Murphy Oil Announces Preliminary First Quarter 2013 Earnings

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EL DORADO, Ark.--(BUSINESS WIRE)--May. 1, 2013-- Murphy Oil Corporation (NYSE: MUR) announced today that net income in the first quarter of 2013 was $360.6 million ($1.88 per diluted share), compared to net income of $290.1 million ($1.49 per diluted share) in the first quarter of 2012. The first quarter of 2013 included income from discontinued operations of $152.6 million ($0.80 per diluted share) compared to income of $8.6 million ($0.05 per diluted share) in 2012. The 2013 discontinued operations results primarily related to a gain on sale of two oil and natural gas properties in the United Kingdom during the quarter. Income from continuing operations was $208.0 million ($1.08 per diluted share) in the first quarter 2013, down from $281.5 million ($1.44 per diluted share) in the 2012 quarter. Income from continuing operations declined in the 2013 quarter compared to 2012 due primarily to higher expenses for exploration, administration, financing and income taxes. Better results for the Company's downstream operations partially offset these higher expenses.

Net Income

	Three Mos. Ended March 31,	
(Millions of Dollars except per share)	2013	2012
Exploration and Production	$ 231.9	313.0
Refining and Marketing	25.3	(4.2)
Corporate	(49.2)	(27.3)
Income from continuing operations	208.0	281.5
Income from discontinued operations	152.6	8.6
Net income	$ 360.6	290.1
Income per Common share – Diluted:		
Income from continuing operations	$ 1.08	1.44
Net income	$ 1.88	1.49

Exploration and Production (E&P)

Income contribution from continuing E&P operations was $231.9 million in the first quarter of 2013, down from $313.0 million in the same quarter of 2012.

E&P Metrics

	Three Mos. Ended March 31,	
	2013	2012
Oil Production Volume – Bbls. per day	126,888	107,490
Natural Gas Sales Volume – MCF per day	449,925	525,635
Total BOE Production Volume – BOE per day	201,876	195,096
Average Realized Oil Sales Price – $ per Bbl.	$ 96.00	97.78
Average Realized North American Natural Gas Sales Price – $ per MCF	$ 3.11	2.56
Average Realized Sarawak Natural Gas Sales Price – $ per MCF	$ 6.82	7.80

The results of operations improved in 2013 in the United States compared to the prior year, however, lower income in Canada, Malaysia and other areas during the 2013 quarter more than offset the stronger U.S. results. U.S. income improved in 2013 primarily due to higher production in the Eagle Ford Shale area of South Texas. Canadian results were lower than the prior year due to extremely weak heavy oil prices, dry hole costs associated with unsuccessful wells drilled in the Muskwa Shale area of Alberta, and lower sales volumes, lower sales prices and higher extraction costs for both synthetic oil and East Coast operations. Operations in Malaysia had lower income in 2013 primarily due to less profit generated at natural gas fields offshore Sarawak, where both sales volumes and sales prices were significantly lower than the prior year. Results in the Republic of the Congo included well workover costs of $11.3 million during the 2013 quarter. Exploration expenses for other foreign operations were higher in the 2013 quarter and included unsuccessful drilling costs for a shallow-water well in Cameroon and geophysical expenses for exploration licenses in Australia, Cameroon and Indonesia.

The Company's worldwide crude oil, condensate and natural gas liquid sales prices averaged $96.00 per barrel for the 2013 first quarter compared to the 2012 first quarter average of $97.78 per barrel. Total crude oil, condensate and gas liquids production of 126,888 barrels per day in the first quarter of 2013 was 18% above the 107,490 barrels per day produced in the 2012 quarter. The increase in oil production during the 2013 quarter was primarily associated with volume growth in the Eagle Ford Shale, where the Company has a significant development drilling program ongoing. Total sales volumes of crude oil, condensate and natural gas liquids averaged 131,479 barrels per day in the first quarter 2013 compared to 108,562 barrels per day in the 2012 quarter. North American natural gas sales prices averaged $3.11 per thousand cubic feet (MCF) in the 2013 first quarter compared to $2.56 per MCF in the same quarter of 2012. Natural gas produced at fields offshore Sarawak, Malaysia was sold at an average of $6.82 per MCF in the 2013 quarter, down from $7.80 per MCF in the 2012 first quarter. Natural gas sales volume of about 450 million cubic feet per day in the first three months of 2013 was 14% below the 525 million cubic feet per day sold in the 2012 period. This gas sales decline was primarily attributable to lower production in the Tupper area of Western Canada and lower sales volume from gas fields offshore Sarawak, Malaysia, primarily due to planned maintenance at our gas receiving facility.

Production expenses increased $100.6 million in 2013 compared to 2012 based on higher hydrocarbon volumes sold in the U.S. and higher production costs associated with an oil sale at the Azurite field in Republic of the Congo. Depreciation expense increased $60.1 million in 2013 due to both higher hydrocarbon volumes sold in the Eagle Ford Shale area and a higher overall per barrel capital amortization rate.

Exploration expense in the 2013 period was $108.5 million compared to $52.9 million in 2012. Dry hole expense was higher by $40.4 million in 2013 primarily due to unsuccessful drilling in Western Canada and Cameroon. Geological and geophysical expense was $28.2 million higher in 2013 compared to 2012 due to the current quarter including higher seismic acquisition costs in the deepwater Gulf of Mexico as well as in Australia, Cameroon and Indonesia.

Refining and Marketing (R&M)

Murphy's R&M continuing operations generated a profit of $25.3 million in the 2013 first quarter compared to a loss of $4.2 million in the 2012 quarter.

R&M Metrics

	Three Mos. Ended March 31,	
	2013	2012
U.S. Retail Fuel Margin – Per gallon	$ 0.110	0.071
U.S. Retail Merchandise Sales – Per store month	$ 146,986	152,923
U.K. Refinery inputs – Bbls. per day	115,768	130,750
U.K. R&M Unit Margin – Per Bbl.	$ (0.03)	0.79
Total Petroleum Product Sales – Bbls. per day	424,072	450,527

United States downstream operations generated a profit of $29.4 million in the 2013 quarter, compared to a loss of $7.2 million in

2012. Improved results for U.S. marketing operations were the primary driver to the higher 2013 income. U.S. retail margins in the 2013 first quarter were $0.039 per gallon stronger than the same period in 2012. Average U.S. retail fuel sales volumes in 2013 on a per-store basis were lower by about 1.5% compared to 2012. Total margin on merchandise sales in 2013 was down slightly compared to the 2012 quarter. This decline was primarily associated with lower sales volumes and associated margins for cigarettes. Other U.S. marketing operating results were stronger in the 2013 quarter compared to the prior year due to both higher margins for fuel moved through product terminals and higher sales prices for ethanol renewable identification numbers (RINs). Results for ethanol production operations in 2013 were improved compared to 2012 as the benefit from stronger prices for dried distillers grain in the latest quarter at the Hankinson, North Dakota plant was partially offset by weaker crush spreads at the Hereford, Texas plant. The Company has previously announced its intent to separate the U.S. retail marketing business into a stand-alone publicly-owned company in 2013.

Refining and marketing operations in the United Kingdom incurred a loss of $4.1 million in the first quarter 2013 compared to income of $3.0 million in the same quarter of 2012. The unfavorable result for U.K. R&M operations in 2013 was primarily due to weaker net refining margins in the most recent quarter at the Milford Haven, Wales refinery. Additionally, the refinery had certain units offline for scheduled maintenance during the 2013 quarter, which led to lower processed crude oil feedstocks. The Company has announced its intent to sell the U.K. R&M operations and those efforts continue to progress.

Corporate

Corporate functions had net costs of $49.2 million in the 2013 first quarter compared to net costs of $27.3 million in the 2012 first quarter. The larger net cost in 2013 compared to 2012 was principally due to higher expenses for administration and interest in the current year. The 2013 increase in administrative costs related to higher employee compensation costs and professional services associated with the intended separation of the U.S. retail marketing business. Interest expense increased in the current year due to higher average borrowing levels, partially offset by additional interest costs capitalized to ongoing oil development projects. The 2013 quarter also included larger unfavorable impacts from transactions denominated in foreign currencies; these transactions led to after-tax costs of $4.1 million in the 2013 quarter compared to after-tax costs of $1.5 million in the 2012 quarter.

Discontinued Operations

Discontinued operations include oil and gas production activities in the United Kingdom. Income from discontinued operations was $152.6 million in the first quarter of 2013 compared to $8.6 million in the 2012 quarter. The 2013 quarter included an after-tax gain of $147.4 million associated with the sale of the Schiehallion and Amethyst fields in the U.K. The Company expects to conclude the sale of the remaining Mungo/Monan field during the second quarter. All results of operations for these U.K. oil and gas properties have been reported as discontinued operations in the consolidated financial statements.

Steven A. Cossé, Murphy's President and Chief Executive Officer, commented, "The process for completing the separation of our U.S. retail business in the second half of the year is going according to plan, largely due to the efforts of the retail management team led by Andrew Clyde. The U.S. retail business operated well in the first quarter 2013, with better than normal fuel margins achieved during the winter season. In the upstream business, our production levels exceeded expectations during the first quarter, principally due to good performance in the Eagle Ford Shale area. We will continue our active exploration drilling program with upcoming wells offshore Australia and Cameroon. The sale of the Mungo/Monan field in the U.K. should be completed in the second quarter.

"We anticipate total worldwide production volumes of 202,000 barrels of oil equivalent per day in the second quarter of 2013. Sales volumes of oil and natural gas are projected to average 201,000 barrels of oil equivalent per day during the quarter. At the present time, we expect income from continuing operations in the second quarter to range between $1.50 and $1.65 per diluted share. The second quarter estimate includes projected exploration expense of between $50 million and $80 million, and income from our downstream businesses of approximately $73 million. Results could vary based on the risk factors described below."

The public is invited to access the Company's conference call to discuss first quarter 2013 results on Thursday, May 2, at 12:00 p.m. CDT either via the Internet through the Investor Relations section of Murphy's Web site at **http://www.murphyoilcorp.com/ir** or via the telephone by dialing **1-877-741-4253**. The telephone reservation number for the call is **2999412**. Replays of the call will be available through the same address on the Murphy Web site, and a recording of the call will be available through May 6 by dialing 1-888-203-1112 and referencing reservation number 2999412. Audio downloads will be available on the Murphy Web site through June 1 and via Thomson StreetEvents for their service subscribers.

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, including Murphy's plans to separate its U.S. retail marketing business and to divest its U.K. downstream operations, are subject to inherent risks and uncertainties. Factors that could cause one or more of these forecasted events not to occur include, but are not limited to, a failure to obtain necessary regulatory approvals, a failure to obtain assurances of anticipated tax treatment, a deterioration in the business or prospects of Murphy or its U.S. retail marketing business, adverse developments in Murphy or its U.S. retail marketing business' markets, adverse developments in the U.S. or global capital markets, credit markets or economies generally or a failure to execute a sale of the U.K. downstream operations on acceptable terms or in the timeframe contemplated. Factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements include, but are not limited to, the volatility and level of crude oil and natural gas prices, the level and success rate of our exploration programs, our ability to maintain production rates and replace reserves, customer demand for our products, adverse foreign exchange movements, political and regulatory instability, and uncontrollable natural hazards. For further discussion of risk factors, see Murphy's 2012 Annual Report on Form 10-K on file with the U.S. Securities and Exchange Commission. Murphy undertakes no duty to publicly update or revise any forward-looking statements.

MURPHY OIL CORPORATION

CONSOLIDATED FINANCIAL DATA SUMMARY

(Unaudited)

FIRST QUARTER	**2013**	**2012***
Revenues	$ 6,639,954,000	6,956,936,000
Income from continuing operations	$ 207,970,000	281,438,000
Net income	$ 360,599,000	290,071,000
Income from continuing operations per Common share		
Basic	$1.09	1.45
Diluted	1.08	1.44
Net income per Common share		
Basic	$1.89	1.50
Diluted	1.88	1.49
Average shares outstanding		
Basic	190,810,201	193,922,260
Diluted	191,765,395	194,884,733

*Reclassified to conform to current presentation.

Source: Murphy Oil Corporation

Murphy Oil Corporation
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