

Energy, Power & Renewables Conference

June 17-18, 2024 • InterContinental New York Barclay, NY



Murphy Oil Corporation

Murphy Oil Corporation presentation delivered at the 2024 Energy, Power & Renewables Conference on Tuesday, June 18, 2024 at 2:20 PM

Arun Jayaram: Great. We're going to keep things moving. Very excited to have Murphy Oil and the CEO of Murphy, Roger Jenkins, to participate in a fireside chat with me this afternoon.

Roger Jenkins: You bet.

Arun: Roger, how are you?

Roger: Doing great. Glad to be at J.P. Morgan. Our company goes back over 100 years with J.P. Morgan, back to Mr. Murphy and J.P. Morgan himself. It's always a pleasure to be with J.P. Morgan. I've attended every conference in a row.

Arun: You've been a great partner over the years, so we thank you for that, Roger.

Roger: You bet.

Arun: Roger, I wanted to start our fireside chat with just your general thoughts on the macro picture.

Roger: Thanks for that question on macro. Of course, very critical. We have several things going on. We have some recent OPEC news that could have been described a little better, possibly. I don't believe that OPEC has changed their view about wanting oil prices to go lower. I think we have the backdrop of the Fed and changes of interest rate cuts at bear.

What I'd like to say is oil's had every opportunity to consistently be below 75 through this economy stretch that we've been in and with the wording of that OPEC disclosure. We continue to prevail. We continue to see excellent storage overall compared to the five-year average. Overall, I feel real good about 75 oil. I feel good about oil to the upside but reverting back to 75 on a bad day.

Our company's very, very positive on how we look at that price level. We're very, very excited

about how we look today at \$80 oil too. I think it's had every opportunity to go lower and has prevailed. I think we'll continue to see that with undercapitalization in our business going forward.

Arun: Roger, before getting into the story, one of the questions we get from investors is just the whole consolidation trend within E&P. Where do you stand regarding your portfolio and thoughts around just M&A in general?

Roger: M&A in general is something we review constantly. We have a strong internal team. We do a lot of internal work. You'd be surprised at the modeling that we do around our company. We've been very well-known to do M&A activity, both buying and selling, over \$8 billion of deals in over a decade. We're not averse to M&A of any kind.

I think that where we stand today is that we're about to embark on the end of a capital allocation framework that we disclosed two years ago, which will reach a milestone of having our long-term bonds equal \$1 billion, which ties to a one times debt/EBITDA at \$45 oil, which is a very strong position.

Today, we feel we have the strongest E&P balance sheet there is, with no bonds due to be refinanced till the end of '27. When we reach that this year, which we clearly will, we'll be leaning into much larger buybacks and find this dislocation in our price very advantageous to buybacks.

We've also led this year buying back stock each quarter and, into last year, \$150 million ahead of our... We know we're going to make the debts. We're ahead of the buying the stock. We're at a forefront of about to enter into large amounts of stock purchasing to take a lot of our equity away and reviewing that in lieu of the need to do M&A.

Also, with 1,200 locations in the Eagle Ford, 500 locations in [inaudible], T's and T's of gas in the Montney, 30 things to do offshore, new development, a possible development at Paon in Côte d'Ivoire, exploration in Côte d'Ivoire, a development in Vietnam, we don't need to merge to be in business. We're going to be in business for decades and decades at Murphy Oil.

Arun: Maybe just one question on A&D. We've thought that there's a non-op piece of your MP Gulf of Mexico JV with Petrobras that would make sense for you to consolidate over time. Any update on that?

Roger: No, not really. You're talking about a company, my company, a hundred-year company with seven CEOs. You're talking about seven CEOs there since I've been CEO here. That's a

different perspective around what they're going to do about business development.

We allocate capital to those assets. We're proud of those assets. We run those assets for them. We have a preferential right if they were to ever sell that.

We just continue about our business and focus on our capital allocation framework, focus on a leading balance sheet, and focus on returning to shareholders through an extensive dividend policy that we have that goes back for 62 years and pile that in with the ability, about to get ready, to buy a lot of stock in Murphy.

Arun: Roger, ahead of our conference, you issued kind of an 8-K.

Roger: It wasn't kind of an 8-K. There's only one 8-K, Arun.

Arun: [laughs]

Arun: It was a real one.

Arun: It was a real 8-K.

[laughter]

Arun: Thank you for clarifying that.

Roger: Thank you.

Arun: It was a true 8-K. Maybe there's a few things to unpack from the 8-K. Let's talk about you provided some thoughts on the near term. I think you reiterated your guide for 2Q. Give us a sense of how things are going in the field, in terms of near term.

Roger: First, if you highlight back, what we like to do when we have big conferences like J.P. Morgan is to say what's new in the quarter. That's a big part. We issue our slides as an 8-K and summarize in an 8-K. That's a format we've been following for a long time.

We're very excited about a discovery well we drilled called Ocotillo in the Gulf of Mexico with our partnership group, Oxy and Chevron. Very, very pleased with that. You look back at our Gulf business, our Khaleesi, Mormont fields are some fields we purchased, tied in with our discovered

Samurai into a very successful ongoing operation.

Khaleesi and Mormont and Samurai continue to get bigger with more opportunity. We drilled a nice well at Khaleesi. They were put online at over 15,000 barrels a day gross today or more. Drilling another Mormont well now, halfway finished with that well.

Progressing some workovers and sidetrack work that we have. All in all, we're doing well at executing our plan and our goals and feel really well-positioned on that.

Also, for onshore, had a really great year in onshore. We have a continual rig drilling in the Eagle Ford. We've had some really good results in Eagle Ford Shale production, really good frac results, really low fracking costs. Another great year in the Montney, record production set again.

The real new news for us is Kaybob Duvernay, which is part of our long-term strategy. Had some wells that were double the production we anticipated with our new fracking and the revamping of our company into a low G&A, one corporate headquarters business in Houston, where North American fracking is run in one floor.

All of our fracking is the same. All of our drilling is the same. We're able to take our lessons learned easier into Duvernay with a big outcome by our team there.

Arun: Could you maybe elaborate on Ocotillo? It's operated by Oxy, but you seem to have developed a partnership with Oxy and Chevron in the Gulf of Mexico.

Roger: We go back. There's not many operators in the Gulf of Mexico. All super-majors are in the Gulf of Mexico. Total, I believe, today, is the only non-operator there. Everyone flocks to the Gulf of Mexico because it's an incredible place to make a lot of money and has very low carbon intensity.

We're very proud and glad that we never left like all of our peers did. We find ourselves uniquely positioned, right below the super majors there in total production.

Oxy, after the merger of Anadarko, many people left from Anadarko. To Vicki's credit, brought in a new management team there and established them as a great operator and a partner. They're partnering with us in different things. We've cross-assigned some leases. We're proud of our relationship with Oxy.

Also, Chevron, we've worked together many, many times. Murphy has an ability to work globally with all super-majors and have done so. We cherish our relationships with Chevron and Oxy. Not a lot of people to partner with, so we remain close partners with everyone.

We're glad about our position of where we are in the Gulf, with our capitalization, our size, our balance sheet, our regulatory. Everything about our company's set up to be a leading operator in the Gulf.

Arun: Maybe you could talk a little bit about Ocotillo, which looks like a discovery, based on my reading of the press release.

Roger: It's a discovery because it reduced our exploration expenses. We're very, very happy about it. We struggle with some of our friends about talking about how big it is. We're very happy about it. If any of my friends want to sell it, we'll buy it from them. I guarantee you that.

We're very happy about it and glad about the partnership, glad at Occidental and how they're operating, and real pleased about Ocotillo.

Arun: I'm going to ask you one more question on it before you stop answering questions on it. I wrote my note. We think it could be a typical Miocene-type tieback opportunity, maybe 30 to 60 million barrels.

Roger: I think that would be fair.

Arun: Fair enough. How quickly could you, working with Oxy...Do you have infrastructure in the area? How quickly could a discovery like...

Roger: It's primarily, at this time, set up to go to their infrastructure. There's loads of infrastructure in Mississippi Canyon. We haven't gotten to that point yet with them, but we're happy about the partnership and happy about the well.

Arun: Congratulations on that. Let's talk about Khaleesi, Mormont, Samurai. You found a lot of pay at the Khaleesi 4 well. Give us a sense of how production is trending there and just your outlook.

Roger: At one time, we had a plateau production of 30,000 through '25 there. We produce way more than that every day through that thing. Now we're having opportunities to push that out

further, toward the end of the decade.

I'm very happy about that facility. It's probably the best facility in the Gulf, one of the leading operated uptime facilities in the world at near 99 percent. It's an incredible facility that our team built and managed.

We're real happy about Khaleesi/Mormont. It's an all-time home run ball for us to buy those assets and tie Samurai in with it. Just got real fortunate on that during COVID and executed that project and really became a big thing for our company. I'm very, very proud of it.

Arun: Roger, one of the investor concerns has been the level of workover activity for Murphy in 2024. What has been driving this higher level of workover activity? Is this something that's, call it, specific to 2024, or is there a recurring nature to this?

Roger: It would be impossible to predict the recurring nature of that. When you're in the offshore business, these wells make a lot of production. Occasionally, things happen to these wells, either a subsea equipment repair that had to be made...We started off the year with that.

We had a well called Neidermeyer that needed to be worked over. It became a very difficult workover. We're progressing that today.

What I like to do is back up in where we are as a company on that. Yes, that's disappointing, but in the ocean business, if the subsurface is good and the reserves are good, there will be times to workover wells. You have to think about the economics of these workovers are four or five-month payout as well.

You must repair the wells. It will lead to a disappointment in the guidance. We're paying for that. The real difference around Murphy this time around -- hasn't been the case for the last full decade -- is we've improved our balance sheet so much. Now we have an opportunity to lean in and buy back stock.

If we have these dislocations around minor workover events that take place in a typical ocean business...It's very typical. It's hard to predict it. There'll be years without it. There'll be three or four years without it. There'll be a couple of years with it. We're going to buy stock on these dislocations. We're buying stock ahead of plan now on the dislocation.

As soon as we get to Murphy 3., which is \$1 billion of bonds, which will be this year, we're so

confident in that that we're leaning into the buyback. We'll just buy it back more. As a CEO and doing this now for 12 years, I guess, used to make me very disappointed, in small matters like that impacting my equity.

Now I see it as a buying opportunity, quite frankly. \$38 a share at a company with 700 million barrels reserves, Côte d'Ivoire, Vietnam, West Coast, Canada, LNG, solid base, Eagle Ford, one of the most valuable assets in North America in the Eagle Ford, I feel really good about buying the stock at \$38. We're going to keep doing it.

Arun: Let's round out the Gulf of Mexico discussion. You just contracted a Noble rig for another five or six wells?

Roger: We really like to think about it through '25 with an option to continue on into '26. We have a long-term relationship with Noble, also a long-term relationship in the past with Diamond, which is the legacy of Murphy, if you will. They'll be coming together. These are two great companies. We're glad about that.

We're very well positioned with our day rate and very...People ask about the day rate and ask about those costs. It's really about uptime and performance and nonproductive time. Noble's been doing a really good job for us. We're real happy with Robert and his team at Noble.

Arun: Just set the stage for the drilling program in the Gulf of Mexico for the balance of this year, next year. Any exploration-type work?

Roger: We're really in the middle of doing that. Right now, we have a lot of prospects. Our ship in the Gulf will be finishing up with the Mormont well and the completion. Then another Mormont well will be done, probably some work at Samurai after that.

We have a good bit of opportunities in the Gulf to do it, different fields. Probably getting a separate rig. Hopefully drilling in Côte d'Ivoire a year from now. We have loads of opportunity to put our rig in the Gulf. Very happy about the rate, very happy about the execution.

Arun: Let's talk about the Eagle Ford program. In terms of the Eagle Ford, your program's a little bit different. I think your well's delivery is going to be a little bit more concentrated in the back half of the year. Talk to us about what's happening in the Eagle Ford.

Roger: Thanks for that question. The real basis of that question is, since COVID times, we've

been very defensive about ensuring that we have the top balance sheet. That forced us into maximizing free cash flow from our Eagle Ford by trapping the production between 30,000 and 35,000, which we're still doing.

On times, with that type of capital allocation, leads to a limited number or zero existence of drilled-uncompleted, or DUC wells coming into the year. Because of that capital allocation, we started this year at a production declining without new wells. We just put some new wells on. These wells are performing very well.

We decided, in order to maintain that same level of production, we would take a rig from Patterson. We're very happy about our relationship with Patterson, doing a great job. We're going to continually drill, the whole year, for the first time since pre-COVID.

It would take two rigs to keep a frac crew busy all year, but the frac crew expenses are so positive for us that we're really not that concerned about that.

We're out there with this rig drilling all year. We'll go into next year with more drilled-and-uncompleted wells, which will give us a positivity of a higher production next year completed earlier, where we didn't have that this year.

We did disclose that. There could be some disappointment around that. You have to also keep in mind that, over from '21, '22, and '23, we paid down \$1.8 billion of debt from free cash flow from our business and maintained our reserves. When you're doing that, you have to do what you need to do.

Now, here we are on offensive mode. We're coming out of defense. I feel so good about paying down the debt that I'm leaning into buying the stock. We're going to be really buying a lot of stock at \$38 a share. We'll put it on the revolver. We'll see Morgan here today about increasing our revolver and buying some more if we stay at \$38. I promise you that.

Arun: [laughs]

Arun: Got it. Uncle Morgan thanks to you.

[laughter]

Arun: Let's talk a little bit about refrac opportunities in the Eagle Ford. Are you doing any refracs

today?

[crosstalk]

Roger: We've done some before. We would have over 200 opportunities for refrac. If people next door to us, Arun, have refrac, we have refrac too. We're a 3-iron away from...Well, you don't hit a 3-iron anymore. A 4-hybrid, I guess, from all the great players, EOG, Devon, now Conoco everywhere. We would have the same opportunities as them if it's a hybrid away, Arun.

Eric's been a big part of setting up our refrac future, with putting them together with new wells that we're doing. Doing the wings as refrac has been very successful. Today, we're just, post-COVID, going back to one year of continual drilling. That'll be later for Murphy. We're building up hundreds of locations like anybody else.

What's really critical about our onshore business, because of crushing our CapEx during these bad times of '15 and '16 and, of course, COVID and now repairing or making ourselves into a leading balance sheet, is we really haven't overdrilled our Eagle Ford. We still have a lot of improvements in wells.

Had we been allocating capital differently during those times, we would have overdrilled and not have any wells left. Here we are with a brand new fracking technology, a brand new way of monitoring fracking, bringing that into Duvernay, bringing that into Tupper.

We don't have to merge to get locations. I missed that during the first M&A question you asked me. We're not that. We have locations for decades and decades.

We're really advantaged. We'll be advantaged on watching refrac too, as things get better and watch. We're also small working interest with all the great peers around us. We'll pick up information on that and be very, very positive for us.

Arun: Let's shift to Canada. Your 2Q production guide for offshore Canada was stronger than we had modeled. Can you give us an update on the Terra Nova life extension project?

Roger: It's beyond all that now. It's been producing for several months. It does very, very well at times. Sometimes it's broken down. We at Murphy have two ends of the picture. King's Quay is one of the top-producing assets in the world. Terra Nova is not.

Terra Nova has not been a leader in uptime, but I feel that it's improved since the work. I feel that Suncor is improving and running the asset. Again, it goes back to subsurface. It goes back to reserves.

It's not a small feat to turn off eight or nine subsea wells plus gas injection plus water injection, bring all that back online. It worked perfectly and above plan. They've hit rates higher than they have before, and with uptime slightly improved, but still have some downtime issues there.

When you take in equity without working interest from the government, it's a very, very successful project. Is it a perfect guidance tool? No. Does it make a lot of money? Yes. Is the subsurface great? Yes.

On the other end, we have all that at King's Quay, but it's happened to be very high uptime. We're in the oil business. We're in different types of assets. There'll be some ups and downs with that. At the end of the day, we're going to do very, very well at Terra Nova.

Arun: It's not unusual for projects to have some commissioning time until you get to higher levels of utilization. Do you believe that Terra Nova can get there over time, or could it be more volatile?

Roger: I'm not sure yet, but I believe it can be improved.

Arun: Fair enough. Let's shift gears and talk about some of the more exciting parts of the portfolio in terms of growing your resource base from here. Let's start with Vietnam. You're moving forward with the LDV field development. Maybe give us an update on that project.

Roger: Very, very happy about that. This is something we farmed in from Total probably 12 years ago. We took that over and sidetracked and brought forward a field development plan for that field.

We went forward and got that approved by PetroVietnam. Well, not really. PetroVietnam held that approval because they didn't want to have the capital expenditure to do it.

They then came to us last year and said, "We want to approve this and go forward." That left us behind many outstanding prospects to drill through exploration that we had not drilled because we wanted to make sure we could monetize.

Then we sanctioned the development here at a board meeting, in our board, here in October,

where we were on the 62nd anniversary of us being on the New York Stock Exchange, quite frankly. We sanctioned that here. We have a great team there. We built a lot of our old Malaysia guys in there to help us execute that, where we have a great reputation of shallow water.

We've now signed the contract for the jack and the top sides. We're about to award the pipeline, and the FSO. Pleased about the cost, pleased about the execution, and very excited about big exploration opportunity at the doorstep of this new facility. Very happy about how Vietnam's going.

Arun: Could you set the stage for the two-well exploration program in the shallow water?

Roger: If you look in our slide deck today, we have two very large acreage positions. There's also a lot of orange blobs in that section that are circled out. Those are big fields that are there already. This is a very successful oil basin. This makes all the oil of Vietnam. We're the only Western company allowed in that basin today.

The State Department supports us there. Every part of the Biden and Obama administrations supports our efforts in Vietnam. Of course, Republican administrations do.

We're very pleased we have two big opportunities. We have a larger one in 15-2 that tests the same sequence of sands that we have in the development. It's a very, very large opportunity. We also have a new stratigraphic play opportunity that hasn't been tested in the country very near where the platform will be.

We're very excited about that and the cost of that plan. We'll be starting to drill that around August 15th. We have the rig secured. We have a team in place, getting ready to drill while doing our development work in Ho Chi Minh City.

Arun: Let's talk about Côte d'Ivoire. You're bookended by two significant discoveries by Eni, the Baleine discovery and the Murene exploration well on the Calao discovery. The Murene well is pretty close to your block, so playing a little closeology here. Give us a sense of where you're at. I know you're getting some seismic data. Have you started to interpret some of the data?

Roger: Thanks for asking that question. I think it was a year ago today at your conference, we disclosed going into those blocks. Everybody asked me how much the CapEx was going to be, all day long. All day long, how much money is it going to be? How much in '23? How much in '24? Here we are in one of the hottest exploration places in the world today. It should have gotten

more.

The block that we have, near the left-hand side of the slide, Murene...Eni's terms, in a public release, said it's \$1.5 billion in place of equivalents there. We, of course, hope that some of that up-dip is on us, but we have an up-dip location of another play on top of theirs, which is de-risked now.

On the other side, we have a large carbonate feature that's flowing today, in a phased development by Eni called Baleine. We feel we have two to three of those large opportunities in our block today, from the initial seismic. We have all the sites.

What we had to do is we had to take the later-age 3D seismic, put it into one large survey, and have it reprocessed to a modern-type seismic, tie in the success of the other wells which were ongoing.

Very happy about the Paon development, making progress with them on a memorandum of understanding around how we develop that. They came to us and wanted us to develop that. This was discovered by Anadarko and Tullow a few years ago.

We see now a lot of leftover merger stuff in West Africa. With all these mergers, not everything gets accounted for at the end internationally. We're out snooping around, doing a lot of that work. This has come to us by them because of our execution ability.

What we have going on today in Murphy is this Côte d'Ivoire with a big exploration upside, with success around us, with a possible development given to us by the country.

In Vietnam, we have a large development, 100 million barrel field, that we farmed into and developed and are developing, with exploration potential there.

With our base of exploration in the Gulf of Mexico, with all of our locations in the Eagle Ford, with all of our locations in the Duvernay, with our Montney looking for Western LNG gas where we have a relationship with every player in the Western LNG. That's really where we are today, really well-positioned and really, really well-positioned for \$38 a share. I really like where we are.

Arun: A couple of things to unpack in Côte d'Ivoire. Where are you, in terms of your discussions with the government, to monetize or to get a gas sales agreement?

Roger: We have a team on the ground there today. We have a great relationship with them. When we go into these international places, all of us, our whole executive team, Tom, Eric, and I, are super-major-trained people.

We worked internationally. We built large international facilities. We know how to work with national oil companies. That's our calling card, to build and do new things fast, like King's Quay or in Malaysia and in Vietnam.

They know this. They want to have gas in their country. We have to talk to them openly and frankly about the return we need for international deepwater development versus their need for power generation and gas.

There will be a deal to be made at some point. Like many things, it will take a few months to do the negotiation. We're used to this. We're good at it. They are too. We're respectful. We know how to work in these environments. That's been our whole career. We're real happy about that.

Arun: Maybe the final one on CÃte d'Ivoire. I hadn't heard you previously talk about timing of drilling an initial well. You said...

[crosstalk]

Roger: I would hope to drill in a year from now, but we don't have that sewed up yet. We've got to get the seismic. It's looking pretty dang frothy in CÃte d'Ivoire.

Arun: Actually, maybe just one follow-up. You have a pretty high working interest in your block?

Roger: Yes.

Arun: Any thoughts on...I'm sure that's a pretty hot block, just given what's going on with Eni.

Roger: It's incredible focus. We can do a deal with anyone in the world today for those blocks. I have to work with Eric and our board closer. I'm kind of leaning in on, "You know what? What's 20 million bucks to me to drill it all?"

Arun: Interesting. Let's finish up on...

[crosstalk]

Roger: It's very sought after. The terms to farm into that can get very, very good over time, especially when the seismic comes in. It'll be a hard call for us. I don't know. Maybe not that hard.

Arun: Have you been working with the Eni team?

Roger: No.

[laughter]

Roger: Not that much.

Arun: Got it. Makes sense. Let's talk a little bit about cash return and your path to getting to Murphy 3. and your capital returns framework.

Roger: We feel it's at the doorstep. We have less capital. We're done drilling in Canada for the year. We're done fracking in Canada for the year. We have so many wells to put on the Eagle Ford. We continue drilling. We have changing of working interest and things in the Gulf. We have a lot of free cash flow coming our way in the second half.

It's a third or fourth quarter thing for us. We have to back up from the calling of the bonds. It's very hard to buy our bonds on the open market. They're very sought after. That dries up pretty quickly. We'll be out there. Call me to have all the cash three weeks later to call them.

What we're doing now is, if you really look at it, we're really leaning in on the buyback because we know it's coming. At the end of the year we'll be 3.. We're not worried about it. I'm very confident in it. What we're really paying most close attention to is how we can buy stock at this dislocation because we're going to make that goal.

Arun: Do we have any questions in the audience?

[pause]

Arun: We have one over here.

Audience Member: Could you talk a little bit about any D&C type improvements in 2024 in Eagle Ford, anything you have top of mind, and maybe even into 2025?

Roger: I think I missed the last part. We're doing better on foot per day. We're doing better on nonproductive time than last year. Has to do with some QA/QC improvement in our downhole tools. We're very excited about the frac costs, the pumping costs, the oil country tubular costs.

I would think my greatest takeaway is the under-expenditure to budget on the fracking and the drilling just slightly better than our plan, which already assumes some improvement. We're very, very happy.

We just got this Patterson rig running for the first few months. It was a brand-new rig in January, never used before. It has a lot of high-tech equipment on the rig. We continue to improve and work with them. Real happy about our long-term efficiency gains in the Eagle Ford. Now that we're drilling full-time, I see that as positive for us.

Arun: Great. Roger, we're out of time. Thank you so much for your support of the conference.

Roger: Thank you, Arun.

[applause]



*Webcasting and transcription services
provided through MAP Digital, Inc.*