

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one)  QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1994

OR

/  TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----- to -----

Commission File Number 1-8590

MURPHY OIL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

71-0361522

(I.R.S. Employer  
Identification Number)

200 PEACH STREET

P. O. BOX 7000, EL DORADO, ARKANSAS  
(Address of principal executive offices)

71731-7000  
(Zip Code)

(501) 862-6411

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes       /  No

Number of shares of Common Stock, \$1.00 par value, outstanding at June 30, 1994, was 44,830,914.

PART I - FINANCIAL INFORMATION

Murphy Oil Corporation and Consolidated Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
(Thousands of dollars)

	(Unaudited)	
	June 30, 1994	December 31, 1993
	-----	-----
ASSETS		
Current assets		
Cash and interest-bearing deposits	\$ 25,560	26,876
Marketable securities	75,729	114,349
	-----	-----
Cash and cash equivalents	101,289	141,225
Accounts receivable, less allowance for doubtful accounts of \$5,495 in 1994 and \$5,379 in 1993	196,906	196,214
Inventories		
Crude oil and raw materials	63,014	76,741

Finished products	42,483	42,959
Materials and supplies	35,646	32,323
Prepaid expenses	48,303	35,042
Deferred income taxes	19,937	18,497
	-----	-----
Total current assets	507,578	543,001
Investments and noncurrent receivables	29,273	42,518
Property, plant, and equipment, at cost less accumulated depreciation, depletion, and amortization of \$2,273,181 in 1994 and \$2,180,732 in 1993	1,627,980	1,549,250
Deferred charges and other assets	40,114	34,090
	-----	-----
	\$ 2,204,945	2,168,859
	=====	=====

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Current maturities of long-term obligations	\$ 10,925	10,859
Accounts payable and accrued liabilities	368,022	372,606
Income taxes	21,017	29,294
	-----	-----
Total current liabilities	399,964	412,759
Notes payable and other long-term obligations	21,807	21,709
Nonrecourse debt of a subsidiary	108,081	87,509
Deferred income taxes	123,047	117,571
Reserve for dismantlement costs	131,782	123,107
Reserve for major repairs	24,061	26,023
Deferred credits and other liabilities	153,916	157,831
Stockholders' equity		
Capital stock		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued	-	-
Common Stock, par \$1.00, authorized 80,000,000 shares, issued 48,775,314 shares	48,775	48,775
Capital in excess of par value	507,750	507,292
Retained earnings	794,268	772,172
Currency translation adjustments	(4,035)	(1,514)
Unamortized restricted stock awards	(1,364)	(660)
Treasury stock, 3,944,400 shares of Common Stock in 1994, 3,967,631 shares in 1993, at cost	(103,107)	(103,715)
	-----	-----
Total stockholders' equity	1,242,287	1,222,350
	-----	-----
	\$ 2,204,945	2,168,859
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

The number of pages in this document is 12.

Murphy Oil Corporation and Consolidated Subsidiaries  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(Thousands of dollars, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
<b>REVENUES</b>				
Sales	\$ 417,440	409,702	812,854	792,536
Other operating revenues	10,115	11,789	19,117	19,892
Interest and other revenues	7,224	8,824	12,327	16,418
	-----	-----	-----	-----
Total revenues	434,779	430,315	844,298	828,846
	-----	-----	-----	-----
<b>COSTS AND EXPENSES</b>				
Crude oil, products, and operating expenses	324,931	316,819	613,192	620,044
Exploration expenses, including undeveloped lease amortization	8,175	12,338	20,090	24,100
Selling and general expenses	17,453	16,803	34,131	33,034
Depreciation, depletion, and amortization	49,489	41,642	99,918	84,477
Interest expense	2,662	2,330	5,011	3,995
Interest capitalized	(1,647)	(1,756)	(2,878)	(2,287)
	-----	-----	-----	-----
Total costs and expenses	401,063	388,176	769,464	763,363
	-----	-----	-----	-----
Income before income taxes and cumulative effect of changes in accounting principles	33,716	42,139	74,834	65,483
Federal and state income taxes	7,516	14,432	24,838	20,482
Foreign income taxes (benefits)	(1,316)	5,018	(1,208)	(1,529)
	-----	-----	-----	-----
Income before cumulative effect of changes in accounting principles	27,516	22,689	51,204	46,530
Cumulative effect of changes in accounting principles	-	-	-	15,338
	-----	-----	-----	-----
<b>NET INCOME</b>	<b>\$ 27,516</b>	<b>22,689</b>	<b>51,204</b>	<b>61,868</b>
	=====	=====	=====	=====
<b>Average Common shares outstanding</b>	<b>44,887,904</b>	<b>44,863,039</b>	<b>44,876,927</b>	<b>44,851,268</b>
<b>Per Common share</b>				
Income before cumulative effect of changes in accounting principles	\$ .61	.51	1.14	1.04
Cumulative effect of changes in accounting principles	-	-	-	.34
	-----	-----	-----	-----
Net income	\$ .61	.51	1.14	1.38
	=====	=====	=====	=====
Cash dividends per share of				

Common Stock	\$	.325	.30	.65	.60
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See accompanying Notes to Consolidated Financial Statements.

Murphy Oil Corporation and Consolidated Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
Six Months Ended June 30, 1994 and 1993  
(Thousands of dollars)

	1994	1993
	-----	-----
<b>OPERATING ACTIVITIES</b>		
Income before cumulative effect of changes in accounting principles	\$ 51,204	46,530
Adjustments to reconcile above income to net cash provided by operating activities		
Depreciation, depletion, and amortization	99,918	84,477
Expenditures for major repairs and dismantlement costs	(13,620)	(4,566)
Exploratory expenditures charged against income	14,704	17,660
Amortization of undeveloped leases	5,386	6,440
Deferred and noncurrent income tax charges	1,687	16,749
Gains from disposition of assets	(1,041)	(978)
Other - net	16,326	12,716
	-----	-----
	174,564	179,028
Net increase in operating working capital other than cash and cash equivalents	(17,374)	(40,099)
Cumulative effect of accounting changes on working capital	-	25,437
Net recoveries (expenditures) on insurance claim to repair hurricane damage	13,827	(14,876)
Other adjustments related to operating activities	(7,546)	(13,123)
	-----	-----
Net cash provided by operating activities	163,471	136,367
	-----	-----
<b>INVESTING ACTIVITIES</b>		
Capital expenditures requiring cash	(196,843)	(271,653)
Proceeds from sale of property, plant, and equipment	2,426	1,805
Other - net	(778)	2,605
	-----	-----
Net cash required by investing activities	(195,195)	(267,243)
	-----	-----
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in notes payable and other long-term obligations	105	(78)
Increase in nonrecourse debt of a subsidiary	20,631	8,500
Decrease in short-term notes payable	-	(2,795)
Dividends paid	(29,108)	(26,850)
Purchase of Common Stock for treasury	-	(1,636)
	-----	-----
Net cash required by financing activities	(8,372)	(22,859)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	160	(460)
	-----	-----
Net decrease in cash and cash equivalents	(39,936)	(154,195)
Cash and cash equivalents at January 1	141,225	377,845
	-----	-----
Cash and cash equivalents at June 30	\$ 101,289	223,650
	=====	=====
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES</b>		
Cash income taxes paid, net of refunds	\$ 29,232	18,026
	=====	=====
Interest paid, net of amounts capitalized	\$ (529)	2,079
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of the accompanying financial statements of Murphy Oil Corporation and Consolidated Subsidiaries (Murphy/the Company).

### NOTE A - INTERIM FINANCIAL STATEMENTS

The consolidated financial statements of the Company presented herein have not been audited by independent auditors, except for the balance sheet at December 31, 1993. In the opinion of the Company's management, the unaudited financial statements include all adjustments (consisting only of normal, recurring accruals) necessary to present fairly the Company's financial position at June 30, 1994, and the results of operations and cash flows for the three-month and six-month periods ended June 30, 1994 and 1993, in conformity with generally accepted accounting principles.

Financial statements and notes to consolidated financial statements included in this report on Form 10-Q should be read in conjunction with the Company's 1993 Annual Report on Form 10-K, as certain notes and other pertinent information have been abbreviated in or omitted from this report.

Financial results for the six months ended June 30, 1994 are not necessarily indicative of future results.

### NOTE B - ENVIRONMENTAL CONTINGENCIES

The Company's worldwide operations are subject to numerous laws and regulations designed to protect the environment and/or impose remediation obligations. In addition, the Company may be involved in personal injury claims, allegedly caused by exposure to materials manufactured or used by the Company. Under the Company's accounting policies, liabilities for environmentally related obligations are recorded when such obligations are probable and the cost can be reasonably estimated. In instances where there is a range of reasonably estimated costs, the Company will record the most likely amount, or if no amount is most likely, the minimum of the range. Amounts recorded as liabilities are reviewed quarterly and adjusted as needed. Actual cash expenditures often occur a number of years following recognition of the liabilities.

The Company currently operates or has previously operated certain sites or facilities, including refineries, oil and gas fields, service stations, and terminals, for which known or potential obligations for environmental remediation exist. The Company has provided an environmental reserve, which includes certain amounts that are based on anticipated regulatory approval of proposed remediation processes involving a land farm, formerly used for disposal of refinery waste, and closure of water basins. If regulatory authorities require more costly alternatives than the proposed processes, future expenditures could increase by up to an estimated \$9 million above the amount reserved.

The Company has received notices from the U.S. Environmental Protection Agency that it is a Potentially Responsible Party (PRP) at three Superfund sites and has been assigned responsibility by defendants at another Superfund site. In addition, the Company is aware of two other sites at which it could be named as a PRP. The potential total cost to all parties to perform necessary remediation work at these sites is substantial. However, based on information currently available, the Company is a de minimus party, with assigned or potentially assigned responsibility of less than one percent at all but one of the sites. The Company was only recently notified that it is a PRP at the remaining site and has not determined either its potential total remediation costs at the site or its potentially assigned responsibility percentage. The Company has recorded a reserve totaling \$.1 million for Superfund sites, and due to currently available information on the most recent site and the minor percentages involved on the other sites, the Company does not expect that its related remediation costs will be material to its financial condition. Additional information may become known in the future that would alter this assessment, including a requirement to bear a pro rata share of costs attributable

to nonparticipating PRP's or indications of additional responsibility by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)

NOTE B - ENVIRONMENTAL CONTINGENCIES (CONTD.)

Although the Company is not aware of any environmental matters that might have a material effect on its financial condition, there is the possibility that additional expenditures could be required at currently unidentified sites, and new or revised regulatory requirements could necessitate additional expenditures at known sites. Such expenditures could have a material impact on the results of operations in a future period.

The Company believes that certain of its environmental remediation obligations are covered by insurance; however, the issue is the subject of ongoing litigation and no assurance can be given that the Company's position will be sustained. Therefore, no insurance recoveries have been used to reduce the environmental liabilities recorded at June 30, 1994.

NOTE C - OTHER CONTINGENCIES

The Company's operations and earnings have been and may be affected by various other forms of governmental action by the countries in which it operates. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; restrictions on production; import and export controls; price controls; currency controls; allocation of supplies of crude oil and petroleum products and other goods; expropriation of property; restrictions and preferences affecting issuance of oil and gas or mineral leases; laws and regulations intended for the promotion of safety; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, shareholders, and others. Because governmental actions are often motivated by political considerations, may be taken without full consideration of their consequences, and may be taken in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form which such actions may take, or the effect such actions may have on the Company.

On February 19, 1987, the U.S. Department of Energy (DOE) published a Proposed Remedial Order (PRO) alleging that the Company received approximately \$13.4 million for crude oil and/or related transportation charges in excess of amounts allowed under DOE regulations that were in effect from September 1973 through January 1981. The PRO sought restitution of this amount, plus interest (approximately \$24.5 million calculated to the date of the PRO).

On June 17, 1992, the DOE Office of Hearings and Appeals sustained all allegations of the PRO and issued a Remedial Order. The Company appealed the material allegations of the Remedial Order, and on January 24, 1994, the presiding Federal Energy Regulatory Commission (FERC) administrative law judge sustained the position of the Company on most of the material allegations of the Remedial Order. The administrative law judge's decision was subject to review by the FERC; however, on July 14, 1994, DOE and the Company agreed to settle all issues and entered into a proposed consent order pursuant to which the Company will pay \$10.7 million inclusive of all interest. As an offset to the \$10.7 million payment, the Company will receive approximately \$3.2 million from certain interest owners in the affected properties, and the Company intends to seek additional contribution from other interest owners. Notice of the proposed consent order was published in the "Federal Register" on July 27, 1994, and the DOE will accept comments regarding the proposed consent order for thirty days from publication, after which time the agency will determine whether to adopt the proposed consent order as a final action. Under any circumstances, the Company believes that adequate accruals have been made.

In the normal course of its business activities, the Company is required under certain contracts with various governmental authorities and others to provide letters of credit that may be drawn upon if the Company fails to perform under those contracts. At June 30, 1994, letters of credit outstanding amounted to \$59.7 million.





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)

NOTE D - BUSINESS SEGMENTS

(Millions of Dollars)	Three Months Ended June 30, 1994		Three Months Ended June 30, 1993	
	Revenues	Income	Revenues	Income
<b>Petroleum</b>				
Exploration and production*				
United States . . . . .	\$ 54.7	6.9	65.4	10.7
Canada . . . . .	31.2	5.4	18.7	2.9
United Kingdom . . . . .	23.6	.8	11.3	.7
Other international . . . . .	5.3	1.6	4.9	(3.1)
	-----	-----	-----	-----
	114.8	14.7	100.3	11.2
	-----	-----	-----	-----
Refining, marketing, and transportation				
United States . . . . .	219.5	.8	261.0	3.5
Western Europe . . . . .	79.6	.5	54.2	1.8
Canada . . . . .	6.6	1.9	8.7	3.0
	-----	-----	-----	-----
	305.7	3.2	323.9	8.3
	-----	-----	-----	-----
	420.5	17.9	424.2	19.5
Intrasegment transfers elimination . . . . . (15.4)				
	-----	-----	-----	-----
Total petroleum . . . . .	405.1	17.9	405.5	19.5
Farm, timber, and real estate - United States . . . . . 22.5 5.4 16.0 3.6				
Corporate and other . . . . .	7.2	(2.2)	8.8	(.4)
	-----	-----	-----	-----
Revenues/income before unusual or infrequently occurring items . . . . .	434.8	21.1	430.3	22.7
Refund and settlement of income tax matters . . . . .	-	6.4	-	-
	-----	-----	-----	-----
	\$434.8	27.5	430.3	22.7
	=====	=====	=====	=====

(Millions of Dollars)	Six Months Ended June 30, 1994		Six Months Ended June 30, 1993	
	Revenues	Income	Revenues	Income
<b>Petroleum</b>				
Exploration and production*				
United States . . . . .	\$115.4	14.6	121.8	17.7
Canada . . . . .	56.7	4.8	35.5	3.3
United Kingdom . . . . .	44.1	1.4	25.7	1.5
Other international . . . . .	8.2	2.5	10.1	(2.9)
	-----	-----	-----	-----
	224.4	23.3	193.1	19.6
	-----	-----	-----	-----
Refining, marketing, and transportation				
United States . . . . .	428.9	9.5	480.1	.4
Western Europe . . . . .	146.8	1.2	126.1	3.7
Canada . . . . .	13.1	3.6	16.0	5.3
	-----	-----	-----	-----
	588.8	14.3	622.2	9.4
	-----	-----	-----	-----
	813.2	37.6	815.3	29.0
Intrasegment transfers elimination . . . . . (27.1)				
	-----	-----	-----	-----
Total petroleum . . . . .	786.1	37.6	780.0	29.0
Farm, timber, and real estate - United States . . . . . 45.9 12.7 32.4 7.5				
Corporate and other . . . . .	12.3	(5.5)	16.4	(1.2)
	-----	-----	-----	-----
Revenues/income before unusual or infrequently occurring				

items . . . . .	844.3	44.8	828.8	35.3
Refund and settlement of income tax matters . . . . .	-	6.4	-	11.3
Cumulative effect of changes in accounting principles for Income taxes . . . . .	-	-	-	31.8
Postretirement benefits other than pensions, net of taxes . . . . .	-	-	-	(16.5)
	-----	-----	-----	-----
	\$844.3	51.2	828.8	61.9
	=====	=====	=====	=====

\*Additional details are presented in the tables on page 11.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1994 COMPARED WITH THREE MONTHS ENDED JUNE 30, 1993

Net income for the second quarter of 1994 totaled \$27.5 million, \$.61 a share, compared to \$22.7 million, \$.51 a share, earned in the second quarter of 1993. The current quarter included a benefit of \$6.4 million, \$.14 a share, for settlement of certain income tax matters in the U.K.

Excluding unusual items, earnings were \$21.1 million, \$.47 a share, in the current quarter. Exploration and production earnings were up 31 percent and benefited from new sources of crude oil and gas liquids production and lower exploration expenses, partially offset by the effect of generally lower crude oil prices in all operating areas and lower U.S. natural gas prices. In addition, earnings from farm, timber, and real estate increased 50 percent compared to the second quarter of 1993, as results from improved timber operations more than offset lower residential lot sales, which were down from the record quarter level established a year ago. Earnings from downstream operations declined 61 percent in the current quarter; U.S. operations were down because of lower unit margins and a reduction in sales of refined products due to a planned turnaround at the Superior refinery. In West European markets, unit margins also declined while sales volumes were up from the second quarter of 1993, which reflected a 38-day turnaround of the Milford Haven refinery. Results from corporate activities were unfavorable to last year, primarily reflecting lower income from interest and miscellaneous sources.

Exploration and production operations earned \$14.7 million in the second quarter of 1994 compared to \$11.2 million a year earlier. U.S. operations earned \$6.9 million, down from \$10.7 million a year ago, while international operations earned \$7.8 million compared to \$.5 million in the second quarter of 1993. The Company's crude oil and gas liquids sales prices averaged \$15.73 a barrel in the U.S. and \$15.98 in the U.K., each down 11 percent. In Canada, sales prices averaged \$14.38 a barrel for light oil, down eight percent, and \$11.16 for heavy oil, up one percent. The average sales price for synthetic oil from the Company's five-percent interest in the Canadian Syncrude project, acquired in late 1993, was \$16.64 a barrel. Total crude oil and gas liquids production averaged 48,904 barrels a day compared to 34,565 in the second quarter of 1993. U.K. production more than doubled - production from Block 16/17 ("T" Block), which commenced in late 1993, and an increased interest acquired in the Ninian field effective January 1, 1994, accounted for the increase. Production of synthetic oil in Canada was affected by a planned turnaround in April and averaged 8,050 barrels a day in the second quarter of 1994. Murphy's average natural gas sales price in the U.S. was \$1.97 a thousand cubic feet (MCF) in the second quarter of 1994 compared to \$2.21 a year ago, down 11 percent. The average natural gas sales price in Canada increased from \$1.19 an MCF a year ago to \$1.51, up 27 percent. In Spain, the price averaged \$2.42 an MCF, a decrease of 12 percent. U.K. prices averaged \$2.39 an MCF compared to \$2.33 a year ago. Total natural gas sales averaged 262,881 MCF a day in the current quarter compared to 262,630 in the second quarter of 1993. Sales of natural gas in the U.S. averaged 205,542 MCF a day, down three percent from a year ago, while sales increased in the U.K. and Spain. Exploration expenses totaled \$8.2 million in the current quarter compared to \$12.3 million a year ago, including \$3.1 million and \$5.1 million, respectively, in international operations. During the current quarter, the Company logged and cored a potentially producible natural gas accumulation in a well drilled on Mobile Block 908. The cost of the well, \$14.4 million, has been capitalized pending further evaluation, which includes the results of a well currently in progress on nearby Mobile Block 863. Supporting tables on page 11 provide additional details of the results of exploration and production operations for the second quarter of each year.

Earnings from refining, marketing, and transportation operations declined from \$8.3 million in the second quarter of 1993 to \$3.2 million in the current quarter. U.S. operations earned \$.8 million compared to \$3.5 million a year ago. Operations in Western Europe earned \$.5 million, down from \$1.8 million a year ago. Profits from purchasing, transporting, and reselling crude oil in Canada were \$1.9 million in the current quarter compared to \$3 million in the second quarter of 1993, with the

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD.)

### RESULTS OF OPERATIONS (CONTD.)

decline due primarily to lower crude trading margins. Refinery crude runs were 141,933 barrels a day compared to 133,894 in the second quarter of 1993. Refined product sales were 161,378 barrels a day, up from 147,179 a year ago.

Earnings from farm, timber, and real estate operations increased from \$3.6 million in the second quarter of 1993 to \$5.4 million in the current quarter, with timber operations contributing \$4.5 million, an increase of 112 percent over the prior year. Sawtimber harvested increased from 7.7 million board feet to 13.7 million in the current quarter, and the average sales price was up 19 percent. Lumber sales increased 38 percent, and average lumber prices were up six percent. Thirty-two lots were sold at the Chenal Valley development in western Little Rock during the second quarter of 1994 compared to 84 a year ago.

Corporate functions reflected a loss of \$2.2 million in the current quarter compared to a loss of \$.4 million in the second quarter of 1993.

### SIX MONTHS ENDED JUNE 30, 1994 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1993

The Company's net income for the six months ended June 30, 1994 was \$51.2 million, \$1.14 a share, compared to \$61.9 million, \$1.38 a share, in 1993. Earnings for the first six months of 1994 included the previously discussed benefit of \$6.4 million, \$.14 a share, for settlement of U.K. tax matters. Unusual items included in the Company's net income for the six months ended June 30, 1993 were benefits of \$11.3 million, \$.25 a share, from refund of U.K. income taxes, and \$15.3 million, \$.34 a share, from recording the cumulative effect of accounting changes adopted effective January 1, 1993.

Excluding the unusual items, earnings for the first six months of 1994 totaled \$44.8 million, \$1.00 a share, compared to \$35.3 million, \$.79 a share, for the first half of 1993. All operating segments registered improved earnings over those for the prior year. The largest increase both in absolute dollars and on a percentage basis was in farm, timber, and real estate operations, which were up a total of \$5.2 million, or 69 percent, due to higher volumes and prices for both timber and lumber. Earnings from refining, marketing, and transportation increased 52 percent, as the effect of higher average unit margins in the U.S. more than offset lower unit margins and higher marketing costs in Western Europe and lower earnings from crude oil trading activities in Canada. Exploration and production income was up 19 percent, as the effects of new sources of crude oil and gas liquids production, higher natural gas prices, and lower exploration expenses were only partially offset by lower crude oil prices. Results from corporate activities were unfavorable due primarily to lower income from interest and miscellaneous revenues.

Earnings from exploration and production for the first six months of 1994 were \$23.3 million compared to \$19.6 million a year earlier. U.S. operations earned \$14.6 million, down from \$17.7 million in the first half of 1993, and international operations earned \$8.7 million compared to \$1.9 million a year ago. Total crude oil and gas liquids production averaged 47,893 barrels a day compared to 33,498 in the first six months of 1993. Production of synthetic oil from Murphy's interest in the Canadian Syncrude project, acquired in late 1993, averaged 8,701 barrels a day in the first half of 1994. U.K. crude production of 12,936 barrels a day in 1994 more than doubled that of the first six months of 1993; the increase was due to production from the "T" Block, which started up in late 1993, and the acquisition of an additional interest in the Ninian field effective January 1, 1994. Crude production decreased 670 barrels a day in the U.S., 447 for other oil produced in Canada, and 287 in other international areas. The Company's crude oil and gas liquids sales prices averaged \$14.34 a barrel in the U.S. and \$15.00 in the U.K., decreases of 19 percent and 17 percent, respectively. In Canada, sales prices averaged \$12.89 a barrel

for light oil and \$9.16 for heavy oil, down 16 percent and 13 percent, respectively. The sales price for Canadian synthetic oil averaged \$14.77 a barrel in the first half of 1994. Murphy's average natural gas sales price in the U.S. was \$2.13 an MCF in the first six months of 1994 compared to \$2.02 a year ago, an increase of five percent. Natural gas sales prices averaged \$1.55 an MCF in Canada and \$2.39 in the U.K., increases of 36 percent and six percent,

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD.)

RESULTS OF OPERATIONS (CONTD.)

respectively. In Spain, the price averaged \$2.40 an MCF, a decrease of 11 percent from a year ago. Total natural gas sales increased one percent to 274,202 MCF a day, with a three-percent increase in U.S. sales nearly offset by slightly lower sales in Canada and the U.K. Exploration expenses totaled \$20.1 million, down \$4 million from the first half of 1993. Supporting tables on page 11 provide additional details of the results of exploration and production operations for the first six months of each year.

Refining, marketing, and transportation operations earned \$14.3 million in the first six months of 1994 compared to \$9.4 million a year earlier. U.S. operations improved from \$.4 million in the first six months of 1993 to \$9.5 million as lower crude costs strengthened margins on most products. Operations in Western Europe earned \$1.2 million, down from \$3.7 million a year ago; the average unit margin declined 36 percent and marketing costs increased while sales volume was up 46 percent. Profits from purchasing, transporting, and reselling crude oil in Canada were \$3.6 million in the first half of 1994 compared to \$5.3 million in 1993, with the decline due mostly to lower crude trading margins. Refinery crude runs were 146,637 barrels a day compared to 133,252 in the first six months of 1993. Refined product sales were 160,285 barrels a day, up from 145,548 a year ago.

Earnings from farm, timber, and real estate operations increased from \$7.5 million in the first six months of 1993 to \$12.7 million in the current six months. Timber operations contributed \$11.3 million, an increase of 92 percent over the prior year. Harvested sawtimber increased from 19.7 million board feet in the first six months of 1993 to 34.2 million in the first half of 1994, and the average sales price was up 15 percent. Lumber prices and sawmill margins were also up. Seventy-five lots were sold at the Chenal Valley development in western Little Rock during the first six months of 1994 compared to 95 a year ago.

Corporate functions for the first six months reflected losses of \$5.5 million in 1994 and \$1.2 million in 1993. The variance was primarily due to lower interest income, as the level of funds available for investment during the first half of 1993 was reduced later in the year by expenditures to acquire oil and gas properties.

FINANCIAL CONDITION

Cash provided by operating activities was \$163.5 million for the first six months of 1994 compared to \$136.4 million for the same period in 1993. Net increases in operating working capital other than cash and cash equivalents reduced cash by \$17.4 million in 1994 and \$40.1 million in 1993. The 1994 amount also reflected net recoveries of \$13.8 million on an insurance claim to repair 1992 hurricane damage, whereas the 1993 amount was reduced by net expenditures of \$14.9 million to repair the hurricane damage. Predominant uses of funds in both years were for capital expenditures (which, including amounts expensed, are summarized in the following table) and payment of dividends. Capital expenditures for exploration and production in 1993 included \$100 million for the acquisition of an 8.52-percent interest in the U.K. North Sea "T" Block.

(Millions of dollars)	1994	1993
Exploration and production . . . . .	\$ 147.7	224.3
Refining . . . . .	34.6	33.6
Marketing . . . . .	6.6	5.4
Transportation . . . . .	1.1	1.3
Farm, timber, and real estate . . . . .	3.7	4.2
Other . . . . .	3.1	2.9
	-----	-----
	\$ 196.8	271.7



Working capital at June 30, 1994 was \$107.6 million, down \$22.6 million from December 31, 1993. This level of working capital does not fully reflect the Company's liquidity position, because the lower historical costs assigned to inventories under LIFO accounting were \$69.3 million below current costs at June 30, 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD.)

FINANCIAL CONDITION (CONTD.)

At June 30, 1994, nonrecourse debt of a subsidiary was \$108.1 million, an increase of \$20.6 million during the first six months of 1994 for additional project financing. Notes payable and other long-term obligations of \$21.8 million remained virtually unchanged. A summary of capital employed at June 30, 1994 and December 31, 1993 follows.

(Millions of dollars)	1994		1993	
	Amount	%	Amount	%
Notes payable and other long-term obligations.....	\$ 21.8	2	21.7	2
Nonrecourse debt of a subsidiary.....	108.1	8	87.5	6
Stockholders' equity.....	1,242.3	90	1,222.4	92
	-----	---	-----	---
	\$1,372.2	100	1,331.6	100
	=====	===	=====	===

## OIL AND GAS OPERATING RESULTS\*

(Millions of dollars)	United States	United Canada	King- dom Other	Synthetic Sub- total	Oil- Canada	Total
THREE MONTHS ENDED						
JUNE 30, 1994						
Revenues	\$ 54.7	19.0	23.6	5.3	102.6	114.8
Production costs	14.4	5.5	8.1	2.4	30.4	39.4
Depreciation, depletion, and amortization	23.2	5.1	10.7	.6	39.6	40.7
Exploration expenses						
Dry hole costs	1.5	.2	-	-	1.7	1.7
Geological and geophysical costs	.7	.6	.7	.3	2.3	2.3
Other costs	.8	.2	.3	.1	1.4	1.4
Undeveloped lease amortization	3.0	1.0	1.0	.4	5.4	5.4
	2.1	.7	-	-	2.8	2.8
Total exploration expenses	5.1	1.7	1.0	.4	8.2	8.2
Other items, net	.6	.9	.9	.3	2.7	2.8
Income tax provision	4.5	1.7	2.1	-	8.3	9.0
Results of operations (excluding corporate overhead and interest)	\$ 6.9	4.1	.8	1.6	13.4	14.7
THREE MONTHS ENDED						
JUNE 30, 1993						
Revenues	\$ 65.4	18.7	11.3	4.9	100.3	100.3
Production costs	14.2	6.4	5.5	2.5	28.6	28.6
Depreciation, depletion, and amortization	23.5	5.2	3.3	1.2	33.2	33.2
Exploration expenses						
Dry hole costs	3.7	.2	-	3.6	7.5	7.5
Geological and geophysical costs	.4	.2	-	.1	.7	.7
Other costs	.8	.1	.1	.2	1.2	1.2
Undeveloped lease amortization	4.9	.5	.1	3.9	9.4	9.4
	2.3	.6	-	-	2.9	2.9
Total exploration expenses	7.2	1.1	.1	3.9	12.3	12.3
Other items, net	2.9	1.3	.9	.4	5.5	5.5
Income tax provision	6.9	1.8	.8	-	9.5	9.5
Results of operations (excluding corporate overhead and interest)	\$ 10.7	2.9	.7	(3.1)	11.2	11.2

## SIX MONTHS ENDED

JUNE 30, 1994						
Revenues	\$115.4	33.4	44.1	8.2	201.1	224.4
Production costs	27.6	11.5	15.5	3.5	58.1	77.4
Depreciation,						

depletion, and amortization	49.2	10.0	19.8	.8	79.8	2.4	82.2
Exploration expenses							
Dry hole costs	2.7	1.7	1.9	-	6.3	-	6.3
Geological and geophysical costs	3.2	1.3	.7	.4	5.6	-	5.6
Other costs	1.4	.4	.7	.3	2.8	-	2.8
	7.3	3.4	3.3	.7	14.7	-	14.7
Undeveloped lease amortization	4.1	1.3	-	-	5.4	-	5.4
Total exploration expenses	11.4	4.7	3.3	.7	20.1	-	20.1
Other items, net	2.7	1.9	1.6	.7	6.9	.1	7.0
Income tax provision	9.9	1.5	2.5	-	13.9	.5	14.4
Results of operations (excluding corporate overhead and interest)	\$ 14.6	3.8	1.4	2.5	22.3	1.0	23.3

SIX MONTHS ENDED

JUNE 30, 1993

Revenues	\$121.8	35.5	25.7	10.1	193.1	-	193.1
Production costs	27.8	12.3	10.6	5.0	55.7	-	55.7
Depreciation, depletion, and amortization	45.6	10.8	7.7	2.7	66.8	-	66.8
Exploration expenses							
Dry hole costs	6.6	1.8	-	3.6	12.0	-	12.0
Geological and geophysical costs	1.7	1.1	.6	.1	3.5	-	3.5
Other costs	1.0	.3	.4	.5	2.2	-	2.2
	9.3	3.2	1.0	4.2	17.7	-	17.7
Undeveloped lease amortization	4.6	1.4	-	.4	6.4	-	6.4
Total exploration expenses	13.9	4.6	1.0	4.6	24.1	-	24.1
Other items, net	5.5	2.4	1.9	.7	10.5	-	10.5
Income tax provision	11.3	2.1	3.0	-	16.4	-	16.4
Results of operations (excluding corporate overhead and interest)	\$ 17.7	3.3	1.5	(2.9)	19.6	-	19.6

\*Excludes unusual or infrequently occurring items.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

- (a) The information contained in Note C to the Consolidated Financial Statements, page 5 of this report, concerning certain legal proceedings in which the Company is involved, is incorporated herein by reference.
- (b) One of the Company's subsidiaries, Murphy Oil USA, Inc., owns and operates two oil refineries in the U.S. This subsidiary is a defendant in three governmental actions that (1) seek monetary sanctions of \$100,000 or more, and (2) arise under enacted provisions that regulate the discharge of materials into the environment or have the purpose of protecting the environment. These actions individually or in the aggregate are not material to the financial condition of the Company.
- (c) The Company and its subsidiaries are engaged in a number of other legal proceedings, all of which the Company considers routine and incidental to its business and none of which is material as defined.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the annual meeting of security holders on May 11, 1994, the directors proposed by management were elected with a tabulation of shares as shown below.

	For	Withheld
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B. R. R. Butler	39,682,272	272,727
Claiborne P. Deming	39,682,259	272,740
H. Rodes Hart	39,593,736	361,263
Vester T. Hughes Jr.	39,598,394	356,605
Jack W. McNutt	39,599,339	355,660
C. H. Murphy Jr.	39,682,156	272,843
Michael W. Murphy	39,682,173	272,826
R. Madison Murphy	39,682,373	272,626
William C. Nolan Jr.	39,599,134	355,865
Caroline G. Theus	39,599,160	355,839
Lorne C. Webster	39,682,262	272,737

In addition, the earlier appointment of KPMG Peat Marwick by the Board of Directors as independent auditors for 1994 was ratified with 39,878,637 shares voted in favor, 24,606 shares voted in opposition, and 51,756 shares not voted.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits - Not applicable
- (b) No reports on Form 8-K have been filed for the quarter covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MURPHY OIL CORPORATION  
(Registrant)

By /s/ Ronald W. Herman

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Ronald W. Herman, Controller  
(Chief Accounting Officer and Duly  
Authorized Officer)

August 11, 1994  
(Date)