Murphy Oil Announces Earnings

February 4, 2004 5:00 PM ET

EL DORADO, Ark., Feb 4, 2004 (BUSINESS WIRE) -- Murphy Oil Corporation (NYSE: MUR) announced today that net income in the fourth quarter of 2003 was $58.7 million, $.63 per diluted share, compared to $57.6 million, $.62 per diluted share, in the fourth quarter a year ago. The fourth quarter of 2002 included income of $11.8 million, $.13 per share, from discontinued operations. Although earnings in the Company's continuing exploration and production business were up $27.1 million in the 2003 quarter compared to the same period in 2002, the Company's refining and marketing business incurred an $8.5 million higher loss in the just completed quarter.

For the full year of 2003, the Company had net income of $294.2 million, $3.17 per diluted share, compared to $111.5 million, or $1.21 per diluted share, in 2002. The Company experienced a significant improvement in earnings in 2003 from its exploration and production business, primarily due to higher oil and natural gas sales prices and higher oil sales volumes.

Further information explaining the fourth quarter and full year 2003 results compared to the same periods of 2002 is included in the following two discussion sections.

Fourth Quarter 2003 compared to Fourth Quarter 2002

The Company's income from exploration and production operations was $84.1 million in the 2003 quarter compared to income from continuing operations of $57 million in the comparable 2002 quarter. The 2003 quarter had higher natural gas sales prices and higher oil sales volume. Also, the Company's Canadian exploration and production operations recorded an $11.8 million income tax benefit in the 2003 period due to an enacted reduction in Federal and Alberta income tax rates. The 2002 quarter included a $22.5 million impairment of the Company's investment in Destin Dome Blocks 56/57 in the Eastern Gulf of Mexico. Lower natural gas sales volumes in the 2003 period somewhat offset these favorable variances. The Company's worldwide oil and condensate sales price averaged $25.69 per barrel in 2003, a 1% increase compared to the 2002 period. North American natural gas sales prices in 2003 improved by 18% compared to 2002 and averaged $4.38 per thousand cubic feet (MCF). Total hydrocarbon production was 123,763 barrels of oil equivalent per day in the 2003 quarter, down 1% from the same period in 2002. Oil production in the 2003 period averaged a Company-record 90,529 barrels per day, up 10% from the 2002 period. The improvement in oil production was attributable to higher production in the United States, Malaysia and Ecuador. In the United States, the Medusa and Habanero fields, the Company's first two producing fields in the deepwater Gulf of Mexico, started up in the fourth quarter of 2003. The West Patricia field in Block SK309, shallow-water Malaysia, commenced production in May 2003 and oil production in Ecuador increased in the 2003 period due to start up of a new heavy oil pipeline that allows the Company and its partners to transport more oil for sale at the Pacific coast sales terminal. Oil production declined in the United Kingdom due to the sale in early 2003 of the Ninian and Columba fields. Total natural gas sales averaged 199 million cubic feet (MMCF) per day in the just completed period, down 22% from the last quarter of 2002. The lower sales volumes were mostly caused by a significant decline in production at the Ladyfern field in British Columbia. Production increased in the U.S. due in large part to the new Medusa and Habanero fields. Exploration expense totaled $37.3 million in the 2003 period, essentially flat with the prior year's fourth quarter. The Company's hedging program in 2003 reduced the average fourth quarter 2003 worldwide oil and North American natural gas sales prices by $1.87 per barrel and $.02 per MCF, respectively.

The Company's refining and marketing operations lost $12.9 million in the 2003 quarter compared to a loss of $4.4 million in the 2002 quarter. North American margins were lower during the 2003 quarter as refined product sales prices did not keep pace with crude oil prices. In addition, U.S. crude oil refining throughput was down significantly in 2003. Part of the fourth quarter was spent restarting the Meraux, Louisiana, refinery after a plant-wide turnaround and completion of the tie-in and start-up of a new hydrocracker unit. U.K. refining and marketing income improved significantly in the 2003 fourth quarter compared to 2002 due to better margins.

The after-tax costs of corporate functions were $12.5 million in 2003, up from a net cost of $6.8 million in 2002. The added costs were caused by lower corporate income tax benefits, higher retirement plan costs and higher net interest costs.

Year 2003 compared to Year 2002

Total income from exploration and production operations was $326.2 million in 2003 compared to $161 million for 2002. Full-
year 2003 oil and natural gas sales prices realized by the Company increased by 7% and 62%, respectively, compared to 2002. Worldwide crude oil and condensate prices averaged $25.27 per barrel in 2003 and $23.59 in 2002. The Company's average sales price for North American natural gas improved from $2.94 per MCF in 2002 to $4.77 in 2003. Hydrocarbon production totaled 119,341 barrels of oil equivalent per day in 2003 compared to 125,859 in 2002. Total oil production rose by 9% in 2003 and averaged 83,452 barrels per day for the year - the highest annual oil production in Company history. Natural gas sales volumes declined by 27% in 2003 and averaged 215 MMCF per day. Higher oil production was mostly due to start up of the West Patricia field, offshore Malaysia. The lower natural gas sales volume was primarily caused by a production decline at the Ladyfern field in Canada. Exploration expense totaled $151.1 million in 2003, down slightly from $159.4 million in 2002, mostly due to lower costs in Malaysia in the latter period. A $34 million gain was realized in 2003 from the sale of the Ninian and Columba fields in the U.K. The Company's hedging program reduced the worldwide crude oil and North American natural gas sales prices in 2003 by $2.25 per barrel and $.17 per MCF, respectively.

The Company's refining and marketing operations lost $11.2 million in 2003 compared to a loss of $39.9 million in 2002. North American operations lost $21.2 million in 2003 and $39.2 million in 2002, with the lower loss primarily related to better results in the retail marketing business. The 2003 loss included after-tax costs of $17.5 million related to a fire that destroyed the Residual Oil Supercritical Extractor (ROSE) unit at the Meraux refinery in June. Operations in the U.K. improved in 2003, with income amounting to $10 million compared to a loss of $.7 million in 2002, as margins were significantly stronger in the latter year.

After-tax corporate costs amounted to $13.8 million in 2003 compared to costs of $23.6 million in 2002. The cost decrease was mostly caused by higher income tax benefits and a larger portion of interest costs being capitalized in 2003. These savings were partially offset by higher selling and general expenses in 2003.

Comments and Look Forward

Claiborne P. Deming, President and Chief Executive Officer, commented, "As we enter 2004, we have an exciting combination of a growing production profile, continued expansion of our retail marketing program at Wal-Mart stores, and several important exploration prospects to be drilled. The Medusa and Habanero fields will continue to ramp up production, and the Front Runner field starts up near the end of the third quarter. In our deepwater Gulf of Mexico exploration program, we will soon spud the Thunderhawk prospect (37.5%) in Mississippi Canyon Block 734. The Siakap exploration well, drilled in Block K (80%), offshore Sabah Malaysia, encountered non-commercial amounts of oil and will be plugged and abandoned. The rig will now move to drill the Kikeh No. 7 well to explore the down dip reservoir limit of the previously announced Kikeh discovery. Total hydrocarbon production in the first quarter of 2004 is projected to be 136,000 barrels of oil equivalent per day. Our retail marketing group will build approximately 160 more gasoline stations at Wal-Mart sites in the U.S. in 2004, after opening 117 stations during 2003. The Meraux refinery has signed a contract to rebuild the ROSE unit, and the unit is scheduled to be operational in the fourth quarter of 2004. While the ROSE unit is being rebuilt, the refinery will run a more expensive, lighter crude oil slate. We currently expect first quarter earnings to range between $.80 and $1.10 per share, with the primary variables being drilling results and refining and marketing margins."

The public is invited to access the Company's conference call to discuss fourth quarter 2003 results on Thursday, February 5, 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 1-800-240-2430. The telephone reservation number for the call is 566232.

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
(2003 unaudited)

<table>
<thead>
<tr>
<th>FOURTH QUARTER</th>
<th>2003</th>
<th>2002</th>
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<tbody>
<tr>
<td>Revenues</td>
<td>$1,448,845,000</td>
<td>$1,143,066,000</td>
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Income from continuing operations $ 58,662,000 $ 45,770,000
Income from discontinued operations - 11,867,000
Net income $ 58,662,000 $ 57,637,000

Net income per Common share - Basic
Continued operations $ .64 $ .50
Discontinued operations - .13
Net income $ .64 $ .63

Net income per Common share - Diluted
Continued operations $ .63 $ .49
Discontinued operations - .13
Net income $ .63 $ .62

Average shares outstanding
Basic 91,863,276 91,670,537
Diluted 93,071,471 92,629,763

YEAR

Revenues $5,345,238,000 $3,984,327,000
Income from continuing operations $ 301,190,000 $ 97,510,000
Income from discontinued operations - 13,998,000
Cumulative effect of change in accounting principle (6,993,000) -
Net income $ 294,197,000 $ 111,508,000

Net income per Common share - Basic
Continuing operations $ 3.28 $ 1.07
Discontinued operations - .15
Cumulative effect of change in accounting principle (.08) -
Net income $ 3.20 $ 1.22

Net income per Common share - Diluted
Continued operations $ 3.25 $ 1.06
Discontinued operations - .15
Cumulative effect of change in accounting principle (.08) -
Net income $ 3.17 $ 1.21

Average shares outstanding
Basic 91,814,821 91,450,836
Diluted 92,742,766 92,134,967

SOURCE: Murphy Oil Corporation

Murphy Oil Corporation, El Dorado
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