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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Murphy Oil Corporation Second Quarter 2019 Earnings Conference Call and Webcast. (Operator Instructions) This call is being recorded on Thursday, August 8, 2019. And I would now like to turn the conference over to Kelly Whitley, Vice President, Investor Relations and Communications. Please go ahead.

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

Good morning, everyone, and thank you for joining us on our second quarter earnings call today. With me are Roger Jenkins, President and Chief Executive Officer; David Looney, Executive Vice President and Chief Financial Officer; Mike McFadyen, Executive Vice President, Offshore; and Eric Hambly, Executive Vice President, Onshore.

Please refer to the information on slides we have 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 the noncontrolling interest in the Gulf of Mexico, since divesting our Malaysia portfolio, please note these assets are characterized as discontinued operations.

Slide 1. Additionally, 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 exists that may cause actual results to differ. For further discussion of risk factors, see Murphy's 2018 annual report on Form 10-K on file with 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*

Thank you, Kelly. Good morning, everyone, and thank you for listening to our call today.

First half of the year was extremely busy at Murphy as we continued to simplify and transform our company following the close of the LLOG and Malaysia transactions. Our second quarter results clearly illustrate our commitment to being an oil-weighted company with production from our

U.S. onshore and North American offshore assets generating robust, realized prices leading to continued free cash flow. Production from continuing operations averaged 159,000 equivalents per day in the second quarter, 67% liquids, and more importantly, 61% oil on more than 94,000 of barrels of oil per day with only 1 month of the LLOG assets contributing to our business. We also exceeded our production guidance by 5,500 barrel oil equivalents per day.

Our U.S. onshore production was 44,000 equivalents per day with 74% oil. This represents more than a 23% increase in production over the first quarter as we -- as our well execution is on track. Our North American offshore production averaged 65,000 equivalents per day with 87% oil. This includes 8,800 barrels of oil equivalent per day from our newly acquired Gulf of Mexico assets, above our guidance of 7,600 barrels equivalent per day as our new Gulf of Mexico asset base continues to perform.

We returned $342 million to shareholders in the second quarter, including a $300 million share repurchase. Subsequent to quarter end, we received over $2 billion in proceeds from the Malaysia sale and used the funds to repay $1.9 billion of debt incurred from our 2 Gulf of Mexico acquisitions, along with further increasing cash on our balance sheet.

Over the past several months, we've made tremendous strides in transforming our company. We've quickly moved to sanction new projects within over expanding Gulf of Mexico portfolio as well as drilling a successful development well at Dalmatian that we expect to bring online in the fourth quarter.

I will now turn the call over to our Chief Financial Officer, Mr. David Looney, to give a financial update.

David R. Looney - *Murphy Oil Corporation - Executive VP & CFO*

Thank you, Roger, and good morning, everyone.

Starting with Slide 3. For the second quarter, Murphy generated net income of $92.3 million or $0.54 per diluted share with adjusted income of $35.7 million or $0.21 per diluted share. These results exclude the noncontrolling interest, or NCI, related to our MP GOM business and reflect our Malaysia business as discontinued operations. Similarly, all of the balance sheet accounts related to the Malaysian business are rolled up into one of 2 accounts, either assets or liabilities held for sale. Lastly, the cash flow statement excludes the Malaysian operations until you get to the very bottom of the statement, where all such cash flows are covered in the section titled Cash Flows from Discontinued Operations.

In addition to the NCI and discontinued operations treatment, we had several one-off items in the quarter totaling over $57 million pretax. These included $15 million in noncash mark-to-market adjustment of our potential contingent payment liabilities, $8 million in transaction costs related to our recent acquisitions and divestitures, a $51 million noncash mark-to-market gain on crude oil derivative contracts, and a $13 million credit associated with tax reform in the province of Alberta.

Slide 4. We once again generated free cash flow of approximately $63 million more than our CapEx in the quarter, which benefited from a $93 million working capital benefit. This working capital shift essentially represented the unwinding of a working capital drain we experienced in the first quarter, immediately after taking over the MP GOM operations. It is worth noting that for the 6 months year-to-date, our cash flow from operations after adjusting for working capital changes exceeded CapEx by $15 million. Given the size of the 2 transactions we recently closed and the ultimate classification of all of our Malaysian cash generation as discontinued operations, the fact that we were able to once again generate positive free cash flow during this period is a strong testament to the fact that Murphy takes free cash flow generation very seriously.

Other cash flow adjustments for the quarter include approximately $22 million of noncash long-term compensation as well as an additional cash inflow of approximately $20 million in cash proceeds for the sale of noncore Midland Basin acreage in Dawson County.

Most importantly, subsequent to quarter end, we repaid $1.9 billion of debt on the balance sheet, bringing our credit facility borrowings to 0. Combined with our cash, this results in available liquidity of more than $2 billion.

Lastly, in order to partially protect our increasing exposure to oil prices resulting from our greatly expanded Gulf of Mexico portfolio, subsequent to quarter end, we entered into a series of hedges at the WTI level for the remainder of 2019 and all of 2020. In total, we now have hedged via swaps 23,000 barrels per day for August 1 to December 31 of this year and 24,000 barrels per day for calendar 2020 at prices exceeding $63 for the rest of this year and approaching $60 for 2020.

On Slide 5, this is how we'd like investors to think about our new assets and the high margins they are able to generate. Murphy is really a premium to WTI company now, with the majority of our operations in the Eagle Ford Shale and Gulf of Mexico, near Gulf Coast markets with existing infrastructure. This slide illustrates the second quarter oil sales by percent and what types of markets they're selling into such as Mars, Brent, anew Magellan East Houston, or MEH, that has largely replaced LLS in many contracts. All have premium differentials over WTI. And while there might be some softening over the next few quarters, we still expect each of these barrels to trade at a premium to WTI. Especially when you take our newest offshore assets, which are very valuable from an API oil quality perspective, we expect to once again realize premium prices going forward.

On a combined basis, our portfolio of oil assets realized over $63 per barrel post all transportation adjustments as compared to WTI at almost $60. At an asset level, our Eagle Ford Shale is able to generate an EBITDA per BOE over $35, and our North American offshore assets generate an impressive $38 EBITDA per BOE.

With that, I'll turn it back over to Roger.

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

Thank you, David.

As previously stated, we produced 159,000 equivalents in the quarter and exceeded guidance by 4%. All our operated assets continue to perform very well as we experienced lower downtime in offshore assets, especially in our recently purchased fields, and better online execution across our onshore assets.

On Slide 7, Murphy has a long history of supporting shareholders and we continue to do so. Over the past 10 years, we've returned over $3.8 billion to shareholders and have not issued equity. In the second quarter, we repurchased $300 million or roughly 7% of our outstanding shares, which equates to purchasing our proven barrels for only $9.75 per BOE. We still have $200 million remaining under our board authorization, which expires at year-end 2020. We will continue to be opportunistic in repurchasing shares going forward.

With recent success and free cash flow generation returns to shareholders, since the price collapse of late '15, we're one of only 6 peers who actually have free cash flow yield and have a history of not overspending our cash flows. During this time, we are the leading company in the peer group when dividends and buybacks are added together net of issuances, of which we have none, are considered.

We'll move forward now to Slide 9. In the second quarter, we brought on 35 operated wells, 23 of which are in Karnes, 12 in Tilden. As completion efficiencies led to advancing our 2019 drilling program, the Tilden wells, in which we're scheduled to come online in the third quarter, were actually brought online in the second quarter. Overall, we expect to bring 91 wells online for the year in relatively equal division between Karnes, Tilden and Catarina.

Our oil production in the Eagle Ford Shale increased by 28% over quarter 1, which is we feel is an outstanding benchmark for us. And as we anticipate a near 7,000 barrel equivalent add of production increase for quarter 3 over quarter 1 -- over quarter 2 rather in this asset.

Slide 10. In further detail, our second quarter Eagle Ford Shale wells' performance have been strong in both Karnes and Tilden, but the recent Tilden wells are the best we've ever drilled in this area. This quarter, we drilled all 3 zones, Austin Chalk, the Upper, the Lower Eagle Ford Shale with average well results exceeding type curves. Importantly, we achieved average IP30 rates across all 3 zones in Karnes or approximately 1,200 equivalents per day with 90% liquids content.

The Tilden wells are important because we have applied our latest completion techniques for the first time in this area. Our Central Tilden assets specifically align with the robust performance of our Karnes wells and have achieved significant IP30 rates averaging 1,370 barrels equivalent per day with 92% liquid content. We are encouraged by recent well results and excited for the future development of this acreage.

Slide 11. In the Kaybob Duvernay, our asset continued to perform well as we brought online 6 wells for the quarter across our Kaybob North and Two Creeks acreage. The initial volumes have proven strong with facility constrained IP30 rates and more than 1,000 barrel equivalents per day in Kaybob North and 750 barrels equivalent per day in Two Creeks. We have also closed a cashless acreage swap in Kaybob East, thereby gaining approximately 20,000 contiguous gross acres in exchange for only 5,800 noncore acres in another area.

Following quarter end, the 3 wells in the Simonette area resumed production after third-party midstream spec constraint prevented them from flowing to sales in the first half of the year. Going forward, our focus for the remainder of the year is on acreage retention with drilling 13 wells that are scheduled to come online in 2020.

Slide 12. Our Tupper Montney wells continue to deliver steady performance, added 5 wells in the quarter and highlight the new volumes trend in line with our 18 Bcf per well type curves.

Our price mitigation strategy continues to be successful as we realized second quarter pricing of CAD 1.82 per Mcf excluding transportation compared to an AECO price of CAD 1.03 Mcf. This should attribute to our excellent marketing team, which remains focused on diversifying our price exposure through hedges and off-AECO sales.

Slide 14. We're pleased with our expanding Gulf of Mexico portfolio. And after completing 2 major transactions, Murphy is now the fifth largest producer in the region. We successfully drilled a development well at Dalmatian that we plan to bring online in the fourth quarter with a gross rate of more than 6,000 equivalents per day. The well has very robust returns as would any nearby infrastructure tieback in the Gulf of Mexico.

We drilled a successful at of Hoffe Park #2. We encountered oil in 3 zones. The well has just completed logging and the evaluation results are ongoing. All the discovered resources that can easily be produced to a nearby Murphy operated delta house facility, we unfortunately found volumes below our main projection for the well.

Slide 15. In the Gulf of Mexico, the long runway of higher rate of return projects that will provide production and cash flow for several years to come. Our board sanctioned 3 of these key projects in June. One of the projects is a King's Quay floating production system, which will host the production from 2 recently purchased fields in the LLOG transaction as well as our recently sanctioned Samurai development. King's Quay is being constructed in Korea with first steel cut last month. We have a 50% working interest in the production system. And we are currently analyzing our options to sell down a portion of this facility as it is highly sought after in the midstream asset market. The facility will be designed to capture third-party volumes as well for additional cash flow and tariffs. We expect to flow Samurai development and the Khaleesi/Mormont fields to the facility with first oil anticipated in the first half of 2022.

Slide 16. Our board sanctioned 2 developments at Khaleesi/Mormont in Samurai's well, which was successfully drilled by -- Samurai, which was successfully drilled by Murphy in 2018. Khaleesi/Mormont are 2 adjacent fields that we acquired from LLOG. Khaleesi/Mormont is a 7-well development project, of which 4 of the wells were previously drilled and cased with the total of 6 wellbore penetrations previously drilled. We will invest approximately $200 million over 4 years with first oil in the first half of 2022. The gross resource is 165 million barrels equivalent with 90% liquids. And we expect to be able to produce for the next 20 years generating a full cycle rate of return of more than 30%. The reserves have been confirmed by 2 third-party audit firms.

The third project we'll start in the second half of '19 is a multi-well development at Samurai, which further benefits from our Gulf of Mexico acquisition by achieving synergy being located less than 10 miles from the Khaleesi/Mormont and King's Quay facility. The proximity to now Murphy-owned and operated facility not only enhances the economics, but increases the recovery sources net to Murphy. We expect several decades of production on this development as well and project full cycle rate of return of over 35%. We're providing 10 years of disclosure for all 3 projects to clearly illustrate the timing of spend and the long runway of production and cash flows following the initial investments.

Slide 17. We've laid out our upcoming short-cycle capital projects through 2021 in the Gulf of Mexico along with their spending requirements and associated production gains to highlight the returns of our new asset base. Overall, we generate nearly 12,000 barrels equivalent per day from this work and additional volumes by 2021 upon completion of the 6 projects, which includes single wells and workovers and generate an average IRR of more than 80%, that further illustrates the significant runway of long-term growth provided by the Gulf of Mexico business with excellent returns.

Slide 19. As we view our production, we need to keep in mind that these volumes are from continuing operations net to Murphy unless otherwise noted. As we look to the third quarter, we expect production to be 192,000 to 196,000 equivalents per day, of which approximately 118,000 barrels will be oil. This is a real engine behind our new cash flow generating ability.

Our full year production is forecast at a range of between 174,000 to 178,000 barrels equivalent per day. This implies fourth quarter production will be more than 200,000 equivalents per day at a level we have not seen since 2015. This is our new baseline going forward as we've adjusted our asset base the past few years and particularly enhancing the Gulf of Mexico and Eagle Ford Shale.

Our 2019 CapEx guidance of $1.35 billion to $1.45 billion remains within the range we guided at the beginning of the year prior to any of the transactions that we've conducted. This tightened range includes a reduction of $106 million from Malaysia and an increase of $140 million allocated toward the newly acquired Gulf of Mexico assets.

Approximately 20% of the new LLOG capital is allocated towards short-cycle tiebacks that are expected to have first oil within 18 months, 20% toward long-term tieback projects, and the remainder allocated to the King's Quay FPS.

Slide 20. In closing, we have clearly positioned Murphy for long-term value creation. We transformed the company with no equity or debt issuances and while buying stock and creating a new company with more oil weighting and premium pricing. Eagle Ford Shale is performing with production continuing to ramp out. We are executing short-cycle, high rate of return projects in the Gulf as well as Eagle Ford. And from this, we would generate significant levels of cash flow. As always, we're continuing to focus on our shareholder-friendly activities by executing on our share repurchase program and paying our long-standing dividend, while maintaining cash flow parity.

With that, I'd like to turn the call over to our operator and be glad to take your questions this morning.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question is from Brian Singer with Goldman Sachs.

Brian Arthur Singer - *Goldman Sachs Group Inc., Research Division - MD & Senior Equity Research Analyst*

Roger, you provided some helpful project detail on the Gulf of Mexico short- and medium-term impact from -- short- and medium-term project spending and production. When you put these together with your legacy base, can you talk about what Gulf of Mexico total spending and production looks like in 2020 and 2021?

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

We are still -- that really gets it back into another way of really asking, Brian, the 2020 CapEx and let me frame and start off with that. We of course, have these projects that we sanctioned and there will be additional CapEx that we have. We have a rig program at Front Runner. We have some nonoperated wells to do next year. We have not went beyond that work at this time.

And I appreciate the call and focus on this 2020 matter, and I know that people are very interested in this. But before we get started on that, I'd just like to start over and frame where Murphy is on this. And we -- again, when we look at data for '15 to now, we are one of the few companies that have avian free cash flow at all. So we're not an overspender all while being a big dividend and shareholder support due to buybacks.

So our goal is to be a free cash flow providing company. So those other projects will need to fit into what we do when we decide our free cash flow CapEx parity as we go into 2020 and 2021, which have triggers that they can change, as well as the projects we have disclosed here if we need to.

So we are not disclosing all those other project CapEx now. We just went with the new projects. We felt it was important to illustrate to investors and analysts that we have purchased some really good assets and what the work is. And went out with many years of disclosure trying to illustrate the value of the new assets as well as the ones we just sanctioned.

Brian Arthur Singer - *Goldman Sachs Group Inc., Research Division - MD & Senior Equity Research Analyst*

Maybe switching to the Eagle Ford, you highlight the big ramp-up in production that's happening there. Can you speak to once you get to the 57,000 BOE a day type rate that you expect to approach in the fourth quarter, what would be needed to hold production flat from a rig count and capital perspective?

And then maybe another way around the 2020 question is what your strategy is for incremental growth in free cash flow at the Eagle Ford once you get to that rate?

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

I'm going to have Eric answer that for you, Brian.

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

Thanks for the question. So we've looked quite a bit at what our maintenance capital is to maintain production at a similar rate for our average for this year. That looks to be somewhere in the $425 million to $450 million. To maintain at 57,000 BOE a day or something like would be a little bit more than that. We haven't really worked that exact number, but I think you can do some math to figure approximately what that looks like.

Brian Arthur Singer - *Goldman Sachs Group Inc., Research Division - MD & Senior Equity Research Analyst*

Great. And the strategy in 2020 beyond the 57,000 continue with further rig adds there or price-dependent and free cash flow dependent?

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

Well that, Brian, gets into our 2020 CapEx. Let me just stop and to take care of what we have prepared to say on the 2020 CapEx today. As I said earlier, we're not a habitual overspender, not by a long shot, not by our long history. When you look at 2020 CapEx, we really have not worked on this yet. We know the new projects that we just sanctioned with our board and partners. We're just starting to work on it next week. This usually begins after our August board meeting and conference call. If you ask us for a range of what's going to happen, it would be a low teens to -- it'd eb below 10% to below 15%, an increase in both production and CapEx for our company, the CapEx that we've disclosed for this year. But like any view of those things with free cash flow parity in play, we will continue to work that as we get into our budgeting process.

And as I just mentioned, we entered into a very nice floating production system arrangement with LLOG in which we wanted to take over that operatorship of that facility, execute it, and the history and ability that we bring to the table, and we have a big ability to sell that project down. So our capital as put here today has an ability to sell down the FPS, which is greatly being looked at by many midstream companies, that we want to take control of the schedule and have the facilities being built before we took that on.

So a lot of moving parts with 6 months before we disclose the CapEx here, Brian, this morning. Does that help you with what you need there? So the Eagle Ford CapEx will probably be flat to slightly higher for sure. And -- but we want to maintain capital in both there and Gulf of Mexico because that's the key parts of our company. They make an enormous cash flow and have great operations running there.

Operator

Your next question comes from Arun Jayaram from JPMorgan.

Arun Jayaram - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

I wanted to ask you about your comments in the press release about achieving free cash flow growth over the long term. You're clearly in a bit of an investing cycle in the Gulf of Mexico. But I was wondering if you could maybe give us a bridge to those free cash flow comments that you made in the press release?

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

Well, we have disclosed a plan that's over $1 billion of free cash flow over a longer period involving an average capital spend in our Gulf of Mexico business over that period. And we stand behind that today until we rework that plan over the next few months. But have no reason to see a significant change in that plan today. That's been previously disclosed and that we're just reiterating the prior disclosure of our plans, of which we will be increasing production in a moderate pace, not an incredible growth trajectory. A lot of increase in there is oil, which is a good thing. And that we stand behind the significant free cash flow that we've disclosed throughout the years -- throughout this year in conferences, et cetera, as we relook at our plan starting next week.

Arun Jayaram - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. And is there a point in time that you could point to when the inflection comes? Is it...

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

Inflection of what way?

Arun Jayaram - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

In terms of free cash flow inflection.

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

It's -- we have disclosed it over that long period of time. And we're just staying with what we have, and I do not see that changing over that period. And the inflection point is we're not talking about that till I rework it again starting next week.

Arun Jayaram - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Fair enough. And just a follow-up, I was wondering if you could elaborate on your comments on the floating production system? You made some commentary that this could be something that's intriguing from a midstream monetization perspective. So just wanted to get a little bit more insights on that.

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

It's quite common in the Gulf of Mexico today to have facilities handled by third party. There are several of these facilities. We also have a long history of dealing with leased facilities in Malaysia and in other facility in the Gulf of Mexico that we prior had ownership of. So this is nothing new. The project was going forward in very early stages when we made the asset purchase. We have a lot of execution ability in our company. And we're not happy with the terms of that, the way that was headed, took over the operatorship of it and sanctioned it. It has very nice, very nice returns without oil price risk, of course. And we took over that and arranged a tariff system to flow into by other parties. And one of our other partners became a partner with us in the facility. And the facility continues to be sought after by midstream companies in which we would remove this CapEx and enter into a leasing arrangement with that party. It's primarily a take over the project with a really nice rate of return, wish we could just focus on the returns here instead of the capital -- CapEx every single quarter and year. However, we take over this project. It's a very nice project. Then we have the ability to swing our capital as we look at oil prices and free cash flow analysis, as we look at our Eagle Ford and our other Gulf business. We felt we needed to disclose that our board sanctioned it, and we have operatorship, and 50% owner of it today.

Operator

Your next question is from Roger Read from Wells Fargo.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

I guess, what most people are trying to get at here on the CapEx front, and just to beat the same horse here, is understanding may be what your flexibility would be in 2020 across a range of oil prices. And you think about Gulf of Mexico and a little longer lead time, you commit to something, it's tough to change versus we look at the Eagle Ford or Canada. So maybe without giving us a number, can you give us some idea of what your flexibility would be within the Gulf of Mexico next year in terms of pushing tanks back or not, versus what would -- I think we would consider fairly normal abilities to move things around in the Eagle Ford and Canada?

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

Appreciate that, Roger, and thanks. As I've continued to try to explain, we're working on our plan now and have already a big swing and just a sell down of this floating production system. So naturally, when you look at capital allocation, you have a ranking. We have a very large dividend payment and we are going to make it. So that's first thing.

We know we want to work in the Gulf and we want to work in the Eagle Ford because we have the best prices in the oil field, Murphy. So why would we not invest there?

And you get further away from there, we have things like exploration, we have things like Canada onshore, and we have international developments such as Vietnam. So we have a lot of flexibility on those type of matters.

We've also gone to $600 million CapEx in 2016 and never issued equity like almost every other company as well. So we have stopped offshore projects before. We stopped one of the biggest projects in the world at Block H Floating LNG one time. So we have a flexibility to start, stop and do what we needed as we respond to oil prices and our allocation of capital across those things.

So naturally, we want to have the Eagle Ford and the Gulf, the primary benefactors of our CapEx, along with our continued shareholder support that's been a long history for us. Also with a strong liquidity, a lot of money in the bank, no -- nothing on the revolver and a long history of not overspending here.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

No, I think we appreciate that. It's just -- I mean that's what the market's concern is across the board. You're getting the same treatment everyone else is.

As a secondary question, from an operating standpoint obviously, a lot of moving parts here in the second quarter, get a little more clarity as things roll into the third. Can you give us an idea between the joint venture with Petrobras and then the LLOG acquisition here? As you think about cash OpEx and the Gulf of Mexico, how that is progressing, and whether you've been able to pull out all of the savings and kind of integration expectations there?

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

The assets are very similar to what we do, the facilities are very similar. All that is really -- has been very seamless. We've transitioned very well our team in Houston. These are lot of deals that we've done and had to execute on the accounting side, the oil sales side marketing and operations. We're $10 to $13 kind of OpEx in the Gulf in the total Gulf. We have the workover in the third and fourth quarter, a very highly -- incredibly high rate of return workover to repair safety valve on a well that we purchased in the Petrobras acquisition. It will take place in the third quarter. Without that, we'd be a solid $8 or $9 OpEx company, so in really good shape on the price that we receive for the barrels and the operating expense. And their assets are very similar to ours and rolled in a very similar OpEx to ours.

Operator

Your next question is from Muhammed Ghulam from Raymond James.

Muhammed Kassim Ghulam - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

A couple of months ago, you mentioned that there were plans for additional exploration on Block 5 in Mexico in 2020. Are there any further details you can provide now that we're in the second half of 2019?

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

We're doing our work to drill 2 wells there. And the difference between 1, 2 or 3 wells will be determined when we go through our budget progress, but we're eager drill there. We have oil that was found there, amplitude is oil. We have nearby amplitudes we can drill and we have other prospects we can drill and we're excited about going down there when we get through our capital allocation process.

Muhammed Kassim Ghulam - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Okay. And kind of another area of acceleration, any updates on Australia? Are there any plans we should be aware of over the next year or 2?

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

We have turned over operatorship of about one portion of our blocks to E&I there. We'll be closing that office and moving back to Houston, a very limited 1- or 2-man team to look after that. The big Ceduna Basin of course remains a working interest, large working interest we have there and a very large block. Equinor is supposed to drill a well there over the next couple of years. The outcome of that well could be important to us, but we would need to wait on that execution. Hence, we've closed that office and retreated back to Houston with a very limited team. It's part of our global exploration team that we were focused in the Western hemisphere and that's the update there.

Operator

(Operator Instructions) Your next question is from Paul Cheng from Scotia.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Quick question. It looks like with all the M&A transactions, Murphy has become a North American onshore and offshore operator. Is that how we should look at the company going forward? Or you're just...

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

100% that's how you should look at it.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Okay. And that I think...

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

A very, very powerful company that we have with high oil rates, increasing oil rates, incredible cash flow, top pricing.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

And I think, Roger, you have previously said, you target Eagle Ford to be about 90,000 barrels per day by 2021. Is that still the target?

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

No. I'm not sure where that target comes from. That wouldn't be the target. It would probably be in the -- going forward, would be 60,000, 70,000, 80,000s as we look to '21 to '23 kind of a number, Paul.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

So 60,000 to 70,000. Okay.

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

And 80,000s into 2023. That would match with the previously disclosed guidance we have on cash flow generation in all of our prior decks that we've been using all year. There's no change in that.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Okay. That's probably my mistake then. For Murphy, can you just remind me what's you're working interest in Samurai, Mormont and Khaleesi?

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

We are 50-50 in Samurai, and we're 34% in Khaleesi/Mormont, and 50% in the floating production system facility.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Okay. And it looked like based on what you disclosed on the Gulf of Mexico projects, you appeared that to suggest you will be able to hold the Gulf of Mexico production, which is roughly about 100,000 barrels per day, including your joint venture to be at least for the next 10-plus years. Is that correct, in my interpretation?

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

No. No. We -- our plans that we've disclosed and which we stand behind going into our CapEx review next week, because it's a focus area, is to maintain Gulf of Mexico near 85,000 with an average capital spend of $325 million per year over a 5-year period, leading to significant cash flow from that 5-year period. We stand behind that, and we have -- these assets here are illustrating, number one, they were put there to show the returns of the asset, an incredible rate of return in disclosure of the long profile of cash flow. Also, Khaleesi/Mormont has been reserved -- reviewed by 2 third-party firms. So the point of the slides are to illustrate the returns and the long cash flow and CapEx that we have. We have natural decline in our fields in these and other work projects we have inside the capital we previously disclosed maintains that flat, strong cash flow providing production base our Eagle Ford is our growing oil reduction base.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Well, Roger, when you're talking about 85,000 is that net of your minority interest or are you including...

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

No. Everything I say is net to Murphy, Paul.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Okay. So that when I was talking about 100,000 it's including the minority?

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

Yes, that's of course correct. But as we say in the call, it's written all over the place. It is confusing, I understand that. But we always report. When it comes out of my lips, it's mine, not somebody else.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Okay. So whatever is the number that you're talking about is net of the minority interest?

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

Correct. Yes, sir. 85,000, Murphy.

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

And that if I -- looking at that do you -- maybe that you're probably not ready to talk about yet. If I look at your current asset mix as a company, as a whole, if I want to maintain the production level in the oil and gas mix, what is that CapEx number? I think previously before this transaction, you were sort of talking about in the $800 million or so. So what that number may look like today?

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

The maintenance CapEx number, Paul?

Paul Cheng - *Barclays Bank PLC, Research Division - Former MD & Senior Analyst*

Yes, to maintain your production mix and your current production level?

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

Yes, we feel that's $850 million to $900 million.

Operator

There are no further questions from our phone lines. I would now like to turn the call back over to Roger Jenkins for any closing remarks.

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

Thanks, everyone, for calling in today. We look forward to continuing to update you on our continued oil production growth in our North American assets, which are outstanding. Thank you, and see you soon.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and we ask that you please disconnect your lines.
