

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, 2001

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.

X Yes ___ No

Number of shares of Common Stock, \$1.00 par value, outstanding at June 30, 2001, was 45,300,630.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (Thousands of dollars)

	(Unaudited) June 30, 2001	December 31, 2000
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 205,967	132,701
Accounts receivable, less allowance for doubtful accounts of \$9,409 in 2001 and \$10,208 in 2000	403,361	469,616
Inventories		
Crude oil and blend stocks	60,827	47,875
Finished products	93,600	68,464
Materials and supplies	49,434	48,416
Prepaid expenses	29,391	23,949
Deferred income taxes	21,708	25,916
	-----	-----
Total current assets	864,288	816,937
Property, plant and equipment, at cost less accumulated depreciation and amortization of \$3,170,374 in 2001 and \$3,144,369 in 2000	2,333,173	2,184,719
Goodwill, net	46,291	48,396
Deferred charges and other assets	90,107	84,301
	-----	-----
Total assets	\$ 3,333,859	3,134,353
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 41,911	37,242
Accounts payable and accrued liabilities	560,805	639,642
Income taxes	85,413	68,343
	-----	-----
Total current liabilities	688,129	745,227
Notes payable	382,485	398,375
Nonrecourse debt of a subsidiary	120,690	126,384
Deferred income taxes	271,624	229,968
Reserve for dismantlement costs	157,714	160,049
Reserve for major repairs	37,637	34,302
Deferred credits and other liabilities	183,582	180,488
Stockholders' equity		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued	-	-
Common stock, par \$1.00, authorized 200,000,000 shares at June 30, 2001 and 80,000,000 shares at December 31, 2000, issued 48,775,314 shares	48,775	48,775
Capital in excess of par value	525,976	514,474
Retained earnings	1,060,058	833,490
Accumulated other comprehensive loss	(50,093)	(38,266)
Unamortized restricted stock awards	(1,894)	(1,410)
Treasury stock, 3,474,684 shares of Common Stock at June 30, 2001, 3,729,769 shares at December 31, 2000, at cost	(90,824)	(97,503)
	-----	-----
Total stockholders' equity	1,491,998	1,259,560
	-----	-----
Total liabilities and stockholders' equity	\$ 3,333,859	3,134,353
	=====	=====

See Notes to Consolidated Financial Statements, page 5.

The Exhibit Index is on page 18.

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,	
	2001	2000*	2001	2000*
REVENUES				
Crude oil and natural gas sales	\$ 232,952	159,564	470,151	312,572
Petroleum product sales	778,071	684,081	1,450,302	1,253,512
Crude oil trading sales	157,866	231,062	396,326	508,488
Other operating revenues	128,145	17,692	165,950	37,132
Interest and other nonoperating revenues	3,345	4,357	7,035	5,566
Total revenues	1,300,379	1,096,756	2,489,764	2,117,270
COSTS AND EXPENSES				
Crude oil, products and related operating expenses	922,413	884,378	1,835,624	1,705,992
Exploration expenses, including undeveloped lease amortization	41,589	20,860	79,550	68,718
Selling and general expenses	24,983	20,781	46,029	38,641
Depreciation, depletion and amortization	58,256	47,561	112,488	103,133
Amortization of goodwill	785	-	1,573	-
Interest expense	9,702	6,779	19,446	13,572
Interest capitalized	(4,333)	(3,541)	(7,919)	(6,739)
Total costs and expenses	1,053,395	976,818	2,086,791	1,923,317
Income before income taxes and cumulative effect of accounting change	246,984	119,938	402,973	193,953
Income tax expense	84,416	46,893	142,569	71,765
Income before cumulative effect of accounting change	162,568	73,045	260,404	122,188
Cumulative effect of accounting change, net of tax (Note B)	-	-	-	(8,733)
NET INCOME	\$ 162,568	73,045	260,404	113,455
INCOME PER COMMON SHARE - BASIC				
Before cumulative effect of accounting change	\$ 3.60	1.62	5.77	2.71
Cumulative effect of accounting change	-	-	-	(.19)
NET INCOME - BASIC	\$ 3.60	1.62	5.77	2.52
INCOME PER COMMON SHARE - DILUTED				
Before cumulative effect of accounting change	\$ 3.56	1.61	5.72	2.70
Cumulative effect of accounting change	-	-	-	(.19)
NET INCOME - DILUTED	\$ 3.56	1.61	5.72	2.51
Average Common shares outstanding - basic	45,206,604	45,021,888	45,139,453	45,015,956
Average Common shares outstanding - diluted	45,644,457	45,255,936	45,490,094	45,203,079

*Restated to conform to 2001 presentation.

See Notes to Consolidated Financial Statements, page 5.

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,	
	2001	2000*	2001	2000*
Net income	\$162,568	73,045	260,404	113,455
Other comprehensive income (loss), net of tax				
Cash flow hedges				
Net derivative gains	1,454	-	2,053	-
Reclassification adjustments	(232)	-	1,346	-
Total cash flow hedges	1,222	-	3,399	-
Net gain (loss) from foreign currency translation	29,571	(23,571)	(21,868)	(28,217)
Other comprehensive income (loss) before cumulative effect of accounting change	30,793	(23,571)	(18,469)	(28,217)
Cumulative effect of accounting change (Note B)	-	-	6,642	-
Other comprehensive income (loss)	30,793	(23,571)	(11,827)	(28,217)
COMPREHENSIVE INCOME	\$193,361	49,474	248,577	85,238
	=====	=====	=====	=====

*Restated to conform to 2001 presentation.

See Notes to Consolidated Financial Statements, page 5.

Murphy Oil Corporation and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Thousands of dollars)

	Six Months Ended June 30,	
	2001	2000*
	-----	-----
OPERATING ACTIVITIES		
Income before cumulative effect of accounting change	\$ 260,404	122,188
Adjustments to reconcile above income to net cash provided by operating activities		
Depreciation, depletion and amortization	112,488	103,133
Provisions for major repairs	11,051	11,442
Expenditures for major repairs	(9,861)	(6,358)
Dry holes	46,572	38,605
Amortization of undeveloped leases	10,852	6,232
Amortization of goodwill	1,573	-
Deferred and noncurrent income tax charges	41,491	14,739
Pretax gains from disposition of assets	(95,246)	(2,872)
Cumulative effect of accounting change on working capital	-	(11,170)
Net (increase) decrease in operating working capital other than cash and cash equivalents	(35,852)	45,560
Other operating activities - net	8,447	9,958
	-----	-----
Net cash provided by operating activities	351,919	331,457
	-----	-----
INVESTING ACTIVITIES		
Property additions and dry holes	(393,823)	(240,484)
Proceeds from sale of property, plant and equipment	159,079	8,047
Other investing activities - net	(258)	(67)
	-----	-----
Net cash required by investing activities	(235,002)	(232,504)
	-----	-----
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	(9,714)	9,429
Decrease in nonrecourse debt of a subsidiary	(7,201)	(5,307)
Cash dividend paid	(33,835)	(31,509)
Proceeds from exercise of stock options and employee stock purchase plan	14,333	322
Other financing activities - net	(2,000)	-
	-----	-----
Net cash required by financing activities	(38,417)	(27,065)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(5,234)	(3,508)
	-----	-----
Net increase in cash and cash equivalents	73,266	68,380
Cash and cash equivalents at January 1	132,701	34,132
	-----	-----
Cash and cash equivalents at June 30	\$ 205,967	102,512
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES		
Cash income taxes paid	\$ 79,828	7,140
Interest paid, net of amounts capitalized	7,908	6,052

*Reclassified to conform to 2001 presentation.

See Notes to Consolidated Financial Statements, page 5.

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 4 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, 2000. 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, 2001, and the results of its operations and cash flows for the three-month and six-month periods ended June 30, 2001 and 2000, in conformity with accounting principles generally accepted in the United States.

Financial statements and notes to consolidated financial statements included in this Form 10-Q report should be read in conjunction with the Company's 2000 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, 2001 are not necessarily indicative of future results.

Note B - New Accounting Principles

Effective January 1, 2001, Murphy adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138 (SFAS Nos. 133/138). Under SFAS Nos. 133/138, Murphy records the fair values of its derivative instruments as either assets or liabilities. All such instruments have been designated as hedges of forecasted cash flow exposures. Changes in the fair value of a qualifying cash flow hedging derivative are deferred and recorded as a component of Accumulated Other Comprehensive Income (AOCI) in the Consolidated Balance Sheet until the forecasted transaction occurs, at which time the derivative's fair value will be recognized in earnings. Ineffective portions of a hedging derivative's change in fair value are recognized currently in earnings. Adoption of SFAS Nos. 133/138 resulted in a transition adjustment gain to AOCI of \$6.6 million, net of \$2.8 million in income taxes for the cumulative effect on prior years; there was no cumulative effect on earnings. Excluding the transition adjustment, the effect of this accounting change increased AOCI for the six months ended June 30, 2001 by \$3.4 million, net of \$2.7 million in income taxes, and decreased net income for the same period by \$.2 million, net of \$.1 million in taxes, but did not affect income per diluted share. For the six months ended June 30, 2001, losses of \$1.3 million, net of \$1.2 million in taxes, associated with the transition adjustment were reclassified from AOCI to earnings.

In 2000, Murphy adopted the revenue recognition guidance in the Securities and Exchange Commission's Staff Accounting Bulletin 101. As a result of the change, Murphy records revenues related to its crude oil as the oil is sold, and carries its unsold crude oil production in inventory at cost or market, whichever is lower, rather than at market value as in the past. Consequently, Murphy restated its 2000 operating results and recorded a transition adjustment charge of \$8.7 million, net of income tax benefits of \$3.9 million, for the cumulative effect on prior years. Excluding the transition adjustment, this accounting change decreased income for the six months ended June 30, 2000 by \$9.4 million.

In 2000, the Company also applied the provisions of Emerging Issues Task Force (EITF) Issue 99-19, "Reporting Revenue Gross as a Principal Versus Net as an Agent," and Issue 00-10, "Accounting for Shipping and Handling Fees." Prior to applying EITF 99-19, the Company reported the results of crude oil trading and certain other downstream activities on a net margin basis in either Other Operating Revenues or Crude Oil, Products and Related Operating Expenses in its Statements of Income and in its refining, marketing and transportation segment disclosures. Under EITF 99-19, the Company began reporting these activities as gross revenues and cost of sales. Before applying EITF 00-10, the Company reduced Crude Oil and Natural Gas Sales for certain gathering and pipeline charges incurred prior to the point of sale. Such costs have now been recorded as cost of sales rather than as a reduction of revenues. Due to applying these two accounting principles, the Company's previously reported revenues and cost of sales for all 2000 periods have been reclassified to reflect the new presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note C - Environmental Contingencies

The Company's operations are 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 refineries, oil and gas fields, gasoline stations, and terminals, for which known or potential obligations for environmental remediation exist.

Under the Company's accounting policies, an environmental liability is recorded when an obligation is probable and the cost can be reasonably estimated. If there is a range of reasonably estimated costs, the most likely amount will be recorded, or if no amount is most likely, the minimum of the range is used. Recorded liabilities are reviewed quarterly. Actual cash expenditures often occur one or more years after a liability is recognized.

The Company's reserve for remedial obligations, which is included in "Deferred Credits and Other Liabilities" in the Consolidated Balance Sheets, contains certain amounts that are based on anticipated regulatory approval for proposed remediation of former refinery waste sites. If regulatory authorities require more costly alternatives than the proposed processes, future expenditures could exceed the amount reserved by up to an estimated \$3 million.

The Company has received notices from the U.S. Environmental Protection Agency (EPA) that it is currently considered a Potentially Responsible Party (PRP) at three Superfund sites and has also been assigned responsibility by defendants at another Superfund site. 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 has reason to believe that it is a "de minimus" party as to ultimate responsibility at the four sites. The Company does not expect that its related remedial costs will be material to its financial condition or its results of operations, and it has not provided a reserve for remedial costs on Superfund sites. Additional information may become known in the future that would alter this assessment, including any requirement to bear a pro rata share of costs attributable to nonparticipating PRPs or indications of additional responsibility by the Company.

Lawsuits filed against Murphy by the U.S. Government and the State of Wisconsin are discussed under the caption "Legal Proceedings" on page 16 of this Form 10-Q report. The Company does not believe that these or other known environmental matters will have a material adverse effect on its financial condition. There is the possibility that expenditures could be required at currently unidentified sites, and new or revised regulations could require additional expenditures at known sites. Such expenditures could materially affect the results of operations in a future period.

Certain environmental expenditures are likely to be recovered by the Company from other sources, primarily environmental funds maintained by certain states. Since no assurance can be given that future recoveries from other sources will occur, the Company has not recognized a benefit for likely recoveries at June 30, 2001.

Note D - Other Contingencies

The Company's operations and earnings have been and may be affected by various other 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; 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, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note D - Other Contingencies (Contd.)

The Company and its subsidiaries are engaged in a number of legal proceedings, all of which the Company considers routine and incidental to its business and none of which is considered material. In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide letters of credit that may be drawn upon if the Company fails to perform under those contracts. At June 30, 2001 the Company had contingent liabilities of \$38.8 million under certain financial guarantees and \$45.8 million on outstanding letters of credit.

Note E - Earnings per Share

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, 2001 and 2000. The following table reconciles the weighted-average shares outstanding used for these computations.

Reconciliation of Shares Outstanding	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
(Weighted-average shares)				
Basic method.....	45,206,604	45,021,888	45,139,453	45,015,956
Dilutive stock options.....	437,853	234,048	350,641	187,123
Diluted method	45,644,457	45,255,936	45,490,094	45,203,079

The computations of earnings per share in the Consolidated Statements of Income did not consider outstanding options of 73,500 shares for the three-month period of 2000, and 147,000 shares for the six-month period of 2000, because the effects of these options would have improved the Company's earnings per share. Average exercise prices per share of the options not used were \$65.49, and \$62.97, respectively. There were no antidilutive options for the three-month and six-month periods of 2001.

Note F - Risk Management and Derivative Instruments

. Interest Rate Risks - Murphy has variable-rate debt obligations consisting of commercial paper issued under nonrecourse guaranteed credit facilities to finance certain expenditures for the Hibernia oil field. These obligations expose the Company to the effects of changes in interest rates. To limit its exposure to interest rate risk on a significant portion of the variable-rate debt, Murphy has interest rate swap agreements to hedge fluctuations in cash flows resulting from such risk. Under the interest rate swaps, the Company pays fixed rates and receives variable rates. The Company has a risk management control system to monitor interest rate cash flow risk attributable to the Company's outstanding and forecasted debt obligations as well as the offsetting interest rate swaps. The control system involves using analytical techniques, including cash flow sensitivity analysis, to estimate the impact of interest rate changes on future cash flows.

For the six months ended June 30, 2001, the income effect from cash flow hedging ineffectiveness was insignificant. The fair value of the effective portions of the interest rate swaps and changes thereto is deferred in Accumulated Other Comprehensive Income (AOCI) and is subsequently reclassified into Interest Expense as a rate adjustment in the periods in which the hedged interest payments on the variable-rate debt affect earnings.

. Natural Gas Fuel Price Risks - The Company purchases natural gas as fuel at its Meraux, Louisiana refinery. The cost of natural gas is subject to commodity price risk. In 1999, as a result of its belief that natural gas prices would increase dramatically from 1999 levels in the following three to five years, Murphy reduced the effect of fluctuations in the price of natural gas used for fuel at Meraux by entering into natural gas swap contracts to hedge fluctuations in cash flows resulting from such risk.

Note F - Risk Management and Derivative Instruments (Contd.)

Under the natural gas swaps, the Company pays a fixed rate and receives a floating rate in each month of settlement. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas fuel requirements and to Murphy's natural gas swaps. The control system involves using analytical techniques, including various correlations of natural gas purchase prices to futures prices, to estimate the impact of changes in natural gas fuel prices on Murphy's cash flows.

For the six months ended June 30, 2001, the income effect from cash flow hedging ineffectiveness was insignificant. The fair value of the effective portions of the natural gas swaps and changes thereto is deferred in AOCI and is subsequently reclassified into Crude Oil, Products and Related Operating Expenses in the periods in which the hedged natural gas fuel purchases affect earnings.

Natural Gas Sales Price Risks - The sales price of natural gas produced by the Company is subject to commodity price risk. Murphy has minimized the effect of fluctuations in the selling price of a limited portion of its U.S. natural gas production through October 2001 by entering into a natural gas swap contract and natural gas options to hedge cash flow fluctuations resulting from such risk. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas sales prices and to Murphy's hedging instruments. The control system involves using analytical techniques, including various correlations of natural gas sales prices to futures prices, to estimate the impact of changes in natural gas prices on Murphy's cash flows from the sale of natural gas.

The natural gas price risk pertaining to a portion of gas sales from properties Murphy acquired from Beau Canada Exploration Ltd. in 2000 is limited by natural gas swap agreements expiring in October 2001 that were obtained in the acquisition. These agreements hedge fluctuations in cash flows resulting from such risk. Certain swaps require Murphy to pay a floating price and receive a fixed price and are partially offset by swaps on a lesser volume that require Murphy to pay a fixed price and receive a floating price.

For the six months ended June 30, 2001, Murphy's earnings were not significantly impacted from cash flow hedging ineffectiveness arising from the natural gas swaps and options in the United States and western Canada. The fair values of the effective portions of the natural gas swaps and options and changes thereto are deferred in AOCI and are subsequently reclassified into Crude Oil and Natural Gas Sales in the periods in which the hedged natural gas sales affect earnings.

Crude Oil Purchase Price Risks - Each month, the Company purchases crude oil as the primary feedstock for its U.S. refineries. Prior to April 2000, the Company was a party to crude oil swap agreements that limited the exposure of its U.S. refineries to the risks of fluctuations in cash flows resulting from changes in the prices of crude oil purchased in 2001 and 2002. Under each swap, Murphy would have paid a fixed crude oil price and would have received a floating price during the agreement's contractual maturity period. In April 2000, the Company settled certain of the swaps for cash and entered into offsetting contracts for the remaining swap agreements, locking in a future net cash settlement gain. The fair values of these settlement gains and changes thereto are deferred in AOCI and are subsequently reclassified as a reduction of Crude Oil, Products and Related Operating Expenses in the periods in which the hedged crude oil purchases affect earnings.

The Company expects to transfer approximately \$5 million in after-tax gains from AOCI into earnings during the next 12 months as the forecasted transactions actually occur. All forecasted transactions currently being hedged are expected to occur by December 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note G - Accumulated Other Comprehensive Loss

Net gains (losses) in Accumulated Other Comprehensive Loss on the Consolidated Balance Sheets at June 30, 2001 and December 31, 2000 were as follows.

(Millions of dollars)	June 30, 2001	December 31, 2000
Foreign currency translation.....	\$ (60.1)	(38.3)
Cash flow hedging.....	10.0	-
Accumulated other comprehensive loss	\$ (50.1)	(38.3)

Note H - Business Segments

(Millions of dollars)	Total Assets at June 30, 2001	Three Months Ended June 30, 2001			Three Months Ended June 30, 2000*		
		External Revenues	Interseg. Revenues	Income (Loss)	External Revenues	Interseg. Revenues	Income (Loss)
Exploration and production**							
United States.....	\$ 500.7	53.2	13.7	24.6	46.0	17.6	19.9
Canada.....	1,242.6	119.3	9.1	23.8	57.4	23.4	22.7
United Kingdom.....	217.6	51.2	-	21.4	41.1	-	15.8
Ecuador.....	68.8	10.2	-	4.3	13.1	-	7.0
Other.....	21.1	.4	-	(13.5)	.6	-	(9.3)
Total	2,050.8	234.3	22.8	60.6	158.2	41.0	56.1
Refining, marketing and transportation							
United States.....	803.4	838.7	-	34.3	682.4	.1	14.5
United Kingdom.....	191.8	83.7	-	2.0	114.6	-	5.7
Canada.....	-	140.4	.1	68.4	137.2	.2	2.3
Total	995.2	1,062.8	.1	104.7	934.2	.3	22.5
Total operating segments.....	3,046.0	1,297.1	22.9	165.3	1,092.4	41.3	78.6
Corporate and other.....	287.9	3.3	-	(2.7)	4.4	-	(5.5)
Total consolidated	\$3,333.9	1,300.4	22.9	162.6	1,096.8	41.3	73.1

(Millions of dollars)	External Revenues	Interseg. Revenues	Income (Loss)	Six Months Ended June 30, 2001			Six Months Ended June 30, 2000*		
				External Revenues	Interseg. Revenues	Income (Loss)	External Revenues	Interseg. Revenues	Income (Loss)
Exploration and production**									
United States.....	\$ 132.6	30.9	55.7	84.0	36.1	13.8	84.0	36.1	13.8
Canada.....	219.0	30.0	51.9	114.6	53.2	50.4	114.6	53.2	50.4
United Kingdom.....	101.5	-	41.5	87.7	11.6	39.0	87.7	11.6	39.0
Ecuador.....	20.3	-	8.1	25.6	-	14.7	25.6	-	14.7
Other.....	.9	-	(16.0)	1.3	-	(10.8)	1.3	-	(10.8)
Total	474.3	60.9	141.2	313.2	100.9	107.1	313.2	100.9	107.1
Refining, marketing and transportation									
United States.....	1,544.9	-	49.3	1,285.7	.8	12.9	1,285.7	.8	12.9
United Kingdom.....	162.2	-	3.8	236.5	-	10.6	236.5	-	10.6
Canada.....	301.4	.2	71.2	276.3	.3	3.8	276.3	.3	3.8
Total	2,008.5	.2	124.3	1,798.5	1.1	27.3	1,798.5	1.1	27.3
Total operating segments.....	2,482.8	61.1	265.5	2,111.7	102.0	134.4	2,111.7	102.0	134.4
Corporate and other.....	7.0	-	(5.1)	5.6	-	(12.2)	5.6	-	(12.2)
Total.....	2,489.8	61.1	260.4	2,117.3	-	122.2	2,117.3	-	122.2
Cumulative effect of accounting change.....	-	-	-	-	-	(8.7)	-	-	(8.7)
Total consolidated	\$2,489.8	61.1	260.4	2,117.3	102.0	113.5	2,117.3	102.0	113.5

*Restated to conform to 2001 presentation.

**Additional details about results of operations are presented in the tables on page 15.

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

Results of Operations

Three Months Ended June 30, 2001 Compared to Three Months Ended June 30, 2000

Income before a special item in the second quarter of 2001 totaled \$95 million, \$2.08 a diluted share, compared to earnings of \$71.6 million, \$1.58 a diluted share, in the second quarter a year ago. Net income for the second quarter of 2001 totaled \$162.6 million, \$3.56 a diluted share, and included a gain on sale of Canadian pipeline assets of \$67.6 million, \$1.48 a diluted share. Net income in the second quarter of 2000 totaled \$73.1 million, \$1.61 a diluted share, and included a gain on sale of assets of \$1.5 million, \$.03 a diluted share.

The improvement in second quarter 2001 earnings is the result of higher North American natural gas prices, record Canadian natural gas sales volumes, higher oil sales volumes and healthier U.S. downstream margins, which more than offset lower oil prices and higher exploration expenses. The average sales price for natural gas increased by 30% in North America, while the Company's average worldwide crude oil price declined 11% from the prior year. The Company's natural gas sales in Canada set a record due to production from new fields in western Canada. Record quarterly earnings from U.S. refining and marketing operations made a significant contribution to Murphy's results.

Murphy's exploration and production operations earned \$60.6 million in the second quarter of 2001 compared to \$56.1 million in the same quarter of 2000. Exploration and production operations in the United States earned \$24.6 million compared to \$19.9 million in the second quarter of 2000. Operations in Canada earned \$23.8 million compared to \$22.7 million a year ago, and U.K. operations earned \$21.4 million compared to \$15.8 million. Operations in Ecuador earned \$4.3 million in the second quarter of 2001 compared to \$7 million a year ago. Other international operations reported a loss of \$13.5 million compared to a \$9.3 million loss a year earlier. The Company's worldwide crude oil and condensate sales prices averaged \$22.97 a barrel in the current quarter compared to \$25.75 a year ago. Crude oil and condensate sales prices averaged \$25.52 a barrel in the United States, down 11%, and \$25.91 in the United Kingdom, down 8%. In Canada, sales prices averaged \$24.52 a barrel for light oil, down 6% from last year; \$10.86 for heavy oil, down 44%; \$26.76 for production from the offshore Hibernia field, down 6%; and \$27.55 for synthetic oil, down 2%. The average crude oil sales price in Ecuador was \$18.63 a barrel, down 14%. Total crude oil and gas liquids production averaged 64,913 barrels a day compared to 66,131 in the second quarter of 2000. Production increased 1,403 barrels a day or 48% for Canadian light oil, and 1,203 or 12% for Canadian heavy oil. In other areas, production decreased 1,660 barrels a day or 8% in the United Kingdom, 748 or 11% in the United States, 648 or 7% at Hibernia, 581 or 10% for crude oil in Ecuador and 187 or 2% for synthetic oil in Canada. In the current quarter, natural gas sales prices averaged \$4.89 a thousand cubic feet (MCF) in the United States, up 39%; \$3.89 in Canada, up 34%; and \$2.26 in the United Kingdom, up 33%. Total natural gas sales averaged 284 million cubic feet a day in the current quarter compared to 230 million a year ago. Sales of natural gas in the United States averaged 119 million cubic feet a day, down from 151 million in the second quarter of 2000 as a result of a decrease in production from mature fields in the Gulf of Mexico. Canadian natural gas sales averaged 152 million cubic feet a day in the current quarter, an increase of 118%, due to production from new fields in Western Canada, and U.K. sales were 12 million, up 32%. Exploration expenses totaled \$41.6 million compared to \$20.8 million in 2000. Exploration expenses in the second quarter 2001 include approximately \$17 million in dry hole expense related to an unsuccessful well in the Laurentian Channel offshore eastern Canada. The tables on page 15 provide additional details of the results of exploration and production operations for the second quarter of each year.

Earnings from Murphy's downstream operations before special items for the three months ended June 30, 2001 were \$37.1 million, up from \$22.5 million in 2000. Refining, marketing and transportation operations in the United States reported earnings of \$34.3 million compared to \$14.5 million a year ago. Operations in the United Kingdom earned \$2 million compared to \$5.7 million in the second quarter of 2000. Earnings from purchasing, transporting and reselling crude oil in Canada were \$.8 million in the 2001 quarter compared to \$2.3 million in last year's second quarter. Other operating revenues for the 2001 period increased due to the Company completing its sale of Canadian downstream assets in May 2001 and increases in merchandise sales through its Murphy USA service stations in Wal-Mart parking lots. Refinery crude runs worldwide for the quarter were 165,247 barrels a day compared to 173,168 in the second quarter of 2000. Worldwide refined product sales were a record at 192,167 barrels a day compared to 180,733 a year ago.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd.)

Results of Operations (Contd.)

Three Months Ended June 30, 2001 Compared to Three Months Ended June 30, 2000
(Contd.)

Corporate functions, which include interest income and expense and corporate overhead not allocated to operating functions, reflected a loss of \$2.7 million in the current quarter compared to a \$7 million loss before a special item in the second quarter of 2000.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

For the first six months of 2001, income excluding the special item totaled \$192.8 million, \$4.24 a diluted share, compared to \$120.7 million, \$2.67 a share, a year ago. Net income for the current six-month period was \$260.4 million, \$5.72 a diluted share, and included an after-tax benefit of \$67.6 million, \$1.48 a diluted share, from the gain on sale of the Company's pipeline assets in Canada. The same period a year ago had net income of \$113.5 million, \$2.51 a share.

Year-to-date earnings from exploration and production operations were up \$34.1 million over the prior year, mainly due to increases in North American natural gas sales prices and Canadian natural gas sales volumes, partially offset by lower volumes for U.S. natural gas sales and higher exploration expenses. The Company's downstream earnings increased \$29.4 million, primarily because of higher product margins and higher product sales volumes in the United States, partially offset by lower product margins and lower product sales volumes in the United Kingdom.

Earnings from exploration and production operations for the six months ended June 30, 2001 were \$141.2 million, up from \$107.1 million in 2000. United States operations earned \$55.7 million for the first half of 2001 compared to \$13.8 million in the prior period, and Canadian operations earned \$51.9 million compared to \$50.4 million in 2000. Increases from the prior year also occurred in the United Kingdom, where earnings rose from \$39 million in 2000 to \$41.5 million in the current year. In Ecuador earnings decreased by \$6.6 million to \$8.1 million. Other international operations recorded losses of \$16 million in the first six months of 2001 and \$10.8 million in the 2000 period. The Company's worldwide crude oil and condensate sales prices averaged \$22.81 a barrel in the 2001 period compared to \$25.66 a year ago. Crude oil and condensate sales prices averaged \$26.45 a barrel in the United States, down 8%, and \$26.47 in the United Kingdom, down 3%. In Canada, sales prices averaged \$24.75 a barrel for light oil, down 6%; \$10.11 for heavy oil, down 48%; \$26.84 for Hibernia production, essentially unchanged; and \$27.88 for synthetic oil, down 1%. The average crude oil sales price in Ecuador was \$18.18 a barrel, down 15%. Crude oil and gas liquids production for the first half of 2001 averaged 66,973 barrels a day compared to 66,690 during the same period of 2000. Production of crude oil and gas liquids averaged 12,320 barrels a day for Canadian heavy oil, up 24%; 4,448 for Canadian light oil, up 47%; and, 9,800 for Canadian synthetic oil, up 10%. In other areas, crude oil and gas liquids production averaged 5,770 in the United States, down 19%; 5,639 in Ecuador, down 15%; 8,967 at Hibernia, down 6%; and 20,029 in the United Kingdom, down 7%. Natural gas sales prices for the first six months of 2001 averaged \$6.07 a MCF in the United States, up 98%; \$4.67 in Canada, up 82%; and \$2.42 in the United Kingdom, up 40%. Total natural gas sales averaged 266 million cubic feet a day in 2001 compared to 230 million in 2000. Sales of natural gas in the United States averaged 122 million cubic feet a day, down 20%. Average natural gas sales volumes were 129 million cubic feet a day in Canada, up 107%, and 15 million in the United Kingdom, up 2%. Exploration expenses totaled \$79.6 million for the six months ended June 30, 2001, up from \$68.7 million a year ago. The increase in exploration expenses primarily occurred in Canada and Malaysia, partially offset by lower dry hole expenses in the United States in the first half of 2001. The tables on page 15 provide additional details of the results of exploration and production operations for the first half of each year.

Earnings from the Company's downstream operations before special items for the six months ended June 30, 2001 were \$56.7 million, up from \$27.3 million in 2000. Refining, marketing and transportation operations in the United States reported earnings of \$49.3 million in the first six months of 2001 compared to \$12.9 million for the same period last year; the improvement resulted from higher product margins and higher product sales volumes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd.)

Results of Operations (Contd.)

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000
(Contd.)

Operations in the United Kingdom were affected by lower product margins and lower sales volumes and earned \$3.8 million in the first half of 2001 compared to \$10.6 million in the prior year. Earnings from purchasing, transporting and reselling crude oil in Canada were \$3.6 million in the current year compared to \$3.8 million a year ago. Refinery crude runs worldwide were 168,764 barrels a day compared to 167,566 a year ago. Petroleum product sales were 190,643 barrels a day, up from 173,832 in 2000, with the increase primarily related to higher U.S. product sales volumes at stations built on Wal-Mart parking lots.

Excluding special items, financial results from corporate functions reflected losses of \$5.1 million in the first half of 2001 and \$13.7 million a year ago.

Financial Condition

Net cash provided by operating activities was \$351.9 million for the first six months of 2001 compared to \$331.5 million for the same period in 2000. Changes in operating working capital other than cash and cash equivalents used cash of \$35.9 million in the first six months of 2001, while providing cash of \$45.6 million in the 2000 period. Cash from operating activities was reduced by expenditures for refinery turnarounds and abandonment of oil and gas properties totaling \$9.9 million in the current year and \$6.4 million in 2000. Other predominant uses of cash in each year were for capital expenditures, which including amounts expensed, are summarized in the following table, and for dividends, which totaled \$33.8 million in 2001 and \$31.5 in 2000.

(Millions of dollars)	Six Months Ended June 30,	
	2001	2000
Capital Expenditures		
Exploration and production.....	\$344.9	204.2
Refining, marketing and transportation.....	67.0	51.6
Corporate and other.....	4.1	8.6
Total capital expenditures.....	416.0	264.4
Geological, geophysical and other exploration expenses charged to income.....	(22.2)	(23.9)
Total property additions and dry hole costs	\$393.8	240.5

Working capital at June 30, 2001 was \$176.2 million, up \$104.5 million from December 31, 2000. This level of working capital does not fully reflect the Company's liquidity position, because the lower historical costs assigned to inventories under LIFO accounting were \$120.9 million below current costs at June 30, 2001.

At June 30, 2001, long-term notes payable of \$382.5 million were down \$15.9 million from December 31, 2000 due to reclassification to current maturities and repayments. Long-term nonrecourse debt of a subsidiary was \$120.7 million, down \$5.7 million from December 31, 2000 primarily due to repayments. A summary of capital employed at June 30, 2001 and December 31, 2000 follows.

(Millions of dollars)	June 30, 2001		December 31, 2000	
	Amount	%	Amount	%
Notes payable.....	\$ 382.5	19	398.4	22
Nonrecourse debt of a subsidiary..	120.7	6	126.4	7
Stockholders' equity.....	1,492.0	75	1,259.6	71
	\$1,995.2	100	1,784.4	100

Accounting Matters

As described in Note B on page 5 of this Form 10-Q report, Murphy adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138, effective January 1, 2001. In addition, the Company adopted a change in accounting for unsold crude oil production effective January 1, 2000, restating operating results for all of 2000, and also has retroactively applied two consensus of the Financial Accounting Standard Board's Emerging Issues Task Force to the Consolidated Statement of Income for all of 2000.

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting and that certain acquired intangible assets in a business combination be recognized and reported as assets apart from goodwill. SFAS No. 142 requires that amortization of goodwill be replaced with periodic tests of the goodwill's impairment at least annually in accordance with the provisions of SFAS No. 142 and that intangible assets other than goodwill be amortized over their useful lives. The Company will adopt SFAS No. 141 immediately and SFAS No. 142 on January 1, 2002.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of \$44.7 million, which will be subject to the transition provisions of SFAS No. 142. Amortization expense related to goodwill was \$1.6 million for the six months ended June 30, 2001.

Additionally, in July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the Company to record the fair value of a liability for an asset retirement obligation in the period in which it meets the definition of a liability. When the liability is initially recorded, the Company will increase the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon adoption of the Statement, the Company will recognize transition amounts for existing asset retirement obligations, asset retirement costs, and accumulated depreciation as the cumulative effect of a change in accounting principle. Upon settlement of an asset retirement obligation, any difference between costs incurred and the recorded liability will be recognized as a gain or loss in the Company's results of operations. The Company is required to adopt the provisions of SFAS No. 143 effective January 1, 2003.

It is not practicable to reasonably estimate the impact of adopting these accounting standards on the Company's financial statements at the date of this report, including whether any transitional goodwill impairment losses will be required to be recognized as the cumulative effect of a change in accounting principle.

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 F to this Form 10-Q report, Murphy makes limited use of derivative financial and commodity instruments to manage risks associated with existing or anticipated transactions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Contd.)

The Company was a party to interest rate swaps at June 30, 2001 with notional amounts totaling \$100 million that were designed to convert a similar amount of variable-rate debt to fixed rates. These swaps mature in 2002 and 2004. The swaps require the Company to pay an average interest rate of 6.46% over their composite lives, and at June 30, 2001, the interest rate to be received by the Company averaged 4.32%. The variable interest rate received by the Company under each swap contract is repriced quarterly. The Company considers these swaps to be a hedge of its exposure to fluctuations in interest rates. The estimated fair value of these interest rate swaps was recorded as a liability of \$2.9 million at June 30, 2001.

At June 30, 2001, 20% of the Company's debt had variable interest rates and 11% was denominated in Canadian dollars. Based on debt outstanding at June 30, 2001, a 10% increase in variable interest rates would have an insignificant impact on Company's interest expense for the next 12 months after including the favorable effect resulting from lower net settlement payments under the aforementioned interest rate swaps. A 10% increase in the exchange rate of the Canadian dollar versus the U.S. dollar would increase interest expense for the next 12 months by \$2 million and increase current maturities of long-term debt by \$.8 million for debt denominated in Canadian dollars.

Murphy was a party to natural gas price swap agreements at June 30, 2001 for a total notional volume of 7 million MMBTU that are intended to hedge a portion of the financial exposure of its Meraux, Louisiana refinery to fluctuations in the future price of natural gas purchased for fuel. In each month of settlement, the swaps require Murphy to pay an average natural gas price of \$2.61 an MMBTU and to receive the average NYMEX price for the final three trading days of the month. At June 30, 2001, the estimated fair value of these agreements was recorded as an asset of \$5.9 million. A 10% increase in the average NYMEX price of natural gas would have increased this asset by \$2.2 million, while a 10% decrease would have reduced the asset by a similar amount.

At June 30, 2001, Murphy was also a party to certain natural gas swap agreements for a total notional volume of 20,000 gigajoules (GJ) a day through October 2001 that are intended to hedge a portion of the financial exposure of its Canadian natural gas production to changes in gas sales prices. In each month, the swaps require Murphy to pay the AECO "C" index price and to receive an average of C\$2.47 per GJ. The Company also has a natural gas swap agreement for the purchase of 10,000 GJ per day through October 2001 that requires Murphy to pay C\$5.64 per GJ and to receive based on the AECO "C" index. At June 30, 2001, the estimated net fair value of these agreements was recorded as a liability of \$3.9 million. A 10% increase in the average price of the AECO "C" index would have increased this liability by \$.3 million, while a 10% decrease would have reduced the liability by a similar amount.

In addition, the Company was a party to a natural gas swap agreement and natural gas options at June 30, 2001 that are intended to hedge the financial exposure of a limited portion of its U.S. natural gas production to changes in gas sales prices through October 2001. The swap is for a notional volume of 10,000 MMBTU a day and requires Murphy to pay the average NYMEX price for the final trading day of each month and receive a price of \$5.50 an MMBTU. The options are for a notional volume of 5,000 MMBTU a day and provides that in each month, Murphy will receive any difference between \$4.50 an MMBTU and a lower average NYMEX price for the last three trading days of the first nearby month futures contract for the relevant delivery month. At June 30, 2001, the estimated fair value of these agreements was recorded as an asset of \$3.6 million. A 10% increase in the average NYMEX price of natural gas would have reduced this asset by \$.4 million, while a 10% decrease would have increased the asset by a similar amount.

OIL AND GAS OPERATING RESULTS (unaudited)

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Other	Synthetic Oil-Canada	Total
Three Months Ended June 30, 2001							
Oil and gas sales, other operating revenues.....	\$ 66.9	105.1	51.2	10.2	.4	23.3	257.1
Production expenses.....	12.6	18.2	7.6	4.0	-	13.3	55.7
Depreciation, depletion and amortization.....	10.4	23.7	8.9	1.8	.1	2.1	47.0
Goodwill amortization.....	-	.8	-	-	-	-	.8
Exploration expenses							
Dry holes.....	.2	19.8	-	-	7.6	-	27.6
Geological and geophysical.....	-	1.6	.1	-	3.1	-	4.8
Other.....	1.1	.6	.3	-	1.6	-	3.6
Undeveloped lease amortization.....	1.3	22.0	.4	-	12.3	-	36.0
Total exploration expenses	2.1	3.5	-	-	-	-	5.6
Total exploration expenses	3.4	25.5	.4	-	12.3	-	41.6
Selling and general expenses.....	2.9	3.0	.6	.1	1.6	-	8.2
Income tax provisions (benefits).....	13.0	15.0	12.3	-	(.1)	3.0	43.2
Results of operations (excluding corporate overhead and interest)	\$ 24.6	18.9	21.4	4.3	(13.5)	4.9	60.6
Three Months Ended June 30, 2000*							
Oil and gas sales, other operating revenues.....	\$ 63.6	56.6	41.1	13.1	.6	24.2	199.2
Production expenses.....	10.6	12.0	6.2	4.1	-	10.8	43.7
Depreciation, depletion and amortization.....	13.1	12.1	8.3	1.9	-	2.0	37.4
Exploration expenses							
Dry holes.....	1.3	.4	-	-	.3	-	2.0
Geological and geophysical.....	1.7	3.8	.1	-	7.4	-	13.0
Other.....	.8	.2	.5	-	1.1	-	2.6
Undeveloped lease amortization.....	3.8	4.4	.6	-	8.8	-	17.6
Total exploration expenses	1.8	1.4	-	-	-	-	3.2
Total exploration expenses	5.6	5.8	.6	-	8.8	-	20.8
Selling and general expenses.....	3.4	.9	.8	.1	1.0	.1	6.3
Income tax provisions.....	11.0	10.0	9.4	-	.1	4.4	34.9
Results of operations (excluding corporate overhead and interest)	\$ 19.9	15.8	15.8	7.0	(9.3)	6.9	56.1
Six Months Ended June 30, 2001							
Oil and gas sales, other operating revenues.....	\$ 163.5	199.5	101.5	20.3	.9	49.5	535.2
Production expenses.....	24.8	36.3	14.8	8.4	-	28.5	112.8
Depreciation, depletion and amortization.....	20.7	41.9	18.7	3.6	.3	4.2	89.4
Goodwill amortization.....	-	1.6	-	-	-	-	1.6
Exploration expenses							
Dry holes.....	15.7	23.2	.1	-	7.6	-	46.6
Geological and geophysical.....	3.7	9.0	.1	-	3.5	-	16.3
Other.....	1.4	1.3	.5	-	2.7	-	5.9
Undeveloped lease amortization.....	20.8	33.5	.7	-	13.8	-	68.8
Total exploration expenses	4.1	6.7	-	-	-	-	10.8
Total exploration expenses	24.9	40.2	.7	-	13.8	-	79.6
Selling and general expenses.....	6.7	5.1	1.2	.2	3.0	-	16.2
Income tax provisions (benefits).....	30.7	32.8	24.6	-	(.2)	6.5	94.4
Results of operations (excluding corporate overhead and interest)	\$ 55.7	41.6	41.5	8.1	(16.0)	10.3	141.2
Six Months Ended June 30, 2000*							
Oil and gas sales, other operating revenues.....	\$ 120.1	122.2	99.3	25.6	1.3	45.6	414.1
Production expenses.....	20.5	24.0	13.8	7.2	-	19.1	84.6
Depreciation, depletion and amortization.....	27.2	27.3	20.8	3.6	.1	3.8	82.8
Exploration expenses							
Dry holes.....	35.0	3.3	-	-	.3	-	38.6
Geological and geophysical.....	5.2	6.4	.2	-	7.7	-	19.5
Other.....	1.1	.4	.7	-	2.2	-	4.4
Undeveloped lease amortization.....	41.3	10.1	.9	-	10.2	-	62.5
Total exploration expenses	3.6	2.6	-	-	-	-	6.2
Total exploration expenses	44.9	12.7	.9	-	10.2	-	68.7
Selling and general expenses.....	6.4	2.2	1.6	.1	1.6	.1	12.0
Income tax provisions.....	7.3	19.9	23.2	-	.2	8.3	58.9
Results of operations (excluding corporate overhead and interest)	\$ 13.8	36.1	39.0	14.7	(10.8)	14.3	107.1

*Restated to conform to 2001 presentation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In June 2000, the U.S. Government and the State of Wisconsin each filed a lawsuit against Murphy Oil USA, Inc., a wholly-owned subsidiary of Murphy Oil Corporation, in the U.S. District Court for the Western District of Wisconsin. The State case was dismissed by the District Court. The U.S. lawsuit, arising out of a 1998 compliance inspection, includes claims for alleged violations of federal and state environmental laws at the Company's Superior, Wisconsin refinery. The U.S. lawsuit was divided into liability and damage phases, and on August 1, 2001, the Court ruled against the Company in the liability phase of the trial. The damage phase of the trial is scheduled to commence in October 2001. Although the Company is unable to estimate the range of any potential loss related to this matter, and while no assurance can be given, the Company does not believe that the ultimate resolution of this matter will have a material adverse effect on its financial condition.

In December 2000, two of the Company's Canadian subsidiaries 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 acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its joint venturer. In January 2001, one of the defendants, 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 joint venturer at cost. On February 9, 2001, the remaining defendants, representing the remaining undivided 25% of the lands in question, filed a counterclaim against the Company's two Canadian subsidiaries and one officer individually seeking compensatory damages of C\$6.14 billion. The Company believes that the counterclaim is without merit and that the amount of damages sought is frivolous. While the litigation is in its preliminary stages 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 financial condition.

Murphy and its subsidiaries are engaged in a number of other legal proceedings, all of which Murphy considers routine and incidental to its business and none of which is expected to have a material adverse effect on the Company's financial condition.

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

At the annual meeting of security holders on May 9, 2001, the directors proposed by management were elected with a tabulation of votes to the nearest share as shown below.

	For	Withheld
	-----	-----
B. R. R. Butler	41,034,282	301,264
George S. Dembroski	40,582,388	753,158
Claiborne P. Deming	40,942,105	393,441
H. Rodes Hart	40,959,448	376,098
Robert A. Hermes	41,040,376	295,170
Michael W. Murphy	40,612,519	723,027
R. Madison Murphy	40,787,831	547,715
William C. Nolan Jr.	40,385,758	949,788
William L. Rosoff	40,942,312	393,234
David J. H. Smith	41,042,376	293,170
Caroline G. Theus	40,383,994	951,552

The security holders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 80,000,000 to 200,000,000 by a vote of 30,766,031 shares in favor, 10,539,742 shares against and 29,773 shares not voted (see exhibit No. 3.1 for amended Certificate of Incorporation). In addition, the earlier appointment by the Board of Directors of KPMG LLP as independent auditors for 2001 was approved, with 41,201,767 shares voted in favor, 120,077 shares voted in opposition and 13,702 shares not voted.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) The Exhibit Index on page 18 of this Form 10-Q report lists the exhibits that are hereby filed or incorporated by reference.
- (b) No reports on Form 8-K were filed for the quarter ended June 30, 2001.

SIGNATURES

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

MURPHY OIL CORPORATION
(Registrant)

By /s/ JOHN W. ECKART

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

August 10, 2001
(Date)

EXHIBIT INDEX

Exhibit No. -----	Incorporated by Reference to -----
3.1 Certificate of Incorporation of Murphy Oil Corporation as amended, effective May 17, 2001	Exhibit 3.1 filed herewith
3.2 By-Laws of Murphy Oil Corporation as amended, effective February 7, 2001	Exhibit 3.2 of Murphy's Form 10-K report for the year ended December 31, 2000
4 Instruments Defining the Rights of Security Holders. Murphy is party to several long-term debt instruments in addition to the ones in Exhibits 4.1 and 4.2, none of which authorizes securities exceeding 10% of the total consolidated assets of Murphy and its subsidiaries. Pursuant to Regulation S-K, item 601(b), paragraph 4(iii)(A), Murphy agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.	
4.1 Credit Agreement among Murphy Oil Corporation and certain subsidiaries and the Chase Manhattan Bank et al as of November 13, 1997	Exhibit 4.1 of Murphy's Form 10-K report for the year ended December 31, 1997
4.2 Form of Indenture and Form of Supplemental Indenture between Murphy Oil Corporation and SunTrust Bank, Nashville, N.A., as Trustee	Exhibits 4.1 and 4.2 of Murphy's Form 8-K report filed April 29, 1999 under the Securities Exchange Act of 1934
4.3 Rights Agreement dated as of December 6, 1989 between Murphy Oil Corporation and Harris Trust Company of New York, as Rights Agent	Exhibit 4.3 of Murphy's Form 10-K report for the year ended December 31, 1999
4.4 Amendment No. 1 dated as of April 6, 1998 to Rights Agreement dated as of December 6, 1989 between Murphy Oil Corporation and Harris Trust Company of New York, as Rights Agent	Exhibit 3 of Murphy's Form 8-A/A, Amendment No. 1, filed April 14, 1998 under the Securities Exchange Act of 1934
4.5 Amendment No. 2 dated as of April 15, 1999 to Rights Agreement dated as of December 6, 1989 between Murphy Oil Corporation and Harris Trust Company of New York, as Rights Agent	Exhibit 4 of Murphy's Form 8-A/A, Amendment No. 2, filed April 19, 1999 under the Securities Exchange Act of 1934
10.1 1992 Stock Incentive Plan as amended May 14, 1997	Exhibit 10.2 of Murphy's Form 10-Q report for the quarterly period ended June 30, 1997
10.2 Employee Stock Purchase Plan as amended May 10, 2000	Exhibit 99.01 of Murphy's Form S-8 registration statement filed August 4, 2000 under the Securities Act of 1933

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

CERTIFICATE OF INCORPORATION

OF

MURPHY OIL CORPORATION

(As of May 17, 2001)

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 called 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 200,400,000 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 200,000,000 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 expressed 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 shares 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, optional 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 times may differ as to the dates 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 dividends (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 therefor 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 if all amounts payable thereon were paid in full. For the purpose of this Paragraph (5), the voluntary sale, conveyance, lease, exchange or transfer (for 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 board 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 date 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 therefor but without interest. Any moneys so set aside by the Company and

unclaimed at the end of six years from the date fixed 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 therefor, 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 Stock 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 any 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 terms 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 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) 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 the 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 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 and be sufficient to constitute a quorum of such class for the election of any director by the holders of the Preferred Stock as 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 any 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, any 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 be 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 not 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 last 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
Wilma 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 powers 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 assets 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 committee or committees shall have such name or names as may be stated in the bylaws of the Company or as may be determined from 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 interests 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 director 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 director 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 of 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 to the Certificate of Incorporation. Any repeal or modification of this Article by the stockholders of the Company shall be prospective only, and shall not adversely affect any limitation on the personal 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.