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, 2005

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)**

(870) 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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Number of shares of Common Stock, $1.00 par value, outstanding at June 30, 2005 was **184,430,478.**

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars)

	(Unaudited) June 30, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 507,733	535,525
Short-term investments in marketable securities	—	17,892
Accounts receivable, less allowance for doubtful accounts of $13,693 in 2005 and $13,962 in 2004	892,351	702,933
Inventories, at lower of cost or market		
Crude oil and blend stocks	73,383	71,010
Finished products	169,753	155,295
Materials and supplies	71,920	69,540
Prepaid expenses	30,869	45,771
Deferred income taxes	33,887	31,397
Total current assets	1,779,896	1,629,363
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of $2,250,260 in 2005 and $2,933,214 in 2004	3,918,469	3,685,594
Goodwill, net	42,667	43,582
Deferred charges and other assets	112,933	99,704
Total assets	$5,853,965	5,458,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 31,414	50,727
Accounts payable and accrued liabilities	1,029,314	912,329
Income taxes	218,673	241,935
Total current liabilities	1,279,401	1,204,991
Notes payable	597,825	597,735
Nonrecourse debt of a subsidiary	11,048	15,620
Deferred income taxes	541,526	577,043
Asset retirement obligations	167,299	201,932
Accrued major repair costs	41,326	44,246
Deferred credits and other liabilities	177,149	167,520
Stockholders' equity		
Cumulative Preferred Stock, par $100, authorized 400,000 shares, none issued	—	—
Common Stock, par $1.00, authorized 450,000,000 shares at June 30, 2005 and 200,000,000 shares at December 31, 2004, issued 186,828,618 shares at June 30, 2005 and 94,613,379 shares at December 31, 2004	186,829	94,613
Capital in excess of par value	434,954	511,045
Retained earnings	2,400,469	1,981,020
Accumulated other comprehensive income	100,000	134,509
Unamortized restricted stock awards	(21,348)	(4,738)
Treasury stock, 2,398,140 shares of Common Stock in 2005 and 2,578,002 shares in 2004, at cost	(62,513)	(67,293)
Total stockholders' equity	3,038,391	2,649,156
Total liabilities and stockholders' equity	$5,853,965	5,458,243

See Notes to Consolidated Financial Statements, page 6.

The Exhibit Index is on page 29.

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,	
	2005	2004*	2005	2004*
REVENUES				
Sales and other operating revenues	$ 2,771,712	2,097,018	5,175,713	3,725,206
Gain on sale of assets	171,613	1,593	171,924	30,800
Interest and other income	6,617	7,114	17,177	9,413
Total revenues	2,949,942	2,105,725	5,364,814	3,765,419
COSTS AND EXPENSES				
Crude oil product purchases	1,966,451	1,517,135	3,755,995	2,696,022
Operating expenses	226,787	180,026	430,430	348,436
Exploration expenses, including undeveloped lease amortization	40,010	23,209	110,305	72,358
Selling and general expenses	40,459	33,194	76,764	63,875
Depreciation, depletion and amortization	109,039	82,714	213,793	162,910
Accretion of asset retirement obligations	2,493	2,467	5,132	4,974
Interest expense	11,501	14,179	23,537	28,467
Interest capitalized	(8,755)	(4,814)	(16,322)	(9,066)
Total costs and expenses	2,387,985	1,848,110	4,599,634	3,367,976
Income from continuing operations before income taxes	561,957	257,615	765,180	397,443
Income tax expense	214,164	89,480	304,234	148,612
Income from continuing operations	347,793	168,135	460,946	248,831
Income from discontinued operations, net of tax	—	181,738	—	199,281
NET INCOME	$ 347,793	349,873	460,946	448,112
INCOME PER COMMON SHARE – BASIC				
Income from continuing operations	$ 1.89	.91	2.51	1.35
Income from discontinued operations	—	.99	—	1.09
NET INCOME – BASIC	$ 1.89	1.90	2.51	2.44
INCOME PER COMMON SHARE – DILUTED				
Income from continuing operations	$ 1.85	.90	2.46	1.33
Income from discontinued operations	—	.97	—	1.07
NET INCOME – DILUTED	$ 1.85	1.87	2.46	2.40
Average common shares outstanding – basic	183,903,885	183,989,400	183,902,337	183,915,930
Average common shares outstanding – diluted	187,682,605	186,682,352	187,586,344	186,506,134

* Reclassified to conform to 2005 presentation.

See Notes to Consolidated Financial Statements, page 6.

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(Thousands of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net income	$347,793	349,873	460,946	448,112
Other comprehensive income (loss), net of tax				
Cash flow hedges				
Net derivative gains (losses)	(5,334)	1,980	(19,301)	4,368
Reclassification adjustments	(415)	(2,366)	(704)	(5,474)
Total cash flow hedges	(5,749)	(386)	(20,005)	(1,106)
Net loss from foreign currency translation	(13,653)	(8,555)	(14,504)	(13,423)
COMPREHENSIVE INCOME	$328,391	340,932	426,437	433,583

See Notes to Consolidated Financial Statements, page 6.

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Thousands of dollars)

	Six Months Ended June 30,	
	2005	**2004**
OPERATING ACTIVITIES		
Income from continuing operations	$ 460,946	248,831
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Depreciation, depletion and amortization	213,793	162,910
Provisions for major repairs	19,639	15,177
Expenditures for major repairs and asset retirements	(27,798)	(8,989)
Dry hole costs	60,071	50,596
Amortization of undeveloped leases	12,107	7,608
Accretion of asset retirement obligations	5,132	4,974
Deferred and noncurrent income tax charges	3,774	47,690
Pretax gains from disposition of assets	(171,924)	(30,800)
Net increase in operating working capital other than cash and cash equivalents	(102,494)	(1,848)
Other	(20,879)	(1,265)
Net cash provided by continuing operations	452,367	494,884
Net cash provided by discontinued operations	—	60,272
Net cash provided by operating activities	452,367	555,156
INVESTING ACTIVITIES		
Property additions and dry hole costs	(576,402)	(398,148)
Proceeds from sales of assets	160,421	40,671
Proceeds from maturities of marketable securities	17,892	—
Other – net	(6,259)	(1,302)
Investing activities of discontinued operations:		
Sales proceeds	—	582,675
Other	—	(13,529)
Net cash provided (required) by investing activities	(404,348)	210,367
FINANCING ACTIVITIES		
Decrease in notes payable	(19,233)	(27,549)
Decrease in nonrecourse debt of a subsidiary	(4,193)	(20,899)
Proceeds from exercise of stock options and employee stock purchase plans	337	1,886
Cash dividends paid	(41,497)	(36,794)
Other	(1,052)	—
Net cash used in financing activities	(65,638)	(83,356)
Effect of exchange rate changes on cash and cash equivalents	(10,173)	12,417
Net increase (decrease) in cash and cash equivalents	(27,792)	694,584
Cash and cash equivalents at January 1	535,525	252,425
Cash and cash equivalents at June 30	$ 507,733	947,009
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Cash income taxes paid, net of refunds	$ 265,641	96,988
Interest paid, net of amounts capitalized	6,456	18,357

See Notes to Consolidated Financial Statements, page 6.

Murphy Oil Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

(Thousands of dollars)

	Six Months Ended June 30,	
	2005	2004
Cumulative Preferred Stock – par $100, authorized 400,000 shares, none issued	—	—
Common Stock – par $1.00, authorized 450,000,000 shares at June 30, 2005 and 200,000,000 shares at June 30, 2004, issued 186,828,618 shares at June 30, 2005 and 94,613,379 shares at June 30, 2004		
Balance at beginning of period	$ 94,613	94,613
Two-for-one stock split effective June 3, 2005	92,216	—
Balance at end of period	186,829	94,613
Capital in Excess of Par Value		
Balance at beginning of period	511,045	504,809
Exercise of stock options, including income tax benefits	—	229
Restricted stock transactions and other	15,909	4,057
Sale of stock under employee stock purchase plans	216	499
Two-for-one stock split effective June 3, 2005	(92,216)	—
Balance at end period	434,954	509,594
Retained Earnings		
Balance at beginning of period	1,981,020	1,357,910
Net income for the period	460,946	448,112
Cash dividends	(41,497)	(36,794)
Balance at end of period	2,400,469	1,769,228
Accumulated Other Comprehensive Income		
Balance at beginning of period	134,509	65,246
Foreign currency translation losses, net of income taxes	(14,504)	(13,423)
Cash flow hedging losses, net of income taxes	(20,005)	(1,106)
Balance at end of period	100,000	50,717
Unamortized Restricted Stock Awards		
Balance at beginning of period	(4,738)	—
Stock awards	(16,344)	(5,160)
Amortization, forfeitures and changes in price of Common Stock	(266)	(319)
Balance at end of period	(21,348)	(5,479)
Treasury Stock		
Balance at beginning of period	(67,293)	(71,695)
Exercise of stock options	—	980
Sale of stock under employee stock purchase plans	121	396
Awarded restricted stock, net of forfeitures	4,659	2,226
Balance at end of period	(62,513)	(68,093)
Total Stockholders' Equity	$3,038,391	2,350,580

See notes to consolidated financial statements, page 6.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of the financial statements of Murphy Oil Corporation and Consolidated Subsidiaries (Murphy/the Company) on pages 1 through 5 of this Form 10-Q report.

Note A – Interim Financial Statements

The consolidated financial statements of the Company presented herein have not been audited by independent auditors, except for the Consolidated Balance Sheet at December 31, 2004. In the opinion of Murphy's management, the unaudited financial statements presented herein include all accruals necessary to present fairly the Company's financial position at June 30, 2005, and the results of operations and cash flows for the three-month and six-month periods ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States. In preparing the financial statements of the Company in conformity with accounting principles generally accepted in the United States of America, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from the estimates.

Financial statements and notes to consolidated financial statements included in this Form 10-Q report should be read in conjunction with the Company's 2004 Form 10-K report, as certain notes and other pertinent information have been abbreviated or omitted in this report. Financial results for the six months ended June 30, 2005 are not necessarily indicative of future results.

Note B – Discontinued Operations

The Company sold most of its Western Canadian conventional oil and gas assets (sale properties) in the second quarter 2004 for net proceeds of $583 million. At the time of the sale, the sale properties produced about 20,000 barrels of oil equivalent per day. The operating results from the sale properties have been reported as discontinued operations in 2004.

The following table reflects the results of operations from the sale properties including the 2004 gain on sale.

(Thousands of dollars)	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
Revenues, including a pretax gain on sale of assets of $190,390	$ 217,256	269,972
Income before income tax expense	209,214	238,083
Income tax expense	27,476	38,802

Note C – Property, Plant and Equipment

In June 2005, the Company completed the sale of mature oil and natural gas properties on the continental shelf of the Gulf of Mexico for a sale price of approximately $156.3 million after operating adjustments. Total net production from the properties sold amounted to approximately 4,000 barrels of oil equivalent per day during the six-month period ended June 30, 2005, and total net proved reserves at December 31, 2004 were 35.8 billion cubic feet of gas and 1.5 million barrels of oil. The assets sold had a net book value of $33.5 million and an associated asset retirement obligation liability of $44.8 million. The Company recorded a gain before income taxes of approximately $168.9 million on this transaction, which is included in Gain on Sale of Assets on the Consolidated Statement of Income.

During the six months ended June 30, 2004, the Company reported before tax gains of $30.8 million on sale of assets. The primary assets sold were certain natural gas fields onshore U.S. and all but one of the Company's jointly owned marketing terminals in the United States.

The Financial Accounting Standards Board (FASB) has issued FASB Staff Position (FSP) 19-1 to provide guidance on the accounting for exploratory well costs and to amend Statement of Financial Accounting Standards (SFAS) No. 19, Financial Accounting and Reporting by Oil and Gas Producing Companies. The guidance in FSP 19-1 applies to companies that use the successful efforts method of accounting as described in SFAS No. 19. This FSP clarifies that exploratory well costs should continue to be capitalized when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. The guidance in this FSP was applied beginning in April 2005. The guidance was applied prospectively to existing and newly-capitalized exploratory well costs. The adoption of this FSP did not have any effect on the Company's net income or financial condition.

Note C – Property, Plant and Equipment *(Contd.)*

At June 30, 2005, the Company had total capitalized drilling costs pending the determination of proved reserves of $226.3 million. The following table reflects the net changes in capitalized exploratory well costs during the six-month periods ended June 30, 2005 and 2004.

(Thousands of dollars)	2005	2004
Beginning balance at January 1	$106,105	158,034
Additions to capitalized exploratory well costs pending the determination of proved reserves	120,198	75,096
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	—	—
Capitalized exploratory well costs charged to expense or sold	—	(7,279)
Ending balance at June 30	$226,303	225,851

The following table provides an aging of capitalized exploratory well costs based on the date the drilling was completed and the number of projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling.

(Thousands of dollars)	2005	2004
Capitalized exploratory well costs capitalized for one year or less	$ 158,745	110,007
Capitalized exploratory well costs capitalized for more than one year but less than two years	55,393	115,844
Capitalized exploratory well costs capitalized for more than two years but less than three years	12,165	—
Balance at June 30	$ 226,303	225,851
Number of projects that have exploratory well costs that have been capitalized for one year or more	5	8

Note D – Employee and Retiree Pension and Postretirement Plans

The Company has defined benefit pension plans that are principally noncontributory and cover most full-time employees. All pension plans are funded except for the U.S. and Canadian nonqualified supplemental plans and the U.S. directors' plan. All U.S. tax qualified plans meet the funding requirements of federal laws and regulations. Contributions to foreign plans are based on local laws and tax regulations. The Company also sponsors unfunded health care and life insurance benefit plans that cover most retired U.S. employees. The health care benefits are contributory; the life insurance benefits are noncontributory.

Note D – Employee and Retiree Pension and Postretirement Plans *(Contd.)*

The table that follows provides the components of net periodic benefit expense for the three-month and six-month periods ended June 30, 2005 and 2004.

	Three Months Ended June 30,			
	2005	2004	2005	2004
(Thousands of dollars)	Pension Benefits		Postretirement Benefits	
Service cost	$ 2,471	2,315	494	316
Interest cost	5,274	4,929	933	856
Expected return on plan assets	(5,006)	(4,726)	—	—
Amortization of prior service cost	67	(68)	(71)	(180)
Amortization of transitional asset	(1)	101	—	—
Recognized actuarial loss	1,406	1,069	360	455
	4,211	3,620	1,716	1,447
Settlement gain	—	(534)	—	—
Net periodic benefit expense	$ 4,211	3,086	1,716	1,447

	Six Months Ended June 30,			
	2005	2004	2005	2004
(Thousands of dollars)	Pension Benefits		Postretirement Benefits	
Service cost	$ 4,579	4,677	940	678
Interest cost	9,629	9,889	1,774	1,838
Expected return on plan assets	(9,147)	(9,492)	—	—
Amortization of prior service cost	118	(139)	(135)	(386)
Amortization of transitional asset	(32)	203	—	—
Recognized actuarial loss	2,519	2,140	684	978
	7,666	7,278	3,263	3,108
Settlement gain	—	(534)	—	—
Net periodic benefit expense	$ 7,666	6,744	3,263	3,108

Murphy previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to make required and discretionary contributions totaling $12.1 million to its defined benefit pension plans and $2.9 million to its postretirement benefits plan during 2005. During the six-month period ended June 30, 2005, the Company made contributions of $9 million. Remaining funding in 2005 for the Company's domestic and foreign defined benefit pension and postretirement plans is currently anticipated to be $6 million.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) will provide prescription drug coverage under Medicare beginning in 2006. Generally, companies that provide qualifying prescription drug coverage that is deemed actuarially equivalent to medicare coverage for retirees aged 65 and above will be eligible to receive a federal subsidy equal to 28% of drug costs between $250 and $5,000 per annum for each covered individual that does not elect to receive coverage under the new prescription drug Medicare Part D. The Company currently provides prescription drug coverage to qualifying retirees under its retiree medical plan. The Company recognized $.7 million and $.4 million in estimated benefits related to the Act in the first half of 2005 and 2004, respectively.

Note E – Financing Arrangements

On June 14, 2005, Murphy entered into a five-year $1 billion committed credit facility, whereby the Company and certain wholly-owned subsidiaries may borrow funds from a major banking consortium. The new credit facility replaced two similar committed credit facilities with an aggregate borrowing capacity of $700 million. Borrowings under the new credit facility bear interest at prime or varying cost of fund options. Facility fees are due on the commitments. No amounts had been borrowed under this credit facility as of June 30, 2005.

Note F – Financial Instruments and Risk Management

Murphy utilizes derivative instruments to manage certain risks related to interest rates, commodity prices, and foreign currency exchange rates. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Company's senior management. The Company does not hold any derivatives for speculative purposes, and it does not use derivatives with leveraged or complex features. Derivative instruments are traded primarily with creditworthy major financial institutions or over national exchanges.

- *Natural Gas Fuel Price Risks* – The Company purchases natural gas as fuel at its Meraux, Louisiana and Superior, Wisconsin refineries, and as such, is subject to commodity price risk related to the purchase price of this gas. Murphy has hedged the cash flow risk associated with the cost of a portion of the natural gas it will purchase in 2005 and 2006 by entering into financial contracts known as natural gas swaps with a remaining notional volume as of June 30, 2005 of 1.4 million MMBTU (million British Thermal Units). Under the natural gas swaps, the Company pays a fixed rate averaging $3.35 per MMBTU and receives a floating rate in each month of settlement based on the average NYMEX price for the final three trading days of the month. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas requirements and to Murphy's natural gas swaps. The control system involves using analytical techniques, including various correlations of natural gas purchase prices to future prices, to estimate the impact of changes in natural gas fuel prices on Murphy's cash flows. The fair value of the effective portions of the natural gas swaps and changes thereto is deferred in Accumulated Other Comprehensive Income (AOCI) and is subsequently reclassified into Crude Oil and Product Purchases in the income statements in the periods in which the hedged natural gas fuel purchases affect earnings. During the six-month periods ended June 30, 2005 and 2004, the Company received approximately $2.3 million and $9.9 million, respectively, for maturing swap agreements. For the three-month and six-month periods ended June 30, 2005 and 2004, the income effect from cash flow hedging ineffectiveness for these contracts was insignificant.
- *Crude Oil Sales Price Risks* – The sales price of crude oil produced by the Company is subject to commodity price risk. Murphy has hedged the cash flow risk associated with the sales price for a portion of its Canadian heavy oil production during 2005 and 2006 by entering into forward sale contracts covering a notional volume of approximately 2,000 barrels per day in 2005 and 4,000 barrels per day in 2006. The Company will pay the average of the posted price for blended heavy oil at the Hardisty terminal in Canada for each month and receive at that location a fixed price of $29.00 per barrel in 2005 and $25.23 per barrel in 2006. Murphy has a risk management control system to monitor crude oil price risk attributable both to forecasted crude oil sales prices and to Murphy's hedging instruments. The control system involves using analytical techniques, including various correlations of crude oil sales prices to future prices, to estimate the impact of changes in crude oil prices on Murphy's cash flows from the sale of heavy crude oil. The fair values of the effective portions of the crude oil hedges and changes thereto are deferred in AOCI and are subsequently reclassified into Sales and Other Operating Revenues in the income statement in the periods in which the hedged crude oil sales affect earnings. In the first half of 2005, cash flow hedging ineffectiveness relating to the crude oil sales swaps reduced Murphy's after-tax earnings by less than $.1 million. During the six-month period ended June 30, 2005 the Company paid approximately $1.1 million for settlement of maturing forward sale contracts. The fair value of the crude oil sales swaps are based on the average fixed price of the instruments and the published NYMEX index futures price or crude oil price quotes from counterparties.
- *Interest Rate Risks* – When Murphy borrows under existing credit facilities, it enters into variable-rate debt obligations that expose the Company to the effects of changes in interest rates. To partially reduce its exposure to interest rate risk, Murphy had interest rate swap agreements with notional amounts totaling $30 million at June 30, 2004 to hedge fluctuations in cash flows of a similar amount of variable rate debt. The swaps matured in October 2004. Under the interest rate swaps, the Company paid fixed rates averaging 6.06% over their composite lives and received variable rates which averaged 1.16% at June 30, 2004. For the period ended June 30, 2004, the income effect from cash flow hedging ineffectiveness of interest rates was insignificant.

During the next twelve months, the Company expects to reclassify approximately $8.3 million in net after-tax losses from AOCI into earnings as the forecasted transactions covered by hedging instruments actually occur. All forecasted transactions currently being hedged are expected to occur by December 2006.

Note G – Earnings per Share and Stock Options

Net income was used as the numerator in computing both basic and diluted income per Common share for the three-month and six-month periods ended June 30, 2005 and 2004. All share amounts and per share amounts for all periods reflect the two-for-one stock split effective June 3, 2005. The following table reconciles the weighted-average shares outstanding used for these computations.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Weighted-average shares)	**2005**	**2004**	**2005**	**2004**
Basic method	183,903,885	183,989,400	183,902,337	183,915,930
Dilutive stock options	3,778,720	2,692,952	3,684,007	2,590,204
Diluted method	187,682,605	186,682,352	187,586,344	186,506,134

There were no antidilutive options for the three-month and six-month periods ended June 30, 2005 and 2004.

The Company uses the intrinsic-value based method of accounting as prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations to account for its stock options. Under this method, the Company accrues costs of restricted stock and any stock option deemed to be variable in nature over the vesting/performance period and adjusts such costs for changes in the fair market value of Common Stock. No compensation expense is recorded for fixed stock options since all option prices have been equal to or greater than the fair market value of the Company's stock on the date of grant. The FASB has issued SFAS No. 123 (revised 2004), Share Based Payment, which replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123 (revised 2004) requires that the cost resulting from all share-based payment transactions be recognized as an expense in the financial statements using a fair-value-based measurement method over the periods that the awards vest. In April 2005, the Securities and Exchange Commission adopted a new rule allowing this statement implementation for the Company to be deferred until January 1, 2006. The Company is currently evaluating which fair value measurement method to use in 2006 and whether to use the modified retrospective application or modified prospective application upon adoption. Had the Company recorded compensation expense for stock options as prescribed by SFAS No. 123, net income and earnings per share for the three-month and six-month periods ended June 30, 2005 and 2004, would be the pro forma amounts shown in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars except per share data)	**2005**	**2004**	**2005**	**2004**
Net income – As reported	$347,793	349,873	460,946	448,112
Restricted stock compensation expense included in income, net of tax	1,412	317	2,573	511
Total stock-based compensation expense using fair value method for all awards, net of tax	(2,982)	(1,537)	(5,583)	(3,021)
Net income – Pro forma	$346,223	348,653	457,936	445,602
Net income per share – As reported, basic	$ 1.89	1.90	2.51	2.44
Pro forma, basic	1.88	1.89	2.49	2.42
As reported, diluted	1.85	1.87	2.46	2.40
Pro forma, diluted	1.84	1.87	2.44	2.39

In the first quarter 2005, the Company granted 935,000 options with an exercise price of $45.225 per share, and also granted 358,950 additional shares of performance-based and time-based restricted stock.

Note H – Accumulated Other Comprehensive Income

The components of Accumulated Other Comprehensive Income on the Consolidated Balance Sheets at June 30, 2005 and December 31, 2004 are presented in the following table.

(Thousands of dollars)	June 30, 2005	December 31, 2004
Foreign currency translation gain	$153,158	167,662
Cash flow hedging, net	(15,423)	4,582
Minimum pension liability, net	(37,735)	(37,735)
Accumulated other comprehensive income	$100,000	134,509

The effect of SFAS Nos. 133/138, Accounting for Derivative Investments and Hedging Activities, decreased AOCI for the six months ended June 30, 2005 by $20 million, net of $8.6 million in income taxes, and hedging ineffectiveness was not significant. The AOCI decrease in the first half of 2005 was primarily related to the change in fair value of blended heavy oil forward sales contracts described in Note F. Derivative instruments decreased AOCI for the six months ended June 30, 2004 by $1.1 million, net of $.6 million in income taxes, and hedging ineffectiveness increased income by $.3 million, net of $.1 million in income taxes.

Note I – Environmental Contingencies

In addition to being subject to numerous laws and regulations intended to protect the environment and/or impose remedial obligations, the Company is also involved in personal injury and property damage claims, allegedly caused by exposure to or by the release or disposal of materials manufactured or used in the Company's operations. The Company operates or has previously operated certain sites and facilities, including three refineries, five terminals, and approximately 80 service stations for which known or potential obligations for environmental remediation exist. In addition the Company operates or has operated numerous oil and gas fields that may require some form of remediation, which is generally provided for within the Company's asset retirement obligation liability.

The Company's liability for remedial obligations includes certain amounts that are based on anticipated regulatory approval for proposed remediation of former refinery waste sites. Although regulatory authorities may require more costly alternatives than the proposed processes, the cost of such potential alternative processes is not expected to exceed the accrued liability by a material amount.

The U.S. Environmental Protection Agency (EPA) currently considers the Company a Potentially Responsible Party (PRP) at two Superfund sites. The potential total cost to all parties to perform necessary remedial work at these sites may be substantial. Based on currently available information, the Company believes that it is a de minimis party as to ultimate responsibility at both Superfund sites. The Company has not recorded a liability for remedial costs on Superfund sites. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at the two sites or other Superfund sites. The Company believes that its share of the ultimate costs to clean-up the two Superfund sites will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

There is the possibility that environmental expenditures could be required at currently unidentified sites, and new or revised regulations could require additional expenditures at known sites. However, based on information currently available to the Company, the amount of future remediation costs to be incurred at known or currently unidentified sites is not expected to have a material adverse effect on its net income, financial condition or liquidity in a future period.

Note J – Other Contingencies

The Company's operations and earnings have been and may be affected by various forms of governmental action both in the United States and throughout the world. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; 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 the issuance of oil and gas or mineral leases; restrictions on drilling and/or production; laws and regulations intended for the promotion of safety and the protection and/or remediation of the environment; governmental support for other forms of energy; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, stockholders and others. Because governmental actions are often motivated by political considerations and 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 the actions may take or the effect such actions may have on the Company.

In December 2000, two of the Company's Canadian subsidiaries, Murphy Oil Company Ltd. (MOCL) and Murphy Canada Exploration Company (MCEC) as plaintiffs filed an action in the Court of Queen's Bench of Alberta seeking a constructive trust over oil and gas leasehold rights to Crown lands in British Columbia. The suit alleges that the defendants, The Predator Corporation Ltd. and Predator Energies Partnership (collectively Predator) and Ricks Nova Scotia Co. (Ricks), acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its partner. In January 2001, Ricks, representing an undivided 75% interest in the lands in question, settled its portion of the litigation by conveying its interest to the Company and its partner at cost. In 2001, Predator, representing the remaining undivided 25% of the lands in question, filed a counterclaim, as subsequently amended, against MOCL and MCEC and MOCL's President individually seeking compensatory damages of C$3.61 billion. In September 2004 the court summarily dismissed all claims against MOCL's president and all but C$356 million of the counterclaim against the Company; however, this dismissal order is currently on appeal. The Company believes that the counterclaim is without merit, that the amount of damages sought is frivolous and the likelihood of a material loss to the Company is remote. It is anticipated that a trial concerning the 25% disputed interest and any remaining issues will commence in 2006. While the litigation is in the discovery stage and no assurance can be given about the outcome, the Company does not believe that the ultimate resolution of this suit will have a material adverse effect on its net income, financial condition or liquidity in a future period. In the unlikely event that Predator were to prevail in its counterclaim in an amount approaching the damages sought, Murphy would incur a material expense in its consolidated statement of income and would have a material effect on its financial condition and liquidity.

On June 10, 2003, a fire severely damaged the Residual Oil Supercritical Extraction (ROSE) unit at the Company's Meraux, Louisiana refinery. The ROSE unit recovers feedstock from the heavy fuel oil stream for conversion into gasoline and diesel. Subsequent to the fire, numerous class action lawsuits have been filed seeking damages for area residents. All the lawsuits have been administratively consolidated into a single legal action in St. Bernard Parish, Louisiana, except for one such action which was filed in federal court. Additionally, individual residents of Orleans Parish, Louisiana, have filed an action in that venue. On May 5, 2004, plaintiffs in the consolidated action in St. Bernard Parish amended their petition to include a direct action against certain of the Company's liability insurers. In responding to this direct action, one of the Company's insurers, AEGIS, has raised lack of coverage as a defense. The Company believes that this contention lacks merit and has been advised by counsel that the applicable policy does provide coverage for the underlying incident. Because the Company believes that insurance coverage exists for this matter, it does not expect to incur any significant costs associated with the class action lawsuits. Accordingly, the Company continues to believe that the ultimate resolution of the June 2003 ROSE fire litigation will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

On March 5, 2002, two of the Company's subsidiaries filed suit in the Court of Queen's Bench, Alberta, against Enron Canada Corp. (Enron) to collect $2.1 million owed to Murphy under canceled gas sales contracts. On May 1, 2002, Enron counterclaimed for $19.8 million allegedly owed by Murphy under those same agreements. By an agreement entered into on May 4, 2005, the parties agreed to a compromise and settlement of the litigation with no admission of liability by either side. The resolution of this matter had an insignificant effect on the Company's net income and financial condition in the first half of 2005.

Note J – Other Contingencies (Contd.)

Murphy and its subsidiaries are engaged in a number of other legal proceedings, all of which Murphy considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of environmental and legal matters referred to in this note is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. At June 30, 2005, the Company had contingent liabilities of $8.5 million under a financial guarantee and $104.2 million on outstanding letters of credit. The Company has not accrued a liability in its balance sheet related to the guarantee and letters of credit because it believes that the likelihood of having these drawn is remote.

Note K – Business Segments

(Millions of dollars)	Total Assets at June 30, 2005	Three Months Ended June 30, 2005			Three Months Ended June 30, 2004		
		External Revenues	Inter-segment Revenues	Income (Loss)	External Revenues	Inter-segment Revenues	Income (Loss)
Exploration and production*							
United States	$ 894.5	366.8	—	187.9	131.7	—	47.7
Canada	1,385.4	179.0	14.7	78.6	130.9	17.6	64.5
United Kingdom	169.8	48.5	—	20.7	41.7	—	15.8
Ecuador	139.4	22.7	—	7.3	13.7	—	3.8
Malaysia	661.1	60.9	—	2.2	43.9	—	10.6
Other	34.5	.9	—	(6.8)	.6	—	(2.6)
Total	3,284.7	678.8	14.7	289.9	362.5	17.6	139.8
Refining and marketing							
North America	1,609.7	2,129.0	—	59.7	1,564.1	—	27.4
United Kingdom	388.4	135.5	—	7.7	172.0	—	12.1
Total	1,998.1	2,264.5	—	67.4	1,736.1	—	39.5
Total operating segments	5,282.8	2,943.3	14.7	357.3	2,098.6	17.6	179.3
Corporate and other	571.2	6.6	—	(9.6)	7.1	—	(11.2)
Total from continuing operations	5,854.0	2,949.9	14.7	347.7	2,105.7	17.6	168.1
Discontinued operations	—	—	—	—	—	—	181.8
Total	$ 5,854.0	2,949.9	14.7	347.7	2,105.7	17.6	349.9

(Millions of dollars)	Six Months Ended June 30, 2005			Six Months Ended June 30, 2004		
	External Revenues	Inter-segment Revenues	Income (Loss)	External Revenues	Inter-segment Revenues	Income (Loss)
Exploration and production*						
United States	$ 549.5	—	249.8	263.0	—	84.2
Canada	323.6	25.7	134.0	255.0	36.0	118.1
United Kingdom	88.8	—	37.7	80.1	—	29.6
Ecuador	43.0	—	12.5	30.1	—	6.7
Malaysia	123.0	—	11.9	69.5	—	6.6
Other	1.8	—	(31.1)	1.6	—	(4.2)
Total	1,129.7	25.7	414.8	699.3	36.0	241.0
Refining and marketing						
North America	3,887.4	—	51.4	2,751.9	—	16.9
United Kingdom	330.5	—	10.5	304.8	—	16.2
Total	4,217.9	—	61.9	3,056.7	—	33.1
Total operating segments	5,347.6	25.7	476.7	3,756.0	36.0	274.1
Corporate and other	17.2	—	(15.8)	9.4	—	(25.3)
Total from continuing operations	5,364.8	25.7	460.9	3,765.4	36.0	248.8
Discontinued operations	—	—	—	—	—	199.3
Total	$5,364.8	25.7	460.9	3,765.4	36.0	448.1

* Additional details about results of oil and gas operations are presented in the tables on page 20.

Note L – Accounting Matters

In October 2004 the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (the "Act") became law. The FASB issued FSP 109-1 in December 2004 to provide guidance on the application of SFAS No. 109, Accounting for Income Taxes, to the provision within the Act that will ultimately provide a tax deduction of up to 9% on qualified production activities. The tax deduction phases in at 3% beginning in 2005 and reaches 9% in 2010. FSP 109-1 concluded that the deduction should be accounted for as a special deduction in accordance with SFAS 109, whereby the tax benefit is recognized as realized, rather than as a one-time benefit due to a reduction of deferred tax liabilities. This FSP was effective upon issuance. The Company recorded a tax benefit of approximately $2.4 million in the six-month period ended June 30, 2005 related to the Act.

The EITF has issued EITF 03-13, Applying the Conditions in Paragraph 42 of SFAS No. 144 in Determining Whether to Report Discontinued Operations. The EITF generally believes that current practice with respect to applying the criteria in paragraph 42 of SFAS No. 144 has not been applied consistently and has not resulted in broadening the reporting of asset dispositions as discontinued operations. EITF 03-13 contains further guidance for evaluating the cash flows of the component sold and what constitutes significant continuing involvement. This standard must be applied to all asset disposal transactions occurring after January 1, 2005. In certain industries, EITF 03-13 may lead to more asset disposals being reported as discontinued operations in future periods. However, in the oil and gas industry, it may cause more asset disposals to continue to be classified as continuing operations due to clarification of what constitutes continuing involvement.

SFAS No. 151, Inventory Costs, was issued by the FASB in November 2004. This statement amends Accounting Research Bulletin No. 43 to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognized as current-period charges, and it also requires that allocation of fixed production overheads be based on the normal capacity of the related production facilities. The provisions of this statement will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

The FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29, in December 2004. This statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. The provisions of SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS No. 143. This interpretation clarifies the term conditional asset retirement obligation as used in SFAS No. 143 and when a company would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This interpretation is effective for fiscal years ending after December 15, 2005. The Company is currently evaluating whether the adoption of this interpretation will have any effect on its financial statements.

In March 2005, the Emerging Issues Task Force decided in Issue 04-6 that mining operations should account for post-production stripping costs as a variable production cost that should be considered a component of mineral inventory costs. The Company's synthetic oil operations at Syncrude may be affected by this ruling. The EITF consensus is effective for fiscal years beginning after December 15, 2005 and any adjustment required as of the January 1, 2006 effective application date for the Company will be recorded as a cumulative effect of a change in accounting principle. The Company is currently evaluating the accounting implications of this new EITF consensus.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Murphy's net income in the second quarter of 2005 was $347.7 million, $1.85 per diluted share, compared to net income of $349.9 million, $1.87 per diluted share, in the second quarter of 2004. Net income in the current period included an after-tax gain of $106.8 million on sale of mature oil and gas properties on the continental shelf of the Gulf of Mexico. Excluding the gain on property sale, normalized earnings in the second quarter 2005 were at record levels. Net income in the 2004 period included income from discontinued operations of $181.8 million, $.97 per diluted share, $166.7 million of which was an after-tax gain on sale of most conventional oil and gas assets in Western Canada. For the first six months of 2005, net income totaled $460.9 million, $2.46 per diluted share, compared to $448.1 million, $2.40 per diluted share, for the 2004 period. Murphy's net income by operating segment is presented below.

	Income (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions of dollars)	2005	2004	2005	2004
Exploration and production	$ 289.9	139.8	414.8	241.0
Refining and marketing	67.4	39.5	61.9	33.1
Corporate	(9.6)	(11.2)	(15.8)	(25.3)
Income from continuing operations	347.7	168.1	460.9	248.8
Income from discontinued operations, net of tax	—	181.8	—	199.3
Net income	$ 347.7	349.9	460.9	448.1

In the current quarter, the Company's exploration and production operations earned $289.9 million, an increase of $150.1 million from $139.8 million earned in the 2004 period. The earnings improvement in 2005 was primarily caused by a $106.8 million after-tax gain on sale of oil and gas properties in the Gulf of Mexico, higher oil and gas sales prices and higher oil sales volumes. These were somewhat offset by higher exploration expense and lower natural gas sales volumes in the 2005 quarter. Exploration expenses were $40 million in the second quarter of 2005 compared to $23.2 million in the same period of 2004, with the increase mostly due to higher 3-D seismic programs and dry hole costs in Malaysia and expenses associated with exploration activities in 2005 in the Republic of Congo. The Company's refining and marketing operations generated a record quarterly profit of $67.4 million in the second quarter of 2005 compared to a profit of $39.5 million for the three months ended June 30, 2004. The improvement was due to significantly better refining margins in the United States in the current quarter. The after-tax costs of the corporate function were $9.6 million in the 2005 second quarter compared to $11.2 million in the 2004 quarter as lower net interest expense and higher foreign exchange gains more than offset higher administrative expenses in 2005.

For the first six months of 2005, income from continuing operations was $460.9 million, $2.46 per diluted share, compared to $248.8 million, $1.33 per diluted share, for the first half of 2004. Income from both exploration and production and refining and marketing businesses improved in 2005. The Company's exploration and production continuing operations earned $414.8 million in the first half of 2005 and $241 million in the same period of 2004. The earnings improvement in 2005 was caused by a $106.8 million after-tax gain on sale of oil and gas properties in the Gulf of Mexico, higher oil and natural gas sales prices and higher oil sales volumes, partially offset by lower natural gas sales volumes and higher exploration expenses. Exploration expenses were $110.3 million in 2005 compared to $72.3 million in 2004, with the increase in the 2005 period mostly due to higher dry hole and 3-D seismic costs in Malaysia, and expenses associated with exploration activities in 2005 in the Republic of Congo. The Company's refining and marketing operations generated income of $61.9 million in the first six months of 2005, compared to $33.1 million in the 2004 period. The improved current year result was based on stronger U.S. refining margins in 2005. Corporate after-tax costs were $15.8 million in the 2005 period compared to costs of $25.3 million in the 2004 period. Lower net interest expenses and higher foreign exchange gains in 2005 were partially offset by higher administrative costs in the current period.

Results of Operations (Contd.)

Exploration and Production

Results of continuing exploration and production operations are presented by geographic segment below.

	Income (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions of dollars)	**2005**	**2004**	**2005**	**2004**
Exploration and production				
United States	$ 187.9	47.7	249.8	84.2
Canada	78.6	64.5	134.0	118.1
United Kingdom	20.7	15.8	37.7	29.6
Ecuador	7.3	3.8	12.5	6.7
Malaysia	2.2	10.6	11.9	6.6
Other International	(6.8)	(2.6)	(31.1)	(4.2)
Total	$ 289.9	139.8	414.8	241.0

Exploration and production operations in the United States reported earnings of $187.9 million in the second quarter of 2005 compared to earnings of $47.7 million a year ago. This improvement was primarily caused by the $106.8 million after-tax gain on sale of oil and gas properties in the Gulf of Mexico, higher oil and natural gas sales prices and higher oil sales volumes due to the start-up of the Front Runner field in deepwater Gulf of Mexico in the fourth quarter of 2004. Production expense increased due to higher oil sales volumes and higher workover costs. Depreciation expense increased mostly due to the higher crude oil sales volumes. Natural gas sales volumes decreased in the most recent quarter primarily due to production lost during downtime subsequent to Hurricane Ivan at Viosca Knoll Block 783 (Tahoe field) and lower production from fields in the Gulf of Mexico that were sold in June 2005. All Tahoe wells were back on production at the end of June 2005.

Continuing operations in Canada earned $78.6 million this quarter compared to $64.5 million a year ago. This increase was the result of higher crude oil and natural gas sales prices and higher crude oil sales volumes. Production and depreciation expenses increased due to more crude oil sales volumes for higher-cost heavy oil. Additionally, production expense for the Company's synthetic oil operation increased due to higher repair and natural gas costs. Heavy oil prices did not increase in proportion to lighter oil prices in the 2005 period compared to 2004 due to a wider price differential between light and heavy oil in the 2005 period.

The Company sold most of its conventional oil and gas assets in Western Canada in the second quarter of 2004 for net cash proceeds of $582.7 million, which generated an after-tax gain in discontinued operations of $166.7 million. The operating results of those sold assets have been reported as discontinued operations for all 2004 periods presented.

U.K. operations earned $20.7 million in the current quarter, up from $15.8 million in the prior year. The improvement was primarily due to higher crude oil sales prices in the 2005 period compared to the 2004 quarter and were partially offset by lower oil sales volumes following the 2004 sale of the "T" Block field. Production expenses and depreciation expense declined in the most recent quarter due to lower sales volumes.

Operations in Ecuador earned $7.3 million in the second quarter of 2005 compared to $3.8 million a year ago. The increase was the result of higher sales prices and sales volumes in the 2005 period. Production expenses were slightly lower in the 2005 period due to the Company's new transportation and marketing arrangements. Depreciation expense increased in the 2005 period due to higher sales volumes. The Company has thus far achieved no settlement with the other owners related to the Company's entitlement of approximately 1.5 million barrels that were withheld by the operator in 2004 during a dispute over Murphy's new transportation and marketing arrangement. Settlement negotiations are ongoing.

Operations in Malaysia reported earnings of $2.2 million in the 2005 period compared to income of $10.6 million during the same period in 2004. The decrease in Malaysia was primarily due to higher exploration expenses, a significant portion of which have no recorded tax benefit, which more than offset increased oil sales prices and volumes in the 2005 period versus the 2004 period.

Other international operations reported a loss of $6.8 million in the second quarter of 2005 compared to a loss of $2.6 million in the comparable period a year ago. Exploration expenses in the Republic of Congo were the primary cause of the higher loss in the 2005 period.

Results of Operations (Contd.)

Exploration and Production (Contd.)

On a worldwide basis, the Company's crude oil and condensate prices averaged $43.10 per barrel in the second quarter 2005 compared to $34.14 in the 2004 period. Average crude oil and liquids production from continuing operations was a record 111,030 barrels per day in the second quarter of 2005 compared to 97,375 barrels per day in the second quarter of 2004, with the increase primarily attributable to production at the Front Runner field in the deepwater Gulf of Mexico, which commenced production in the fourth quarter of 2004, and higher heavy oil production at the Seal area in Western Canada. Crude oil sales volumes from continuing operations averaged 114,526 barrels per day in the second quarter 2005 compared to 99,819 barrels per day in the 2004 period. North American natural gas sales prices averaged $7.25 per thousand cubic feet (MCF) in the most recent quarter compared to $6.22 per MCF in the same quarter of 2004. Natural gas sales volumes from continuing operations averaged 107 million cubic feet a day in the second quarter 2005, down 16 million cubic feet per day from the 2004 quarter primarily due to production lost during downtime subsequent to Hurricane Ivan at Viosca Knoll Block 783 (Tahoe field) and lower production from fields in the Gulf of Mexico that were sold in June 2005.

Operations in the United States for the six months ended June 30, 2005 produced income of $249.8 million compared to income of $84.2 million in 2004. The improvement was primarily due to a $106.8 million after-tax gain on sale of oil and gas properties in the Gulf of Mexico, higher oil and natural gas sales prices and higher oil sales volumes due to the start-up of the Front Runner field in the deepwater Gulf of Mexico in the fourth quarter of 2004. Production expense increased due to higher oil sales volume and higher workover costs. Depreciation expense increased due to the higher crude oil sales volumes. Natural gas sales volumes declined due to lower sales volumes from Gulf of Mexico fields sold in June 2005 and production lost during downtime at the Tahoe field following Hurricane Ivan.

In the first half of 2005, Canadian continuing operations earned $134 million compared to $118.1 million a year ago. Higher sales prices for oil and natural gas were partially offset by lower natural gas sales volumes. Lower realized Canadian heavy oil prices in 2005 led to lower profits on heavy oil operations in the 2005 period. Production and depreciation expenses increased due to more crude oil sales volumes for higher-cost heavy oil. Additionally, production expenses for synthetic oil operations increased $5.1 million in the current period primarily due to higher repair and natural gas costs.

Income in the U.K. for the six-month period ended June 30, 2005 was $37.7 million compared to $29.6 million a year ago. The increase was due to higher sales prices of crude oil in the 2005 period, partially offset by lower sales volumes in the current period following the sale in 2004 of the "T" Block field. Production expenses and depreciation expense decreased due to the lower sales volumes.

For the first six months of 2005, earnings in Ecuador were $12.5 million compared to $6.7 million for the 2004 period. Higher crude oil sales prices and lower production expenses in the first half of 2005 were partially offset by higher depreciation expense. Production expenses were slightly lower in the 2005 period due to the Company's new transportation and marketing arrangements effective in the second half of 2004.

Malaysia operations earned $11.9 million in the first half of 2005 compared to earnings of $6.6 million a year ago. The improvement in 2005 earnings was primarily due to higher crude oil sales volumes and prices, partially offset by increased dry hole and geological and geophysical expenses, the latter of which increased due to an extensive 3-D seismic program in the 2005 period.

Other international operations reported a loss of $31.1 million in the first six months of 2005 compared to a loss of $4.2 million in the 2004 period. The higher loss was primarily due to expensing two dry holes in the Republic of Congo in the 2005 period.

For the first six months of 2005, the Company's sales price for crude oil and condensate averaged $41.55 per barrel compared to $32.58 per barrel in 2004. Crude oil and condensate production from continuing operations in the first half of 2005 averaged 109,892 barrels per day compared to 96,255 barrels per day a year ago. The increase was mostly attributable to higher production in the deepwater Gulf of Mexico at the Front Runner and Medusa fields and in Malaysia at the West Patricia field. The average sales price for North American natural gas in the first six months of 2005 was $6.98 per MCF, up from $6.05 in 2004. Natural gas sales volume from continuing operations were down from 124 million cubic feet per day in 2004 to 110 million cubic feet per day in 2005, with the decline due to lower sales volumes from Gulf of Mexico fields sold in June 2005 and production lost during downtime at the Tahoe field following Hurricane Ivan.

Additional details about results of oil and gas operations are presented in the tables on page 20.

Results of Operations (Contd.)

Exploration and Production (Contd.)

Selected operating statistics for the three-month and six-month periods ended June 30, 2005 and 2004 follow.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net crude oil, condensate and gas liquids produced – barrels per day	111,030	102,384	109,892	102,408
Continuing operations	111,030	97,375	109,892	96,255
United States	32,631	23,230	32,723	20,968
Canada – light	523	680	583	706
– heavy	11,340	4,654	11,148	4,518
– offshore	25,036	27,911	25,020	28,396
– synthetic	11,562	11,353	9,689	11,940
United Kingdom	9,653	12,225	9,181	11,953
Malaysia	12,740	9,591	13,954	10,006
Ecuador	7,545	7,731	7,594	7,768
Discontinued operations	—	5,009	—	6,153
Net crude oil, condensate and gas liquids sold – barrels per day	114,526	104,828	111,727	103,153
Continuing operations	114,526	99,819	111,727	97,000
United States	32,631	23,230	32,723	20,968
Canada – light	523	680	583	706
– heavy	11,340	4,654	11,148	4,518
– offshore	24,769	28,687	24,459	29,587
– synthetic	11,562	11,353	9,689	11,940
United Kingdom	10,352	12,864	9,295	12,271
Malaysia	15,948	12,569	15,912	10,307
Ecuador	7,401	5,782	7,918	6,703
Discontinued operations	—	5,009	—	6,153
Net natural gas sold – thousands of cubic feet per day	106,908	160,747	109,689	186,651
Continuing operations	106,908	123,025	109,689	123,593
United States	89,223	103,673	90,006	101,094
Canada	10,599	14,637	11,222	14,601
United Kingdom	7,086	4,715	8,461	7,898
Discontinued operations	—	37,722	—	63,058
Total net hydrocarbons produced – equivalent barrels per day (1)	128,848	129,175	128,174	133,517
Total net hydrocarbons sold – equivalent barrels per day (1)	132,344	131,619	130,009	134,262
Total net hydrocarbons produced from continuing operations – equivalent barrels per day (1)	128,848	117,879	128,174	116,854
Total net hydrocarbons sold from continuing operations – equivalent barrels per day (1)	132,344	120,323	130,009	117,599
Weighted average sales prices – Continuing operations				
Crude oil and condensate – dollars per barrel (2)				
United States	$ 44.57	33.60	43.46	32.78
Canada (3) – light	50.22	36.08	48.41	34.77
– heavy (4)	17.42	20.08	16.08	18.41
– offshore	49.32	35.13	46.52	33.28
– synthetic	53.95	37.65	53.36	36.03
United Kingdom	48.14	34.53	47.95	33.13
Malaysia (5)	41.93	38.21	42.61	36.88
Ecuador	33.71	25.97	30.03	24.67
Natural gas – dollars per thousand cubic feet				
United States (2)	$ 7.37	6.33	7.08	6.15
Canada (3)	6.26	5.43	6.17	5.36
United Kingdom (3)	4.38	3.09	5.02	4.24

(1) Natural gas converted on an energy equivalent basis of 6:1.
(2) Includes intracompany transfers at market prices.
(3) U.S. dollar equivalent.
(4) Includes the effects of the Company's 2005 hedging program.
(5) Prices in 2005 are net of a contractual payment under the terms of the production sharing contract for Block SK 309.

CONTINUING OIL AND GAS OPERATING RESULTS

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Malaysia	Other	Synthetic Oil – Canada	Total
Three Months Ended June 30, 2005								
Oil and gas sales and other revenues	$366.8	136.9	48.5	22.7	60.9	.9	56.8	693.5
Production expenses	26.8	14.2	4.3	5.2	10.4	—	22.0	82.9
Depreciation, depletion and amortization	26.5	31.5	7.6	4.9	13.9	.1	3.1	87.6
Accretion of asset retirement obligations	.9	.9	.4	—	—	.1	.2	2.5
Exploration expenses								
Dry holes	1.0	(.7)	(.1)	—	6.7	1.9	—	8.8
Geological and geophysical	4.6	1.3	—	—	14.7	1.6	—	22.2
Other	2.8	.2	.2	—	—	.7	—	3.9
	8.4	.8	.1	—	21.4	4.2	—	34.9
Undeveloped lease amortization	4.0	.7	—	—	—	.4	—	5.1
Total exploration expenses	12.4	1.5	.1	—	21.4	4.6	—	40.0
Selling and general expenses	5.2	2.1	.8	.4	1.9	2.7	.1	13.2
Income tax provisions	107.1	29.2	14.6	4.9	11.1	.2	10.3	177.4
Results of operations (excluding corporate overhead and interest)	$187.9	57.5	20.7	7.3	2.2	(6.8)	21.1	289.9
Three Months Ended June 30, 2004								
Oil and gas sales and other revenues	$131.7	109.6	41.7	13.7	43.9	.6	38.9	380.1
Production expenses	21.0	9.0	5.3	5.6	8.4	—	17.8	67.1
Depreciation, depletion and amortization	19.1	23.4	8.2	2.2	8.1	—	2.6	63.6
Accretion of asset retirement obligations	.9	.6	.7	—	—	.1	.1	2.4
Exploration expenses								
Dry holes	4.5	(.1)	—	—	4.1	—	—	8.5
Geological and geophysical	2.6	.5	—	—	2.9	.5	—	6.5
Other	2.8	1.4	.2	–	—	.1	—	4.5
	9.9	1.8	.2	—	7.0	.6	—	19.5
Undeveloped lease amortization	3.1	.6	—	—	—	—	—	3.7
Total exploration expenses	13.0	2.4	.2	—	7.0	.6	—	23.2
Selling and general expenses	4.3	3.3	.7	.2	1.1	2.1	.1	11.8
Income tax provisions	25.7	21.0	10.8	1.9	8.7	.4	3.7	72.2
Results of operations (excluding corporate overhead and interest)	$ 47.7	49.9	15.8	3.8	10.6	(2.6)	14.6	139.8
Six Months Ended June 30, 2005								
Oil and gas sales and other revenues	$549.5	255.7	88.8	43.0	123.0	1.8	93.6	1,155.4
Production expenses	50.8	28.1	8.0	10.9	17.2	–	42.6	157.6
Depreciation, depletion and amortization	52.8	63.3	13.5	9.4	26.2	.1	6.0	171.3
Accretion of asset retirement obligations	2.0	1.7	.8	—	.1	.2	.3	5.1
Exploration expenses								
Dry holes	16.6	(.7)	(.1)	—	21.7	22.6	—	60.1
Geological and geophysical	12.7	1.6	—	—	16.3	1.6	—	32.2
Other	3.5	.3	.3	—	—	1.8	—	5.9
	32.8	1.2	.2	—	38.0	26.0	—	98.2
Undeveloped lease amortization	9.8	1.5	—	—	—	.8	—	12.1
Total exploration expenses	42.6	2.7	.2	—	38.0	26.8	—	110.3
Selling and general expenses	9.4	4.4	1.7	.5	4.0	5.3	.3	25.6
Income tax provisions	142.1	51.4	26.9	9.7	25.6	.5	14.5	270.7
Results of operations (excluding corporate overhead and interest)	$249.8	104.1	37.7	12.5	11.9	(31.1)	29.9	414.8
Six Months Ended June 30, 2004								
Oil and gas sales and other revenues	$263.0	212.7	80.1	30.1	69.5	1.6	78.3	735.3
Production expenses	38.9	18.2	11.7	13.5	11.1	—	37.5	130.9
Depreciation, depletion and amortization	36.0	49.3	15.5	5.1	13.4	—	5.3	124.6
Accretion of asset retirement obligations	1.8	1.3	1.4		.1	.2	.2	5.0
Exploration expenses								
Dry holes	33.1	(.1)	—	—	17.5	.1	—	50.6
Geological and geophysical	3.9	1.2	—	—	3.0	.7	—	8.8

Other	3.2	1.6	.3	—	—	.2	—	5.3
	40.2	2.7	.3	—	20.5	1.0	—	64.7
Undeveloped lease amortization	6.4	1.2	—	—	—	—	—	7.6
Total exploration expenses	46.6	3.9	.3	—	20.5	1.0	—	72.3
Selling and general expenses	10.1	5.7	1.5	.3	2.4	4.3	.3	24.6
Income tax provisions	45.4	41.9	20.1	4.5	15.4	.3	9.3	136.9
Results of operations (excluding corporate overhead and interest)	$ 84.2	92.4	29.6	6.7	6.6	(4.2)	25.7	241.0

Results of Operations (Contd.)

Refining and Marketing

Results of refining and marketing operations are presented below by geographic segment.

	Income (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions of dollars)	2005	2004	2005	2004
Refining and marketing				
North America	$ 59.7	27.4	51.4	16.9
United Kingdom	7.7	12.1	10.5	16.2
Total	$ 67.4	39.5	61.9	33.1

Refining and marketing operations in North America generated a profit of $59.7 million during the second quarter of 2005 compared to a profit of $27.4 million in the same period a year ago. The Company's United States refining margin was significantly better in the current quarter compared to the same quarter of 2004. Earnings in the United Kingdom were $7.7 million in the second quarter of 2005, a decrease of $4.4 million compared to the same period a year ago, with the lower earnings in 2005 resulting from lower petroleum products sold and higher maintenance costs due to the Milford Haven refinery undergoing a full turnaround in the 2005 period. Worldwide petroleum product sales averaged 354,342 barrels per day in 2005, compared to 347,972 barrels per day in the same period in 2004. Worldwide refinery inputs were 176,218 barrels per day in the second quarter of 2005 compared to 181,700 in the 2004 quarter; inputs in 2005 were adversely affected by the Milford Haven refinery turnaround.

Refining and marketing operations in North America in the first half of 2005 had earnings of $51.4 million compared to income of $16.9 million in the 2004 period. United States refining margins improved significantly in the current period compared to a year ago. The 2004 period also included a net after-tax gain of $3 million from sale of the Company's jointly owned terminals in the U.S. Results in the United Kingdom reflected earnings of $10.5 million in the six months ended June 30, 2005 compared to a profit of $16.2 million in 2004. The decrease was primarily due to lower volumes of petroleum products sold as a result of the Milford Haven refinery turnaround.

Selected operating statistics for the three-month and six-month periods ended June 30, 2005 and 2004 follow.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Refinery inputs – barrels per day	176,218	181,700	179,244	176,375
North America	157,204	142,773	150,510	138,985
United Kingdom	19,014	38,927	28,734	37,390
Petroleum products sold – barrels per day	354,342	347,972	355,681	324,841
North America	330,051	308,412	324,257	287,517
Gasoline	225,158	218,724	218,032	201,098
Kerosine	5,699	578	8,272	4,443
Diesel and home heating oils	70,730	65,903	69,686	62,213
Residuals	20,178	12,501	21,678	12,789
Asphalt, LPG and other	8,286	10,706	6,589	6,974
United Kingdom	24,291	39,560	31,424	37,324
Gasoline	10,176	13,027	10,305	12,750
Kerosine	1,348	1,787	2,086	2,541
Diesel and home heating oils	10,984	16,058	14,229	14,501
Residuals	1,165	4,718	2,742	4,430
LPG and other	618	3,970	2,062	3,102

Results of Operations (Contd.)

Corporate and other

The net cost of corporate activities, which include interest income and expense and corporate overhead not allocated to operating functions, was $9.6 million in the current quarter compared to $11.2 million in the 2004 quarter as lower net interest expense and higher foreign exchange gains more than offset higher administrative costs in 2005. In the first six months of 2005, corporate activities reflected a net cost of $15.8 million compared to a net cost of $25.3 million a year ago. Lower net interest expenses and higher foreign exchange gains in 2005 were partially offset by higher administrative costs in the current period.

Financial Condition

Net cash provided by continuing operating activities was $452.4 million for the first six months of 2005 compared to $494.9 million for the same period in 2004. The decline in 2005 was primarily attributable to changes in other operating working capital. Changes in operating working capital other than cash and cash equivalents used cash of $102.5 million in the first six months of 2005 and $1.8 million in the first six months of 2004. This use of working capital in 2005 was primarily caused by an increase in accounts receivable that was partially offset by an increase in accounts payable. Cash from operating activities was reduced by expenditures for major repairs and asset retirement obligations totaling $27.8 million in the first six months of 2005 and $9 million in 2004, with the increase in 2005 mostly attributable to a full plant-wide turnaround at the Milford Haven, Wales refinery. Proceeds from the sale of assets, excluding discontinued operations, provided cash of $160.4 million in the first six months of 2004 compared to $40.7 million in the same period in 2004.

Other predominant uses of cash in each year were for dividends, which totaled $41.5 million in 2005 and $36.8 million in 2004 and for capital expenditures, which including amounts expensed, are summarized in the following table.

(Millions of dollars)	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Capital Expenditures – continuing operations		
Exploration and production	$481.7	340.6
Refining and marketing	120.9	71.0
Corporate and other	11.9	.6
Total capital expenditures – continuing operations	614.5	412.2
Geological, geophysical and other exploration expenses charged to income	(38.1)	(14.1)
Total property additions and dry holes – continuing operations	$576.4	398.1

Working capital (total current assets less total current liabilities) at June 30, 2005 was $500.5 million, up $76.1 million from December 31, 2004. This level of working capital includes carrying certain inventories using lower historical costs under LIFO accounting. The carrying value of these inventories were $345 million and $219 million below current costs at June 30, 2005 and December 31, 2004, respectively.

At June 30, 2005, long-term notes payable of $597.8 million was virtually unchanged from December 31, 2004. Long-term nonrecourse debt of a subsidiary was $11.1 million, down $4.4 million from December 31, 2004, primarily due to repayments. A summary of capital employed at June 30, 2005 and December 31, 2004 follows.

(Millions of dollars)	June 30, 2005		Dec. 31, 2004	
	Amount	%	Amount	%
Capital Employed				
Notes payable	$ 597.8	16.4	$ 597.7	18.3
Nonrecourse debt of a subsidiary	11.1	.3	15.6	.5
Stockholders' equity	3,038.4	83.3	2,649.2	81.2
Total capital employed	$3,647.3	100.0	$3,262.5	100.0

Financial Condition (Contd.)

On June 14, 2005, Murphy entered into a five year $1 billion committed credit facility, whereby the Company and certain wholly-owned subsidiaries may borrow funds from a major banking consortium. The new credit facility replaces two similar committed credit facilities with an aggregate borrowing capacity of $700 million. Borrowings under the new credit facility bear interest at prime or varying cost of fund options. Facility fees are due on the commitments. No amounts had been borrowed under this credit facility as of June 30, 2005.

Accounting and Other Matters

The FASB has issued FASB Staff Position (FSP) 19-1 to provide guidance on the accounting for exploratory well costs and to amend SFAS No. 19, Financial Accounting and Reporting by Oil and Gas Producing Companies. The guidance in FSP 19-1 applies to companies that use the successful efforts method of accounting as described in SFAS No. 19. This FSP clarifies that exploratory well costs should continue to be capitalized when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project. The guidance in this FSP was applied beginning in April 2005 (see Note C to the consolidated financial statements). The adoption of this FSP did not have any effect on the Company's net income.

In October 2004, the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (the "Act") became law. The FASB issued FSP 109-1 in December 2004 to provide guidance on the application of SFAS No. 109, Accounting for Income Taxes, to the provision within the Act that will ultimately provide a tax deduction of up to 9% on qualified production activities. The tax deduction phases in at 3% beginning in 2005 and reaches 9% in 2010. FSP 109-1 concluded that the deduction should be accounted for as a special deduction in accordance with SFAS 109, whereby the tax benefit is recognized as realized, rather than as a one-time benefit due to a reduction of deferred tax liabilities. This FSP was effective upon issuance. The Company recorded a tax benefit of approximately $2.4 million in the six-month period ended June 30, 2005 related to the Act.

The EITF has issued EITF 03-13, Applying the Conditions in Paragraph 42 of SFAS No. 144 in Determining Whether to Report Discontinued Operations. The EITF generally believes that current practice with respect to applying the criteria in paragraph 42 of SFAS No. 144 has not been applied consistently and has not resulted in broadening the reporting of asset dispositions as discontinued operations. EITF 03-13 contains further guidance for evaluating the cash flows of the component sold and what constitutes significant continuing involvement. This standard must be applied to all asset disposal transactions occurring after January 1, 2005. In certain industries, EITF 03-13 may lead to more asset disposals being reported as discontinued operations in future periods. However, in the oil and gas industry, it may cause more asset disposals to continue to be classified as continuing operations due to clarification of what constitutes continuing involvement.

SFAS No. 151, Inventory Costs, was issued by the FASB in November 2004. This statement amends Accounting Research Bulletin No. 43, to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognized as current-period charges, and it also requires that allocation of fixed production overheads be based on the normal capacity of the related production facilities. The provisions of this statement will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

The FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29, in December 2004. This statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. The provisions of SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

In March 2005 the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of SFAS No. 143. This interpretation clarifies the term conditional asset retirement obligation as used in SFAS No. 143 and when a company would have sufficient information to reasonably estimate

Accounting and Other Matters ***(Contd.)***

the fair value of an asset retirement obligation. This interpretation is effective for fiscal years ending after December 15, 2005. The Company is currently evaluating whether the adoption of this interpretation will have any effect on its financial statements.

In March 2005, the EITF decided in Issue 04-6 that mining operations should account for post-production stripping costs as a variable production cost that should be considered a component of mineral inventory costs. The Company's synthetic oil operations at Syncrude may be affected by this ruling. The EITF consensus is effective for fiscal years beginning after December 15, 2005 and any adjustment required as of the January 1, 2006 effective application date for the Company will be recorded as a cumulative effect of a change in accounting principle. The Company is currently evaluating the accounting implications of this new EITF consensus.

Murphy holds a 20% interest in Block 16 Ecuador, where the Company and its partners produce oil for export. In 2001, the local tax authorities announced that Value Added Taxes (VAT) paid on goods and services related to Block 16 and many oil fields held by other companies will no longer be reimbursed. In response to this announcement, oil producers have filed actions in the Ecuador Tax Court seeking determination that the VAT in question is reimbursable. In July 2004, international arbitrators ruled that VAT was recoverable by another oil company, but the State of Ecuador responded that it was not bound by this arbitral decision. As of June 30, 2005, the Company has a receivable of approximately $13.4 million related to VAT. Murphy believes that its claim for reimbursement of VAT under applicable Ecuador tax law is valid, and it does not expect that the resolution of this matter will have a material adverse affect on the Company's net income, financial condition or liquidity in future periods.

Outlook

Crude oil and natural gas sales prices remain strong in July 2005. The Company expects its oil and natural gas production in the third quarter of 2005 to average 113,000 barrels of oil equivalent per day, down from 128,848 barrel equivalents per day in the second quarter. The anticipated decline is due to planned downtime for maintenance at U.K. fields and at Terra Nova, lost production during tropical storm shut-ins in the Gulf of Mexico, and no production from fields in the Gulf of Mexico that were sold in June 2005. North American refining and marketing margins have been weaker in the early part of the third quarter 2005 compared to average margins realized in the second quarter. The Company currently anticipates total capital expenditures in 2005 of approximately $1.3 billion.

Forward-Looking Statements

This Form 10-Q report contains statements of the Company's expectations, intentions, plans and beliefs that are forward-looking and are dependent on certain events, risks and uncertainties that may be outside of the Company's control. These forward-looking statements are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results and developments could differ materially from those expressed or implied by such statements due to a number of factors including those described in the context of such forward-looking statements as well as those contained in the Company's January 15, 1997 Form 8-K report on file with the U.S. Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks associated with interest rates, prices of crude oil, natural gas and petroleum products, and foreign currency exchange rates. As described in Note D to this Form 10-Q report, Murphy makes use of derivative financial and commodity instruments to manage risks associated with existing or anticipated transactions.

Murphy was a party to natural gas price swap agreements at June 30, 2005 for a remaining notional volume of 1.4 million MMBTU that are intended to hedge the financial exposure of its Meraux, Louisiana refinery to fluctuations in the future price of a portion of natural gas to be purchased for fuel in 2005 and 2006. In each month of settlement, the swaps require Murphy to pay an average natural gas price of $3.35 per MMBTU and to receive the average NYMEX price for the final three trading days of the month. At June 30, 2005, the estimated fair value of these

agreements was recorded as an asset of $6.1 million. A 10% increase in the average NYMEX price of natural gas would have increased this asset by $1.1 million, while a 10% decrease would have reduced the asset by a similar amount.

At June 30, 2005, the Company was a party to forward sale contracts covering 2,000 barrels per day in blended heavy oil sales during 2005 and 4,000 barrels per day in 2006. The contracts are intended to hedge the financial exposure of the Company’s blended heavy oil sales in Canada during the respective contract period and are priced at $29.00 per barrel in 2005 and $25.23 per barrel in 2006. At June 30, 2005, the estimated fair value of these agreements was recorded as a $28 million liability. A 10% increase in the price of Canadian heavy oil at the Hardisty terminal in Canada would have increased this liability by $7.5 million, while a 10% decrease would have decreased this liability by a similar amount.

ITEM 4. CONTROLS AND PROCEDURES

Under the direction of its principal executive officer and principal financial officer, controls and procedures have been established by the Company to ensure that material information relating to the Company and its consolidated subsidiaries is made known to the officers who certify the Company’s financial reports and to other members of senior management and the Board of Directors.

Based on the Company’s evaluation as of the end of the period covered by the filing of this Quarterly Report on Form 10-Q, the principal executive officer and principal financial officer of Murphy Oil Corporation have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by Murphy Oil Corporation in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There were no significant changes in the Company’s internal controls over financial reporting that occurred during the first half of 2005 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In December 2000, two of the Company’s Canadian subsidiaries, Murphy Oil Company Ltd. (MOCL) and Murphy Canada Exploration Company (MCEC) as plaintiffs filed an action in the Court of Queen’s Bench of Alberta seeking a constructive trust over oil and gas leasehold rights to Crown lands in British Columbia. The suit alleges that the defendants, The Predator Corporation Ltd. and Predator Energies Partnership (collectively Predator) and Ricks Nova Scotia Co. (Ricks), acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its partner. In January 2001, Ricks, representing an undivided 75% interest in the lands in question, settled its portion of the litigation by conveying its interest to the Company and its partner at cost. In 2001, Predator, representing the remaining undivided 25% of the lands in question, filed a counterclaim, as subsequently amended, against MOCL and MCEC and MOCL’s President individually seeking compensatory damages of C$3.61 billion. In September 2004 the court summarily dismissed all claims against MOCL’s president and all but C$356 million of the counterclaim against the Company; however, this dismissal order is currently on appeal. The Company believes that the counterclaim is without merit, that the amount of damages sought is frivolous and the likelihood of a material loss to the Company is remote. It is anticipated that a trial concerning the 25% disputed interest and any remaining issues will commence in 2006. While the litigation is in the discovery stage and no assurance can be given about the outcome, the Company does not believe that the ultimate resolution of this suit will have a material adverse effect on its net income, financial condition or liquidity in a future period. In the unlikely event that Predator were to prevail in its counterclaim in an amount approaching the damages sought, Murphy would incur a material expense in its consolidated statement of income, and would have a material effect on its financial condition and liquidity.

On June 10, 2003, a fire severely damaged the Residual Oil Supercritical Extraction (ROSE) unit at the Company’s Meraux, Louisiana refinery. The ROSE unit recovers feedstock from the heavy fuel oil stream for conversion into gasoline and diesel. Subsequent to the fire, numerous class action lawsuits have been filed seeking damages for

ITEM 1. LEGAL PROCEEDINGS (Contd.)

area residents. All the lawsuits have been administratively consolidated into a single legal action in St. Bernard Parish, Louisiana, except for one such action which was filed in federal court. Additionally, individual residents of Orleans Parish, Louisiana, have filed an action in that venue. On May 5, 2004, plaintiffs in the consolidated action in St. Bernard Parish amended their petition to include a direct action against certain of the Company's liability insurers. In responding to this direct action, one of the Company's insurers, AEGIS, has raised lack of coverage as a defense. The Company believes that this contention lacks merit and has been advised by counsel that the applicable policy does provide coverage for the underlying incident. Because the Company believes that insurance coverage exists for this matter, it does not expect to incur any significant costs associated with the class action lawsuits. Accordingly, the Company continues to believe that the ultimate resolution of the June 2003 ROSE fire litigation will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

On March 5, 2002, two of the Company's subsidiaries filed suit in the Court of Queen's Bench, Alberta, against Enron Canada Corp. (Enron) to collect $2.1 million owed to Murphy under canceled gas sales contracts. On May 1, 2002, Enron counterclaimed for $19.8 million allegedly owed by Murphy under those same agreements. By an agreement entered into on May 4, 2005, the parties agreed to a compromise and settlement of the litigation with no admission of liability by either side. The resolution of this matter had an insignificant effect on the Company's net income and financial condition in the second quarter of 2005.

Murphy and its subsidiaries are engaged in a number of other legal proceedings, all of which Murphy considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of environmental and legal matters referred to in this note is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

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

At the annual meeting of security holders on May 11, 2005, the directors proposed by management were elected with a tabulation of votes to the nearest share as shown below. The tabulation of votes are presented prior to the two-for-one stock split effective June 3, 2005.

	For	Withheld
Frank W. Blue	81,205,279	356,729
George S. Dembroski	81,137,983	424,025
Claiborne P. Deming	80,947,574	614,434
Robert A. Hermes	80,241,962	1,320,046
R. Madison Murphy	75,741,938	5,820,070
William C. Nolan Jr.	80,876,607	685,401
Ivar B. Ramberg	81,208,963	353,045
Neal E. Schmale	81,207,235	354,773
David J. H. Smith	81,205,784	356,224
Caroline G. Theus	80,938,679	623,329

The amendment to increase the number of authorized shares of Common Stock from 200,000,000 to 450,000,000 was approved with 68,703,664 shares voted in favor, 12,780,678 shares voted in opposition and 77,665 shares not voted.

The earlier appointment by the Audit Committee of the Board of Directors of KPMG LLP as independent auditors for 2005 was approved with 80,819,629 shares voted in favor, 696,788 shares voted in opposition and 45,591 shares not voted.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The Exhibit Index on page 29 of this Form 10-Q report lists the exhibits that are hereby filed or incorporated by reference.

(b) A report on Form 8-K was filed on June 27, 2005, as amended with a Form 8-K/A dated June 28, 2005, that disclosed that due to the June 3, 2005 two-for-one stock split, the number of shares of the Company's common stock registered on Form S-8, Reg. No. 333-119733, was proportionately increased to 10,000,000 shares.

(c) A report on Form 8-K was filed on June 15, 2005 announcing the completion of the sale of certain oil and gas properties on the continental shelf of the Gulf of Mexico and the establishment of a five-year $1 billion credit facility.

(d) A report on Form 8-K was filed on May 11, 2005 that included the Certificate of Amendment of Certificate of Incorporation of Murphy Oil Corporation and a news release announcing that the Company's Board of Directors has declared a two-for-one stock split effective June 3, 2005 to holders of record as of the close of business on May 20, 2005.

(e) A report on Form 8-K was filed on April 27, 2005 that included a News Release announcing the Company's earnings and certain other financial information for the three-month period ended March 31, 2005.

(f) A report on Form 8-K was filed on April 13, 2005 that included a News Release announcing the Company's expected results of operations for the three-month period ended March 31, 2005.

SIGNATURE

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/ JOHN W. ECKART

John W. Eckart, Controller
(Chief Accounting Officer and Duly Authorized Officer)

August 5, 2005
(Date)

EXHIBIT INDEX

Exhibit No.	
3.1*	Certificate of Incorporation of Murphy Oil Corporation as of May 11, 2005
12.1*	Computation of Ratio of Earnings to Fixed Charges
31.1*	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* This exhibit is incorporated by reference within this Form 10-Q.

Exhibits other than those listed above have been omitted since they are either not required or not applicable.

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

MURPHY OIL CORPORATION

(As of May 11, 2005)

CERTIFICATE OF INCORPORATION

OF

MURPHY OIL CORPORATION

AS AMENDED

MURPHY OIL CORPORATION, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: The name of the corporation shall be MURPHY OIL CORPORATION (hereinafter call the "Company").

SECOND: The registered office of the Company in the State of Delaware is to be located in the city of Wilmington, County of New Castle. The name of its registered agent is The Corporation Trust Company, whose address is No. 100 West Tenth Street, Wilmington, Delaware 19899.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock of all classes which the Company shall have authority to issue is 450,400,000 shares, of which 400,000 shall be of the par value of $100 each, designated as "Cumulative Preferred Stock" (hereinafter in this Article Fourth called "Preferred Stock"), and 450,000,000 shall be of the par value of $1.00 each, designated as "Common Stock".

No stockholder of the Company shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the Company, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the board of directors, in its discretion from time to time may grant, and at such prices as the board of directors in its discretion may fix; and the board of directors may issue shares of any class of the Company, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class.

The following are the terms and provisions of each class of stock which the Company shall have authority to issue:

SECTION I
Cumulative Preferred Stock

(1) The Preferred Stock may be issued, from time to time, in one or more series, the shares of each series to have such designations, preferences, and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated and express herein and in the resolution or resolutions providing for the issue of such series, adopted by the board of directors as hereinafter provided.

(2) Authority is hereby expressly vested in and granted to the board of directors of the Company, subject to the provisions of this Article Fourth, to authorize the issue of one or more series of Preferred Stock and with respect to each such series to fix, by resolution or resolutions providing for the issue of such series, the following:

(a) the maximum number of shares to constitute such series and the distinctive designation thereof;

(b) the annual dividend rate on the shares of such series and the date or dates from which dividends shall be accumulated as herein provided;

(c) the premium, if any, over and above the par value thereof and any accumulated dividends thereon which the holders of such shares of such series shall be entitled to receive upon the redemption thereof, which premium may vary at different redemption dates and may also be different with respect to shares redeemed through the operation of any purchase, retirement or sinking fund than with respect to shares otherwise redeemed;

(d) the premium, if any, over and above the par value thereof and any accumulated dividends thereon which the holders of such shares of such series shall be entitled to receive upon the voluntary liquidation, dissolution or winding up of the Company;

(e) whether or not the shares of such series shall be subject to the operation of a purchase, retirement or sinking fund and, if so, the extent to and manner in which such purchase, retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or for other corporate purposes and the terms and provisions relative to the operation of the said fund or funds;

(f) whether or not the shares of such series shall be convertible into or exchangeable for shares of stock of any other class or classes, or of any other series of the same class, and if so convertible or exchangeable, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same;

(g) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding, upon the payment of dividends or making of other distributions, and upon the purchase, redemption or other acquisition by the Company, or any subsidiary, of the Preferred Stock, the Common Stock, or any other class or classes of stock of the Company ranking on a parity with or junior to the shares of such series either as to dividends or upon liquidation;

(h) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or of any subsidiary, or upon the issue of any additional stock (including additional share of such series or of any other series or of any other class) ranking on a parity with or prior to the shares of such series either as to dividends or upon liquidation; and

(i) any other preferences and relative, participating, options or other special rights, or qualifications, limitations or restrictions thereof, as shall not be inconsistent with this Article Fourth.

(3) All shares of any one series of Preferred Stock shall be identical with each other in all respects, except that shares of any one series issued at different time may differ as to the date from which dividends thereon shall be cumulative; and all series shall rank equally and be identical in all respects, except as permitted by the foregoing provisions of Paragraph (2) of this Section I of this Article Fourth.

(4) Before any dividend (other than dividends payable in Common Stock) on any class or classes of stock of the Company ranking junior to the Preferred Stock as to dividends shall be declared or paid or set apart for payment, the holders of shares of Preferred Stock of each series shall be entitled to receive cash dividends, when and as declared by the board of directors, at the annual rate, and no more, fixed in the resolution or resolutions adopted by the board of directors providing for the issue of such series, payable quarterly in each year on such dates as may be fixed in such resolution or resolutions, to holders of record on such respective dates, not exceeding 50 days preceding such dividend payment dates, as may be determined by the board of directors in advance of the payment of each particular dividend; provided, however, that the resolution or resolutions providing for the issue of each series of Preferred Stock shall fix the same dates in each year for the payment of quarterly dividends as are fixed for the payment of quarterly dividends in the resolution or resolutions providing for the issue of all other series of Preferred Stock at the time outstanding. With respect to each series of Preferred Stock such dividends shall be cumulative from the date or dates fixed in the resolution or resolutions providing for the issue of such series, which dates shall in no instance be more than 90 days before or after the date of the issuance of the particular shares of such series then to be issued. No dividends shall be declared on any series of Preferred Stock in respect of any quarter-yearly dividend period unless there shall likewise be or have been declared on all shares of Preferred Stock of each other series at the time outstanding like dividends ratably in proportion to the respective annual dividend rates fixed therefore as hereinbefore provided.

(5) In the event of any liquidation, dissolution or winding up of the Company, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of any class or classes of stock of the Company ranking junior to the Preferred Stock upon liquidation, the holders of shares of Preferred Stock shall be entitled to receive payment at the rate of $100 per share, plus an amount equal to all dividends (whether or not earned or declared) accumulated to the date of final distribution to such holders, and, in addition thereto, if such liquidation, dissolution or winding up be voluntary, the amount of the premium, if any, payable upon such liquidation, dissolution or winding up as fixed for the shares of the respective series; but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Company, the assets of the Company, or proceeds

thereof, distributable among the holders of shares of Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares of all amounts payable thereon were paid in full. For the purpose of this Paragraph (5), the voluntary sale, conveyance, lease, exchange or transfer 9for cash, shares of stock, securities or other consideration) of all or substantially all the property or assets of the Company shall be deemed a voluntary liquidation, dissolution or winding up of the Company, but a consolidation or merger of the Company with one or more other corporations (whether or not the Company is the corporation surviving such consolidation or merger) shall not be deemed to be liquidation, dissolution or winding up, voluntary or involuntary.

(6) The Company, at the option of the board of directors, may, except as provided in Paragraph (10) of this Section I of this Article Fourth, redeem at any time the whole or from time to time any part of the Preferred Stock of any series at the time outstanding, at the par value thereof, plus in every case an amount equal to all accumulated dividends with respect to each share so to be redeemed, and, in addition thereto, the amount of the premium, if any, payable upon such redemption fixed in the resolution or resolutions providing for the issue of such series (the total sum so payable on any such redemption being herein referred to as the “redemption price”). Notice of every such redemption shall be mailed at least 30 days in advance of the date designated for such redemption (herein called the “redemption date”) to the holders of record of shares of Preferred Stock so to be redeemed at their respective addresses as the same shall appear on the books of the Company. In order to facilitate the redemption of any shares of Preferred Stock that may be chosen for redemption as provided in this Paragraph (6), the board of directors shall be authorized to cause the transfer books of the Company to be closed as to such shares at any time not exceeding 50 days prior to the redemption date. In case of the redemption of a part only of any series of Preferred Stock at the time outstanding, the shares of such series so to be redeemed shall be selected by lot or in such other manner as the boar of directors may determine. The board of directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the terms and conditions upon which the Preferred Stock shall be redeemed from time to time.

(7) If said notice of redemption shall have been given as aforesaid and if, on or before the redemption date, the funds necessary for such redemption shall have been set aside by the Company, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption; then, from and after the redemption date, notwithstanding that any certificate for shares of Preferred Stock so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall not be deemed outstanding, the right to receive dividends thereon shall cease to accrue from and after the redemption ate and all rights of holders of the shares of Preferred Stock so called for redemption shall forthwith, after the redemption date, cease and terminate, excepting only the right to receive the redemption price therefore but without interest. Any money so set aside by the Company and unclaimed at the end of six years from the date for such redemption shall revert to the general funds of the Company after which reversion the holders of such shares so called for redemption shall look only to the Company for payment of the redemption price, and such shares shall still not be deemed to be outstanding.

(8) If, on or before the redemption date, the Company shall deposit in trust, with a bank or trust company in the Borough of Manhattan, The City of New York, having a capital and surplus of at least $5,000,000 the funds necessary for the redemption of the shares of Preferred Stock so called for redemption, to be applied to the redemption of such shares, and if on or before such date the Company shall have given notice of redemption as aforesaid or made provision satisfactory to such bank or trust company for the timely giving thereof, then from and after the date of such deposit all shares of Preferred Stock so called for redemption shall not be deemed to be outstanding, and all rights of the holders of such shares of Preferred stock so called for redemption shall cease and terminate, excepting only the right to receive the redemption price therefore, but without interest, and the right to exercise on or before the date fixed for redemption privileges of conversion or exchange, if any, not theretofore otherwise expiring. Any funds so deposited, which shall not be required for such redemption because of the exercise of any such right of conversion or exchange subsequent to the date of such deposit, shall be returned to the Company. In case the holders of shares of Preferred Stocks which shall have been called for redemption shall not, within one year after the redemption date, claim the amount deposited with respect to the redemption thereof, any such bank or trust company shall, upon demand, pay over to the Company such unclaimed amounts and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof to such holder and such holder shall look only to the Company for the payment thereof. Any interest accrued on funds so deposited shall be paid to the Company from time to time. Any such unclaimed amounts paid over by any such bank or trust company to the Company shall, for a period terminating six years after the date fixed for redemption, be set aside and held by the Company in the manner and with the same effect as if such unclaimed amounts had been set aside under the preceding Paragraph (7) of this Section I of this Article Fourth.

(9) Shares of Preferred Stock which have been retired through the operation of purchase, retirement or sinking fund, whether by redemption, purchase or otherwise, shall, upon compliance with any applicable provisions of the General Corporation Law of the State of Delaware, have the status of authorized and unissued shares of Preferred Stock, but shall be reissued only as part of a new series of Preferred Stock to be created by resolution or resolutions of the board of directors or as part of nay other series of Preferred Stock the terms of which do not prohibit such reissue, and shall not be reissued as a part of the series of which they were originally a part. Shares of Preferred Stock which have been redeemed or purchased, otherwise than through the operation of a purchase, retirement or sinking fund, or which, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or classes ranking junior to the Preferred Stock both as to dividends and upon liquidation, shall, upon compliance with any applicable provisions of the General Corporation Law of the State of Delaware, have the status of authorized and unissued shares of Preferred Stock and may be reissued as a part of the series of which they were originally a part (if the terms of such series do not prohibit such reissue) or as part of a new series of Preferred Stock to be created by resolution or resolutions of the board of directors or as part of any other series of Preferred Stock the term of which do not prohibit such reissue.

(10) If at any time the Company shall have failed to pay dividends in full on the Preferred Stock, thereafter and until dividends in full, including all accumulated dividends on the Preferred Stock outstanding, shall have been declared and set apart for payment or paid, (a) the Company, without the affirmative vote or consent of the holders of at least 66 2/3% in interest of the Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by resolution adopted at a special meeting called for the purpose, the holders of the Preferred Stock, regardless of series, consenting or voting (as the case may be) separately as a class, shall not redeem less than all the Preferred Stock at such time outstanding, and (b) neither the Company nor any subsidiary shall purchase any Preferred Stock except in accordance with a purchase offer made in writing or by publication (as determined by the board of directors) to all holders of Preferred Stock of all series upon such terms as the board of directors, in their sole discretion after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series, shall determine (which determination shall be final and conclusive) will result in fair and equitable treatment among the respective series; provided that (i) the Company, to meet the requirements of any purchase, retirement or sinking fund provisions with respect to any series, may use shares of such series acquired by it prior to such failure and then held by it as treasury stock and (ii) nothing shall prevent the Company from completing the purchase or redemption of shares of Preferred Stock for which a purchase contract was entered into for any purchase, retirement or sinking fund purposes, or the notice of redemption of which was initially published, prior to such default.

(11) So long as any of the Preferred Stock is outstanding, the Company will not:

(a) Without the affirmative vote or consent of the holders of at least 66 2/3% of all Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by resolution adopted at a special meeting called for the purpose, the holders of the Preferred Stock, regardless of series, consenting or voting (as the case may be) separately as a class (i) create any class or classes of stock ranking prior to the Preferred stock, either as dividends or upon liquidation, or increase the authorized number of shares of any class or classes of stock ranking prior to the Preferred Stock either as to dividends or upon liquidation or (ii) amend, alter or repeal any of the provisions of this Article Fourth so as adversely to affect the preferences, special rights, or powers of the Preferred Stock.

(b) Without the affirmative vote or consent of the holders of at least 66 2/3% of any series of the Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by resolution adopted at a special meeting called for the purpose, the holders of such series of Preferred Stock consenting or voting (as the case may be) separately as a class, amend, alter or repeal any of the provisions of the resolution or resolutions providing for the issue of such series so as adversely to affect the preferences, special rights or powers of the Preferred Stock of such series.

(c) Without the affirmative vote or consent of the holders of at least a majority of all the Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by resolution adopted at a special meeting called for the purpose, the holders of the Preferred Stock, regardless of series, consenting or

voting (as the case may be) separately as a class (i) increase the authorized amount of the Preferred Stock, (ii) create any other class or classes of stock ranking on a parity with the Preferred Stock either as to dividends or upon liquidation, (iii) merge or consolidate with any other corporation, other than a wholly owned subsidiary, or (iv) voluntarily dissolve.

(12) Except as herein or by law expressly provided, the Preferred Stock shall have no right or power to vote on any question or in any proceeding or to be represented at or to receive notice of any meeting of stockholders. If, however, and whenever, at any time or times, dividends payable on the Preferred Stock shall be in default in an aggregate amount equivalent to not less than four full quarterly dividends on any series of Preferred Stock at the time outstanding, the outstanding Preferred Stock shall have the exclusive right, voting separately as a class, to elect two directors of the Company, and the remaining directors shall be elected by the other class or classes of stock entitled to vote therefor. Whenever such right of the holders of the Preferred Stock shall have vested, such right may be exercised initially either at a special meeting of such holders of the Preferred Stock called as provided in Paragraph (13) of this Section I of this Article Fourth, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at such annual meetings. The right of the holders of the Preferred Stock, voting separately as a class, to elect members of the board of directors of the Company as aforesaid shall continue until such time as all dividends accumulated on the Preferred Stock shall have been paid in full, at which time the right of the holders of the Preferred Stock to vote and to be represented at and to receive notice of meetings shall terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned.

(13) At any time when the special voting right shall have vested in the holders of the Preferred Stock then outstanding as provided in the preceding Paragraph (12) of this Section I of this Article Fourth, and if such right shall not already have been initially exercised, a proper officer of the Company shall, upon the written request of the holders of record of at least 10% in amount of the Preferred Stock then outstanding, regardless of series, addressed to the secretary of the Company, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto, for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for the holding of annual meetings of stockholders of the Company. If such meeting shall not be called by the proper officer of the Company within 20 days after the personal service of such written request upon the secretary of the Company, or within 20 days after mailing the same within the United States of America, by registered mail addressed to the secretary of the Company at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of at least 10% in amount of the Preferred Stock then outstanding, regardless of series, may designate in writing one of their number to call such meeting at the expense of the Company, and such annual meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the place for the holding of annual meetings of stockholders of the Company. Any holder of Preferred Stock so designated shall have access to the stock books of the Company for the purpose of causing a meeting of stockholders to be called pursuant to these

provisions. Notwithstanding the provisions of this Paragraph (13), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of stockholders.

(14) At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the special right, voting separately as a class, to elect directors as provided in Paragraph (12) of this Section I of this Article Fourth, the presence, in person or by proxy, of the holders of 33 1/3% of the Preferred Stock at the time outstanding shall be required an be sufficient to constitute a quorum of such class for the election of any directors by the holders of the Preferred Stock a class. At any such meeting or adjournment thereof, (a) the absence of a quorum of the Preferred Stock shall not prevent the election of the directors to be elected by the holders of stock other than the Preferred Stock and the absence of a quorum of stock other than the Preferred Stock shall not prevent the election of the directors to be elected by the holders of the Preferred Stock, and (b) in the absence of such quorum, either of the Preferred Stock or of stock other than the Preferred Stock, or both, a majority of the holders, present in person or by proxy, of the class or classes of stock which lack a quorum shall have power to adjourn the meeting for the election of directors whom they are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(15) The term of office of all directors in office at any time when voting power shall, as aforesaid, be vested in the holders of the Preferred Stock shall terminate upon the election of any new directors at any meeting of stockholders called for the purpose of electing directors. Upon any termination of the right of the holders of the Preferred Stock to vote for directors as herein provided, the term of office of all directors then in office shall terminate upon the election of new directors at a meeting of the other class or classes of stock of the Company then entitled to vote for directors, which meeting may be held at any time after such termination of voting right in the holders of the Preferred Stock, upon notice as above provided, and shall be called by the secretary of the Company upon written request of the holders of record of 10% of the aggregate number of outstanding shares of such other class or classes of stock then entitled to vote for directors.

(16) If in any case the amounts payable with respect to any requirements to retire shares of the Preferred Stock are not paid in full in the case of all series with respect to which such requirements exist, the number of shares to be retired in each series shall be in proportion to the respective amounts which would be payable on account of such requirements if all amounts payable were met in full.

(17) Whenever, at any time, full cumulative dividends as aforesaid for all past dividend periods and for the current dividend period shall have been paid or declared and set apart for payment on the then outstanding Preferred Stock, and after complying with all the provisions with respect to any purchase, retirement or sinking fund or funds for nay one or more series of Preferred Stock, the board of directors may, subject to the provisions hereof with respect to the payment of dividends on any other class or classes of stock, declare dividends on any such other class or classes of stock ranking junior to the Preferred Stock as to dividends subject to the respective terms and provisions, if any, applying thereto, and the Preferred Stock shall not be entitled to share therein.

Upon any liquidation, dissolution or winding up of the Company, after payment shall have been made in full to the Preferred Stock as provided in Paragraph (5) of this Section I, of this Article Fourth, but not prior thereto, an other class or classes of stock ranking junior to the Preferred Stock upon liquidation shall, subject to the respective terms and provisions, if any, applying thereto, be entitled to receive any and all assets remaining to the paid or distributed, and the Preferred Stock shall not be entitled to share therein.

(18) For the purposes of this Section I of this Article Fourth or of any resolution of the board of directors providing for the issue of any series of Preferred Stock or of any certificate filed with the Secretary of State of Delaware (unless otherwise provided in any such resolution or certificate):

(a) The amount of dividends "accumulated" on any share of Preferred Stock of any series as at any quarterly dividend date shall be deemed to be the amount of any unpaid dividends accumulated thereon to and including such quarterly dividend date, whether or not earned or declared, and the amount of dividends "accumulated" on any share of Preferred Stock of any series as at any date other than a quarterly dividend date shall be calculated as the amount of any unpaid dividends accumulated thereon to and including the last preceding quarterly dividend date, whether or note earned or declared, plus an amount equivalent to interest on the par value of such shares at the annual dividend rate fixed for the shares of such series for the period after such lasting preceding quarterly dividend date to and including the date as of which the calculation is made.

(b) Any class or classes of stock of the Company shall be deemed to rank

(i) prior to the Preferred Stock either as to dividends or upon liquidation if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of the Preferred Stock;

(ii) on a parity with the Preferred Stock either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of the Preferred Stock, if the holders of such class or classes of stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority one over the other with respect to the holders of the Preferred Stock;

(iii) junior to the Preferred Stock either as to dividends or upon liquidation if the rights of the holders of such class or classes shall be subject or subordinate to the rights of the holders of the Preferred Stock in respect of the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be.

(19) So long as any shares of Preferred Stock shall be outstanding, the Preferred Stock shall be deemed to rank prior to the Common Stock as to dividends and upon liquidation.

SECTION II
Common Stock

Except as herein or by law expressly provided, each holder of Common Stock shall have the right, to the exclusion of all other classes of stock, to one vote for each share of stock standing in the name of such holder on the books of the Company.

FIFTH: The minimum amount of capital with which the Company will commence business is $1,000.

SIXTH: The name and place of residence of each of the incorporators is as follows:

Name	Residence
J.A. O’Connor, Jr.	510 East Faulkner Street El Dorado, Arkansas
Jerry W. Watkins	1007 Brookwood Drive El Dorado, Arkansas
William B. Meek	Calion, Arkansas

SEVENTH: The existence of the Company is to be perpetual.

EIGHTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever.

NINTH: The number of directors of the Company shall be such as from time to time shall be fixed by, or in the manner provided in, the bylaws, but shall not be less than three. Election of directors need not be by ballot unless the bylaws so provide. In furtherance, and not in limitation of the power conferred by law, the board of directors is expressly authorized

(a) To make, alter or repeal the bylaws of the Company; to set apart out of any of the funds of the Company available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created; to authorize and cause to be executed mortgages and liens upon any part of the property of the Company provided it be less than substantially all; to determine whether any, and if any, what part, of the annual net profits of the Company or of its net assets in excess of its capital shall be declared as dividends and paid to the stockholders, and to direct and determine the use and disposition of any such annual net profits or net assts in excess of capital.

(b) By resolution passed by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of the Company, which, to the extent provided in the resolution or in the bylaws of the Company, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it. Such committees shall have such name or names as may be stated in the bylaws of the Company or as may be determined form time to time by resolution adopted by the board of directors.

(c) When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders’ meeting duly called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all of the property and assets of the Company, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interest of the Company.

(d) To establish bonus, profit sharing, stock option, retirement or other types of incentive or compensation plans for the employees (including officers and directors) of the Company and to fix the amount of the annual profits to be distributed or shared and to determine the persons to participate in any such plans and the amount of their respective participations.

(e) To determine from time to time whether, and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Company (other than the stock ledger) or any of them, shall be open to the inspection of the stockholders.

TENTH: The stockholders and board of directors shall have power, if the bylaws so provide, to hold their meetings and to keep the books of the Company (except such as are required by the law of the State of Delaware to be kept in Delaware) and documents and papers of the Company outside the State of Delaware.

ELEVENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

TWELFTH: No contract or other transaction between the Company and any other corporation and no other act of the Company with relation to any other corporation shall, in the absence of fraud, in any way be invalidated or otherwise affected by the fact that any one or more of the directors of the Company are pecuniarily or otherwise interested in, or are directors or officers of, such other corporation. Any director of the Company individually, or any firm or

association of which any directors may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Company, provided that the fact that he individually or as a member of such firm or association is such a party or so interested and the extent of such interest shall be disclosed or shall have been known to a majority of the whole board of directors present at any meeting of the board of directors at which action upon such contract or transaction shall be taken; and any director of the Company who is also a director or officer of such other corporation or who is such a party or so interested may be counted in determining the existence of a quorum at any meeting of the board of directors which shall authorize any such contract or transaction, and may vote thereat to authorize any such contract or transaction, with like force and effect as if he were not such director or officer of such other corporation or not so interested. Any directors of the Company may vote upon any contract or other transaction between the Company and any subsidiary or affiliated corporation without regard to the fact that he is also a director of such subsidiary or affiliated corporation.

THIRTEENTH: Each officer, director, or member of any committee designated by the board of directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the Company by any of its officials or by an independent certified public accountant or by an appraiser selected with reasonable care by the board of directors or by any such committee or in relying in good faith upon other records of the Company.

FOURTEENTH: A director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. This Article shall not eliminate or limit the liability of a director for any act or omission occurring prior to the effective date of the Amendment adding this Article by the stockholders of the Company shall be prospective only, and shall not adversely affect any limitation on the person liability of a director of the Company existing at the time of such repeal or modification.

FIFTEENTH: The Company hereby reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power.

EXHIBIT 12.1

Murphy Oil Corporation and Consolidated Subsidiaries

Computation of Ratio of Earnings to Fixed Charges (unaudited)

(Thousands of dollars)

	Six Months Ended June 30, 2005	Years Ended December 31,				
		2004	2003	2002	2001	2000
Income from continuing operations before income taxes	$ 765,180	804,936	374,205	121,566	438,972	407,813
Distributions less than equity in earnings of affiliates	(5,095)	(4,225)	(209)	(3)	(365)	(34)
Previously capitalized interest charged to earnings during period	8,966	14,065	10,457	7,748	3,450	3,507
Interest and expense on indebtedness, excluding capitalized interest	7,215	34,064	20,511	26,968	19,006	16,337
Interest portion of rentals*	4,534	7,908	9,857	9,445	7,953	5,808
Earnings before provision for taxes and fixed charges	$ 780,800	856,748	414,821	165,724	469,016	433,431
Interest and expense on indebtedness, excluding capitalized interest	7,215	34,064	20,511	26,968	19,006	16,337
Capitalized interest	16,322	22,160	37,240	24,536	20,283	13,599
Interest portion of rentals*	4,534	7,908	9,857	9,445	7,953	5,808
Total fixed charges	$ 28,071	64,132	67,608	60,949	47,242	35,744
Ratio of earnings to fixed charges	27.8	13.4	6.1	2.7	9.9	12.1

* Calculated as one-third of rentals. Considered a reasonable approximation of interest factor.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Claiborne P. Deming, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Murphy Oil Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 5, 2005

/s/ Claiborne P. Deming

Claiborne P. Deming
Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven A. Cossé, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Murphy Oil Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal controls over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 5, 2005

/s/ Steven A. Cossé

Steven A. Cossé
Principal Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Murphy Oil Corporation (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Claiborne P. Deming and Steven A. Cossé, Principal Executive Officer and Principal Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2005

/s/ Claiborne P. Deming

Claiborne P. Deming
Principal Executive Officer

/s/ Steven A. Cossé

Steven A. Cossé
Principal Financial Officer