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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Murphy Oil Corporation Third Quarter 2023 Earnings Conference Call and Webcast. (Operator Instructions) I would now like to turn the conference over to Kelly Whitley, Vice President, Investor Relations and Communications.

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

Joining us is Roger Jenkins, President and Chief Executive Officer; along with Tom Mireles, Executive Vice President and Chief Financial Officer; and Eric Hambly, Executive Vice President, Operations. Please refer to the informational slides we placed on the Investor Relations section of our website as you follow along with 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 assurances 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 discussions of risk factors, please see Murphy's 2022 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 Jenkins.

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

As we turn to Slide 3, I'd like to highlight Murphy's strong value proposition. We're a long-term sustainable company with decades of future drilling in our onshore business and significant running room offshore with exploration upside and low carbon intensity. Offshore Murphy holds a competitive advantage with our execution capabilities.

Murphy continues to generate strong cash flow, we've been able to more than double our long-standing dividend since 2021 as well as significantly reduced debt. Since the end of 2020, we reduced debt by approximately $1.4 billion and paid more than $330 million of dividends.

Within the past quarter, we purchased $75 million of stock, all while maintaining our cash balances and replacing reserves. As we move to Slide 4, Murphy has remained focused on our priorities to delever, execute, explore and return. I'm excited to say we advanced Murphy 2.0 of our capital allocation framework in the third quarter through share repurchases and redemption of $249 million of 2025 senior notes, and we remain on track to achieve our $500 million debt reduction goal for the year.

Third quarter production of 202,000 barrels equivalent per day, again exceeded the upper end of our guidance range with oil production averaging 103,000 barrels per day. Our 2023 onshore program delivered strong well performance improvements with over 50% of our new wells, achieving all-time highest well performance for their respective areas. I'm pleased to announce today that our board has sanctioned the Lac Da Vang field development project and bought 15,105 Vietnam with first oil forecast in 2026.

Also during the quarter, as previously announced, Murphy closed the divestiture of certain noncore assets in Canada and a portion of those proceeds are redirected to fund our new country entry into Cote d'Ivoire and advance our Lac Da Vang field development project.

We have since commenced size and reprocessing projects in Cote d'Ivoire and the Gulf, and our rig will resume drilling the Murphy-operated Oso-1 exploration well in the Gulf of Mexico in the very near term. In the third quarter, we repurchased $75 million, a 1.7 million shares outstanding at an average price of $44.53 per share.

Additionally, our board approved a $300 million increase in our share repurchase authorization today, and we have $525 million remaining. I look forward to further progressing through Murphy 2.0 as we continue delivering rather shareholder returns and reducing debt.

On Slide 5, Murphy produced an average of 202,000 barrels equivalent per day with 51% oil in the quarter. Production was nearly 10,000 barrels equivalent per day, above the midpoint of our guidance due to a combination of stronger onshore well performance, lower realized tougher Montney royalty rates in the absence of any hurricane events in the Gulf of Mexico.

In the quarter, we realized $82.58 per barrel for our oil, while our realized NGL price was just over $21 and natural gas was just over $2 per 1,000 cubic feet. Strong oil pricing in addition to our production outperformance led to Murphy generating $900 million of revenue in the quarter, excluding NCI.

I'll now turn the call over to our CFO, Tom Mireles, for an update on our financial results.

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

Slide 6.Murphy reported $255 million of net income or $1.63 per diluted share in the third quarter and adjusted net income of $229 million or $1.59 per diluted share. Operations remained strong in the quarter, resulting in adjusted EBITDA of $597 million with minimal accrued CapEx of $162 million, excluding noncontrolling interest.

Slide 7. As Roger said earlier, we are excited to have executed on Murphy 2.0 of our capital allocation framework. During the quarter, we redeemed $249 million of debt and repurchased $75 million of shares outstanding as well as paid our quarterly dividend of $0.275 per share.

Overall, we returned 106% of our adjusted free cash flow in the third quarter. To further support the framework, our board has approved an additional $300 million share repurchase program, and we currently have $525 million remaining under that total authorization.

As of September 30th, we had total debt of $1.6 billion, so we will continue to allocate adjusted free cash flow funds as prescribed in Murphy 2.0 until we reach Murphy 3.0 with $1 billion of total debt. With that, I'll hand the call over to Eric Hambly, our Executive Vice President of Operations, to discuss our operational update.

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

Slide 9 Murphy's Eagle Ford Shale Assets produced 38,000 barrels of oil equivalent per day with 88% liquids in the third quarter, exceeding guidance by 1,200 barrels of oil equivalent per day. As planned, we brought online 7 operated wells with 4 wells in Catarina and 3 wells in Tilden.

Three non-operated Tilden wells are planned for the fourth quarter. We've seen great results from our wells this year, particularly as we return to the Tilden area for the first time since 2019 and applied the revised completion design. Overall, more than 40% of our 2023 new wells are top 30 performers in our portfolio on a 100- to 180-day cumulative oil basis.

In particular, the Jambers wells in Tilden that came online midyear continue to significantly outperform at twice our predrill forecast, while our third quarter wells have produced in line with plan after adjusting for lateral length. Slide 10. In the Tupper Montney, Murphy achieved record quarterly production of 414 million cubic feet per day in the third quarter.

There was no new well activity as all 2023 planned wells came online in the first half of the year. We continue to see record production levels, and Murphy was recently highlighted as having 2 of the top 10 and 4 of the top 15 natural gas wells in all of Canada in an external report.

Internally, 8 wells had each achieved an average IP30 of more than 18 million cubic feet per day in '22 and 2023 and 2 wells have each achieved a new company record IP30 of more than 21 million cubic feet per day. Additionally, 80% of our 2023 wells, our top 15 all-time performers in Murphy history based on their IP30s.

Needless to say, we are excited about the results we have achieved from our revised completion design in this area. Slide 11. Murphy produced 5,000 barrels of oil equivalent per day, with 67% liquids in the third quarter. As announced in September, we closed the divestiture of a noncore portion of our operated Kaybob Duvernay asset as well as our entire nonoperated position in Placid Montney for $103 million in net cash proceeds.

The divested assets produced approximately 1,700 barrels of oil equivalent per day with 39% oil. Post close, we maintained nearly 500 future locations in the Kaybob Duvernay and are able to maintain base production through various optimization initiatives. Slide 13. We produced 89,000 barrels of oil equivalent per day with 81% oil across our offshore assets in the third quarter.

Our operated development and tieback projects continue to progress with the new Dalmatian #1 well in DeSoto Canyon 90 now online and drilling underway for the Marmalard #3 well in Mississippi Canyon 255, ahead of first oil in the first quarter of 2024. The 2 nonoperated Lucius wells are moving forward and are forecast to come online in mid-2024.

Our nonoperated major projects are also advancing with the Terra Nova asset life extension project anticipated to return to production by year-end and the Sao Malo waterflood project working toward first water injection in 2024. Slide 14. We have had 2 mechanical issues occur at separate operated fields in the Gulf of Mexico this year.

The Dalmatian #2 well had a problem earlier this year with the subsurface safety valve while the Neidermeyer #1 well encountered mechanical issues in the third quarter. We have workovers planned for both wells next year and anticipate the wells will resume production by mid-2024.

Additionally, the nonoperated Lucius #9 well workover is scheduled for the fourth quarter of 2023 with the well forecast to return to production in the first quarter of 2024. The previously disclosed nonoperated Kodiak #3 well stimulation and zone addition is scheduled for mid-2024. With that, I will turn it back to Roger.

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

On Slide 15, we're pleased to announce today that our board has sanctioned the Lac Da Vang field development block 15-1/05 in Vietnam, the first store forecast in 2026. The field will be developed in phases through 2029 to ensure capital efficiency, targeting 100 million barrels of oil equivalent on an estimated gross recoverable resource basis.

Overall, we forecast the field to achieve gross production of 30,000 to 40,000 barrels equivalent per day or 10,000 to 15,000 barrels equivalent net to Murphy. The field is 96% oil-weighted and is currently receiving a premium to Brent oil pricing in that region.

On Slide 16, during the quarter, Murphy reviewing commerciality and field development concepts for the Paon discovery in Block CI-103, which is appraised with multiple wells by a previous operator. As part of the agreement on this block, we committed to submitting a viable field development plan by the end of 2025.

We move on to Slide 18 and talk about Vietnam, look forward to additional upside possibilities that near-field exploration provides us with 2 planned wells in Vietnam next year. The Lac Da Vang exploration well is located in Block 15-105, just to the southwest of our Lac Da Vang field development project.

The well will target a mean to upward gross resource potential of 65 million to 135 million barrels of oil equivalent. In Block 15-2/17 we're planning to drill the Hai Su Vang exploration well, which will target a mean to upward gross resource potential of 170 million to 430 million barrels equivalent.

These two outstanding prospects will be advantaged by the infrastructure provided by the nearby Lac Da Vang field. On Slide 19, we're excited to have commenced initial work during the third quarter on our newest country entry CÃ´te d'Ivoire by initiating seismic reprocessing across 4 of the 5 blocks.

Overall, we look forward to advancing the exploration opportunities in this country. In Slide 20, our long-term Gulf of Mexico business in the near term, we're moving our rig back on location to resume drilling in the Murphy-operated Oso #1 exploration well in Atwater Valley 138.

This well targets a mean to upward gross resource potential of 155 million to 320 million barrels of oil equivalent. As we talk about our guidance, plans and capital on Slide 22. For the fourth quarter, we forecast production of 181.5 to 189.5000 barrels of oil equivalent per day with 51% oil.

This range includes 2,000 barrels of oil equivalent per day of planned downtime, primarily onshore. Order 4 is impacted by our front-end weighted capital program that maximizes free cash flow in support of our capital allocation framework. Additionally, our production guidance today includes the loss of production of a well in the Niedermeyer field, which is producing 4,000 barrels of oil equivalent per day prior to being shut in late in the third quarter.

For full year 2023, we're raising our production guidance range to 185,000 to 187,000 barrels of oil equivalent per day, which represents a 3,000 barrels of oil equivalent per day increase in our midpoint. This range is compromised to 53% oil and 59% liquids.

Lastly, we are maintaining our accrued CapEx guidance range of $950 million to $1.025 billion, excluding $49 million of acquisition-related costs. On Slide 23, as first announced in August 22, Murphy has a multi-tier capital allocation framework that allows for additional share returns beyond the quarterly base dividend while advancing toward a long-term debt target of $1 billion.

This framework is supported by $525 million remaining on our authorized share repurchase programs. Since we first announced the capital allocation framework, I'm pleased that we have returned an additional $15 million annually to shareholders through quarterly dividend increases of $0.275 per share annualized and purchased $75 million of our own stock as well as paid down nearly $750 million of debt.

I look forward to continuing our progress in Murphy 2.0 and further rewarding our long-term shareholders in the quarters to come. On Slide 24, since disclosing our multiyear plan back in January, we've had tremendously positive events this year through the approval and sanction of the Lac Da Vang field development plant in Vietnam as well as our new country entry in CÃ´te d'Ivoire, including a possible field development there.

As we work through our annual capital planning process, we're also reviewing our longer-term strategy to incorporate these events, and we will share updates as we normally do in our report in January. However, I can say today that our underlying strategy of maintaining capital discipline and slight production growth so that we may progress our capital allocation framework with delevering and increasing shareholder returns through buybacks remains fully intact.

As we close our call today, I'd like to highlight on Slide 25 that we're a uniquely positioned company with our capital discipline and higher oil prices the past couple of years. We're well on our way to establishing a prestine balance sheet with approximately $1.4 billion in debt reduction since year-end 2020.

Murphy's significant amount of well locations to support decades of activity in North America onshore and multiple fully delineated basins. Offshore, we're competitively advantaged company, and we're adding new development and exploration opportunities internationally are continuing to allocate capital to our long-standing Gulf of Mexico business.

Lastly I would like to thank our incredible employees for the great work this quarter and looking forward to another successful quarter to end up the year. With that, we'll end our comments today and take your questions and appreciate it.

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) First question comes from the line of Bert (inaudible)

Unidentified Analyst

It looks like your Gulf of Mexico volumes helped drive part of that 3Q beat and outperformed your guidance. I was just wondering if you could talk about maybe your future exploration prospects that you have in the field maybe after those so well and maybe if you also plan to participate in future lease sales as well.

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

We of course, will be active in all these sales going forward. We're in the middle of that right now. We are participating primarily next year in 2 very significant wells in Vietnam now that we have our Vietnam field development plan approved at the LDV field, and these are very large prospects and very nice and lower risk and lower cost wells.

We're all participating and we haven't had our budget finalized, but we're likely, highly likely to participate in a non-op well with one of our partners in the Gulf and reviewing another opportunity on some of our prospects at this time. We're going to be active in exploration, active in lease sales. Also we bring to the table a long level of experience working internationally. Murphy is a sought after company to work internationally because we move faster.

It's very critical to us where we enter a country, and we bring a competitive advantage and countries want Murphy. We have 2 real nice positions now internationally. Doing really well and well positioned in the Gulf and internationally right now, which is a differentiator for Murphy Oil Corporation.

Unidentified Analyst

Then just the second part, I just wanted to make sure I understood the Murphy 2.0 payout. What percentage did you target in 3Q? Maybe is that supposed to be every quarter? Or is that more of an annual target for that 25%.

Thomas J. Mireles - *Murphy Oil Corporation - Executive VP & CFO*

Yes, we're really excited about actually moving into this phase of our framework. The way we think about it, there is a timing part of this, and there's an execution strategy part of this. On the timing side, -- we aren't trying to be precise on a quarter-to-quarter basis. It is more of an annual basis.

That gives us a little bit of flexibility to see if we see any disconnect between our share price and our intrinsic value. While we generally stay to the framework, you may see some differences there. It's really we focus on this as being an annual target for us.

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

We've got to get this debt down and we're really focusing in on that $500 million goal and where we are today, I feel real good about that. Just to close out this year, but trying to be down the line on the formula best we can and go on from there.

Operator

Your next question comes from the line of Leo Mariani from Roth MKM.

Leo Paul Mariani - *ROTH MKM Partners, LLC, Research Division - MD*

Question on fourth quarter CapEx here. I wanted to see if you could help us out in terms of what the ballpark number should be there in 4Q. You also talked about this $49 million of acquisition related costs you've had of late. Have those already hit in terms of the balance sheet and the numbers here? Or are those on the come here into 4Q?

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

What was that last part of your question again? The first is CapEx, broke up just a second. One more time, Leo, I'm sorry.

Leo Paul Mariani - *ROTH MKM Partners, LLC, Research Division - MD*

You mentioned $49 million of acquisition related costs with some of these new areas where you're entering. Just curious, have those already been incurred or are those on the come into the fourth quarter here?

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

Those have been behind us primarily. We do have some seismic work that's covered in exploration expanse in Cote d'Ivoire and pretty much that's over here. You have the CapEx, Eric.

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

CapEx for the fourth quarter ought to come in under $200 million.

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

It maintains our guidance. We don't have that number right handy with us, but it adds up to midpoint of our guidance, and we're in good shape on all that. Our CapEx is lower, and we're in really good shape on free cash flow for the fourth quarter.

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

Just restating, I mean we're comfortable with the range of CapEx that we've expressed. Obviously, we give a range because we have uncertainty of outcomes primarily in our nonoperated business where we have major projects ongoing with fields we don't operate. There's a bit of uncertainty, and that's why we give a CapEx range. Again, we feel really good about our full year CapEx range.

Leo Paul Mariani - *ROTH MKM Partners, LLC, Research Division - MD*

Can you provide a little bit more color in terms of the activity in the fourth quarter? I know that there's a handful of kind of non-op Eagle Ford Wells, but it sounds like that's de minimis spending. There's nothing really onshore. What kind of comprises the bulk of those expenditures here in 4Q?

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

As you pointed out, our onshore business, we are essentially done with our program there. We have a little bit of activity from nonoperator to Eagle Ford. That doesn't drive our CapEx too much. We do have a little bit of facility spending. We're doing a number of projects to get ready for our drilling activity in the Eagle Ford and in the Montney in 2024.

That's normal for our business. In offshore, we have quite a bit of activity picking up here in the fourth quarter with 2 rigs working in the Sao Malo nonoperated project and our resumption of drilling Oso as well as our ongoing development work that we highlighted at the Marmalard #3 well.

Leo Paul Mariani - *ROTH MKM Partners, LLC, Research Division - MD*

Just on the share buyback, obviously, you kicked it off this quarter. It was great to see. Can you maybe just talk a little bit about how you're balancing that with debt reduction as we go forward here.

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

It's our formula, Leo. We're trying to stay to the formula for the rest of the year, 75-25 split. I don't see coming off that with a little more bias towards getting the debt down at year-end is how we're working it. I don't have any further color to that.

Thomas J. Mireles - *Murphy Oil Corporation - Executive VP & CFO*

No, I think that Roger covered it. We have a stated goal of debt reduction this year, and it fits with our priorities for the year of delevering.

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

Just to be clear though, Leo, we do anticipate stock repurchase in the fourth quarter. Along with the production.

Operator

(Operator Instructions) Your next question comes from the line of Charles Meade from Johnson Rice.

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

Roger, you touched on Vietnam just briefly earlier in your Q&A. I want to see if I could get you to talk a little bit more about that. Can you characterize these 2 exploration prospects for us? My understanding is that's going to be your first activity over there. Can you characterize what those prospects are like? I think you said they're relatively low risk, but you put some numbers to that?

Then also clarify for us what that 10,000 to 15,000 BOE a day net to you guys in -- I think it's already 26. Does that include any risk exploration success from these 2 prospects? Or is that just the -- is that just locked to bang only?

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

No, that is 100% just from the project. Nothing to do with exploration in any number, any forecast, anything with Murphy. I appreciate that question. Vietnam has been a sleeping giant for us. We had it held back for a while, also held back by them. It's come to life with this approval of the field development plan, meaning they're ready to put their money in with us here, PetroVietnam.

We've had these nice prospects, one of the prospects. These are great fractured sands over carbonate in a very simple geologic setting. One of the wells is resembling that, which is similar to how the field has laid out. Other is a large stratigraphic trap that has some level of structure to it. Also nearby as the room or some very good success by one of our partners in Vietnam that recently drilled a very nice well targeting the same zone as a very large prospect and change our world there and make this a very 30,000, 40,000, 50,000 barrel a day business for us long term, and we can have some exploration success.

As to the risk component, it's not low risk, but it's lower risk than big sub-salt $100 million wells in the Gulf of Mexico. You're talking about wells high the cost with lower risk. Also in Vietnam, which most people are not familiar, this is the basin of Vietnam. There are multiple platforms, pipelines, infrastructure, FPSOs, FSOs everywhere here.

This would look like a segment of South Louisiana 30 years ago, a lot of production here in shallow water. It's not like we're in a Rank Wildcat country here. That kind of frames what we're doing in Vietnam, unless you had a follow-on to that, Charles?

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

Then my second question is it's about your Murphy 2.0 and really by my modeling, it's obviously an achievement to get Murphy 2.0. For me, it looks like a rolling stop in the sense that you guys are going to be in 3.0 territory by the time you report 4Q '23, if not on an absolute debt basis, certainly on a net debt basis.

You guys -- you just had a board meeting but you guys must see the same thing. I'm curious if you -- to what extent that you guys have discussed that with your board and if there's -- as you roll forward '24, you guys are going to be -- it's possible that you could exit the year with a 0 net debt position without giving the effect to any share repurchases. Has that -- can you characterize the conversation that you're having at the board level?

If there's any shifts on what you guys are thinking about for '24?

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

No. Obviously, we are discussing this. We have a finance committee for our board, where we review our modeling in great detail. We're in the middle of our budget and putting things into our new plan, like I said in my comments, overall strategy over time, there would be very similar returns. We can get to the 3.0 next year, depending on oil price, as you know, then we'll go to 50-50.

I would say we just keep it down the fairway honoring the framework, get to the Murphy 3.0 50-50, then we have wollstone opening up there, we can go to more returns and there could be more opportunities come our way. We're very well positioned. We're still in the oil business. We're not orderly depleting our assets.

We picked up 2 incredible assets here to do with our offshore competitive advantage on execution. The countries want us there because of that because it's important to us and we move quickly. We have opportunities in front of us. We're doing extremely well. With higher oil prices above 85% or so, we can move to this 3.0, as you said very quickly. We want to probably at least execute 1 quarter of each of the numbers before we change.

I haven't heard that comment rolling stop, but it is that way, Charles. I appreciate you coining that a great line for me this morning.

Operator

There are no further questions at this time. I would like to turn it back to Roger Jenkins for closing remarks.

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

Thank you, everyone, for attending our call today. We appreciate we had a really good quarter, one of the best in a long time, and we're looking forward to another one, and we'll talk to you in late January. I appreciate it. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
