Murphy Oil Announces Preliminary Quarterly Earnings

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EL DORADO, Ark.--(BUSINESS WIRE)--Nov. 4, 2009-- Murphy Oil Corporation (NYSE: MUR) announced today that net income in the third quarter of 2009 was $188.9 million, $0.98 per diluted share, compared to net income of $584.4 million, $3.04 per diluted share, in the third quarter of 2008. The Company's income decreased in 2009 compared to 2008 due to significantly lower sales prices for oil and natural gas produced in the exploration and production operations and lower earnings from the refining and marketing operations.

For the first nine months of 2009, net income totaled $518.8 million, $2.70 per diluted share, compared to $1.61 billion, $8.39 per diluted share, for the same period in 2008. The first nine months of 2009 included income from discontinued operations of $97.8 million, $0.51 per diluted share, which arose primarily from a gain on sale of the Company's operations in Ecuador in March 2009. The 2008 period included after-tax gains on sale of Canadian assets totaling $108.3 million, $0.57 per diluted share, which is included in continuing operations.

Third Quarter 2009 vs. Third Quarter 2008

Exploration and Production (E&P)

Reviewing quarterly results by type of business, the Company's income contribution from E&P continuing operations was $184.1 million in the third quarter of 2009 compared to $530.5 million in the same quarter of 2008. The reduced earnings in 2009 compared to 2008 were primarily based on lower oil and natural gas sales prices and higher expenses for production operations and depreciation. Total crude oil and gas liquids production from continuing operations was 131,637 barrels per day in the third quarter 2009 compared to 111,751 barrels per day in the 2008 quarter, with the 18% increase primarily attributable to a combination of higher production at the Kikeh field, offshore Sabah, Malaysia, and new production at two fields that started up during the third quarter 2009 – the Thunder Hawk field in the Gulf of Mexico and the Azurite field offshore the Republic of the Congo. In the 2008 quarter, U.S. crude oil and natural gas production was adversely affected for fields shut-in by hurricanes Gustav and Ike. Lower 2009 oil production offshore Eastern Canada was attributable to normal decline and a higher royalty rate at the Hibernia field and downtime for scheduled maintenance at the Terra Nova field. Crude oil sales volumes from continuing operations averaged 128,187 barrels per day in the third quarter of 2009 compared to 111,338 barrels per day in the 2008 period. The Company's worldwide crude oil, condensate and natural gas liquids sales prices from continuing operations averaged $61.13 per barrel for the 2009 third quarter compared to $112.55 per barrel in the same quarter of 2008. Natural gas sales volumes were 182 million cubic feet per day in the third quarter 2009 compared to 46 million cubic feet per day in the third quarter of 2008, with the nearly 300% increase primarily due to higher production at the Tupper area in Western Canada and at the Kikeh field, offshore Sabah Malaysia. North American natural gas volumes were sold at an average of $3.01 per thousand cubic feet (MCF) during the 2009 third quarter compared to $11.51 per MCF during the 2008 quarter. Exploration expenses were $37.9 million in the 2009 quarter compared to $83.4 million in the same period of 2008, with the decrease primarily attributable to lower dry hole costs, mostly in the Gulf of Mexico and offshore Malaysia, and lower undeveloped lease amortization expense for the Tupper properties.

Refining and Marketing (R&M)

The Company's refining and marketing operations generated a quarterly profit of $37.2 million in the third quarter 2009 compared to a profit of $85.8 million in the 2008 third quarter. North American R&M earnings declined in the 2009 period compared to 2008 primarily due to weaker U.S. retail marketing margins. The U.K. results in the 2009 and 2008 third quarters were below break-even due to weak refining margins in each period.

Corporate

The after-tax costs of corporate functions were $32.4 million in the 2009 quarter compared to costs of $31.3 million in the 2008 quarter. The Company earned lower interest income on invested cash balances in 2009 compared to 2008, but lower net interest expense, lower foreign exchange losses and income tax benefits in the 2009 period mostly offset the reduction in interest income.

First Nine Months 2009 vs. First Nine Months 2008

Exploration and Production (E&P)

The Company's E&P continuing operations earned $352.7 million in the first nine months of 2009 compared to $1.53 billion in the same period of 2008. The primary reasons for the lower 2009 earnings were weaker crude oil and natural gas sales prices in the current period and no repeat of after-tax gains from the sales of Canadian assets totaling $108.3 million in 2008. Higher crude oil and natural gas sales volumes in the 2009 period partially offset the effects of the lower sales prices. Continuing operations excludes the results of discontinued operations in Ecuador, which had income of $97.8 million in the 2009 period mostly associated with a gain on sale of these assets in March 2009. Crude oil and gas liquids production from continuing operations for the nine months of 2009 averaged 127,911 barrels per day compared to 106,993 barrels per day in 2008. The 20% crude oil production increase in 2009 was primarily attributable to higher Kikeh field volumes. Natural gas sales were 147 million cubic feet per day in 2009 compared to 57 million cubic feet per day in 2008, with the greater than 150% increase primarily attributable to volumes produced at Tupper and Kikeh, both of which commenced gas production in December 2008. Crude oil, condensate and gas liquids sales prices from continuing operations averaged $52.59 per barrel in the 2009 period compared to $105.36 per barrel in 2008. North American natural gas was sold for $3.50 per MCF in 2009, down from $10.27 per MCF in 2008. Exploration expenses were $184.0 million in 2009 compared to $210.3 million in 2008 as the current-year period primarily included lower expenses for seismic acquisitions in the Gulf of Mexico and leasehold amortization at Tupper properties in Western Canada. Dry hole costs increased in the 2009 period mostly due to unsuccessful exploration drilling in Australia and the Republic of the Congo, but partially offset by reduced costs in Malaysia and the United States.

Refining and Marketing (R&M)

The Company's refining and marketing operations generated a profit of $75.8 million in the first nine months of 2009 compared to a profit of $173.3 million in 2008. The lower 2009 R&M results compared to 2008 in North America were primarily due to weaker retail fuel margins, while results in the United Kingdom were mostly hurt by significantly weaker refining margins.

Corporate

Corporate after-tax costs were $7.5 million in the first nine months of 2009 compared to $95.8 million in the 2008 period. The 2009 period included less net interest expense due to lower average interest rates on long-term borrowings and higher interest amounts capitalized to development projects. The current year also had foreign exchange gains of $42.7 million after taxes, whereas foreign exchange effects were net losses of $27.9 million in the 2008 period. Interest income earned on invested cash balances was significantly less in the 2009 period compared to 2008 due to lower yields paid by financial institutions in the current year.

David M. Wood, President and Chief Executive Officer, commented, "The Company added significant production in the third quarter 2009, with the start-up of a new area during each month of the quarter. The Thunder Hawk field in Mississippi Canyon Block 734 in the deepwater Gulf of Mexico started oil and gas production in July; the Azurite field in Block MPS offshore the Republic of the Congo commenced oil production in August; and new natural gas production came onstream in the waters off Sarawak in Block SK 309 Malaysia in September. These new fields add significant production for the Company, with combined totals of 37,000 barrels of oil equivalent a day anticipated during the fourth quarter 2009. At a time of expanding production, oil prices have improved slightly over recent weeks, no doubt boosted by signs of economic recovery after a prolonged period of worldwide recession. A three-well drilling program on our Eagle Ford shale acreage in South Texas is underway. We recently added some diversity to our downstream operations in the U.S. with the acquisition of an ethanol production facility in Hankinson, North Dakota, in early October. This plant is now fully operational and its production design rate is 110 million gallons per annum.

"Production in the fourth quarter of 2009 is expected to average 193,000 barrels of oil equivalent per day, but sales volumes are projected to average 184,000 barrels of oil equivalent per day. We currently expect earnings in the fourth quarter to be between $0.75 and $0.90 per diluted share. These earnings are based on projected losses of $24.0 million from our refining and marketing business and total exploration expense ranging from $40 to $75 million. Projected results for the fourth quarter could be affected by 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 2009 results on Thursday, November 5 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 1-877-941-6009. The telephone reservation number for the call is 4171047. 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 November 9 by calling 1-800-406-7325. Audio downloads will also be available on the Murphy website through December 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, are subject to inherent risks and uncertainties. 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, political and regulatory instability, and uncontrollable natural hazards. For further discussion of risk factors, see Murphy's 2008 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)

THIRD QUARTER	2009	2008
Revenues	$ 5,183,757,000	8,167,492,000
Income from continuing operations	$ 188,877,000	585,017,000
Net income	$ 188,877,000	584,422,000
Income from continuing operations per Common share		
Basic	$0.99	3.08
Diluted	0.98	3.04
Net income per Common share		
Basic	$0.99	3.08
Diluted	0.98	3.04
Average shares outstanding		
Basic	190,811,162	189,787,636
Diluted	192,641,808	192,243,448

FIRST NINE MONTHS		
Revenues	$ 13,185,155,000	23,021,235,000
Income from continuing operations	$ 420,961,000	1,611,739,000
Net income	$ 518,751,000	1,612,618,000
Income from continuing operations per Common share		
Basic	$2.21	8.51
Diluted	2.19	8.39
Net income per Common share		
Basic	$2.72	8.51

Diluted	2.70	8.39
Average shares outstanding		
Basic	190,691,892	189,499,657
Diluted	192,375,146	192,219,610

Source: Murphy Oil Corporation

Murphy Oil Corporation
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