Murphy Oil Announces Record Earnings

January 24, 2001 4:08 PM ET

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Murphy Oil Corporation announced that income before special items in the fourth quarter of 2000 totaled a Company record $95.1 million, $2.10 a diluted share, compared to earnings of $45.1 million, $1.00 a diluted share, in the fourth quarter of 1999. Fourth quarter 2000 net income totaled $93.2 million, $2.06 a diluted share, and included three special items that reduced income by $1.9 million, $.04 a diluted share. Special items in the 2000 quarter included a $10.1 million benefit from settlement of prior years’ U.S. income tax matters, an after-tax charge of $4.2 million to reduce the carrying value of two Canadian heavy oil properties, and a charge of $7.8 million for transportation and other disputed contractual items under the Company’s concessions in Ecuador. Net income in the same quarter of 1999 was $59.5 million, $1.32 a share, and included special items that increased net income by $14.4 million, $.32 a diluted share. Cash flow from operating activities in the fourth quarter of 2000, excluding changes in noncash working capital items, totaled $211.9 million, $4.68 a diluted share, compared to $157.7 million, $3.50 a diluted share in the same quarter last year.

For the full year 2000, income before special items and the cumulative effect of an accounting change was a record $304 million, $6.72 a diluted share, compared to $100 million, $2.22 a diluted share, in 1999. Net income for the full year of 2000 was $296.8 million, $6.56 a share, compared to income of $119.7 million, $2.66 a share, in 1999. Cash flow from operating activities for the full year of 2000, excluding changes in noncash working capital items totaled $726.4 million, $16.06 a diluted share, compared to $404 million, $8.97 a diluted share, in 1999.

The Securities and Exchange Commission (SEC) Staff Accounting Bulletin 101, which contains the SEC’s guidance on revenue recognition, is required to be adopted by all public registrants by year-end 2000. As a result of the new rule, Murphy will record crude oil revenues as the oil is sold, and will carry its crude oil inventories at cost rather than market value as in the past. This accounting change requires that the cumulative effect of the change for prior years be recorded as of January 1, 2000. Consequently, Murphy has restated its operating results for the first three quarters of 2000 and has recorded a transition adjustment for prior years. The total effect of the change is an after-tax reduction of 2000 net income by $7.6 million, including an $8.7 million reduction for the cumulative effect on prior years. The accounting change increased fourth quarter 2000 net income by $6 million.

The Company has also applied Emerging Issues Task Force Issue 99-19 (EITF 99-19), “Reporting Revenue Gross as a Principal versus Net as an Agent,” and EITF 00-10, “Accounting for Shipping and Handling Fees.” Prior to applying EITF 99-19, the Company reported the results of crude oil trading and certain other downstream activities on a net margin basis in either Other Operating Revenues or Crude Oil, Products and Operating Expenses in its Statement of Income and in its refining, marketing and transportation segment disclosures. Under EITF 99-19, the Company will report these activities as gross revenues and costs of sales. Before application of EITF 00-10, the Company reduced oil and natural gas sales revenues for certain gathering and pipeline charges incurred prior to the point of sale. EITF 00-10 requires the Company to record such costs as cost of sales rather than as a reduction of revenues. Due to applying these items, the Company’s revenues and cost of sales for the first nine months of 2000 and the full year of 1999 have been reclassified to reflect the new presentation.

In commenting on the operating results, Claiborne P. Deming, President and Chief Executive Officer, said, “Although oil prices remained strong during most of the fourth quarter, the improvement in North American natural gas prices led to record income by our exploration and production operations. Murphy’s downstream operations also made a significant financial contribution as U.S. refining margins improved during the latter part of the quarter. Although downstream margins in the U.K. eased a bit near the end of the year, this operation posted particularly strong results in 2000.”

For the fourth quarter 2000, earnings from the Company’s exploration and production operations before special items were $89.2 million compared to $60.5 million in the 1999 quarter. The Company’s worldwide crude oil and condensate production was sold at an average of $25.51 per barrel, a 15% increase from the same quarter of 1999. Murphy’s North American natural gas sales prices improved by 111% to $5.42 per thousand cubic feet (MCF) in the just completed quarter. Total crude oil, condensate and gas liquids production declined by 3% in the fourth quarter of 2000 compared to the 1999 quarter and averaged 65,834 barrels per day. Quarterly natural gas sales volume rose by 6% to 247 million cubic feet per day as gas sales from properties acquired from Beau Canada Exploration Ltd. in early November more than offset lower sales volumes from the
Company’s U.S. Gulf of Mexico properties.

Murphy’s refining, marketing and transportation operations earned $14.3 million in the fourth quarter of 2000 compared to a loss before special items of $1 million in the comparable quarter of 1999. Although all geographical areas posted improved results in 2000, the increase was primarily attributable to higher gross margins in the U.S. Higher gasoline sales volumes in the U.S. were the result of continued expansion of the Company’s Wal-Mart retail gasoline operations.

Corporate functions reflected a loss of $8.4 million in the current quarter compared to a loss of $14.4 million in the fourth quarter of 1999.

Mr. Deming continued, “The new year has certainly gotten off to a fast start with announced discoveries in Malaysia Block SK 309 (85%) and in the deepwater Gulf of Mexico at the Front Runner prospect (37.5%). We also have a discovery on the Gulf of Mexico shelf at Ship Shoal Block 59 (100%), which should be on production within the next 60 days. Our exploration activities continue at a brisk pace. After encountering mechanical delays, a well at Garden Banks Block 297 (Moccasin, 37.5%) is sidetracking several thousand feet above the main objective. Approximately 15 wells are under way in our western Canadian winter drilling program, including eight in the promising Hamburg/Ladyfern area and three in the Foothills trend. Results should start coming in over the next couple of weeks.

“We are currently expecting earnings before special items for the first quarter 2001 to be between $2.50 to $3.00 a share. This estimate assumes that current commodity prices and downstream margins persist for the balance of the quarter. Earnings may vary based on prices, volumes, margins and, due to the accounting change required by the SEC, the timing of actual liftings of some of our U.K. and Canadian crudes. Our worldwide production, on a barrel of oil equivalent basis (BOE), is expected to average approximately 110,000 BOE a day for the quarter, and 120,000 to 125,000 BOE a day for the year.”

The public is invited to access the Company’s conference call to discuss fourth quarter 2000 results on Thursday, January 25, at 12:00 p.m. CST either via the Internet through the Investor Relations section of Murphy’s website at http://www.murphyoilcorp.com or via the telephone by dialing 1-800-248-9412. The telephone reservation number for the call is 17435316.

Summary financial data and operating statistics for the fourth quarter and full year of 2000 with comparisons to 1999 are contained in the attached tables.

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.
Fourth quarter 2000 net income totaled $93.2 million, $2.06 a diluted share, and included three special items that reduced income by $1.9 million, $.04 a diluted share. Special items in the 2000 quarter included a $10.1 million benefit from settlement of prior years’ U.S. income tax matters, an after-tax charge of $4.2 million to reduce the carrying value of two Canadian heavy oil properties, and a charge of $7.8 million for transportation and other disputed contractual items under the Company’s concessions in Ecuador. Net income in the same quarter of 1999 was $59.5 million, $1.32 a share, and included special items that increased net income by $14.4 million, $.32 a diluted share. Cash flow from operating activities in the fourth quarter of 2000, excluding changes in noncash working capital items, totaled $211.9 million, $4.68 a diluted share, compared to $157.7 million, $3.50 a diluted share in the same quarter last year.

For More Information

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