Murphy Oil Announces Preliminary Quarterly Earnings

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EL DORADO, Ark.--(BUSINESS WIRE)--Oct. 24, 2007--Murphy Oil Corporation (NYSE: MUR) announced today that net income in the third quarter of 2007 was $199.5 million, $1.04 per diluted share, compared to net income of $224.1 million, $1.18 per diluted share, in the third quarter of 2006. Income declined in 2007 compared to 2006 primarily due to lower earnings in the Company's refining and marketing operations, partially offset by higher earnings in the exploration and production business.

Net income in the 2006 third quarter included pretax costs of $27.2 million associated with hurricanes that occurred in the U.S. during 2005. These 2006 costs were net of anticipated insurance recoveries and were mostly associated with unrecoverable repair costs at the Meraux, Louisiana refinery and costs associated with settlement of oil spill class action litigation. The 2006 third quarter also included income tax charges of $17.8 million associated with a 10% tax rate increase on U.K. oil and natural gas profits that became effective in 2006.

For the first nine months of 2007, net income totaled $560.4 million, $2.94 per diluted share, compared to $556.3 million, $2.94 per diluted share, for the same period in 2006.

The 2006 third quarter and nine-months results have been adjusted to reflect the adoption, as of January 1, 2007, of FASB Staff Position No. AUG AIR-1, Accounting for Planned Major Maintenance Activities. Net income in the third quarter and nine months 2006 increased by $1.3 million and $5.6 million, respectively, for this change in accounting principle.

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Third Quarter 2007 vs. Third Quarter 2006

Exploration and Production (E&P)
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Reviewing quarterly results by type of business, the Company's income contribution from E&P operations was $150.8 million in the third quarter of 2007 compared to $118.7 million in the same quarter of 2006. The higher earnings in 2007 compared to 2006 were primarily caused by higher oil sales prices, higher oil sales volumes, lower maintenance costs for Terra Nova field equipment, and an income tax charge of $17.8 million in 2006 in the U.K. related to a 10% tax rate increase. The Company's worldwide crude oil and condensate sales prices averaged $63.96 per barrel for the 2007 third quarter compared to $55.50 per barrel in the same quarter of 2006. Total crude oil and gas liquids production was 87,962 barrels per day in the third quarter 2007 compared to 79,642 barrels per day in the 2006 quarter, with the net increase attributable to start-up of the Kikeh field, offshore Sabah Malaysia, on August 17, 2007. Kikeh produced 9,553 barrels per day for the quarter, but the first sale at Kikeh did not occur until October 2007. Oil sales volumes were higher at the Terra Nova field, offshore Newfoundland, in 2007 because the field was shut down for repairs for the entire 2006 third quarter. Oil production in the United States was lower in the 2007 period due to declines at fields in the Gulf of Mexico. Crude oil sales volumes averaged 79,702 barrels per day in the third quarter of 2007 compared to 73,112 barrels per day in the 2006 period. North American natural gas volumes were sold at an average of $6.22 per thousand cubic feet (MCF) during the 2007 third quarter compared to $6.90 per MCF during the 2006 quarter. Natural gas sales volumes were 56 million cubic feet per day in the third quarter 2007 compared to 74 million cubic feet per day in the third quarter of 2006, with the decline due to lower production at fields in the Gulf of Mexico and onshore South Louisiana. Exploration expenses were $42.5 million in the 2007 quarter compared to $36.0 million in the same period of 2006, with the increase in 2007 mostly due to unsuccessful Canadian drilling. Higher selling and general expense in the U.S. in 2007 compared to 2006 is mostly attributable to a donation of real estate during the just completed quarter.

Refining and Marketing

The Company's refining and marketing operations generated a quarterly profit of $73.2 million in the third quarter 2007 compared to a quarterly profit of $128.0 million in the 2006 third quarter. Earnings declined in 2007 due to lower margins for both refining and retail marketing operations in North America and the U.K. compared to the 2006 third quarter. These margins were unfavorably impacted by rising crude oil prices during the 2007 period. During the 2006 quarter, Murphy's downstream business incurred after-tax costs of $16.7 million related to hurricane repairs and oil spill class action litigation settlement.

Corporate

The after-tax costs of the corporate functions were $24.5 million in the 2007 quarter compared to costs of $22.6 million in the 2006 quarter. The Company incurred more net interest expense in the 2007 period due to higher average debt balances. The Company also had higher administrative expenses in 2007 compared to 2006.

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First Nine Months 2007 vs. First Nine Months 2006

Exploration and Production (E&P)
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The Company's exploration and production operations earned $388.9 million in the first nine months of 2007 and $525.7 million in the same period of 2006. The primary reasons for the lower earnings in this business in 2007 were lower crude oil and natural gas sales volumes and lower North American natural gas sales prices. Higher crude oil sales prices and lower exploration expenses in 2007 partially offset the lower sales volumes. Exploration expenses were $121.0 million in 2007 compared to $129.4 million in 2006 as the prior-year period included higher exploration costs in Malaysia. Crude oil and gas liquids production for the nine months of 2007 averaged 84,169 barrels per day compared to 89,401 barrels per day in 2006. The production decline in 2007 was primarily attributable to lower volumes produced at fields in the deepwater Gulf of Mexico, the heavy oil area of Western Canada and West Patricia, offshore Sarawak, Malaysia. Production at the Terra Nova and Hibernia fields offshore Newfoundland were higher in 2007 due to less down time in 2007 compared to 2006. In addition, the Kikeh field came on stream in mid-August 2007 and added 3,219 barrels per day over the first nine months of 2007. Natural gas sales were 58 million cubic feet per day in 2007 compared to 82 million cubic feet per day in 2006, with the reduction primarily caused by production declines at fields in the Gulf of Mexico and onshore South Louisiana. Crude oil and condensate sales prices averaged $56.10 per barrel in the 2007 period compared to $52.80 per barrel in 2006. North American natural gas was sold for $7.16 per MCF in 2007, down from $7.76 per MCF in 2006.

Refining and Marketing

The Company's refining and marketing operations generated a profit of $233.1 million in the first nine months of 2007 compared to a profit of $81.3 million in 2006. The higher 2007 result was due to stronger refining margins during most of 2007 compared to 2006. The Meraux, Louisiana refinery was down for repairs for the first five months of 2006 and the prior-year's North American results included hurricane-related expenses of $65.1 million after taxes.

Corporate

Corporate after-tax costs were $61.6 million in the first nine months of 2007 compared to $50.7 million in the 2006 period. The 2007 period included after-tax foreign exchange charges of $7.3 million, while 2006 included after-tax foreign exchange charges of $5.6 million. Higher administrative expenses in 2007 also contributed to the higher net corporate costs compared to 2006.

Claiborne P. Deming, President and Chief Executive Officer, commented, "Our Malaysian team achieved a significant accomplishment during the third quarter by starting up the Kikeh field offshore Sabah. Kikeh was brought online only five years after discovery and at an extremely competitive cost given the run-up in capital costs over recent years. Gross production at Kikeh is currently 45,000 to 50,000 barrels per day and will continue to ramp up throughout 2008. Meanwhile, we continue development of the natural gas project offshore Sarawak. On the exploration front, the fourth quarter will mark the beginning of a more active exploration program with drilling already underway at Robusto (20%) in the Gulf of Mexico and two upcoming wells offshore Sabah, Malaysia in Block H (80%). In our downstream business, we recently signed a purchase agreement to acquire the remaining 70% interest of the Milford Haven, Wales refinery. This important acquisition gives the Company more breadth in its downstream operation and also permits us to have complete control of this significant Company asset. Looking into the fourth quarter, we anticipate total worldwide production to be approximately 118,000 barrels of oil equivalent per day. We currently expect earnings in the fourth quarter to be in the range of $0.75 to $1.00 per diluted share. Results could vary based on commodity prices, drilling results, timing of oil sales, and refining and marketing margins."

The public is invited to access the Company's conference call to discuss third quarter 2007 results on Thursday, October 25 at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy Oil's website at http://www.murphyoilcorp.com/ir or via the telephone by dialing 1-800-218-8862. The telephone reservation number for the call is 11098897. Replays of the call will be available through the same address on Murphy Oil's website, and a recording of the call will be available through October 29 by calling 1-800-405-2236. Audio downloads will also be available on the Murphy website through November 30 and via Thomson StreetEvents for their service subscribers.

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

MURPHY OIL CORPORATION
CONSOLIDATED FINANCIAL DATA SUMMARY
(Unaudited)

THIRD QUARTER	2007	2006	
Revenues	$ 4,780,732,000	4,153,422,000	
Net income	$ 199,535,000	224,142,000	(a)
Net income per Common share			
Basic	$ 1.06	1.20	(a)
Diluted	$ 1.04	1.18	(a)
Average shares outstanding			
Basic	188,239,267	186,211,753	
Diluted	191,193,266	189,238,922	
FIRST NINE MONTHS			
Revenues	$12,829,243,000	10,943,603,000	
Net income	$ 560,411,000	556,299,000	(a)
Net income per Common share			
Basic	$ 2.99	2.99	(a)
Diluted	$ 2.94	2.94	(a)
Average shares outstanding			
Basic	187,716,385	185,948,743	
Diluted	190,764,460	189,067,278	

(a) The third quarter and first nine months of 2006 have been adjusted to reflect a change in accounting principle.

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SOURCE: Murphy Oil Corporation