

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2003

OR

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

For the transition period from _____ to _____

Commission File Number 1-8590

MURPHY OIL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

71-0361522
(I.R.S. Employer
Identification Number)

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

71731-7000
(Zip Code)

(870) 862-6411

(Registrant's telephone number, including area code)

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of Common Stock, \$1.00 par value, outstanding at March 31, 2003 was **91,786,970**.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 216,889	164,957
Accounts receivable, less allowance for doubtful accounts of \$10,070 in 2003 and \$9,307 in 2002	471,375	408,782
Inventories, at lower of cost or market		
Crude oil and blend stocks	42,481	41,961
Finished products	103,962	94,158
Materials and supplies	69,772	65,225
Prepaid expenses	45,264	59,962
Deferred income taxes	17,609	19,115
Total current assets	967,352	854,160
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of \$3,476,618 in 2003 and \$3,361,726 in 2002	3,131,818	2,886,599
Goodwill, net	54,593	51,037

Deferred charges and other assets	90,561	93,979
Total assets	\$ 4,244,324	3,885,775
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 58,939	57,104
Accounts payable and accrued liabilities	693,662	599,229
Income taxes	72,658	61,559
Total current liabilities	825,259	717,892
Notes payable	830,350	788,554
Nonrecourse debt of a subsidiary	65,147	74,254
Deferred income taxes	338,894	327,771
Asset retirement obligations	259,198	160,543
Accrued major repair costs	57,074	52,980
Deferred credits and other liabilities	154,031	170,228
Stockholders' equity		
Cumulative Preferred Stock, par \$100, authorized 400,000 shares, none issued	—	—
Common Stock, par \$1.00, authorized 200,000,000 shares, issued 94,613,379 shares	94,613	94,613
Capital in excess of par value	503,791	504,983
Retained earnings	1,205,936	1,137,177
Accumulated other comprehensive loss	(16,088)	(66,790)
Treasury stock, 2,826,409 shares of Common Stock in 2003 and 2,923,925 shares in 2002, at cost	(73,881)	(76,430)
Total stockholders' equity	1,714,371	1,593,553
Total liabilities and stockholders' equity	\$ 4,244,324	3,885,775

See Notes to Consolidated Financial Statements, page 5.

The Exhibit Index is on page 22.

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

	Three Months Ended March 31,	
	2003	2002*
REVENUES		
Sales and other operating revenues	\$ 1,321,314	748,470
Gain on sale of assets	24	5,736
Interest and other income	975	1,003
Total revenues	1,322,313	755,209
COSTS AND EXPENSES		
Crude oil and product purchases	904,693	484,321
Operating expenses	154,013	128,362
Exploration expenses, including undeveloped lease amortization	24,150	42,021
Selling and general expenses	30,822	22,362
Depreciation, depletion and amortization	75,805	69,706
Accretion on discounted liabilities	3,115	—
Interest expense	13,961	9,542
Interest capitalized	(9,536)	(4,817)
Total costs and expenses	1,197,023	751,497
Income from continuing operations before income taxes	125,290	3,712
Income tax expense	31,185	1,381
Income from continuing operations	94,105	2,331
Discontinued operations, net of tax	—	203
Cumulative effect of change in accounting principle, net of tax	(6,993)	—
NET INCOME	\$ 87,112	2,534

INCOME (LOSS) PER COMMON SHARE – BASIC		
Income from continuing operations	\$ 1.03	.03
Discontinued operations	—	—
Cumulative effect of change in accounting principle	(.08)	—
NET INCOME – BASIC	\$.95	.03
INCOME (LOSS) PER COMMON SHARE – DILUTED		
Income from continuing operations	\$ 1.02	.03
Discontinued operations	—	—
Cumulative effect of change in accounting principle	(.08)	—
NET INCOME – DILUTED	\$.94	.03
Average common shares outstanding – basic	91,738,379	91,017,906
Average common shares outstanding – diluted	92,349,666	91,806,092

*Reclassified to conform to 2003 presentation.

See Notes to Consolidated Financial Statements, page 5.

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Murphy Oil Corporation and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)
(Thousands of dollars)

	Three Months Ended March 31,	
	2003	2002
Net income	\$ 87,112	2,534
Other comprehensive income (loss), net of tax		
Cash flow hedges		
Net derivative gains (losses)	(19,687)	2,947
Reclassification adjustments	18,449	(3,323)
Total cash flow hedges	(1,238)	(376)
Net gain (loss) from foreign currency translation	52,647	(4,996)
Minimum pension liability adjustment	(707)	—
COMPREHENSIVE INCOME (LOSS)	\$137,814	(2,838)

See Notes to Consolidated Financial Statements, page 5.

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

	Three Months Ended March 31,	
	2003	2002
OPERATING ACTIVITIES		
Income from continuing operations	\$ 94,105	2,331
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Depreciation, depletion and amortization	75,805	69,706
Provisions for major repairs	6,410	4,579
Expenditures for major repairs and asset retirement obligations	(3,780)	(2,104)
Dry holes	7,114	23,112
Amortization of undeveloped leases	6,332	6,062
Accretion on discounted liabilities	3,115	—
Deferred and noncurrent income tax benefits	(14,898)	(264)
Pretax gains from disposition of assets	(24)	(5,736)
Net (increase) decrease in operating working capital other than cash and cash equivalents	44,272	(66,189)
Other	(5,905)	32
Net cash provided by continuing operations	212,546	31,529
Net cash provided by discontinued operations	—	1,186
Net cash provided by operating activities	212,546	32,715

INVESTING ACTIVITIES

Property additions and dry holes	(183,281)	(204,613)
Proceeds from the sale of assets	8,006	27,877
Other – net	30	(145)
Investing activities of discontinued operations	—	(247)
	<u> </u>	<u> </u>
Net cash required by investing activities	(175,245)	(177,128)
	<u> </u>	<u> </u>

FINANCING ACTIVITIES

Increase in notes payable	42,024	156,992
Decrease in nonrecourse debt of a subsidiary	(9,056)	(4,051)
Proceeds from exercise of stock options and employee stock purchase plans	943	18,058
Cash dividends paid	(18,353)	(17,057)
Other	(72)	—
	<u> </u>	<u> </u>
Net cash provided by financing activities	15,486	153,942
	<u> </u>	<u> </u>

Effect of exchange rate changes on cash and cash equivalents	(855)	(1,052)
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Net increase in cash and cash equivalents	51,932	8,477
Cash and cash equivalents at January 1	164,957	82,652
	<u> </u>	<u> </u>

Cash and cash equivalents at March 31	\$ 216,889	91,129
	<u> </u>	<u> </u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES

Cash income taxes paid	\$ 33,993	8,262
Interest capitalized in excess of amounts paid	(6,357)	(87)

See Notes to Consolidated Financial Statements, page 5.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of the financial statements of Murphy Oil Corporation and Consolidated Subsidiaries (Murphy/the Company) on pages 1 through 4 of this Form 10-Q report.

Note A – Interim Financial Statements

The consolidated financial statements of the Company presented herein have not been audited by independent auditors, except for the Consolidated Balance Sheet at December 31, 2002. In the opinion of Murphy's management, the unaudited financial statements presented herein include all accruals necessary to present fairly the Company's financial position at March 31, 2003, and the results of operations and cash flows for the three-month periods ended March 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States.

Financial statements and notes to consolidated financial statements included in this Form 10-Q report should be read in conjunction with the Company's 2002 Form 10-K report, as certain notes and other pertinent information have been abbreviated or omitted in this report. Financial results for the three months ended March 31, 2003 are not necessarily indicative of future results.

Note B – New Accounting Principles

The Company adopted Emerging Issues Task Force (EITF) Topic 02-3 in the fourth quarter of 2002. Based on Topic 02-3, Murphy has reflected the results of its crude oil trading activities as net revenue in its income statement, and previously reported revenues and cost of sales in the three-month period ended March 31, 2002 have been reduced by equal and offsetting amounts, with no changes to net income or cash flows. The effect of this reclassification was a net reduction of both net sales and cost of crude oil and product purchases by approximately \$63 million in the 2002 period.

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, which requires the Company to record a liability equal to the fair value of the estimated cost to retire an asset. The asset retirement liability is recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed in service. When the liability is initially recorded, the Company will increase the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related long-lived asset. Any difference between costs incurred upon settlement of an asset retirement obligation and the recorded liability will be recognized as a gain or loss in the Company's earnings. The asset retirement obligation is based on a number of assumptions requiring professional judgment. The Company cannot predict the type of revisions to these assumptions that will be required in future periods due to the availability of additional information, including prices for oil field services, technological changes, governmental requirements and other factors. Upon adoption of SFAS No. 143, the Company recorded a charge of \$7 million, net of \$1.4 million in income taxes, as the cumulative effect of a change in accounting principle. The noncash transition adjustment increased property, plant and equipment, accumulated depreciation, and asset retirement obligations by \$142.9 million, \$58.8 million, and \$92.5 million, respectively.

The majority of the asset retirement obligation (ARO) recognized by the Company at March 31, 2003 relates to the estimated costs to dismantle and abandon its investment in producing oil and gas properties and related equipment. A portion of the transition adjustment and ARO relates to its investment in retail gasoline stations. The Company did not record a retirement obligation for certain of its refining and marketing assets because sufficient information is presently not available to estimate a range of potential settlement dates for the obligation. In these cases, the obligation will be initially recognized in the period in which sufficient information exists to estimate the obligation.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligations is shown in the following table.

(Thousands of dollars)	
December 31, 2002	\$160,543
Transition adjustment	92,500

Accretion expense	3,115
Liabilities settled	(1,353)
Changes due to translation of foreign currencies	4,393
	<hr/>
March 31, 2003	<u>\$259,198</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note B – New Accounting Principles (Contd.)

The pro forma asset retirement obligations as of January 1, 2002 and March 31, 2002 were \$220 million and \$223.2 million, respectively. Pro forma net income for the period ended March 31, 2002, assuming SFAS No. 143 had been applied retroactively, is shown in the following table.

	2002
(Thousands of dollars except per share data)	
Net income – As reported	\$2,534
Pro forma	3,164
Net income per share – As reported, basic	\$.03
Pro forma, basic	.03
As reported, diluted	.03
Pro forma, diluted	.03

On January 1, 2003, the Company adopted SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections, and SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit the classification of the gain or loss as extraordinary and also amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue 94-3, Liability Recognition for certain Employee Termination Benefits and Other Costs to Exit an Activity. The adoption of these two accounting standards did not have a material effect on the Company's financial statements.

Additionally, in the first quarter of 2003, the Company has applied FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an Interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34, and FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. Interpretation No. 45 elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under guarantees issued and requires a guarantor to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. Interpretation No. 46 addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The application of these two FASB Interpretations did not have a material effect on the Company's financial statements.

Note C – Discontinued Operations

In December 2002, the Company sold its investment in Ship Shoal Block 113 in the Gulf of Mexico. Operations for the field in the first three months of 2002 have been reported as Discontinued Operations in the Consolidated Statements of Income. Revenues and pretax earnings from the field in the first quarter of 2002 were \$2.9 million and \$.3 million, respectively.

Note D – Environmental Contingencies

In addition to being subject to numerous laws and regulations intended to protect the environment and/or impose remedial obligations, the Company is also involved in personal injury and property damage claims, allegedly caused by exposure to or by the release or disposal of materials manufactured or used in the Company's operations. The Company operates or has previously operated certain sites and facilities, including three refineries, 11 terminals, and approximately 80 service stations for which known or potential obligations for environmental remediation exist. In addition the Company operates or has operated numerous oil and gas fields that may require some form of remediation, which is generally provided for by the Company's asset retirement obligation.

The Company's liability for remedial obligations includes certain amounts that are based on anticipated regulatory approval for proposed remediation of former refinery waste sites. If regulatory authorities require more costly alternatives than the proposed processes, future expenditures could exceed the accrued liability by up to an estimated \$3 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note D – Environmental Contingencies (Contd.)

The Company has received notices from the U.S. Environmental Protection Agency (EPA) that it is currently considered a Potentially Responsible Party (PRP) at two Superfund sites. The potential total cost to all parties to perform necessary remedial work at these sites may be substantial. At one site the Company paid \$6,500 to obtain release from further obligations. The Company's insurance carrier has agreed to reimburse the \$6,500. Based on currently available information, the Company believes that it is a *de minimus* party as to ultimate responsibility at the other Superfund site. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at the one remaining site or other Superfund sites. The Company does not believe that the ultimate costs to clean-up the two Superfund sites will have a material adverse effect on its net income or cash flows in a future period.

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

Note E – Other Contingencies

The Company's operations and earnings have been and may be affected by various forms of governmental action both in the United States and throughout the world. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; import and export controls; price controls; currency controls; allocation of supplies of crude oil and petroleum products and other goods;

expropriation of property; restrictions and preferences affecting the issuance of oil and gas or mineral leases; restrictions on drilling and/or production; laws and regulations intended for the promotion of safety and the protection and/or remediation of the environment; governmental support for other forms of energy; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, stockholders and others. Because governmental actions are often motivated by political considerations and may be taken without full consideration of their consequences or in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form the actions may take or the effect such actions may have on the Company.

In December 2000, two of the Company's Canadian subsidiaries, Murphy Oil Company Ltd. (MOCL) and Murphy Canada Exploration Company (MCEC) as plaintiffs filed an action in the Court of Queen's Bench of Alberta seeking a constructive trust over oil and gas leasehold rights to Crown lands in British Columbia. The suit alleges that the defendants, the Predator Corporation Ltd. and Predator Energies Partnership (collectively Predator) and Ricks Nova Scotia Co. (Ricks), acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its partner. In January 2001, Ricks, representing an undivided 75% interest in the lands in question, settled its portion of the litigation by conveying its interest to the Company and its partner at cost. In 2001, Predator, representing the remaining undivided 25% of the lands in question, filed a counterclaim, as subsequently amended, against MOCL and MCEC and MOCL's president individually seeking compensatory damages of C\$4.61 billion. The Company believes that the counterclaim is without merit and that the amount of damages sought is frivolous. While the litigation is in its preliminary stages and no assurance can be given about the outcome, the Company does not believe that the ultimate resolution of this suit will have a material adverse effect on its financial condition.

On March 5, 2002, two of the Company's subsidiaries filed suit against Enron Canada Corp. (Enron) to collect approximately \$2.1 million owed to Murphy under canceled gas sales contracts. On May 1, 2002, Enron counterclaimed for approximately \$19.8 million allegedly owed by Murphy under those same agreements. Although the lawsuit in the Court of Queen's Bench, Alberta, is in its early stages and no assurance can be given, the Company does not believe that the Enron counterclaim is meritorious and does not believe that the ultimate resolution of this matter 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. Based on information currently available to the Company, the ultimate resolution of environmental and legal matters referred to in this note is not expected to have a material adverse effect on the Company's earnings or financial condition in a future period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note E – Other Contingencies (Contd.)

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 March 31, 2003, the Company had contingent liabilities of \$12.7 million under a financial guarantee and \$44.5 million on outstanding letters of credit. The Company has not accrued a liability in its balance sheet related to these letters of credit because it is believed that the likelihood of having these drawn is remote.

Note F – Earnings per Share and Stock Options

Net income was used as the numerator in computing both basic and diluted income per Common share for the three months ended March 31, 2003 and 2002. The following table reconciles the weighted-average shares outstanding used for these computations.

	Three Months Ended March 31	
	2003	2002
	(Weighted-average shares)	
Basic method	91,738,379	91,017,906
Dilutive stock options	611,287	788,186
Diluted method	92,349,666	91,806,092

There were no antidilutive options for the periods ended March 31, 2003 or 2002.

The Company accounts for its stock options using the intrinsic-value based method of accounting as prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under this method, compensation expense is not recorded for stock options since all option prices have been equal to or greater than the fair market value of the Company's stock on the date of grant. The Company would record compensation expense for any stock options deemed to be variable in nature. The Company accrues compensation expense for restricted stock awards and adjusts such costs for changes in the fair market value of Common Stock. SFAS No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair-value based method for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value based method prescribed by APB No. 25 and has adopted only the disclosure requirements of SFAS No. 123. Had the Company recorded compensation expense for stock options as prescribed by SFAS No. 123, net income and earnings per share for the three-month periods ended March 31, 2003 and 2002, would be the pro forma amounts shown in the following table.

	2003	2002
(Thousands of dollars except per share data)		
Net income – As reported	\$87,112	2,534
Pro forma	86,045	1,401
Net income per share – As reported, basic	\$.95	.03
Pro forma, basic	.94	.02
As reported, diluted	.94	.03
Pro forma, diluted	.92	.02

Note G – Financial Instruments and Risk Management

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

- *Interest Rate Risks* – Murphy has variable-rate debt obligations that expose the Company to the effects of changes in interest rates. To partially reduce its exposure to interest rate risk, Murphy has interest rate swap agreements with notional amounts totaling \$50 million at March 31, 2003 to hedge fluctuations in cash flows of a similar amount of variable rate debt. The swaps mature in 2004. Under the interest rate swaps, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)**Note G – Financial Instruments and Risk Management (Contd.)**

Company pays fixed rates averaging 6.17% over their composite lives and receives variable rates which averaged 1.32% at March 31, 2003. The variable rate received by the Company under each contract is repriced quarterly. The Company has a risk management control system to monitor interest rate cash flow risk attributable to the Company's outstanding and forecasted debt obligations as well as the offsetting interest rate swaps. The control system involves using analytical techniques, including cash flow sensitivity analysis, to estimate the impact of interest rate changes on future cash flows. The fair value of the effective portions of the interest rate swaps and changes thereto is deferred in Accumulated Other Comprehensive Loss (AOCL) and is subsequently reclassified into Interest Expense in the periods in which the hedged interest payments on the variable-rate debt affect earnings. For the periods ended March 31, 2003 and 2002, the income effect from cash flow hedging ineffectiveness of interest rates was insignificant. The fair value of the interest rate swaps are estimated using projected Federal funds rates, Canadian overnight funding rates and LIBOR forward curve rates obtained from published indices and counterparties. The estimated fair value approximates the values based on quotes from each of the counterparties.

- *Natural Gas Fuel Price Risks* – The Company purchases natural gas as fuel at its Meraux, Louisiana refinery, and as such, is subject to commodity price risk related to the purchase price of this gas. Murphy has hedged the cash flow risk associated with the cost of a portion of the natural gas it will purchase in 2004 through 2006 by entering into natural gas swap contracts with a total notional volume of 9.2 million British Thermal Units (MMBTU). Under the natural gas swaps, the Company pays a fixed rate averaging \$2.78 per MMBTU and receives a floating rate in each month of settlement based on the average NYMEX price for the final three trading days of the month. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas requirements and to Murphy's natural gas swaps. The control system involves using analytical techniques, including various correlations of natural gas purchase prices to future prices, to estimate the impact of changes in natural gas fuel prices on Murphy's cash flows. The fair value of the effective portions of the natural gas swaps and changes thereto is deferred in AOCL and is subsequently reclassified into Crude Oil and Product Purchases in the income statements in the periods in which the hedged natural gas fuel purchases affect earnings. For the periods ended March 31, 2003 and 2002, the income effect from cash flow hedging ineffectiveness for these contracts was insignificant.
- *Natural Gas Sales Price Risks* – The sales price of natural gas produced by the Company is subject to commodity price risk. Murphy has hedged the cash flow risk associated with the sales price for a portion of the natural gas it will produce in the United States and Canada during 2003 by entering into financial contracts known as natural gas swaps and collars. The swaps cover a combined notional volume averaging 24,200 MMBTU equivalents per day and require Murphy to pay the average relevant index (NYMEX or AECO "C") price for each month and receive an average price of \$3.76 per MMBTU equivalent. The natural gas collars are for a combined notional volume averaging 26,700 MMBTU equivalents per day and based upon the relevant index prices provide Murphy with an average floor price of \$3.24 per MMBTU and an average ceiling price of \$4.64 per MMBTU. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas sales prices and to Murphy's hedging instruments. The control system involves using analytical techniques, including various correlations of natural gas sales prices to futures prices, to estimate the impact of changes in natural gas prices on Murphy's cash flows from the sale of natural gas.

The fair values of the effective portions of the natural gas swaps and collars and changes thereto are deferred in AOCL and are subsequently reclassified into Sales and Other Operating Revenues in the income statement in the periods in which the hedged natural gas sales affect earnings. For the periods ended March 31, 2003 and 2002, Murphy's earnings were not significantly affected by cash flow hedging ineffectiveness.

During the three-month period ended March 31, 2003, the Company paid approximately \$7 million for settlement of natural gas swap and collar agreements in the U.S. and Canada, and during the same period in 2002, received approximately \$1.4 million.

The fair value of the natural gas fuel swaps and the natural gas sales swaps and collars are both based on the average fixed price of the instruments and the published NYMEX and AECO "C" index futures price or natural gas price quotes from counterparties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)**Note G – Financial Instruments and Risk Management (Contd.)**

- *Crude Oil Sales Price Risks* – The sales price of crude oil produced by the Company is subject to commodity price risk. Murphy has hedged the cash flow risk associated with the sales price for a portion of the crude oil it will produce in the United States and Canada during 2003 by entering into financial contracts known as crude oil swaps. A portion of the swaps cover a notional volume of 22,000 barrels per day of light oil and require Murphy to pay the average of the closing settlement price on the NYMEX for the Nearby Light Crude Futures Contract for each month and receive an average price of \$25.30 per barrel. Additionally, there are heavy oil swaps with a notional volume of 10,000 barrels per day (which equates to approximately 7,700 barrels per day of the Company's heavy oil production) that require Murphy to pay the arithmetic average of the posted price at the Kerrobert and Hardisty terminals in Canada for each month and receive an average price of \$16.74 per barrel. Murphy has a risk management control system to monitor crude oil price risk attributable both to forecasted crude oil sales prices and to Murphy's hedging instruments. The control system involves using analytical techniques, including various correlations of crude oil sales prices to futures prices, to estimate the impact of changes in crude oil prices on Murphy's cash flows from the sale of light and heavy crude oil.

The fair values of the effective portions of the crude oil hedges and changes thereto are deferred in AOCL and are subsequently reclassified into Sales and Other Operating Revenues in the income statement in the periods in which the hedged crude oil sales affect earnings. In the first quarter of 2003, cash flow hedging ineffectiveness relating to the crude oil sales swaps increased Murphy's after-tax earnings by \$.7 million.

During the three-month period ended March 31, 2003 the Company paid approximately \$24.9 million for settlement of maturing swaps.

The fair value of the crude oil sales swaps are based on the average fixed price of the instruments and the published NYMEX index futures price or crude oil price quotes from counterparties.

- **Crude Oil Purchase Price Risks** – Each month, the Company purchases crude oil as the primary feedstock for its U.S. refineries. Prior to April 2000, the Company was a party to crude oil swap agreements that limited the exposure of its U.S. refineries to the risks of fluctuations in cash flows resulting from changes in the prices of crude oil purchases in 2001 and 2002. Under each swap, Murphy would have paid a fixed crude oil price and would have received a floating price during the agreement's contractual maturity period. In April 2000, the Company settled certain of the swaps and entered into offsetting contracts for the remaining swap agreements, locking in a total pretax gain of \$7.7 million. The fair values of these settlement gains were recorded in AOCL at January 1, 2001 associated with adoption of SFAS No. 133 as part of the transition adjustment and were recognized as a reduction of costs of crude oil purchases in the period the forecasted transactions occurred. Pretax gains of \$3.6 million were reclassified from AOCL into earnings during the three-month period ended March 31, 2002.

During the next twelve months, the Company expects to reclassify approximately \$11 million in net after-tax losses from AOCL into earnings as the forecasted transactions covered by hedging instruments actually occur. All forecasted transactions currently being hedged are expected to occur by December 2006.

Note H – Accumulated Other Comprehensive Loss

The components of Accumulated Other Comprehensive Loss on the Consolidated Balance Sheets at March 31, 2003 and December 31, 2002 are presented in the following table.

	March 31, 2003	December 31, 2002
	(Millions of dollars)	
Foreign currency translation	\$ (4.3)	(56.9)
Cash flow hedging, net	(9.7)	(8.5)
Minimum pension liability, net	(2.1)	(1.4)
Accumulated other comprehensive loss	<u>\$ (16.1)</u>	<u>(66.8)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note H – Accumulated Other Comprehensive Loss (Contd.)

The effect of SFAS Nos. 133/138, Accounting for Derivative Instruments and Hedging Activities, decreased AOCL for the three months ended March 31, 2003 by \$1.2 million, net of \$1.3 million in income taxes, and hedging ineffectiveness increased net income by \$.6 million, net of \$.5 million in income taxes. For the 2003 period losses of \$18.4 million, net of \$12.9 million in taxes, were reclassified from AOCL to earnings. During the three-month period ended March 31, 2002, AOCL decreased \$.4 million, net of \$.1 million in income taxes, and hedging ineffectiveness increased net income by \$.1 million net of tax. Gains of \$3.3 million, net of \$1.8 million in taxes, were reclassified from AOCL to earnings in the 2002 period.

Note I – Business Segments

	Total Assets at March 31, 2003	Three Mos. Ended March 31, 2003			Three Mos. Ended March 31, 2002		
		External Revenues	Interseg. Revenues	Income (Loss)	External Revenues	Interseg. Revenues	Income (Loss)
(Millions of dollars)							
Exploration and production*							
United States	\$ 702.7	50.7	—	12.8	30.0	.1	(2.8)
Canada	1,394.8	168.6	13.0	55.9	101.9	18.7	17.8
United Kingdom	244.9	58.2	—	19.1	45.5	—	13.2
Ecuador	97.1	11.3	—	5.5	5.6	—	.8
Malaysia	140.5	—	—	(5.5)	—	—	(8.0)
Other	17.3	.7	—	(.9)	.6	—	(.5)
Total	<u>2,597.3</u>	<u>289.5</u>	<u>13.0</u>	<u>86.9</u>	<u>183.6</u>	<u>18.8</u>	<u>20.5</u>
Refining and marketing							
North America	1,086.4	909.5	—	(6.4)	489.9	—	(11.5)
United Kingdom	229.8	122.3	—	2.9	80.7	—	(2.2)
Total	<u>1,316.2</u>	<u>1,031.8</u>	<u>—</u>	<u>(3.5)</u>	<u>570.6</u>	<u>—</u>	<u>(13.7)</u>
Total operating segments	<u>3,913.5</u>	<u>1,321.3</u>	<u>13.0</u>	<u>83.4</u>	<u>754.2</u>	<u>18.8</u>	<u>6.8</u>
Corporate and other	330.8	1.0	—	10.7	1.0	—	(4.5)
Total from continuing operations	<u>\$ 4,244.3</u>	<u>1,322.3</u>	<u>13.0</u>	<u>94.1</u>	<u>755.2</u>	<u>18.8</u>	<u>2.3</u>

* Additional details about results of oil and gas operations are presented in the tables on page 18.

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

Results of Operations

Murphy's net income in the first quarter of 2003 totaled \$87.1 million, \$.94 a diluted share, compared to net income of \$2.5 million, \$.03 a diluted share, in the first quarter a year ago. The 2003 period included a \$20.1 million gain related to resolution of prior years' income tax matters.

Additionally, upon adoption of Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, effective January 1, 2003, the Company recorded a charge of \$7 million, \$.08 per share, as the cumulative effect of a change in accounting principle.

In the first quarter of 2003, the Company's exploration and production operations earned \$86.9 million compared to continuing operating results of \$20.5 million in the same quarter of 2002. Higher sales prices for crude oil and natural gas and lower exploration expenses in Canada and Malaysia were the primary reasons for improved earnings. The Company's refining and marketing operations incurred a loss of \$3.5 million in the 2003 first quarter compared to a \$13.7 million loss in the 2002 quarter. The loss in the Company's North American operations were approximately one-half of the loss in the first quarter of 2002, with the primary improvement coming from stronger retail marketing margins.

Exploration and Production

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

	Income (Loss)	
	Three Months Ended March 31,	
	2003	2002
	(Millions of dollars)	
Exploration and production		
United States	\$ 12.8	(2.8)
Canada	55.9	17.8
United Kingdom	19.1	13.2
Ecuador	5.5	.8
Malaysia	(5.5)	(8.0)
Other International	(.9)	(.5)
	<u>\$ 86.9</u>	<u>20.5</u>

Exploration and production operations in the United States reported earnings of \$12.8 million in the first quarter 2003 compared to a loss of \$2.8 million in the 2002 quarter. This increase was primarily due to higher natural gas and oil sales prices. Sales of natural gas averaged 78 million cubic feet a day, down from 98 million in the first quarter of 2002 due to lower production in the Gulf of Mexico. U.S. production expenses were down \$4.6 million, primarily because of lower well workover costs in the 2003 period.

Operations in Canada earned \$55.9 million this quarter compared to \$17.8 million a year ago due to record oil production, higher average oil and natural gas sales prices and lower exploration expenses. Oil and gas liquids sales in Canada averaged 51,871 barrels a day, an increase of 11% over the prior year, primarily because of higher production at the Terra Nova field in 2003. Canadian natural gas sales averaged 139 million cubic feet a day in the current quarter, down 31%, with the decrease primarily attributable to lower production from the Ladyfern field. Canadian production expenses in the 2003 quarter were virtually unchanged at \$37 million, primarily because of lower natural gas production partially offset by higher costs of synthetic oil operations. Exploration expenses were \$14.4 million lower than in the 2002 quarter primarily because of lower dry hole costs and less geological and geophysical spending.

U.K. operations earned \$19.1 million in the current quarter, up from \$13.2 million in the prior year. Higher sales prices for crude oil in 2003 were partially offset by lower sales volumes of oil and gas liquids.

Operations in Ecuador earned \$5.5 million in the first quarter of 2003 compared to \$.8 million a year ago, while Malaysia and other international operations reported losses of \$5.5 million and \$.9 million, respectively, compared to losses of \$8 million and \$.5 million in 2002. The increase in earnings in Ecuador was primarily the result of increased sales prices. The lower loss in Malaysia in the current period was primarily due to decreased dry hole costs partially offset by increased geological and geophysical expenses primarily associated with the Company's contract in peninsular Malaysia.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd.)

Results of Operations (Contd.)

Exploration and Production (Contd.)

On a worldwide basis, the Company's crude oil and condensate sales prices averaged \$26.87 a barrel in the current quarter, an increase of 36% from the average of \$19.76 in the 2002 period. Average crude oil and liquids production was 74,984 barrels a day, up 1% over last year, but average sales volumes decreased 2% to 78,299 barrels a day due to the timing of liftings. Total natural gas sales volumes averaged 228 million cubic feet a day in 2003, down 26% from the 2002 period. The tables on page 18 provide additional details of the results of exploration and production operations for the first quarter of each year. Selected operating statistics for the three-month periods ended March 31, 2003 and 2002 follow.

	Three Months Ended March 31,	
	2003	2002
Net crude oil, condensate and gas liquids produced—barrels per day	74,984	74,292
Continuing operations	74,984	73,130
United States	3,319	5,023
Canada—light	3,434	4,069
—heavy	9,287	9,722
—offshore	27,792	19,759
—synthetic	9,343	11,342
United Kingdom	18,439	19,031
Ecuador	3,370	4,184
Discontinued operations	—	1,162
Net crude oil, condensate and gas liquids sold—barrels per day	78,299	80,208
Continuing operations	78,299	79,046

United States	3,319	5,023
Canada—light	3,434	4,069
—heavy	9,287	9,722
—offshore	29,807	21,436
—synthetic	9,343	11,342
United Kingdom	18,618	23,247
Ecuador	4,491	4,207
Discontinued operations	—	1,162
Net natural gas sold—thousands of cubic feet per day	228,164	309,290
Continuing operations	228,164	305,737
United States	77,958	97,741
Canada	138,570	199,486
United Kingdom	11,636	8,510
Discontinued operations	—	3,553
Total net hydrocarbons produced—equivalent barrels per day (1)	113,011	125,840
Total net hydrocarbons sold—equivalent barrels per day (1)	116,326	131,756
Weighted average sales prices		
Crude oil and condensate—dollars a barrel (2)		
United States	\$ 24.78(4)	19.94
Canada (3)—light	29.69	17.86
—heavy	12.65(4)	13.39
—offshore	28.12(4)	21.95
—synthetic	25.63(4)	21.23
United Kingdom	32.46	20.73
Ecuador	27.88	14.84
Natural gas—dollars a thousand cubic feet		
United States (2)	\$ 6.30(4)	2.60
Canada (3)	5.20(4)	2.12
United Kingdom (3)	3.51	2.96

- (1) Natural gas converted on an energy equivalent basis of 6:1
(2) Includes intracompany transfers at market prices.
(3) U.S. dollar equivalent.
(4) Includes the effects of the Company's 2003 hedging program.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd.)

Results of Operations (Contd.)

Refining and Marketing

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

	Income (Loss)	
	Three Months Ended March 31,	
	2003	2002
	(Millions of dollars)	
Refining and marketing		
North America	\$ (6.4)	(11.5)
United Kingdom	2.9	(2.2)
Total	\$ (3.5)	(13.7)

Refining and marketing operations in North America reported a loss of \$6.4 million during the first quarter of 2003 compared to a loss of \$11.5 million a year ago. The Company's U.S. retail marketing margins were improved in the current quarter compared to margins experienced in the first quarter of 2002. The first quarter 2002 results included a net gain of \$3.5 million from sale of the Company's interest in Butte Pipe Line. Operations in the United Kingdom reflected earnings of \$2.9 million in the first quarter of 2003 compared to a loss of \$2.2 million a year ago, with the improvement mostly associated with better refining margins compared to the 2002 period. Worldwide refinery inputs were 160,940 barrels a day in the first quarter of 2003 compared to 154,512 in the 2002 quarter, and petroleum product sales were 228,261 barrels a day, up from 191,318 a year ago.

Selected operating statistics for the three-month periods ended March 31, 2003 and 2002 follow.

	Three Months Ended March 31,	
	2003	2002
Refinery inputs—barrels a day	160,940	154,512
North America	124,778	117,730
United Kingdom	36,162	36,782
Petroleum products sold—barrels a day	228,261	191,318
North America	195,689	157,504

Gasoline	130,489	96,903
Kerosine	7,969	8,448
Diesel and home heating oils	37,687	35,725
Residuals	14,421	13,044
Asphalt, LPG and other	5,123	3,384
United Kingdom	32,572	33,814
Gasoline	10,001	12,848
Kerosine	2,546	2,656
Diesel and home heating oils	13,177	13,856
Residuals	4,506	2,812
LPG and other	2,342	1,642

Corporate and other

Corporate activities, which include interest income and expense and corporate overhead not allocated to operating functions, reflected earnings of \$10.7 million in the current quarter compared to a loss of \$4.5 million in the first quarter of 2002. The 2003 results included a \$20.1 million gain from the resolution of prior years' income tax matters that was partially offset by higher retirement and medical expenses and lower other income tax benefits.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd.)

Financial Condition

Net cash provided by continuing operating activities was \$212.5 million for the first three months of 2003 compared to \$31.5 million during the same period in 2002. Changes in operating working capital other than cash and cash equivalents provided cash of \$44.3 million in the first quarter of 2003, but required cash of \$66.2 million in the 2002 period.

Other predominant uses of cash in both years were for dividends, which totaled \$18.4 million in 2003 and \$17.1 million in 2002 and for capital expenditures, which, including amounts expensed, are summarized in the following table.

	Three Months Ended March 31,	
	2003	2002
	(Millions of dollars)	
Capital Expenditures		
Exploration and production	\$ 143.4	176.9
Refining and marketing	50.4	40.3
Corporate and other	.2	.3
Total capital expenditures	194.0	217.5
Geological, geophysical and other exploration expenses charged to income	(10.7)	(12.9)
Total property additions and dry holes	\$ 183.3	204.6

Working capital at March 31, 2003 was \$142.1 million, up \$5.8 million from December 31, 2002. This level of working capital does not fully reflect the Company's liquidity position, because the lower historical costs assigned to inventories under last-in first-out accounting were \$139.4 million below fair value at March 31, 2003.

At March 31, 2003, long-term notes payable of \$830.4 million were up \$41.8 million from December 31, 2002 due to borrowings to fund certain capital expenditures. Long-term nonrecourse debt of a subsidiary was \$65.1 million, down \$9.1 million from December 31, 2002 due to scheduled repayments. A summary of capital employed at March 31, 2003 and December 31, 2002 follows.

Capital Employed	March 31, 2003		Dec. 31, 2002	
	Amount	%	Amount	%
	(Millions of dollars)			
Notes payable	\$ 830.4	32	\$ 788.6	32
Nonrecourse debt of a subsidiary	65.1	2	74.2	3
Stockholders' equity	1,714.4	66	1,593.6	65
Total capital employed	\$ 2,609.9	100	\$ 2,456.4	100

Accounting and Other Matters

Early in the first quarter of 2003, the Company signed a letter of intent to sell its interest in the Ninian and Columba fields in the U.K. for total proceeds of approximately \$36 million. Additionally, in April 2003 the Company announced it had agreed to sell its interest in various Canadian oil and natural gas properties for consideration of \$35 million. The combined net daily production in 2002 from these properties was slightly over 5,500 barrels of oil equivalent per day. The transactions are expected to close in the second quarter 2003.

As described in Note B on page 5 of this Form 10-Q report, Murphy adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, effective January 1, 2003.

Murphy holds a 20% interest in Block 16 Ecuador, where the Company and its partners produce oil for export. In 2001, the local tax authorities announced that Value Added Taxes (VAT) paid on goods and services related to Block 16 and many oil fields held by other companies will no longer be reimbursed. In response to this announcement, oil producers have filed actions in the Ecuador Tax Court seeking determination that the VAT in question is reimbursable. As of March 31, 2003, the Company has a receivable of approximately \$6.5 million related to VAT. Murphy believes that its claim for reimbursement of VAT under applicable Ecuador tax law is valid, and it does not expect that the resolution of this matter will have a material adverse affect on the Company's financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (Contd.)
Outlook

The Company expects the sales prices for oil and natural gas for the remainder of 2003 to be lower than the average prices experienced in the first quarter of 2003. Production is expected to average 120,000 barrels of oil equivalent per day in the second quarter. New production is set to commence at the West Patricia field in Malaysia in May and the Medusa field should start up production in the third quarter 2003. Refining and marketing margins in the U.S. have been stronger early in the second quarter of 2003 compared to the margins experienced in the just completed first quarter. The Company's Superior, Wisconsin refinery will be off-line for turnaround for most of May 2003 and based on present plans, the Meraux, Louisiana refinery will have a scheduled turnaround, with related tie-in of new equipment, in the third quarter 2003.

Forward-Looking Statements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company was a party to interest rate swaps at March 31, 2003 with notional amounts totaling \$50 million that were designed to hedge fluctuations in cash flows of a similar amount of variable-rate debt. These swaps mature in 2004. The swaps require the Company to pay an average interest rate of 6.17% over their composite lives, and at March 31, 2003, the interest rate to be received by the Company averaged 1.32%. The variable interest rate received by the Company under each swap contract is repriced quarterly. The Company considers these swaps to be a hedge against potentially higher future interest rates. The estimated fair value of these interest rate swaps was recorded as a liability of \$3.5 million at March 31, 2003, with the offsetting loss recorded in Accumulated Other Comprehensive Loss (AOCL) in Stockholders' Equity.

At March 31, 2003, 24% of the Company's debt had variable interest rates and 4% was denominated in Canadian dollars. Based on debt outstanding at March 31, 2003, a 10% increase in variable interest rates would increase the Company's interest expense approximately \$.2 million for the next 12 months after including the favorable effect resulting from lower net settlement payments under the aforementioned interest rate swaps. A 10% increase in the exchange rate of the Canadian dollar versus the U.S. dollar would increase interest expense for the next 12 months by less than \$.1 million for debt denominated in Canadian dollars.

Murphy was a party to natural gas price swap agreements at March 31, 2003 for a total notional volume of 9.2 MMBTU that are intended to hedge the financial exposure of its Meraux, Louisiana refinery to fluctuations in the future price of a portion of natural gas to be purchased for fuel during 2004 through 2006. In each month of settlement, the swaps require Murphy to pay an average natural gas price of \$2.78 per MMBTU and to receive the average NYMEX price for the final three trading days of the month. At March 31, 2003, the estimated fair value of these agreements was recorded as an asset of \$15.5 million. A 10% increase in the average NYMEX price of natural gas would have increased this asset by \$4 million, while a 10% decrease would have reduced the asset by a similar amount.

The Company was a party to natural gas swap agreements and natural gas collar agreements at March 31, 2003 that are intended to hedge the financial exposure of a portion of its 2003 U.S. and Canadian natural gas production to changes in gas sales prices. The swap agreements are for a combined notional volume that averages 24,200 MMBTU equivalents per day and require Murphy to pay the average relevant index price for each month and

receive an average price of \$3.76 per MMBTU equivalent. The collar agreements are for a combined notional volume of 26,700 MMBTU equivalents per day and based upon the relevant index prices provide Murphy with an average floor price of \$3.24 per MMBTU and an average ceiling price of \$4.64 per MMBTU. At March 31, 2003, the estimated fair value of these agreements was recorded as a liability of \$11 million, with the offsetting loss recorded in Accumulated Other Comprehensive Loss (AOCL) in Stockholders' Equity. A 10% increase in the average index price of natural gas would have increased this liability by \$3.2 million, while a 10% decrease would have reduced the liability by a similar amount.

In addition, the Company was a party to crude oil swap agreements at March 31, 2003 that are intended to hedge the financial exposure of a portion of its 2003 U.S. and Canadian crude oil production to changes in crude oil sales prices. A portion of the swap agreements cover a notional volume of 22,000 barrels per day of light oil and require Murphy to pay the average of the closing settlement price on the NYMEX for the Nearby Light Crude Futures Contract for each month and receive an average price of \$25.30 per barrel. Additionally, there are heavy oil swap agreements with a notional volume of 10,000 barrels per day (which equates to approximately 7,700 barrels per day of the Company's heavy oil production) that require Murphy to pay the arithmetic average of the posted prices for each month at the Kerrobert and Hardisty terminals in Canada and receive an average price of \$16.74 per barrel. At March 31, 2003, the estimated fair value of these agreements was recorded as a liability of \$19.4 million, with the offsetting loss recorded in AOCL in Stockholders' Equity. A 10% increase in the average index prices of light oil and heavy oil would have increased this liability by \$21.7 million, while a 10% decrease would have reduced the liability by a similar amount.

ITEM 4. CONTROLS AND PROCEDURES

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

Based on their evaluation as of a date within 90 days of the filing of this Quarterly Report on Form 10-Q, the principal executive officer and principal financial officer of Murphy Oil Corporation have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by Murphy Oil Corporation in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their most recent evaluation.

CONTINUING OIL AND GAS OPERATING RESULTS (unaudited)

	United States	Canada	United Kingdom	Ecuador	Malaysia	Other	Synthetic Oil-Canada	Total
(Millions of dollars)								
Three Months Ended March 31, 2003								
Oil and gas sales and other operating revenues	\$50.7	160.1	58.2	11.3	—	.7	21.5	302.5
Production expenses	7.8	19.3	11.5	4.2	—	—	14.4	57.2
Depreciation, depletion and amortization	8.3	40.3	9.6	1.5	.2	.1	2.0	62.0
Accretion expense	.8	1.2	.9	—	—	.1	.1	3.1
Exploration expenses								
Dry holes	2.9	4.2	—	—	—	—	—	7.1
Geological and geophysical	3.6	1.5	—	—	4.4	—	—	9.5
Other	.5	.5	.1	—	—	.1	—	1.2
	7.0	6.2	.1	—	4.4	.1	—	17.8
Undeveloped lease amortization	2.6	3.7	—	—	—	—	—	6.3
Total exploration expenses	9.6	9.9	.1	—	4.4	.1	—	24.1
Selling and general expenses	4.6	4.1	1.1	.1	.9	1.6	.1	12.5
Income tax provisions (benefits)	6.8	32.7	15.9	—	—	(.3)	1.6	56.7
Results of operations (excluding corporate overhead and interest)	\$12.8	52.6	19.1	5.5	(5.5)	(.9)	3.3	86.9
Three Months Ended March 31, 2002								
Oil and gas sales and other operating revenues	\$30.1	98.9	45.5	5.6	—	.6	21.7	202.4
Production expenses	12.4	20.1	11.4	3.3	—	—	12.9	60.1
Depreciation, depletion and amortization	8.8	34.8	9.8	1.3	.3	.1	2.1	57.2
Exploration expenses								
Dry holes	5.0	12.4	—	—	5.7	—	—	23.1
Geological and geophysical	2.0	7.8	—	—	4	—	—	10.2
Other	.4	.6	.2	—	1.6	(.1)	—	2.7
	7.4	20.8	.2	—	7.7	(.1)	—	36.0
Undeveloped lease amortization	2.5	3.5	—	—	—	—	—	6.0
Total exploration expenses	9.9	24.3	.2	—	7.7	(.1)	—	42.0
Selling and general expenses	3.9	3.3	.8	.2	—	1.2	.1	9.5
Income tax provisions (benefits)	(2.1)	3.0	10.1	—	—	(.1)	2.2	13.1
Results of operations (excluding corporate overhead and interest)	\$ (2.8)	13.4	13.2	.8	(8.0)	(.5)	4.4	20.5

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In December 2000, two of the Company's Canadian subsidiaries, Murphy Oil Company Ltd. (MOCL) and Murphy Canada Exploration Company (MCEC) as plaintiffs filed an action in the Court of Queen's Bench of Alberta seeking a constructive trust over oil and gas leasehold rights to Crown lands in British Columbia. The suit alleges that the defendants, the Predator Corporation Ltd. and Predator Energies Partnership (collectively Predator) and Ricks Nova Scotia Co. (Ricks), acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its partner. In January 2001, Ricks, representing an undivided 75% interest in the lands in question, settled its portion of the litigation by conveying its interest to the Company and its partner at cost. In 2001, Predator, representing the remaining undivided 25% of the lands in question, filed a counterclaim, as subsequently amended, against MOCL and MCEC and MOCL's president individually seeking compensatory damages of C\$4.61 billion. The Company believes that the counterclaim is without merit and that the amount of damages sought is frivolous. While the litigation is in its preliminary stages and no assurance can be given about the outcome, the Company does not believe that the ultimate resolution of this suit will have a material adverse effect on its financial condition.

On March 5, 2002, two of the Company's subsidiaries filed suit against Enron Canada Corp. (Enron) to collect approximately \$2.1 million owed to Murphy under canceled gas sales contracts. On May 1, 2002, Enron counterclaimed for approximately \$19.8 million allegedly owed by Murphy under those same agreements. Although the lawsuit in the Court of Queen's Bench, Alberta, is in its early stages and no assurance can be given, the Company does not believe that the Enron counterclaim is meritorious and does not believe that the ultimate resolution of this matter 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. Based on information currently available to the Company, the ultimate resolution of matters referred to in this Item is not expected to have a material adverse effect on the Company's earnings or financial condition in a future period.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) The Exhibit Index on pages 22 and 23 of this Form 10-Q report lists the exhibits that are hereby filed or incorporated by reference.
- (b) No reports on Form 8-K were filed for the quarter ended March 31, 2003.

SIGNATURE

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

MURPHY OIL CORPORATION
(Registrant)

By /s/ JOHN W. ECKART

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

May 13, 2003
(Date)

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

I, Claiborne P. Deming, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Murphy Oil Corporation;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Claiborne P. Deming
Claiborne P. Deming
Principal Executive Officer

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

I, Steven A. Cossé, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Murphy Oil Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Steven A. Cossé

Steven A. Cossé

Principal Financial Officer

EXHIBIT INDEX

Exhibit No.		Incorporated by Reference to
3.1	Certificate of Incorporation of Murphy Oil Corporation as amended, effective May 17, 2001	Exhibit 3.1 of Murphy's Form 10-Q report for the quarterly period ended June 30, 2001
3.2	By-Laws of Murphy Oil Corporation as amended effective April 2, 2003	Exhibit 3.2 filed herewith
4	Instruments Defining the Rights of Security Holders. Murphy is party to several long-term debt instruments in addition to the one in Exhibit 4.1, 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	Form of Second Supplement Indenture between Murphy Oil Corporation and SunTrust Bank, as Trustee	Exhibit 4.1 of Murphy's Form 8-K report filed May 3, 2002 under the Securities Exchange Act of 1934
4.2	Form of Indenture and Form of Supplemental Indenture between Murphy Oil Corporation and SunTrust Bank, 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	1982 Stock Incentive Plan as amended May 14, 1997 and December 1, 1999	Exhibit 10.1 filed herewith
10.2	Employee Stock Purchase Plan as amended May 10, 2000	Exhibit 99.01 of Murphy's Form S-8 registration statement filed August 4, 2000 under the Securities Act of 1933
10.3	Motor Vehicle Fueling Station Master Ground Lease Agreement	Exhibit 10.3 of Murphy's Form 10-K report for the year ended December 31, 2002

EXHIBIT INDEX

Exhibit No.		Incorporated by Reference to
99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Exhibit 99.1 filed herewith
99.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Exhibit 99.2 filed herewith

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

BY-LAWS

[LOGO OF MURPHY OIL CORPORATION]

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

Ex. 3.2-1

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 ten, 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.

Ex. 3.2-2

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

Ex. 3.2-3

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.

Ex. 3.2-4

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.

Ex. 3.2-5

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.

Ex. 3.2-6

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.

Ex. 3.2-7

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

Ex. 3.2-8

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 Directors, Officers, Employees and Agents; Insurance

Section 1.(a) Each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Company or is or was serving at the request of the Company as a director or officer of another corporation, partnership, joint

Ex. 3.2-9

venture, trust or other enterprise, shall be indemnified and held harmless by the Company to the fullest extent permitted by Delaware Law. The right to indemnification conferred in this Article VIII shall also include the right to be paid by the Company the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by Delaware Law. The right to indemnification conferred in this Article VIII shall be a contract right.

(b) The Company may, by action of its board of directors, provide indemnification to such of the employees and agents of the Company to such extent and to such effect as the board of directors shall determine to be appropriate and authorized by Delaware Law.

Section 2. The Company shall have power to 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 expense, liability or loss incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Company would have the power to indemnify such person against such liability under Delaware Law.

Section 3. The rights and authority conferred in this Article VIII shall not be exclusive of any other right which any person may otherwise have or hereafter acquire.

Section 4. Neither the amendment nor repeal of this Article VIII, nor the adoption of any provision of the Certificate of Incorporation or these bylaws of the Company, nor, to the fullest extent permitted by Delaware Law, any modification of law, shall eliminate or reduce the effect of this Article VIII in respect of any acts or omissions occurring prior to such amendment, repeal, adoption or modification.

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. 3.2-10

MURPHY OIL CORPORATION
1992 STOCK INCENTIVE PLAN
(As Amended May 14, 1997 and December 1, 1999)

SECTION 1. PURPOSE

The purpose of the Murphy Oil Corporation 1992 Stock Incentive Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) motivating superior performance by means of performance-related incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees, and (c) enabling the Company to attract and retain the services of an outstanding management team upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

SECTION 2. DEFINITIONS

Unless the context otherwise indicates, the following definitions shall be applicable for the purpose of the 1992 Stock Incentive Plan:

"Agreement" shall mean a written agreement setting forth the terms of an Award.

"Award" shall mean any Option (which may be designated as a Nonqualified or Incentive Stock Option), a Stock Appreciation Right, or a Restricted Stock Award, in each case granted under this Plan.

"Beneficiary" shall mean the person, persons, trust, or trusts designated by an Employee or if no designation has been made, the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive the benefits specified under this Plan in the event of an Employee's death.

"Board" shall mean the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Executive Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions. The Committee shall be constituted to comply with the requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, or such rule or any successor rule thereto which is in effect from time to time.

Ex10.1-1

"Common Stock" shall mean the Common Stock of the Company, \$1.00 par value, subject to adjustment pursuant to Section 11.

"Company" shall mean Murphy Oil Corporation, a Delaware corporation.

"Employee" shall mean any person employed by the Company on a full-time salaried basis or by a Subsidiary that does not have in effect for its personnel any plan similar to the Plan, including officers and employee directors thereof.

"Incentive Stock Option" or "ISO" shall mean an Option that is intended by the Committee to meet the requirements of Section 422 of the Code or any successor provision.

"Nonqualified Stock Option" or "NQSO" shall mean an Option granted pursuant to this Plan which does not qualify as an Incentive Stock Option.

"Normal Termination" shall mean a termination of employment (i) at normal retirement time, (ii) for permanent and total disability, or (iii) with Company approval, and without being terminated for cause.

"Option" shall mean the right to purchase Common Stock at a price to be specified and upon terms to be designated by the Committee pursuant to this Plan. An Option shall be designated by the Committee as a Nonqualified Stock Option or an Incentive Stock Option at the time of grant.

"Opportunity Shares" shall mean additional shares of Common Stock which may be earned by an Employee pursuant to Section 8.

"Option Holder" or "Holder" shall mean an Employee to whom an option has been granted.

"Personal Representative" shall mean the person or persons who, upon the disability or incompetence of an Employee, shall have acquired on behalf of the Employee by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

"Plan" shall mean this 1992 Stock Incentive Plan.

"Restricted Period" shall mean the period designated by the Committee during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered and during which such stock is subject to forfeiture.

"Restricted Stock" shall mean those shares of Common Stock issued pursuant to a Restricted Stock Award which are subject to the restrictions, terms, and conditions specified by the Committee pursuant to Section 8.

"Restricted Stock Award" shall mean an award of Restricted Stock pursuant to Section 8 hereof.

Ex10.1-2

"Stock Appreciation Right" or "SAR" shall mean the right of the holder to receive, upon exercise thereof, payment of an amount determined by multiplying: (a) any increase in the Fair Market Value of a share of Common Stock at the date of exercise over the price fixed by the Committee at the date of grant, by (b) the number of shares with respect to which the SAR is exercised; provided, however, that at the time of grant, the Committee may establish, in its sole discretion, a maximum amount per share which will be payable upon exercise of a SAR. The amount payable upon exercise may be paid in cash or other property, including without limitation, shares of Common Stock, or any combination thereof as determined by the Committee.

SECTION 3. ADMINISTRATION

The Plan shall be administered by the Committee. In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all of the powers vested in it by the terms of the Plan, including exclusive authority to select the Employees to be granted Awards under the Plan, to determine the type, size and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the Plan. No member of the Committee, while he serves on the Committee, may be granted Awards under the Plan. The Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

The Board may from time to time remove members from the Committee or add members thereto, and vacancies in the Committee, however caused, shall be filled by action of the Board. The Committee shall select one of its members as chairman and shall hold its meetings at such time and places as it may determine. The Committee may act only by a majority of its members. The members of the Committee may receive such compensation for their services as the Board may determine. Any determination of the Committee may be made, without notice, by the written consent of the majority of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

SECTION 4. STOCK SUBJECT TO THE PLAN

The maximum number of shares available for Awards under the Plan in each calendar year during any part of which the Plan shall be in effect shall be one percent (1%) of the total issued and outstanding shares as of December 31 of the immediately preceding year, subject to Section 11 of the Plan. Any and all such shares may be issued in respect of any of the types of Awards; provided, however, no more than fifty percent (50%) of the shares available shall be subject to Incentive Stock Options granted under the Plan and that no more than fifty percent (50%) of the shares

Ex10.1-3

available for Awards under the Plan shall be issued in respect of Restricted Stock. Unless otherwise determined by the Committee, all shares available in any year that are not granted under the Plan will not be available for grant for subsequent years. "Maximum Grants." Notwithstanding any provision contained in this Plan to the contrary, the maximum number of shares of Common Stock for which Incentive Stock Options, Nonqualified Stock Options, and Stock Appreciation Rights may be granted under the Plan to any one Employee for any calendar year is 100,000.

If any shares of Common Stock subject to an Award hereunder are forfeited or any such Award otherwise terminates without the issuance of shares of Common Stock or other consideration to an Employee, such shares shall not increase the number of shares available for grant in such year.

SECTION 5. ELIGIBILITY

Any Employee who is a director or an officer or who serves in any other key administration, professional or technical capacity shall be eligible to participate in the Plan. In addition the Committee may in any year include any other Employee who the Committee has determined has made some unusual contribution which would not be expected of such Employee in the ordinary course of his work.

SECTION 6. STOCK OPTIONS

A. Grant of Options and Price

(a) Any Option granted under the Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committee at the time of the grant of such Option. Each Option shall be evidenced by an Agreement between the recipient and the Company, which Agreement shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions not inconsistent with the Plan as the Committee, in its sole discretion, may determine in accordance with the Plan.

(b) The exercise price for the purchase of Common stock to be issued pursuant to each Option shall be fixed by the Committee at the time of the granting of the Option provided, however, that such exercise price shall in no event be less than the fair market value of the Common Stock on the date such Option is granted.

Ex10.1-4

B. Exercise

The period during which an Option may be exercised shall be determined by the Committee; provided, that such period will not be longer than ten years from the date on which the Option is granted. The date or dates on which portions of an Option may be exercised during the term of an Option shall be determined by the Committee. In no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. An Option which is granted in tandem with a SAR may only be exercised upon the surrender of the right to exercise such SAR for an equivalent number of shares.

C. Payment of Shares

The exercise price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committee may impose, the exercise price may be paid in whole or in part in (i) cash, (ii) whole shares of Common Stock evidenced by negotiable certificates, valued at their fair market value on the date of exercise, (iii) by a combination of such methods of payment, or (iv) such other consideration as shall be approved by the Committee.

SECTION 7. STOCK APPRECIATION RIGHTS

Stock Appreciation Rights may be granted to participants at such time or times as shall be determined by the Committee and shall be subject to such terms and conditions as the Committee may impose. A grant of a SAR shall be made pursuant to a written agreement containing such provisions not inconsistent with the Plan as the Committee shall approve.

SARs may be exercised at such times or subject to such conditions as the Committee shall impose, either at or after the time of grant. SARs which are granted in tandem with an Option may only be exercised upon the surrender of the right to exercise such Option for an equivalent number of shares and may be exercised only with respect to the shares of Stock for which the related Option is then exercisable. Option shares with respect to which a tandem SAR shall have been exercised for cash shall not again be available for an Award under this Plan. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on the exercise of a SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods) as may be required to satisfy the applicable provisions of Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

SECTION 8. RESTRICTED STOCK AWARDS

The Committee may make an award of Restricted Stock to selected Employees, evidenced by an Agreement which shall contain such terms and conditions, including without limitation, forfeiture provisions, as the Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and

Ex10.1-5

conditions of each Award (which terms and conditions need not be the same in each case) shall be determined by the Committee in its sole discretion.

The Committee shall establish performance measures for each Restricted Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time, in its sole discretion, determine. Such measures may include, but shall not be limited to, total shareholder return, growth in cash flow per share, growth in earnings per share, return on assets, or return on stockholder equity. The Committee may from time to time establish different performance objectives for certain operating subsidiaries or sectors of the business. The maximum number of shares of restricted stock which can be granted pursuant to the Plan will be 50,000 shares per year to any one Employee. Currently, the performance criteria for the determination of the performance-based restricted shares is the 5-year total shareholder return for Murphy Oil Corporation as compared to a peer group of six companies. The Committee may from time to time establish a different performance criteria.

Shares of Restricted Stock will be subject to forfeiture and may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until such time or until the satisfaction of such conditions or the occurrence of such events as shall be determined by the Committee either at or after the time of grant. Unless otherwise determined by the Committee at the time of grant, participants holding shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those shares during the Restricted Period.

Unless otherwise determined by the Committee at the time of grant, participants holding shares of Restricted Stock shall be entitled to receive all dividends and other distributions paid with respect to those shares, provided that if any such dividends or distributions are paid in shares of Stock or other securities, such shares or securities shall be subject to the same forfeiture restrictions and restrictions on transferability as apply to the Restricted Stock with respect to which they were paid.

Each Employee who has received shares of Common Stock pursuant to a Restricted Stock Award with respect to which all of the restrictions set forth in Section 8 shall have lapsed or pursuant to an award of Opportunity Shares related to such Restricted Stock Award shall also receive from the Company a cash payment in the year following the close of the Restricted Period in an amount determined by the Committee, which amount is intended to allow such Employee to pay such Employee's tax liability (assuming the highest rates of tax applicable to any individual taxpayer in the year in which such payment is made) with respect to (i) such shares and (ii) such cash payment. Provided, however, unless otherwise determined by the Committee, the cash payment shall in no event exceed 50% of the fair market value of such shares as of the date that all of the restrictions set forth in Section 8 shall have lapsed or as to an award of Opportunity Shares as of the date of grant thereof.

SECTION 9. TERMINATION OF EMPLOYMENT

Unless otherwise determined by the Committee at the time of grant, in the event a participant's employment terminates by reason of Normal Termination, any Options

Ex10.1-6

granted to such participant which are then outstanding may be exercised at the earlier of any time prior to the expiration of the term of the Options or within two (2) years after termination and any shares of Restricted Stock then outstanding shall be prorated for all restricted periods then in effect based on the number of months of actual participation.

Unless otherwise determined by the Committee at the time of grant, in the event a participant's employment is terminated by reason of death, any Options granted to such participant which are then outstanding may be exercised by the participant's beneficiary or the participant's legal representative at any time prior to the expiration date of the term of the Options or within two (2) years following the participant's termination of employment, whichever period is shorter, and any shares of Restricted Stock then outstanding shall be prorated for all restricted periods then in effect based on the number of months of actual participation.

Unless otherwise determined by the Committee at the time of grant, in the event the employment of the participant shall terminate for any reason other than the ones described in this Section, any Options granted to such participant which are then outstanding shall be canceled and any shares of Restricted Stock then outstanding as to which the Restricted Period has not lapsed shall be forfeited.

A change in employment from the Company or one Subsidiary to another Subsidiary of the Company shall not be considered a termination.

SECTION 10. CHANGE IN CONTROL

Unless the Committee shall otherwise determine, notwithstanding any other provision of this Plan or an Agreement to the contrary, upon a Change in Control, as defined below, all outstanding Awards shall vest, become immediately exercisable or payable or have all restrictions lifted as may apply to the type of Award.

A "Change in Control" shall be deemed to have occurred if (i) any "person", including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act, but excluding the Company, any of its subsidiaries or any employee benefit plan of the Company or any of its subsidiaries or Charles H. Murphy, Jr. and affiliates of Charles H. Murphy, Jr.) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities; or (ii) the stockholders of the Company shall approve a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the stockholders of the Company immediately prior to the effective date of such merger own less than 50% of the voting power in such corporation or (2) for the sale or other disposition of all or substantially all of the assets of the Company.

Ex10.1-7

SECTION 11. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of any change in the Common Stock by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange of shares, split-up, spin-off, share purchase, liquidation or other similar change in capitalization affecting or involving the Common Stock, or any distribution to common stockholders other than regular cash dividends, the Committee shall make such substitution or adjustment, if any, as it deems equitable, as to the number or kind of shares that may be issued under the Plan pursuant to Section

4 and the number or kind of shares subject to, or the price per share under or terms of any outstanding Award. The amount and form of the substitution or adjustment shall be determined by the Committee and any such substitution or adjustment shall be conclusive and binding on all parties for all purposes of the Plan.

SECTION 12. MISCELLANEOUS PROVISIONS

(a) No Employee or other person shall have any claim or right to be granted an Award under the Plan and no Award shall confer any right to continued employment.

(b) An Employee's rights and interest under the Plan or any Award may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of an Employee's death, to the Employee's Beneficiaries or by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Employee in the Plan or in any Award shall be subject to any obligation or liability of such individual. An Award shall be exercisable, during an Employee's lifetime, only by him or her or his or her Personal Representative. Except as specified in the applicable Award agreement, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered on the transfer books of the Company.

(c) Any provision of the Plan or any Agreement to the contrary notwithstanding, no Common Stock shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal, state, or other securities laws.

(d) The Company shall have the power to withhold, or require a participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local withholding tax requirements in respect of any Award, or any exercise or vesting thereof under the Plan, and the Company may defer payment of cash or issuance of Stock until such requirements are satisfied. The Committee may, in its discretion, permit an Employee to elect, subject to such conditions as the Committee shall impose, (i) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company previously acquired shares of Stock, in either case having a fair market value sufficient to satisfy all or part of the participant's estimated total Federal, state, and local tax obligation associated with the transaction.

Ex10.1-8

(e) The expense of the Plan shall be borne by the Company, except as set forth above in subsection (d) of this Section.

(f) Awards granted under the Plan shall be binding upon the Company, its successors and assigns.

(g) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval of any such additional arrangement is required.

SECTION 13. AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board may from time to time amend the Plan or any provision thereof without the consent of the stockholders except in the case of any amendments that require stockholder approval in order to comply with the applicable provisions of Rule 16b-3.

The Board may terminate the Plan in whole or in part at any time provided that no such termination shall impair the terms of Awards then outstanding under which the obligations of the Company have not been fully discharged.

SECTION 14. GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Delaware.

Ex10.1-9

Murphy Oil Corporation and Consolidated Subsidiaries
Computation of Ratio of Earnings to Fixed Charges (Unaudited)

(Thousands of Dollars)

	Three Months Ended March 31, 2003	Year Ended December 31,				
		2002	2001	2000	1999	1998
Income (loss) from continuing operations before income taxes	\$ 125,290	151,675	502,103	454,511	169,691	(12,774)
Distributions (less than) greater than equity in earnings of affiliates	(121)	(3)	(365)	(34)	64	(15)
Previously capitalized interest charged to earnings during period	2,533	7,748	3,450	3,507	3,146	2,172
Interest and expense on indebtedness, excluding capitalized interest	4,425	26,968	19,006	16,337	20,274	10,484
Interest portion of rentals (1)	2,800	9,445	7,953	5,808	3,267	3,293
Earnings before provision for taxes and fixed charges	\$ 134,927	195,833	532,147	480,129	196,442	3,160
Interest and expense on indebtedness, excluding capitalized interest	4,425	26,968	19,006	16,337	20,274	10,484
Capitalized interest	9,536	24,536	20,283	13,599	7,865	7,606
Interest portion of rentals (1)	2,800	9,445	7,953	5,808	3,267	3,293
Total fixed charges	\$ 16,761	60,949	47,242	35,744	31,406	21,383
Ratio of earnings to fixed charges	8.1	3.2	11.3	13.4	6.3	— (2)

(1) Calculated as one-third of rentals. Considered a reasonable approximation of interest factor.

(2) The computation of earnings was less than fixed charges by \$18,223 in 1998.

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

In connection with the Quarterly Report of Murphy Oil Corporation (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Claiborne P. Deming, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Claiborne P. Deming _____
Claiborne P. Deming
Principal Executive Officer
May 13, 2003

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

In connection with the Quarterly Report of Murphy Oil Corporation (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven A. Cossé, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Steven A. Cossé

Steven A. Cossé

Principal Financial Officer

May 13, 2003