Murphy Oil Announces Preliminary First Quarter 2008 Earnings

April 30, 2008 5:10 PM ET

EL DORADO, Ark., Apr 30, 2008 (BUSINESS WIRE) -- Murphy Oil Corporation (NYSE: MUR) announced today that net income in the first quarter of 2008 was $409.0 million ($2.14 per diluted share), compared to net income of $110.6 million ($0.58 per diluted share) in the first quarter of 2007. The larger profit in 2008 compared to 2007 was primarily due to higher crude oil sales prices and sales volumes, which led to improved earnings in the Company's exploration and production business. The first quarter 2008 also included a $39.9 million after-tax gain on sale of all Berkana Energy shares in Canada. Earnings in the Company's refining and marketing business in 2008 were hampered by much tighter refining margins compared to the 2007 quarter.

Exploration and Production

Murphy's income contribution from exploration and production operations was $428.0 million in the first quarter of 2008 compared to $88.8 million in the same quarter of 2007. Higher realized sales prices for crude oil and natural gas, higher oil and natural gas sales volumes and the aforementioned gain on sale of Berkana shares were the primary reasons for improved earnings in the 2008 period.

The Company's worldwide crude oil and condensate sales prices averaged $84.95 per barrel for the 2008 first quarter compared to $47.89 per barrel in the 2007 first quarter. Total crude oil and gas liquids production was 113,339 barrels per day in the first quarter of 2008 compared to 84,555 barrels per day in the 2007 quarter. The increase in crude oil volumes in 2008 was mostly attributable to the August 2007 production start-up of the Kikeh field in Block K Malaysia. Oil production volumes declined in 2008 compared to 2007 at several areas, including Front Runner in the Gulf of Mexico, Seal and Syncrude in Western Canada, and West Patricia in Block SK 309 Malaysia. North American natural gas sales prices averaged $8.40 per thousand cubic feet (MCF) in the 2008 first quarter compared to $7.28 per MCF in the same quarter of 2007. Natural gas sales volumes were 69 million cubic feet per day in the first quarter of 2008 compared to 61 million cubic feet per day in the 2007 period, with the increase primarily due to production in the 2008 period at the Mondo NW field in the Gulf of Mexico following its start-up in July 2007. Natural gas sales volumes in Canada declined in 2008 mostly due to the sale of the Berkana shares in mid-January 2008.

Exploration expense in the 2008 period was $66.5 million compared to $48.4 million in 2007. Undeveloped leasehold amortization increased $21.1 million in 2008, mostly related to acreage acquired at the Tupper natural gas field under development in northeastern British Columbia. Geological and geophysical expense increased $9.2 million in 2008 compared to 2007 due to seismic activities at the Tupper field and in Block P, offshore Malaysia, but these were partially offset by lower seismic costs in the Republic of Congo. Dry hole expense was lower by $14.2 million in the 2008 period mostly in the Gulf of Mexico.

Refining and Marketing

Murphy's refining and marketing operations generated income of $10.2 million in the 2008 quarter compared to income of $35.7 million in the 2007 quarter. In North America, downstream earnings were $1.0 million in 2008 compared to earnings of $34.5 million in 2007. North American results were lower in 2008 mostly due to significantly weaker refining margins, which were hurt by higher prices for crude oil feedstocks. Margins for U.S. retail marketing operations were slightly improved in the 2008 quarter. Refining and marketing operations in the United Kingdom generated income of $9.2 million in the first quarter of 2008, compared to income of $1.2 million in the same quarter of 2007. Total refinery inputs and petroleum products sold in the U.K. were significantly higher in 2008 than 2007 due to the purchase on December 1, 2007 of the remaining 70% interest in the Milford Haven, Wales refinery.

Corporate

Corporate functions had net costs of $29.2 million in the 2008 first quarter compared to net costs of $13.9 million in

2007. Net costs increased in 2008 compared to 2007 due to a combination of higher losses on foreign currency exchange caused by a weaker U.S. dollar, higher administrative expenses due mostly to stock-based and other incentive compensation, and higher net interest expense associated with higher borrowing levels and lower amounts capitalized to oil and gas development projects. The Company capitalized most of its interest expense to the Kikeh oil development project in the first quarter of 2007. Total net after-tax losses on foreign exchange were $4.8 million in the 2008 quarter compared to an $0.8 million gain in 2007.

Claiborne P. Deming, President and Chief Executive Officer, commented, "Our ongoing development projects continue to progress. The next batch of producing oil wells at the Kikeh field are scheduled for start-up near the end of the second quarter. In addition, our natural gas development at Tupper in British Columbia remains on track for first production in the fourth quarter of this year. Exploration drilling in the Eastern Gulf of Mexico will commence in the second quarter along with drilling in Block K Malaysia. Our worldwide production volumes are expected to average about 115,000 barrels of oil equivalent per day in the second quarter, but sales volumes are expected to average 108,000 barrels of oil equivalent per day. Crude oil sales prices have continued to strengthen in April, and margins throughout the U.S. downstream system are still being adversely affected by the high crude oil prices. We currently expect earnings in the second quarter to be between $1.90 and $2.10 per diluted share. Results could vary based on commodity prices, drilling results, timing of oil sales and refining and marketing margins."

The public is invited to access the Company's conference call to discuss first quarter 2008 results on Thursday, May 1, at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy's website at http://www.murphyoilcorp.com/ir or via the telephone by dialing 1-800-366-7449. The telephone reservation number for the call is 11112008. Replays of the call will be available through the same address on the Murphy website, and a recording of the call will be available through May 5 by dialing 1-800-405-2236. Audio downloads will be available on the Murphy website through June 1 and via Thomson StreetEvents for their service subscribers.

The forward-looking statements reflected in this release are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. No assurance can be given that the results discussed herein will be attained, and certain important factors that may cause actual results to differ materially are contained in Murphy's January 15, 1997 Form 8-K report on file with the U.S. Securities and Exchange Commission.

MURPHY OIL CORPORATION
CONSOLIDATED FINANCIAL DATA SUMMARY
(Unaudited)

FIRST QUARTER	2008	2007
Revenues	$6,532,731,000	3,434,884,000
Net income	$ 408,992,000	110,634,000
Net income per Common share		
Basic	$ 2.16	0.59
Diluted	$ 2.14	0.58
Average shares outstanding		
Basic	189,150,647	187,147,870
Diluted	191,550,683	189,789,397

SOURCE: Murphy Oil Corporation

Murphy Oil Corporation
Investor/Media Relations:
Mindy West, 870-864-6315