations, including our proactive goal of reducing greenhouse gas emissions intensity. We will continue to allocate capital to our unique exploration program.

In closing, I'd like to thank our talented group of employees for their innovation and dedication this year in light of all the challenges we've faced. I'd like to turn the call over back to the operator for our question period. I appreciate you this morning. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) So your first question comes from Duncan McIntosh from Johnson Rice.

Duncan Scott McIntosh - *Johnson Rice & Company, L.L.C., Research Division - Research Analyst*

My first question would be on '21 and kind of nothing's changed versus what you messaged during the second quarter, but what are some of the things that you all could do that might put you more towards the higher or the lower end of that 150,000 to 160,000?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, really, we feel real good about that. We're working toward that. I think our main focus is to stay with that range, get our CapEx in a way where we can have recovery prices and have more free cash flow and debt. So really not that interested in moving it up and down the assets that we have today, clearly, for this quarter, with the guidance that we have, you could put on top of that the production we have already lost for this significant hurricane season. We have a pretty robust set of production going into the year. And then we're really looking at executing that and then not really wanting to do any levers to move it up or down. So I feel good about hitting that target. Keep in mind, too, that we have almost $300 million set aside for capital for Khaleesi, Mormont, Samurai and St. Malo. So the production that we have and the CapEx we have for cash flow CapEx parity to pay our dividend and stay in our liquidity is our main focus rather than production increases at this time, Duncan.

Duncan Scott McIntosh - *Johnson Rice & Company, L.L.C., Research Division - Research Analyst*

Okay. And then since I know it will get asked anyway, on King's Quay and the sell-down process, any update there? Or things go progressing? Or what -- any -- and there's a lot that have been taken out, so just kind of how you all are thinking about that now?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Yes. I'm going to talk about that, and thanks for asking that, get that over with here. On King's Quay, really, I made a mistake that I rarely ever make in business development. We've done a lot of business development here at this company, and that's commenting on a closing timing of a business and making this the way that's negotiated. And I'm not going to be doing that further. And -- but I will say that it is progressing, King's Quay continues to progress. There's an e-mail on my phone before walking in here, but naturally, I'm focused on this meeting at this time.

King's Quay is a very valuable midstream asset of our company. It's an asset that's completely almost derisked. It's been built through COVID in Korea, which is no easy task by our team. It's built through significant typhoon season that hit that project as well twice, and is now 80% complete. King's Quay is going to sit on top of a very valuable field at Khaleesi/Mormont, that's been previously drilled that we purchased. So its value has not diminished at all with this closing delay. So where we are, there's 2 groups involved with this closing, an owner's group and a producing group.

With our owners group, we've made a clear directional path forward there, and we're now working with our producing group toward closing. So pleased with the work and progress. It's a good derisked asset. We're progressing and selling it. But I'm just not getting involved with the date of all that here, Duncan, be honest with you.

Operator

Your next question comes from Neal Dingmann from Truist Securities.

Neal David Dingmann - *Truist Securities, Inc., Research Division - MD*

Could you just -- I don't know if, Roger, if you can say too much on this, just on that Green Canyon 895, I know obviously the storm season is going on...

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Sorry, I'm having trouble. I'm having a little trouble, talk just a little bit slower for me here.

Neal David Dingmann - *Truist Securities, Inc., Research Division - MD*

Sure. I just was wondering on Green Canyon 895, I know there's been storms and such. Anything you could talk on timing, et cetera, on it.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

No. This is a rig operated by another partner. It's an experienced partner that we know well. They've had downtime with the rig due to pulling the rise in various things that happens in typical offshore exploration in the Gulf this time of year. And there we're in the middle of recovering from the last storm. And getting set up back on the rig to kind of know where we're going forward. We've progressed the well drill through salt and made a lot of significant progress, but it's really held up for hurricane reasons primarily right now is would be the case with almost any rig operation conducted this quarter in the Gulf.

Neal David Dingmann - *Truist Securities, Inc., Research Division - MD*

And then just for a follow-up. I was wondering on Canadian production. Nice increase in the third quarter, I think about 6%, Canadian, I should say, onshore production. Could you give comments on there? Do you think that could continue in that regard? Or anything you could talk about the Onshore Canada?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, our Canadian operations are going extremely well. We also have to keep in mind that sometimes it kind of glosses by all the significant event that's happened in this company, like we closed our office there. We're working now in Houston. You see in my comments today that we set up this remote operating center and to continue with these incredible results is really outstanding considering what all we've done on the G&A side and the office moving. These assets, the Duvernay shale is performing extremely well right now and gives us a lot of flexibility on all kinds of things in our company for the future.

The wells are performing better this year than we thought. We're hitting above guidance in the asset. The pricing there has gotten just below at times of the Eagle Ford due to a lot of weird differentials going on in the Gulf Coast and a lack of capital being spent in Canada in general. So these are just doing well. Also Montney doing extremely well on decline rates. And we mentioned in our script today, all this focus with these operating centers on this small amounts of downtime improvement, but big significant improvement in Eagle Ford to improve the base.

So Eric and his team with limited capital are spending a lot of time focusing on base production. As I mentioned, the Eagle Ford is very low base decline, lower than we've ever had. Tupper is no different. And Duvernay is just a smaller asset. But it makes 13,000 barrels a day at prices just below the Eagle Ford. So a lot of unique things going on in Canada around gas up there right now.

Most people are paying attention to this, it's quite on the outer realm. But AECO has been very positive. There's been a lot of debottlenecking and things that we talked about a few years ago. Almost 1.5 Bcf of additional new gases supply availability and pipes by 2022. The supply in the country's declined 2 Bcf a day due to COVID investing. Gas demand in Canada is improving with the coal switching, some 5 Bcf per day. They have LNG there in 2025. The dip to hub was very poor from '16 to '19. Now that's all recovered and it's a very nice basis going forward due to all these pipes. So Canada is sleeping place but has greatly improved and allows us a lot of flexibility in our diverse portfolio that we talk about all the time. But if you're in the game and you do different things, the game will come to you over time, and that's kind of where we are with that asset today.

Operator

Your next question comes from Gail Nicholson from Stephens.

Gail Amanda Nicholson Dodds - *Stephens Inc., Research Division - MD & Analyst*

You guys have done a really nice job with LOE, both in the GOM as well as the Eagle Ford. Looking at the Eagle Ford, when you -- with the artificial lift authorization and facility optimization that you guys are doing that lowers the base decline, does that also have a positive development potentially on LOE going forward?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Yes, I'm going to let Eric -- Eric's taking all that Glory, and we'll let him answer that question for you.

Eric M. Hambly - *Murphy Oil Corporation - EVP of Operations*

Yes. It's a great question. Obviously, the more we can get production from our base and continue to lower our operating costs, the stronger performance we have on free cash flow. We're pretty happy with Eagle Ford having just over $8 of BOE OpEx in the third quarter. Our per BOE OpEx in the Eagle Ford is, of course, dependent a fair bit on capital allocation going forward. So we are giving a lot of focus on what 2021 looks like, but we are working very hard as an operations team to continue to maximize production and minimize spending, and I'm really happy with how my team has done on that.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

But to also keep in mind, Gail, that these overall OpEx levels for us this quarter are good with a bunch of the Gulf shut down. That's also hard to do on a per BOE basis, very hard to do.

Gail Amanda Nicholson Dodds - *Stephens Inc., Research Division - MD & Analyst*

Yes. I think I was going to mention that. I was wondering if the kind of $10-and-change number per BOE is a good run rate to use in the Gulf going forward? Or when we return to kind of a normalized rate ex downtime if that will likely be better ex-workovers?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

It's going to be in that range, but ex-workovers, I think we're in really good shape on OpEx and Gulf, doing really well there, and working on a bunch of plans to improve it.

Gail Amanda Nicholson Dodds - *Stephens Inc., Research Division - MD & Analyst*

Great. And then, Roger, you guys have submitted all the permits for Khaleesi, Mormont and Samurai. Can you talk about what's the next piece of the puzzle? Is it approval? Or just the standpoint of any clarity on timing of that?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, there's a lot of, as you can imagine, complexity around that with this a lot of yacking really on the administration change, the BSEE and BOEM are parts of Department of Interior and continue to operate through all administrations. We hope to gain our approvals. We'd like to gain those approvals in January, as you would anticipate, before January '21, working toward doing that. You have to get them in and submit them. They're quite a barrier of documentation there that we have to go through. So we've got that in. And we own these assets. We have a right to these assets. If all this yacking and talking about different things, it's really not known at this time, of course. We feel really good about our position. We've gone through a lot of precedents in 70 years and a lot of different things.

This administration that's coming in is also part of a tried attempt to stop drilling in Macondo. We very much understand what was called upon then. I have to keep in mind, these fields are already drilled, which is an advantage where the completion is different than a drilling permit. Keep in mind that what drilling is to be done is in known pressure regimes, which gets away of some of these issues put on us post-Macondo by the prior administration.

All these things we're very aware of. We're very knowledgeable about and going through and working all of our options and again, on all those things, Murphy always has another thing to go to, outstanding Canadian assets, thousands of locations in the Eagle Ford, exploration out of the United States, so we very rarely find this all in one ball there, one ball. So that's our situation, Gail, as you know.

Gail Amanda Nicholson Dodds - *Stephens Inc., Research Division - MD & Analyst*

Wonderful. And then just on the standpoint of the 2022 notes, you guys have an undrawn credit facility, cash on hand. Have the flexibility to adjust budgets and make sure you generate free cash in '21. Just some updated thoughts on how you guys are thinking about those upcoming maturities?

David R. Looney - *Murphy Oil Corporation - Executive VP & CFO*

Yes. Gail, this is David Looney talking. I mean, obviously, we have a total of $578 million coming due in '22, so not quite evenly split between June and December. We obviously keep an eye on the bond markets and candidly, where the bond markets are today and where our paper is currently trading is certainly not anything that's attractive to us today. But as we've seen over the last several years, there's a high correlation, I think, between where our bonds trade and what oil prices look like, et cetera.

So we don't have to do anything immediately, obviously. We still have in excess of 1.5 years, 18 months before that first maturity. So we look at that. As you point out, we do have plenty of availability on the revolver and if the bond market didn't come back to us, if you will, over the next 18 months to 2 years, that is an option. But obviously, we look at it, we watch it and we try to be opportunistic.

Operator

Your next question comes from Roger Read from Wells Fargo.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

I guess a couple of things I'd like to make sure I understand a little better. You mentioned a couple of different times, Eagle Ford Shale well, base declines really, I don't know, we call them shallow out at 22%, but certainly better than what we typically see. I just wondered what all is factored in there. Is that a larger base of truly mature wells that are declining slower or something you've done different in terms of choking back production early on or a combination of factors?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, what we've really done is kind of rightsized this asset around 30,000 a day going forward at a really low maintenance charge to do that CapEx, and that's really what we're doing. And I'll let Eric expand further than that for you, Roger.

Eric M. Hambly - *Murphy Oil Corporation - EVP of Operations*

Sure. I mean we have a natural phenomenon with the shale oil wells that have a shallowing decline through time. If you look at our Eagle Ford this year and what our thoughts are in terms of the base performance next year, with a fairly limited capital allocation to Eagle Ford in 2020, we have less production from high decline rate. We've established, as we commented in our slide deck, a 20,000 barrel a day piece of our business from wells brought online prior to 2019 that has demonstrated very shallow declines, which, of course, we expect to continue to shallow going forward.

So our focus on managing our base on limiting downtime, on maximizing production, on increasing well performance through artificial lift optimization allows us to shallow out our decline even more than sort of the natural phenomenon. And we've been happy to see that performance over the last 12 months or so, and expect it to continue going forward as the wells naturally shallow up in decline as well.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Okay. So just kind of -- it is an all of the above process is really the right way to think about it?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

That's correct. Everything you said.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

All right. Then I don't know which one of you all wants to take this, but on the CFO parity for dividend and CapEx, you had also a desire to pay down the debt that's out on the revolver. I'm just curious where does the extra cash come from to pay down the revolver? Like is this based on oil at $40 for parity, $45? You're going to move it around as oil prices move around, just a little more help on that front?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, as I said, not really getting into it today, Roger, I'm sure you can understand why. But when we sell down this asset, it will take our revolver to 0, this midstream asset that we have, King's Quay. And if not, that would stay on there in a low $40 world because your cash flow CapEx parity with dividend the otherwise. And then we would make another arrangement on selling that, if you will, if we need to or want to. We still have very good liquidity even with that remaining because the project is almost built. So that's the issue there, Roger.

Operator

Your next question comes from Leo Mariani from KeyBanc.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

Just a follow up on that last comment you made there with respect to the King's Quay. You said that the project is 80% built at this point. So I guess just in the event that this deal doesn't go through, what would be kind of the remaining King's Quay spend that you'd have to put in place in '21? I'm getting a sense it's probably not a lot left here.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

I would say that number is probably less than 100, in the 70 range. It's going very well. We have a team there on the ground today, and we're executing that well. And it's an asset that is valuable to be sold to someone. I'm not concerned of that. And -- but I'm not really negotiating that here anymore, Leo.

We have a lot of flexibility around it. You can see in our debt and our free cash flow almost made enough free cash flow this quarter for that. So we're doing really well with our operations, really well with their G&A, really well with our LOE, even through the storms, we've -- because of our diversity and our other assets outperforming. We're very well positioned to take on what we need in these assets where we work and, of course, have plans to have any outcome involved with that if we need to.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

Okay. Understood. And I guess I just wanted to get a sense, so I know you guys were talking about kind of restarting the Eagle Ford operated program next year. Is that something that's going to hit the ground running pretty early with a couple of rigs in early '21? What can you kind of tell us about the way you're looking at tackling Eagle Ford?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, we have to keep in mind, we have to meet with our Board and improve our budget in December. We still have to do that. I notice there are people who do their budgets almost a year ahead. Like as soon as you do your budget, you do the next budget, which is quite a phenomenon we have going out there. So -- but to do that, but we have DUCs to do in Eagle Ford, probably 14 to 15 of them. I see Eric nodding his head in the affirmative there. And we have DUCs to do and some drilling to do. We've got plenty of wells to do with 1,000 locations there. But again, that asset is performing very well in the base that asset's toning in well at a flatter profile with little maintenance CapEx going forward, a lot of flexibility. And of course, like most operators, I would anticipate front-end loading of operations in the year, I don't think we'll be uncommon in that regard.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

Okay. And I guess maybe just on Mexico, certainly, I think you guys have been talking about a couple of wells next year at a minimum. Just trying to get a sense of where you are in that process. I know you've got some partners to kind of negotiate with, but is that something we could potentially see start drilling first half of next year? Do you think it's more second half? What are you going to tell us about Mexico?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

We're in the middle of our partners on the budgeting there. As you can imagine, that's things that you have to take in close regard these days with these type of prices. I would anticipate it late next year. We have 2 very nice, very large prospects there that are coming out of the multitude of options we have there. Also, we're very excited about our Brazil wells and the budgeting of that with our partner, ExxonMobil. That will be about a second half spud as well. So a nice second half year type of opportunity is there for us, Leo, in our diverse business that we have.

Operator

(Operator Instructions) And your next question comes from Josh Silverstein from Wolfe Research.

Joshua Ian Silverstein - *Wolfe Research, LLC - MD and Senior Analyst of Oil and Gas Exploration & Production*

Just on the King's Quay transaction here. You highlighted the value of the project completion date. I'm just wondering flipping this around, given how far along it is -- would you actually consider keeping it at this point? It doesn't seem like you want to do that, but could that potentially be on the table?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Really trying not to negotiate it here, Josh, as I said, we can do that. We can afford to do that. We have all the ability to do that. We have decided to go down this road. We progressed the road a long way and continuing to progress that. It's just the delay in the closing timing so far is really the issue. And putting out additional dates on that is not helping the matter at all and continue to progress towards the original goal, but we have ultimate flexibility to do anything we need here. But the goal is still to do it, and we're -- as long as we're progressing, as I'm saying, then we're going to continue on with that until it no longer progresses, of course, but that's not the case today.

Joshua Ian Silverstein - *Wolfe Research, LLC - MD and Senior Analyst of Oil and Gas Exploration & Production*

Got you, fair enough. And then -- I wasn't sure -- yes, I wasn't sure if the December count before, I think it was asked a couple of questions ago. But as far as the volume guidance and spending for roughly kind of flattish around $700 million year-over-year. What's the breakeven that you guys have on crude oil and gas prices? I know there's a little bit of flexibility to shift capital around. But what was the...

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Breakeven in what way, Josh?

Joshua Ian Silverstein - *Wolfe Research, LLC - MD and Senior Analyst of Oil and Gas Exploration & Production*

Cash flow breakeven.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

With dividend or with capital?

Joshua Ian Silverstein - *Wolfe Research, LLC - MD and Senior Analyst of Oil and Gas Exploration & Production*

With -- yes, post the dividend.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

In the low 40s, very low 40s, below 42.

Operator

Your next question comes from Arun Jayaram of JPMorgan.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Roger, wondering if you could give us -- and again, I apologize, I'm dialing in a bit late, but I was wondering if you could give us an update on the development program at Khaleesi/Mormont, and confidence in delivering on that? Is it first half? Is it '22 production outlook?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Yes. Well, first step, the facility, which is going very well. We are very experienced at building and constructing these things. That's one thing we are in charge of that and the asset that we own, we're also the operator in building it. So that's a big advantage, hell of an advantage. And so then it really becomes -- the wells that are drilled Khaleesi/Mormont, Samurai will require some additional drilling. Khaleesi/Mormont is greatly derisked by, I think, 6 -- I mean wellbore penetration is -- 7 wellbore penetrations in 6 wells that are cased there. And we have -- the wells are pay on log. We have the reserves, third party. So we need to get out there and do the completions. It's really important to differentiate between completion and drilling permits if we want to have the concern about some of these political matters and things of that nature, which we're very astute about and knowledgeable of.

And so it's an asset that's set up to perform and go forward. And we really -- we have the rig contracted. That's also important in the permitting. That's become more specific through the years. And I'm real pleased about just executing like we do all of our business, and we've executed many deepwater, different kinds of wells and projects all over the world. And this one is in line. I'm very pleased with my team, and we're doing well.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. Roger, my second question is just a little bit more maybe color or clarification on Mexico and Brazil next year. Is the Mexico plan include the Cholula appraisal? Or are you drilling some rank exploration wells? And then you're saying that the -- and in Brazil, you could spud a well in the second half of '21?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Yes, that's correct. We're not spudding, our operator ExxonMobil is.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Exxon, partner. Yes.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Yes, yes. And in Mexico, we have a call between Cholula as an appraisal program approved by the government there. We do not have to execute on it. We have time or we can drill a larger structure, a larger sub-salt structure, which has been derisked by some other wells in that region and a much larger prospect, if you will, that we may lean toward. But we're working with our partners now on the timing and what to choose between those 2 at this time. We, at Murphy, are leaning toward the larger opportunity over the (inaudible) comfortable at this time.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

These are in your flattish CapEx guide, right, or outlook, I should say on that?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Yes, CapEx. Also be clear on the CapEx. For next year, we're guiding a CapEx similar to this year. I think it's trending slightly lower than the midpoint of 2020 at this time. And also, the '22 CapEx would be similar and after that, it's much lower CapEx and significant free cash flow coming out of this business as the offshore projects come on. So this idea that we'll have that CapEx forever, it really is in our point we're trying to make in this long-term guidance. '21 and '22 are the higher CapEx levels by far, absent some incredible exploration success in our business.

Arun Jayaram - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. I got one more, Roger, if I could sneak one more in. You did note that most of your debt maturities are in 2024 and beyond. My question is you do have some 2022 maturities. You have got some time on those. But what is the the general thoughts on addressing those? Do you issue new debt to term those out? Or where is your head today in terms of those maturities?

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Well, while you were talking to Lee, Gail asked that question and David answered it, but you're a nice guy, Arun, we'll answer for you again. So David, tell him more stuff.

David R. Looney - *Murphy Oil Corporation - Executive VP & CFO*

Yes, Arun. Obviously, we have like $260 million coming due in June of '22 and $320 million or so in December. So it's certainly on the front of our minds. We -- as you know, we obviously watch the market on a regular basis. Bond market today for names such as us is not great. Obviously, there's been a lot of uncertainty around oil prices, political situation, et cetera. So I think we still want to see how that plays out. We watch it. We're always prepared to go if and when necessary and if and when the market sort of moves in our favor. We feel like we do have that opportunity if we need to.

We have about 1.5 years now before that next maturity. So we're watching it. We look at it. And frankly, if it doesn't ever become attractive to us over the next 18 months, we do have significant availability, obviously, on the revolver to do something of a temporary nature, if you will. And then as we get into a different environment, Roger mentioned, as you get out past 2022 particularly, our CapEx numbers decline in a big way. And as such, it frees up a lot of cash flow to pay off some of these bonds if, in fact, we need to do it at that time. So we look at it regularly, consistently and I feel like we have a full complement of opportunities to take advantage of it.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

Also, I think it's important that the separation of the notes due in the middle of the year and end of the year in a post-COVID world, 6 months is a lifetime, Arun, as you know. So I think that's also positive. It's not like it's due in the middle of the year. So that's almost 2 years away, over 2 years away for the second note, which the first can easily be placed in our revolver. And the key for us is to keep our revolver empty. And when you do that, you can get another one very easily. Also keep in mind, Murphy, where we are. We have an unsecured revolver. We've never had a security of any type of revolving credit facility in our company history, nor an [RDL] and enormous flexibility for Murphy on our liquidity and our evolving situation and our long-term positivity in the market around bonds and the deals that we've had in the past.

Operator

There are no further questions from our phone lines. I would now like to turn the call back over to Roger Jenkins for closing -- any closing comments.

Roger W. Jenkins - *Murphy Oil Corporation - CEO, President & Director*

I appreciate everyone calling in today. We'll see you at our next call in late January. Thanks for everything, see you soon. Take care.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.
