

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

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

71-0361522

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

200 Peach Street, P. O. Box 7000, El Dorado, Arkansas 71731-7000  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (870) 862-6411

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 Par Value	New York Stock Exchange Toronto Stock Exchange
Series A Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the voting stock held by non-affiliates of the registrant, based on average price at January 31, 2001, as quoted by the New York Stock Exchange, was approximately \$1,949,012,000.

Number of shares of Common Stock, \$1.00 Par Value, outstanding at January 31, 2001 was 45,047,369.

Documents incorporated by reference:

Portions of the Registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders on May 9, 2001 have been incorporated by reference in Part III herein.

MURPHY OIL CORPORATION

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PART I

Items 1. and 2. BUSINESS AND PROPERTIES

Summary

Murphy Oil Corporation is a worldwide oil and gas exploration and production company with refining and marketing operations in the United States and the United Kingdom. As used in this report, the terms Murphy, Murphy Oil, we, our, its and Company may refer to Murphy Oil Corporation or any one or more of its consolidated subsidiaries.

The Company was originally incorporated in Louisiana in 1950 as Murphy Corporation. It was reincorporated in Delaware in 1964, at which time it adopted the name Murphy Oil Corporation, and was reorganized in 1983 to operate primarily as a holding company of its various businesses. Its operations are classified into two business activities: (1) "Exploration and Production" and (2) "Refining, Marketing and Transportation." For reporting purposes, Murphy's exploration and production activities are subdivided into five geographic segments - the United States, Canada, the United Kingdom, Ecuador and all other countries; Murphy's refining, marketing and transportation activities are subdivided into three geographic segments - the United States, the United Kingdom and Canada. Additionally, "Corporate and Other Activities" include interest income, interest expense and overhead not allocated to the segments. In November 2000, Murphy acquired Beau Canada Exploration Ltd. (Beau Canada), an independent oil and gas company with exploration and production assets in western Canada.

The information appearing in the 2000 Annual Report to Security Holders (2000 Annual Report) is incorporated in this Form 10-K report as Exhibit 13 and is deemed to be filed as part of this Form 10-K report as indicated under Items 1, 2 and 7. A narrative of the graphic and image information that appears in the paper format version of Exhibit 13 is included in the electronic Form 10-K document as an appendix to Exhibit 13.

In addition to the following information about each business activity, data about Murphy's operations, properties and business segments, including revenues by class of products and financial information by geographic area, are provided on pages 7 through 15, F-9, F-21 through F-23, and F-26 through F-28 of this Form 10-K report and on pages 4 through 8 of the 2000 Annual Report.

Exploration and Production

During 2000, Murphy's principal exploration and production activities were conducted in the United States and Ecuador by wholly owned Murphy Exploration & Production Company (Murphy Expro) and its subsidiaries, in western Canada and offshore eastern Canada by wholly owned Murphy Oil Company Ltd. (MOCL) and its subsidiaries, and in the U.K. North Sea and the Atlantic Margin by wholly owned Murphy Petroleum Limited. Murphy's crude oil and natural gas liquids production in 2000 was in the United States, Canada, the United Kingdom and Ecuador; its natural gas was produced and sold in the United States, Canada and the United Kingdom. MOCL owns a 5% interest in Syncrude Canada Ltd., which utilizes its assets to extract bitumen from oil sand deposits in northern Alberta and to upgrade this into synthetic crude oil. Subsidiaries of Murphy Expro conducted exploration activities in various other areas including Malaysia, the Faroe Islands, Ireland and Spain.

Murphy's estimated net quantities of proved oil and gas reserves and proved developed oil and gas reserves at December 31, 1997, 1998, 1999 and 2000 by geographic area are reported on page F-25 of this Form 10-K report. Murphy has not filed and is not required to file any estimates of its total net proved oil or gas reserves on a recurring basis with any federal or foreign governmental regulatory authority or agency other than the U.S. Securities and Exchange Commission. Annually, Murphy reports gross reserves of properties operated in the United States to the U.S. Department of Energy; such reserves are derived from the same data from which estimated net proved reserves of such properties are determined.

Net crude oil, condensate, and gas liquids production and sales, and net natural gas sales by geographic area with weighted average sales prices for each of the five years ended December 31, 2000 are shown on page 9 of the 2000 Annual Report.

Production expenses for the last three years in U.S. dollars per equivalent barrel are discussed on page 11 of this Form 10-K report. For purposes of these computations, natural gas sales volumes are converted to equivalent barrels of crude oil using a ratio of six thousand cubic feet (MCF) of natural gas to one barrel of crude oil.

Supplemental disclosures relating to oil and gas producing activities are reported on pages F-24 through F-29 of this Form 10-K report.

At December 31, 2000, Murphy held leases, concessions, contracts or permits on nonproducing and producing acreage as shown by geographic area in the following table. Gross acres are those in which all or part of the working interest is owned by Murphy; net acres are the portions of the gross acres applicable to Murphy's working interest.

Area (Thousands of acres)	Nonproducing		Producing		Total	
	Gross	Net	Gross	Net	Gross	Net
United States - Onshore	4	3	40	20	44	23
- Gulf of Mexico	878	522	302	112	1,180	634
- Frontier	119	44	-	-	119	44
<b>Total United States</b>	<b>1,001</b>	<b>569</b>	<b>342</b>	<b>132</b>	<b>1,343</b>	<b>701</b>
Canada - Onshore	1,318	894	1,178	368	2,496	1,262
- Offshore	12,519	2,118	56	3	12,575	2,121
- Oil sands	160	8	96	5	256	13
<b>Total Canada</b>	<b>13,997</b>	<b>3,020</b>	<b>1,330</b>	<b>376</b>	<b>15,327</b>	<b>3,396</b>
United Kingdom	1,297	418	79	11	1,376	429
Ecuador	-	-	494	99	494	99
Malaysia	6,498	5,319	-	-	6,498	5,319
Ireland	954	239	-	-	954	239
Spain	330	99	-	-	330	99
<b>Totals</b>	<b>24,077</b>	<b>9,664</b>	<b>2,245</b>	<b>618</b>	<b>26,322</b>	<b>10,282</b>

As used in the three tables that follow, "gross" wells are the total wells in which all or part of the working interest is owned by Murphy, and "net" wells are the total of the Company's fractional working interests in gross wells expressed as the equivalent number of wholly owned wells.

The following table shows the number of oil and gas wells producing or capable of producing at December 31, 2000.

Country	Oil Wells		Gas Wells	
	Gross	Net	Gross	Net
United States	287	123.8	190	73.8
Canada	3,068	798.0	850	385.0
United Kingdom	109	13.1	21	1.6
Ecuador	64	12.8	-	-
<b>Totals</b>	<b>3,528</b>	<b>947.7</b>	<b>1,061</b>	<b>460.4</b>

Wells included above with multiple completions and counted as one well each

82	38.2	76	59.0
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Murphy's net wells drilled in the last three years are shown in the following table.

	United States		Canada		United Kingdom		Ecuador		Other		Total	
	Pro-ductive	Dry	Pro-ductive	Dry	Pro-ductive	Dry	Pro-ductive	Dry	Pro-ductive	Dry	Pro-ductive	Dry
2000												
Exploratory	2.0	3.9	6.4	12.0	.1	.3	-	-	.8	-	9.3	16.2
Development	.3	-	51.7	4.0	.6	.1	1.0	-	-	-	53.6	4.1
1999												
Exploratory	1.4	1.0	5.3	5.5	-	-	.4	-	-	-	7.1	6.5
Development	.6	-	13.7	.2	1.0	-	.8	-	-	-	16.1	.2
1998												
Exploratory	9.0	.8	4.8	7.5	-	-	-	-	-	1.0	13.8	9.3
Development	.6	-	5.4	-	1.9	-	1.2	-	-	-	9.1	-

Murphy's drilling wells in progress at December 31, 2000 are shown below.

Country	Exploratory		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
United States	3	.7	-	-	3	.7
Canada	11	6.5	5	1.8	16	8.3
United Kingdom	-	-	4	.3	4	.3
Totals	14	7.2	9	2.1	23	9.3

Additional information about current exploration and production activities is reported on pages 1 through 6 of the 2000 Annual Report.

#### Refining, Marketing and Transportation

Murphy Oil USA, Inc. (MOUSA), a wholly owned subsidiary, owns and operates two refineries in the United States. The Meraux, Louisiana refinery is located on fee land and on two leases that expire in 2010 and 2021, at which times the Company has options to purchase the leased acreage at fixed prices. The refinery at Superior, Wisconsin is located on fee land. Murco Petroleum Limited (Murco), a wholly owned U.K. subsidiary serviced by Murphy Eastern Oil Company, has an effective 30% interest in a refinery at Milford Haven, Wales that can process 108,000 barrels of crude oil a day. Refinery capacities at December 31, 2000 are shown in the following table.

	Meraux, Louisiana -----	Superior, Wisconsin -----	Milford Haven, Wales (Murco's 30%) -----	Total -----
Crude capacity - b/sd*	100,000	35,000	32,400	167,400
Process capacity - b/sd*				
Vacuum distillation	50,000	20,500	16,500	87,000
Catalytic cracking - fresh feed	38,000	11,000	9,960	58,960
Pretreating cat-reforming feeds	22,000	9,000	5,490	36,490
Catalytic reforming	18,000	8,000	5,490	31,490
Distillate hydrotreating	15,000	7,800	20,250	43,050
Gas oil hydrotreating	27,500	-	-	27,500
Solvent deasphalting	18,000	-	-	18,000
Isomerization	-	2,000	3,400	5,400
Production capacity - b/sd*				
Alkylation	8,500	1,500	1,680	11,680
Asphalt	-	7,500	-	7,500
Crude oil and product storage capacity - barrels	4,453,000	2,852,000	2,638,000	9,943,000

\*Barrels per stream day.

MOUSA markets refined products through a network of retail gasoline stations and branded and unbranded wholesale customers in a 23-state area of the southern and midwestern United States. Murphy's retail stations are primarily located in the parking areas of Wal-Mart stores and use the brand name Murphy USA(R). Branded wholesale customers use the brand name SPUR(R). Refined products are supplied from 11 terminals that are wholly owned and operated by MOUSA, 16 terminals that are jointly owned and operated by others, and numerous terminals owned by others. Of the terminals wholly owned or jointly owned, four are supplied by marine transportation, three are supplied by truck, two are adjacent to MOUSA's refineries and 18 are supplied by pipeline. MOUSA receives products at the terminals owned by others either in exchange for deliveries from the Company's terminals or by outright purchase. At December 31, 2000, the Company marketed products through 276 Murphy USA stations and 436 SPUR stations (19 of which are either owned or leased by the Company). MOUSA plans to add up to 125 new Murphy USA stations at Wal-Mart sites in the southern and midwestern United States in 2001.

At the end of 2000, Murco distributed refined products in the United Kingdom from the Milford Haven refinery, three wholly owned terminals supplied by rail, six terminals owned by others where products are received in exchange for deliveries from the Company's terminals, and 386 branded stations under the brand names MURCO and EP.

Murphy owns a 20% interest in a 120-mile refined products pipeline, with a capacity of 165,000 barrels a day, that transports products from the Meraux refinery to two common carrier pipelines serving the southeastern United States. The Company also owns a 22% interest in a 312-mile crude oil pipeline in Montana and Wyoming, with a capacity of 120,000 barrels a day, and a 3.2% interest in LOOP LLC, which provides deepwater unloading accommodations off the Louisiana coast for oil tankers and onshore facilities for storage of crude oil. A crude oil pipeline with a diameter of 24 inches connects LOOP storage at Clovelly, Louisiana to the Meraux refinery. Murphy owns 29.4% of the first 22 miles of this pipeline from Clovelly to Alliance, Louisiana and 100% of the remaining 24 miles from Alliance to Meraux. The pipeline is connected to another company's pipeline system, allowing crude oil transported by that system to also be shipped to the Meraux refinery.

At December 31, 2000, MOCL operated the following Canadian crude oil pipelines, with the ownership percentage, extent and capacity in barrels a day of each as shown. MOCL also operated and owned all or most of several short lateral connecting pipelines. In 2001, the Company entered into an agreement to sell its Canadian pipeline and trucking operation.

Pipeline	Description	Percent	Miles	Bbls./Day	Route
Manito	Dual heavy oil	100	101	70,000	Dulwich to Kerrobert, Sask.
North-Sask	Dual heavy oil	36.1	40	20,000	Paradise Hill to Dulwich, Sask.
Cactus Lake	Dual heavy oil	13.1	40	50,000	Cactus Lake to Kerrobert, Sask.
Bodo	Dual heavy oil	76.3	15	18,000	Bodo, Alta. to Cactus Lake, Sask.
Milk River	Dual medium/light oil	100	10.5	118,000	Milk River, Alta. to U.S. border
Wascana	Single light oil	100	108	45,000	Regina, Sask. to U.S. border
Senlac	Dual heavy oil	100	28	15,000	Senlac to Unity, Sask.

Additional information about current refining, marketing and transportation activities and a statistical summary of key operating and financial indicators for each of the five years ended December 31, 2000 are reported on pages 1, 3, 7, 8 and 10 of the 2000 Annual Report.

#### Employees

At December 31, 2000, Murphy had 3,109 employees - 1,711 full-time and 1,398 part-time.

#### Competition and Other Conditions Which May Affect Business

Murphy operates in the oil industry and experiences intense competition from other oil and gas companies, many of which have substantially greater resources. In addition, the oil industry as a whole competes with other industries in supplying energy requirements around the world. Murphy is a net purchaser of crude oil and other refinery feedstocks and purchases refined products and may be required to respond to operating and pricing policies of others, including producing country governments from whom it makes purchases. Additional information concerning current conditions of the Company's business is reported under the caption "Outlook" on page 17 of this Form 10-K report.

The operations and earnings of Murphy have been and continue to be affected by worldwide political developments. Many governments, including those that are members of the Organization of Petroleum Exporting Countries (OPEC), unilaterally intervene at times in the orderly market of crude oil and natural gas produced in their countries through such actions as setting prices, determining rates of production, and controlling who may buy and sell the production. In addition, prices and availability of crude oil, natural gas and refined products could be influenced by political unrest and by various governmental policies to restrict or increase petroleum usage and supply. Other governmental actions that could affect Murphy's operations and earnings include tax changes and regulations concerning: currency fluctuations, protection and remediation of the environment (See the caption "Environmental" beginning on page 15 of this Form 10-K report), preferential and discriminatory awarding of oil and gas leases, restrictions on drilling and/or production, restraints and controls on imports and exports, safety, and relationships between employers and employees. Because these and other factors too numerous to list are subject to constant changes caused by governmental and political considerations and are often made in great haste in response to changing internal and worldwide economic conditions and to actions of other governments or specific events, it is not practical to attempt to predict the effects of such factors on Murphy's future operations and earnings.

Murphy's business is subject to operational hazards and risks normally associated with the exploration for and production of oil and natural gas and the refining, marketing and transportation of crude oil and petroleum products. The occurrence of a significant event could result in the loss of hydrocarbons, environmental pollution, personal injury and loss of life, damage to the property of the Company and others, and loss of revenues, and could subject the Company to substantial fines and/or claims for punitive damages. Murphy maintains insurance against certain, but not all, hazards that could arise from its operations, and such insurance is believed to be reasonable for the hazards and risks faced by the Company. There can be no assurance that such insurance will be adequate to offset lost revenues or costs associated with potentially significant events or that insurance coverage will continue to be available in the future on terms that justify its purchase. The occurrence of a significant event that is not fully insured could have a material adverse effect on the Company's financial condition and results of operations in the future.

#### Executive Officers of the Registrant

The age at January 1, 2001, present corporate office and length of service in office of each of the Company's executive officers are reported in the following listing. Executive officers are elected annually but may be removed from office at any time by the Board of Directors.

R. Madison Murphy - Age 43; Chairman of the Board since October 1994 and Director and Member of the Executive Committee since 1993. Mr. Murphy served as Executive Vice President and Chief Financial and Administrative Officer from 1993 to 1994; Executive Vice President and Chief Financial Officer from 1992 to 1993; Vice President, Planning/Treasury, from 1991 to 1992; and Vice President, Planning, from 1988 to 1991, with additional duties as Treasurer from 1990 until August 1991.

Claiborne P. Deming - Age 46; President and Chief Executive Officer since October 1994 and Director and Member of the Executive Committee since 1993. He served as Executive Vice President and Chief Operating Officer from 1992 to 1993 and President of MOUSA from 1989 to 1992.

Steven A. Cosse' - Age 53; Senior Vice President since October 1994 and General Counsel since August 1991. Mr. Cosse' was elected Vice President in 1993. For the eight years prior to August 1991, he was General Counsel for Ocean Drilling & Exploration Company (ODECO), a majority-owned subsidiary of Murphy.

Herbert A. Fox Jr. - Age 66; Vice President since October 1994. Mr. Fox has also been President of MOUSA since 1992. He served with MOUSA as Vice President, Manufacturing, from 1990 to 1992.

Bill H. Stobaugh - Age 49; Vice President since May 1995, when he joined the Company. Prior to that, he had held various engineering, planning and managerial positions, the most recent being with an engineering consulting firm.

Odie F. Vaughan - Age 64; Treasurer since August 1991. From 1975 through July 1991, he was with ODECO as Vice President of Taxes and Treasurer.

John W. Eckart - Age 42; Controller since March 2000. Mr. Eckart had been Assistant Controller since February 1995. He joined the Company as Auditing Manager in 1990.

Walter K. Compton - Age 38; Secretary since December 1996. He has been an attorney with the Company since 1988 and became Manager, Law Department, in November 1996.

#### Item 3. LEGAL PROCEEDINGS

On June 29, 2000, the U.S. Government and the State of Wisconsin each filed a lawsuit against Murphy in the U.S. District Court for the Western District of Wisconsin. The State action was subsequently dismissed by the federal court and refiled in state court in Douglas County, Wisconsin. The suits, arising out of a 1998 compliance inspection, include claims for alleged violations of federal and state environmental laws at Murphy's Superior, Wisconsin refinery. The suits seek compliance as well as substantial federal and state monetary penalties, which could exceed \$100,000. The Company believes it has valid defenses to these allegations and plans a vigorous defense. The enforcement actions are ongoing and while no assurance can be given about the outcome, the Company does not believe that the resolution of these matters 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 the counterclaim is without merit and the amount of damages sought is frivolous and 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. The ultimate resolution of matters referred to in this Item could have a material adverse effect on the Company's results of operations in a future period.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2000.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange and the Toronto Stock Exchange using "MUR" as the trading symbol. There were 3,185 stockholders of record as of December 31, 2000. Information as to high and low market prices per share and dividends per share by quarter for 2000 and 1999 are reported on page F-30 of this Form 10-K report.

Item 6. SELECTED FINANCIAL DATA

(Thousands of dollars except per share data)	2000 ----	1999 ----	1998 ----	1997 ----	1996 ----
Results of Operations for the Year/1/					
Sales and other operating revenues/2/	\$ 4,614,341	2,752,083	2,342,644	3,301,542	3,262,418
Net cash provided by continuing operations/2/	747,751	341,711	297,467	365,825	440,458
Income (loss) from continuing operations	305,561	119,707	(14,394)	132,406	125,956
Income (loss) before cumulative effect of accounting change	305,561	119,707	(14,394)	132,406	137,855
Net income (loss)	296,828	119,707	(14,394)	132,406	137,855
Per Common share - diluted					
Income (loss) from continuing operations	6.75	2.66	(.32)	2.94	2.80
Income (loss) before cumulative effect of accounting change	6.75	2.66	(.32)	2.94	3.07
Net income (loss)	6.56	2.66	(.32)	2.94	3.07
Cash dividends per Common share	1.45	1.40	1.40	1.35	1.30
Percentage return on					
Average stockholders' equity	26.4	12.3	(1.3)	12.7	12.2
Average borrowed and invested capital	20.3	9.7	(.6)	10.4	10.4
Average total assets	11.2	5.2	(.6)	6.0	6.2
Capital Expenditures for the Year					
Exploration and production	\$ 392,732	295,958	331,647	423,181	373,984
Refining, marketing and transportation	153,750	88,075	55,025	37,483	42,880
Corporate and other	11,415	2,572	2,127	7,367	1,192
	----- \$ 557,897	----- 386,605	----- 388,799	----- 468,031	----- 418,056
	=====	=====	=====	=====	=====
Financial Condition at December 31					
Current ratio	1.10	1.22	1.15	1.10	1.10
Working capital	\$ 71,710	105,477	56,616	48,333	56,128
Net property, plant and equipment	2,184,719	1,782,741	1,662,362	1,655,838	1,556,830
Total assets	3,134,353	2,445,508	2,164,419	2,238,319	2,243,786
Long-term debt	524,759	393,164	333,473	205,853	201,828
Stockholders' equity	1,259,560	1,057,172	978,233	1,079,351	1,027,478
Per share	27.96	23.49	21.76	24.04	22.90
Long-term debt - percent of capital employed	29.4	27.1	25.4	16.0	16.4

/1/Includes effects on income of special items in 2000, 1999 and 1998 that are detailed in Management's Discussion and Analysis of Financial Condition and Results of Operations. Also, special items in 1997 and 1996 increased net income by \$68, with no per share effect, and \$22,124, \$.49 a diluted share, respectively.

/2/Prior year amounts have been reclassified to conform to 2000 presentation.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company reported record net income in 2000 of \$296.8 million, \$6.56 a diluted share, compared to net income in 1999 of \$119.7 million, \$2.66 a diluted share. In 1998, the Company lost \$14.4 million, \$.32 a diluted share. Net income for the three years ended December 31, 2000 included certain special items that resulted in a net charge of \$7.2 million, \$.16 a diluted share, in 2000; a net benefit of \$19.7 million, \$.44 a diluted share, in 1999; and a net charge of \$57.9 million, \$1.29 a diluted share, in 1998. The special items in 2000 included an after-tax charge of \$17.8 million, \$.39 a diluted share, from write-down of assets determined to be impaired under Statement of Financial Accounting Standards (SFAS) No. 121; a charge of \$7.8 million, \$.17 a share, for transportation and other disputed contractual items under the Company's concessions in Ecuador; and an after-tax charge of \$8.7 million, \$.19 a share, for a change in accounting for the Company's unsold crude oil production. Unusual items that increased earnings in 2000 included a \$25.6 million settlement of income tax matters, \$.56 a share, and a gain on sale of assets of \$1.5 million, \$.03 a share. The 1999 special items included after-tax gains of \$7.5 million, \$.17 a diluted share, from sale of assets, and \$12.2 million, \$.27 a diluted share, primarily from settlements of income taxes and other matters. Special items in 1998 included an after-tax charge of \$57.6 million, \$1.28 a diluted share, from write-down of assets under SFAS No. 121.

2000 vs. 1999 - Excluding special items, income in 2000 totaled a Company record \$304 million, \$6.72 a diluted share. The results for 2000 represented a \$204 million improvement compared to income of \$100 million, \$2.22 a diluted share, before special items in 1999. The improvement primarily arose from record earnings from the Company's exploration and production operations, which amounted to \$278.3 million in 2000 compared to \$121.2 million in 1999. Higher sales prices for both crude oil and natural gas were the principal reasons behind the higher exploration and production earnings. The Company's average worldwide sales price for crude oil and condensate was \$25.96 a barrel in 2000 and \$17.08 a barrel in 1999. The average sales price of North American natural gas improved from \$2.25 a thousand cubic feet (MCF) in 1999 to \$3.90 in 2000. Earnings from refining, marketing and transportation operations increased from \$14.9 million in 1999 to \$54.5 million in 2000. These results improved due to better unit margins in both the United States and the United Kingdom. The costs of corporate activities, which include interest income and expense and corporate overhead not allocated to operating functions, were \$28.8 million in 2000, excluding special items, compared to \$36.1 million in 1999. The \$7.3 million reduction in 2000 was primarily due to lower net interest costs and lower compensation expense for awards under the Company's stock-based incentive plans.

1999 vs. 1998 - Excluding special items, income in 1999 totaled \$100 million, \$2.22 a share, an increase of \$56.5 million from the \$43.5 million earned in 1998. The increase in income was primarily attributable to stronger earnings from exploration and production operations, which totaled \$121.2 million in 1999 compared to \$5.8 million in 1998. This improvement was partially offset by lower earnings from refining, marketing and transportation operations, which earned \$14.9 million in 1999, down from \$49.2 million earned in 1998. The improvement in exploration and production earnings in 1999 was primarily attributable to an increase of \$5.91 a barrel in the average worldwide crude oil sales price, up 53% compared to 1998, and record crude oil production. In addition, the Company's worldwide natural gas sales volume and U.S. natural gas sales prices both increased 4% in 1999. Refining, marketing and transportation operations were adversely affected by the increase in the prices of crude oil and other refinery feedstocks. This segment's decline in earnings was primarily attributable to lower U.S. operating results, as rising crude oil prices squeezed margins throughout most of the year. The costs of corporate and other activities were \$36.1 million in 1999 compared to \$11.5 million in 1998. The increase in 1999 was principally due to higher net interest costs and higher costs of awards under the Company's incentive plans.

In the following table, the Company's results of operations for the three years ended December 31, 2000 are presented by segment. Special items, which can obscure underlying trends of operating results and affect comparability between years, are set out separately. More detailed reviews of operating results for the Company's exploration and production and refining, marketing and transportation activities follow the table.

(Millions of dollars)	2000	1999	1998
	----	----	----
Exploration and production			
United States	\$ 63.9	30.3	20.1
Canada	112.3	47.0	2.6
United Kingdom	90.2	37.2	.7
Ecuador	28.9	14.4	2.4
Other	(17.0)	(7.7)	(20.0)
	-----	-----	-----
	278.3	121.2	5.8
	-----	-----	-----
Refining, marketing and transportation			
United States	23.9	(5.9)	27.7
United Kingdom	23.0	14.0	16.8
Canada	7.6	6.8	4.7
	-----	-----	-----
	54.5	14.9	49.2
	-----	-----	-----
Corporate and other	(28.8)	(36.1)	(11.5)
	-----	-----	-----
Income before special items and cumulative effect of accounting change	304.0	100.0	43.5
Settlement of income tax matters	25.6	5.0	-
Gain on sale of assets	1.5	7.5	2.9
Impairment of properties	(17.8)	-	(57.6)
Gain (loss) on transportation and other disputed contractual items in Ecuador	(7.8)	8.2	2.4
Provision for reduction in force	-	(1.0)	-
Charge resulting from cancellation of a drilling rig contract	-	-	(4.2)
Write-down of crude oil inventories to market value	-	-	(4.2)
Settlement of U.K. long-term sales contract	-	-	2.8
	-----	-----	-----
Income (loss) before cumulative effect of accounting change	305.5	119.7	(14.4)
Cumulative effect of accounting change	(8.7)	-	-
	-----	-----	-----
Net income (loss)	\$ 296.8	119.7	(14.4)
	=====	=====	=====

Exploration and Production - Earnings from exploration and production operations before special items were a record \$278.3 million in 2000, compared to earnings of \$121.2 million in 1999 and \$5.8 million in 1998. The year over year improvements in 2000 and 1999 were both primarily due to increases in the Company's crude oil sales prices. The Company's 2000 earnings were also favorably affected by higher sales prices for its North American natural gas production. Production of crude oil, condensate and natural gas liquids decreased 1% in 2000, and natural gas sales volumes fell 5% as declines in the U.S. Gulf of Mexico more than offset higher oil and gas sales volumes in Canada. Higher exploration expenses in 2000 partially offset the effects of higher commodity prices. Total oil production in 1999 was a Company record due primarily to production from new fields in the United Kingdom and Canada. In addition, natural gas sales volumes in 1999 were higher than in 1998 in both the United States and Canada.

The results of operations for oil and gas producing activities for each of the last three years are shown by major operating area on pages F-27 and F-28 of this Form 10-K report. Daily production and sales rates and weighted average sales prices are shown on page 9 of the 2000 Annual Report.

A summary of oil and gas revenues, including intersegment sales that are eliminated in the consolidated financial statements, is presented in the following table.

(Millions of dollars)	2000	1999	1998
	----	----	----
United States			
Crude oil	\$ 72.4	54.4	35.9
Natural gas	211.4	147.6	136.3
Canada			
Crude oil	193.9	107.7	57.4
Natural gas	99.0	40.2	25.1
Synthetic oil	91.5	74.8	53.0
United Kingdom			
Crude oil	214.6	134.7	70.3
Natural gas	7.8	7.7	10.0
Ecuador - crude oil	52.2	36.1	24.2
	-----	-----	-----
Total oil and gas revenues	\$ 942.8	603.2	412.2
	=====	=====	=====

The Company's crude oil and gas liquids production averaged 65,259 barrels a day in 2000, 66,083 in 1999 and 59,128 in 1998. Sales of crude oil and gas liquids in 2000 were slightly higher and averaged 65,745 barrels a day. Crude oil and liquids production in the United States declined 21% in 2000, following a 9% increase in 1999. The reduction in 2000 was primarily due to declines from existing fields in the Gulf of Mexico. Oil production in Canada increased 4% in 2000 to a record volume of 31,296 barrels a day. Production at Hibernia rose 2,795 barrels a day due to improved operations. Heavy oil production in western Canada was 1,475 barrels a day higher in 2000 due primarily to an active drilling program in the early part of the year. The Company's share of net production at its synthetic oil operation in Canada was down 2,554 barrels a day in 2000 due to a combination of more downtime for maintenance and a higher net profit royalty caused by higher prices. Before royalties, the Company's synthetic oil production was 10,145 barrels a day in 2000, 11,146 in 1999 and 10,501 in 1998. Production of light oil in Canada decreased 400 barrels a day in 2000. U.K. production increased by 357 barrels a day in 2000 as improved volumes at Mungo/Monan and Schiehallion were almost offset by declines at more mature fields in the North Sea. Production in Ecuador was down 699 barrels a day in 2000 due to transportation constraints. When compared to 1998 oil production, 1999 volumes were up 663 barrels a day in the United States, while production at Hibernia was up 2,212, synthetic oil production was up 497 and U.K. production was 5,127 higher. Production of heavy oil in western Canada fell 577 barrels a day in 1999, light oil declined 351, and production in Ecuador was down 616. The 1999 increase in the United States was due to new production from several small fields in the Gulf of Mexico. Hibernia was improved due to more stabilized operations achieved during the latter half of 1999. Synthetic oil production was up due to higher gross production, partially offset by a higher net profit royalty rate caused by higher prices. Heavy oil production was lower in 1999 because of selective field shut-ins due to low prices during the early part of the year. The improvement in the United Kingdom in 1999 was due to a full year of operations at Mungo/Monan and Schiehallion, both of which commenced production in the third quarter of 1998. The decline in Ecuador production in 1999 was due to pipeline restrictions.

Worldwide sales of natural gas averaged 229.4 million cubic feet a day in 2000, 240.4 million in 1999 and 230.9 million in 1998. Sales of natural gas in the United States were 144.8 million cubic feet a day in 2000, 171.8 million in 1999 and 169.5 million in 1998. The 16% reduction in 2000 was due to reduced deliverability from maturing fields in the Gulf of Mexico. The increase in 1999 was mainly due to sales from several new fields in the Gulf of Mexico that more than offset declining production from other fields. Natural gas sales in Canada in 2000 were at record levels for the fifth consecutive year as sales increased 31% to 73.8 million cubic feet a day. Canadian natural gas sales had increased 15% in 1999. The increase in 2000 was primarily due to production from new discoveries in western Canada, plus production obtained through the acquisition of Beau Canada Exploration Ltd. (Beau Canada) in November. Natural gas sales in the United Kingdom were 10.8 million cubic feet a day in 2000, down 1.6 million compared to 1999. U.K. natural gas sales in 1999 were essentially unchanged from 1998 levels.

Worldwide crude oil sales prices continued to strengthen through much of 2000 following a solid improvement in 1999. In the United States, Murphy's 2000 average monthly sales prices for crude oil and condensate ranged from \$26.12 a barrel to \$34.03 a barrel, and averaged \$30.38 for the year, 68% above the average 1999 price of \$18.09. In Canada, the average sales price for light oil was \$27.68 a barrel in 2000, an increase of 63%. Heavy oil prices averaged \$17.83 a barrel, up 40% compared to a year ago. The average sales price for synthetic oil in 2000 was \$29.62, up 59% from 1999. The sales price for crude oil from the Hibernia field increased 42% to \$27.16 a barrel. U.K. sales prices averaged

54% higher in 2000 at \$27.78 a barrel. Sales prices in Ecuador were \$22.01 a barrel in 2000, up 53% from a year earlier. U.S. oil prices increased 40% in 1999 compared to 1998. In Canada, crude oil prices in 1999 were up 41% for light oil, 95% for heavy oil, 36% for synthetic oil, and 62% for Hibernia. Oil prices in the United Kingdom were up 44% in 1999, and prices in Ecuador were up 68%. Worldwide oil prices showed signs of weakening in late 2000 and into early 2001. Although the Organization of Petroleum Exporting Countries (OPEC) announced a production cut effective February 1, 2001, the Company can make no assurances that oil prices will remain at or near year-end 2000 prices of about \$26.00 a barrel for West Texas Intermediate grade crude oil.

North American natural gas sales prices strengthened as 2000 progressed due to supply being short of demand. A combination of a hotter than normal summer and a colder than normal early winter near the end of 2000 in the United States strained an already below-normal level of gas storage throughout the country. Average monthly natural gas sales prices in the United States in 2000 ranged from \$2.48 an MCF in January to \$6.68 in December. For the year, U.S. sales prices increased 71% and averaged \$4.01 an MCF compared to \$2.34 in 1999. The average price for natural gas sold in Canada during 2000 increased 87% to \$3.67 an MCF, while prices in the United Kingdom increased 8% to \$1.81. Average U.S. natural gas sales prices were up 4% in 1999, and prices were up in Canada by 40% as Canadian natural gas sales prices moved closer to parity with U.S. prices during the year. The average U.K. gas sales price in 1999 fell 25% mainly as a result of a contractual price basis adjustment at the Company's primary North Sea gas field.

Based on 2000 volumes and deducting taxes at marginal rates, each \$1 a barrel and \$.10 an MCF fluctuation in prices would have affected annual exploration and production earnings by \$16.2 million and \$5.3 million, respectively. The effect of these price fluctuations on consolidated net income cannot be measured because operating results of the Company's refining, marketing and transportation segments could be affected differently.

Production expenses were \$181.9 million in 2000, \$162.1 million in 1999 and \$167.3 million in 1998. These amounts are shown by major operating area on pages F-27 and F-28 of this Form 10-K report. Cost per equivalent barrel during the last three years were as follows.

(Dollars per equivalent barrel)	2000	1999	1998
	----	----	----
United States	\$ 3.72	2.98	3.66
Canada			
Excluding synthetic oil	4.24	3.99	3.91
Synthetic oil	13.06	9.09	8.99
United Kingdom	3.46	3.73	5.60
Ecuador	6.65	5.10	4.28
Worldwide - excluding synthetic oil	4.05	3.62	4.18

The increase in the cost per equivalent barrel in the United States in 2000 was attributable to a combination of lower production and higher well servicing costs. The 2000 increase in Canada, excluding synthetic oil, was due to an increase in well servicing costs at heavy oil properties offset in part by the effect of higher production at Hibernia, where production expenses are lower than in western Canada. The increase in the cost per equivalent barrel for Canadian synthetic oil in 2000 was due to lower gross production volumes and an increase in royalty barrels caused by higher oil prices. Based on the Company's interest in Syncrude's gross production, cost per barrel increased 21% in 2000. A lower unit cost in the United Kingdom in 2000 was due to a favorable impact from higher production at the lower-cost Mungo/Monan and Schiehallion fields. Higher cost per barrel in Ecuador in 2000 was attributable to both lower production and higher overall operating expenses. The decrease in U.S. production cost per equivalent barrel in 1999 was attributable to lower well servicing costs combined with higher production volumes. The increase in Canada in 1999, excluding synthetic oil, was caused by higher well servicing costs at heavy oil properties. The increase in the Canadian synthetic oil unit rate was due to an increase in royalty barrels caused by higher sales prices. The decrease in the U.K. rate was due to higher production from the lower-cost Mungo/Monan and Schiehallion fields. The higher cost in Ecuador in 1999 was caused by higher field operating costs combined with lower production during the year.

Exploration expenses for each of the last three years are shown in total in the following table, and amounts are reported by major operating area on pages F-27 and F-28 of this Form 10-K report. Certain of the expenses are included in the capital expenditure totals for exploration and production activities.

(Millions of dollars)	2000	1999	1998
	----	----	----
Exploratory expenditures charged against income			
Dry hole costs	\$ 66.0	32.4	31.5
Geological and geophysical costs	36.3	18.7	17.0
Other costs	9.2	8.5	6.6
	-----	-----	-----
	111.5	59.6	55.1
Undeveloped lease amortization	14.1	11.0	10.5
	-----	-----	-----
Total exploration expenses	\$ 125.6	70.6	65.6
	=====	=====	=====

Depreciation, depletion and amortization related to exploration and production operations totaled \$169.2 million in 2000, \$166.9 million in 1999 and \$163.6 million in 1998. The increases in both 2000 and 1999 were due to higher production from the Hibernia field, offshore eastern Canada. Additionally, 2000 includes higher depreciation rates per unit on production from fields acquired from Beau Canada.

Refining, Marketing and Transportation - Earnings from refining, marketing and transportation operations before special items were \$54.5 million in 2000, \$14.9 million in 1999 and \$49.2 million in 1998. Operations in the United States earned \$23.9 million in 2000 compared to a loss of \$5.9 million in 1999, as product sales realizations increased more than the costs of crude oil and other refinery feedstocks. U.S. operations earned \$27.7 million in 1998. The decline in 1999 was due to the inability to fully recover higher costs of crude oil through increases in average product sales prices. Operations in the United Kingdom earned \$23 million in 2000, \$14 million in 1999 and \$16.8 million in 1998. The improvement in 2000 was also caused by a larger increase in the sales realizations for finished products than for the costs of refining feedstocks. Canadian operations contributed \$7.6 million to 2000 earnings compared to \$6.8 million in 1999 and \$4.7 million in 1998.

Unit margins (sales realizations less costs of crude oil, other feedstocks, refining and transportation to point of sale) averaged \$1.91 a barrel in the United States in 2000, \$.66 in 1999 and \$1.45 in 1998. U.S. product sales totaled a record 149,469 barrels a day in 2000, up 18% following an 8% decline in 1999. The increase in 2000 was attributable to a combination of record crude oil throughputs at the Company's U.S. refineries plus continued expansion of retail gasoline operations at Wal-Mart stores. The decline in sales volumes in 1999 was primarily due to a turnaround at the Meraux refinery early in the year.

Unit margins in the United Kingdom averaged \$4.69 a barrel in 2000, \$3.38 in 1999 and \$2.81 in 1998. Sales of petroleum products were down 7% in 2000 following an 11% decrease in 1999. The volume decline in 2000 was attributable to lower consumer demand in the United Kingdom caused by the large increase in product prices during the year. The decline in 1999 was due to lower sales in the cargo market. Although unit margins improved in 2000, the Company's branded outlets still face competition from other motor fuel marketers. Unit margins have softened in early 2001, and the Company was experiencing weaker financial results in its U.K. downstream operations.

Based on sales volumes for 2000 and deducting taxes at marginal rates, each \$.42 a barrel (\$.01 a gallon) fluctuation in unit margins would have affected annual refining and marketing profits by \$17.5 million. The effect of these unit margin fluctuations on consolidated net income cannot be measured because operating results of the Company's exploration and production segments could be affected differently.

The improvement in the Company's Canadian downstream operating results in 2000 was due to higher pipeline throughputs after the acquisition of the minority interest in the Manito pipeline system in mid-year. Higher earnings in 1999 were attributable to improved operating results from crude oil trading and pipeline operations. The Company entered into an agreement to sell its Canadian pipeline and trucking operation in 2001.

Special Items - Net income for the last three years included certain special items reviewed in the following paragraphs. The effects of special items on quarterly results for 2000 and 1999 are presented on page F-30 of this Form 10-K report.

- Settlement of income tax matters - Gains of \$15.5 million, \$10.1 million and \$5 million for settlement of U.S. income tax matters were recorded in the third quarter of 2000, the fourth quarter of 2000 and the fourth quarter of 1999, respectively.

- Gain on sale of assets - After-tax gains on sale of assets included \$1.5 million recorded in the second quarter of 2000 from sale of U.S. corporate assets, \$6.3 million and \$1.2 million recorded in the third and fourth quarters, respectively, of 1999 from sale of U.S. service stations, and \$2.9 million recorded in the fourth quarter of 1998 from sale of a U.K. service station.
- Impairment of properties - After-tax provisions of \$13.6 million, \$4.2 million and \$57.6 million were recorded in the third quarter of 2000, the fourth quarter of 2000 and the fourth quarter of 1998, respectively, for the write-down of assets determined to be impaired. (See Note D to the consolidated financial statements.)
- Gain (loss) on transportation and other disputed contractual items in Ecuador - A loss of \$7.8 million was recorded in the fourth quarter of 2000, and gains of \$8.2 million, \$1.4 million and \$1 million were recorded in the fourth quarter of 1999, the second quarter of 1998 and the fourth quarter of 1998, respectively, related to transportation and other contractual disputes under the Company's concessions in Ecuador.
- Provision for reduction in force - An after-tax charge of \$1 million for a reduction in force program was recorded in the first quarter of 1999. (See Note G to the consolidated financial statements.)
- Charge resulting from cancellation of a drilling rig contract - An after-tax charge of \$4.2 million was recorded in the fourth quarter of 1998 resulting from cancellation of a drilling rig contract for the Terra Nova oil field, offshore eastern Canada. The contract was cancelled because market conditions allowed a more efficient and modern rig to be obtained, thus reducing drilling costs for the Terra Nova project compared to what they might otherwise have been.
- Write-down of crude oil inventories to market value - An after-tax charge of \$4.2 million was recorded in the fourth quarter of 1998 to establish a valuation allowance to reduce the carried amount of crude oil inventories in the United Kingdom and Canada to market values.
- Settlement of U.K. long-term sales contract - An after-tax gain of \$2.8 million was recorded in the second quarter of 1998 related to settlement of a U.K. long-term sales contract.
- Cumulative effect of accounting change - An after-tax charge of \$8.7 million was recorded in the first quarter of 2000 to carry the Company's unsold crude oil production at cost rather than at market value as in the past. (See Note B to the consolidated financial statements.)

The income (loss) effects of special items for each of the three years ended December 31, 2000 are summarized by segment in the following table.

(Millions of dollars)	2000	1999	1998
	----	----	----
Exploration and production			
United States	\$ (13.6)	5.0	(19.4)
Canada	(4.2)	-	(10.1)
United Kingdom	-	-	(14.0)
Ecuador	(7.8)	8.2	2.4
Other	-	-	(15.1)
	-----	-----	-----
	(25.6)	13.2	(56.2)
	-----	-----	-----
Refining, marketing and transportation			
United States	-	7.5	-
United Kingdom	-	-	.5
Canada	-	-	(2.2)
	-----	-----	-----
	-	7.5	(1.7)
	-----	-----	-----
Corporate and other	27.1	(1.0)	-
	-----	-----	-----
Cumulative effect of accounting change	(8.7)	-	-
	-----	-----	-----
Total income (loss) from special items	\$ (7.2)	19.7	(57.9)
	=====	=====	=====

## Capital Expenditures

As shown in the selected financial information on page 7 of this Form 10-K report, capital expenditures, including discretionary exploration expenditures, were \$557.9 million in 2000 compared to \$386.6 million in 1999 and \$388.8 million in 1998. These amounts included \$111.5 million, \$59.6 million and \$55.1 million of exploration costs that were expensed. Capital expenditures for exploration and production activities totaled \$392.7 million in 2000, 70% of the Company's total capital expenditures for the year. Exploration and production capital expenditures in 2000 included \$44.3 million for acquisition of undeveloped leases, \$4.4 million for acquisition of proved oil and gas properties, \$156.7 million for exploration activities, and \$187.3 million for development projects. Development expenditures included \$60.7 million for the Terra Nova oil field, offshore Newfoundland; \$18.5 million for synthetic oil operations in Canada; and \$44.6 million for heavy oil and natural gas projects in western Canada. Exploration and production capital expenditures are shown by major operating area on page F-26 of this Form 10-K report. Amounts shown under "Other" in 2000 included \$18.4 million for exploration costs in Malaysia, including costs to drill a shallow-water discovery on Block SK 309, offshore Sarawak.

Refining, marketing and transportation expenditures, detailed in the following table, were 28% of total capital expenditures in 2000.

(Millions of dollars)	2000	1999	1998
	----	----	----
Refining			
United States	\$ 19.2	17.4	27.0
United Kingdom	4.3	7.0	.7
	-----	-----	-----
Total refining	23.5	24.4	27.7
	-----	-----	-----
Marketing			
United States	92.8	58.7	16.7
United Kingdom	8.1	4.4	6.1
	-----	-----	-----
Total marketing	100.9	63.1	22.8
	-----	-----	-----
Transportation			
United States	-	.3	1.9
Canada	29.4	.3	2.6
	-----	-----	-----
Total transportation	29.4	.6	4.5
	-----	-----	-----
Total	\$153.8	88.1	55.0
	=====	=====	=====

U.S. and U.K. refining expenditures during the three years were primarily for capital projects to keep the refineries operating efficiently and within industry standards and to study alternatives for meeting anticipated future environmentally driven changes to U.S. motor fuel specifications. Marketing expenditures in the United States primarily included the costs of new stations built on land leased from Wal-Mart, and improvements and normal replacements at existing stations and terminals. U.K. marketing expenditures in 2000 were primarily for redevelopment of shops and station purchases; expenditures in 1999 and 1998 were primarily for improvements and normal replacements at existing stations and terminals. Capital expenditures for Canadian transportation in 2000 primarily consisted of the mid-year acquisition of the minority interest in the Manito pipeline system.

## Cash Flows

Cash provided by operating activities was \$747.8 million in 2000, \$341.7 million in 1999 and \$297.5 million in 1998. Special items decreased cash flow from operations by \$2.7 million in 2000 and \$6.3 million in 1998, but increased cash by \$18.9 million in 1999. Changes in operating working capital other than cash and cash equivalents provided cash of \$66 million in 2000, but required cash of \$35.2 million and \$3.8 million in 1999 and 1998, respectively. Cash provided by operating activities was further reduced by expenditures for refinery turnarounds and abandonment of oil and gas properties totaling \$16.6 million in 2000, \$44.1 million in 1999 and \$24.6 million in 1998.

Cash proceeds from property sales were \$20.7 million in 2000, \$40.9 million in 1999 and \$9.5 million in 1998. Borrowings under notes payable provided \$175 million of cash in 2000, \$247.8 million in 1999 and \$161.3 million in 1998.



Property additions and dry hole costs required \$512.3 million of cash in 2000, \$359.4 million in 1999 and \$365.2 million in 1998. Cash outlays for debt repayment during the three years included \$130.5 million in 2000, \$195.9 million in 1999 and \$34.5 million in 1998. The acquisition of Beau Canada in November 2000 utilized \$127.5 million of cash. Cash used for dividends to stockholders was \$65.3 million in 2000, \$63 million in 1999 and \$62.9 million in 1998.

#### Financial Condition

Year-end working capital totaled \$71.7 million in 2000, \$105.5 million in 1999 and \$56.6 million in 1998. The current level of working capital does not fully reflect the Company's liquidity position as the carrying values for inventories under last-in first-out accounting were \$124 million below current costs at December 31, 2000. Cash and cash equivalents at the end of 2000 totaled \$132.7 million compared to \$34.1 million a year ago and \$28.3 million at the end of 1998.

Long-term debt increased \$131.6 million during 2000 to \$524.8 million at the end of the year, 29.4% of total capital employed, and included \$126.4 million of nonrecourse debt incurred in connection with the acquisition and development of Hibernia. The increase in long-term debt in 2000 was attributable to the acquisition of Beau Canada. Long-term debt totaled \$393.2 million at the end of 1999 compared to \$333.5 million at December 31, 1998. Stockholders' equity was \$1.3 billion at the end of 2000 compared to \$1.1 billion a year ago and \$1 billion at the end of 1998. A summary of transactions in stockholders' equity accounts is presented on page F-5 of this Form 10-K report.

The primary sources of the Company's liquidity are internally generated funds, access to outside financing and working capital. The Company relies on internally generated funds to finance the major portion of its capital and other expenditures, but maintains lines of credit with banks and borrows as necessary to meet spending requirements. Current financing arrangements are set forth in Note E to the consolidated financial statements. The Company does not expect any problem in meeting future requirements for funds.

Murphy had commitments of \$353 million for capital projects in progress at December 31, 2000, including \$176 million related to a clean fuels expansion project at the Meraux refinery and \$67 million related to the Company's multiyear contract for a semisubmersible deepwater drilling rig. Certain costs committed under the rig contract will be charged to Murphy's partners when future deepwater wells are drilled.

#### Environmental

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, service 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 such 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 rate 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 6 of this Form 10-K report.

There is the possibility that environmental expenditures could be required at currently unidentified sites, and new or revised regulations could require additional expenditures at known sites. Such expenditures could have a material adverse effect on 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 recorded a benefit for likely recoveries at December 31, 2000.

The Company's refineries also incur costs to handle and dispose of hazardous waste and other chemical substances. These costs are expensed as incurred and amounted to \$2.9 million in 2000. In addition to these expenses, Murphy allocates a portion of its capital expenditure program to comply with environmental laws and regulations. Such capital expenditures were approximately \$26 million in 2000 and are projected to be \$86 million in 2001.

#### Other Matters

Impact of inflation - General inflation was moderate during the last three years in most countries where the Company operates; however, the Company's revenues and capital and operating costs are influenced to a larger extent by specific price changes in the oil and gas and allied industries than by changes in general inflation. Crude oil and petroleum product prices generally reflect the balance between supply and demand, with crude oil prices being particularly sensitive to OPEC production levels and/or attitudes of traders concerning supply and demand in the near future. Natural gas prices are affected by supply and demand, which to a significant extent are affected by the weather and by the fact that delivery of gas is generally restricted to specific geographic areas. If crude oil and natural gas sales prices remain strong, the Company believes that the future prices for oil field goods and services could be adversely affected.

Accounting matters - The Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in 1998. This statement established accounting and reporting standards for derivative instruments and hedging activities. Subsequent to the issuance of SFAS No. 133, the FASB received many requests to review and clarify certain implementation issues. In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS No. 133. Effective January 1, 2001, Murphy must recognize the fair value of all derivative instruments as either assets or liabilities in its Consolidated Balance Sheet. A derivative instrument meeting certain conditions may be designated as a hedge of a specific exposure; accounting for changes in a derivative's fair value will depend on the intended use of the derivative and the resulting designation. Changes in a derivative's fair value for a qualifying hedge of a forecasted transactions will be deferred and recorded as a component of Other Accumulated Comprehensive Income in the Consolidated Balance Sheet until the forecasted transaction occurs, at which time the derivative's value will be recognized in earnings. Ineffective portions of a hedging derivative's change in fair value will be immediately recognized in earnings. Transition adjustments resulting from adopting this statement will be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of an accounting change. As described under the heading "Quantitative and Qualitative Disclosures About Market Risk" on Page 17 of this Form 10-K report, the Company makes limited use of derivative instruments to hedge specific market risks. The Company has determined that the adoption of SFAS 133 will increase other comprehensive income by approximately \$4 million and the overall effect on net income from adoption of this standard will not be significant.

As described in Note B to the consolidated financial statements, the Company has adopted a change in accounting for unsold crude oil production effective January 1, 2000, and also has retroactively applied two consensus of the FASB Emerging Issue Task Force to 2000 and all prior years presented.

## Outlook

Prices for the Company's primary products are often quite volatile. During 1999 and most of 2000, increased worldwide demand and disciplined management of supply by the world's producers - primarily by members of OPEC - led to stronger oil prices. During late 2000 and early 2001, crude oil sales prices weakened slightly. In mid-January 2001, OPEC announced a reduction in crude oil production beginning February 1, 2001 and light sweet crude oil for March delivery sold for more than \$31 a barrel at that date. The Company can give no assurance that the price of crude oil will remain at this high level during the remainder of 2001 and beyond. Due to colder than normal weather across much of North America during the early winter of 2000-2001, the price of natural gas remained well above its normal trading range in January 2001. The Company can give no assurance that the price of natural gas will remain at or above its normal trading range in the future. The Company's U.K. refining and marketing operations were experiencing weaker unit margins in early 2001. In such a volatile operating environment, constant reassessment of spending plans is required.

The Company's capital expenditure budget for 2001 was prepared during the fall of 2000 and provides for expenditures of \$692 million. Of this amount, \$518 million or 75%, is allocated for exploration and production. Geographically, 39% of the exploration and production budget is allocated to the United States, including \$84 million for development of deepwater projects in the Gulf of Mexico; another 43% is allocated to Canada, including \$29 million for continued development of the Terra Nova oil field, which is currently scheduled for start-up late in 2001, and \$22 million for further expansion of synthetic oil operations; 7% is allocated to the United Kingdom; 3% is allocated to Ecuador; and 8% is allocated to other foreign operations, which primarily includes Malaysia. Planned refining, marketing and transportation capital expenditures for 2001 are \$168 million, including \$145 million in the United States, \$20 million in the United Kingdom and \$3 million in Canada. U.S. amounts include funds to build additional stations at Wal-Mart sites, as well as early spending for "green fuel" projects at the Meraux refinery. Capital and other expenditures are under constant review and planned capital expenditures may be adjusted to reflect changes in estimated cash flow during 2001.

## Forward-Looking Statements

This Form 10-K report, including documents incorporated by reference herein, 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 7A. 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 A to the consolidated financial statements, Murphy makes limited use of derivative financial and commodity instruments to manage risks associated with existing or anticipated transactions.

At December 31, 2000, the Company was a party to interest rate swaps 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 December 31, 2000, the interest rate to be received by the Company averaged 6.72%. The variable interest rate received by the Company under each swap contract is repriced quarterly. The Company considers these swaps to be a hedge against potentially higher future interest rates. As described in Note K to the consolidated financial statements, the estimated fair value of these interest rate swaps was a loss of \$2 million at December 31, 2000.

At December 31, 2000, 20% of the Company's debt had variable interest rates and 12% was denominated in Canadian dollars. Based on debt outstanding at December 31, 2000, a 10% increase in variable interest rates would reduce the

Company's interest expense by \$.1 million in 2001 after a \$.7 million 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 in 2001 by \$.2 million and increase current maturities of long-term debt by \$.8 million for debt denominated in Canadian dollars.

At December 31, 2000, Murphy was a party to natural gas price swap agreements for a total notional volume of 7 million MMBTU that are intended to reduce a portion of the financial exposure of its Meraux, Louisiana refinery to fluctuations in the price of natural gas purchased for fuel in 2002 through 2004. 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 Henry Hub price for the final three trading days of the month. At December 31, 2000, the estimated fair value of these agreements was a gain of \$6.2 million; a 10% fluctuation in the average NYMEX Henry Hub price of natural gas would have changed the estimated year-end fair value of these swaps by \$2.1 million.

At December 31, 2000, 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 reduce a portion of the financial exposure of its Canadian natural gas production to changes in natural 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 December 31, 2000, the estimated net fair value of these agreements was a liability of \$18.3 million; a 10% fluctuation in the average price of the AECO "C" index would have changed the estimated year-end fair value of these swaps by \$1.7 million.

#### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item appears on pages F-1 through F-30, which follow page 21 of this Form 10-K report.

#### Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

### PART III

#### Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information regarding executive officers of the Company is included on page 6 of this Form 10-K report. Other information required by this item is incorporated by reference to the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders on May 9, 2001 under the caption "Election of Directors."

#### Item 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders on May 9, 2001 under the captions "Compensation of Directors," "Executive Compensation," "Option Exercises and Fiscal Year-End Values," "Option Grants," "Compensation Committee Report for 2000," "Shareholder Return Performance Presentation" and "Retirement Plans."

#### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item is incorporated by reference to the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders on May 9, 2001 under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is incorporated by reference to the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders on May 9, 2001 under the caption "Compensation Committee Interlocks and Insider Participation."

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements - The consolidated financial statements of Murphy Oil Corporation and consolidated subsidiaries are located or begin on the pages of this Form 10-K report as indicated below.

	Page No. -----
Report of Management	F-1
Independent Auditors' Report	F-1
Consolidated Statements of Income	F-2
Consolidated Statements of Comprehensive Income	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Cash Flows	F-4
Consolidated Statements of Stockholders' Equity	F-5
Notes to Consolidated Financial Statements	F-6
Supplemental Oil and Gas Information (unaudited)	F-24
Supplemental Quarterly Information (unaudited)	F-30

2. Financial Statement Schedules - Financial statement schedules are omitted because either they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits - The following is an index of exhibits that are hereby filed as indicated by asterisk (\*), that are to be filed by an amendment as indicated by pound sign (#), or that are incorporated by reference. Exhibits other than those listed have been omitted since they either are not required or are not applicable.

Exhibit No. -----		Incorporated by Reference to -----
3.1	Certificate of Incorporation of Murphy Oil Corporation as of September 25, 1986	Exhibit 3.1 of Murphy's Form 10-K report for the year ended December 31, 1996
*3.2	By-Laws of Murphy Oil Corporation as amended effective February 7, 2001	
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	1987 Management Incentive Plan as amended February 7, 1990 retroactive to February 3, 1988	Exhibit 10.1 of Murphy's Form 10-K report for the year ended December 31, 1999
10.2	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
10.3	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
*13	2000 Annual Report to Security Holders including Narrative to Graphic and Image Material as an appendix	
*21	Subsidiaries of the Registrant	
*23	Independent Auditors' Consent	
*99.1	Undertakings	
#99.2	Form 11-K, Annual Report for the fiscal year ended December 31, 2000 covering the Thrift Plan for Employees of Murphy Oil Corporation	To be filed as an amendment to this Form 10-K report not later than 180 days after December 31, 2000
#99.3	Form 11-K, Annual Report for the fiscal year ended December 31, 2000 covering the Thrift Plan for Employees of Murphy Oil USA, Inc. Represented by United Steelworkers of America, AFL-CIO, Local No. 8363	To be filed as an amendment to this Form 10-K report not later than 180 days after December 31, 2000
#99.4	Form 11-K, Annual Report for the fiscal year ended December 31, 2000 covering the Thrift Plan for Employees of Murphy Oil USA, Inc. Represented by International Union of Operating Engineers, AFL-CIO, Local No. 305	To be filed as an amendment to this Form 10-K report not later than 180 days after December 31, 2000

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By /s/ CLAIBORNE P. DEMING Date: March 22, 2001  
-----  
Claiborne P. Deming, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 22, 2001 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ R. MADISON MURPHY /s/ WILLIAM C. NOLAN JR.  
-----  
R. Madison Murphy, Chairman and Director William C. Nolan Jr., Director

/s/ CLAIBORNE P. DEMING /s/ WILLIAM L. ROSOFF  
-----  
Claiborne P. Deming, President and Chief William L. Rosoff, Director  
Executive Officer and Director  
(Principal Executive Officer)

/s/ B. R. R. BUTLER /s/ DAVID J. H. SMITH  
-----  
B. R. R. Butler, Director David J. H. Smith, Director

/s/ GEORGE S. DEMBROSKI /s/ CAROLINE G. THEUS  
-----  
George S. Dembroski, Director Caroline G. Theus, Director

/s/ H. RODES HART /s/ STEVEN A. COSSE  
-----  
H. Rodes Hart, Director Steven A. Cosse, Senior Vice  
President and General Counsel  
(Principal Financial Officer)

/s/ ROBERT A. HERMES /s/ JOHN W. ECKART  
-----  
Robert A. Hermes, Director John W. Eckart, Controller  
(Principal Accounting Officer)

/s/ MICHAEL W. MURPHY  
-----  
Michael W. Murphy, Director

## REPORT OF MANAGEMENT

The management of Murphy Oil Corporation is responsible for the preparation and integrity of the accompanying consolidated financial statements and other financial data. The statements were prepared in conformity with generally accepted U.S. accounting principles appropriate in the circumstances and include some amounts based on informed estimates and judgments, with consideration given to materiality.

Management is also responsible for maintaining a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that financial information is objective and reliable by ensuring that all transactions are properly recorded in the Company's accounts and records, written policies and procedures are followed and assets are safeguarded. The system is also supported by careful selection and training of qualified personnel. When establishing and maintaining such a system, judgment is required to weigh relative costs against expected benefits. The Company's audit staff independently and systematically evaluates and formally reports on the adequacy and effectiveness of the internal control system.

Our independent auditors, KPMG LLP, have audited the consolidated financial statements. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America and provides an independent opinion about the fair presentation of the consolidated financial statements. When performing their audit, KPMG LLP considers the Company's internal control structure to the extent they deem necessary to issue their opinion on the financial statements. The Board of Directors appoints the independent auditors; ratification of the appointment is solicited annually from the shareholders.

The Board of Directors appoints an Audit Committee annually to perform an oversight role for the financial statements. This Committee is composed solely of directors who are not employees of the Company. The Committee meets periodically with representatives of management, the Company's audit staff and the independent auditors to review the Company's internal controls, the quality of its financial reporting, and the scope and results of audits. The independent auditors and the Company's audit staff have unrestricted access to the Committee, without management's presence, to discuss audit findings and other financial matters.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders of Murphy Oil Corporation:

We have audited the accompanying consolidated balance sheets of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the consolidated financial statements, effective January 1, 2000, the Company changed its method of accounting for crude oil inventories.

Shreveport, Louisiana  
January 26, 2001

/s/ KPMG LLP



MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 (Thousands of dollars except per share amounts)	2000 ----	1999* ----	1998* ----
<b>Revenues</b>			
Crude oil and natural gas sales	\$ 751,498	470,643	324,882
Petroleum product sales	2,731,988	1,515,537	1,312,727
Crude oil trading sales	1,041,524	705,969	638,106
Other operating revenues	89,331	59,934	66,929
Interest and other nonoperating revenues	24,824	4,358	4,378
	-----	-----	-----
<b>Total revenues</b>	<b>4,639,165</b>	<b>2,756,441</b>	<b>2,347,022</b>
	-----	-----	-----
<b>Costs and Expenses</b>			
Crude oil, products and related operating expenses	3,704,936	2,198,701	1,927,325
Exploration expenses, including undeveloped lease amortization	125,629	70,557	65,582
Selling and general expenses	85,474	81,817	61,363
Depreciation, depletion and amortization	213,539	205,077	203,163
Impairment of properties	27,916	--	80,127
Charge resulting from cancellation of a drilling rig contract	--	--	7,255
Provision for reduction in force	--	1,513	--
Interest expense	29,936	28,139	18,090
Interest capitalized	(13,599)	(7,865)	(7,606)
	-----	-----	-----
<b>Total costs and expenses</b>	<b>4,173,831</b>	<b>2,577,939</b>	<b>2,355,299</b>
	-----	-----	-----
Income (loss) before income taxes and cumulative effect of accounting change	465,334	178,502	(8,277)
Income tax expense	159,773	58,795	6,117
	-----	-----	-----
Income (loss) before cumulative effect of accounting change	305,561	119,707	(14,394)
Cumulative effect of accounting change, net of tax (Note B)	(8,733)	--	--
	-----	-----	-----
<b>Net Income (Loss)</b>	<b>\$ 296,828</b>	<b>119,707</b>	<b>(14,394)</b>
	=====	=====	=====
<b>Income (Loss) per Common Share - Basic</b>			
Before cumulative effect of accounting change	\$ 6.78	2.66	(.32)
Cumulative effect of accounting change	(.19)	--	--
	-----	-----	-----
<b>Net Income (Loss) - Basic</b>	<b>6.59</b>	<b>2.66</b>	<b>(.32)</b>
	=====	=====	=====
<b>Income (Loss) per Common Share - Diluted</b>			
Before cumulative effect of accounting change	\$ 6.75	2.66	(.32)
Cumulative effect of accounting change	(.19)	--	--
	-----	-----	-----
<b>Net Income (Loss) - Diluted</b>	<b>6.56</b>	<b>2.66</b>	<b>(.32)</b>
	=====	=====	=====
Average Common shares outstanding - basic	45,031,665	44,970,457	44,955,679
Average Common shares outstanding - diluted	45,239,706	45,030,225	44,955,679

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31 (Thousands of dollars)	2000 ----	1999 ----	1998 ----
Net income (loss)	\$ 296,828	119,707	(14,394)
Other comprehensive income (loss) - net gain (loss) from foreign currency translation	(33,282)	18,536	(24,411)
	-----	-----	-----
<b>Comprehensive Income (Loss)</b>	<b>\$ 263,546</b>	<b>138,243</b>	<b>(38,805)</b>
	=====	=====	=====

\*Reclassified to conform to 2000 presentation.

See notes to consolidated financial statements, page F-6.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

December 31 (Thousands of dollars)	2000 ----	1999 ----
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 132,701	34,132
Accounts receivable, less allowance for doubtful accounts of \$10,208 in 2000 and \$8,298 in 1999	469,616	357,472
Inventories, at lower of cost or market		
Crude oil and blend stocks	47,875	61,853
Finished products	68,464	50,572
Materials and supplies	48,416	39,218
Prepaid expenses	23,949	28,145
Deferred income taxes	25,916	21,720
	-----	-----
<b>Total current assets</b>	<b>816,937</b>	<b>593,112</b>
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$3,144,369 in 2000 and \$3,007,578 in 1999	2,184,719	1,782,741
Goodwill, net	48,396	--
Deferred charges and other assets	84,301	69,655
	-----	-----
<b>Total assets</b>	<b>\$ 3,134,353</b>	<b>2,445,508</b>
	=====	=====
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 37,242	71
Accounts payable	528,416	334,420
Withholdings and collections due governmental agencies	65,262	65,706
Other accrued liabilities	45,964	49,143
Income taxes	68,343	38,295
	-----	-----
<b>Total current liabilities</b>	<b>745,227</b>	<b>487,635</b>
Notes payable	398,375	248,569
Nonrecourse debt of a subsidiary	126,384	144,595
Deferred income taxes	229,968	154,109
Reserve for dismantlement costs	160,049	158,377
Reserve for major repairs	34,302	22,099
Deferred credits and other liabilities	180,488	172,952
<b>Stockholders' equity</b>		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued	--	--
Common Stock, par \$1.00, authorized 80,000,000 shares, issued 48,775,314 shares	48,775	48,775
Capital in excess of par value	514,474	512,488
Retained earnings	833,490	601,956
Accumulated other comprehensive loss - foreign currency translation	(38,266)	(4,984)
Unamortized restricted stock awards	(1,410)	(2,328)
Treasury stock	(97,503)	(98,735)
	-----	-----
<b>Total stockholders' equity</b>	<b>1,259,560</b>	<b>1,057,172</b>
	-----	-----
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,134,353</b>	<b>2,445,508</b>
	=====	=====

See notes to consolidated financial statements, page F-6.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 (Thousands of dollars)	2000 ----	1999* ----	1998* ----
<b>Operating Activities</b>			
Income (loss) before cumulative effect of accounting change	\$ 305,561	119,707	(14,394)
Adjustments to reconcile above income (loss) to net cash provided by operating activities			
Depreciation, depletion and amortization	213,539	205,077	203,163
Impairment of properties	27,916	--	80,127
Provisions for major repairs	22,761	18,721	20,420
Expenditures for major repairs and dismantlement costs	(16,603)	(44,096)	(24,582)
Dry hole costs	65,987	32,422	31,504
Amortization of undeveloped leases	14,076	10,968	10,454
Deferred and noncurrent income tax charges (credits)	63,431	38,027	(937)
Pretax gains from disposition of assets	(4,010)	(11,940)	(3,857)
Net (increase) decrease in noncash operating working capital excluding acquisition of Beau Canada Exploration Ltd.	66,002	(35,159)	(3,810)
Cumulative effect of accounting change on working capital	(11,170)	--	--
Other operating activities - net	261	7,984	(621)
	-----	-----	-----
Net cash provided by operating activities	747,751	341,711	297,467
	-----	-----	-----
<b>Investing Activities</b>			
Property additions and dry hole costs	(512,331)	(359,438)	(365,175)
Acquisition of Beau Canada Exploration Ltd., net of cash acquired	(127,476)	--	--
Proceeds from sale of property, plant and equipment	20,705	40,871	9,463
Other investing activities - net	391	(3,532)	(1,767)
	-----	-----	-----
Net cash required by investing activities	(618,711)	(322,099)	(357,479)
	-----	-----	-----
<b>Financing Activities</b>			
Additions to notes payable	175,000	247,776	161,342
Reductions of notes payable	(124,254)	(190,806)	(218)
Additions to nonrecourse debt of a subsidiary	--	--	240
Reductions of nonrecourse debt of a subsidiary	(6,207)	(5,120)	(34,234)
Cash dividends paid	(65,294)	(62,950)	(62,939)
Other financing activities - net	(4,125)	(1,742)	552
	-----	-----	-----
Net cash provided (required) by financing activities	(24,880)	(12,842)	64,743
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(5,591)	(909)	(748)
	-----	-----	-----
Net increase in cash and cash equivalents	98,569	5,861	3,983
Cash and cash equivalents at January 1	34,132	28,271	24,288
	-----	-----	-----
Cash and cash equivalents at December 31	\$ 132,701	34,132	28,271
	=====	=====	=====

\*Reclassified to conform to 2000 presentation.

See notes to consolidated financial statements, page F-6.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31 (Thousands of dollars)	2000	1999	1998
	----	----	----
Cumulative Preferred Stock - par \$100, authorized 400,000 shares, none issued	\$ --	--	--
Common Stock - par \$1.00, authorized 80,000,000 shares, issued 48,775,314 shares at beginning and end of each year	48,775	48,775	48,775
Capital in Excess of Par Value			
Balance at beginning of year	512,488	510,116	509,615
Exercise of stock options	1,749	797	103
Restricted stock transactions	(202)	1,344	142
Sale of stock under employee stock purchase plans	439	231	256
Balance at end of year	514,474	512,488	510,116
Retained Earnings			
Balance at beginning of year	601,956	545,199	622,532
Net income (loss) for the year	296,828	119,707	(14,394)
Cash dividends - \$1.45 a share in 2000, \$1.40 a share in 1999 and 1998	(65,294)	(62,950)	(62,939)
Balance at end of year	833,490	601,956	545,199
Accumulated Other Comprehensive Income (Loss) - Foreign Currency Translation			
Balance at beginning of year	(4,984)	(23,520)	891
Translation gains (losses) during the year	(33,282)	18,536	(24,411)
Balance at end of year	(38,266)	(4,984)	(23,520)
Unamortized Restricted Stock Awards			
Balance at beginning of year	(2,328)	(2,361)	(944)
Stock awards	--	--	(3,238)
Amortization, forfeitures and changes in price of Common Stock	918	33	1,821
Balance at end of year	(1,410)	(2,328)	(2,361)
Treasury Stock			
Balance at beginning of year	(98,735)	(99,976)	(101,518)
Exercise of stock options	1,140	704	110
Awarded restricted stock, net of forfeitures	(349)	--	1,136
Sale of stock under employee stock purchase plan	441	537	296
Balance at end of year - 3,729,769 shares of Common Stock in 2000, 3,777,319 shares in 1999 and 3,824,838 shares in 1998	(97,503)	(98,735)	(99,976)
Total Stockholders' Equity	\$ 1,259,560	1,057,172	978,233
	=====	=====	=====

See notes to consolidated financial statements, page F-6.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies

**NATURE OF BUSINESS** - Murphy Oil Corporation is an international oil and gas company that conducts its business through various operating subsidiaries. The Company produces oil and natural gas in the United States, Canada, the United Kingdom, and Ecuador, and conducts exploration activities worldwide. The Company has an interest in a Canadian synthetic oil operation, operates two petroleum refineries in the United States and has an interest in a U.K. refinery. Murphy markets petroleum products under various brand names and to unbranded wholesale customers in the United States and the United Kingdom.

**PRINCIPLES OF CONSOLIDATION** - The consolidated financial statements include the accounts of Murphy Oil Corporation and all majority-owned subsidiaries. Investments in affiliates in which the Company owns from 20% to 50% are accounted for by the equity method. Other investments are generally carried at cost. All significant intercompany accounts and transactions have been eliminated.

**REVENUE RECOGNITION** - Revenues associated with sales of refined products and the Company's share of crude oil production are recorded when title passes to the customer. The Company uses the sales method to record revenues associated with natural gas production. The Company records a liability for natural gas balancing when the Company has sold more than its working interest share of natural gas production and the estimated remaining reserves make it doubtful that partners can recoup their share of production from the field. At December 31, 2000 and 1999, the liabilities for gas balancing arrangements were immaterial. Excise taxes collected on sales of refined products and remitted to governmental agencies are not included in revenues or in costs and expenses.

**CASH EQUIVALENTS** - Short-term investments, which include government securities and other instruments with government securities as collateral, that have a maturity of three months or less from the date of purchase are classified as cash equivalents.

**PROPERTY, PLANT AND EQUIPMENT** - The Company uses the successful efforts method to account for exploration and development expenditures. Leasehold acquisition costs are capitalized. If proved reserves are found on an undeveloped property, leasehold cost is transferred to proved properties. Significant undeveloped leases are reviewed periodically and a valuation allowance is provided for any estimated decline in value. Cost of other undeveloped leases is expensed over the estimated average life of the leases. Cost of exploratory drilling is initially capitalized but is subsequently expensed if proved reserves are not found. Other exploratory costs are charged to expense as incurred. Development costs, including unsuccessful development wells, are capitalized.

Oil and gas properties are evaluated by field for potential impairment; other properties are evaluated on a specific asset basis or in groups of similar assets, as applicable. An impairment is recognized when the estimated undiscounted future net cash flows of an evaluated asset are less than its carrying value.

Depreciation and depletion of producing oil and gas properties are recorded based on units of production. Unit rates are computed for unamortized development costs using proved developed reserves and for unamortized leasehold costs using all proved reserves. Estimated dismantlement, abandonment and site restoration costs, net of salvage value, are considered in determining depreciation and depletion. Refineries and certain marketing facilities are depreciated primarily using the composite straight-line method. Gasoline stations and other properties are depreciated by individual unit on the straight-line method.

Gains and losses on disposals or retirements that are significant or include an entire depreciable or depletable property unit are included in income. Costs of dismantling oil and gas production facilities and site restoration are charged against the related reserve. All other dispositions, retirements or abandonments are reflected in accumulated depreciation, depletion and amortization.

Provisions for turnarounds of refineries and a synthetic oil upgrading facility are charged to expense monthly. Costs incurred are charged against the reserve. All other maintenance and repairs are expensed. Renewals and betterments are capitalized.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**INVENTORIES** - Inventories of crude oil other than refinery feedstocks are valued at the lower of cost, generally applied on a first-in-first-out (FIFO) basis, or market. Inventories of refinery feedstocks and finished products are valued at the lower of cost, generally applied on a last-in first-out (LIFO) basis, or market. Materials and supplies are valued at the lower of average cost or estimated value.

**GOODWILL** - The excess of the purchase price over the fair value of net assets acquired associated with the purchase of Beau Canada Exploration Ltd. (Beau Canada) was recorded as goodwill and is being amortized on a straight-line basis over 15 years. The Company assesses the recoverability of goodwill by comparing undiscounted future net cash flows for western Canadian oil and gas properties with the unamortized goodwill balance.

**ENVIRONMENTAL LIABILITIES** - A provision for environmental obligations is charged to expense when the Company's liability for an environmental assessment and/or cleanup is probable and the cost can be reasonably estimated. Related expenditures are charged against the reserve. Environmental remediation liabilities have not been discounted for the time value of future expected payments. Environmental expenditures that have future economic benefit are capitalized.

**INCOME TAXES** - The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are provided for amounts currently payable, and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred income taxes are measured using the enacted tax rates that are assumed will be in effect when the differences reverse. Petroleum revenue taxes are provided using the estimated effective tax rate over the life of applicable U.K. properties. The Company uses the deferral method to account for Canadian investment tax credits associated with the Hibernia and Terra Nova oil fields.

**FOREIGN CURRENCY** - Local currency is the functional currency used for recording operations in Canada and Spain and the majority of activities in the United Kingdom. The U.S. dollar is the functional currency used to record all other operations. Gains or losses from translating foreign functional currency into U.S. dollars are included in Accumulated Other Comprehensive Loss on the Consolidated Balance Sheets. Exchange gains or losses from transactions in a currency other than the functional currency are included in income.

**DERIVATIVE INSTRUMENTS** - The Company uses derivative instruments on a limited basis to manage certain risks related to interest rates, commodity prices and foreign currency exchange rates. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Company's senior management. The Company does not hold any derivatives for trading purposes, and it does not use derivatives with leveraged or complex features. Derivative instruments are traded either with creditworthy major financial institutions or over national exchanges. Effective January 1, 2001, the Company will adopt SFAS No. 133, which requires recognition of the fair value of all derivative instruments as assets or liabilities in its Consolidated Balance Sheet. The adoption of this standard will not have a significant effect on net income.

Designated instruments that are highly effective at reducing the exposure of assets, liabilities or anticipated transactions to interest rate, commodity price or currency risks are accounted for as hedges. Gains and losses on an instrument accounted for as a hedge of anticipated transactions are generally deferred and recognized during the same period for which the underlying hedged exposures are recognized. Certain commodity instruments acquired through an acquisition have been recorded as a liability based on their fair value at date of acquisition; gains and losses on these instruments partially offset changes to the recorded liability. Gains or losses on derivatives that cease to qualify as hedges are recognized in income or expense. When derivative instruments accounted for as hedges are terminated prior to maturity, the resulting gain or loss is generally deferred and recognized at the time that the underlying hedged exposure is recognized.

Gains and losses on interest rate swaps are recorded as an adjustment to Interest Expense in the Company's Consolidated Statements of Income. Gains and losses on crude oil and natural gas swaps that hedge the purchase prices of these commodities by the Company's refineries are recorded as a component of Crude Oil, Products and Related Operating Expenses in the Consolidated Statements of Income. Gains and losses on natural gas swaps that hedge the

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

sales prices for certain natural gas produced and sold by the Company in Canada are recorded as an adjustment to the recorded liability in the Consolidated Balance Sheets or as an adjustment to Crude Oil and Natural Gas Sales in the Consolidated Statements of Income.

NET INCOME PER COMMON SHARE - Basic income per Common share is computed by dividing net income for each reporting period by the weighted average number of Common shares outstanding during the period. Diluted income per Common share is computed by dividing net income for each reporting period by the weighted average number of Common shares outstanding during the period plus the effects of potentially dilutive Common shares.

USE OF ESTIMATES - In preparing the financial statements of the Company in conformity with generally accepted U.S. accounting principles, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from the estimates.

Note B - New Accounting Principles

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 at cost rather than market value as in the past. Consequently, Murphy restated its operating results for the first three quarters of 2000 and recorded a transition adjustment of \$8,733,000, net of income tax benefits of \$3,886,000, for the cumulative effect on prior years. Excluding the cumulative effect transition adjustment, this accounting change increased income in 2000 by \$1,145,000. The transition adjustment included a cumulative reduction of prior years' revenue of \$20,591,000.

Pro forma net income for the three years ended December 31, 2000, assuming that the new revenue recognition method had been applied retroactively in each year, was as follows:

(Thousands of dollars except per share data)	2000 ----	1999 ----	1998 ----
Net income (loss) - As reported	\$ 296,828	119,707	(14,394)
Pro forma	305,561	111,336	(13,884)
Net income (loss) per share - As reported, basic	\$ 6.59	2.66	(.32)
Pro forma, basic	6.78	2.48	(.31)
As reported, diluted	6.56	2.66	(.32)
Pro forma, diluted	6.75	2.47	(.31)

In 2000, the Company also applied the provisions of Emerging Issue Task Force (EITF) Issues 99-19, "Reporting Revenue Gross as a Principal Versus Net as an Agent," and 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 the first nine months of 2000 and all preceding years presented have been reclassified to reflect the new presentation.

Note C - Acquisition of Beau Canada Exploration Ltd.

In early November 2000, Murphy acquired Beau Canada, an independent oil and natural gas company that primarily owned exploration licenses and producing natural gas and heavy oil fields in western Canada. The acquisition has been accounted for as a purchase; consequently, Beau Canada's operations subsequent to the acquisition date have been included in the Company's consolidated financial statements for the year ended December 31, 2000. The Company paid net cash of \$127,476,000 to purchase all of Beau Canada's common stock at a price of approximately \$1.44 a share.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also assumed debt in the acquisition of \$124,227,000 that was repaid before the end of the year through issuance of a structural loan (see Note F). Murphy recorded goodwill of \$48,396,000 associated with the Beau Canada acquisition, primarily due to the purchase price being greater than the fair value of the net assets acquired and deferred income tax liabilities required to be established in recording the acquisition.

The following table reflects the unaudited results of operations on a pro forma basis as if the Beau Canada acquisition had been completed at the beginning of 2000 and 1999. The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the dates indicated, nor is it necessarily indicative of future operating results.

(Thousands of dollars except per share data)	Years Ended December 31,	
	2000	1999
Pro forma revenues	\$ 4,727,574	2,830,973
Pro forma income from continuing operations	303,479	121,011
Pro forma income from continuing operations per Common share - diluted	6.71	2.69

Note D - Property, Plant and Equipment

(Thousands of dollars)	December 31, 2000		December 31, 1999	
	Cost	Net	Cost	Net
Exploration and production	\$4,156,422	1,616,424*	3,750,077	1,324,685*
Refining	710,623	256,469	698,100	259,883
Marketing	307,429	224,677	219,124	140,786
Transportation	111,409	62,210	84,391	38,762
Corporate and other	43,205	24,939	38,627	18,625
	\$5,329,088	2,184,719	4,790,319	1,782,741

\*Includes \$17,370 in 2000 and \$16,270 in 1999 related to administrative assets and support equipment.

In the 2000 and 1998 Consolidated Statements of Income, the Company recorded noncash charges of \$27,916,000 and \$80,127,000, respectively, for impairment of certain properties. After related income tax benefits, these write-downs reduced net income by \$17,817,000 in 2000 and \$57,573,000 in 1998. The 2000 charges related to two natural gas fields in the Gulf of Mexico and two Canadian heavy oil properties that depleted earlier than anticipated. The 1998 charges resulted from management's expectation of a continuation of the low-price environment for sales of crude oil and natural gas that existed at the end of 1998; the write-down included certain oil and gas assets in the U.S. Gulf of Mexico, the U.K. North Sea, China, and Canada and certain marketing assets in Canada. The carrying values for properties determined to be impaired were reduced to the assets' fair values based on projected future discounted net cash flows, using the Company's estimates of future commodity prices.

Note E - Financing Arrangements

At December 31, 2000, the Company had an unused committed credit facility with a major banking consortium of an equivalent US \$300,000,000 for a combination of U.S. dollar and Canadian dollar borrowings. U.S. dollar and Canadian dollar commercial paper totaling an equivalent US \$110,633,000 at December 31, 2000 was outstanding and classified as nonrecourse debt. This outstanding debt is supported by a similar amount of credit facilities with major banks based on loan guarantees from the Canadian government. Depending on the credit facility, borrowings bear interest at prime or varying cost of fund options. Facility fees are due at varying rates on certain of the commitments. The facilities expire during 2002. In addition, the Company had unused uncommitted lines of credit with banks at December 31, 2000 totaling an equivalent US \$155,548,000 for a combination of U.S. dollar and Canadian dollar borrowings.



MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has a shelf registration statement on file with the U.S. Securities and Exchange Commission that permits the offer and sale of up to \$1 billion in debt and equity securities. No securities had been issued under this shelf registration as of December 31, 2000.

Note F - Long-term Debt

December 31 (Thousands of dollars)	2000	1999
	-----	-----
Notes payable		
7.05% notes, due 2029	\$ 247,369	247,277
6.23% structured loan, due 2001-2005	175,000	--
Other, 6% to 8%, due 2001-2021	1,244	1,363
	-----	-----
Total notes payable	423,613	248,640
	-----	-----
Nonrecourse debt of a subsidiary		
Guaranteed credit facilities with banks		
Commercial paper, 5.73% to 6.60%, \$41,233 payable in		
Canadian dollars, supported by credit facility, due 2001-2008	110,633	112,191
Loan payable to Canadian government, interest free, payable in		
Canadian dollars, due 2001-2008	27,755	32,404
	-----	-----
Total nonrecourse debt of a subsidiary	138,388	144,595
	-----	-----
Total debt including current maturities	562,001	393,235
Current maturities	(37,242)	(71)
	-----	-----
Total long-term debt	\$ 524,759	393,164
	=====	=====

Maturities for the four years after 2001 are: \$45,412,000 in 2002, \$48,805,000 in 2003, \$51,985,000 in 2004 and \$63,062,000 in 2005.

In 1999, \$250,000,000 of 7.05% notes were issued in the public market. These notes mature in May 2029 and are shown in the above table net of unamortized discount.

With the support of a major bank consortium, the structured loan was borrowed by a Canadian subsidiary in December 2000 to replace temporary financing of the Beau Canada acquisition. The 6.23% fixed-rate loan reduces in quarterly installments over a five-year period beginning in 2001. Payment of interest under the loan has been guaranteed by the Company.

The nonrecourse guaranteed credit facilities were arranged to finance certain expenditures for the Hibernia oil field. Subject to certain conditions and limitations, the Canadian government has unconditionally guaranteed repayment of amounts drawn under the facilities to lenders having qualifying Participation Certificates. Additionally, payment is secured by a debenture that mortgages the Company's share of the Hibernia properties and the production therefrom. Recourse of the lenders is limited to the Canadian government's guarantee; the government's recourse to the Company is limited, subject to certain covenants, to Murphy's interest in the assets and operations of Hibernia. The Company has borrowed the maximum amount available under the Primary Guarantee Facility at December 31, 2000. Beginning in 2001, the amount guaranteed will reduce quarterly by the greater of 30% of Murphy's after-tax free cash flow from Hibernia or 1/32 of the original total guarantee. A guarantee fee of .5% is payable annually in arrears to the Canadian government.

The interest-free loan from the Canadian government was also used to finance expenditures for the Hibernia field. The outstanding balance is to be repaid in equal annual installments through 2008.

Note G - Provision for Reduction in Force

In early 1999, the Company offered enhanced voluntary retirement benefits to eligible exploration, production and administrative employees in its New Orleans and Calgary offices and severed certain other employees at these

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

locations. The voluntary retirements and severances reduced the Company's workforce by 31 employees, and a charge of \$1,513,000 was recorded to income in 1999. The provision included additional defined benefit plan expense of \$1,041,000 and severance and other costs of \$472,000, the latter of which was essentially all paid during 1999.

Note H - Income Taxes

The components of income (loss) before income taxes and cumulative effect of accounting change for each of the three years ended December 31, 2000 and income tax expense (benefit) attributable thereto were as follows.

(Thousands of dollars)	2000 -----	1999 -----	1998 -----
Income (loss) before income taxes and cumulative effect of accounting change			
United States	\$ 102,519	15,074	44,600
Foreign	362,815	163,428	(52,877)
	-----	-----	-----
	\$ 465,334	178,502	(8,277)
	=====	=====	=====
Income tax expense (benefit) before cumulative effect of accounting change			
Federal - Current/1/ Deferred	\$ 19,215	(13,497)	6,431
Noncurrent	5,665	1,597	6,232
	(2,261)	16,366	3,785
	-----	-----	-----
	22,619	4,466	16,448
State - Current	3,129	1,342	2,021
Foreign - Current	76,184	40,726	(3,498)
Deferred/2/ Noncurrent	59,776	11,165	(10,201)
	(1,935)	1,096	1,347
	-----	-----	-----
	134,025	52,987	(12,352)
	-----	-----	-----
Total	\$ 159,773	58,795	6,117
	=====	=====	=====

/1/ Net of benefit of \$3,150 in 2000 for alternative minimum tax credits.

/2/ Net of benefit of \$609 in 1999 for a reduction in the U.K. tax rate.

Total income tax expense in 2000, including tax benefits associated with the cumulative effect of accounting change, was \$155,887,000.

Noncurrent taxes, classified in the Consolidated Balance Sheets as a component of Deferred Credits and Other Liabilities, relate primarily to matters not resolved with various taxing authorities.

The following table reconciles income taxes based on the U.S. statutory tax rate to the Company's income tax expense before cumulative effect of accounting change.

(Thousands of dollars)	2000 -----	1999 -----	1998 -----
Income tax expense (benefit) based on the U.S. statutory tax rate	\$ 162,867	62,475	(2,897)
Foreign income subject to foreign taxes at a rate different than the U.S. statutory rate	13,010	1,988	5,692
State income taxes	2,034	872	1,313
Settlement of U.S. taxes	(17,016)	(5,000)	(704)
Settlement of foreign taxes	--	--	(1,410)
Foreign asset impairment with no tax benefit	--	--	5,293
Other, net	(1,122)	(1,540)	(1,170)
	-----	-----	-----
Total	\$ 159,773	58,795	6,117
	=====	=====	=====

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

An analysis of the Company's deferred tax assets and deferred tax liabilities at December 31, 2000 and 1999 showing the tax effects of significant temporary differences follows.

(Thousands of dollars)	2000	1999
	----	----
Deferred tax assets		
Property and leasehold costs	\$ 70,570	64,469
Reserves for dismantlements and major repairs	63,754	53,470
Federal alternative minimum tax credit carryforward	--	3,177
Postretirement and other employee benefits	27,950	24,637
Foreign tax operating losses	27,888	23,135
Other deferred tax assets	26,681	29,379
	-----	-----
Total gross deferred tax assets	216,843	198,267
Less valuation allowance	(60,958)	(57,388)
	-----	-----
Net deferred tax assets	155,885	140,879
	-----	-----
Deferred tax liabilities		
Property, plant and equipment	(45,860)	(32,985)
Accumulated depreciation, depletion and amortization	(285,444)	(213,674)
Other deferred tax liabilities	(28,633)	(27,364)
	-----	-----
Total gross deferred tax liabilities	(359,937)	(274,023)
	-----	-----
Net deferred tax liabilities	\$(204,052)	(133,144)
	=====	=====

The Company has tax loss and other carryforwards of \$111,551,000 associated with its operations in Ecuador. The losses have a carryforward period of no more than five years, with certain losses limited to 25% of each year's taxable income. These losses begin to expire in 2002.

In management's judgment, the net deferred tax assets in the preceding table will more likely than not be realized as reductions of future taxable income or by utilizing available tax planning strategies. The valuation allowance for deferred tax assets relates primarily to tax assets arising in foreign tax jurisdictions, and in the judgment of management, these tax assets are not likely to be realized. The valuation allowance increased \$3,570,000 in 2000, but decreased \$4,970,000 in 1999; the change in each year primarily offset the change in certain deferred tax assets. Any subsequent reductions of the valuation allowance will be reported as reductions of tax expense assuming no offsetting change in the deferred tax asset.

The Company has not recorded a deferred tax liability of \$27,625,000 related to undistributed earnings of certain foreign subsidiaries at December 31, 2000 because the earnings are considered permanently invested.

Tax returns are subject to audit by various taxing authorities. In 2000, 1999 and 1998, the Company recorded benefits to income of \$25,618,000, \$5,000,000 and \$2,114,000, respectively, from settlements of U.S. and foreign tax issues primarily related to prior years. The Company believes that adequate accruals have been made for unsettled issues.

Note I - Incentive Plans

The Company's 1992 Stock Incentive Plan (the Plan) authorized the Executive Compensation and Nominating Committee (the Committee) to make annual grants of the Company's Common Stock to executives and other key employees as follows: (1) stock options (nonqualified or incentive), (2) stock appreciation rights (SAR), and/or (3) restricted stock. Annual grants may not exceed 1% (.5% prior to 2000) of shares outstanding at the end of the preceding year; allowed shares not granted may be granted in future years. The Company uses APB Opinion No. 25 to account for stock-based compensation, accruing costs of options and restricted stock over the vesting/performance periods and adjusting costs for changes in fair market value of Common Stock. Compensation cost charged against (credited to) income for stock-based plans was \$7,914,000 in 2000, \$13,161,000 in 1999 and \$(4,646,000) in 1998; outstanding awards were not significantly modified in the last three years.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Had compensation cost of the Plan been based on the fair value of the instruments at the date of grant using the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, the Company's net income and earnings per share would be the pro forma amounts shown in the following table. The pro forma effects on net income in the table may not be representative of the pro forma effects on net income of future years because the SFAS No. 123 provisions used in these calculations were only applied to stock options and restricted stock granted after 1994.

(Thousands of dollars except per share data)		2000	1999	1998
		----	----	----
Net income (loss)	- As reported	\$ 296,828	119,707	(14,394)
	Pro forma	299,031	124,543	(18,182)
Earnings per share	- As reported, basic	\$ 6.59	2.66	(.32)
	Pro forma, basic	6.64	2.77	(.40)
	As reported, diluted	6.56	2.66	(.32)
	Pro forma, diluted	6.61	2.76	(.40)

STOCK OPTIONS - The Committee fixes the option price of each option granted at no less than fair market value (FMV) on the date of the grant and fixes the option term at no more than 10 years from such date. Each option granted to date under the Plan has had a term of 10 years, has been nonqualified, and has had an option price equal to FMV at date of grant, except for certain 1997 grants with option prices above FMV. Generally, one-half of each grant may be exercised after two years and the remainder after three years.

The pro forma net income calculations in the preceding table reflect the following fair values of options granted in 2000, 1999 and 1998; fair values of options have been estimated by using the Black-Scholes pricing model and the assumptions as shown.

	2000	1999	1998
	----	----	----
Fair value per share at grant date	\$ 15.00	\$ 7.76	\$ 9.01
Assumptions			
Dividend yield	2.91%	2.87%	2.91%
Expected volatility	26.06%	24.21%	17.27%
Risk-free interest rate	6.76%	4.77%	5.46%
Expected life	5 yrs.	5 yrs.	5 yrs.

Changes in options outstanding, including shares issued under a prior plan, were as follows.

	Number of Shares	Average Exercise Price
	-----	-----
Outstanding at December 31, 1997	770,689	\$ 48.04
Granted at FMV	312,000	49.75
Exercised	(17,400)	36.04
Forfeited	(12,040)	49.34
	-----	
Outstanding at December 31, 1998	1,053,249	48.73
Granted at FMV	325,500	35.69
Exercised	(109,130)	39.57
Forfeited	(15,250)	45.27
	-----	
Outstanding at December 31, 1999	1,254,369	46.19
Granted at FMV	396,000	56.97
Exercised	(192,549)	43.63
Forfeited	(5,250)	49.75
	-----	
Outstanding at December 31, 2000	1,452,570	49.45
	=====	
Exercisable at December 31, 1998	284,529	\$ 39.53
Exercisable at December 31, 1999	441,119	45.36
Exercisable at December 31, 2000	590,820	51.80

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additional information about stock options outstanding at December 31, 2000 is shown below.

Range of Exercise Prices Per Share	Options Outstanding			Options Exercisable	
	No. of Options	Avg. Life in Years	Avg. Price	No. of Options	Avg. Price
\$34.56 to \$42.25	443,570	6.9	\$ 36.88	123,070	\$ 39.99
\$49.75 to \$50.38	396,250	6.8	49.94	251,000	50.06
\$55.41 to \$65.49	612,750	8.0	58.23	216,750	60.54
	1,452,570	7.4	49.45	590,820	51.80

SAR - SAR may be granted in conjunction with or independent of stock options; the Committee determines when SAR may be exercised and the price. No SAR have been granted.

RESTRICTED STOCK - Shares of restricted stock were granted under the Plan in certain years. Each grant will vest if the Company achieves specific financial objectives at the end of a five-year performance period. Additional shares may be awarded if objectives are exceeded, but some or all shares may be forfeited if objectives are not met. During the performance period, a grantee receives dividends and may vote these shares, but shares are subject to transfer restrictions and are all or partially forfeited if a grantee terminates. The Company may reimburse a grantee up to 50% of the award value for personal income tax liability on stock awarded. For the pro forma net income calculation, the fair value per share of restricted stock granted in 1998 was \$49.50, the market price of the stock at the date granted. On December 31, 2000, approximately 50% of eligible shares granted in 1996 were awarded, and the remaining shares were forfeited based on financial objectives achieved. On December 31, 1998, all shares granted in 1994 were forfeited because financial objectives were not achieved. Changes in restricted stock outstanding were as follows.

(Number of shares)	2000	1999	1998
Balance at beginning of year	83,364	83,364	39,856
Granted	--	--	59,750
Awarded	(12,077)	--	--
Forfeited	(12,954)	--	(16,242)
Balance at end of year	58,333	83,364	83,364

CASH AWARDS - The Committee also administers the Company's incentive compensation plans, which provide for annual or periodic cash awards to officers, directors and key employees if the Company achieves specific financial objectives. Compensation expense of \$6,970,000, \$5,301,000 and \$518,000 was recorded in 2000, 1999, and 1998, respectively, for these plans.

EMPLOYEE STOCK PURCHASE PLAN (ESPP) - The Company has an ESPP, under which, as amended in 2000, 150,000 shares of the Company's Common Stock could be purchased by employees. Each quarter, an eligible U.S. or Canadian employee may elect to withhold up to 10% of his or her salary to purchase shares of the Company's stock at a price equal to 90% of the fair value of the stock as of the first day of the quarter. The ESPP will terminate on the earlier of the date that employees have purchased all 150,000 shares or June 30, 2007. Employee stock purchases under the ESPP were 13,675 shares at an average price of \$51.08 a share in 2000, 20,487 shares at \$37.56 in 1999 and 11,315 shares at \$48.81 in 1998. At December 31, 2000, 100,197 shares remained available for sale under the ESPP. Compensation costs related to the ESPP were immaterial.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note J - Employee and Retiree Benefit Plans

PENSION AND POSTRETIREMENT PLANS - The Company has noncontributory defined benefit pension plans that cover substantially all full-time employees. During 2000, certain employees in Canada converted their defined benefit pension plan coverage to a contributory defined contribution plan. Henceforth, new Canadian employees may only participate in the defined contribution plan. The Company recorded a settlement gain of \$1,824,000 associated with these conversions in 2000. The Company also sponsors health care and life insurance benefit plans for most retired U.S. employees. The health care benefits are contributory; the life insurance benefits are noncontributory.

The tables that follow provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 2000 and 1999 and a statement of the funded status as of December 31, 2000 and 1999.

(Thousands of dollars)	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Change in benefit obligation				
Obligation at January 1	\$ 240,630	238,022	34,350	36,749
Service cost	5,460	5,791	753	712
Interest cost	17,010	15,516	2,699	2,366
Plan amendments	3,502	225	--	--
Participant contributions	--	--	566	531
Actuarial (gain) loss	1,203	(6,167)	3,219	(2,916)
Curtailment	--	226	--	--
Settlements	(2,257)	(82)	--	--
Special early retirement benefits	--	1,079	--	--
Exchange rate changes	(3,461)	18	--	--
Benefits paid	(14,369)	(13,998)	(3,133)	(3,092)
Obligation at December 31	247,718	240,630	38,454	34,350
Change in plan assets				
Fair value of plan assets at January 1	304,474	286,846	--	--
Actual return on plan assets	15,393	30,613	--	--
Employer contributions	687	842	2,567	2,561
Participant contributions	--	--	566	531
Settlements	(2,271)	(82)	--	--
Exchange rate changes	(3,711)	253	--	--
Benefits paid	(14,369)	(13,998)	(3,133)	(3,092)
Fair value of plan assets at December 31	300,203	304,474	--	--
Reconciliation of funded status				
Funded status at December 31	52,485	63,844	(38,454)	(34,350)
Unrecognized actuarial (gain) loss	(22,440)	(43,292)	6,594	3,610
Unrecognized transition asset	(13,047)	(8,729)	--	--
Unrecognized prior service cost	7,806	6,391	--	--
Net plan asset (liability) recognized	\$ 24,804	18,214	(31,860)	(30,740)
Amounts recognized in the Consolidated Balance Sheets at December 31				
Prepaid benefit asset	\$ 40,152	34,200	--	--
Accrued benefit liability	(17,051)	(16,300)	(31,860)	(30,740)
Intangible asset	1,703	314	--	--
Net plan asset (liability) recognized	\$ 24,804	18,214	(31,860)	(30,740)

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's U.S. and Canadian nonqualified retirement plans and U.S. directors' retirement plan were the only pension plans with accumulated benefit obligations in excess of plan assets at December 31, 2000 and 1999. The accumulated benefit obligations of these plans at December 31, 2000 and 1999 were \$10,060,000 and \$7,784,000, respectively; there were no assets in these plans. The Company's postretirement benefit plan had no plan assets; the benefit obligations for this plan at December 31, 2000 and 1999 were \$38,454,000 and \$34,350,000, respectively.

The table that follows provides the components of net periodic benefit expense (credit) for each of the three years ended December 31, 2000.

(Thousands of dollars)	Pension Benefits			Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Service cost	\$ 5,461	5,791	5,242	753	712	601
Interest cost	17,010	15,516	15,309	2,699	2,366	2,474
Expected return on plan assets	(24,412)	(23,105)	(22,180)	--	--	--
Amortization of prior service cost	791	622	626	--	--	--
Amortization of transitional asset	(2,585)	(2,204)	(2,211)	--	--	--
Recognized actuarial (gain) loss	(395)	(766)	(758)	234	203	194
	(4,130)	(4,146)	(3,972)	3,686	3,281	3,269
Settlement gain	(1,824)	--	--	--	--	--
Special early retirement benefits	--	1,041	--	--	--	--
Net periodic benefit expense (credit)	\$ (5,954)	(3,105)	(3,972)	3,686	3,281	3,269

The preceding tables include the following amounts related to foreign benefit plans.

(Thousands of dollars)	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Benefit obligation at December 31	\$ 49,608	53,675	-	-
Fair value of plan assets at December 31	55,473	61,462	-	-
Net plan liability recognized	(876)	(3,178)	-	-
Net periodic benefit expense (credit)	(1,960)	364	-	-

The following table provides the weighted-average assumptions used in the measurement of the Company's benefit obligations at December 31, 2000 and 1999.

	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Discount rate	7.25%	7.26%	7.50%	7.50%
Expected return on plan assets	8.33%	8.34%	-	-
Rate of compensation increase	4.63%	4.66%	-	-

For purposes of measuring postretirement benefit obligations at December 31, 2000, the future annual rates of increase in the cost of health care were assumed to be 5.5% for 2001 and 4.5% for 2002 and beyond.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assumed health care cost trend rates have a significant effect on the expense and obligation reported for the postretirement benefit plan. A 1% change in assumed health care cost trend rates would have the following effects.

(Thousands of dollars)	1% Increase -----	1% Decrease -----
Effect on total service and interest cost components of net periodic postretirement benefit expense for the year ended December 31, 2000	\$ 236	(224)
Effect on the health care component of the accumulated postretirement benefit obligation at December 31, 2000	2,191	(2,123)

THRIFT PLANS - Most employees of the Company may participate in thrift or savings plans by allotting up to a specified percentage of their base pay. The Company matches contributions at a stated percentage of each employee's allotment based on years of participation in the plans. Amounts charged to expense for these plans were \$3,699,000 in 2000, \$2,523,000 in 1999 and \$3,333,000 in 1998.

Note K - Financial Instruments

DERIVATIVE INSTRUMENTS - As discussed in Note A, Murphy utilizes derivative instruments on a limited basis to manage risks related to interest rates, foreign currency exchange rates and commodity prices. At December 31, 2000 and 1999, the Company had interest rate swap agreements with notional amounts totaling \$100,000,000 that serve to convert an equal amount of variable rate long-term debt to fixed rates. The swaps mature in 2002 and 2004. The swaps require Murphy to pay an average interest rate of 6.46% over their composite lives and to receive a variable rate, which averaged 6.72% at December 31, 2000. The variable rate received by the Company under each contract is repriced quarterly.

Prior to April 2000, the Company was a party to crude oil swap agreements for a total notional volume of 2.3 million barrels that reduced a portion of the financial exposure of Murphy's U.S. refineries to crude oil price movements in 2001 and 2002. Under each swap agreement, Murphy would have paid a fixed crude oil price and would have received the average near-month NYMEX West Texas Intermediate crude oil price during the agreement's contractual maturity period. In April 2000, Murphy settled contracts for 1.7 million barrels, receiving cash of \$5,806,000 from the counterparties, and entered into offsetting contracts for the remaining swap agreements, locking in a future cash settlement of \$1,929,000. These settlement gains have been deferred and will be recognized as a reduction of costs of crude oil purchases in 2001 and 2002.

The Company periodically uses natural gas swap agreements to reduce a portion of the financial exposure of its Meraux, Louisiana refinery to fluctuations in the price of natural gas purchased for fuel. At December 31, 2000, Murphy was a party to natural gas swap agreements for a total notional volume of 7 million MMBTU that hedge natural gas purchases in 2002 through 2004. The swaps require Murphy to pay an average natural gas price of \$2.61 an MMBTU and to receive the average NYMEX Henry Hub price for the final three trading days of each respective month. Unrealized gains or losses on such swap contracts are deferred and recognized in connection with the associated fuel purchases.

The Company has natural gas swaps obtained through the acquisition of Beau Canada that reduce a portion of the financial exposure of certain Canadian natural gas production to fluctuations in sales prices. At December 31, 2000, Murphy was a party to natural gas swap agreements for the sale of a notional amount of 20,000 gigajoules (GJ) per day through October 2001. The swaps require Murphy to pay based on the AECO "C" index and to receive an average of C\$2.47 per GJ. In addition, the Company was a party to a natural gas swap agreement for the purchase of 10,000 GJ per day through October 2001. The swap requires Murphy to pay C\$5.64 per GJ and to receive based on the AECO "C" index. The fair value of these swaps was recorded as a net liability upon the acquisition of Beau Canada. The swaps are settled monthly and net payments by the Company are recorded as a reduction of the associated liability, with any differences recorded as an adjustment of natural gas sales revenue.



MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FAIR VALUE - The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at December 31, 2000 and 1999. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The table excludes cash and cash equivalents, trade accounts receivable, investments and noncurrent receivables, trade accounts payable, and accrued expenses, all of which had fair values approximating carrying amounts.

(Thousands of dollars)	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities and deferred credits				
Current and long-term debt	\$ (562,001)	(526,891)	(393,235)	(373,546)
Natural gas swaps	(12,615)	(17,905)	-	-
Off-balance-sheet exposures - unrealized gain (loss)				
Interest rate swaps	-	(1,956)	-	266
Crude oil swaps	-	1,793	-	2,668
Natural gas swaps	-	6,196	-	(83)
Financial guarantees and letters of credit	-	-	-	-

The carrying amounts of current and long-term debt in the preceding table are included in the Consolidated Balance Sheets under Current Maturities of Long-Term Debt, Notes Payable and Nonrecourse Debt of a Subsidiary. The recorded natural gas swaps are included in Other Accrued Liabilities. The following methods and assumptions were used to estimate the fair value of each class of financial instruments shown in the table.

- . Current and long-term debt - The fair value is estimated based on current rates offered the Company for debt of the same maturities.
- . Interest rate swaps, crude oil swaps and natural gas swaps - The fair values are based on published index prices or quotes from counterparties.
- . Financial guarantees and letters of credit - The fair value, which represents fees associated with obtaining the instruments, was nominal.

CREDIT RISKS - The Company's primary credit risks are associated with trade accounts receivable, cash equivalents and derivative instruments. Trade receivables arise mainly from sales of crude oil, natural gas and petroleum products to a large number of customers in the United States, Canada and the United Kingdom. The credit history and financial condition of potential customers are reviewed before credit is extended, security is obtained when deemed appropriate based on a potential customer's financial condition, and routine follow-up evaluations are made. The combination of these evaluations and the large number of customers tends to limit the risk of credit concentration to an acceptable level. Cash equivalents are placed with several major financial institutions, which limits the Company's exposure to credit risk. The Company controls credit risk on derivatives through credit approvals and monitoring procedures and believes that such risks are minimal because counterparties to the transactions are major financial institutions.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note L - Stockholder Rights Plan

The Company's Stockholder Rights Plan provides for each Common stockholder to receive a dividend of one Right for each share of the Company's Common Stock held. The Rights will expire on April 6, 2008 unless earlier redeemed or exchanged. The Rights will detach from the Common Stock and become exercisable following a specified period of time after the first public announcement that a person or group of affiliated or associated persons (other than certain persons) has become the beneficial owner of 15% or more of the Company's Common Stock. The Rights have certain antitakeover effects and will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of Rights being acquired. The Rights are not intended to prevent a takeover, but rather are designed to enhance the ability of the Board of Directors to negotiate with an acquiror on behalf of all shareholders. Other terms of the Rights are set forth in, and the foregoing description is qualified in its entirety by, the Rights Agreement, as amended, between the Company and Harris Trust Company of New York, as Rights Agent.

Note M - Earnings per Share

The following table reconciles the weighted-average shares outstanding for computation of basic and diluted income (loss) per Common share for each of the three years ended December 31, 2000. No difference existed between net income (loss) used in computing basic and diluted income (loss) per Common share for these years.

(Weighted-average shares outstanding)	2000	1999	1998
Basic method	45,031,665	44,970,457	44,955,679
Dilutive stock options	208,041	59,768	--
Diluted method	45,239,706	45,030,225	44,955,679

The computations of diluted earnings per share in the Consolidated Statements of Income did not consider outstanding options at year end of 147,000 shares in 2000, 684,750 shares in 1999 and 1,053,249 shares in 1998 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 \$62.97, \$53.34 and \$48.73, respectively.

Note N - Other Financial Information

INVENTORIES - Inventories accounted for under the LIFO method totaled \$85,968,000 and \$72,452,000 at December 31, 2000 and 1999, respectively, and were \$123,963,000 and \$115,236,000 less than such inventories would have been valued using the first-in first-out method.

FOREIGN CURRENCY - Cumulative translation gains and losses, net of insignificant related income tax effects, are included in Accumulated Other Comprehensive Loss in the Consolidated Balance Sheets. At December 31, 2000, components of the net cumulative loss of \$38,266,000 were gains (losses) of \$12,715,000 for pounds sterling, \$(51,248,000) for Canadian dollars and \$267,000 for other currencies. Comparability of net income was not significantly affected by exchange rate fluctuations in 2000, 1999 or 1998. Net gains (losses) from foreign currency transactions included in the Consolidated Statements of Income were \$252,000 in 2000, \$(847,000) in 1999 and \$282,000 in 1998.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CASH FLOW DISCLOSURES - In association with the Beau Canada acquisition, the Company assumed debt of \$124,227,000, a nonmonetary transaction excluded from both financing and investing activities in the Consolidated Statement of Cash Flows for the year ended December 31, 2000. Cash income taxes paid (refunded) were \$53,583,000, \$(5,343,000) and \$26,227,000 in 2000, 1999 and 1998, respectively. Interest paid, net of amounts capitalized, was \$15,185,000, \$17,140,000 and \$9,551,000 in 2000, 1999 and 1998, respectively.

Noncash operating working capital (increased) decreased for each of the three years ended December 31, 2000 as follows.

(Thousands of dollars)	2000 ----	1999 ----	1998 ----
Accounts receivable	\$ (95,675)	(123,566)	38,541
Inventories	(12,197)	(21,866)	28,639
Prepaid expenses	5,794	4,147	15,031
Deferred income tax assets	(4,196)	(8,600)	2,158
Accounts payable and accrued liabilities	142,228	99,382	(85,503)
Current income tax liabilities	30,048	15,344	(2,676)
	-----	-----	-----
Net (increase) decrease in noncash operating working capital excluding acquisition of Beau Canada	\$ 66,002 =====	(35,159) =====	(3,810) =====

Note O - Commitments

The Company leases land, gasoline stations and other facilities under operating leases. Future minimum rental commitments under noncancellable operating leases are not material. Commitments for capital expenditures were approximately \$353,000,000 at December 31, 2000, including \$176,000,000 related to a clean fuels expansion project at the Meraux refinery and \$67,000,000 related to the Company's multiyear contract for a semisubmersible deepwater drilling rig. Certain costs committed under the rig contract will be charged to the Company's partners when future deepwater wells are drilled.

Note P - Contingencies

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

ENVIRONMENTAL MATTERS - On June 29, 2000, the U.S. Government and the State of Wisconsin each filed a lawsuit against Murphy in the U.S. District Court for the Western District of Wisconsin. The State action was subsequently dismissed by the federal court and refiled in state court in Douglas County, Wisconsin. The suits, arising out of a 1998 compliance inspection, include claims for alleged violations of federal and state environmental laws at Murphy's Superior, Wisconsin refinery. The suits seek compliance as well as substantial monetary penalties. The Company believes it has valid defenses to these allegations and plans a vigorous defense. The Company does not have an estimate or a range of potential liability at this time and can give no assurance about the outcome.

The Company does not believe that the resolution of these suits 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.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other matters related to the Company's environmental contingencies are reviewed in Management's Discussion and Analysis of Financial Condition and Results of Operations under the section entitled "Environmental" beginning on page 15 of this Form 10-K report.

**OTHER MATTERS** - The Company and its subsidiaries are engaged in a number of other legal proceedings, all of which the Company considers routine and incidental to its business and none of which is considered material. In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. At December 31, 2000, the Company had contingent liabilities of \$128,500,000 under certain financial guarantees and \$58,200,000 on outstanding letters of credit.

**Note Q - Subsequent Event (unaudited)**

On March 1, 2001, the Company announced it had entered into an agreement, subject to conditions, to sell its Canadian pipeline and trucking operation for total proceeds of approximately \$163,000,000, including inventory. The transaction should close in the second quarter and would result in an after-tax gain of approximately \$69,000,000.

**Note R - Business Segments**

Murphy's reportable segments are organized into two major types of business activities, each subdivided into geographic areas of operations. The Company's exploration and production activity is subdivided into segments for the United States, Canada, the United Kingdom, Ecuador, and all other countries; each of these segments derives revenues primarily from the sale of crude oil and natural gas. The refining, marketing and transportation segments in the United States and the United Kingdom derive revenues mainly from the sale of petroleum products; the Canadian segment derives revenues primarily from the transportation and trading of crude oil. The Company's management evaluates segment performance based on income from operations, excluding interest income and interest expense. Intersegment transfers of crude oil, natural gas and petroleum products are at market prices and intersegment services are recorded at cost.

Information about business segments and geographic operations is reported in the following tables. Excise taxes on petroleum products of \$1,052,760,000, \$898,917,000 and \$831,385,000 for the years 2000, 1999 and 1998, respectively, were excluded from revenues and costs and expenses. For geographic purposes, revenues are attributed to the country in which the sale occurs. The Company had no single customer from which it derived more than 10% of its revenues. Murphy's equity method investments are in companies that transport crude oil and petroleum products. Corporate and other activities, including interest income, miscellaneous gains and losses, interest expense and unallocated overhead, are shown in the tables to reconcile the business segments to consolidated totals. As used in the table on page F-22, Certain Long-Lived Assets at December 31 exclude investments, noncurrent receivables, deferred tax assets and intangible assets. In the tables on pages F-22 and F-23, certain amounts for 1999 and 1998 have been reclassified to conform to 2000 presentation.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment Information (Millions of dollars)	Exploration and Production					
	U.S.	Canada	U.K.	Ecuador	Other	Total
Year ended December 31, 2000						
Segment income (loss) before cumulative effect of accounting change	\$ 50.3	108.1	90.2	21.1	(17.0)	252.7
Revenues from external customers	205.6	278.6	211.5	51.5	2.2	749.4
Intersegment revenues	73.4	106.3	11.6	-	-	191.3
Interest income	-	-	-	-	-	-
Interest expense, net of capitalization	-	-	-	-	-	-
Income of equity companies	-	-	-	-	-	-
Income tax expense (benefit)	27.1	66.3	56.2	-	-	149.6
Significant noncash charges (credits)						
Depreciation, depletion, amortization	50.2	70.0	41.7	6.8	.5	169.2
Impairment of properties	21.0	6.9	-	-	-	27.9
Provisions for major repairs	-	3.3	-	-	-	3.3
Amortization of undeveloped leases	7.7	6.4	-	-	-	14.1
Deferred and noncurrent income taxes	(5.1)	55.6	(1.5)	-	1.0	50.0
Additions to property, plant, equipment	69.9	425.5	24.6	12.3	8.9	541.2
Total assets at year-end	413.6	1,131.1	261.7	79.8	16.4	1,902.6
Year ended December 31, 1999						
Segment income (loss)	\$ 35.3	47.0	37.2	22.6	(7.7)	134.4
Revenues from external customers	155.8	164.2	119.0	39.0	2.0	480.0
Intersegment revenues	50.6	58.7	23.4	-	-	132.7
Interest income	-	-	-	-	-	-
Interest expense, net of capitalization	-	-	-	-	-	-
Income of equity companies	-	-	-	-	-	-
Income tax expense (benefit)	10.3	24.8	24.5	-	.5	60.1
Significant noncash charges (credits)						
Depreciation, depletion, amortization	65.1	50.9	42.8	8.0	.1	166.9
Provisions for major repairs	-	2.5	-	-	-	2.5
Amortization of undeveloped leases	7.0	4.0	-	-	-	11.0
Deferred and noncurrent income taxes	12.6	21.3	(3.8)	-	1.3	31.4
Additions to property, plant, equipment	60.7	143.0	25.6	7.1	(.1)	236.3
Total assets at year-end	391.0	737.9	299.4	60.0	9.5	1,497.8
Year ended December 31, 1998						
Segment income (loss)	\$ .7	(7.5)	(13.3)	4.8	(35.1)	(50.4)
Revenues from external customers	151.2	95.6	82.8	26.4	2.7	358.7
Intersegment revenues	32.4	42.5	12.3	-	-	87.2
Interest income	-	-	-	-	-	-
Interest expense, net of capitalization	-	-	-	-	-	-
Income of equity companies	-	-	-	-	-	-
Income tax expense (benefit)	(.1)	(11.3)	(1.6)	(.8)	.1	(13.7)
Significant noncash charges (credits)						
Depreciation, depletion, amortization	66.0	44.5	42.9	10.2	-	163.6
Impairment of properties	29.9	10.1	24.3	-	15.1	79.4
Provisions for major repairs	-	3.1	-	-	-	3.1
Amortization of undeveloped leases	6.7	3.8	-	-	-	10.5
Deferred and noncurrent income taxes	(3.3)	(6.3)	(4.3)	-	.7	(13.2)
Additions to property, plant, equipment	104.0	94.1	67.5	10.2	.7	276.5
Total assets at year-end	399.1	595.6	317.6	60.3	13.3	1,385.9

Geographic Information (Millions of dollars)	Certain Long-Lived Assets at December 31					
	U.S.	Canada	U.K.	Ecuador	Other	Total
2000	\$ 764.8	1,063.2	297.1	59.0	14.6	2,198.7
1999	687.0	724.4	331.6	53.5	7.7	1,804.2
1998	675.5	600.4	352.0	54.3	8.4	1,690.6

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment Information (Continued) (Millions of dollars)	Refining, Marketing & Transportation				Corp. & Other	Consoli- dated
	U.S.	U.K.	Canada	Total		
Year ended December 31, 2000						
Segment income (loss) before cumulative effect of accounting change	\$ 23.9	23.0	7.6	54.5	(1.7)	305.5
Revenues from external customers	2,842.1	458.2	564.6	3,864.9	24.9	4,639.2
Intersegment revenues	.9	-	.7	1.6	-	192.9
Interest income	-	-	-	-	21.7	21.7
Interest expense, net of capitalization	-	-	-	-	16.3	16.3
Income of equity companies	.6	-	-	.6	-	.6
Income tax expense (benefit)	13.2	11.3	6.9	31.4	(21.2)	159.8
Significant noncash charges (credits)						
Depreciation, depletion, amortization	32.7	5.6	2.6	40.9	3.4	213.5
Impairment of properties	-	-	-	-	-	27.9
Provisions for major repairs	17.6	1.8	-	19.4	.1	22.8
Amortization of undeveloped leases	-	-	-	-	-	14.1
Deferred and noncurrent income taxes	5.2	1.2	-	6.4	7.0	63.4
Additions to property, plant, equipment	112.0	12.4	29.4	153.8	11.4	706.4
Total assets at year-end	670.4	222.6	125.6	1,018.6	213.2	3,134.4
Year ended December 31, 1999						
Segment income (loss)	\$ 1.6	14.0	6.8	22.4	(37.1)	119.7
Revenues from external customers	1,641.4	337.9	292.7	2,272.0	4.4	2,756.4
Intersegment revenues	4.6	-	.6	5.2	-	137.9
Interest income	-	-	-	-	3.9	3.9
Interest expense, net of capitalization	-	-	-	-	20.3	20.3
Income of equity companies	.5	-	-	.5	-	.5
Income tax expense (benefit)	.4	6.6	6.6	13.6	(14.9)	58.8
Significant noncash charges (credits)						
Depreciation, depletion, amortization	27.6	5.8	2.0	35.4	2.7	205.0
Provisions for major repairs	14.2	1.9	-	16.1	.1	18.7
Amortization of undeveloped leases	-	-	-	-	-	11.0
Deferred and noncurrent income taxes	7.9	(.5)	-	7.4	(.8)	38.0
Additions to property, plant, equipment	76.4	11.4	.3	88.1	2.6	327.0
Total assets at year-end	549.7	199.0	89.6	838.3	109.4	2,445.5
Year ended December 31, 1998						
Segment income (loss)	\$ 27.7	17.3	2.5	47.5	(11.5)	(14.4)
Revenues from external customers	1,413.9	287.9	282.1	1,983.9	4.4	2,347.0
Intersegment revenues	3.1	-	.3	3.4	-	90.6
Interest income	-	-	-	-	4.0	4.0
Interest expense, net of capitalization	-	-	-	-	10.5	10.5
Income of equity companies	.8	-	-	.8	-	.8
Income tax expense (benefit)	15.7	7.9	3.1	26.7	(6.9)	6.1
Significant noncash charges (credits)						
Depreciation, depletion, amortization	29.3	5.2	1.9	36.4	3.2	203.2
Impairment of properties	-	-	.7	.7	-	80.1
Provisions for major repairs	15.2	2.0	-	17.2	.1	20.4
Amortization of undeveloped leases	-	-	-	-	-	10.5
Deferred and noncurrent income taxes	2.9	.6	(.3)	3.2	9.1	(.9)
Additions to property, plant, equipment	45.6	6.8	2.6	55.0	2.2	333.7
Total assets at year-end	465.5	160.8	50.2	676.5	102.0	2,164.4

Geographic Information (Millions of dollars)	Revenues from External Customers for the Year					
	U.S.	U.K.	Canada	Ecuador	Other	Total
2000	\$ 3,065.9	674.2	845.4	51.5	2.2	4,639.2
1999	1,798.4	459.8	457.2	39.0	2.0	2,756.4
1998	1,565.4	374.2	378.3	26.4	2.7	2,347.0

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED)

The following schedules are presented in accordance with SFAS No. 69, "Disclosures about Oil and Gas Producing Activities," to provide users with a common base for preparing estimates of future cash flows and comparing reserves among companies. Additional background information follows concerning four of the schedules.

SCHEDULES 1 AND 2 - ESTIMATED NET PROVED OIL AND NATURAL GAS RESERVES - Reserves of crude oil, condensate, natural gas liquids and natural gas are estimated by the Company's engineers and are adjusted to reflect contractual arrangements and royalty rates in effect at the end of each year. Many assumptions and judgmental decisions are required to estimate reserves. Reported quantities are subject to future revisions, some of which may be substantial, as additional information becomes available from: reservoir performance, new geological and geophysical data, additional drilling, technological advancements, price changes and other economic factors.

The U.S. Securities and Exchange Commission defines proved reserves as those volumes of crude oil, condensate, natural gas liquids and natural gas that geological and engineering data demonstrate with reasonable certainty are recoverable from known reservoirs under existing economic and operating conditions. Proved developed reserves are volumes expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are volumes expected to be recovered as a result of additional investments for drilling new wells to offset productive units, recompleting existing wells, and/or installing facilities to collect and transport production.

Production quantities shown are net volumes withdrawn from reservoirs. These may differ from sales quantities due to inventory changes, and especially in the case of natural gas, volumes consumed for fuel and/or shrinkage from extraction of natural gas liquids.

Synthetic oil reserves in Canada are attributable to Murphy's share, after deducting estimated net profit royalty, of the Syncrude project and include currently producing leases. Additional reserves will be added as development progresses.

The Company has no proved reserves attributable to either long-term supply agreements with foreign governments or investees accounted for by the equity method.

SCHEDULE 4 - RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES - Results of operations from exploration and production activities by geographic area are reported as if these activities were not part of an operation that also refines crude oil and sells refined products. Results of oil and gas producing activities include certain special items that are reviewed in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 9 of this Form 10-K report, and should be considered in conjunction with the Company's overall performance.

SCHEDULE 6 - STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES - SFAS No. 69 requires calculation of future net cash flows using a 10% annual discount factor and year-end prices, costs and statutory tax rates, except for known future changes such as contracted prices and legislated tax rates. Future net cash flows from the Company's interest in synthetic oil are excluded.

The reported value of proved reserves is not necessarily indicative of either fair market value or present value of future cash flows because prices, costs and governmental policies do not remain static; appropriate discount rates may vary; and extensive judgment is required to estimate the timing of production. Other logical assumptions would likely have resulted in significantly different amounts. Average year-end 2000 crude oil prices used for this calculation were \$23.24 a barrel for the United States, \$24.73 for Canadian light, \$7.74 for Canadian heavy, \$22.97 for Canadian offshore, \$22.33 for the United Kingdom and \$17.75 for Ecuador. Average year-end 2000 natural gas prices used were \$6.58 an MCF for the United States, \$5.68 for Canada and \$2.76 for the United Kingdom.

Schedule 6 also presents the principal reasons for change in the standardized measure of discounted future net cash flows for each of the three years ended December 31, 2000.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED) (Continued)

Schedule 1 - Estimated Net Proved Oil Reserves

(Millions of barrels)	Crude Oil, Condensate and Natural Gas Liquids					Synthetic Oil - Canada	Total
	United States	Canada	United Kingdom	Ecuador	Total		
Proved							
December 31, 1997	19.1	49.1	57.3	31.1	156.6	103.5	260.1
Revisions of previous estimates	(1.0)	6.7	5.0	2.6	13.3	15.9	29.2
Purchases	-	1.3	-	-	1.3	-	1.3
Extensions and discoveries	8.0	.3	-	1.3	9.6	-	9.6
Production	(2.8)	(6.5)	(5.6)	(2.8)	(17.7)	(3.8)	(21.5)
Sales	(.3)	(.1)	-	-	(.4)	-	(.4)
December 31, 1998	23.0	50.8	56.7	32.2	162.7	115.6	278.3
Revisions of previous estimates	(1.6)	9.1	7.7	4.5	19.7	8.9	28.6
Extensions and discoveries	15.8	.7	-	2.9	19.4	-	19.4
Production	(3.1)	(6.9)	(7.5)	(2.6)	(20.1)	(4.0)	(24.1)
December 31, 1999	34.1	53.7	56.9	37.0	181.7	120.5	302.2
Revisions of previous estimates	(1.7)	4.5	1.8	3.6	8.2	7.6	15.8
Purchases	-	11.7	-	-	11.7	-	11.7
Extensions and discoveries	15.3	4.0	-	2.6	21.9	-	21.9
Production	(2.4)	(8.4)	(7.7)	(2.3)	(20.8)	(3.1)	(23.9)
Sales	-	(1.6)	-	-	(1.6)	-	(1.6)
December 31, 2000	45.3	63.9	51.0	40.9	201.1	125.0	326.1
Proved Developed							
December 31, 1997	15.3	22.5	18.3	20.6	76.7	70.4	147.1
December 31, 1998	14.5	27.9	31.5	21.0	94.9	67.1	162.0
December 31, 1999	11.7	26.6	34.1	21.2	93.6	66.0	159.6
December 31, 2000	10.3	34.3	36.3	20.1	101.0	66.0	167.0

Schedule 2 - Estimated Net Proved Natural Gas Reserves

(Billions of cubic feet)	United States	Canada	United Kingdom	Total
	-----	-----	-----	-----
Proved				
December 31, 1997	435.4	140.4	36.4	612.2
Revisions of previous estimates	(14.3)	(.2)	7.2	(7.3)
Purchases	-	6.3	-	6.3
Extensions and discoveries	80.9	2.6	-	83.5
Production	(61.9)	(17.9)	(4.5)	(84.3)
Sales	-	(1.1)	-	(1.1)
December 31, 1998	440.1	130.1	39.1	609.3
Revisions of previous estimates	(2.6)	5.5	3.9	6.8
Extensions and discoveries	53.6	10.8	-	64.4
Production	(62.7)	(20.6)	(4.5)	(87.8)
Sales	(1.1)	-	-	(1.1)
December 31, 1999	427.3	125.8	38.5	591.6
Revisions of previous estimates	(41.9)	(5.0)	.3	(46.6)
Purchases	5.4	163.3	-	168.7
Extensions and discoveries	31.2	40.1	-	71.3
Production	(53.0)	(27.0)	(4.0)	(84.0)
Sales	-	(3.6)	-	(3.6)
December 31, 2000	369.0	293.6	34.8	697.4
Proved Developed				
December 31, 1997	304.2	135.2	24.0	463.4
December 31, 1998	291.8	120.3	29.9	442.0
December 31, 1999	284.8	111.3	32.9	429.0
December 31, 2000	233.8	255.2	32.3	521.3



MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED) (Continued)

Schedule 3 - Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Other	Subtotal	Synthetic Oil - Canada	Total
	-----	-----	-----	-----	-----	-----	-----	-----
Year Ended December 31, 2000								
Property acquisition costs								
Unproved	\$ 19.2	25.1	-	-	-	44.3	-	44.3
Proved	1.5	2.9	-	-	-	4.4	-	4.4
Total	20.7	28.0	-	-	-	48.7	-	48.7
Exploration costs	96.2	32.1	5.2	.1	23.1	156.7	-	156.7
Development costs	20.3	113.8	22.5	12.2	-	168.8	18.5	187.3
Total capital expenditures	137.2	173.9	27.7	12.3	23.1	374.2	18.5	392.7
Beau Canada property acquisition								
Unproved	-	18.2	-	-	-	18.2	-	18.2
Proved	-	241.8	-	-	-	241.8	-	241.8
Total	-	260.0	-	-	-	260.0	-	260.0
Charged to expense								
Dry hole expense	56.7	5.7	1.7	-	1.9	66.0	-	66.0
Geophysical and other costs	10.6	21.2	1.4	-	12.3	45.5	-	45.5
Total charged to expense	67.3	26.9	3.1	-	14.2	111.5	-	111.5
Expenditures capitalized	\$ 69.9	407.0	24.6	12.3	8.9	522.7	18.5	541.2
	=====	=====	=====	=====	=====	=====	=====	=====
Year Ended December 31, 1999								
Property acquisition costs								
Unproved	\$ 12.1	6.2	-	-	-	18.3	-	18.3
Proved	-	.4	-	-	-	.4	-	.4
Total acquisition costs	12.1	6.6	-	-	-	18.7	-	18.7
Exploration costs	54.9	14.2	1.2	1.0	7.9	79.2	-	79.2
Development costs	28.6	108.2	28.3	6.1	-	171.2	26.8	198.0
Total capital expenditures	95.6	129.0	29.5	7.1	7.9	269.1	26.8	295.9
Charged to expense								
Dry hole expense	24.2	3.9	3.0	-	1.3	32.4	-	32.4
Geophysical and other costs	10.7	8.9	.9	-	6.7	27.2	-	27.2
Total charged to expense	34.9	12.8	3.9	-	8.0	59.6	-	59.6
Expenditures capitalized	\$ 60.7	116.2	25.6	7.1	(.1)	209.5	26.8	236.3
	=====	=====	=====	=====	=====	=====	=====	=====
Year Ended December 31, 1998								
Property acquisition costs								
Unproved	\$ 14.1	2.7	.2	-	-	17.0	-	17.0
Proved	3.8	1.1	-	-	-	4.9	-	4.9
Total acquisition costs	17.9	3.8	.2	-	-	21.9	-	21.9
Exploration costs	77.6	18.3	2.6	-	21.9	120.4	-	120.4
Development costs	25.1	69.4	68.2	10.2	-	172.9	16.4	189.3
Total capital expenditures	120.6	91.5	71.0	10.2	21.9	315.2	16.4	331.6
Charged to expense								
Dry hole expense	10.8	8.9	(.4)	-	12.2	31.5	-	31.5
Geophysical and other costs	5.8	4.9	3.9	-	9.0	23.6	-	23.6
Total charged to expense	16.6	13.8	3.5	-	21.2	55.1	-	55.1
Expenditures capitalized	\$ 104.0	77.7	67.5	10.2	.7	260.1	16.4	276.5
	=====	=====	=====	=====	=====	=====	=====	=====

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED) (Continued)

Schedule 4 - Results of Operations for Oil and Gas Producing Activities

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Other	Subtotal	Synthetic Oil - Canada	Total
	-----	-----	-----	-----	-----	-----	-----	-----
Year Ended December 31, 2000								
Revenues								
Crude oil and natural gas liquids								
Transfers to consolidated operations	\$ 68.6	68.4	11.6	-	-	148.6	37.9	186.5
Sales to unaffiliated enterprises	3.8	125.5	203.0	52.2	-	384.5	53.6	438.1
Natural gas								
Transfers to consolidated operations	4.8	-	-	-	-	4.8	-	4.8
Sales to unaffiliated enterprises	206.6	99.0	7.8	-	-	313.4	-	313.4
Total oil and gas revenues	283.8	292.9	222.4	52.2	-	851.3	91.5	942.8
Other operating revenues	(4.8)	.5	.7	(.7)	2.2	(2.1)	-	(2.1)
Total revenues	279.0	293.4	223.1	51.5	2.2	849.2	91.5	940.7
Costs and expenses								
Production expenses	41.9	55.0	29.1	15.5	-	141.5	40.4	181.9
Exploration costs charged to expense	67.3	26.9	3.1	-	14.2	111.5	-	111.5
Undeveloped lease amortization	7.7	6.4	-	-	-	14.1	-	14.1
Depreciation, depletion and amortization	50.2	62.5	41.7	6.8	.5	161.7	7.5	169.2
Impairment of properties	21.0	6.9	-	-	-	27.9	-	27.9
Selling and general expenses	13.5	4.8	2.8	.3	4.5	25.9	.1	26.0
Loss on transportation and other disputed contractual items	-	-	-	7.8	-	7.8	-	7.8
Total costs and expenses	201.6	162.5	76.7	30.4	19.2	490.4	48.0	538.4
Income tax expense (benefit)	77.4	130.9	146.4	21.1	(17.0)	358.8	43.5	402.3
	27.1	49.2	56.2	-	-	132.5	17.1	149.6
Results of operations/1/	\$ 50.3	81.7	90.2	21.1	(17.0)	226.3	26.4	252.7
	=====	=====	=====	=====	=====	=====	=====	=====
Year Ended December 31, 1999								
Revenues								
Crude oil and natural gas liquids								
Transfers to consolidated operations	\$ 48.8	15.9	23.4	-	-	88.1	42.8	130.9
Sales to unaffiliated enterprises	5.6	91.8	111.3	36.1	-	244.8	32.0	276.8
Natural gas								
Transfer to consolidated operations	1.8	-	-	-	-	1.8	-	1.8
Sales to unaffiliated enterprises	145.8	40.2	7.7	-	-	193.7	-	193.7
Total oil and gas revenues	202.0	147.9	142.4	36.1	-	528.4	74.8	603.2
Other operating revenues/2/	4.4	.2	-	2.9	2.0	9.5	-	9.5
Total revenues	206.4	148.1	142.4	39.0	2.0	537.9	74.8	612.7
Costs and expenses								
Production expenses	40.3	41.3	30.8	13.2	-	125.6	36.5	162.1
Exploration costs charged to expense	34.9	12.8	3.9	-	8.0	59.6	-	59.6
Undeveloped lease amortization	7.0	4.0	-	-	-	11.0	-	11.0
Depreciation, depletion and amortization	65.1	43.8	42.8	8.0	.1	159.8	7.1	166.9
Selling and general expenses	13.5	5.6	3.2	.1	1.1	23.5	-	23.5
Gain on disputed transportation	-	-	-	(4.9)	-	(4.9)	-	(4.9)
Total costs and expenses	160.8	107.5	80.7	16.4	9.2	374.6	43.6	418.2
Income tax expense	45.6	40.6	61.7	22.6	(7.2)	163.3	31.2	194.5
	10.3	14.3	24.5	-	.5	49.6	10.5	60.1
Results of operations/1/	\$ 35.3	26.3	37.2	22.6	(7.7)	113.7	20.7	134.4
	=====	=====	=====	=====	=====	=====	=====	=====

/1/ Excludes corporate overhead and interest in 2000 and 1999 and cumulative effect of accounting change in 2000.

/2/ Includes \$3.3 from gain on disputed contractual item in Ecuador.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED) (Continued)

Schedule 4 - Results of Operations for Oil and Gas Producing Activities  
(Continued)

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Other	Subtotal	Synthetic Oil - Canada	Total
Year Ended December 31, 1998								
Revenues								
Crude oil and natural gas liquids								
Transfers to consolidated operations	\$ 32.4	7.1	12.3	-	-	51.8	35.4	87.2
Sales to unaffiliated enterprises	3.5	50.3	58.0	24.2	-	136.0	17.6	153.6
Natural gas								
Sales to unaffiliated enterprises	136.3	25.1	10.0	-	-	171.4	-	171.4
Total oil and gas revenues	172.2	82.5	80.3	24.2	-	359.2	53.0	412.2
Other operating revenues/1/	11.4	2.7	14.8	2.2	2.7	33.8	(.1)	33.7
Total revenues	183.6	85.2	95.1	26.4	2.7	393.0	52.9	445.9
Costs and expenses								
Production expenses	48.1	36.9	35.7	12.1	-	132.8	34.5	167.3
Exploration costs charged to expense	16.6	13.8	3.5	-	21.2	55.1	-	55.1
Undeveloped lease amortization	6.7	3.8	-	-	-	10.5	-	10.5
Depreciation, depletion and amortization	66.0	38.3	42.9	10.2	-	157.4	6.2	163.6
Impairment of properties	29.9	10.1	24.3	-	15.1	79.4	-	79.4
Cancellation of a drilling rig contract	-	7.2	-	-	-	7.2	-	7.2
Selling and general expenses	15.7	6.0	3.6	.1	1.4	26.8	.1	26.9
Total costs and expenses	183.0	116.1	110.0	22.4	37.7	469.2	40.8	510.0
Income tax expense (benefit)	.6 (.1)	(30.9) (15.2)	(14.9) (1.6)	4.0 (.8)	(35.0) .1	(76.2) (17.6)	12.1 3.9	(64.1) (13.7)
Results of operations/2/	\$ .7	(15.7)	(13.3)	4.8	(35.1)	(58.6)	8.2	(50.4)

/1/ Includes pretax gains of \$4 from settlement of a U.K. long-term sales contract and \$2.4 from disputed contractual items in Ecuador.

/2/ Excludes corporate overhead and interest.

Schedule 5 - Capitalized Costs Relating to Oil and Gas Producing Activities

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Other	Subtotal	Synthetic Oil - Canada	Total
December 31, 2000								
Unproved oil and gas properties	\$ 109.9	76.2	.2	-	11.3	197.6	-	197.6
Proved oil and gas properties	1,493.6	1,213.5	805.2	219.0	-	3,731.3	188.5	3,919.8
Gross capitalized costs	1,603.5	1,289.7	805.4	219.0	11.3	3,928.9	188.5	4,117.4
Accumulated depreciation, depletion and amortization								
Unproved oil and gas properties	(38.4)	(24.2)	(.1)	-	(3.5)	(66.2)	-	(66.2)
Proved oil and gas properties*	(1,244.0)	(409.8)	(601.4)	(160.0)	-	(2,415.2)	(37.0)	(2,452.2)
Net capitalized costs	\$ 321.1	855.7	203.9	59.0	7.8	1,447.5	151.5	1,599.0
December 31, 1999								
Unproved oil and gas properties	\$ 91.5	37.7	.3	-	3.5	133.0	-	133.0
Proved oil and gas properties	1,453.7	902.6	841.5	206.6	-	3,404.4	176.7	3,581.1
Gross capitalized costs	1,545.2	940.3	841.8	206.6	3.5	3,537.4	176.7	3,714.1
Accumulated depreciation, depletion and amortization								
Unproved oil and gas properties	(34.4)	(22.1)	(.3)	-	(3.5)	(60.3)	-	(60.3)
Proved oil and gas properties*	(1,182.0)	(370.0)	(609.1)	(153.1)	-	(2,314.2)	(31.2)	(2,345.4)
Net capitalized costs	\$ 328.8	548.2	232.4	53.5	-	1,162.9	145.5	1,308.4

\*Does not include reserve for dismantlement costs of \$160 in 2000 and \$158.4 in 1999.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED) (Continued)

Schedule 6 - Standardized Measure of Discounted Future Net Cash Flows  
Relating to Proved Oil and Gas Reserves

(Millions of dollars)	United States -----	Canada* -----	United Kingdom -----	Ecuador -----	Total -----
December 31, 2000					
Future cash inflows	\$ 3,479.9	2,860.4	1,209.4	725.5	8,275.2
Future development costs	(321.8)	(97.3)	(55.0)	(72.2)	(546.3)
Future production and abandonment costs	(479.2)	(615.5)	(378.8)	(320.4)	(1,793.9)
Future income taxes	(935.6)	(673.4)	(294.8)	(95.6)	(1,999.4)
	-----	-----	-----	-----	-----
Future net cash flows	1,743.3	1,474.2	480.8	237.3	3,935.6
10% annual discount for estimated timing of cash flows	(620.4)	(456.1)	(153.3)	(102.0)	(1,331.8)
	-----	-----	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,122.9	1,018.1	327.5	135.3	2,603.8
	=====	=====	=====	=====	=====
December 31, 1999					
Future cash inflows	\$ 1,779.1	1,454.2	1,426.4	711.8	5,371.5
Future development costs	(210.6)	(90.1)	(66.0)	(48.1)	(414.8)
Future production and abandonment costs	(443.5)	(375.6)	(417.4)	(251.0)	(1,487.5)
Future income taxes	(356.4)	(202.8)	(315.9)	(115.9)	(991.0)
	-----	-----	-----	-----	-----
Future net cash flows	768.6	785.7	627.1	296.8	2,478.2
10% annual discount for estimated timing of cash flows	(271.3)	(230.6)	(205.5)	(119.8)	(827.2)
	-----	-----	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 497.3	555.1	421.6	177.0	1,651.0
	=====	=====	=====	=====	=====

\*Excludes future net cash flows from synthetic oil of \$441.5 at December 31, 2000 and \$410.2 at December 31, 1999.

Following are the principal sources of change in the standardized measure of discounted future net cash flows for the years shown.

(Millions of dollars)	2000 ----	1999 ----	1998 ----
Net changes in prices, production costs and development costs	\$ 722.0	1,188.2	(894.8)
Sales and transfers of oil and gas produced, net of production costs	(485.1)	(317.9)	(132.3)
Net change due to extensions and discoveries	544.4	250.0	125.4
Net change due to purchases and sales of proved reserves	519.2	(2.0)	4.5
Development costs incurred	156.6	163.4	165.4
Accretion of discount	229.3	71.9	129.0
Revisions of previous quantity estimates	(73.7)	220.7	30.7
Net change in income taxes	(659.9)	(505.2)	191.0
	-----	-----	-----
Net increase (decrease)	952.8	1,069.1	(381.1)
Standardized measure at January 1	1,651.0	581.9	963.0
	-----	-----	-----
Standardized measure at December 31	\$ 2,603.8	1,651.0	581.9
	=====	=====	=====

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SUPPLEMENTAL QUARTERLY INFORMATION (UNAUDITED)

(Millions of dollars except per share amounts)	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Year -----
Year Ended December 31, 2000/1/					
Sales and other operating revenues	\$ 1,019.3	1,092.4	1,232.2	1,270.4	4,614.3
Income before income taxes and cumulative effect of accounting change	74.0	119.9	133.0	138.4	465.3
Income before cumulative effect of accounting change	49.1	73.1	90.1	93.2	305.5
Cumulative effect of accounting change	(8.7)	-	-	-	(8.7)
Net income	40.4	73.1	90.1	93.2	296.8
Income per Common share - basic					
Income before cumulative effect of accounting change	1.09	1.62	2.00	2.07	6.78
Cumulative effect of accounting change	(.19)	-	-	-	(.19)
Net income	.90	1.62	2.00	2.07	6.59
Income per Common share - diluted					
Income before cumulative effect of accounting change	1.09	1.61	1.99	2.06	6.75
Cumulative effect of accounting change	(.19)	-	-	-	(.19)
Net income	.90	1.61	1.99	2.06	6.56
Cash dividends per Common share	.35	.35	.375	.375	1.45
Market Price of Common Stock/2/					
High	63.4375	66.5000	69.0625	68.8750	69.0625
Low	48.1875	54.7500	56.0000	53.3750	48.1875
Year Ended December 31, 1999/1/					
Sales and other operating revenues	\$ 433.5	600.4	811.8	906.4	2,752.1
Income (loss) before income taxes	(11.2)	28.2	80.5	81.0	178.5
Net income (loss)	(6.7)	15.7	51.2	59.5	119.7
Net income (loss) per Common share - basic	(.15)	.35	1.14	1.32	2.66
Net income (loss) per Common share - diluted	(.15)	.35	1.14	1.32	2.66
Cash dividends per Common share	.35	.35	.35	.35	1.40
Market Price of Common Stock/2/					
High	42.6250	50.9375	54.6250	61.5625	61.5625
Low	32.8750	41.3750	47.6875	51.2500	32.8750

/1/ The effects of special gains (losses) on quarterly net income are reviewed in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 12 and 13 of this Form 10-K report. Quarterly totals, in millions of dollars, and the effect per Common share of these special items are shown in the following table.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2000					
-----					
Quarterly totals	\$ -	1.5	1.9	(1.9)	1.5
Per Common share - basic	-	.03	.04	(.04)	.03
Per Common share - diluted	-	.03	.04	(.04)	.03
1999					
-----					
Quarterly totals	\$ (1.0)	-	6.3	14.4	19.7
Per Common share - basic	(.02)	-	.14	.32	.44
Per Common share - diluted	(.02)	-	.14	.32	.44

/2/ Prices are as quoted on the New York Stock Exchange.

BY-LAWS

OF

MURPHY OIL CORPORATION  
As Amended Effective February 7, 2001

ARTICLE I.

Offices.

Section 1. Offices. Murphy Oil Corporation (hereinafter called the Company) may have, in addition to its principal office in Delaware, a principal or other office or offices at such place or places, either within or without the State of Delaware, as the board of directors may from time to time determine or as shall be necessary or appropriate for the conduct of the business of the Company.

ARTICLE II.

Meetings of Stockholders.

Section 1. Place of Meetings. The annual meeting of the stockholders shall be held at the place therein determined by the board of directors and stated in the notice thereof, and other meetings of the stockholders may be held at such place or places, within or without the State of Delaware, as shall be fixed by the board of directors and stated in the notice thereof.

Section 2. Annual Meetings. The annual meeting of stockholders for the election of directors and the transaction of such other business as may come before the meeting shall be held in each year on the second Wednesday in May. If this date shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. At each annual meeting the stockholders entitled to vote shall elect a board of directors and they may transact such other corporate business as shall be stated in the notice of the meeting.

Section 3. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board or by order of the board of directors and shall be called by the Chairman of the Board or the Secretary upon the written request of stockholders holding of record at least a majority of the outstanding shares of stock of the Company entitled to vote at such meeting. Such written request shall state the purpose or purposes for which such meeting is to be called.

Section 4. Notice of Meetings. Except as otherwise expressly required by law, notice of each meeting of stockholders, whether annual or special, shall be given at least 10 days before the date on which the meeting is to be held to each stockholder of record entitled to vote thereat by delivering a notice thereof to him personally, or by mailing such notice in a postage prepaid envelope directed

to him at his address as it appears on the books of the Company, unless he shall have filed with the Secretary of the Company a written request that notices intended for him be directed to another address, in which case such notice shall be directed to him at the address designated in such request. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy; and if any stockholder shall in person or by attorney thereunto authorized, in writing or by telegraph, cable, radio or wireless and confirmed in writing, waive notice of any meeting of the stockholders, whether prior to or after such meeting, notice thereof need not be given to him. Notice of any adjourned meeting of the stockholders shall not be required to be given except where expressly required by law.

Section 5. Quorum. At each meeting of the stockholders the holders of record of a majority of the issued and outstanding stock of the Company entitled to vote at such meeting, present in person or by proxy, shall constitute a quorum for the transaction of business except where otherwise provided by law, the certificate of incorporation or these by-laws. In the absence of a quorum, any officer entitled to preside at or act as secretary of such meeting shall have the power to adjourn the meeting from time to time until a quorum shall be constituted. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

Section 6. Voting. At every meeting of stockholders each holder of record of the issued and outstanding stock of the Company entitled to vote at such meeting shall be entitled to one vote in person or by proxy, but no proxy shall be voted after three years from its date unless the proxy provides for a longer period, and, except where the transfer books of the Company have been closed or a date has been fixed as the record date for the determination of stockholders entitled to vote, no share of stock shall be voted directly or indirectly. At all meetings of the stockholders, a quorum being present, all matters shall be decided by majority vote of those present in person or by proxy, except as otherwise required by the laws of the State of Delaware or the certificate of incorporation. The vote thereat on any question need not be by ballot unless required by the laws of the State of Delaware.

### ARTICLE III.

#### Board of Directors.

Section 1. General Powers. The property, business and affairs of the Company shall be managed by the board of directors.

Section 2. Number and Term of Office. The number of directors shall be eleven, but may from time to time be increased or diminished to not less than three by amendment of these by-laws. Directors need not be stockholders. Each director shall hold office until the annual meeting of the stockholders next following his election and until his successor shall have been elected and shall qualify, or until his death, resignation or removal.

Section 3. Quorum and Manner of Acting. Unless otherwise provided by law the presence of six members of the board of directors shall be necessary to constitute a quorum for the transaction

of business. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. At all meetings of directors, a quorum being present, all matters shall be decided by the affirmative vote of a majority of the directors present, except as otherwise required by the laws of the State of Delaware.

Section 4. Place of Meetings, etc. The board of directors may hold its meetings and keep the books and records of the Company at such place or places within or without the State of Delaware as the board may from time to time determine.

Section 5. Annual Meeting. Promptly after each annual meeting of stockholders for the election of directors and on the same day the board of directors shall meet for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given. Such meeting may be held at any other time or place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors or in a consent and waiver of notice thereof signed by all the directors.

Section 6. Regular Meetings. Regular meetings of the board of directors may be held at such time and place, within or without the State of Delaware, as shall from time to time be determined by the board of directors. After there has been such determination and notice thereof has been once given to each member of the board of directors, regular meetings may be held without further notice being given.

Section 7. Special Meetings; Notice. Special meetings of the board of directors shall be held whenever called by the Chairman of the Board or by a majority of the directors. Notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least 10 days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable, radio or wireless, or be delivered personally or by telephone, not later than the day before the day on which such meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof. Notice of any meeting of the board of directors need not be given to any director, however, if waived by him in writing or by telegraph, cable, radio or wireless and confirmed in writing, whether before or after such meeting, or if he shall be present at such meeting. Any meeting of the board of directors shall be a legal meeting without any notice thereof having been given if all the directors then in office shall be present thereat.

Section 8. Resignation. Any director of the Company may resign at any time by giving written notice to the Chairman of the Board or the Secretary of the Company. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Removal. Any director may be removed at any time, either with or without cause, by the affirmative vote of the holders of record of a majority of the issued and outstanding class of stock of the Company entitled to vote for the election of such director, given at a special meeting of the stockholders called for that purpose. The vacancy in the board of directors caused by any such removal may be filled by the stockholders at such meeting.



Section 10. Vacancies. Any vacancy that shall occur in the board of directors by reason of death, resignation, disqualification or removal or any other cause whatever, unless filled as provided in Section 9 hereof, shall be filled by the majority (even if that be only a single director) of the remaining directors theretofore elected by the holders of the class of capital stock which elected the directors whose office shall have become vacant. If any new directorship is created by increase in the number of directors, a majority of the directors then in office may fill such new directorship. The term of office of any director so chosen to fill a vacancy or a new directorship shall terminate upon the election and qualification of directors at any meeting of stockholders called for the purpose of electing directors.

Section 11. Compensation of Directors. Directors may receive a fee, as fixed by the Chairman of the Board, for their services, together with expenses for attendance at regular or special meetings of the board. Members of committees of the board of directors may be allowed compensation for attending committee meetings. Nothing herein contained shall be construed to preclude any director from serving the Company or any subsidiary thereof in any other capacity and receiving compensation therefor.

#### ARTICLE IV.

##### Committees of the Board.

Section 1. Executive Committee. The board of directors shall elect from the directors an executive committee.

The board of directors shall fill vacancies in the executive committee by election from the directors.

The executive committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the board of directors, but in every case the presence of at least three members of the committee shall be necessary to constitute a quorum for the transaction of business.

In every case the affirmative vote of a majority of all of the members of the committee present at the meeting shall be necessary for the adoption of any resolution.

Section 2. Membership and Powers. The executive committee shall consist of such number of members as the board in its discretion shall determine, in addition to the Chairman of the Board, who by virtue of his office shall be a member of the executive committee and chairman thereof. Unless otherwise ordered by the board of directors, each elected member of the executive committee shall continue to be a member thereof until the expiration of his term of office as a director.

The executive committee, subject to any limitations prescribed by the board of directors, shall have special charge of all financial accounting, legal and general administrative affairs of the Company. During the intervals between the meetings of the board of directors the executive committee shall have all the powers of the board in the management of the business and affairs of the Company, including the power to authorize the seal of the Company to be affixed to all papers which

require it, except that said committee shall not have the power of the board (i) to fill vacancies in the board, (ii) to amend the by-laws, (iii) to adopt a plan of merger or consolidation, (iv) to recommend to the stockholders the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Company otherwise than in the usual and regular course of its business, or (v) to recommend to the stockholders a voluntary dissolution of the Company or a revocation thereof.

Section 3. Other Committees. The board of directors may, by resolution or resolutions passed by a majority of the whole board, designate one or more other committees, each committee to consist of two or more of the directors of the Company, which, to the extent provided in said resolution or resolutions, 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 have power to 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 determined from time to time by resolution adopted by the board of directors.

#### ARTICLE V.

##### Officers.

Section 1. Number. The principal officers of the Company shall be a Chairman of the Board, President, one or more Vice Presidents (which may be designated as Executive or Senior Vice President(s)), a Secretary, a Treasurer, and a Controller. No officers except the Chairman of the Board and President need be directors. One person may hold the offices and perform the duties of any two or more of said offices.

Section 2. Election and Term of Office. The principal officers of the Company shall be chosen annually by the board of directors at the annual meeting thereof. Each such officer shall hold office until his successor shall have been chosen and shall qualify, or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Subordinate Officers. In addition to the principal officers enumerated in Section 1 of this Article V, the Company may have one or more Assistant Vice Presidents, one or more Assistant Treasurers, one or more Assistant Secretaries and such other officers, agents and employees as the board of directors may deem necessary, each of whom shall hold office for such period, have such authority, and perform such duties as the board or the President may from time to time determine. The board of directors may delegate to any principal officer the power to appoint and to remove any such subordinate officers, agents or employees.

Section 4. Compensation of Principal Officers. The salaries of the principal officers shall be fixed from time to time either by the board of directors or by a committee of the board to which such power may be delegated. The salaries of any other officers shall be fixed by the President or by a committee or committees to which he may delegate such power.

Section 5. Removal. Any officer may be removed, either with or without cause, at any time, by resolution adopted by the board of directors at any regular meeting of the board or at any special meeting of the board called for the purpose at which a quorum is present.

Section 6. Vacancies. A vacancy in any office may be filled for the unexpired portion of the term in the manner prescribed in these by-laws for election or appointment to such office for such term.

Section 7. Chairman of the Board. The Chairman of the Board shall preside at all meetings of the stockholders and directors at which he may be present. He shall have such other authority and responsibility and perform such other duties as may be determined by the board of directors.

Section 8. President. The President shall be the chief executive officer of the Company and as such shall have general supervision and management of the affairs of the Company subject to the control of the board of directors. He may enter into any contract or execute any deeds, mortgages, bonds, contracts or other instruments in the name and on behalf of the Company except in cases in which the authority to enter into such contract or execute and deliver such instrument, as the case may be, shall be otherwise expressly delegated. In general he shall perform all duties incident to the office of President as herein defined and all such other duties as from time to time may be assigned to him by the board of directors. In the absence of the Chairman of the Board, the President shall preside at meetings of the stockholders and directors.

Section 9. Vice Presidents. The Vice Presidents, in order of their seniority unless otherwise determined by the board of directors, shall in the absence or disability of the President perform the duties and exercise the powers of such offices. The Vice Presidents shall perform such other duties and have such other powers as the President or the board of directors may from time to time prescribe.

Section 10. Secretary. The Secretary shall attend all sessions of the board and all meetings of the stockholders, and record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for the committees of the board of directors when required. He shall give or cause to be given, notice of all meetings of the stockholders and of special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, or the President, under whose supervision he shall be. He shall keep in safe custody the seal of the Company and, when authorized by the board of directors, affix the same to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary.

Section 11. Treasurer. The Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in the books belonging to the Company, and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated from time to time by the Board of Directors.

He shall disburse the funds of the Company as may be ordered by the board, taking proper vouchers for such disbursements, and shall render to the President and board of directors at the

regular meetings of the board, or whenever they may require it, an account of the financial condition of the Company.

If required by the board of directors, he shall give the Company a bond, in such sum and with such surety or sureties as shall be satisfactory to the board, for the faithful performance of the duties of his office, and for the restoration to the Company, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

Section 12. Controller. The Controller shall be in charge of the accounts of the Company and shall perform such duties as from time to time may be assigned to him by the President or by the board of directors.

## ARTICLE VI.

### Shares and Their Transfer.

Section 1. Certificates for Stock. Certificates for shares of capital stock of the Company shall be numbered, and shall be entered in the books of the Company, in the order in which they are issued.

Section 2. Regulations. The board of directors may make such rules and regulations as it may deem expedient, not inconsistent with the certificate of incorporation or these by-laws, concerning the issue, transfer and registration of certificates for shares of capital stock of the Company. It may appoint, or authorize any principal officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all such certificates to bear the signature or signatures of any of them.

Section 3. Stock Certificate Signature. The certificates for shares of the respective classes of such stock shall be signed by, or in the name of the Company by, the Chairman of the Board, the President or any Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, and where signed (a) by a transfer agent or an assistant transfer agent or (b) by a transfer clerk acting on behalf of the Company and a registrar, the signature of any such Chairman of the Board, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be facsimile. Each such certificate shall exhibit the name of the holder thereof and number of shares represented thereby and shall not be valid until countersigned by a transfer agent.

The board of directors may, if it so determines, direct that certificates for shares of any class or classes of capital stock of the Company be registered by a registrar, in which case such certificates will not be valid until so registered.

In case any officer of the Company who shall have signed, or whose facsimile signature shall have been used on, any certificate for shares of capital stock of the Company shall cease to be such officer, whether because of death, resignation or otherwise, before such certificate shall have been delivered by the Company, such certificate shall nevertheless be deemed to have been adopted by the

Company and may be issued and delivered as though the person who signed such certificate or whose facsimile signature shall have been used thereon had not ceased to be such officer.

Section 4. Designations, Preferences, etc. on Certificates for Stock. Certificates for shares of capital stock of the Company shall state on the face or back thereof that the Company will furnish without charge to each stockholder who so requests (which request may be addressed to the Secretary of the Company or to a transfer agent) a statement of the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof which the Company is authorized to issue and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 5. Stock Ledger. A record shall be kept by the Secretary or by any other officer, employee or agent designated by the board of directors of the name of the person, firm, or corporation holding the stock represented by such certificates, the number of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation the respective dates of cancellation.

Section 6. Cancellation. Every certificate surrendered to the Company for exchange or transfer shall be canceled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so canceled.

Section 7. Transfers of Stock. Transfers of shares of the capital stock of the Company shall be made only on the books of the Company by the registered holder thereof or by his attorney thereunto authorized on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Company shall be deemed the owner thereof for all purposes as regards the Company; provided, however, that whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact, if known to the Secretary or the transfer agent making such transfer, shall be so expressed in the entry of transfer.

Section 8. Closing of Transfer Books. The board of directors may by resolution direct that the stock transfer books of the Company be closed for a period not exceeding 60 days preceding the date of any meeting of the stockholders, or the date for the payment of any dividend, or the date for the allotment of any rights, or the date when any change or conversion or exchange of capital stock of the Company shall go into effect, or for a period not exceeding 60 days in connection with obtaining the consent of stockholders for any purpose. In lieu of such closing of the stock transfer books, the board may fix in advance a date, not exceeding 60 days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, such meeting, and any adjournment thereof, or to receive payment of any such dividend, or to receive any such allotment of rights, or to exercise the rights in respect of any such change, conversion, or exchange of capital stock or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Company after any record date so fixed.

ARTICLE VII.

Miscellaneous Provisions.

Section 1. Corporate Seal. The board of directors shall provide a corporate seal which shall be in the form of a circle and shall bear the name of the Company and words and figures showing that it was incorporated in the State of Delaware in the year 1964. The Secretary shall be the custodian of the seal. The board of directors may authorize a duplicate seal to be kept and used by any other officer.

Section 2. Fiscal Year. The fiscal year of the Company shall be fixed by resolution of the board of directors.

Section 3. Voting of Stocks Owned by the Company. The board of directors may authorize any person in behalf of the Company to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation in which the Company may hold stock.

Section 4. Dividends. Subject to the provisions of the certificate of incorporation, the board of directors may, out of funds legally available therefor, at any regular or special meeting declare dividends upon the capital stock of the Company as and when they deem expedient. Dividends may be paid in cash, in property, or in shares of capital stock of the Company, subject to the provisions of the certificate of incorporation. Before declaring any dividend there may be set apart out of any funds of the Company available for dividends such sum or sums as the directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the Company.

ARTICLE VIII.

Indemnification of Officers, Directors,  
Employees and Agents; Insurance.

Section 1. Indemnification.

(a) The Company may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and, except for an action by or in the right of the Company, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Except for an action by or in the right of the

Company, the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. With respect to an action by or in the right of the Company, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Company unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(b) To the extent that a director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsection (a) or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(c) Any indemnification under subsection (a) (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsection (a). Such determination shall be made (i) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

(d) Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors in the manner provided in subsection (c) upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Company as authorized in this section.

(e) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in other capacities while holding such offices, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 2. Insurance. The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company

would have the power to indemnify him against such liability under the provisions of either the General Corporation Law of the State of Delaware or of these by-laws.

ARTICLE IX.

Amendments.

The by-laws of the Company may be altered, amended or repealed either by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote in respect thereof and represented in person or by proxy at any annual or special meeting of the stockholders, or by the affirmative vote of a majority of the directors then in office given at any regular or special meeting of the board of directors. By-laws, whether made or altered by the stockholders or by the board of directors, shall be subject to alteration or repeal by the stockholders as in this Article provided.

Ex. 3.2-11



MURPHY OIL CORPORATION  
2000 ANNUAL REPORT

Murphy Oil Corporation is a worldwide oil and gas company. We explore for and produce crude oil and natural gas around the world and operate refining, marketing and transportation facilities in the United States and the United Kingdom.

Our mission is to provide shareholders with superior returns on capital employed by achieving stable growth through operating efficiency, balanced exploration and reinvestment discipline, while maintaining the financial flexibility to quickly respond to future investment opportunities. We also continue to be a leader in employee safety and training, environmental responsibility and corporate citizenship initiatives.

Murphy reached new heights in 2000. Aided by strong commodity prices, we posted record results for both net income and cash flow from operations. Development plans for our Medusa discovery in the deepwater Gulf of Mexico progressed, with first production expected in late 2002. Natural gas discoveries in the Chicken Creek and Ladyfern/Hamburg areas in western Canada were followed by the acquisition of Beau Canada Exploration Ltd. in early November. In our downstream business, Murphy's high-volume retail gasoline marketing collaboration with Wal-Mart continued to flourish, with over 300 stations in operation or under construction at year end.

The momentum generated during the year accelerated as we entered 2001. Continued drilling success in western Canada and announced discoveries in the deepwater Gulf of Mexico and offshore Malaysia exemplify the results we expect our programs to deliver and foreshadow what we hope to be a most promising year.

[GRAPH - INCOME CONTRIBUTION FROM CONTINUING OPERATIONS BY FUNCTION]

[GRAPH - CASH FLOW FROM CONTINUING OPERATIONS BY FUNCTION]

[GRAPH - HYDROCARBON PRODUCTION REPLACEMENT]

[GRAPH - CAPITAL EXPENDITURES BY FUNCTION]

Murphy Oil did some remodeling this year when we launched our new corporate website at [www.murphyoilcorp.com](http://www.murphyoilcorp.com).

The new site has a contemporary look and features information such as stock quotes, news releases, Company presentations, frequently updated summaries on Murphy's operations, on-line stock investment accounts, live webcasts of conference calls and even a Murphy USA station locator.

The website is also a platform for Murphy Downstream's natural gas and petroleum products trading and represents just one step in our response to the evolving on-line business environment.

As internet capabilities expand, Murphy is committed to ensuring our website is a dynamic, comprehensive research and business tool for investors and customers. See for yourself by making [www.murphyoilcorp.com](http://www.murphyoilcorp.com) a regular internet destination.

HIGHLIGHTS

FINANCIAL

(Thousands of dollars except per share data)	2000	1999	1998
For the Year*			
Revenues	\$ 4,639,165	2,756,441	2,347,022
Net income (loss)	296,828	119,707	(14,394)
Cash dividends paid	65,294	62,950	62,939
Capital expenditures	557,897	386,605	388,799
Net cash provided by operating activities	747,751	341,711	297,467
Average Common shares outstanding - diluted	45,239,706	45,030,225	44,955,679
At End of Year			
Working capital	\$ 71,710	105,477	56,616
Net property, plant and equipment	2,184,719	1,782,741	1,662,362
Total assets	3,134,353	2,445,508	2,164,419
Long-term debt	524,759	393,164	333,473
Stockholders' equity	1,259,560	1,057,172	978,233
Per Share of Common Stock*			
Net income (loss) - diluted	\$ 6.56	2.66	(.32)
Cash dividends paid	1.45	1.40	1.40
Stockholders' equity	27.96	23.49	21.76

\*Includes special items that are detailed in Management's Discussion and Analysis, page 9 of the attached Form 10-K report.

OPERATING

For the Year	2000	1999	1998
Net crude oil and gas liquids produced - barrels a day	65,259	66,083	59,128
United States	6,663	8,461	7,798
International	58,596	57,622	51,330
Net natural gas sold - thousands of cubic feet a day	229,412	240,443	230,901
United States	144,789	171,762	169,519
International	84,623	68,681	61,382
Crude oil refined - barrels a day	165,820	143,204	165,580
United States	137,313	115,812	134,800
United Kingdom	28,507	27,392	30,780
Petroleum products sold - barrels a day	179,515	159,042	174,152
United States	149,469	126,195	137,620
United Kingdom	29,903	32,251	36,093
Canada	143	596	439

LETTER TO THE SHAREHOLDERS

[PHOTOGRAPH APPEARS HERE]

Dear Fellow Shareholder:

The year 2000 was a milestone year for Murphy Oil Corporation. Of first importance, earnings increased to \$297 million (\$6.56 a share) and cash flow from operations rose to \$748 million (\$16.53 a share). These are 148% and 119% increases over 1999's figures, handily setting records for your Company. Financial returns were likewise stellar: 20.3% return on total capital and 26.4% return on equity. These results are important to note, even savor given the not too distant past turmoil in our industry, but they do not fully convey why 2000 was significant. For starters, most oil and gas companies will report similarly impressive financial results. What I would like to do is highlight why Murphy is different and better, as a result of last year's operations, quite apart from the high oil and gas price environment of 2000.

Simply put, our enterprise became a growth company in 2000. We began the year as a company with outstanding core production assets, such as Hibernia, Terra Nova, Syncrude and Schiehallion, and a promising future, and transitioned into a company that has established important sources of growth for the future - evidenced in large part by drilling success near year-end.

In Murphy's upstream business, we now have extensive exploratory operations in four major basins - the deepwater Gulf of Mexico, the Western Canadian Sedimentary Basin, the Scotian Shelf and offshore Malaysia. Significant discoveries occurred in three of these in 2000. First, in the deepwater Gulf, we have interests in 118 blocks and have four discoveries. Boomslang (45%), Habanero (33.8%) and Medusa (60%) have been previously highlighted. Medusa is Murphy-operated and will be our first producing deepwater field, starting up in the fourth quarter of 2002 at 25,000 barrel-equivalents a day net to our account. Our most recent deepwater discovery is Front Runner, located in Green Canyon Block 338 (37.5%) and operated by Murphy. We have already found pre-drill estimated reserves of 80 to 120 million barrels and additional drilling and evaluation are planned. Although it is preliminary, I predict that Front Runner will become the largest of our four deepwater discoveries to date. We have two to three additional deepwater wildcats yet to drill in 2001 and as many as four to six more are on tap for 2002.

Early in 2000, Murphy Canada made a significant natural gas discovery in the Western Canadian Sedimentary Basin in northern British Columbia in an area called Ladyfern. Numerous delineation wells during the 2000-2001 winter drilling window proved a large reservoir of at least 300 BCF with much of the field yet undrilled. Murphy's acquisition of Beau Canada Exploration Ltd. in 2000 effectively doubled our interest in Ladyfern to 63%. Assuming construction of a pipeline is completed in a timely manner, incremental production from Ladyfern should start in April.

Murphy's third focus basin is off the east coast of Canada on the Scotian Shelf. Since 1999, our Company has accumulated over one million net acres in this high-potential natural gas play. We own acreage on all three of the identified play types and hope to participate in four wells in 2001. In addition, we will spud a

[GRAPH - ESTIMATED NET PROVED HYDROCARBON RESERVES]

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well on the eight million-acre Laurentian Channel block, located north of the Scotian Shelf, in March. This well will test a large structure and earn a 32.5% interest in part of this block.

Murphy successfully kicked off its play in Malaysia by announcing a discovery at the West Patricia #2 wildcat (85%), offshore Sarawak. The shallow-water well flowed almost 3,000 barrels a day from a zone at 3,000 feet. Approximately 30 million barrels were discovered. Five more wells are planned this year, including another well on West Patricia at mid-year followed by wildcats on two nearby structures. This play includes all the components for a core area: large ownership interest, operatorship, low-risk exploration, numerous targets and commercially attractive developments. Early next year, drilling starts in deepwater, high-potential Block K (80%), located offshore Sabah, also in Malaysia. Furthermore, we added to our Malaysian acreage position in early 2001 by acquiring Block H (80%), located contiguous to Block K.

Murphy's downstream business is similarly geared for growth. The Murphy USA retail chain is the fastest growing gasoline marketing operation in America. At the end of 2000, we had 276 stations in operation, with plans to have 400 by year-end 2001. These outlets are built in the parking lots of Wal-Mart Supercenters, where high traffic counts translate into Murphy being one of the industry leaders in sales volumes per station. The combination of high throughputs and low construction costs means Murphy USA has one of the lowest station operating costs in the industry.

In order to provide environmentally friendly "green" gasoline necessary to supply Murphy USA's growing retail chain, the Company elected in 2000 to construct a hydrocracker and expand the Meraux refinery's throughput from 100,000 to 125,000 barrels per day. These projects will be completed by the second quarter of 2003, making Meraux one of the first refineries in the country to produce both gasoline and diesel that meet new low-sulfur standards. By starting now, we will avoid the delays and costs associated with an industry rush to build units to meet the deadlines imposed by the EPA.

Murphy agreed in late February to sell its Canadian pipeline and trucking operation for \$163 million. Quite simply, the purchaser offered what we considered to be a substantial premium for these downstream assets, making it time to realize this value and reinvest in opportunities with higher returns. The agreement is subject to the usual conditions and the transaction should close in the second quarter.

As indicated by the increased level of activity and success, your Company's talented explorers are focused in some of the most promising basins in the oil and gas business. The year 2001 got off to a fast start with the news from the Front Runner and the West Patricia discoveries. In addition, impact wells will be drilled in each of our target basins this year. Importantly, Murphy has significant near-term production coming on stream. Ladyfern should ramp up in April. The delayed Terra Nova project starts up in the fourth quarter of 2001 and will quickly reach 15,000 barrels a day net to Murphy. Medusa is scheduled for the fourth quarter of 2002 at 25,000 barrels a day net to Murphy, followed by Habanero in 2003 at 15,000 barrels a day net to our account. The discovery in Malaysia has a chance to start up in early 2003, while Front Runner must be delineated with more certainty before an estimate can be put forth.

Your Company added two extremely capable Board members in February. William L. Rosoff is Senior Vice President and General Counsel of Marsh & McLennan. Bill previously served in a similar capacity at RJR Nabisco and before that was a partner in a large New York law firm. He is a well-recognized expert in corporate law. David J. H. Smith is CEO of Whatman plc, a U.K. chemical and biotechnology company. David served for several years as head of research and development for BP prior to his present position. Both will provide new perspectives and welcome advice.

I appreciate your continued support.

/s/ Claiborne P. Deming  
Claiborne P. Deming  
President and Chief Executive Officer  
February 28, 2001  
El Dorado, Arkansas

[PHOTOGRAPH APPEARS HERE]

EXPLORATION AND PRODUCTION

Murphy's upstream operations earned a Company record \$278.3 million in 2000, an increase of 130% over 1999.

Many of the initiatives we have pursued the last few years are in place and Murphy is in the enviable position of having not one, but several large impact, company-changing opportunities. After acquiring, at favorable prices, a formidable base of low-cost, long-lived producing properties in the mid-1990s, we revamped our upstream strategy to explore more aggressively. We assembled a talented team that focused Murphy's exploratory efforts in four basins. These basins have three important shared characteristics: established hydrocarbon production, large remaining exploration targets and attractive fiscal regimes.

Our deepwater Gulf of Mexico program had a strong start in 2001 with the January announcement of a large discovery at our Front Runner prospect (37.5%), located in Green Canyon Block 338. Finding Front Runner adds a fourth discovery to our deepwater development inventory and gives us a 31% success ratio in the deep water. So far, reserves meet pre-drill estimates of 80 to 120 million barrels of oil equivalent. Appraisal drilling to fully evaluate the extent of the discovery will take place in the first half of 2001.

We have assembled a substantial catalog of attractive prospects in the deepwater Gulf and plan to test four to six of these per year to build on our previous success in this still maturing basin. We believe that there are many discoveries yet to be made, and with working interests in 118 blocks, Murphy is ideally positioned to be among the leaders in developing this basin.

Murphy's first deepwater development, Medusa (60%), received project sanctioning in early 2001. The Medusa project, located in Mississippi Canyon Blocks 538/582, will consist of a floating spar production facility that, when placed on stream in late 2002, will quickly ramp up to add net production of 25,000 barrels of oil equivalent a day to Murphy.

Exploration and Production

(Thousands of dollars)	2000	1999	1998
Income contribution before special items	\$ 278,347	121,182	5,809
Total assets	1,902,618	1,497,770	1,385,879
Capital expenditures	392,732	295,958	331,647
-----			
Crude oil and liquids produced - barrels a day	65,259	66,083	59,128
Natural gas sold - MCF a day	229,412	240,443	230,901
Net hydrocarbons produced - oil equivalent barrels a day	103,494	106,157	97,612
Net proved hydrocarbon reserves - thousands of oil equivalent barrels	442,300	400,800	379,900
-----			

[GRAPH - NET HYDROCARBONS PRODUCED]

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The Habanero discovery (33.8%) in Garden Banks Block 341 is anticipated to provide daily net production of an additional 15,000 barrels of oil equivalent, beginning in late 2003, through a subsea tieback completion to Shell's nearby Auger platform.

In January 2001, we announced an oil and gas discovery at our first well offshore Malaysia on the West Patricia structure. The well tested at commercial rates from three zones, including one at almost 3,000 barrels of light sweet crude oil a day. Contained within Block SK 309 (85%), offshore the province of Sarawak, this operated discovery lies close to existing infrastructure and could come on stream by early 2003. This discovery has confirmed confidence in our program going forward and has set up a number of other nearby structures. Active appraisal and exploration programs are planned for this block and adjoining Block SK 311 (85%) in 2001. Offshore the province of Sabah, Murphy holds interests in two contiguous deepwater blocks. Block K (80%) has giant field potential and is on trend with a major oil company's adjoining acreage that contains recently announced significant discoveries. Block H (80%), a recent farm-in, lies adjacent to Block K in shallower waters. Extensive 3-D seismic surveys are planned for both operated blocks in 2001, with drilling targeted for Block K in early 2002. Murphy currently holds an interest in over seven million net acres in Malaysia.

Murphy has put together one of the most valuable acreage positions on the Scotian Shelf, offshore eastern Canada, which is widely heralded to be one of the top future natural gas supply basins in North America. The attractiveness of this region is based not only on the size of its potential reserves but also on the ability to link into the lucrative northeastern U.S. market. We have significant interests near the producing Sable Island area and also hold some of the most promising blocks along the deepwater and Abenaki trends. Following up on industry success on the Abenaki Carbonate Bank, we plan to drill two wells in 2001 on our acreage flanking a discovery. Preparation is also being made to drill on our deepwater Annapolis block (20%) and on our Southhampton prospect (25%), located south of Sable Island. Depending on rig availability, these wells should be drilled later in 2001. In addition, Murphy has recently farmed into acreage in the Laurentian Channel, located to the northeast of the Scotian Shelf, where we plan to drill our first well at the Bandol prospect (32.5%) in early 2001. Acquisition of this acreage gives Murphy more than two million net exploratory acres offshore eastern Canada.

Murphy's exploration program in western Canada is natural gas driven and concentrates in two areas: the Foothills and Devonian Reefs trends in Alberta and British Columbia. Exploratory drilling during the winter of 1999-2000 has produced significant natural gas discoveries leading to many more opportunities for 2001. The first of these discoveries was in the foothills of British Columbia at Chicken Creek (33%), which began producing in March 2000. Murphy aggressively added acreage along this trend during the year and will drill three follow-up wells in early 2001. The other significant discovery was in the Hamburg/Ladyfern (63%) area, where we

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[GRAPH - CAPITAL EXPENDITURES - EXPLORATION AND PRODUCTION]

[GRAPH - WORLDWIDE EXTRACTION COSTS]

tied in three successful natural gas wells. Placed on stream during the second quarter of 2000, these wells collectively produce 60 million cubic feet a day. The Beau Canada acquisition in November 2000 effectively doubled Murphy's position in this promising natural gas play. An active winter drilling program on this acreage has confirmed the existence of a large reservoir and delineation continues.

We are counting on our aggressive exploration program to serve as the catalyst to provide Murphy the quality of properties necessary to complement our existing base. Murphy's solid foundation consists of world-class assets such as Hibernia (6.5%), Syncrude (5%) and Terra Nova (12%) - all low-cost properties with production profiles exhibiting long plateau periods. These properties form the core of our upstream operations upon which our exploration program can build.

Hibernia came on stream in late 1997 and produces through a massive, state-of-the-art, one-acre "island" with a concrete gravity base sitting on the ocean floor. The field is estimated to contain over 700 million barrels of recoverable oil. Drilling of the relatively untested Avalon region commenced in 2000 in an effort to better understand the upside potential of this secondary horizon. During 2000, operations at Hibernia ran well, with gross production averaging 144,000 barrels a day, the best year so far. Approval was given by the Canadian government to ramp up production to an average of 180,000 barrels a day, although this level has not been achieved on a sustained basis.

Syncrude is Canada's largest source of crude oil production, combining mining, extraction and upgrading technologies to produce a light, sweet synthetic crude. The second in a series of expansion stages was completed during 2000 with the opening of the Aurora mine. Located on one of the most attractive leases, this new remote mine proves conclusively the viability of Syncrude as an economical source of energy for the first half of this century. Although Syncrude experienced a series of operational setbacks in 2000, it is now on track and primed for a record year of production in 2001.

Development continued during 2000 on our Terra Nova project, where we expect to begin producing oil in late 2001 through a floating production storage and offloading vessel (FPSO). The FPSO is the first of its kind, a design built specifically for the harsh environment of the Grand Banks. Hookup and commissioning - the last major work element - is now under way in Bull Arm, Newfoundland. Estimated to contain 300 to 400 million barrels of oil equivalent, Terra Nova is a strong complement to our Hibernia and Syncrude interests and is another example of Murphy's ownership of first-class legacy reserves.

With one of the strongest balance sheets in the industry, reserves of 442 million barrels of oil equivalent and current daily production of 110,000 barrels of oil equivalent, Murphy is uniquely positioned to participate, to a meaningful degree, in large-scale projects where success will have a measurable impact on growth and profitability. The year 2001 will be a promising year for our upstream operations and we reiterate our commitment to remain focused on opportunities that improve our already superlative asset base, enhance our competitive position and, more importantly, create long-term value for our shareholders.

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REFINING, MARKETING & TRANSPORTATION

Murphy's downstream operations posted earnings of \$54.5 million in 2000, an increase of 266% from 1999.

Steadily increasing crude oil prices, which helped our upstream operations post record results, consistently pressured downstream margins during 2000. Higher refined product prices, which were bolstered for much of the year by below normal seasonal inventory levels of gasoline and heating oil, more than offset the effect of higher crude prices. Near the end of 2000, we benefited from strong margins as inventories were again drawn down due to demand increases brought on by severe winter weather. Operational highlights for the year included record crude oil throughput at our Meraux refinery, strong asphalt sales in our Upper Midwestern marketing area and ongoing expansion of our innovative retail marketing system. Murphy USA(R) stations, located in the parking areas of Wal-Mart Supercenters, continue to achieve enthusiastic consumer acceptance. Average monthly gasoline sales volumes have exceeded 200,000 gallons per station, while operating costs have remained in line with expectations.

Driven principally by strong refining margins, 2000 was a record year financially for Murphy's U.K. downstream system. Additionally, we have established a successful retail format by transforming our service stations into attractive consumer destinations through our alliance with the Costcutter grocery chain, allowing us to maximize important non-fuel income. In October, Murphy became the first U.K. marketer to offer ultra low-sulfur gasoline (less than 50 parts per million) at 100% of its outlets.

In 2001, we announced an agreement to sell our Canadian downstream assets for \$163 million. This operation primarily consists of the Manito pipeline and several other crude oil pipeline systems, with ownership percentages ranging from 13% to 100%.

Murphy's downstream strategy remains clear and focused: to reduce the earnings volatility historically associated with this segment of our business. Our goal is to achieve full integration through the development of a world-class retail marketing system, enhanced by operational improvements to our refining and distribution assets.

Refining, Marketing and Transportation

(Thousands of dollars)	2000	1999	1998
Income contribution before special items	\$ 54,456	14,881	49,230
Total assets	1,018,555	838,295	676,517
Capital expenditures	153,750	88,075	55,025
-----			
Crude oil processed - barrels a day	165,820	143,204	165,580
Products sold - barrels a day	179,515	159,042	174,152
Average gross margin on products sold - dollars a barrel			
United States	\$ 1.91	.66	1.45
United Kingdom	4.69	3.38	2.81

[GRAPH - CAPITAL EXPENDITURES - REFINING MARKETING AND TRANSPORTATION]

Our successful marketing collaboration with Wal-Mart not only symbolizes, but

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[GRAPH - REFINED PRODUCTS SOLD]

also defines the new synergy between gasoline retailing and the shopping experience and places Murphy at the forefront of the retail marketing revolution. At the end of 2000, we had 276 Murphy USA stations in operation, with another 70 in various stages of construction and permitting. By the end of 2001, we plan for 400 stations to be open. Further construction is tied to the pace that Wal-Mart builds and opens new Supercenter locations. These new Murphy USA sites will enjoy a distinct competitive advantage as we coordinate "Grand Openings" and other promotional opportunities with the opening of the new Supercenters.

Our development as a market leader in the retail gasoline business has transformed Murphy from a U.S. Gulf Coast merchant refiner, selling into a wholesale or cargo market typically advantageous to the buyer, to a fully integrated refiner/marketer. The ability to move our product further down the distribution channel all the way to the consumer positions Murphy to capture incremental margins heretofore unavailable to us. At year-end 2000, approximately 75% of our U.S. gasoline production moved through Murphy USA stations, and based on our planned system growth, this percentage is expected to rise significantly. Including our wholesale operations, we currently purchase gasoline to supply one-third of our total requirements. Although retail margins have been erratic, we expect to see meaningful earnings contributions from this endeavor in 2001 and beyond. The addition of a strong retail operation in the United States is expected to provide a corresponding reduction in downstream earnings volatility.

U.K. marketing operations are also undergoing a transformation. We now actively look for new sites to add to our retail network and seek to acquire underperforming, inexpensive locations to revamp using our successful Costcutter format. During 2001, we plan to increase the number of Company-owned stations in the United Kingdom by 10%.

In 2001, a "clean fuels" and related expansion project will begin at our Meraux refinery to allow us to meet future standards for ultra low-sulfur gasoline and diesel. As a market leader and early participant in the process, we will create additional income-producing opportunities by offering our customers environmentally friendly products well ahead of the competition. Our mandate is not only to meet the recently issued sulfur reduction regulations ahead of time, but also to create a foundation for providing "greener" products in the future. The main component of the project is the construction of a hydrocracker unit and associated facilities. Additionally, enhancement of the crude unit and other processing units will ultimately increase the crude throughput capacity of the refinery from 100,000 to 125,000 barrels a day, allowing us to improve efficiency and distribute more products through our growing retail operation. Completion of the project is expected by mid-2003 at a total estimated cost of \$230 million. Future plans include spending \$25 million to build additional sulfur recovery capacity; the new sulfur unit is expected to be operational by late 2002.

The ability to capitalize on periodic weaknesses in heavy crude oil prices is a major factor in our Superior refinery's profitability. Price differentials between light and heavy crudes widened significantly toward the end of 2000, allowing for extremely favorable margins. Strong demand for asphalt and light products is expected to allow healthy margins to continue.

[PHOTOGRAPH APPEARS HERE]

Statistical Summary

	2000	1999	1998	1997	1996
-----					
Exploration and Production					
Net crude oil and condensate production - barrels a day					
United States	6,035	7,582	7,025	9,565	10,614
Canada - light	2,606	2,992	3,219	3,351	3,774
heavy	10,574	9,099	9,676	11,538	9,670
offshore	9,199	6,404	4,192	224	-
synthetic	8,443	10,997	10,500	9,341	8,163
United Kingdom	20,679	20,217	14,975	13,438	12,918
Ecuador	6,405	7,104	7,720	7,802	6,005
Net natural gas liquids production - barrels a day					
United States	628	879	773	1,195	1,031
Canada	474	488	612	617	689
United Kingdom	216	321	436	423	346
-----					
Total liquids produced	65,259	66,083	59,128	57,494	53,210
=====					
Net crude oil and condensate sold - barrels a day					
United States	6,034	7,588	7,018	9,557	10,620
Canada - light	2,606	2,992	3,219	3,351	3,774
heavy	10,574	9,099	9,676	11,538	9,670
offshore	9,456	4,727	4,396	147	-
synthetic	8,443	10,997	10,500	9,341	8,163
United Kingdom	20,921	20,217	15,336	12,597	13,044
Ecuador	6,393	7,104	7,907	7,614	6,005
Net natural gas liquids sold - barrels a day					
United States	628	879	773	1,195	1,031
Canada	474	488	612	617	689
United Kingdom	216	321	436	423	346
-----					
Total liquids sold	65,745	64,412	59,873	56,380	53,342
=====					
Net natural gas sold - thousands of cubic feet a day					
United States	144,789	171,762	169,519	211,207	155,017
Canada	73,773	56,238	48,998	44,853	43,031
United Kingdom	10,850	12,443	12,384	12,609	15,247
Spain	-	-	-	-	7,338
-----					
Total natural gas sold	229,412	240,443	230,901	268,669	220,633
=====					
Net hydrocarbons produced - equivalent barrels/1,2/ a day					
	103,494	106,157	97,612	102,272	89,982
-----					
Estimated net hydrocarbon reserves - million equivalent barrels/1,2,3/					
	442.3	400.8	379.9	362.1	337.6
-----					
Weighted average sales prices/4,5/					
Crude oil and condensate - dollars a barrel					
United States	\$ 30.38	18.09	12.89	19.51	20.35
Canada/6/ - light	27.68	17.00	12.03	17.74	19.97
heavy	17.83	12.77	6.56	10.76	14.27
offshore	27.16	19.08	11.80	16.35	-
synthetic	29.62	18.64	13.73	19.92	21.20
United Kingdom	27.78	18.09	12.52	18.89	21.08
Ecuador	22.01	14.42	8.56	13.48	15.96
Natural gas liquids - dollars a barrel					
United States	23.04	13.70	11.50	15.82	17.00
Canada/6/	19.98	12.09	9.16	14.87	13.69
United Kingdom	23.64	13.45	11.04	18.02	18.54
Natural gas - dollars a thousand cubic feet					
United States	4.01	2.34	2.25	2.64	2.67
Canada/6/	3.67	1.96	1.40	1.42	1.17
United Kingdom/6/	1.81	1.68	2.23	2.65	2.58
Spain/6/	-	-	-	-	2.89
-----					

/1/ Natural gas converted at a 6:1 ratio.

/2/ Includes synthetic oil.

/3/ At December 31.

/4/ Includes intracompany transfers at market prices.

/5/ Prior years restated to conform to 2000 presentation.

/6/ U.S. dollar equivalent.

	2000	1999	1998	1997	1996
<b>Refining</b>					
Crude capacity* of refineries - barrels per stream day	167,400	167,400	167,400	167,400	167,400
<b>Refinery inputs - barrels a day</b>					
Crude - Meraux, Louisiana	103,154	82,410	101,834	101,150	93,929
Superior, Wisconsin	34,159	33,402	32,966	33,704	32,657
Milford Haven, Wales	28,507	27,392	30,780	26,706	31,300
Other feedstocks	8,298	10,484	11,404	8,178	6,315
<b>Total inputs</b>	<b>174,118</b>	<b>153,688</b>	<b>176,984</b>	<b>169,738</b>	<b>164,201</b>
<b>Refinery yields - barrels a day</b>					
Gasoline	75,106	65,216	73,482	72,672	69,658
Kerosine	11,955	11,316	15,394	14,959	14,965
Diesel and home heating oils	49,606	44,054	50,506	44,681	43,514
Residuals	18,524	17,370	21,310	20,852	19,756
Asphalt, LPG and other	14,624	12,225	12,565	13,139	12,513
Fuel and loss	4,303	3,507	3,727	3,435	3,795
<b>Total yields</b>	<b>174,118</b>	<b>153,688</b>	<b>176,984</b>	<b>169,738</b>	<b>164,201</b>
<b>Average cost of crude inputs to refineries - dollars a barrel</b>					
United States	\$ 28.82	18.80	12.55	18.54	21.05
United Kingdom	29.29	17.22	13.62	20.12	21.66
<b>Marketing</b>					
<b>Products sold - barrels a day</b>					
United States - Gasoline	76,171	61,190	60,990	62,244	58,726
Kerosine	8,517	7,545	10,170	9,301	9,644
Diesel and home heating oils	39,347	34,514	40,403	36,192	34,797
Residuals	15,163	13,812	16,170	16,527	15,415
Asphalt, LPG and other	10,271	9,134	9,887	9,945	9,008
	149,469	126,195	137,620	134,209	127,590
United Kingdom - Gasoline	11,622	12,511	14,058	11,467	13,919
Kerosine	2,478	3,053	4,369	3,795	4,353
Diesel and home heating oils	9,760	10,995	10,884	7,638	8,981
Residuals	3,852	3,608	5,203	4,215	4,351
LPG and other	2,191	2,084	1,579	1,862	2,011
	29,903	32,251	36,093	28,977	33,615
Canada	143	596	439	244	254
<b>Total products sold</b>	<b>179,515</b>	<b>159,042</b>	<b>174,152</b>	<b>163,430</b>	<b>161,459</b>
<b>Average gross margin on products sold - dollars a barrel</b>					
United States	\$ 1.91	.66	1.45	1.76	.25
United Kingdom	4.69	3.38	2.81	2.90	2.08
<b>Branded retail outlets*</b>					
United States	712	625	552	585	527
United Kingdom	386	384	389	396	424
<b>Transportation</b>					
Pipeline throughputs of crude oil - Canada - barrels a day	192,851	175,244	170,236	188,685	183,130
<b>Stockholder and Employee Data</b>					
Common shares outstanding* (thousands)	45,046	44,998	44,950	44,891	44,862
Number of stockholders of record*	3,185	3,431	3,684	3,899	4,093
Number of employees*	3,109	2,153	1,566	1,446	1,406
Average number of employees	2,528	1,797	1,498	1,421	1,777
Salaries, wages and benefits (thousands)	\$120,906	103,757	97,307	92,495	95,583

\*At December 31.

## Directors

R. Madison Murphy /1/  
Chairman of the Board  
Murphy Oil Corporation  
El Dorado, Arkansas  
Director since 1993

Claiborne P. Deming /1/  
President and Chief Executive Officer  
Murphy Oil Corporation  
El Dorado, Arkansas  
Director since 1993

B. R. R. Butler /3,4/  
Managing Director, Retired  
The British Petroleum Company p.l.c.  
Holbeton, Devon, England  
Director since 1991

George S. Dembroski /2,3/  
Vice Chairman, Retired  
RBC Dominion Securities Limited  
Toronto, Ontario, Canada  
Director since 1995

H. Rodes Hart /2,3,4/  
Chairman and Chief Executive Officer  
Franklin Industries, Inc.  
Nashville, Tennessee  
Director since 1975

Robert A. Hermes /3,4/  
Chairman of the Board  
Purvin & Gertz, Inc.  
Houston, Texas  
Director since 1999

Michael W. Murphy /1,3/  
President  
Marmik Oil Company  
El Dorado, Arkansas  
Director since 1977

William C. Nolan Jr. /1,2,3/  
Partner  
Nolan and Alderson  
El Dorado, Arkansas  
Director since 1977

William L. Rosoff  
Senior Vice President and General Counsel  
Marsh & McLennan Companies, Inc.  
New York, New York  
Director since 2001

David J. H. Smith  
Chief Executive Officer  
Whatman plc  
Maidstone, Kent, England  
Director since 2001

Caroline G. Theus /1,3,4/  
President  
Keller Enterprises, LLC  
Alexandria, Louisiana  
Director since 1985

## Committees of the Board

- /1/ Member of the Executive Committee chaired by Mr. R. Madison Murphy.
- /2/ Member of the Audit Committee chaired by Mr. Dembroski.
- /3/ Member of the Executive Compensation and Nominating Committee chaired by Mr. William C. Nolan Jr.
- /4/ Member of the Public Policy and Environmental Committee chaired by Mr. Butler.

## Officers

R. Madison Murphy  
Chairman of the Board

Claiborne P. Deming  
President and Chief Executive Officer

Steven A. Cosse'  
Senior Vice President and General Counsel

Herbert A. Fox Jr.  
Vice President

Bill H. Stobaugh  
Vice President

Odie F. Vaughan  
Treasurer

John W. Eckart  
Controller

Walter K. Compton  
Secretary

Directors Emeriti

C. H. Murphy Jr.

William C. Nolan

George S. Ishiyama

## Principal Subsidiaries

### Murphy Exploration & Production Company

131 South Robertson Street  
New Orleans, Louisiana 70112  
(504) 561-2811

Mailing Address:  
P. O. Box 61780  
New Orleans, Louisiana 70161-1780

Engaged worldwide in crude oil and natural gas exploration and production.

Enoch L. Dawkins  
President

John C. Higgins  
Senior Vice President, U.S. Exploration and Production

David M. Wood  
Senior Vice President, Frontier Exploration and Production

S. J. Carboni Jr.  
Vice President, U.S. Production

James R. Murphy  
Vice President, U.S. Exploration

Steven A. Cosse'  
Vice President and General Counsel

Odie F. Vaughan  
Vice President and Treasurer

Bobby R. Campbell  
Controller

Walter K. Compton  
Secretary

### Murphy Oil USA, Inc.

200 Peach Street  
El Dorado, Arkansas 71730  
(870) 862-6411

Mailing Address:  
P. O. Box 7000  
El Dorado, Arkansas 71731-7000

Engaged in refining, marketing and transporting of petroleum products in the United States.

Herbert A. Fox Jr.  
President

Charles A. Ganus  
Senior Vice President, Marketing

Frederec C. Green  
Senior Vice President, Manufacturing and Crude Oil Supply

Gary R. Bates  
Vice President, Supply and Transportation

Henry J. Heithaus  
Vice President, Retail Marketing

Kevin W. Melnyk  
Vice President, Manufacturing

Steven A. Cosse'  
Vice President and General Counsel

Gordon W. Williamson  
Treasurer

John W. Eckart  
Controller

Walter K. Compton  
Secretary

### Murphy Oil Company Ltd.

2100-555-4th Avenue S.W.  
Calgary, Alberta T2P 3E7  
(403) 294-8000

Mailing Address:  
P. O. Box 2721, Station M  
Calgary, Alberta T2P 3Y3  
Canada

Engaged in crude oil and natural gas exploration and production; extraction and sale of synthetic crude oil; and purchasing, transporting and reselling of crude oil in Canada.

Harvey Doerr  
President

R. D. Urquhart  
Senior Vice President, Supply and Transportation

Timothy A. Larson  
Vice President, Crude Oil and Natural Gas

W. Patrick Olson  
Vice President, Production

Robert L. Lindsey  
Vice President, Finance and Secretary

Odie F. Vaughan  
Treasurer

William T. Cromb  
Controller

Murphy Eastern Oil Company

4 Beaconsfield Road  
St. Albans, Hertfordshire  
AL1 3RH, England  
172-789-2400

Provides technical and professional services to certain of Murphy Oil Corporation's subsidiaries engaged in crude oil and natural gas exploration and production in the Eastern Hemisphere and refining, marketing and transporting of petroleum products in the United Kingdom.

W. Michael Hulse  
President

James N. Copeland  
Vice President, Legal and Personnel

Ijaz Iqbal  
Vice President

Odie F. Vaughan  
Treasurer

Walter K. Compton  
Secretary



## Corporate Information

Corporate Office  
200 Peach Street  
P.O. Box 7000  
El Dorado, Arkansas 71731-7000  
(870) 862-6411

Internet Address  
<http://www.murphyoilcorp.com>

E-mail Address  
[murphyoil@murphyoilcorp.com](mailto:murphyoil@murphyoilcorp.com)

Stock Exchange Listings  
Trading Symbol: MUR  
New York Stock Exchange  
Toronto Stock Exchange

Transfer Agents  
Computershare Investor Services, L.L.C.  
P.O. Box A3504  
Chicago, Illinois 60690-3504  
Toll-free (888) 239-5303  
Local Chicago (312) 360-5303

Computershare Trust Company of Canada  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

Registrar  
Computershare Investor Services, L.L.C.  
P.O. Box A3504  
Chicago, Illinois 60690-3504

Annual Meeting  
The annual meeting of the Company's shareholders will be held at 10 a.m. on May 9, 2001 at the South Arkansas Arts Center, 110 East 5th Street, El Dorado, Arkansas. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to all shareholders.

Inquiries  
Inquiries regarding shareholder account matters should be addressed to:  
Walter K. Compton  
Secretary  
Murphy Oil Corporation  
P.O. Box 7000  
El Dorado, Arkansas 71731-7000

Members of the financial community should direct their inquiries to:  
Kevin G. Fitzgerald  
Director of Investor Relations  
Murphy Oil Corporation  
P.O. Box 7000  
El Dorado, Arkansas 71731-7000  
(870) 864-6272

Electronic Payment of Dividends  
Shareholders may have dividends deposited directly into their bank accounts by electronic funds transfer. Authorization forms may be obtained from:  
Computershare Investor Services, L.L.C.  
P.O. Box 0289  
Chicago, Illinois 60690-0289  
Toll-free (888) 239-5303  
Local Chicago (312) 360-5303

Principal Offices  
El Dorado, Arkansas  
New Orleans, Louisiana  
Houston, Texas  
Calgary, Alberta, Canada  
St. Albans, Hertfordshire, England  
Kuala Lumpur, Malaysia

MURPHY OIL CORPORATION - CIK 0000717423

## Appendix to Electronically Filed Exhibit 13

(2000 Annual Report to Security Holders, Which is Incorporated in This Form 10-K Report)

Providing a Narrative of Graphic and Image Material Appearing on Inside Front Cover Through Page 8 of Paper Format

## Exhibit 13

Page No.

Picture Narrative

- | ----- | -----   |
|-------|---|
| 2     | Claiborne P. Deming, President and Chief Executive Officer of Murphy Oil Corporation, is pictured.  |
| 2     | A semisubmersible rig is shown drilling the 2001 discovery well on the Front Runner prospect (Green Canyon Block 338), Murphy's fourth discovery in the deepwater Gulf of Mexico.   |
| 3     | A rig is shown drilling a delineation well in the Ladyfern area, which has recently been proved to be one of the largest natural gas discoveries in western Canada in several years.  |
| 4     | An artist's drawing depicts the floating spar facility to be built at the Medusa project (Mississippi Canyon Blocks 538/582) in the deepwater Gulf of Mexico. When placed on stream in 2002, the facility will produce 25,000 barrels a day net to Murphy.  |
| 5     | A drilling rig is shown at Chicken Creek, which contributed to Murphy's significant natural gas production growth in western Canada during 2000.  |
| 5     | In Malaysia, Murphy's exploration program gained momentum with the discovery of oil and natural gas in early 2001 at the first well, shown being drilled by a jackup rig.   |
| 6     | The Syncrude project, one of Murphy's world-class assets, was expanded during 2000 by the opening of the Aurora mine; a portion of the mine's facilities is shown.  |
| 6     | The floating production storage and offloading vessel for the Terra Nova field, offshore eastern Canada, is shown undergoing hookup and commissioning at Bull Arm, Newfoundland. Scheduled to be placed on stream at year-end 2001, Terra Nova is part of Murphy's strong foundation of reserves. |
| 7     | A Murco station is shown in the United Kingdom, where Murphy has established a successful fueling format utilizing its relationship with Costcutter.  |
| 8     | Pictured is the Meraux refinery; the refinery's "clean fuels" project will begin in 2001 and allow it to produce ultra low-sulfur products by mid-2003.   |
| 8     | At year-end 2001, Murphy plans to have 400 Murphy USA stations, such as the one pictured, in operation at Wal-Mart sites.   |

## MURPHY OIL CORPORATION - CIK 0000717423

Exhibit 13  
Page No. Graph Narrative

Inside front cover	INCOME CONTRIBUTION FROM CONTINUING OPERATIONS BY FUNCTION	1996	1997	1998	1999	2000
	Excludes special items and Corporate activities. Scale 0 to 360 (millions of dollars)	-----	-----	-----	-----	-----
	Refining, Marketing and Transportation (top)	14	57	49	15	55
	Exploration and Production (bottom)	102	85	6	121	278
	Total	116	142	55	136	333
		=====	=====	=====	=====	=====

This stacked vertical bar graph has the total for each bar printed above it.

Inside front cover	CASH FLOW FROM CONTINUING OPERATIONS BY FUNCTION	1996	1997	1998	1999	2000
	Excludes special items, Corporate activities, and changes in noncash working capital. Scale 0 to 750 (millions of dollars)	-----	-----	-----	-----	-----
	Refining, Marketing and Transportation (top)	59	100	89	36	120
	Exploration and Production (bottom)	311	329	244	349	571
	Total	370	429	333	385	691
		=====	=====	=====	=====	=====

This stacked vertical bar graph has the total for each bar printed above it.

Inside front cover	HYDROCARBON PRODUCTION REPLACEMENT	1996	1997	1998	1999	2000
	Scale 0 to 250 (percent of production)	-----	-----	-----	-----	-----
		111	165	150	154	209

This vertical bar graph has the value for each bar printed above it.

Inside front cover	CAPITAL EXPENDITURES BY FUNCTION	1996	1997	1998	1999	2000
	Scale 0 to 600 (millions of dollars)	-----	-----	-----	-----	-----
	Corporate (top)	1	7	2	3	11
	Refining, Marketing and Transportation	43	38	55	88	154
	Exploration and Production (bottom)	374	423	332	296	393
	Total	418	468	389	387	558
		=====	=====	=====	=====	=====

This stacked vertical bar graph has the total for each bar printed above it.

MURPHY OIL CORPORATION - CIK 0000717423

Exhibit 13  
Page No. Graph Narrative (Continued)

2 ESTIMATED NET PROVED HYDROCARBON RESERVES  
Scale 0 to 500 (millions of oil equivalent barrels)

	1996	1997	1998	1999	2000
Ecuador and Other (top)	27	31	32	37	41
United Kingdom	58	63	63	63	56
Canada	157	176	188	195	238
United States (bottom)	96	92	97	106	107
Total	338	362	380	401	442

This stacked vertical bar graph has the total for each bar printed above it.

4 NET HYDROCARBONS PRODUCED  
Scale 0 to 120 (thousands of oil equivalent barrels a day)

	1996	1997	1998	1999	2000
Ecuador and Other (top)	7	8	8	7	6
United Kingdom	16	16	18	23	23
Canada	30	32	36	39	43
United States (bottom)	37	46	36	37	31
Total	90	102	98	106	103

This stacked vertical bar graph has the total for each bar printed above it.

6 CAPITAL EXPENDITURES - EXPLORATION AND PRODUCTION  
Scale 0 to 480 (millions of dollars)

	1996	1997	1998	1999	2000
Ecuador and Other (top)	21	38	32	15	36
United Kingdom	69	91	71	29	28
Canada	99	147	108	156	192
United States (bottom)	185	147	121	96	137
Total	374	423	332	296	393

This stacked vertical bar graph has the total for each bar printed above it.

6 WORLDWIDE EXTRACTION COSTS  
Scale 0 to 10.50 (dollars per oil equivalent barrel)

	1996	1997	1998	1999	2000
Depreciation, Depletion and Amortization (top)	4.48	4.62	4.59	4.31	4.45
Production Expense (bottom)	5.02	4.69	4.70	4.18	4.78
Total	9.50	9.31	9.29	8.49	9.23

This stacked vertical bar graph has the value for each component printed within each bar and the total printed above the bar.

MURPHY OIL CORPORATION - CIK 0000717423

Exhibit 13  
Page No. Graph Narrative (Continued)

7 CAPITAL EXPENDITURES - REFINING, MARKETING AND  
TRANSPORTATION

Scale 0 to 180 (millions of dollars)

	1996	1997	1998	1999	2000
Canada (top)	8	5	3	-	29
United Kingdom	14	4	7	12	13
United States (bottom)	21	29	45	76	112
Total	43	38	55	88	154

This stacked vertical bar graph has the total for each bar  
printed above it.

8 REFINED PRODUCTS SOLD

Scale 0 to 200 (thousands of barrels a day)

	1996	1997	1998	1999	2000
United Kingdom (top)	33	29	36	32	30
United States (bottom)	128	134	138	127	150
Total	161	163	174	159	180

This stacked vertical bar graph has the total for each bar  
printed above it.

EX. 13A-4

## MURPHY OIL CORPORATION

SUBSIDIARIES OF THE REGISTRANT AS OF DECEMBER 31, 2000

Name of Company	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
Murphy Oil Corporation (REGISTRANT)		
A. Caledonia Land Company	Delaware	100.0
B. El Dorado Engineering Inc.	Delaware	100.0
1. El Dorado Contractors Inc.	Delaware	100.0
C. Marine Land Company	Delaware	100.0
D. Murphy Eastern Oil Company	Delaware	100.0
E. Murphy Exploration & Production Company	Delaware	100.0
1. Canam Offshore A. G. (Switzerland)	Switzerland	100.0
2. Canam Offshore Limited	Bahamas	100.0
a. Murphy Ireland Offshore Limited	Bahamas	100.0
3. El Dorado Exploration, S.A.	Delaware	100.0
4. Mentor Holding Corporation	Delaware	100.0
a. Mentor Excess and Surplus Lines Insurance Company	Delaware	100.0
b. Mentor Insurance and Reinsurance Company	Louisiana	100.0
c. Mentor Insurance Limited	Bermuda	99.993
(1) Mentor Insurance Company (U.K.) Limited	England	100.0
(2) Mentor Underwriting Agents (U.K.) Limited	England	100.0
5. Murphy Bangladesh Oil Company	Delaware	100.0
6. Murphy Brazil Exploracao e Producao de Petroleo e Gas Ltda. (see company E14a below)	Brazil	90.0
7. Murphy Building Corporation	Delaware	100.0
8. Murphy Central Asia Oil Co., Ltd.	Bahamas	100.0
9. Murphy Denmark Oil Company	Delaware	100.0
10. Murphy Ecuador Oil Company Ltd.	Bermuda	100.0
11. Murphy Exploration (Alaska), Inc.	Delaware	100.0
12. Murphy Faroes Oil Co., Ltd.	Bahamas	100.0
13. Murphy Italy Oil Company	Delaware	100.0
14. Murphy Overseas Ventures Inc.	Delaware	100.0
a. Murphy Brazil Exploracao e Producao de Petroleo e Gas Ltda. (see company E6 above)	Brazil	10.0
15. Murphy Pakistan Oil Company	Delaware	100.0
16. Murphy Sabah Oil Co., Ltd.	Bahamas	100.0
17. Murphy Sarawak Oil Co., Ltd.	Bahamas	100.0
18. Murphy Somali Oil Company	Delaware	100.0
19. Murphy South Asia Oil Co., Ltd.	Bahamas	100.0
20. Murphy South Atlantic Oil Company	Delaware	100.0
21. Murphy-Spain Oil Company	Delaware	100.0
22. Murphy Venezuela Oil Company, S.A.	Panama	100.0
23. Murphy Western Oil Company	Delaware	100.0
24. Ocean Exploration Company	Delaware	100.0
25. Ocean International Finance Corporation	Delaware	100.0
26. Odeco Drilling (UK) Limited	England	100.0
27. Odeco International Corporation	Panama	100.0
28. Odeco Italy Oil Company	Delaware	100.0
29. Sub Sea Offshore (M) Sdn. Bhd.	Malaysia	60.0

## EXHIBIT 21 (Contd.)

## MURPHY OIL CORPORATION

## SUBSIDIARIES OF THE REGISTRANT AS OF DECEMBER 31, 2000 (Contd.)

Name of Company	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
Murphy Oil Corporation (REGISTRANT) - Contd.		
F. Murphy Oil Company Ltd.	Canada	100.0
1. Murphy Atlantic Offshore Finance Company Ltd.	Canada	100.0
2. Murphy Atlantic Offshore Oil Company Ltd.	Canada	100.0
3. Murphy Canada Exploration Company	NSULCo.*	100.0
a. 3504131 Canada Ltd.	Canada	100.0
b. Beau (U.S.) Exploration Inc.	Delaware	100.0
(1) Beau Canada NGL (U.S.) I	Delaware	100.0
(2) Beau Canada NGL (U.S.) II	Delaware	100.0
(3) Beau Canada Pipeline (U.S.) I	Delaware	100.0
(4) Beau Canada Pipeline (U.S.) II	Delaware	100.0
c. Belmoral Marketing Corporation	Canada	100.0
d. Environmental Technologies Inc.	Canada	52.0
(1) Eastern Canadian Coal Gas Venture Ltd.	Canada	100.0
4. Murphy Finance Company	NSULCo.*	100.0
5. Spur Refined Products Ltd.	Canada	100.0
G. Murphy Oil USA, Inc.	Delaware	100.0
1. 864 Beverage, Inc.	Texas	100.0
2. Arkansas Oil Company	Delaware	100.0
3. Murphy Gas Gathering Inc.	Delaware	100.0
4. Murphy Latin America Refining & Marketing, Inc.	Delaware	100.0
5. Murphy LOOP, Inc.	Delaware	100.0
6. Murphy Oil Trading Company (Eastern)	Delaware	100.0
7. Spur Oil Corporation	Delaware	100.0
8. Superior Crude Trading Company	Delaware	100.0
H. Murphy Realty Inc.	Delaware	100.0
I. Murphy Ventures Corporation	Delaware	100.0
J. New Murphy Oil (UK) Corporation	Delaware	100.0
1. Murphy Petroleum Limited	England	100.0
a. Alnery No. 166 Ltd.	England	100.0
b. H. Hartley (Doncaster) Ltd.	England	100.0
c. Murco Petroleum Limited	England	100.0
(1) European Petroleum Distributors Ltd.	England	100.0
(2) Murco Petroleum (Ireland) Ltd.	Ireland	100.0

\*Denotes Nova Scotia Unlimited Liability Company.

INDEPENDENT AUDITORS' CONSENT  
-----

The Board of Directors  
Murphy Oil Corporation:

We consent to incorporation by reference in the Registration Statements (Nos. 2-82818, 2-86749, 2-86760, 333-27407, and 333-43030) on Form S-8 and (Nos. 33-55161 and 333-84547) on Form S-3 of Murphy Oil Corporation of our report dated January 26, 2001, relating to the consolidated balance sheets of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000, which report appears in the December 31, 2000, annual report on Form 10-K of Murphy Oil Corporation.

Our report refers to a change in the method of accounting for crude oil inventories.

KPMG LLP

Shreveport, Louisiana  
March 22, 2001

Ex. 23-1



## UNDERTAKINGS

To be incorporated by reference into Form S-8 Registration Statement Nos. 2-82818, 2-86749, 2-86760, 333-27407, and 333-43030, and Form S-3 Registration Statement Nos. 33-55161 and 333-84547.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes:

(1) To deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of

such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

(2) To transmit or cause to be transmitted to all employees participating in the plan who do not otherwise receive such material as stockholders of the registrant, at the time and in the manner such material is sent to its stockholders, copies of all reports, proxy statements and other communications distributed to its stockholders generally.

Where interests in a plan are registered herewith, the undersigned registrant and plan hereby undertake to transmit or cause to be transmitted promptly, without charge, to any participant in the plan who makes a written request, a copy of the then latest annual report of the plan filed pursuant to section 15(d) of the Securities Exchange Act of 1934 (Form 11-K). If such report is filed separately on Form 11-K, such form shall be delivered upon written request. If such report is filed as a part of the registrant's annual report on Form 10-K, that entire report (excluding exhibits) shall be delivered upon written request. If such report is filed as a part of the registrant's annual report to stockholders delivered pursuant to paragraph (1) or (2) of this undertaking, additional delivery shall not be required.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.