MURPHY OIL CORP /DE
Form 10-K
February 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
For the transition period from to

Commission file number 1-8590

MURPHY OIL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	71-0361522
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
200 Peach Street, P.O. Box 7000,	
El Dorado, Arkansas	71731-7000
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (as of June 30, 2014) – $11,804,954,783.

Number of shares of Common Stock, $1.00 Par Value, outstanding at January 31, 2015 was 177,501,534.

Documents incorporated by reference:

Portions of the Registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders on May 13, 2015 have been incorporated by reference in Part III herein.

MURPHY OIL CORPORATION

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PART I

Item 1. BUSINESS

Summary

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

The Company was originally incorporated in Louisiana in 1950 as Murphy Corporation. It was reincorporated in Delaware in 1964, at which time it adopted the name Murphy Oil Corporation, and was reorganized in 1983 to operate primarily as a holding company of its various businesses. For reporting purposes, Murphy's exploration and production activities are subdivided into four geographic segments, including the United States, Canada, Malaysia and all other countries. Additionally, "Corporate" activities include interest income, interest expense, foreign exchange effects and administrative costs not allocated to the segments. The Company's corporate headquarters are located in El Dorado, Arkansas.

The Company has transitioned from an integrated oil company to an enterprise entirely focused on oil and gas exploration and production activities. The Company sold its retail marketing assets in the United Kingdom during 2014. The Company has shut down its oil refinery at Milford Haven, Wales, and is in the process of abandoning the facility at year-end 2014. On August 30, 2013, the Company completed the separation of U.S. retail marketing operations with the spin-off of Murphy USA Inc. as a stand-alone company trading on the New York Stock Exchange under the ticker symbol "MUSA."

At December 31, 2014, Murphy had 1,712 employees. Approximately 186 of these employees are currently working to abandon the closed Milford Haven refinery in the U.K. or in support of other operations to be sold in the U.K.

The information appearing in the 2014 Annual Report to Security Holders (2014 Annual Report) is incorporated in this Form 10-K report as Exhibit 13 and is deemed to be filed as part of this Form 10-K report as indicated under Items 1, 2 and 7.

In addition to the following information about each business activity, data about Murphy's operations, properties and business segments, including revenues by class of products and financial information by geographic area, are provided on pages 25 through 46, F-19 thru F-21, F-52 through F-63 and F-65 of this Form 10-K report and on pages 4 and 5 of the 2014 Annual Report (Exhibit 13 of this Form 10-K report).

Interested parties may obtain the Company's public disclosures filed with the Securities and Exchange Commission (SEC), including Form 10-K, Form 10-Q, Form 8-K and other documents, by accessing the Investor Relations section of Murphy Oil Corporation's Web site at www.murphyoilcorp.com.

Exploration and Production

The Company's exploration and production business explores for and produces crude oil, natural gas and natural gas liquids worldwide. The Company's exploration and production management team in Houston, Texas, directs the Company's worldwide exploration and production activities. This business maintains upstream operating offices in other locations around the world, with the most significant of these including Calgary, Alberta and Kuala Lumpur, Malaysia.

During 2014, Murphy's principal exploration and production activities were conducted in the United States by wholly owned Murphy Exploration & Production Company – USA (Murphy Expro USA), in Malaysia, Indonesia, Australia, Brunei, Cameroon, Vietnam, Equatorial Guinea, Suriname and Namibia by wholly owned Murphy Exploration & Production Company – International (Murphy Expro International) and its subsidiaries, and in Western Canada and offshore Eastern Canada by wholly-owned Murphy Oil Company Ltd. (MOCL) and its subsidiaries. Murphy's hydrocarbon production in 2014 was in the United States, Canada and Malaysia. MOCL owns a 5% undivided interest in Syncrude Canada Ltd. in northern Alberta. In December 2014 the Company sold 20% of its interests in Malaysia; a further sale of an additional 10% interest in Malaysia was completed in January 2015. Unless otherwise indicated, all references to the Company's oil, natural gas liquids and natural gas production volumes and proved crude oil, natural gas liquids and natural gas reserves are net to the Company's working interest excluding applicable royalties. Also, unless otherwise indicated, references to oil throughout this document could include crude oil, condensate and natural gas liquids where applicable volumes includes a combination of these products.

Murphy's worldwide crude oil, condensate and natural gas liquids production in 2014 averaged 151,647 barrels per day, an increase of 12% compared to 2013, and the highest oil volumes produced by the Company over an annual period. The increase in 2014 was primarily due to higher crude oil and natural gas liquids production in the Eagle Ford Shale area of South Texas. The Company's worldwide sales volume of natural gas averaged 446 million cubic feet (MMCF) per day in 2014, up 5% from 2013 levels. The increase in natural gas sales volume in 2014 was primarily attributable to higher gas production in the United States, where growth occurred due to further development drilling in the Eagle Ford Shale and start-up of the Dalmatian field in the Gulf of Mexico. Total worldwide 2014 production on a barrel of oil equivalent basis (six thousand cubic feet of natural gas equals one barrel of oil) was 225,973 barrels per day, an increase of 10% compared to 2013, and also a Company record for a single year. If the combined sale of 30% interest in Malaysia had occurred on January 1, 2014, total pro forma daily oil and natural gas production volumes would have been approximately 135,100 barrels and 386 MMCF, respectively, in 2014. The 30% production sold in late 2014 and early 2015 would have reduced 2014 production by approximately 26,600 barrels of oil equivalent per day (boepd), leaving a total of approximately 199,400 boepd of production in 2014 on a pro forma basis.

Total production in 2015 is currently expected to average between 195,000 and 207,000 boepd. The projected production decrease in 2015 is primarily due to the sale of 30% of Malaysia oil and gas assets near year-end 2014. Additionally, due to low oil and gas prices in early 2015, the Company expects to scale back 2015 drilling in the Eagle Ford Shale and Montney areas in North America, which will lead to an expected overall reduction in capital spending of approximately 38% compared to 2014.

United States

In the United States, Murphy primarily has production of crude oil, natural gas liquids and natural gas from fields in the Eagle Ford Shale area of South Texas and in the deepwater Gulf of Mexico. The Company produced approximately 68,300 barrels of crude oil and gas liquids per day and 88 MMCF of natural gas per day in the U.S. in 2014. These amounts represented 45% of the Company's total worldwide oil and 20% of worldwide natural gas production volumes. During 2014, approximately 31% of total U.S. hydrocarbon production was produced at fields in the Gulf of Mexico. Approximately two-thirds of Gulf of Mexico production in 2014 was derived from four fields, including Dalmatian, Medusa, Front Runner and Thunder Hawk. The Company holds a 70% interest in Dalmatian in DeSoto Canyon Blocks 4 and 48, 60% interest in Medusa in Mississippi Canyon Blocks 538/582, and 62.5% working interests in the Front Runner field in Green Canyon Blocks 338/339 and the Thunder Hawk field in Mississippi

Canyon Block 734. During 2014, the Company acquired a 29.1% non-operated interest in the Kodiak field in Mississippi Canyon Blocks 727/771. Development at Kodiak is ongoing and first production is expected in early 2016. Total daily production in the Gulf of Mexico in 2014 was 16,800 barrels of oil and 54 MMCF of natural gas. Production in the Gulf of Mexico in 2015 is expected to total approximately 16,300 barrels of oil and gas liquids per day and 54 MMCF of natural gas per day. At December 31, 2014, Murphy has total proved reserves for Gulf of Mexico fields of 37.0 million barrels of oil and gas liquids and 90 billion cubic feet of natural gas.

The Company holds rights to approximately 152 thousand gross acres in South Texas in the Eagle Ford Shale unconventional oil and gas play. In March 2015, the Company will reduce the number of active drilling rigs from five to four in the Eagle Ford Shale. Total 2014 oil and natural gas production in the Eagle Ford area was approximately 51,300 barrels per day and 33 MMCF per day, respectively. On a barrel of oil equivalent basis, Eagle Ford production accounted for 69% of total U.S. production volumes in 2014. Due to scale back of drilling and infrastructure development activities related to weak oil prices, production in the Eagle Ford Shale is expected to be flat in 2015. Eagle Ford production is expected to average approximately 51,000 barrels of oil and gas liquids per day and 37 MMCF of natural gas per day. At December 31, 2014, the Company's proved reserves in the Eagle Ford Shale area totaled 172.3 million barrels of crude oil, 24.7 million barrels of natural gas liquids, and 136 billion cubic feet of natural gas. Total U.S. proved reserves at December 31, 2014 were 204.9 million barrels of crude oil, 29.1 million barrels of natural gas liquids, and 226 billion cubic feet of natural gas.

Canada

In Canada, the Company owns an interest in three significant non-operated assets – the Hibernia and Terra Nova fields offshore Newfoundland in the Jeanne d'Arc Basin and Syncrude Canada Ltd. in northern Alberta. In addition, the Company owns interests in one wholly-owned heavy oil area and two wholly-owned significant natural gas areas in the Western Canadian Sedimentary Basin (WCSB).

Murphy has a 6.5% working interest in Hibernia, while at Terra Nova the Company's working interest is 10.475%. Oil production in 2014 was about 4,900 barrels of oil per day at Hibernia and 3,800 barrels per day at Terra Nova. Hibernia production declined in 2014 due to maturity of existing wells, while Terra Nova production was slightly higher in 2014. Oil production for 2015 at Hibernia and Terra Nova is anticipated to be approximately 5,100 barrels per day and 3,400 barrels per day, respectively. Total proved oil reserves at December 31, 2014 at Hibernia and Terra Nova were approximately 14.6 million barrels and 7.3 million barrels, respectively.

Murphy owns a 5% interest in Syncrude Canada Ltd., a joint venture located about 25 miles north of Fort McMurray, Alberta. Syncrude utilizes its assets, which include three coking units, to extract bitumen from oil sand deposits and to upgrade this bitumen into a high-value synthetic crude oil. Production in 2014 was about 12,000 net barrels of synthetic crude oil per day and is expected to average about 12,500 barrels per day in 2015. Total proved reserves for Syncrude at year-end 2014 were 105.6 million barrels.

Daily production in 2014 in the WCSB averaged 7,500 barrels of mostly heavy oil and 156 MMCF of natural gas. The Company has 117 thousand net acres of mineral rights in the Montney area, which includes the Tupper and Tupper West natural gas producing areas. Natural gas production commenced at Tupper in December 2008, while Tupper West production started up in February 2011. The Company has 268 thousand net acres of mineral rights in the Seal area located in the Peace River oil sands area of Northwest Alberta. Oil and natural gas daily production for 2015 in Western Canada, excluding Syncrude, is expected to average 5,400 barrels and 173,000 MMCF, respectively. The decrease in oil production in 2015 is expected due to well declines and selective well shut-ins caused by currently low heavy oil prices in the Seal area. The increase in natural gas volumes in 2015 is primarily the result of new wells brought on line in the Tupper and Tupper West areas in late 2014 and early 2015. Total WCSB proved liquids and natural gas reserves at December 31, 2014, excluding Syncrude, were 16.3 million barrels and 825 billion cubic feet, respectively.

Malaysia

In Malaysia, the Company has majority interests in eight separate production sharing contracts (PSCs). The Company serves as the operator of all these areas other than the unitized Kakap-Gumusut field. The production sharing contracts cover approximately 2.62 million gross acres. In December 2014, the Company completed the sale of 20% of its interest in most Malaysian oil and gas assets. The Company additionally sold another 10% of its interest in January 2015. The working interest percentages herein reflect reduced interests following the full sale of 30% of interests, including the final 10% sale completed in 2015. Proved reserves totals presented as of December 31, 2014 reflect only the 20% interest sold in December 2014. An additional reduction of Malaysia proved reserves will occur in 2015 to reflect the additional 10% interest sale in January 2015.

Murphy has a 59.5% interest in oil and natural gas discoveries made in two shallow-water blocks, SK 309 and SK 311, offshore Sarawak. The Company brought on production from five new fields – Serendah, Patricia, South Acis, Permas and Merapuh – during the second half of 2013. These fields are producing through a series of offshore platforms and pipelines tying back to the Company's existing infrastructure. Approximately 21,100 barrels of oil and gas liquids per day were produced in 2014 at Blocks SK 309/311. Oil and gas liquids production in 2015 at fields in Blocks SK 309/311 is anticipated to total about 15,600 barrels of oil per day, with the reduction from 2014 primarily related to the 30% sale. The Company has a gas sales contract for the Sarawak area with PETRONAS, the Malaysian state-owned oil company, and has an ongoing multi-phase development plan for several natural gas discoveries on these blocks. The gas sales contract, including an extension option exercised in 2012, allows for gross sales volumes of up to 250 MMCF per day through September 2021. Total net natural gas sales volume offshore Sarawak was about 169 MMCF per day during 2014 (gross 266 MMCF per day). Sarawak net natural gas sales volumes are anticipated to be approximately 109 MMCF per day in 2015, with the reduction primarily attributable to the 30% sale. Total proved reserves of liquids and natural gas at December 31, 2014 for Blocks SK 309/311 were 17.6 million barrels and 241 billion cubic feet, respectively.

The Company made a major discovery at the Kikeh field in deepwater Block K, offshore Sabah, Malaysia, in 2002 and added another discovery at Kakap in 2004. An additional discovery was made in Block K at Siakap North in 2009. The Company has a 56% interest in Block K discovered fields, which include Kikeh, Kakap-Gumusut (hereafter "Kakap") and Siakap North-Petai (hereafter "Siakap"). Total gross acreage held by the Company in Block K as of December 31, 2014 was approximately 82,000 acres. Production volumes at Kikeh averaged approximately 24,200 barrels of oil per day during 2014. Oil production at Kikeh is anticipated to average approximately 13,700 barrels per day in 2015. The reduction in Kikeh oil production in 2015 is primarily attributable to the 30% interest sell down, but also is impacted by overall field decline. The Kakap field in Block K is operated by another company. The Kakap field was jointly developed with the Gumusut field owned by others and Murphy holds a 9.8% working interest in the unitized development. Early production began in late 2012 at Kakap via a temporary tie-back to the Kikeh production facility. The primary Kakap main field production facility was completed and full-field production started up in October 2014. Kakap oil production in 2014 totaled about 4,400 net barrels of oil per day. In 2015, Kakap production is expected to average near 6,200 barrels of oil per day. The Siakap oil discovery was developed as a unitized area operated by Murphy, with a tie-back to the Kikeh field. Production began in 2014 at Siakap, and daily production averaged near 5,400 barrels of oil for the whole year at this field. In 2015, Siakap field production is expected to average 5,000 barrels of oil per day. The Company has a Block K natural gas sales contract with PETRONAS that calls for gross sales volumes of up to 120 MMCF per day. Gas production in Block K will continue until the earlier of lack of available commercial quantities of associated gas reserves or expiry of the Block K production sharing contract. Natural gas production in Block K in 2014 totaled approximately 32 MMCF per day. Daily gas production in 2015 in Block K is expected to average about 27 MMCF per day. Total proved reserves booked in Block K as of year-end 2014 were 77 million barrels of crude oil and 55 billion cubic feet of natural gas.

The Company also has an interest in deepwater Block H offshore Sabah. In early 2007, the Company announced a significant natural gas discovery at the Rotan well in Block H. The Company followed up Rotan with several other nearby discoveries. Following the partial sell down, Murphy's interests in Block H range between 42% and 56%. Total gross acreage held by the Company at year-end 2014 in Block H was 15.99 million acres. In early 2014, PETRONAS and the Company sanctioned a Floating Liquefied Natural Gas (FLNG) project for Block H, and agreed terms for sales of natural gas to be produced with prices tied to an oil index. First production is expected at Block H in 2018. At December 31, 2014, total natural gas proved reserves for Block H were 340 billion cubic feet.

The Company has a 42% interest in a gas holding area covering approximately 2,000 gross acres in Block P. This interest can be retained until January 2018. The remainder of Block P was relinquished in early 2013.

In May 2013, the Company acquired an interest in shallow-water Malaysia Block SK 314A. The production sharing contract covers a three year exploration period. The Company's working interest in Block SK 314A is 59.5%. This block includes 1.12 million gross acres. The Company has a 70% carry of a 15% partner in this concession through the minimum work program. The first exploration wells are planned in 2015 for this block.

In February 2015, the Company acquired a 50% interest in the offshore Block SK 2C. The Company operates the block, which includes 1.08 million gross acres. The concession carries one well commitment during the one-year exploration period. At the expiration of the first exploration period, the Company can opt to extend for two additional years by agreeing to drill another well.

Murphy has a 75% interest in gas holding agreements for Kenarong and Pertang discoveries made in Block PM 311 located offshore peninsular Malaysia. An application for an extension of a gas holding agreement was presented to PETRONAS in 2014, but the application was rejected. Due to the uncertainty of the future production of the gas discovered in Block PM 311, the Company wrote off the prior-year well costs of $47.4 million related to Kenarong and Pertang in 2014. The Company never included proved reserves of natural gas for Block PM 311 in its proved reserves.

Australia

In Australia, the Company holds eight offshore exploration permits and serves as operator of six of them.

The first permit was acquired in 2007 with a 40% interest in Block AC/P36 in the Browse Basin. Murphy renewed the exploration permit for an additional five years and in that process relinquished 50% of the gross acreage; the license now covers 482 thousand gross acres. In 2012, Murphy increased its working interest in the remaining acreage to 100% and subsequently farmed out a 50% working interest and operatorship. The existing work commitment for this license includes further geophysical work.

In June 2009, Murphy acquired a 70% interest and operatorship in Block NT/P80 in the Bonaparte Basin. In 2013 Murphy acquired 3D seismic data over the block with further work commitments of geophysical studies required under this license.

In May 2012, Murphy was awarded permit WA-476-P in the Carnarvon Basin, offshore Western Australia. The Company holds 100% working interest in the permit which covers 177 thousand gross acres. The WA-476-P permit has a primary term work commitment consisting of seismic data purchase and geophysical studies, and all primary term commitments have been completed for this permit.

The Company also acquired permit WA-481-P in the Perth Basin, offshore Western Australia, in August 2012. Murphy holds a 40% working interest and operatorship of the permit, which covers approximately 4.30 million gross acres. The work commitment calls for 2D and 3D seismic acquisition and processing, geophysical work and three exploration wells, which are expected to be drilled in the first half of 2015. The first exploration well was being drilled in February 2015.

In November 2012, Murphy acquired a 20% non-operated working interest in permit WA-408-P in the Browse Basin. The permit comprises approximately 417 thousand gross acres. Two wells were drilled on the license in 2013. The first well found hydrocarbon but was deemed commercially unsuccessful and was written off to expense. The second well was also unsuccessful and costs were expensed.

The Company was awarded permit EPP43 in the Ceduna Basin, offshore South Australia, in October 2013. The Company operates the concession and holds a 50% working interest in the permit covering approximately 4.08 million gross acres. The exploration permit has commitments for 2D and 3D seismic, which was in the process of being shot in early 2015.

In April 2014 and June 2014, Murphy was awarded licenses AC/P57 and AC/P58 in the Vulcan Sub Basin, offshore Western Australia. The respective blocks cover approximately 82 thousand and 692 thousand gross acres. These exploration permits cover six years each and require 3D seismic reprocessing and a gravity survey.

Indonesia

The Company currently has interests in two exploration licenses in Indonesia and serves as operator of these concessions. In December 2010, Murphy entered into a production sharing contract in the Wokam II block, offshore West Papua, Moluccas and Papua. Murphy has a 100% interest in the block which covers 1.22 million gross acres. The three-year work commitment called for seismic acquisition and processing, which the Company completed in 2013. The Company expects to relinquish this license in 2015.

In November 2011, the Company acquired a 100% interest in a production sharing contract in the Semai IV block, offshore West Papua. The concession includes 873 thousand gross acres, and the agreement called for work commitments of seismic acquisition and processing, which were undertaken in 2014. The Company anticipates relinquishing this license in 2015.

In November 2008, Murphy entered into a production sharing contract in the Semai II block, offshore West Papua. The Company had a 28.3% interest in the block which covered about 543 thousand gross acres after a required partial relinquishment of acreage during 2012. The permit called for a 3D seismic program and three exploration wells. The 3D seismic was acquired in 2010, while the first exploration well in the Semai II block was drilled in early 2011 and was unsuccessful. The second and third exploration wells were drilled in 2014 and were also unsuccessful. The Company relinquished this license in 2014.

In May 2008, the Company entered into a production sharing contract at a 100% interest in the South Barito block in south Kalimantan on the island of Borneo. Following contractually mandated acreage relinquishment in 2012, the block covered approximately 745 thousand gross acres. The contract granted a six-year exploration term with an optional four-year extension. The Company relinquished this license in 2014.

Brunei

In late 2010, the Company entered into two production sharing agreements for properties offshore Brunei. The Company has a 5% working interest in Block CA-1 and a 30% working interest in Block CA-2. The CA-1 and CA-2 blocks cover 1.44 million and 1.49 million gross acres, respectively. Three successful wells were drilled in Block CA-1 in 2012 and three wells were successfully drilled in Block CA-2 in 2013. The partnership group is evaluating development options for these blocks.

Vietnam

In November 2012, the Company signed a production sharing contract with Vietnam National Oil and Gas Group and PetroVietnam Exploration Production Company, whereby it acquired 65% interest and operatorship of Blocks 144 and 145. The blocks cover approximately 4.42 million gross acres and are located in the outer Phu Khanh Basin. The Company licensed existing 2D seismic for these blocks in 2013.

In late 2012, the Company was granted Vietnam's government approval to acquire a 60% working interest and operatorship of Block 11-2/11 and the production sharing contract was signed in June 2013. The block covers 677 thousand gross acres. The Company acquired 3D seismic and performed other geological and geophysical studies in this block in 2013. This concession carries a three-well commitment.

In early 2014, the Company farmed into Block 13-03. The Company has a 20% working interest in this concession which covers 853 thousand gross acres. Murphy expensed an unsuccessful exploration well drilled in the block in 2014.

Suriname

In December 2011, Murphy signed a production sharing contract with Suriname's state oil company, Staatsolie Maatschappij Suriname N.V. (Staatsolie), whereby it acquired a 100% working interest and operatorship of Block 48 offshore Suriname. The block encompasses 794 thousand gross acres with water depths ranging from 1,000 to 3,000 meters. In early 2014, Murphy farmed out a portion of its working interest in Block 48, thereby reducing its interest from 100% to 50% and in early 2015 Murphy relinquished its license in this block.

Cameroon

In October 2011, Murphy was granted government approval to acquire a 50% working interest and operatorship of the Ntem concession. The working interest was acquired through a farm-out agreement of the existing production sharing contract. The Ntem block, situated in the Douala Basin offshore Cameroon, encompasses 573 thousand gross acres, with water depths ranging from 300 to 1,900 meters. The concession was in force majeure until January 2014. With force majeure lifted, the Company drilled an unsuccessful exploration well on the Ntem prospect in 2014. The Company declared force majeure again in May 2014. The Company intends to withdraw from this block in 2015.

In October 2012, Murphy acquired a 50% non-operated interest in the Elombo production sharing contract, immediately adjacent to the Ntem concession. The Elombo block, situated in the Douala Basin offshore Cameroon, between the shoreline and the Ntem block, encompasses 594 thousand gross acres with water depths ranging up to 1,100 meters. The initial exploration period was for three years and was scheduled to end in March 2013. Prior to the end of the initial period the Company drilled an unsuccessful shallow well. The initial exploration period was extended for two years through March 2015 with an obligation for one well. Murphy drilled an unsuccessful deepwater well in the block in 2013 as part of the obligations under the agreement. The Company relinquished its interest in this license in 2014.

Equatorial Guinea

In December 2012, Murphy signed a production sharing contract for block “W” offshore Equatorial Guinea. Murphy has a 45% working interest and operates the block. The government ratified the contract in April 2013. The block is located offshore mainland Equatorial Guinea and encompasses 557 thousand gross acres with water depths ranging from 1,200 to 2,000 meters. The initial exploration period of five years is divided into two sub-periods, a first sub-period of three years and a second sub-period of two years. The first sub-period may be extended one year, and the extension carries an obligation to drill one well. Entering into the second sub-period carries an obligation to drill an additional well. In early 2014, Murphy completed acquisition of new 3D seismic over the entire block. Using the available seismic data, the Company is evaluating the potential for drilling.

Namibia

In March 2014, the Company acquired a 40% working interest and operatorship of Blocks 2613 A/B. The Company acquired the working interest through a farm-out arrangement under the existing petroleum agreement entered into in October 2011. The block encompasses 2,734 thousand gross acres with water depths ranging from 400 to 2,500 meters. The initial exploration period of four years may be extended one year. Entering the first renewal period has the obligation to drill an exploration well. Entering the second renewal period has the obligation to drill an additional well. In 2014, Murphy completed acquisition of new 3D seismic over the block. Using the available seismic data, the Company is evaluating the potential for drilling.

Republic of the Congo

The Company formerly had interests in Production Sharing Agreements (PSA) covering two offshore blocks in Republic of the Congo – Mer Profonde Sud (MPS) and Mer Profonde Nord (MPN). In 2005, Murphy made an oil discovery at Azurite Marine #1 in the southern block, MPS. Total oil production in 2013 averaged 1,000 barrels per day at Azurite for the Company's 50% interest. The field was shut down and ceased production in the fourth quarter of 2013 and abandonment operations were completed in 2014. Abandonment and other exit charges of $82.5 million were recorded in the fourth quarter of 2013 associated with the earlier than anticipated shutdown of the Azurite field. The MPN block exploration license expired on December 30, 2012 and MPS block exploration license expired in March 2013. Murphy decommissioned the Azurite field upon completion of abandonment in 2014 and has exited the country.

United Kingdom – Discontinued Operations

Murphy produced oil and natural gas in the United Kingdom sector of the North Sea for many years. In 2013, Murphy sold all of its oil and gas properties in the U.K. with an after-tax gain of $216.1 million on the sale. Total 2013 production in the U.K. on a full-year basis amounted to about 600 barrels of oil per day and 1 MMCF of natural gas per day. The Company has accounted for U.K. oil and gas activities as discontinued operations for all periods presented.

Ecuador – Discontinued Operations

Murphy sold its 20% working interest in Block 16, Ecuador in March 2009. In October 2007, the government of Ecuador passed a law that increased its share of revenue for sales prices that exceed a base price (about $23.36 per barrel at December 31, 2008) from 50% to 99%. The government had previously enacted a 50% revenue sharing rate in April 2006. The Company initiated arbitration proceedings against the government in one arbitral body claiming that the government did not have the right under the contract to enact the revenue sharing provision. In 2010, the arbitration panel determined that it lacked jurisdiction over the claim due to technicalities. The arbitration was refiled in 2011 before a different arbitral body. The arbitration proceeding was held in late 2014 and is likely to take many months to reach conclusion. The Company's total claim in the arbitration process is approximately $118 million.

Proved Reserves

Total proved reserves for crude oil, synthetic oil, natural gas liquids and natural gas as of December 31, 2014 are presented in the following table.

	Proved Reserves			
	Crude Oil	Synthetic Oil	Natural Gas Liquids	Natural Gas
Proved Developed Reserves:	(millions of barrels)			(billions of cubic feet)
United States	106.2	–	16.5	145.6
Canada	32.4	105.6	0.2	467.4
Malaysia	79.9	–	0.8	199.1
Total proved developed reserves	218.5	105.6	17.5	812.1
Proved Undeveloped Reserves:				
United States	98.7	–	12.6	80.7
Canada	5.0	–	0.5	375.4
Malaysia	14.0	–	–	436.5
Total proved undeveloped reserves	117.7	–	13.1	892.6
Total proved reserves	336.2	105.6	30.6	1,704.7

Murphy Oil's proved undeveloped reserves increased during 2014 as presented in the table that follows:

(Millions of oil equivalent barrels)	Total Proved	Total Proved Undeveloped
Proved undeveloped reserves:		
Beginning of year	687.9	252.7
Revisions of previous estimates	23.7	8.3
Improved recovery	8.6	–
Extension and discoveries	163.4	123.8
Conversion to proved developed reserves	–	(90.6)
Purchases of properties	7.0	7.0
Sales of properties	(51.6)	(21.7)
Production	(82.5)	–
End of year	756.5	279.5

During 2014, Murphy added proved reserves of 202.7 million barrels of oil equivalent (mmboe). The most significant adds were in Block H Malaysia where a newly sanctioned floating liquefied natural gas project added 70.9 mmboe, drilling and well performance in the Montney gas area of Western Canada that added 56.2 mmboe, and drilling and well performance in the Eagle Ford Shale that added 37.9 mmboe. The Company sold 20% of its oil and gas assets in Malaysia and other various fields during the year which reduced its proved reserves by 51.6 mmboe.

Murphy's total proved undeveloped reserves at December 31, 2014 increased 26.8 MMBOE from a year earlier. The conversion of non-proved reserves to newly reported proved undeveloped reserves reported in the table as extensions and discoveries during 2014 was predominantly attributable to three areas – drilling in the Eagle Ford Shale area of South Texas and the Montney area in Western Canada as these areas had active development work ongoing during the year, and the sanction of a development plan for Block H Malaysia during 2014. The majority of proved undeveloped reserves additions associated with revisions of previous estimates were the result of improved completion design and increased fracturing size at Tupper and Tupper West in the Montney area. The majority of the proved undeveloped reserves migration to the proved developed category occurred in the Eagle Ford Shale and Block K Malaysia. The approval of the development plan for Block H Malaysia added proved undeveloped reserves of 70.9 MMBOE during 2014. The Company sold 20% of its Malaysia oil and gas properties in late 2014, which led to a reduction of proved undeveloped reserves of 21.7 MMBOE during the year. The Company spent approximately $2.2 billion in 2014 to convert proved undeveloped reserves to proved developed reserves. The Company expects to spend about $1.2 billion in 2015, $1.5 billion in 2016 and $1.6 billion in 2017 to move currently undeveloped proved reserves to the developed category. The anticipated level of spend in 2015 includes drilling in several locations, primarily in the Eagle Ford Shale area. In computing MMBOE, natural gas is converted to equivalent barrels of oil using a ratio of six thousand cubic feet (MCF) to one barrel of oil.

At December 31, 2014, proved reserves are included for several development projects, including oil developments at the Eagle Ford Shale in South Texas and the Kakap, Kikeh and Siakap fields, offshore Sabah, Malaysia, as well as natural gas developments offshore Sarawak and offshore Block H, Malaysia. Total proved undeveloped reserves associated with various development projects at December 31, 2014 were approximately 279 MMBOE, which is 37% of the Company's total proved reserves. Certain development projects have proved undeveloped reserves that will take more than five years to bring to production. Two such projects have significant levels of such proved undeveloped reserves. The Company operates a deepwater field in the Gulf of Mexico that has two undeveloped locations that exceed this five-year window. Total reserves associated with the two wells amount to less than 1% of the Company's total proved reserves at year-end 2014. The development of certain of this field's reserves stretches beyond five years due to limited well slots available on the production platform, thus making it necessary to wait for depletion of other wells prior to initiating further development of these two locations. The second project that will take more than five years to develop is offshore Malaysia and makes up approximately 2% of the Company's total proved reserves at year-end 2014. This project is an extension of the Sarawak natural gas project and is expected to be on production in 2015 once current project production volumes decline. The Block H development project has undeveloped proved reserves that make up 7% of the Company's total proved reserves at year-end 2014. This operated project will take longer than five years from discovery to completely develop due to construction of floating LNG facilities and the remote location offshore deep waters in Sabah Malaysia. Field start up is expected to occur in 2018, which is less than five years beyond the period that proved undeveloped reserves were recorded.

Murphy Oil's Reserves Processes and Policies

The Company employs a Manager of Corporate Reserves (Manager) who is independent of the Company's oil and gas management. The Manager reports to the Senior Vice President, Corporate Planning & Services, of Murphy Oil Corporation, who in turn reports directly to the President and Chief Executive Officer of Murphy Oil. The Manager makes presentations to the Board of Directors periodically about the Company's reserves. The Manager reviews and discusses reserves estimates directly with the Company's reservoir engineering staff in order to make every effort to ensure compliance with the rules and regulations of the SEC and industry. The Manager coordinates and oversees reserves audits. These audits are performed annually and target coverage of approximately one-third of Company reserves each year. The audits are performed by the Manager and qualified engineering staff from areas of the Company other than the area being audited. The Manager may also utilize qualified independent reserves consultants to assist with the internal audits or to perform separate audits as considered appropriate.

Each significant exploration and production office maintains one or more Qualified Reserve Estimators (QRE) on staff. The QRE is responsible for estimating and evaluating reserves and other reserves information for his or her assigned area. The QRE may personally make the estimates and evaluations of reserves or may supervise and approve the estimation and evaluation thereof by others. A QRE is professionally qualified to perform these reserves estimates due to having sufficient educational background, professional training and professional experience to enable him or her to exercise prudent professional judgment. Normally, this requires a minimum of three years practical experience in petroleum engineering or petroleum production geology, with at least one year of such experience being in the estimation and evaluation of reserves, and either a bachelors or advanced degree in petroleum engineering, geology or other discipline of engineering or physical science from a college or university of recognized stature, or the equivalent thereof from an appropriate government authority or professional organization.

Larger offices of the Company also employ a Regional Reserves Coordinator (RRC) who supervises the local QREs. The RRC is usually a senior QRE that has the primary responsibility for coordinating and submitting reserves information to senior management.

The Company's QREs maintain files containing pertinent data regarding each significant reservoir. Each file includes sufficient data to support the calculations or analogies used to develop the values. Examples of data included in the file, as appropriate, include: production histories; pertinent drilling and work over histories; bottom hole pressure data; volumetric, material balance, analogy or other pertinent reserve estimation data; production performance curves; narrative descriptions of the methods and logic used to determine reserves values; maps and logs; and a signed copy of the conclusion of the QRE stating, that in their opinion, the reserves have been calculated, reviewed, documented and reported in compliance with the regulations and guidelines contained in the reserves training manual. The Company's reserves are maintained in an industry recognized reservoir engineering software system, which has adequate access controls to avoid the possibility of improper manipulation of data. When reserves calculations are completed by QREs and appropriately reviewed by RRCs and the Manager, the conclusions are reviewed and discussed with the head of the Company's exploration and production business and other senior management as appropriate. The Company's Controller's department is responsible for preparing and filing reserves schedules within the Form 10-K report.

Murphy provides annual training to all company reserves estimators to ensure SEC requirements associated with reserves estimation and associated Form 10-K reporting are fulfilled. The training includes materials provided to each participant that outlines the latest guidance from the SEC as well as best practices for many engineering and geologic matters related to reserves estimation.

Qualifications of Manager of Corporate Reserves

The Company believes that it has qualified employees preparing oil and gas reserves estimates. Mr. F. Michael Lasswell serves as Corporate Reserves Manager after joining the Company in 2012. Prior to joining Murphy, Mr. Lasswell was employed as a Regional Coordinator of reserves at a major integrated oil company. He worked in several capacities in the reservoir engineering department with the oil company from 2002 to 2012. Mr. Lasswell earned a Bachelors of Science degree in Civil Engineering and a Masters of Science degree in Geotechnical Engineering from Brigham Young University. Mr. Lasswell has experience working in the reservoir engineering field in numerous areas of the world, including the North Sea, the U.S. Arctic, the Middle East and Asia Pacific. He serves on the Society of Petroleum Engineers (SPE) Oil and Gas Reserves Committee (OGRC) and is also co-author of a paper on the Recognition of Reserves which was published by the SPE. Mr. Lasswell has also attended numerous industry training courses.

More information regarding Murphy's estimated quantities of proved reserves of crude oil, natural gas liquids and natural gas for the last three years are presented by geographic area on pages F-54 through F-60 of this Form 10-K report. Murphy has not filed and is not required to file any estimates of its total proved oil or gas reserves on a recurring basis with any federal or foreign governmental regulatory authority or agency other than the U.S. Securities and Exchange Commission. Annually, Murphy reports gross reserves of properties operated in the United States to the U.S. Department of Energy; such reserves are derived from the same data from which estimated proved reserves of such properties are determined.

Crude oil, condensate and natural gas liquids production and sales, and natural gas sales by geographic area with weighted average sales prices for each of the seven years ended December 31, 2014 are shown on pages 4 and 5 of the 2014 Annual Report (Exhibit 13 of this Form 10-K report). In 2014, the Company's production of oil and natural gas represented approximately 0.1% of worldwide totals.

Production expenses for the last three years in U.S. dollars per equivalent barrel are discussed beginning on page 34 of this Form 10-K report. For purposes of these computations, natural gas sales volumes are converted to equivalent barrels of oil using a ratio of six MCF of natural gas to one barrel of oil.

Supplemental disclosures relating to oil and gas producing activities are reported on pages F-52 through F-65 of this Form 10-K report.

At December 31, 2014, Murphy held leases, concessions, contracts or permits on developed and undeveloped acreage as shown by geographic area in the following table. Gross acres are those in which all or part of the working interest is owned by Murphy. Net acres are the portions of the gross acres attributable to Murphy's interest.

	Developed		Undeveloped		Total	
Area (Thousands of acres)	Gross	Net	Gross	Net	Gross	Net
United States – Onshore	82	77	70	66	152	143
– Gulf of Mexico	14	6	942	590	956	596
Total United States	96	83	1,012	656	1,108	739
Canada – Onshore, excluding oil sands	77	76	510	493	587	569
– Offshore	105	9	43	2	148	11
– Oil sands – Syncrude	96	5	160	8	256	13
Total Canada	278	90	713			