



Murphy Oil Corporation

Murphy Oil Corporation presentation delivered at the Energy, Power, & Renewables Conference on Tuesday, June 22, 2021 at 11:10 AM

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Arun Jayaram: Good morning. Arun Jayaram again from J.P. Morgan's E&P Team. Up next, join me in welcoming Murphy Oil Corporation's President and CEO Roger Jenkins. Roger was elected president and CEO of the company in 2013. He's been with the company over the last 20 years. He built a great business in Malaysia.

Over the last couple years, he's overseen a dramatic portfolio transformation with the company, selling Malaysia a few years ago, and adding some assets in the Gulf of Mexico which is Murphy's backyard. They also have an interesting growth project in the deep water Gulf of Mexico that I'm sure Roger's going to speak about this morning.

He's a LSU tiger. I had to add that, Roger. With that, I'll turn it over to you for some prepared comments. Then at the end of this, we'll do a quick Q&A session. Roger?

Roger Jenkins: Thank you, Arun. I am an LSU tiger. You can bet on that. Welcome, everyone, this morning to our presentation. It's an honor to be with J.P. Morgan, one of our long-term bankers and people we've worked with for a long time. We're glad to be at J.P. Morgan. We look forward to being live in the future.

On page two is our agenda today, talk a little bit about our overview of our company. Why invest in our company? The key priorities that we have in our company that we outlined in our first quarter results. Some look at high-level of our portfolio in looking ahead in our business. Naturally, today I'll be making forward-looking statements. As we go forward in this presentation, it'd be common in this type of work.

On page three, the way to think of Murphy Oil Company is that we simply produce in three areas. We produce in US on-shore in Texas on private lands in the Eagle Ford Shale. We've been there for over 10 years. We want to keep that production flat at near 30,000 barrels a day with ample identified key prospects in that business to drill and future locations to drill.

We produce in on-shore Canada, very significant business there as to our dry gas in the Montney and our fully delineated Duvernay shale business. We operate in the off-shore Gulf of Mexico where we're the fifth largest operator with many locations and projects. Three big projects coming on.

We also on top of all that have a unique exploration business that's very large and vast and is going to be accomplished here with the start off of two big this year.

One way to think about it again, is these onshore assets both in Canada and Eagle Ford are run by one singular team in one building here in Houston, post a major reorg in our company a year ago almost today. In our offshore business, we've been a long-standing offshore operator all over the world.

As we mentioned in our exploration portfolio, we have drills and wells, it's exactly like what we've been executing for a long time. From a production reserve basis, we made 155,000 BOEs a day in the first quarter, midpoint of our guidance, which we're doing very well. In the second quarter it's 164,000.

I have a pie graph outlining that for you on page three, we have about 700 million barrels of reserves in our business.

On why Murphy Oil? I have a list of attributes here about investing in our company and then some backup slides, I'm following that this morning. Our three producing areas combined has low carbon intensity in our business. We describe carbon as low going lower, and we're very, very well positioned there. We have a high, high potential exploration business that we have at Murphy.

On top of that a very unique first-class industry-leading execution ability to deliver these projects on time on schedule, no matter what circumstance, and also provide a lot of leadership and guidance to non-op partners.

We're a strong generator free cash flow. All of our assets are making free cash flow this year on top of the capital and everything that we're doing in the Gulf of Mexico. We have a unique ability to move this capital as needed through different circumstances.

Key things about Murphy that differentiate us is two things. We have a long history of paying

dividends, and we're not a newcomer to dividend, we've been paying dividends here for 60 years. We also have very large ownership at the board level, one of the top two in all of Industry today which we're quite proud of. These are the unique factors around investing in our company.

On page five, naturally we'll be part of the energy transition. As we see now that there's demand growing for cleaner energy. We have low carbon intensity now. Regulations and cost structure could be a situation which low intensity and low carbon will be advantaged, and we have been advantaged in that way as well. We are very well positioned with our assets around energy transition.

On page six, we have low carbon intensity in our business. We're lowering it, 15 to 20 percent by 2030. This has been disclosed. We're realizing low-cost from this as we're doing fuel replacement to natural, gas, recycling produced water, electrification in our onshore business.

I just mentioned a few minutes ago that our deep-water assets are greatly positioned as the lowest carbon intensity in all of the E&P, and we're evaluating further decarbonization in our new sustainability report to be filed in the third quarter around methane intensity and involving zero routine flaring, and all of these matters we'll be working on as we move forward. We're top quartile in emission intensity of oil-weighted peers based on our 2020 data.

On page seven, naturally there are many advantages to being as to your corporate longevity about being a sustainable company, where you recruit the top people, maintain higher levels of shareholder support that we have. We'll have healthier credit ratings by being sustainable, and be able to have higher returns with our low-carbon emissions business.

On the left-hand side of this page on page seven, it shows from disclosed targets where Murphy is, you can see that we're very positioned, especially for a company that's oil-weighted. On page eight, I've spoken already today about our advantaged exploration portfolio, Ray mentioned that earlier in his report and discussion.

On the right-hand side of the page really shows where Murphy really contributes, it's through our execution ability. This is a picture of the King's Quay floating production system in Korea. With the banner hanging, and the stage, this is the sail away ceremony that took place last week perfectly on schedule and executed during COVID.

I think one of the finest days in Murphy history is to build and maintain this schedule now for the oil rebound that we have to build this during COVID in a foreign country with our outstanding

team that we have there. On page nine is more numerical facts around the ideas of significant dividend payments and our significant ownership, and all of the billions of dollars that we've returned to shareholders.

Again, you can see a vision where that will come back with our ownership and our history of major returns to shareholders throughout our history, especially over the last 10 years. Our ownership buoys that effect.

Let's look at our priorities on page 11 and first quarter earnings release we outlined three distinct priorities that we're totally focusing our business on. This would be around delevering our business, improving our balance sheet, executing all of our capital and having capital efficiency be very high, and also exploring.

At the end of 2020, we did have some revolver balance in our company that was totally repaid in the first quarter. We set a goal of reducing debt some \$200 million further throughout this year. That was at an oil price in early May, naturally oil prices are much higher, we anticipate that to be increasing. We'll be discussing that further in the second quarter, as to strip prices at that time.

On execution an outstanding year for us. Not only on the King's Quay execution on all of our deep water, all of our onshore wells are under budget and faster than planned. The big first quarter exceeding guidance, exceeding oil guidance, despite a major storm in the Eagle Ford Shale, winter storm that came through Texas, and all of our projects through all of this have maintained schedule.

Big wells being drilled this year, Silverback operated by Chevron is drilling ahead in the Gulf of Mexico today. In the third quarter we'll weigh a significant execution opportunity in Cutthroat being operated by ExxonMobil.

One page 12, new to this quarter, what's been going on as I mentioned two or three times now, King's Quay is doing extremely well and on schedule. The moorings offshore are installed to attach that vessel to the sea floor, practically finished there. Our drilling, development drilling, continues to progress well and doing extremely well in that regard.

On the regulatory front in the Gulf of Mexico, a federal judge stopped the pause of leasing put forward by the current administration. Very glad about that, Murphy's very active in the lobbying efforts around offshore regulation and we continue to see support legally, strong legal support, for the leases we own and operate for our ability to lease in the future.

On the right-hand side of the page, we saw last week where Suncor announced that us, Suncor, and Cenovus will be going forward at Terra Nova, this was impaired in first quarter. There was some of the deal on the table at the time, and all of the parties are in agreement in principle to go forward. That negotiation continues to move forward.

Again, repeating the execution around one of our key priorities continue to execute all the wells we're supposed to have in the second quarter on time or earlier. At production guidance, no problem anyway with Murphy as to tropical storms or any other matter.

As we walk through our portfolio on page 14, we have a very outstanding onshore business. We operate again in Tupper Montney, in Duvernay, in Canada, and in Eagle Ford Shale. Well positioned for natural gas. Only five miles from the pipeline entry to LNG headed west.

Very nice, oil-weighted Eagle Ford business. It has high cash flows, and with oil price increasing in this way, significant reserve base and identified locations that are shown in this back of this deck, around the spacing and the details around every location is known in our business.

On page 15, a significant Gulf of Mexico asset base here. Low carbon intensity, very low. We're a top-five operator in the Gulf. We've been working in the Gulf of Mexico since the 1950s. This, of course, has extremely high margin, with St. Malo being one of the highest margin fields in the world.

There's ample blocks to disclose all of our locations that we can drill here in the future, and our platform's in a very strong Gulf of Mexico business that we built post the exit of Malaysia.

Again, high potential exploration business, Very focused program going forward. Three to five wells a year. Reduced risk with some of the key outstanding explorers in the world. A company making potential in Gulf, in Mexico, and in Brazil, significantly so in Brazil.

We target all these wells of their mean size. Have low F&D in the \$12 range, which will ultimately lead to DD&A, which ultimately lead to very high returns for our shareholders.

As we look ahead on page 18, our 2021 CapEx program, of course, is being maintained. The midpoint of that is \$700 million. Very well positioned there. Almost high for a CapEx. It's for our long-term projects in the Gulf of Mexico.

It will not flow until next year and have capital allocated variously across our two businesses and onshore, with Eagle Ford having a larger segment. High levels of production here in cash flow, and very pleased with our plan and our guidance and everything going forward.

On page 19, this is a slide we disclosed our first-quarter results. On the left-hand side of the page is our delevering, executing, and exploring part of our business. We have average capital through this period disclosed here. A small CAGR coming out of Montney, maintaining our oil production in the Eagle Ford, in the Gulf of Mexico.

Flat over a long period of time, which will lead to a large amount of delevering, especially at these current oil prices. We're forecasting to half our debt to \$1.4 billion at only \$60 oil going forward. Naturally, higher oil prices would move that too to the left.

Once that is behind us, we have a series of capital allocation decisions which would include increasing our dividend, which can easily take place with the number of shares that we have.

With only \$154 million shares, we can reduce debt further very easily by 2024 at \$70 oil and fund exploration success. It's setting up to be perfectly timed with our delevering at this time, and we'll be able to be on the aggressive side of A&D opportunities because we'll be delevered.

Also, very amply positioned to execute more capital into our outstanding onshore assets if needed at that time as well, and set up a long-term very successful business that will be able to return a lot of cash to shareholders.

On page 20, can't reiterate enough, are delevering, executing, and exploring tenants of our priorities that we have for the year, which we look as a longer-term here to half our debt by 2024 conservative prices today.

Moving forward, all of our Gulf of Mexico projects continue to have incredible capital efficiency and uptime in our onshore business. We always have a strong safety and environmental record at Murphy. One of the strongest years we've ever had on that front, and big wells to drill in exploration.

Page 21, again, we're a low-carbon company. We're an exploration outfit that has incredible execution ability. We have free cash flow across our business and focused on flatter production with free cash flow.

We have a large history of paying dividends here, and we'll continue with that effort, and strong ownership, almost second to none in the ownership at the board level, which gives us great support for all shareholders.

That's all I have today, Arun. I'd be glad to take your questions or those from other parties. Thank you so much. Appreciate it.

[pause]

Roger: I think you're muted there, Arun.

[pause]

Roger: Still can't hear you. I'm sorry.

[pause]

Arun: Let's see here.

Roger: There you go. I hear you now.

Arun: Can you hear me now? I thought the [laughs] moderator has unmuted me because I wasn't muted on my end. Roger, let me start about the near-term performance. You talked about reiterating your guide. You had a good first quarter. Can you give us a little bit of sense?

Seems like there's a little bit of operating momentum at the company. What's driving that? I know you had some successful delineation results or appraisal results at Lucius, but give us a sense of what's driving some of the recent performance.

Roger: Thanks, Arun, for that question around our performance. I very like to highlight how much the company's changed in the last year. We had a corporate office in El Dorado that's closed. I moved that down here. "One Team, One Heartbeat" would be an LSU Tiger type of thing to say, Arun.

I closed our office in Calgary. A new operating team. One senior leader and Eric Hambly over operations. A lot of focus during the downturn on data. Data cleansing, data workaround fracking, data workaround running the Duvernay and the Eagle Ford and Tupper together with one team. A

lot of work on downtime in the field and working [indecipherable] .

This has gone extremely well, and our data management around fracking and real-time fracking changes on the fly by looking back at hundreds and hundreds and hundreds of wells in the past in both the Eagles or the Tupper.

Areas allowed us to have incredible well results this year, and a new organization and new leader in the Eagle Ford has worked on compressor downtime and some various things. We've brought this data in too and expanded our remote operating center that we have here in the Duvernay.

We're running both Canada and Eagle Ford from that today. We're putting people on the most outstanding wells to return to production and working those problems. Having an outstanding year. Also, that usually coincides with outstanding safety, and that we continue to do that.

In our Gulf business, we've always been a great executor in the Gulf. We're a very leading player in that regard. It's a real old-term tenant of our company, and that's going extremely well for us. Having a good year, and one team, and one building, and going well for us right now. Everything.

Arun: I know earlier this year, Roger, you have a rig now for the Khaleesi/Mormont, Samurai project. Can you talk a little bit about how that project is moving forward? I believe it's a mid-2022 start date. Just gives a sense of how that project's going.

Roger: It's going extremely well for us. What slide is that, Kelly?

Kelly: 40.

Roger: Page 40 outlines the progress there. We've updated that since the first quarter because we finished the well at Samurai. The rig came perfectly on schedule. We drilled the well at Samurai like we were supposed to. We moved the well to Khaleesi. We're drilling a head on it today. The moorings are being installed. All the gears being lined up to complete the wells.

Most of the Khaleesi/Mormont wells are already drilled, cased, [indecipherable] which we just have to complete the well. Floating production system doing extreme well, execution. It's just a great project, and one of the best we've had so far. Lined up at your conference to follow a year from today, Arun.

Arun: We look forward to announcing it next year.

Roger: I hope to shake your hand and meet the production.

Arun: Hopefully, in person.

Roger: Anticipate that.

Arun: You touched upon Terra Nova. You got some partner agreement on and move forward. Give us a sense of what that means for Murphy?

Roger: Thank you, Arun, for that question on Terra Nova. Again, it's a real backup around all that is we help people do strategic things here at Murphy.

There's been some supermajor moves that are unique, and sometimes, we're part of that going forward. Terra Nova has been a very successful business in our company, achieving more than \$1.6 billion in free cash flow over the last 20-something years.

We know Terra Nova well. We know the reserves at Terra Nova. There was an asset life extension to go forward there. During COVID, got delayed because the ship was supposed to go to Spain. Exxon determines they no longer want to go forward. Chevron was with them at a very small percentage.

Some people wanted to leave and some people wanted to stay. The government wanted the project to go forward. Suncor has made this announcement. Suncor is our representative in dealing with the government. A major Canadian company.

They're doing a good job at protecting the life-extension project. We're laying back, and we're going to say that we've made an agreement in principle. We will be increasing our working interest.

There will be, as shown in some course, some level of capital from the government. Not wanting to get ahead of all that at this time, and I would consider our position well-positioned. I'm very happy about the project and the returns going forward.

In our long-range plans that we discuss and have discussed for the last six months, turnover was always in that plan to be executed at a certain level. I wouldn't anticipate major changes at all in our CapEx around that at this time.

Really glad with our new partners, glad about the project. We feel we'll be able to work with the partners now more closely and bring in some of our outstanding execution ability to work with Suncor, a great partner.

We're very excited about Terra Nova and just proves that if you're in the game, you do these outstanding execution ability in offshore, you're able to participate in things that are unique to you and make a lot of returns for your shareholders.

Arun: I got a follow. You mentioned that you're going to be increasing your working interest.

Roger: Yes.

Arun: Can you talk a little bit about that mechanism?

Roger: There are people exiting, and there are people that are remaining. Naturally, the ones that are remaining would have to increase.

Arun: Fair enough. I want to switch gears and talk a little bit about exploration. Roger, we put out a piece every Monday called Well Watcher. It's been dominated by onshore well watching, but we do have our eyes on a couple of wells, one that you talked about, Silverback, as well as Cutthroat in Brazil.

Can you give us a little sense around...Maybe start in the Gulf of Mexico with Silverback. I think you farmed into that with Chevron. Give us a little bit of a geological [laughs] lesson this morning on what you guys are looking for. Is this the Cretaceous play?

Roger: Yes. Page 49 in our slide deck is some details that we've worked out with Chevron, our operator in Silverback.

Silverback would be a Cretaceous-aged play laying, of course, below the Lower and Mid Miocene, which is quite common in the Gulf of Mexico. There's the Cretaceous high in this region. There's a lot of acreage leased by Chevron, Hess, and others in this area. It's not a large area in the Gulf of Mexico.

Chevron's a great partner. We're great friends with Chevron. We work with them at St. Malo. We have a lot of respect for Chevron and worked with them through the years.

We were able to farm in here, ground floor, at a low working interest, and we would become part of their 12 blocks by that agreement. We have the dark blue acreage, so the LLOG assets that we purchased have Miocene play and flow very well and make a lot of free cash flow doing very well. It lays on top of these same structures.

For 10 percent working interest, we get to drill the well with Chevron, a great operator with knowledge in this basin, participate in the well, then see how that would impact our blocks for very de minimis amount of capital. That's the well that we're drilling, we're very excited about, it's a play opening, unique, new thing in the Gulf.

The gulf is the Miocene play, then you have the Wilcox plays, like at St. Malo and others, Anchor, then this will be a new play in the Cretaceous age rocks in the Gulf.

Arun: Is this the second well that's been drilled by industry that I remember? Galapagos Deep, I believe was, is another...?

Roger: That was drilled earlier to the south of us by us.

Arun: Mexico. You have a discovery offshore Mexico called Cholula that was renamed at some point, but can you provide where Mexico fits in and we'll go back to, I'd be remiss if we didn't go back to Brazil as well, but maybe start with Brazil. I'm sorry.

Roger: No problem, I'll touch on both of them. I thank you for that. We're really excited about Brazil. This is a project we've worked for a long time with Exxon, and our other partner Enauta in Brazil, a Brazilian company.

Built a large acreage position, offsetting some major fields that have been for sale and have data rooms for a long time. We're very aware of that data. Looking forward to drilling the wells. Of course, there's more than one prospect here and the Cutthroat well has been identified as a partnership as the first well going forward.

It's a very low-cost well for us because it's not very deep as you would find in some of the Gulf of Mexico opportunities such as Silverback. It's a very large prospect, this would be our sizing, at a half a million to a billion barrel type prospect.

Of course we're excited to work with ExxonMobil, the experience holder in this region, around it

similar plays elsewhere in South America. That's a big well and we're very excited about being a part of it. We have a role in working with Exxon today in the subsurface a long-term relationship here at their headquarters in Houston, and the big well we're very excited about.

Arun: You said that you may spud the well in the third quarter, Exxon operate it?

Roger: They're operating some other wells in another part of Brazil. When that's over, the rig will move to this area.

Arun: Do we have other discoveries in the areas? It's a play opener, but give us a sense of Cutthroat and the opportunity for success here.

Roger: Well, Cutthroat is laying very near the orange blobs on page 50, Arun, so it would be a very similar outlay to those large discovered fields that would be similar source rocks and depths in that region.

Arun: Moving back to Mexico. Cholula, what are your plans to appraise or delineate this previous discovery off of Mexico?

Roger: Well, we have an approved -- thank you for that question on Cholula. We have a delineation program, that's approved. Like ring-fenced, if you will, with the government regulators in Mexico.

As we were working to move into that, we've had a lot of success by E&I and Repsol on a new trend of some sub-salt opportunities in the Miocene would be very similar looking to a Gulf of Mexico prospect and that is becoming so attractive that we're moving to that drilling over that delineation.

We want to have a large discovery in the sub-salt of Mexico and tie Cholula into that. So the other way around, so we have two or three opportunities in our slide deck that you see on page 52. You see that these Chinwood and Palak wells are drilled by other operators.

Now we have people to our North, I believe to be Shell drilling north of us, and we're in the middle of a very successful play. It's come to the forefront as a more attractive larger opportunity for us and our partners to drill next year.

Arun: Two more questions for you, Roger. One is we've seen a pretty significant M&A cycle,

Roger, develop and I want to get your perspective on this. We've also seen a more recent trend where some of your public company peers have been buying privates.

Specific, I was wondering...We've thought that for Murphy, a couple of areas could make sense. The Eagle Ford Shale and the Gulf of Mexico, but give us a sense of what kind of conversations you're looking at in terms of A&D?

Roger: Thank you, Arun, for that question. The way we're thinking about that today, we have to always go back to our priorities of delevering, executing, and exploring, which we're in the middle of. Any type of A&D could not substitute for that delevering.

They are opportunities that come with EBITDA, if you will, come with free cash flow that would allow for the delevering to still take place, because the EBITDA multiple to debt would be greatly improved and allow you to be better positioned if there were an oil price collapse in the future.

We look at those very seriously and constantly reviewing BD, and we've done a lot of BD efforts here, but it can't get in the way of our delevering, because the de-levering is where we need to go where we can be more aggressive in returning cash to shareholders and doing unique things in A&D.

From the onshore perspective, we do monitor the deals, but if we keep a longer-term, flatter business even past the delevering with all types of free cash flow generation from our new offshore projects and the ability to fund exploration success and return cash to shareholders.

We don't need any locations there. If we were to buy those locations, we'd have to have capital out the door to buy locations that probably, quite frankly, after 10 years aren't any better than the ones we have.

We pay attention to it. We look at it, but in the onshore business, to acquire something, be accretive on an EBITDA basis would be quite large and quite expensive. In the offshore business, they always come with EBITDA. EBITDA in a project, EBITDA without a project, things of that nature.

There are privates in the Gulf as well. The rumor mill of opportunities is increasing. The rumors of supermajors doing unique things is increasing. The talk in town is increasing.

We're happy about that because we like to participate in these unique manners, such as Terra

Nova, such as Lucius, such as Petrobras, such as LLOG who is a private partner who wanted to leave.

We're standing by to help people do strategic things here, and quite frankly, we've been successful at it. We're real proud of that, those efforts so far.

Arun: It seems like there could be some things to look for in terms of the Gulf of Mexico, in terms of deal flow.

Roger: Yes, it's getting better and more interesting, but we've got to focus on this delevering, and we are. That's getting better every day, too, because we're executing.

Arun: Can I ask you one off-the-wall question? Lithium. I know that came up on your last call, but is there anything here, or is this just...?

Roger: There's something there for sure.

[crosstalk]

Arun: is there something to be thinking about?

Roger: El Dorado's an old boomtown. Had a big oil discovery in the early 1920s. Very successful Spindletop-type arrangement happened there in 1923. Through all that, through the years, there is a brine production of some reservoirs very near our corporate headquarters, our former corporate headquarters.

We have around 10,000 acres of brine royalty. We've had it in the company for a long time. We received revenue from it every year. There's a lot of chemical industry in El Dorado around using this brine for various things.

There's a company, Standard Lithium, out of Canada. A publicly traded company that believes they can extract lithium from this brine water. We already have a royalty on the brine water. We would anticipate some type of other royalty on the lithium going forward.

They're in the middle of a pilot. We will be able to see some of that information through the Arkansas Oil and Gas Commission requirements which is monitoring this, and it's a long-term thing. It's not like Brazil Well. I heard something to that effect, Arun, quite frankly, but it's a unique

thing.

You've been in the business a long time. You have unique assets. You make money from things and things coming your way, and it's one of those things in a historic company like Murphy. With our 71st year being incorporated, and 70th year being on the stock exchange, and 60 years on IC. When you do that, unique things come your way on occasion.

Arun: Roger, we're out of time. On behalf of the J.P. Morgan team, we want to thank you. You were here our first year. Remember back at the [indecipherable] group?

Roger: Yeah.

Arun: I want to thank you for your continued support of our conference. Again, great to have you again this year.

Roger: Thank you, Arun. Thank you for the good questions. Glad to be with you today, and thanks a lot for your help and support as well. We'll talk to you soon. Thank you.

Arun: Thanks, sir.

[music]



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