Murphy Oil Announces Preliminary Quarterly and Annual Earnings

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EL DORADO, Ark., Jan 27, 2010 (BUSINESS WIRE) -- Murphy Oil Corporation (NYSE: MUR) announced today that net income in the fourth quarter of 2009 was $318.8 million ($1.65 per diluted share), compared to net income of $127.4 million ($0.67 per diluted share) in the fourth quarter 2008. The 2009 period included a $185.3 million after-tax benefit from anticipated recovery of deepwater federal royalties previously paid for certain oil and gas properties in the Gulf of Mexico. A U.S. circuit court of appeals affirmed in 2009 a ruling that the U.S. government improperly collected royalties on these leases when oil and gas prices exceeded certain levels. This amount includes after-tax interest income of $27.0 million. Net income in the 2009 fourth quarter also included a $31.3 million after-tax charge associated with an anticipated reduction of the Company's working interest in the Terra Nova field, offshore Eastern Canada. The Terra Nova joint operating agreement requires a redetermination process to occur with resulting adjustments settled in cash and applied retroactively to the deemed date of payout which is approximately December 2004. In the second quarter 2009, the Company recognized a charge assuming a working interest reduction from the current 12.0% to approximately 11.5%. The charge recorded in the fourth quarter 2009 further reduces the Company's anticipated working interest to approximately 10.5%. The redetermination process is being arbitrated with completion anticipated in late 2010. The final results of the arbitration could improve the Company's working interest percentage above 10.5%. Excluding these two items, income for the fourth quarter 2009 was $164.8 million, a 29% increase from the fourth quarter 2008.

For the year of 2009, net income totaled $837.6 million ($4.35 per diluted share), which was significantly below the $1.74 billion ($9.06 per diluted share) of net income in 2008. The 2009 results included income from discontinued operations of $97.1 million ($0.50 per diluted share), which arose primarily from a gain on sale of the Company's operations in Ecuador in March 2009. The current period benefited by $185.3 million after taxes from an anticipated recovery of federal royalties and associated interest, while the prior period included gain on sales of two properties in Canada.

Fourth Quarter 2009 vs. Fourth Quarter 2008

Exploration and Production (E&P)

The Company's income contribution from exploration and production continuing operations was $339.1 million in the fourth quarter of 2009 compared to $68.6 million in the same quarter of 2008. Higher earnings in 2009 were primarily attributable to the previously mentioned anticipated recovery of U.S. federal deepwater Gulf of Mexico royalties, plus higher oil sales prices, higher natural gas sales volumes, and lower exploration expenses in the 2009 fourth quarter compared to the same period in 2008. The 2009 period was unfavorably affected compared to 2008 by lower natural gas sales prices and the aforementioned $31.3 million after-tax charge related to an anticipated reduction in the Company's working interest in the Terra Nova field.

The Company's crude oil, condensate and gas liquids production from continuing operations averaged 138,269 barrels per day in the fourth quarter of 2009 compared to 122,303 barrels per day in the 2008 quarter. The 13% improvement in oil production in the just completed quarter was primarily attributable to volumes produced at the Thunder Hawk field in the Gulf of Mexico and the Azurite field offshore Republic of the Congo, both of which came on line in the third quarter of 2009. Oil sales volumes from continuing operations averaged 130,386 barrels per day in the fourth quarter of 2009 compared to 131,543 barrels per day in the 2008 quarter. Natural gas sales volumes were 306 million cubic feet per day in the 2009 fourth quarter, up from 53 million cubic feet per day in the 2008 quarter, an overall increase of 482% from a year ago. Higher natural gas sales volumes in the fourth quarter 2009 were primarily due to start-up of Sarawak natural gas production in September 2009, and higher gas volumes produced during 2009 at the Tupper and Kikeh fields, both of which started up in December 2008.

Worldwide crude oil, condensate and gas liquids sales prices averaged $67.59 per barrel for the 2009 fourth quarter compared to $49.51 per barrel in the 2008 quarter. North American natural gas sales prices averaged $4.17 per thousand cubic feet (MCF) in the 2009 fourth quarter compared to $7.13 per MCF in the 2008 quarter. The average sales price for Sarawak natural gas was $4.04 per MCF in the fourth quarter 2009. Exploration expenses were $81.2 million in the 2009 fourth quarter compared to $134.1 million in the 2008 quarter. The lower exploratory expense in the 2009 quarter was attributable to less leasehold amortization for the Tupper area in Western Canada in 2009 and higher costs in 2008 for seismic acquisition in Suriname and unsuccessful wildcat drilling in Australia. Production and depreciation expenses increased in 2009 compared to 2008 mostly due to higher hydrocarbon sales volumes and higher average costs in most producing areas.

Refining and Marketing (R&M)

The Company's refining and marketing operations incurred a loss of $4.1 million in the fourth quarter of 2009 compared to income of $140.5 million in the 2008 quarter. The unfavorable variance in results in the 2009 quarter compared to 2008 was primarily attributable to significantly weaker U.S. retail marketing margins in the latest quarter. Additionally, refining margins in 2009 in both the U.S. and U.K. were well below those in the 2008 quarter.

Corporate

Corporate activities resulted in after-tax costs of $15.5 million in the 2009 fourth quarter compared to costs of $76.0 million in the 2008 quarter. The 2009 quarter included a $27.0 million after-tax benefit for interest income on the anticipated federal royalty recovery related to certain Gulf of Mexico leases. The 2009 period also had lower foreign exchange losses, but partial offsets were higher administrative expense and higher net interest expense after capitalization of development projects. Foreign exchange losses after taxes were $9.3 million in the 2009 period compared to losses of $59.7 million in the same period of 2008.

Year 2009 vs. Year 2008

Income from the Company's exploration and production and the refining and marketing businesses was lower for the full-year 2009 compared to 2008, but these reductions were partially offset by lower after-tax costs of corporate activities and income from discontinued operations in 2009.

Exploration and Production (E&P)

The Company's exploration and production continuing operations earned $691.8 million in 2009 compared to $1.60 billion in 2008. The lower earnings in this business in 2009 were attributable to weaker oil and natural gas sales prices in the current year and no repeat of profit on sales of two properties in Canada in 2008. Other unfavorable variances in 2009 compared to 2008 included an after-tax charge of $58.4 million attributable to an anticipated reduction of the Company's working interest at Terra Nova from 12.0% to approximately 10.5%, and higher production and depreciation expenses primarily caused by increased sales volumes and higher extraction costs for various fields in 2009. These were partially offset by the aforementioned benefit from anticipated recovery of federal royalties in the Gulf of Mexico, higher crude oil and natural gas sales volumes and lower exploration expenses in the just completed year. Exploration expenses of $265.2 million in 2009 were lower than the $344.4 million in 2008, with the most significant current-year reductions due to less amortization of leasehold costs at Tupper area leases and lower unsuccessful exploratory drilling costs in Malaysia.

Crude oil, condensate and gas liquids production from continuing operations averaged 130,522 barrels per day in 2009 compared to 110,842 barrels per day in 2008. The 18% increase in crude oil production in 2009 was primarily attributable to higher production levels at the Kikeh field. Crude oil and gas liquids sales volumes from continuing operations were 125,187 barrels per day in the current year compared to 116,080 barrels per day in 2008. Natural gas sales were 187 million cubic feet per day in 2009 compared to 56 million cubic feet per day in 2008. The 237% growth in natural gas sales volume in 2009 was primarily caused by higher production at two fields that commenced production in December 2008 - Tupper and Kikeh - and production offshore Sarawak that started up in September 2009. Oil sales prices averaged $56.41 per barrel in 2009 compared to $89.16 per barrel in 2008. North American natural gas was sold for an average of $3.57 per MCF in 2009, down from $9.54 per MCF in 2008. Natural gas produced offshore Sarawak was sold at an average price of $4.05 per MCF during 2009.

Refining and Marketing (R&M)

The Company's refining and marketing operations generated income of $71.7 million in 2009, compared to record profits of $313.8 million in 2008. The reduction in 2009 profits was caused mostly by lower U.S. retail gasoline sales margins and lower earnings for U.K. refining operations.

Corporate

Corporate after-tax costs were $23.0 million in 2009 compared to $171.8 million in 2008. Net costs were lower in 2009 compared to 2008 primarily due to less foreign exchange losses, interest income on the anticipated Gulf of Mexico royalty recovery, and lower net interest expense. The 2009 period included after-tax foreign exchange benefits of $33.3 million, while the effect on 2008 from foreign exchange was an after-tax charge of $87.8 million. Lower net interest expense was mostly caused by lower average interest rates paid on borrowed funds during the 2009 period.

David M. Wood, President and Chief Executive Officer, commented, "The year 2009 included several highlights for Murphy Oil, including new oil production at the Thunder Hawk and Azurite fields; new natural gas production offshore Sarawak; our Board's sanction of the Tupper West area natural gas development; significant land acquisition and successful early drilling in the Eagle Ford Shale in South Texas; and purchase of an ethanol production facility in North Dakota. All of this was done while maintaining a strong balance sheet with low financial leverage. However, looking into 2010, we face continuing challenges. Although oil prices have shown some strength in the early days of the new year, refining and marketing margins in the U.S. and U.K. have continued to be very weak. Additionally, the timing for a significant economic recovery may take a bit longer than originally thought.

"First quarter 2010 production is projected to average 192,000 barrels of oil equivalent per day, with sales volumes projected at 198,000 barrels of oil equivalent per day. Our current earnings estimate for the first quarter is in the range of $0.80 to $0.95 per diluted share. This estimate includes total exploration expense of between $50 million and $90 million, with a worldwide downstream loss of $24 million. Projected results for the first quarter could be affected by commodity prices, drilling results, timing of oil sales and refining and marketing margins."

The public is invited to access the Company's conference call to discuss fourth quarter 2009 results on Thursday, January 28 at 12:00 p.m. CST either via the Internet through the Investor Relations section of Murphy Oil's website at **http://www.murphyoilcorp.com/ir** or via the telephone by dialing **1-877-941-2927**. The telephone reservation number for the call is **4197128**. Replays of the call will be available through the same address on Murphy Oil's website, and a recording of the call will be available through February 1st by calling **1-800-406-7325.** Audio downloads of the conference will be available on Murphy's website through March 1st and via Thomson StreetEvents for their service subscribers.

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.These statements, which express management's current views concerning future events or results, are subject to inherent risks and uncertainties.Factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements include, but are not limited to, the volatility and level of crude oil and natural gas prices, the level and success rate of our exploration programs, our ability to maintain production rates and replace reserves, political and regulatory instability, and uncontrollable natural hazards.For further discussion of risk factors, see Murphy's 2008 Annual Report on Form 10-K on file with the U.S. Securities and Exchange Commission.Murphy undertakes no duty to publicly update or revise any forward-looking statements.

MURPHY OIL CORPORATION
CONSOLIDATED FINANCIAL DATA SUMMARY
(2009 Unaudited)

FOURTH QUARTER	2009	2008
Revenues	$ 5,873,937,000	4,411,096,000
Income from continuing operations	$ 319,556,000	133,010,000
Net income	$ 318,870,000	127,368,000
Income from continuing operations per Common share		
Basic	$ 1.67	0.70
Diluted	1.65	0.70
Net income per Common share		
Basic	$ 1.67	0.67
Diluted	1.65	0.67
Average shares outstanding		
Basic	190,982,786	189,932,430
Diluted	192,839,877	191,467,179
YEAR		
Revenues	$ 19,059,092,000	27,432,331,000
Income from continuing operations	$ 740,517,000	1,744,749,000
Net income	$ 837,621,000	1,739,986,000

Income from continuing operations per Common share		
Basic	$3.88	9.20
Diluted	3.85	9.08
Net income per Common share		
Basic	$4.39	9.18
Diluted	4.35	9.06
Average shares outstanding		
Basic	190,767,077	189,608,846
Diluted	192,468,450	192,133,672

SOURCE: Murphy Oil Corporation

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